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## **City Should Have Turned to TIFs Instead of Property Tax Hikes: Study.**

What the City of Chicago spent in each of the last several years on tax-increment financing funding exceeded what it owed in pension costs, so any proposal to raise property taxes to fund pensions should consider TIFs, wrote the authors of a study to be released Friday titled, "Putting Municipal Pension Costs in Context: Chicago."

For 2012 alone, the city owed \$385.8 million to its pension funds while putting \$457 million in property taxes into its TIFs, wrote Thomas Cafcas and Greg LeRoy, of Good Jobs First, a Washington, D.C.-based think tank that examines public subsidies. TIF revenue more than tripled since 2000, when it was about \$129 million, they said, and once the money comes out of the city's general fund, its uses are curtailed by law.

Meanwhile, in a pension deal that must be approved in Springfield, Mayor Rahm Emanuel has proposed raising property taxes and pension reform for retired laborers and certain other city workers, including school clerks and classroom aides.

"What we're saying in the report is that any fair budgeting discussion that happens around the pensions certainly should include the enormous amount of revenues that are being diverted by TIFs," Cafcas said. "A picture of the sky falling everywhere in Chicago is being painted. We think all of the city's budget should be considered here."

Inside a TIF district, a portion of property tax revenue ordinarily destined for local governments is siphoned into a special fund to subsidize public or private projects at City Hall's discretion. The district is supposed to meet legal standards for being "blighted," but that definition has been stretched to include downtown Chicago and popular neighborhoods near it.

The city earmarked \$55 million for a proposed DePaul basketball arena/McCormick Place event center, which resulted in public uproar. It since has moved the money to a 1,200-room hotel project next to the arena site. But millions in TIF funds are paying for the resurfacing of parts of Lake Shore Drive and improvements to streetlights on the West Side.

Of the \$3.38 billion the city spent in TIF money between 2003 and 2012, \$1.27 billion paid for private development projects, but \$1.13 billion went toward debt service on past projects and \$1.22 billion paid for public improvements, according to the mayor's 2013 financial analysis.

"We cannot stop the bleeding of the City's pension crisis through the use of TIFs or TIF surplus, which would only serve as one-time revenue," Kelley Quinn, a spokeswoman for the city budget office, said in an emailed statement. "The City's pension crisis has been building for decades — much longer than the existence of TIFs, which are used for brick and mortar capital projects that improve our parks, schools, roads, and businesses — all of which enhance Chicago's neighborhoods."

The Chicago Teachers Union has 10,000 active and retired members that would be affected by the

mayor's municipal pension proposal and has yet to reach a deal on teacher pensions. It has been calling for creative sources of revenue to solve pension and other budgetary problems.

CTU staff coordinator Jackson Potter called the study's findings "profound," saying "it shows this was a manufactured crisis."

TIFs were intended to help truly poor neighborhoods that needed investments, he said, and the CTU members who are part of the city's deal had low-paying jobs to begin with as lunch helpers, janitors and classroom aides.

"The neighborhoods that receive the most TIF money need it the least," Potter said. "The irony is the very people who live in those communities who were supposed to benefit from TIF dollars are the ones that are getting their pensions cut."

[Study: "Putting Municipal Pension Costs in Context: Chicago"](#)



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