



MEMORANDUM

To: CMAP Board

From: Piotr Wietrzak
Director, Finance and Administration

Date: September 14, 2022

Re: Support for the Cook County Property Tax Working Group in cooperation with the University of Illinois at Chicago (UIC) faculty to assess how well the current administration of tax incentives currently supports Cook County's overall economic development strategy, by entering into 3-year intergovernmental agreements with Cook County and UIC in the amount of \$1,500,000.

Background

Given limited public resources, communities across northeastern Illinois are looking for strategies to strengthen their economic vitality. This includes the extensive use of local development tax incentives and other property tax relief tools in pursuit of private investment, a larger tax base, and jobs.

In parts of suburban Cook County, lower property values and insufficient revenue options can result in higher effective property tax rates to fund desired tax extensions. Property classification contributes to higher rates for commercial and industrial properties — usually greater than 5 percent and sometimes above 10 percent — relative to residential properties, which typically have rates below 5 percent. Higher effective tax rates for businesses drive the use of incentive classification to support certain commercial and industrial properties. However, doing so can have uneven effects on local tax bases and result in tax burden shifts in some areas. This picture is further complicated by the use of residential exemptions, which may provide needed property tax relief for some households but can also contribute to further tax burden shifts. Potential reforms need to account for the range of different operating conditions that stem from local development patterns, property values, and practices.

ON TO 2050, the region's comprehensive plan, recommends reforming development incentives within a larger program of sustainable regional economic development. Ultimately, efforts to modernize tax policies and invest in disinvested areas will be necessary to ensure our communities are competitive and to reduce the need for incentives. But local practices and administrative changes can also improve incentive use within existing authorities and

structures to provide the greatest possible return on public expenditures. The Cook County Property Tax Working Group is looking at ways to ensure incentive use continues to meet their stated objectives in a fair, equitable, transparent, effective, efficient, and understandable way. To support the working group, CMAP will assess how well the current processing and administration of tax incentives support Cook County's overall economic development strategy and identify strategies to enhance these practices. CMAP will also help to situate these options in the context of other property tax relief tools like abatements and exemptions as well as the county's broader property tax policies and practices.

CMAP is seeking Board approval to enter into Intergovernmental Agreements with Cook County and the University of Illinois at Chicago (UIC) faculty to address these challenges in support of the Cook County Property Tax Working Group. CMAP will conduct a process-mapping exercise in partnership with county staff, with a focus on decision points, current approaches and assumptions, perceived opportunity costs, data management, etc. This qualitative analysis should surface important steps for originating, reviewing, approving, and monitoring applications for incentive classifications on commercial and industrial property. Benchmark these programs relative to best practices, peer regions, and related property tax relief tools like abatements and exemptions.

In partnership with UIC faculty, CMAP will conduct an analysis of the costs and benefits of granting property tax abatements and incentive classifications in addition to acting as the fiscal agent for the project.

CMAP staff is seeking Board approval to enter into a three-year IGA agreement with Cook County for research support and to act as the fiscal agent for the project. In addition, CMAP seeks approval to enter into an IGA with UIC to provide analysis for the project. Support for this project will be provided by Cook County in the not-to-exceed amount of amount of \$1,500,000, of which, \$800,000 will be passed-through to UIC for costs associated with the data analysis portion of the project. The remaining \$700,000 balance will be allocated for CMAP staff time.

ACTION REQUESTED: Approval