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Opportunities to revamp Cook County's incentive classifications

Actions to improve today's outcomes



Chicago Metropolitan
Agency for Planning



**Government Finance
Research Center**



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To determine property tax bills, Cook County assesses commercial and industrial properties at a higher share of their market value (25 percent) than other property (generally 10 percent for residential and 20 percent for non-profits). To support development, Cook County also offers incentive classifications that lower businesses' taxable values and property tax bills — typically via a 10-percent assessment rate for 10 years with a two-year phaseout. These primarily include Class 6b for industrial purposes, Class 7 for commercial developments, and Class 8 for areas in need of revitalization.

More than 90 municipalities in Cook County use these incentives, effectively removing \$7.58 billion (11 percent) of business properties' fair market value from taxation in tax year 2022. This is a significant investment in the region's goals for inclusive economic and community growth, and local officials view incentive classification as one of the few available tools to meet residents' development needs. But they also cite recurring challenges. Interviews reveal a bureaucratic structure that has become difficult to navigate, opaque to outsiders, and fractured across different public offices. County leaders are unclear if/how the program's net economic outcomes achieve their objectives, and local stakeholders are frustrated by the difficulty of deploying these incentives on the ground to support real estate projects.

In 2024, CMAP and the University of Illinois Chicago (UIC) Government Finance Research Center, on behalf of the Cook County Property Tax Reform Group and with support from the Cook County Office of the President, analyzed how local communities use incentive classification. The team's full report highlights the uncertainties developers face navigating the incentive process and the issues of program design and administration that undercut public objectives, including the county's push to promote equity and reinvestment. It also shows where incentives are used most heavily and how their potential fiscal effects vary depending on local conditions and assumptions about what development would occur but for the incentives.

A moment for Cook County to take bold action

The provisions that enable and govern Class 6b, C, 7a, 7b and 8 incentives in county ordinances are **set to expire on December 31, 2027**, unless otherwise renewed by action of the Cook County Board of Commissioners. County leaders can take this opportunity to make significant improvements to the design and use of incentive classification to drive inclusive economic growth and regional prosperity.

Five key opportunities

Any meaningful change to Cook County's incentive classifications will require action from the county board that will be closely watched by stakeholders with an interest in commercial real estate and tax appeals. The full report outlines more than 30 potential steps to maintain local flexibility while increasing regional impact, with a focus on programmatic efficiency and the county's strategic leadership. Across these options, initial discussions with county officials have identified five key opportunities:

1. **Reorganize administration and oversight to increase accountability.** The current incentive process can require applicants to work with up to five public offices and four public bodies, none of which “own” the program. Administration is split among municipalities, the Cook County Assessor’s Office, the Bureau of Economic Development, and the Economic Development Advisory Committee based on the type and size of the development project. Centralizing the program’s county-level administration and strategic oversight would clarify the county’s strategic role, create process efficiencies, and allow for clearer channels of communication with applicants. It would also facilitate modernized data policies and regular program evaluations aimed at improving both process outputs (e.g., the time and cost of application) and economic outcomes (resulting changes in property values, investment, or jobs).
2. **Restore and maintain the unique value of Class 8.** Interviews and parcel data show that Class 8 incentives no longer offer a distinct financial benefit for investing in the south and west suburbs. They are instead used as a substitute (rather than as a complement) to Class 6b and 7 incentives available throughout Cook County. To advance its objectives for equity and reinvestment, the county can carve out the additional value that developers see for working with disinvested communities. Various steps can help to differentiate the benefits of Class 8 from other incentives, including restructuring the eligibility and renewal requirements across the county’s separate incentives, using abatements to further markdown the county’s tax on Class 8 parcels, and/or reducing the relative benefits of Class 6b and 7 incentives — for example, by limiting future awards to a 15-percent level of assessment or a 5-year term while maintaining the current 10-percent, 10-year benefits of Class 8.
3. **Reorient incentive classification as a negotiated agreement.** Today, given the language of the governing ordinance, Cook County treats incentive classification as a *by-right, shall-issue* entitlement for qualifying properties that is narrowly focused on tax reactivation. While some municipalities condition their support on project impacts, the program is a blunt tool for pursuing county priorities, with the same financial benefit for nearly all projects. An alternative structure — with tiered awards and reviews — could enable county administrators to work with municipalities to negotiate an incentive’s term and level of assessment or to fast-track certain applications. Developers could see more financial value for delivering projects with greater community benefits, higher job quality and access, or better alignment with local needs and county objectives. Further changes could also streamline the review process for smaller investments and rehabilitations that require less financial support to fill short-term cost gaps.
4. **Create a consistent local experience for developers.** Incentive classifications are a tool created and administered by Cook County, but municipalities in effect act as the county’s brokers in deploying them. Wide variations in local practices and staff capacity mean developers have significantly different experiences in different parts of the county. By aligning local requirements and standardizing best practices, the county can reduce costly uncertainty, increase investor confidence, and level the playing field while respecting local decisions on the need and rationale of each incentive deal. Taking inspiration from Build Up Cook, additional technical assistance for low-capacity communities can help source applications and equip municipalities to make informed, data-driven decisions on potential projects. The county could also provide funding to offset the immediate and indirect costs of incentives in municipalities with low tax bases.
5. **Modernize intake and customer service.** County staff are widely commended for their efforts to troubleshoot common issues with applications and awards, but applicants rely heavily on attorneys with prior knowledge to help them navigate the process. The program’s fragmented nature undercuts the customer experience and limits the data available to track delivery and make regular improvements. The county can reduce uncertainty by establishing a transparent and easy-to-use online system for uploading materials and tracking applications. Doing so — together with more consistent communication on program changes and outcomes — can dovetail with other improvements to strengthen accountability and increase collaboration with municipalities.

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Executive summary

Incentive classification: Cook County has an opportunity to strengthen a tool that municipalities and developers value

More than 90 municipalities in Cook County use incentive classification to offset businesses' property tax bills and support local development, removing 11 percent of the county's commercial and industrial property value from taxation. This is a significant investment in the region's goals for inclusive economic and community growth, and local officials view incentive classification as one of few available tools to meet residents' development needs locally. But the county has an unclear picture of how these incentives (both individually and in total) achieve their objectives. Stakeholders express recurring concerns about their economic outcomes as well as the difficulty of deploying them in practice. This report answers such questions and identifies strategies to improve incentive classification as a local tool.

An opportunity for Cook County to take bold action

The provisions that enable and govern Classes 6b, C, 7a, 7b and 8 incentives in county ordinances are **set to expire on December 31, 2027**, unless otherwise renewed by action of the Cook County Board of Commissioners. County leaders can take this opportunity to make significant improvements to the design and use of incentive classification to drive inclusive economic growth and regional prosperity.

