Chicago region value capture mechanisms

CMAP

MECHANISM	ILLINOIS DEFINITION AND USES	CONTEXT FOR TRANSIT IMPROVEMENTS IN ILLINOIS
Joint Development	Uses publicly owned land, air rights, or right-of-way to spur transit-adjacent development that funds infrastructure improvements. Best suited to single stations or facilities, as well as utility corridors or similar.	• Stronger public control of development outcomes. • Requires prior public holdings next to transit facility. • Revenue generation is limited by the extent of public holdings. • Can be pursued by transit agencies. (Municipalities must establish most other district types.)
Development Impact Fees	Charges fees to new development. Fees must be "uniquely and specifically attributable" to the new transportation costs generated by that development, but can be tailored to a specific type (office, residential, etc.) Best suited to growing areas. County or municipality establishes.	• Fees must be directly tied to the new costs created by each development, limiting utility for built-out communities whose current value may still derive from strong transit access. • Bonding potential is limited due to the uncertainty of future development. • May limit development by increasing costs. • Can bolster infrastructure funds in fast-growing communities.
Special Service Area	Charges properties in a defined district an added tax to fund services or infrastructure that supports that area. Allows allocation of tax based on value, square footage, frontage, etc. Best suited to single corridors or facilities. County or municipality establishes.	• Requires support of local property owners and businesses, which can be beneficial (or a petition can stop district establishment.) • Specific benefit requirement may not allow for transit improvements that assist substantial areas outside the district. • For larger corridors, each municipality must establish an SSA. • Revenue generation is low compared with other mechanisms.
Business District	Allocates incremental tax revenues above a "base value" to pay for redevelopment, infrastructure, and/or economic development activities. Lasts for 23 years, or up to 35 with legislative approval. Requires a finding of blight or potential decline. Can be used for single municipalities or single stations. Municipality establishes.	• Revenue generation varies widely, based on potential retail sales and hotel taxes within the designated area. • Easier to establish than TIF, but with similar requirements and uses. • Transit improvements must compete with other needs for the district.
Tax Increment Finance District	Charges fees to new development. Fees must be "uniquely and specifically attributable" to the new transportation costs generated by that development, but can be tailored to a specific type (office, residential, etc.) Best suited to growing areas. Municipality establishes.	• High value potential, but requires property value growth. • Financial institutions have experience underwriting this mechanism. • Transit improvements must compete with other needs for the district. • Faces concerns about uses and increment sharing with other taxing districts. • For larger corridors, each municipality must establish a TIF.
Transit Facility Improvement Area	TIF-like, but dedicates all revenues to defined transit improvements. The statute identifies four projects (Union Station, Red-Purple Modernization, Blue Line Reconstruction, Red Line Extension). Lasts up to 35 years, but expires when the improvement is paid for. Municipality establishes.	• Has highest value generation potential, but requires property value growth. • Financial institutions have experience underwriting this mechanism. • Addresses concerns about sharing increment with underlying jurisdictions. • Difficult to coordinate across multiple jurisdictions.

Source: Chicago Metropolitan Agency for Planning.