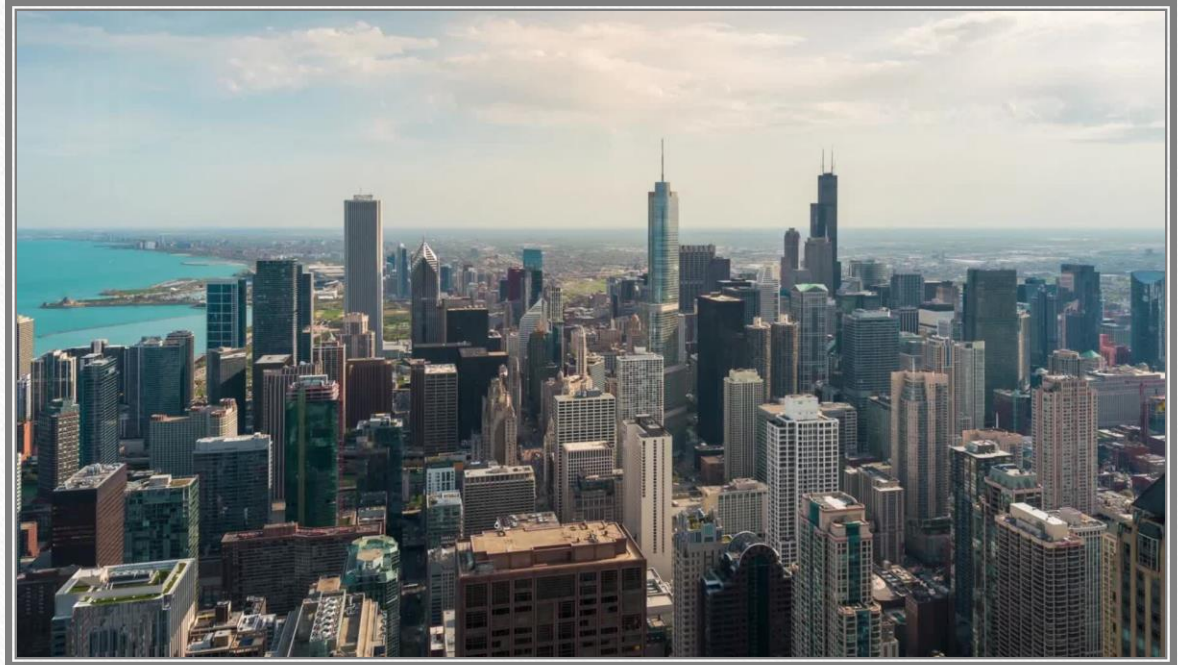


FUNDING SOURCES; THE CITY OF CHICAGO HOUSING DEPARTMENT

Prepared by: Leticia Stacey Tetteh
Public Service Intern, Construction
and Compliance





ROADMAP

- TAX INCREMENT FINANCING
- CHICAGO NEIGHBORHOOD OPPORTUNITY FUND
- DONATIONS TAX CREDIT
- TAX INCENTIVES
- RESOURCES

What is TAX INCREMENT FINANCING? TIF

- ✓ In an ad valorem property tax system, it is the utilization of incremental tax revenues that occur from increasing taxable development (or taxable sales in the case of sales tax revenue) (Callies et al, 2014).
- ✓ Genesis; adopted in mid 1900s of urban renewal legislation.
- ✓ TIF generates finance by borrowing against anticipated future property tax payments from redevelopment zones.
- ✓ Section 2 of the Internal Tax Code ; possibly (generate additional incentives through certain tax advantage bond financing)
- ✓ Special funding- Promotes public and private investment across the city. Funds are generated by growth in Equalised Assessed Valuation (EAV) within designated districts over 23 years.
- ✓ Objective: To help local companies expand and create employment opportunities for Chicago residents.
- ✓ Examples of TIF; Proposed redline Extension Project areas and Red and Purple Modernization phase one Project TIF

What is The NEIGHBOURHOOD OPPORTUNITY FUND?

- ✓ Objective; Promotion of equitable neighborhood development.
- ✓ Genesis: Created in 2016 by Mayor Emmanuel
- ✓ Approved grants of 23.3 million and above to 174+ small businesses.
- ✓ Floor-area bonuses; they are government allowed increases in the amount of space that can be used to erect structures on a specific plot of land.
- ✓ For every dollar received by developers, 80 cents go into neighborhood opportunity fund.
- ✓ Proceeds are utilized for commercial corridor investments e.g. Grocery stores, restaurant, service providers, cultural facilities and other things that address neighborhood needs.
- ✓ Eligibility for application is ownership of a real estate project in an eligible corridor; areas in the West, Southwest and South Sides of the city.
- ✓ Areas were selected based off indicators of poverty and unemployment.
- ✓ Cost eligible for grants are; site preparation and assembly/ public improvements/ design/ employee training programs/ other expenses



- ✓ Fund requires the project to enhance retail and cultural offerings in the community.
 - ✓ Projects are chosen based off project catalytic impact, readiness, financial feasibility and construction Implementation.
 - ✓ Generally, Projects chosen get the fund to cover about 30 to 65 percent of business development costs, additionally, entrepreneurs are connected to resources and tools as well as navigate regulatory challenges e.g.; permits and licenses.
-
- ✓ Funds are provided through grants to public and private agencies.
 - ✓ Two types of grants: contingent on location and funds requested.
 - Small projects (\$250,001 or less)
 - Large Projects (\$250,001- \$2.5M)
 - ✓ Large Projects \$250,000 require city council approval and a redevelopment agreement.
 - ✓ Subject to city of Chicago's construction and compliance requirements.
- NB: Eligible commercial corridors; both small and large project grant.
- Outside and requesting more than \$250,001 only large project grant.
- ✓ New Construction (50% for Small Grants and 30% for Large Grants)
 - ✓ Rehabilitation of Existing Buildings (50% for both Small and large Grants)
 - ✓ Build Community Wealth Bonus (Additional Funds) - Local residency & local Hiring