In 2024, CMAP and the UIC Government Finance Research Center analyzed how communities use incentive classification. The team conducted this work on behalf of the Cook County Property Tax Reform Group and with support from the office of President Toni Preckwinkle. The project highlights the uncertainties developers face in navigating the incentive process and the issues of program design and administration that may undercut public objectives, including the county's push to promote equity and reinvestment through the property tax. It also shows where incentives are used most heavily and how the potential fiscal effects of incentives vary depending on local tax bases. Interviews with stakeholders — including county staff, municipalities, developers, and attorneys — offer three main paths forward for county leaders to act:



Tactical improvements: Improve the benefit-risk balance for developers. Modernize customer intake with clear application requirements and timelines, improve data transparency and program guidance, and clarify key expectations in ordinance.



Strategic changes: Build a shared-values approach with partners. Restore the competitive edge of Class 8 incentives, more clearly articulate the public purpose of the program, and promote consistency at the local level.



Structural reforms: Enhance incentive offerings to drive impact. Consider more far-reaching reforms, such as restructuring incentive criteria, benefits, and terms, and allowing for flexibility in strategic areas.

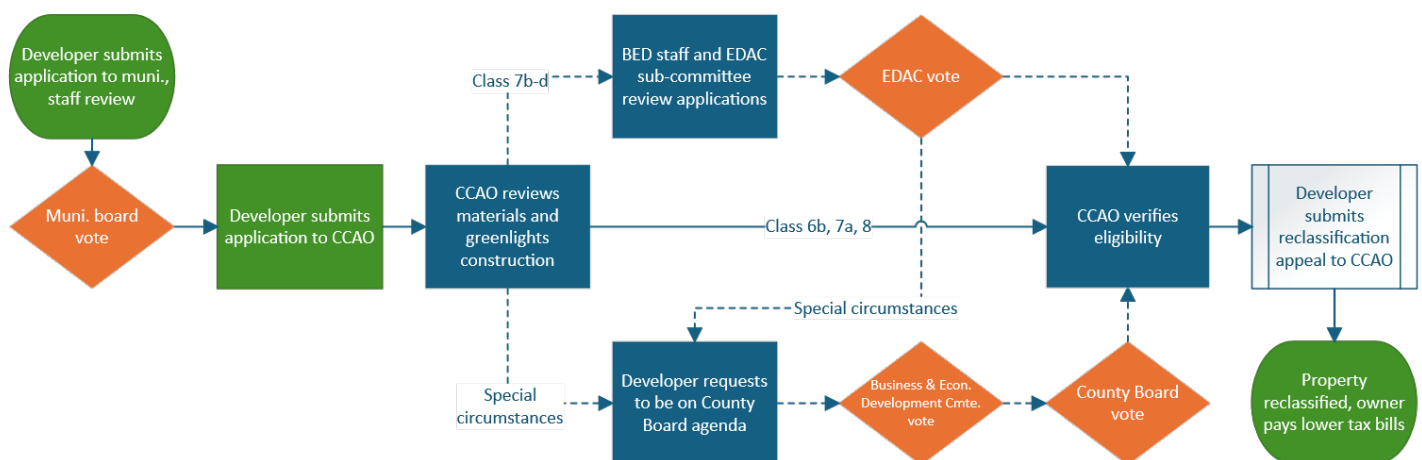
Overview of Cook County’s incentive classifications

Cook County uses a classification system for property taxes that assesses commercial and industrial (C&I) properties at a higher share of their market value (25 percent) than other property (generally 10 percent for residential and 20 percent for not-for-profits). To support development, Cook County offers incentive classifications that offset this higher level of assessment for certain, eligible properties to provide lower taxable values and smaller tax bills. This program is primarily used to encourage investment in industrial land and historically disinvested communities in the south and west suburbs, although commercial projects are a faster-growing segment of incentive activity. Crucially, for its part, the county largely treats this program as a *by-right, shall-issue* entitlement narrowly focused on tax reactivation, with only some agreements being negotiated between developers and (primarily) the municipalities based on total project impacts.

Perspectives on incentives vary. Some local leaders — especially in areas with substantial potential but weak market demand — view property tax incentives as an economic lifeline. Small tax bases in these areas often lead to high effective tax rates, especially compared to neighboring counties or states, which can hinder new investment. These communities often characterize incentive classification as a critical tool to spur development and expand their tax bases over time. In contrast, national academic research has not found compelling evidence that such incentives independently improve key metrics like business and job growth. And on the scale of individual projects, stakeholders question why and how application delays occur, if projects are vetted appropriately, and whether incentives are making a significant impact.

Mapping a complex, opaque, fragmented process

The project team conducted more than 40 interviews with stakeholders involved in applying for and administering these incentives, from the Cook County Assessor’s Office (CCAO) and Bureau of Economic Development (BED) staff who review applications to the end-users trying to navigate the program like municipal staff, developers, and their attorneys. The insights from these interviews allowed the team to build a step-by-step process map detailing how a real estate project moves from initial conversations between developers and municipalities through review, approval, and activation by the county. The figure below outlines the critical path and key steps followed by most applicants.



Note: This diagram references the Cook County Assessor’s Office (CCAO), the Bureau of Economic Development (BED), and the Economic Development Advisory Committee (EDAC).

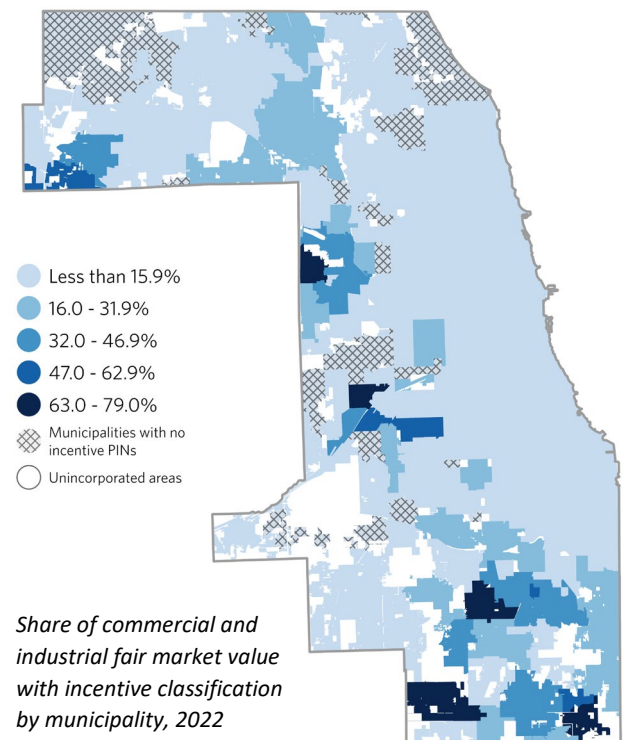
Stakeholders share mixed reviews and desire change

