



Chicago Metropolitan
Agency for Planning

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MEMORANDUM

To: CMAP Board
From: CMAP Staff
Date: February 1, 2012
Re: Regional Tax Policy Task Force Report to the CMAP Board

On January 13 the Regional Tax Policy Task Force finalized a report for transmission to the CMAP Board. The charge to the Task Force was to provide further guidance and advice to the Board as to how, and under what circumstances, CMAP should exercise its responsibilities with respect to state and local tax policy. The full report is enclosed in your materials.

The CMAP Board is not being asked, nor will be asked, to approve the report as written. Rather, the report should be viewed as advice for the Board, which can choose specific items to pursue further.

At this meeting, Frank Beal, Chair of the Regional Tax Policy Task Force and CMAP staff will provide an overview of the process and the recommendations contained in the report. At the next meeting in March, CMAP staff will engage the Board in a discussion about specific tax policy topics that might be pursued as priorities in the near and long term.

ACTION REQUESTED: Information

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January 30, 2012

Board of Directors
Chicago Metropolitan Agency for Planning
233 South Wacker Drive, Suite 800
Chicago, Illinois 60606

Re: The Tax Policy Task Force

Ladies and Gentlemen:

Thank you for the time you devote to your service for our regional community and your desire to make it a better place for all of us who reside, work or visit here. As members of the recently concluded Tax Policy Task Force, we enjoyed the engagement with our fellow task force members and the lively discussion about many of the issues around several of the various taxes in our state and region. While we arrived at few conclusions, the final report indicated that we all participated on the task force and that there was some support for various ideas espoused therein. To think that all of the contents of the report were agreed to by all, however, would be incorrect.

There are a few thoughts, as a follow up to the Task Force, which we believe would be helpful to share.

First, while the Task Force was charged with looking at how tax policy affects the regional economy, sustainability, equity and development decisions, the difficulty of trying to view how tax policy affects those aspects of the region in a silo, not only guaranteed getting a very limited picture of what may or may not be occurring in our region, but left little ability to understand how reform of tax policy would lead to any change. Understanding what is occurring in parts of the region which appear successful in attaining the goals of the 2040 plan and in those which are not having success, particularly in terms of revenues, expenditures and development (and the history of that development) would be far more illustrative of the effect tax policy and other forces are having on the region and would provide better guidance for improving our region. The fact that one cannot view the effect of "tax policy" on a region's development in a vacuum and also that it may only have a de minimis effect on the region's development and economy compared to other forces (market forces, residents' desire for certain land uses, etc.) is illustrated by the realities of the City of Chicago. Chicago operates under a single tax structure with the ability to distribute revenues throughout the city. Nonetheless, the city has economic and developmental diversity in its neighborhoods, demonstrating that factors other than tax policy influence development patterns and economic success. Chicago is essentially a subset of the entire region – in its size and diversity of neighborhoods – some completely residential, some almost completely commercial - retail, office or industrial, and many mixed use – from areas of high tax capacity like the Gold Cost or the Loop to the most economically depressed in the region. Many would argue that one of the strengths of Chicago is its diversity of neighborhoods, yet appreciating that a goal would be to make the depressed areas not so. Viewed through the lens of tax policy, one recognizes how many other forces are at play in creating and maintaining Chicago, because as a single

municipal entity (essentially wholly within Cook County) it is able to expend all of its various tax revenues (collected in various parts of the city) presumably equitably to provide services for the entire city – and yet the diversity of the various sections of the city remain. The link between tax policy and regional development, prosperity and equity becomes even more muddled particularly in terms of tax distribution, when one recognizes that Chicago, with one-third of the region's population, receives half of the revenues received by all municipal and township government in the region.

No matter how the region is studied in terms of implementing the 2040 plan, we cannot stress enough the importance of using real, current data from the region. Municipalities' budgets, financial statements, comprehensive development plans and zoning ordinances and other important documents are all public records and are replete with information on what the citizens of the region desire in terms of land use and how they have authorized their local elected governments to spend to provide the services they demand and for which they are willing to pay. Only through the use of real data, as opposed to a normalized 30 acre site used for some task force data or an academic study, will CMAP have an understanding of what is actually occurring here and be able to assist in planning for the region or providing accurate information to be used for policy discussions. Also, gathering data from the businesses regarding location and retention decisions, including **what** makes the business decide to come to the region or stay here, would give great insight into the criteria and priorities for business and where tax policy fits into that picture. Where does the amount of real estate tax to be paid or sales tax collected, rank as factors compared to where the market is for a retailer, or quality of life factors for a corporate headquarters?

One final thought concerns the third recommendation in the Task Force report:

“CMAP should pursue a source of regional funding to help finance regional infrastructure investments. The funding should be regionally sourced either through new revenues or through repurposing increased revenue streams. CMAP should advocate for a funding mechanism and administrative structure to support regional infrastructure needs such as roads, rail and freight infrastructure,”

This statement seems to literally put the cart before the horse. There is no question that when a particular needed infrastructure project is proposed, CMAP (and others) will want to find a source for its funding. To establish a funding mechanism and administrative bureaucracy before we know what we are funding, however, seems at the least, very inefficient and unwise in a time when we are all concerned with reining in the cost of government.

We offer our comments to give you additional food for thought as you consider how to proceed in the wake of our Task Force report. Thank you for your consideration.

Sincerely,



Karen Darch
Village President
Village of Barrington



Larry Hartwig
Mayor
Village of Addison



Paul Braun
Mayor
Village of Flossmoor