



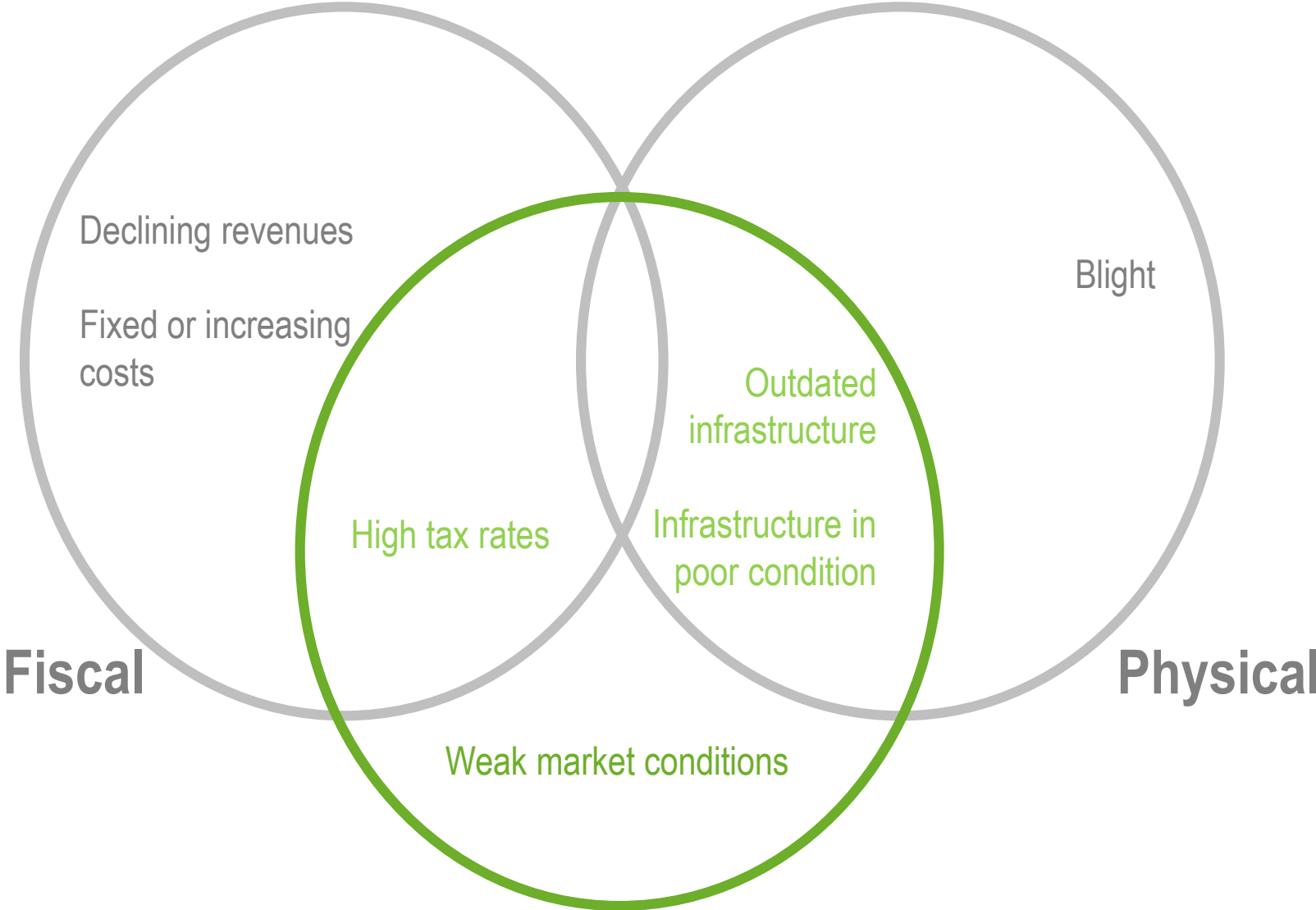
# Disinvestment Policy Analysis

April 9, 2019



# Current realities in disinvested areas

# Challenges



# Constraints

**Tax policies constrain local choices**

Local capacity is limited