To apply for an incentive, property owners may work with as many as five public offices, need up to six votes by four public bodies, and pay more than \$8,000 in fees (not including legal and consulting fees) across a process that can take up to 2-3 years from start to finish. Interviews reveal a bureaucratic structure that has grown in complexity and become difficult to navigate, opaque to outsiders, and fractured across different public offices. County staff are widely commended for their doggedness and ingenuity in steering projects past common issues, as well as their efforts to streamline and speed many steps. Yet applicants, elected officials, and other county staff do not fully understand or trust the process. While the critical path can be straightforward for some applications, exceptions and delays are commonplace. Information and accountability are spread thin. And some aspects of the program now lack a clear rationale. For example, interviews reveal that Class 8 incentives — intended to revitalize local communities — no longer offer an additional financial benefit for investing in areas with weak markets. In many ways, the incentives are no longer well aligned with the county’s current strategy on economic and community development. Stakeholders at all levels see potential in revamping how the program is currently structured and administered, particularly as the county seeks to advance racial equity and reinvestment through the property tax.

Incentive prevalence and geographic distribution

As county leaders consider reforms, analysis of CCAO data on properties receiving incentives can provide a deeper understanding of where and how incentives are being used and how their use has changed over time. Despite a lack of comprehensive data on incentives, the project team’s analysis led to the following key takeaways:

- **The county’s use of incentives has increased over the last ten years, both by the number of awards and total value.** The total fair market value (FMV) — that is, the reasonably expected value before property is assessed for tax purposes — of businesses with an incentive classification has more than doubled since 2011 to encompass more than \$12 billion in FMV countywide in 2022.¹
- **The use of incentive classifications to promote commercial development is growing faster.** While most incentive FMV is industrial, the FMV of commercial property with an incentive has been growing at a faster rate over the past decade, increasing by around 400 percent between 2011 – 2022, compared to 250 percent for industrial incentive FMV.
- **The geographic distribution of incentives by value and fiscal effects is concentrated.** While more than 90 municipalities (two-



¹ While this report runs through tax year 2022, ongoing empirical analysis of tax year 2023 data shows similar trends and do not materially influence this report’s findings.

thirds of those with land in Cook County) currently use incentive classification, much of the activity is concentrated in a small number of municipalities in Cook County's south suburbs (when measured as a share of local tax bases) and in the freight- and industry-heavy areas around O'Hare and Midway international airports (by total FMV).

The potential effects of incentives in Cook County

Two questions are central to decades-long debates over incentives generally: a) whether a program's economic benefits outweigh both its costs in foregone taxable property value and shifts in local tax burdens, and b) whether those benefits would have occurred anyway, without the use of incentives. While a conclusive and comprehensive cost-benefit analysis would be difficult using existing data, some useful themes emerged from the team's analysis:

Untaxed property value due to incentives...

- In 2022, \$7.58 billion in FMV went untaxed due to incentive classification, shifting \$343 million in tax burden to other properties (including homeowners, renters, and other business properties) through higher tax rates.
- The value of untaxable property due to incentives is substantial but not as sizable as other forms of property tax relief. Homestead exemptions for owner-occupants took about \$51 billion in FMV off the tax rolls — nearly seven times greater than incentive classification — in 2022.

Can contribute to higher or lower property tax rates...

- All businesses see lower property tax bills when they take advantage of available incentives. But local taxing districts still need to pay for services and infrastructure. If incentives decrease the total property value available to tax, rates rise to make up the difference. This is not a property tax increase but a change in how tax bills are calculated and who pays.
- While this basic result is the same everywhere, consequences vary widely within Cook County. The variation depends on the size and characteristics of each taxing district, including its property values, land use mix, the share of properties with incentives — and critical assumptions about if/how business investments would have occurred but for the incentive.

But assumptions have big implications in smaller communities.

- Smaller municipalities that use incentives intensively — like Ford Heights, Phoenix, Matteson, Northlake, Bedford Park, and Markham — are most likely to see meaningful changes to their composite tax rates due to the use of incentive classification. The high rate of incentives coupled with a smaller tax base in these communities highlights the importance of understanding whether development would have naturally occurred in the absence of incentive classification. Among these smaller municipalities:
 - Estimates suggest their tax rates may be 3.9 – 6 percentage points *higher* due to the current use of incentives, assuming businesses with an incentive classification would have invested anyway.
 - But assuming these same properties would generate no property tax revenues at all without incentives, estimates suggest their tax rates may be 4.5 – 7.2 percentage points *lower* because of new investments made possible through incentives.
- Testing these assumptions is difficult without more, better data on development projects. Properties with incentives were found to increase in value at a faster rate than those without incentives. But changes in land use (an indicator of properties shifting towards their highest and best use) were found to have an even stronger correlation with appreciation.

Opportunities to act

With insights from county officials, municipal staff, developers, and others, the project team developed more than 30 actions that Cook County can take to maintain local flexibility while increasing regional impact, ranging from staff-led adjustments to broader structural reforms. The full report outlines three main paths forward:



Tactical improvements: Improve the benefit-risk balance for developers

Tackling common, administrative issues can increase the financial value that investors and developers see for working with communities. Strategies include:

- Strengthening accountability in a lengthy, fragmented system
- Modernizing the application process and communications
- Increasing program guidance to make applications more accessible and fairer



Strategic changes: Build a shared-values approach with partners

Collaborating with partners can strengthen the county's ecosystem for economic development and bring forward more projects that fit with public goals. Strategies include:

- Enhancing the provisions of Class 8 to promote reinvestment and equity
- Aligning the incentives' public purpose with expected impacts
- Promoting consistency at the local level



Structural reforms: Enhance incentive offerings to drive impact

Adapting the incentives' program design to fit today's reality can make a familiar but unreliable tool better reflect both current market conditions and Cook County's leadership in economic development.

Project background

In 2024, the Chicago Metropolitan Agency for Planning (CMAP) and the UIC Government Finance Research Center partnered with the office of Cook County President Toni Preckwinkle to analyze the use of incentive classification as a tool for economic development. This research project is part of a broader effort — led by the Cook County Property Tax Reform Group — to better understand how the property tax system affects taxpayers and the communities that need services to thrive.² By focusing on incentive classification, the project team considered the design and impact of tools that can help to lower tax bills and encourage local development while also presenting some drawbacks.

Cook County ordinance offers some insights into the motivations for the separate incentive classes: a lack of viable industrial and commercial buildings contributes to unemployment, and a better utilization of properties would increase economic activity, jobs, and the property tax base.³ It also acknowledges private enterprise cannot accomplish necessary development in certain areas without some public assistance.⁴ Many stakeholders share this perspective and see property tax incentives as one of the few available tools to meet residents' calls for economic and community development.