Illinois Affordable housing (Donations) TAX CREDITS



- Legal- August 23, 2001.
- Concept- Source of equity/ soft debt; Donations & Gains; Tax credits; 50% value
- Illinois Housing Development Authority (IHDA); Drafted Regulations
- Importance of credit; Certificate
 1. Reduction of Illinois Income tax liability
 2. Transfer of Credits
- Receive applications (IHDA)/ City of Chicago
- Limitation on Tax Credit

Donation's tax credit continued

Types of property;

Cash, securities, real or personal property value of at least equal to (10,000), waive permit fees, below -market loans, donations of real estates (value determined by Illinois licensed appraiser).

Donation Permitted Uses;

- “costs associated with purchasing, rehabilitating, constructing, or providing or obtaining financing for an affordable housing project”;
- “an employer-assisted housing project”; (iii) “technical assistance”; or
- “general operating support of the sponsor

Donations recipient (sponsor; a not for profit)

Donation credits utilization for affordable housing preservation

- Donation of Property- Owner keeps benefit of credits.
- Bargain sale of property.
- Donation of Property and Sponsor Keeps Credit Proceeds.
- Donation of Property for Use in Low Income Housing Tax Credit Project.

ECONOMIC DEVELOPMENT TAX INCENTIVES (EDTI)

➤ Objective: Motivate Investors

➤ Property Tax incentives: Class 6b/ 8/C/L

- I. 12 Year Reduction of real estate assessment from Standard 25% of Cook County.
- II. Pre- Qualified (Department of Planning)/ Cook County Investors determine eligibility
- III. 10% First 10 years/ 15% 11th Year / 20% 12th Year
- IV. Industrial Purposes
- V. Renewable

EDTI Continued

- Tax Incentive; Class 7a & 7b
- Area Redevelopment Area/ Empowerment/ Federal Enterprise Zone
 - I. 7(a): Project costs less than \$2 million
 - II. 7(b): Project costs more than \$2 million
- Class 7C
- Commercial Urban Eligibility (CURE) program
 - I. 5 Year Reduction from 25%
 - II. 10% first 3Years/ 15% 4th Year/ 20% fifth Year
 - III. New construction
 - IV. Substantial rehabilitation
 - V. Re-occupancy of abandoned commercial property

RESOURCES

- Callies, David, et al. Tax Increment Financing, American Bar Association, 2014. ProQuest Ebook Central, <http://ebookcentral.proquest.com/lib/niu/detail.action?docID=2005160>.
- Department of Planning (DPD) https://www.chicago.gov/city/en/depts/dpd/supp_info/tax_increment_financingprogram.html.
- Harsch, Kelli, Kathie Soroka, Benjamin J. Swatzendruber, and Glenn A. Graff. "Initiatives and Tools for the Preservation of Affordable Housing in Illinois." *J. Affordable Hous. & Cmty. Dev. L.* 18 (2008): 403.
- Theodos, Brett, and Jorge González. "Building Community and Wealth in Underserved Commercial Corridors: Chicago's Neighborhood Opportunity Fund." (2019).
- <https://americas.uli.org/commercial-corridor-neighborhood-revitalization-uli-resource-list/>
- <https://www.urban.org/urban-wire/local-policies-can-protect-commercial-corridors-pandemic-continues#:~:text=Commercial%20corridors%20are%20the%20backbone%20of%20neighborhoods%20across,the%20workplace%2C%20where%20people%20can%20gather%20and%20interact.>
- <https://policycommons.net/artifacts/630658/building-community-and-wealth-in-underserved-commercial-corridors/1612030/>
- <https://neighborhoodopportunityfund.com/#/?address=undefined>
- https://neighborhood-fund.s3.amazonaws.com/filer_public/ec/e3/ece34eae-fb45-4984-a568-dd8556dce848/nof_handout_spanish_20191218.pdf?AWSAccessKeyId=AKIAJNYGDLOJKHOUWCAA&Signature=qfk8s9WX%2FBgpwBA%2BPQPSdVDM4r4%3D&Expires=1680031848
- https://neighborhood-fund.s3.amazonaws.com/filer_public/70/bc/70bcb74d-a371-42f8-ada7-c3177ca3f56c/nof_handout_english_20191219_5.pdf?AWSAccessKeyId=AKIAJNYGDLOJKHOUWCAA&Signature=aqtHE01PoJ1q0g9UcQQdRWd8Nl0%3D&Expires=1680031848
- https://neighborhood-fund.s3.amazonaws.com/filer_public/d9/68/d968db82-d064-49dd-87da-b63d1e381ca5/nof_small_grants_program_manual_november_2021_1.pdf?AWSAccessKeyId=AKIAJNYGDLOJKHOUWCAA&Signature=KHpx9KJHtGh6uyxQ2Li4gCZUN0Y%3D&Expires=1680031848
- <https://neighborhoodopportunityfund.com/apply/>
- <https://neighborhoodopportunityfund.com/about/>
- <https://www.chicago.gov/city/en/depts/doh/provdrs/developers/svcs/illinois-affordable-housing-tax-credits--donations-tax-credit.html>
- <https://niu-illiad-odc-org.auth.lib.niu.edu/illiad/JNASSO/illiad.dll?Action=10&Form=75&Value=451947>
- Easson, Alex, and Eric M. Zolt. *Tax incentives*. World Bank Institute, 2002.
- <https://www.cityofchicago.org/>
- https://311.chicago.gov/s/artide/Economic-tax-incentives?language=en_US



QUESTIONS