Public sector support is not concerted

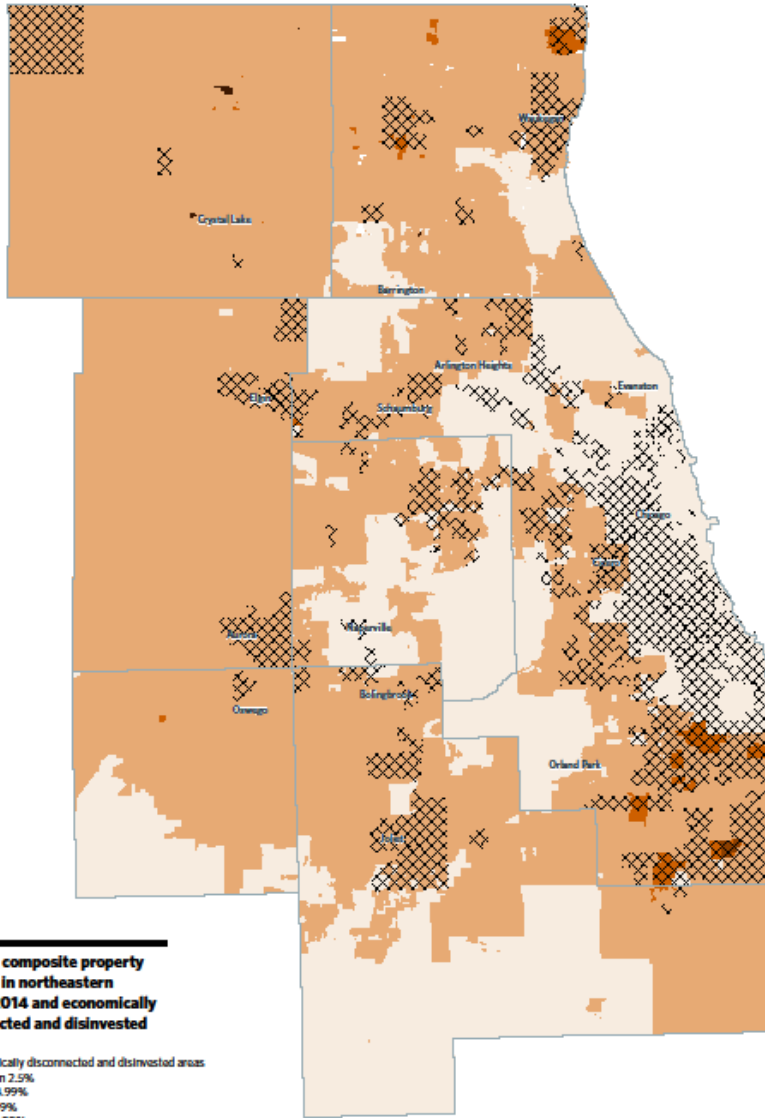
# ***Tax policies constrain local choices***

High tax burden

Incentives require leverage

- *Property tax incentive classes (Cook)*
- *Sales tax rebates*
- *Tax increment financing (TIF)*