An opportunity for Cook County to take bold action

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Regardless of the generally positive sentiment among stakeholders, ongoing tensions and doubts surrounding incentive use in Cook County remain unresolved. Public officials, academics, and business leaders continue to debate how municipalities and Cook County should exercise the significant discretion they have in deploying incentive classification.⁵ Despite prior reforms to improve the incentives' effectiveness, questions remain about what criteria or conditions should determine which areas of the county need greater development and whether incentives meaningfully contribute to key outcomes like jobs and investment. Recently, these issues have taken a sharper focus as Cook County has sought to address disinvestment and inequities in historically marginalized communities.⁶

² CMAP and UIC previously analyzed how homestead exemptions impact taxpayers and taxing districts differently. The resulting report outlined policy options to mitigate unwanted effects and enhance homeowners' savings. For more information, see https://www.cookcountyil.gov/sites/g/files/ywwepo161/files/documents/2024-03/CMAP-UIC_Exemptions_Briefing_Paper_Final.pdf.

³ Code of Ordinances of Cook County, Illinois ch. 74 § 63.

⁴ The ordinance also explains that, in addition to catalyzing commercial and industrial development, some classifications are established for other purposes like encouraging the installation of solar energy facilities and the remediation of brownfield properties.

⁵ For example, see: Ted Slowik, "'Our taxes are too high': Southland leaders give Cook County reps an earful about taxes, incentives," *Chicago Tribune*, April 7, 2018, <https://www.chicagotribune.com/suburbs/daily-southtown/opinion/ct-sta-slowik-cook-county-plan-st-0408-20180406-story.html>; Igor Studenkov, "Meat wholesaler makes case for county tax incentive," *Forest Park Review*, June 30, 2023, <https://www.forestparkreview.com/2023/06/30/meat-wholesaler-makes-case-for-county-tax-incentive/>; Joshua Drucker, Geon Kim, and Rachel Weber, "Did Incentives Help Municipalities Recover from the Great Recession? Evidence from Midwestern Cities," *Growth and Change* 50, no. 3 (September 2019): 894–925, <https://doi.org/10.1111/grow.12318>.

⁶ "Policy Roadmap 2024-2027: Four-Year Strategic Plan for Offices Under the President" (Cook County, December 2023). "Cook County Racial Equity Action Plan 2021-2023" (Cook County, September 13, 2021).

To address these questions, the project team took a dual-track approach to analyze Cook County's current use and administration of incentive classification.⁷ UIC conducted a quantitative analysis of the prevalence, fiscal impacts, and potential benefits of the incentives, examining who uses incentives and assessing what effects, if any, residents can expect. CMAP led a qualitative, process-mapping exercise to understand key stakeholders' varying roles and perspectives in moving a development project from application through review and approval to lower a business property's tax bill.

This report details CMAP's and UIC's joint findings. Broadly, stakeholders see significant value in incentive classification and use them widely across Cook County. Current data cannot show whether assumptions about the benefits of these incentives (in spurring redevelopment that otherwise would not occur) justify their cost in terms of shifts in the property tax burden and higher local tax rates. And stakeholder interviews revealed a lengthy, often-opaque administrative process that creates uncertainty for developers, reduces the program's ability to advance public goals, and lessens each incentive deal's potential impact.

Based on these findings, the project team identified more than 30 strategies to improve the benefit-risk balance for developers, build a shared-values approach with partners, and enhance incentive offerings to drive impact. These strategies range from staff-led tactical improvements that would smooth the administration and customer experience up to structural reforms that leverage legislative action by the county board to reimagine the incentives for current goals and market conditions.

⁷ Local governments in Illinois use many tools to influence development outcomes. This project focuses only on Cook County's incentive classifications. It does not address state and federal programs — such as River Edge Development Zones and federal Opportunity Zones — which are less likely to affect local government finances and are often not administered locally. It also does not address incentives offered via other tax systems like sales tax rebates, business development districts, Enterprise Zones, or Economic Development for a Growing Economy (EDGE) tax credits on state income tax withholdings.

Overview of Cook County’s incentive classifications

Cook County uses a classification system for property taxes that assesses commercial and industrial properties at a higher share of their market value (25 percent) than other property (generally 10 percent for residential and 20 percent for non-profits). It is the only county in Illinois that uses this approach.⁸ In some areas, this system contributes to tax burden shifts and higher tax bills for businesses relative to either residential properties or similarly valued properties in nearby, lower-tax jurisdictions.⁹ To support development, Cook County offers incentive classifications that offset this higher level of assessment for eligible business properties by providing lower taxable values and smaller tax bills for specified periods of time.¹⁰ As shown in a following section, these incentives are primarily used to encourage investment in industrial land and historically disinvested communities, although commercial projects are a faster growing segment of incentive activity.

The county offers seven primary types of incentive classification, summarized in Table 1 below.¹¹ Each reduces the property’s level of assessment to 10 percent in line with residential, and most (except Class 7c) are kept in place for an initial 10-year period. Unless the incentive is renewed, the property will then see a two-year phaseout period during which its level of assessment increases annually to 15 percent and then 20 percent, before returning to the 25-percent rate standard for most business properties.

Contrasting perspectives on local incentives

Since incentive classification was first implemented in the late 1970s, its use in Cook County has evolved significantly and remains at the center of debates on local development. Different perspectives — from county officials, developers and property owners, municipal leaders, and residents — have contributed to a series of structural reforms and expansions to the program, as well as smaller-scale policy changes. (See Appendix I for more information on this history.) These debates remain important to shaping how incentives should be used today and the process by which they are sourced, reviewed, and approved.

Today, perspectives continue to vary on the purpose, function, and effects of incentives. Local advocates like municipal leaders, sub-regional councils, and business development groups tend to see incentive classification as a critical tool to offset structural challenges and support economic development. Incentive classification is an accessible option for local elected officials and policymakers who hear residents’ calls to generate jobs, improve vibrancy on main streets, strengthen local tax bases, and enhance public services. Local leaders also turn to incentives in response to ongoing competition from other communities, proximity to lower-tax states, and substantial variation in tax burden across northeastern Illinois.

⁸ In 2023, 24 states and the District of Columbia had statewide classification on real property for tax purposes. Twelve (including Illinois) include a local option for certain jurisdictions to classify property but primarily for classes of personal property. “Significant Features of the Property Tax” (Lincoln Institute of Land Policy and George Washington Institute of Public Policy, accessed April 2025), <https://www.lincolnst.edu/data/significant-features-property-tax/access-database/property-tax-classification/>.

⁹ “Property tax burden in the Chicago region” (Chicago Metropolitan Agency for Planning, November 29, 2017), https://www.cmap.illinois.gov/updates/all/-/asset_publisher/UIMfSLnFfMB6/content/property-tax-burden-in-the-chicago-regi-2.