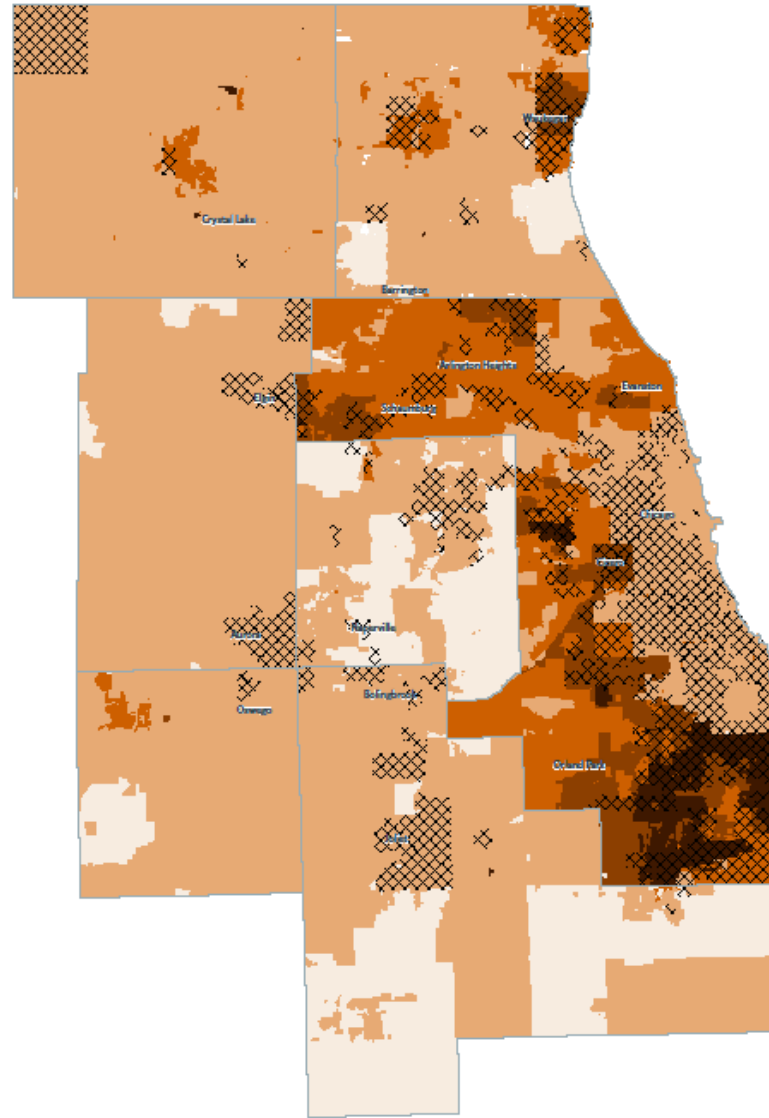
# Residential Property



**Effective composite property tax rates in northeastern Illinois, 2014 and economically disconnected and disinvested areas**

- ⊗ Economically disconnected and disinvested areas
- Lightest orange: Less than 2.5%
- Light orange: 2.5% - 4.99%
- Orange: 5% - 7.49%
- Dark orange: 7.5% - 9.99%
- Dark brown: 10% or greater

# Commercial and Industrial Property



Source: Chicago Metropolitan Agency for Planning analysis of Illinois Department of Revenue data, 2014; county clerk and assessor data; Community Reinvestment Act data on small loans made to businesses, 2007 and 2015 (accessed through the Woodstock Institute); Illinois Department of Employment Security data, 1970, 1980, 1990, 2000, and 2015; and American Community Survey data, 5-year estimates, 2010-14 and 2011-15.

# Property tax incentive classes (Cook)

Reduces commercial/industrial property assessment rate

Produces a local shift in the property tax burden

Disinvested communities tend to have a greater share of their commercial/industrial tax base in an incentive class

# Sales tax rebates

Communities offer sales tax revenues to businesses and developers

Requires pre-existing commercial activity and financial stability to forego a share of its revenues