¹⁰ “Local Development Tax Incentives in Northeastern Illinois” (Chicago Metropolitan Agency for Planning, March 2, 2022), https://www.cmap.illinois.gov/documents/10180/10749/development_tax_incentives_prevalence.pdf/.

¹¹ Other types (like Class 8a or Class 6b SER) are discussed later as “special circumstances” that adapt requirements regarding a property’s total investment or vacancy when qualifying for an incentive.

Table 1: Incentive classifications in Cook County addressed in CMAP’s and UIC’s analysis

Class	Eligible properties	Level of assessment*	Initial term	Renewability
6b	Newly constructed industrial, abandoned, or rehabilitated industrial property	10%	10 years	Renewable (10-year periods, 2-year phaseout)
7a	Commercial property with total development costs, exclusive of land, under \$2,000,000	10%	10 years	Renewable (10-year periods, 2-year phaseout)
7b	Commercial property with total development costs, exclusive of land, over \$2,000,000	10%	10 years	Renewable 10-year periods, (2-year phaseout)
7c	New commercial, rehabbed commercial, or abandoned property — CURE (Commercial Urban Relief Eligibility)	10%	3 years	One renewal (3-year period, 2-year phaseout)
7d	Grocery stores in “food deserts” lacking fresh fruit, vegetables, and other healthful whole foods	10%	10 years	One renewal (10-year period, 2-year phaseout)
8	Commercial or industrial in areas in need of revitalization	10%	10 years	Renewable (10-year periods, 2-year phaseout)
C	Former brownfield that has been remediated for commercial or industrial use	10%	10 years	Industrial renewable, commercial not renewable (10-year periods, 2-year phaseout)

Note: If classification is not renewed or cannot be renewed, the level of assessment increases to 15% in the first phaseout year and 20% in the second. Cook County has adopted other property classifications with reduced levels of assessment (such as Class L for historic preservation and Class E for solar energy installations) which are outside this project’s scope, as well as incentives like Class 8 MICRO that have not yet been fully implemented. Source: Code of Ordinances of Cook County, Illinois ch. 74 §§ 63-64.

For some local leaders — particularly those in historically disinvested areas with substantial potential but weak market demand — incentives are viewed as an economic lifeline. Tax levies in these areas are often imposed on smaller tax bases and produce higher effective tax rates, which can make it difficult to attract new investment. In 2018, Homewood Mayor Richard Hofeld argued, “The Class 8 is not an incentive. It’s an equalizer... It makes us competitive. Without it, we’re through.”¹² Concern about how to best help these areas in particular tends to dominate much of the public discourse on incentives.

This local view contrasts sharply with academic research — both nationally and locally. In general, researchers have not found compelling evidence that incentives improve economic development metrics like business and job growth.¹³ Rather than addressing systemic issues and disparities, the

12 David Funk, “South Suburbs Fighting Cook County on Proposed Change to Financial Incentive,” Homewood-Flossmoor Chronicle, March 11, 2018, <https://www.hfchronicle.com/2018/03/11/south-suburbs-fighting-cook-county-proposed-change-financial-incentive/>.

13 Joshua Drucker, Geon Kim, and Rachel Weber, “Did Incentives Help Municipalities Recover from the Great Recession? Evidence from Midwestern Cities,” Growth and Change 50, no. 3 (September 2019): 894–925,

pervasive use of incentives may reinforce them by foregoing revenues needed for better public services and infrastructure — or, at least, by absorbing more local attention and effort than outcomes would support. Moreover, the academic consensus suggests that incentives can encourage more competition within metropolitan regions as municipalities engage in poaching strategies, leading to negative outcomes like excessive tax breaks for businesses and escalating local composite tax rates.¹⁴

Balancing these perspectives requires asking tough questions about what an incentive independently contributes to each business decision. A common approach for evaluating incentive deals focuses on the “but for” test: would a development happen but for the incentive? It can be difficult to isolate the effect of incentives from the many other factors that influence where and how businesses choose to invest — such as nearby infrastructure or overall market conditions. And businesses are privy to information about their choices that others cannot access. Researchers have developed methods to effectively account for such issues, including empirical and synthetic comparisons, simulations, and natural experiments arising from policy changes. Regardless of methodology, understanding whether and in what conditions incentives induce economic growth or development goes to the heart of whether they can be considered a good policy choice.¹⁵

Countywide implications

The Cook County government has a unique vantage point in this debate. With 134 municipalities and significant unincorporated areas, the county has a direct interest in driving development outcomes throughout its broad and diverse jurisdiction, not simply in aggregate. A developer’s choice to invest in one Cook County community over another can appear, at a high level, fiscally and economically neutral. But the county also has an active stake in shaping where and how new investment is flowing, given the needs of marginalized communities and a wide array of public objectives. Perhaps most notable, elected officials have prioritized aid and resources to areas facing historical inequities to help alleviate racial disparities and broaden prosperity. As such, the county has an interest in ensuring that the local use of incentive classification contributes positively to countywide outcomes.

Today’s debates also put incentives in context alongside other, broader issues that may require Cook County’s leadership or direct action. While many local officials view incentive classification as an important *municipal* tool, their authorization and administration ultimately sit with county officials in county ordinances. Related provisions will expire on December 31, 2027, unless renewed by the Cook County Board of Commissioners, which provides a specific opportunity for the county to improve their design and use.¹⁶ Alongside changes to the incentives, stakeholders also advocate for broader, structural reform that would likely require the county’s partnership with the Illinois General Assembly. Proposals have included changing how the state disburses funding to local governments or phasing out the classification system over time in favor of a truer *ad valorem* property tax.¹⁷

<https://doi.org/10.1111/grow.12318>; Joshua Drucker et al., “Do Local Governments Use Business Tax Incentives to Compensate for High Business Property Taxes?,” *Regional Science and Urban Economics* 81 (March 2020): 103498, <https://doi.org/10.1016/j.regsciurbeco.2019.103498>.

¹⁴ Lingwen Zheng and Mildred Warner, “Business Incentive Use Among U.S. Local Governments: A Story of Accountability and Policy Learning,” *Economic Development Quarterly* 24, no. 4 (2010): 325-336 <https://doi.org/10.1177/0891242410376237>.

¹⁵ Drucker, Kim, and Weber, “Did Incentives Help Municipalities Recover from the Great Recession?”

¹⁶ Code of Ordinances of Cook County, Illinois ch. 74 § 68.

¹⁷ “Civic Federation Position on the Cook County Property Tax System: Recommendations for Reform” (Civic Federation, December 20, 2010), https://civicfed.org/sites/default/files/101220_CookCountyPropertyTaxPosition.pdf.