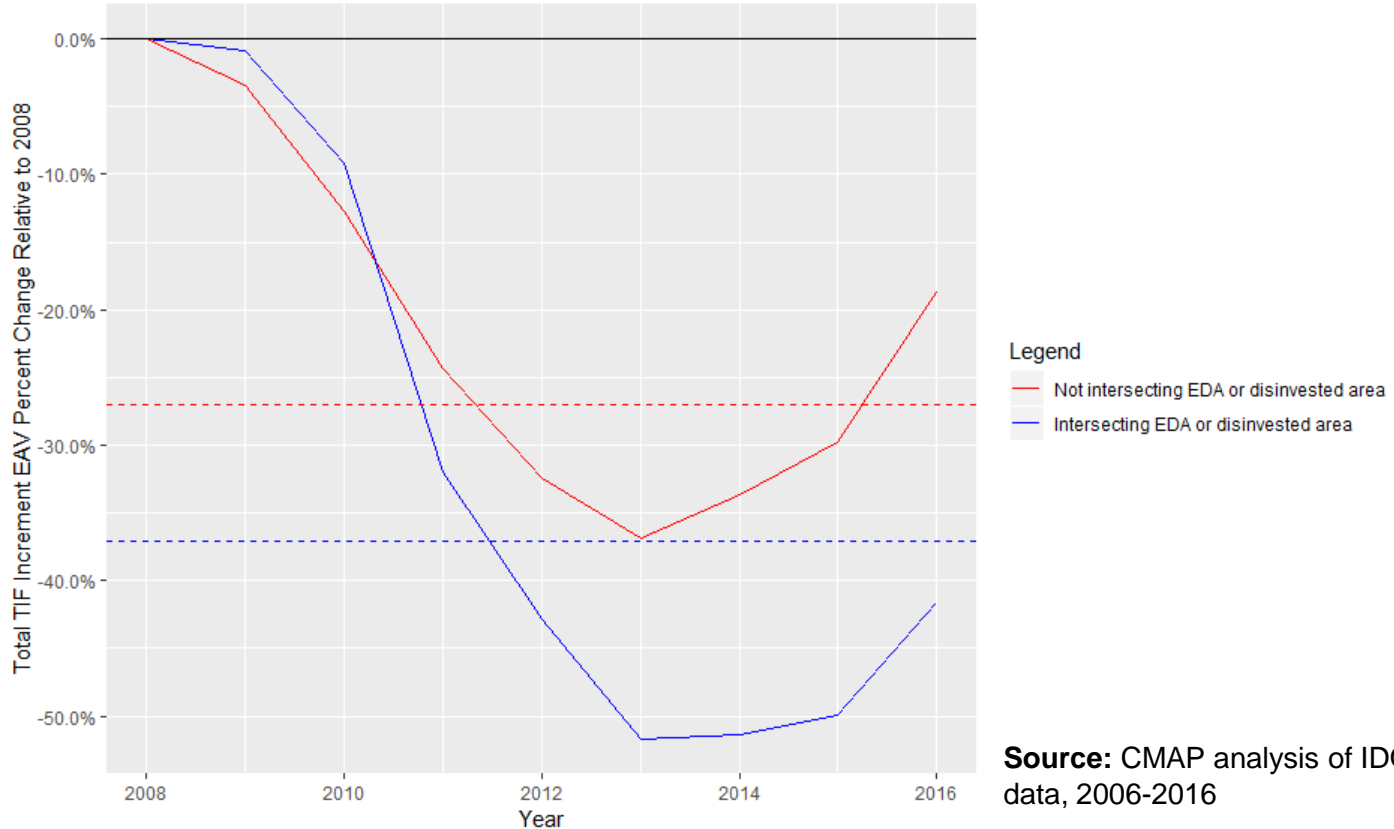
Approximately 25% of disinvested communities and 50% of not-disinvested communities offer sales tax rebates



# Tax increment financing

Geographic designation for redeveloping blighted or conservation areas, grounded in property value growth

Functional difference between TIF districts in weak-market and strong-market areas