Prevalence of Cook County incentive classification

County leaders seek to foster countywide economic development while supporting municipalities with tools to meet local needs. Analysis of the Cook County Assessor’s Office (CCAO) data can provide a more robust understanding of how incentive use is distributed and how it has changed over time.¹⁸ Every property in Cook County is made up of one or more parcels, each assigned a unique Parcel Identification Number (PIN) and categorized under one of the CCAO’s three-digit “Classifications of Real Property” that provides a detailed description of each parcel’s use. CCAO assess pieces of land one would ordinarily consider part of a whole (i.e., by PIN) and, thus, incentive classifications are at the PIN, not property, level. As a result, it is typical that a given parcel within a property will have an incentive classification while the remainder of the property will not. The following analysis can help inform the efforts of county staff and elected officials in developing strategic reforms to the county’s incentive program.¹⁹

Table 2: Fair market value of property with incentive classification, tax years 2006-2022

Year	Commercial & Industrial		Commercial		Industrial		All C&I C&I FMV
	C&I incentive FMV*	Share of C&I	Commercial incent. FMV	Share of commercial	Industrial incent. FMV	Share of industrial	
2006	\$2.77	4.48%	\$0.19	0.39%	\$2.58	18.73%	\$61.90
2007	\$2.99	4.65%	\$0.25	0.51%	\$2.74	19.07%	\$64.22
2008	\$3.40	5.17%	\$0.44	0.86%	\$2.96	20.48%	\$65.82
2009	\$4.52	5.50%	\$0.88	1.35%	\$3.64	21.72%	\$82.19
2010	\$4.29	5.43%	\$0.72	1.15%	\$3.56	22.13%	\$78.97
2011	\$4.52	5.80%	\$0.91	1.47%	\$3.60	23.03%	\$77.90
2012	\$4.73	6.19%	\$0.98	1.61%	\$3.75	24.46%	\$76.48
2013	\$4.98	6.62%	\$1.08	1.79%	\$3.90	26.26%	\$75.27
2014	\$5.25	7.01%	\$1.39	2.31%	\$3.86	26.53%	\$74.95
2015	\$5.97	7.47%	\$1.81	2.79%	\$4.16	27.90%	\$79.96
2016	\$6.20	7.61%	\$1.88	2.84%	\$4.31	28.42%	\$81.39
2017	\$6.66	8.05%	\$2.05	3.06%	\$4.61	29.45%	\$82.71
2018	\$7.88	8.60%	\$2.78	3.71%	\$5.10	30.80%	\$91.60
2019	\$9.21	9.23%	\$2.92	3.62%	\$6.29	33.04%	\$99.81
2020	\$9.46	9.83%	\$2.78	3.64%	\$6.68	33.77%	\$96.19
2021	\$10.77	10.24%	\$3.42	4.11%	\$7.35	33.43%	\$105.14
2022	\$12.61	11.26%	\$3.67	4.18%	\$8.94	36.84%	\$112.01

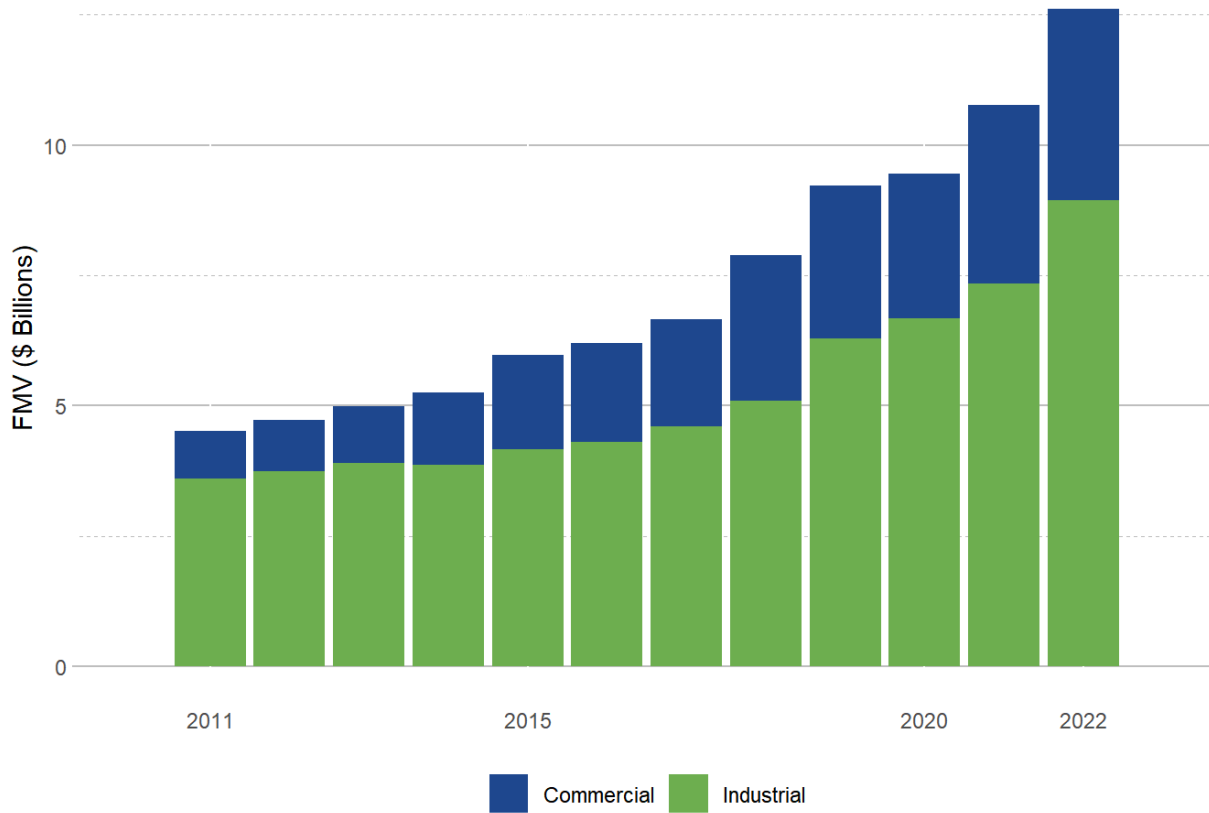
* FMV is shown in billions of dollars.

¹⁸ See Appendix II for a discussion of UIC’s methodology and data limitations. Full replication materials are available at <https://uic-gfrc.github.io/CookCounty-PropertyTaxes/>.

¹⁹ This section investigates the *value* of parcels with incentive classifications. Examining the *number* of parcels with incentive classifications instead paints a somewhat different picture — see Appendix VII.

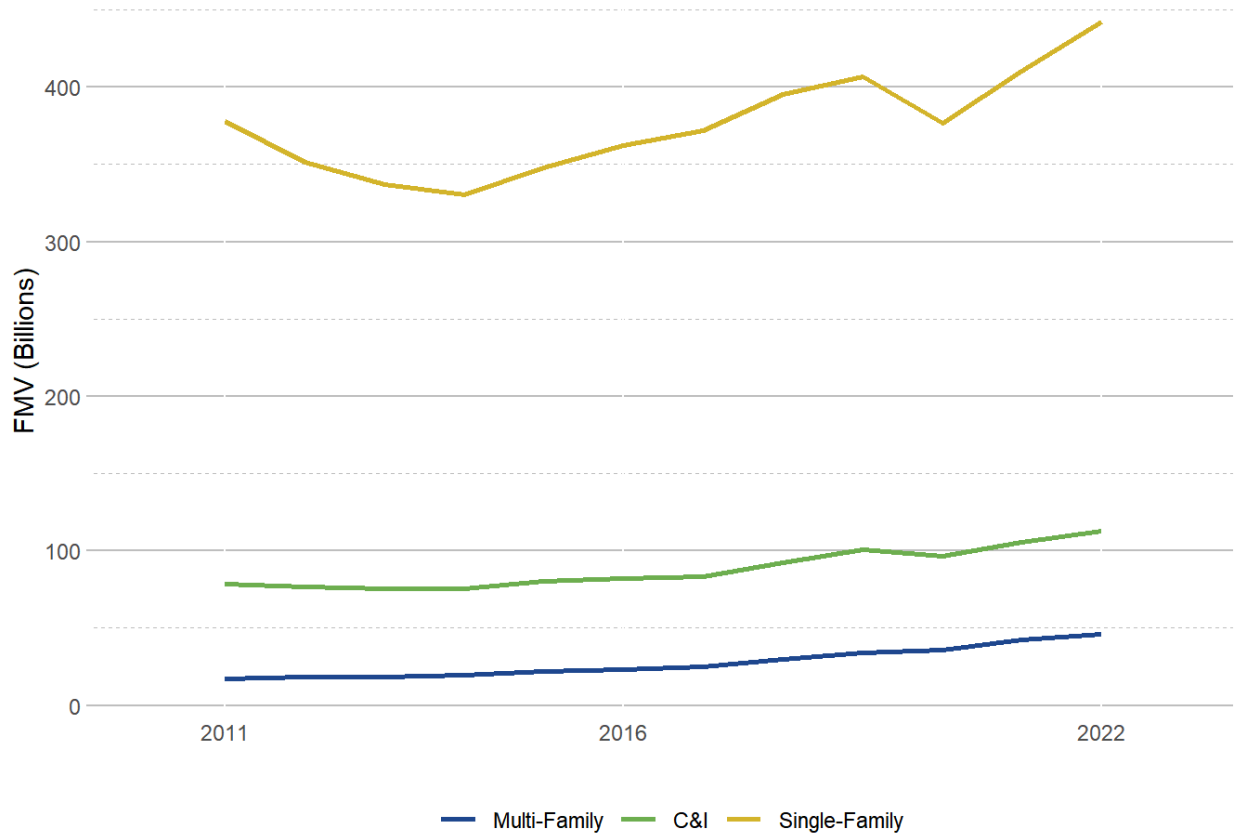
The FMV of the county’s property tax base with an incentive classification has increased steadily since at least tax year 2006 when online records begin, both in absolute terms and as a share of the total value of commercial and industrial parcels. 11.3 percent of total C&I value in Cook County possessed an incentive classification in 2022 (Table 2 and Figure 1). Over a third of all industrial FMV in Cook County receives an incentive classification, and more than two thirds of the total FMV of properties that receive incentive classifications are industrial properties. Thus, any given industrial parcel is much more likely to have an incentive classification than a commercial parcel. However, the proportional share of industrial to commercial incentive value has declined over time (See Figure 1).

Figure 1: Fair market value of property with incentive classification by year, 2011-2022



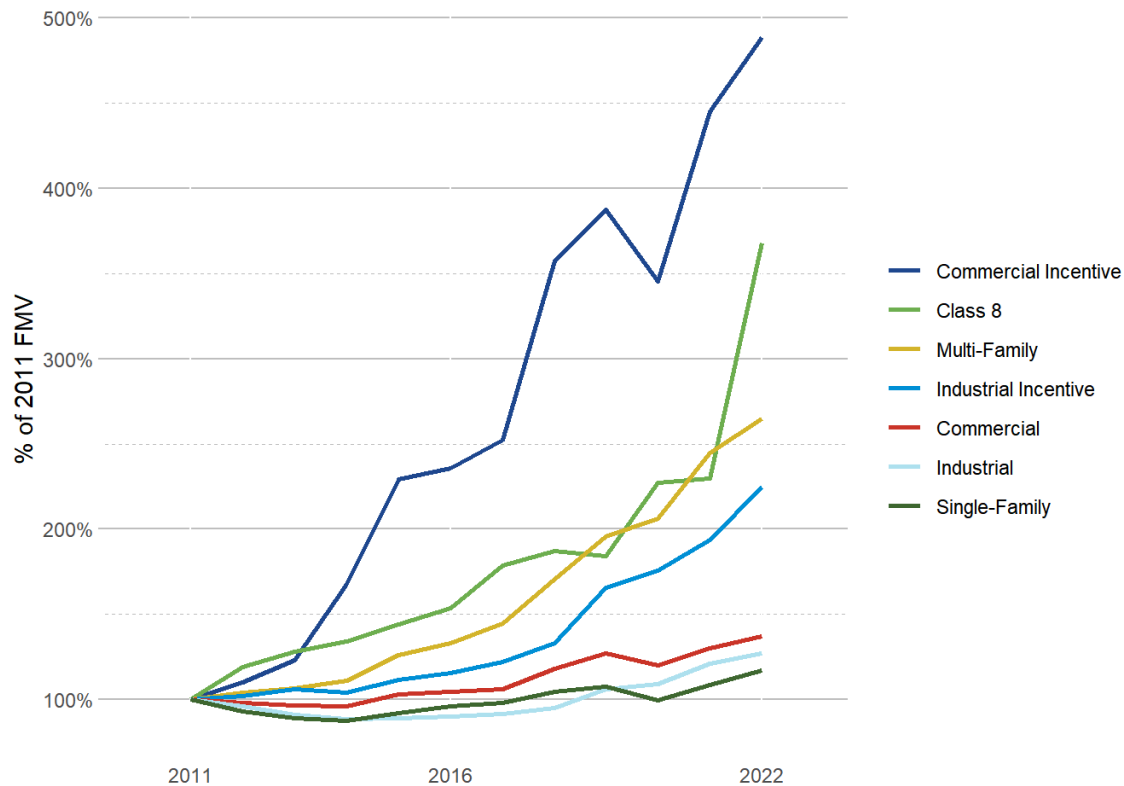
It is important to put C&I property value in the context of the total value of properties in Cook County. Figure 2 shows countywide FMV for single- and multi-family residential parcels as well as C&I parcels. Single-family (Major Class 2) residential property FMV dwarfs C&I FMV across all years and makes up the overwhelming majority of Cook County’s property tax base.