# Strategies for reinvestment

# Draft strategy framework

Improve the function of existing resources, processes, and programs

Leverage local assets to promote equitable reinvestment

Modernize state and local tax policies to support inclusive growth

# ***Improve the function of existing resources, processes, and programs***

Coordination between agencies and scales

Potential for state role in fiscal condition of local governments

State-enabling legislation for land banks

Regulatory incentives

# ***Leverage local assets to promote equitable reinvestment***

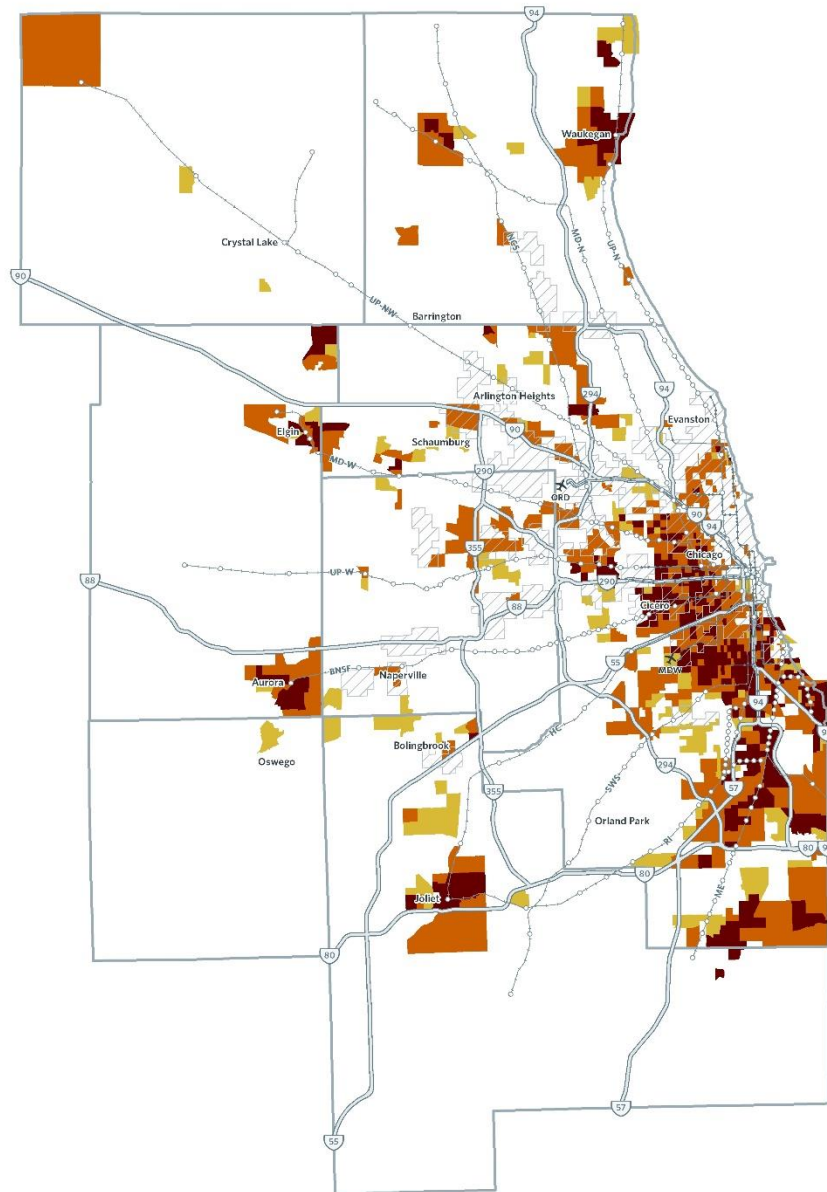
Network accessibility

Local infrastructure investment

Data collection capabilities for infrastructure condition

## Employment Clusters, Economically Disconnected Areas, and disinvested areas

- ⊘ Employment Clusters
- Only disinvested
- Only EDA
- Both EDA and disinvested



Source: Chicago Metropolitan Agency for Planning analysis of CDFI Fund data; American Community Survey data, 5-year estimates, 2010-2014 and 2011-2015; Community Reinvestment Act (CRA) data on small loans made to businesses, 2007 and 2015 (accessed through the Woodstock Institute); county assessor data aggregated from parcel to tract level by property class, 2010 and 2015; and Illinois Department of Employment Security data, 1970, 1980, 1990, 2000, and 2015.

# ***Modernize state and local tax policies to support inclusive growth***

State disbursements

Phase out property tax classification in Cook County

Subregional revenue sharing

Directing revenues/assistance to disinvested areas



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