Figure 2: Fair market value of property with incentive classification by property type, 2011-2022



While single-family FMV may dwarf C&I FMV, properties with incentive classifications grew at a faster rate. As seen in Figure 3, which indexes property value in each category to its 2011 amount, commercial incentive (excluding Major Class 8), industrial incentive (excluding Major Class 8), Major Class 8 (both industrial and commercial properties), and multi-family residential FMV grew at much higher rates compared to the relatively stable FMV of Cook County’s single-family residential properties.

Figure 3: Appreciation in value for select property types, Cook County, 2012-2022

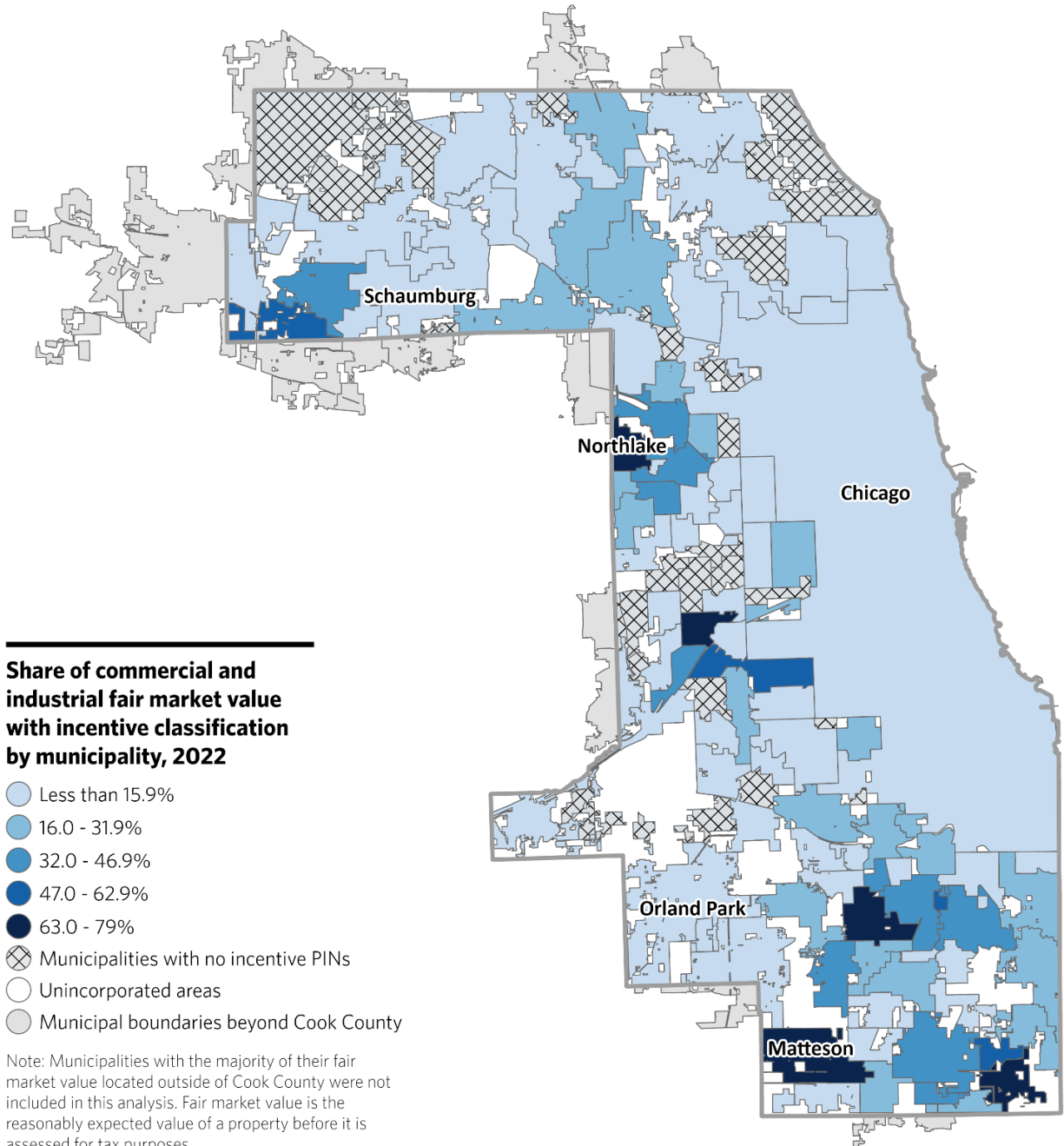


Geographic variation in incentive use

In addition to understanding the relative size of incentivized property value relative to the county’s full tax base, the geographic distribution of incentives can also help direct conversations around where, why, and how incentives are being used in Cook County. Across various methods for measuring incentive intensity, CCAO data shows that incentive use is concentrated in a relatively small number of municipalities that incentivize a large amount of FMV and/or a large share of total municipal industrial and commercial FMV. The municipalities with higher intensities of incentive use are largely clustered in the South suburbs and around O’Hare and Midway international airports (See Figure 4).

Across Cook County, 37 percent of all industrial value is within incentive parcels. In some places, however, incentives account for a much larger share. In Bedford Park, for example, 62 percent of industrial market value receives an incentive, and in Northlake 88 percent of industrial value receives one. Commercial incentive values have increased from 1.5 percent of Cook County commercial value in 2011 to 4.2 percent in 2022 (See Table 2). Although the pace of growth for commercial properties is faster, the sheer volume of industrial incentives still dwarfs commercial ones: \$8.9 billion in industrial incentive value in 2022 compared to \$3.7 billion in commercial incentives. Outside of Chicago, the difference is even greater: \$7.4 billion in industrial incentive value compared to \$807 million in commercial incentive value.

Figure 4: Share of commercial and industrial fair market value with incentive classification by municipality, 2022



Source: UIC Government Finance Research Center analysis of Cook County Assessor's Office data

Most of the incentive use by FMV is concentrated in a small number of municipalities as the top ten municipalities account for 88 percent of Cook County’s total commercial FMV (see Table 3). As the largest municipality in the region, Chicago hosts the largest dollar value of both commercial and industrial incentives. It accounts for a whopping 78 percent of Cook County’s commercial incentive value (\$2.86 billion in FMV).

Table 3: Top ten municipalities by fair market value of commercial property with incentive classification, 2022

Municipality	FMV from incentive class properties	# of incentive parcels
Chicago	\$2,861,809,300	190
Glenview	\$72,809,460	3
Matteson	\$57,273,632	21
Evergreen Park	\$46,413,180	6
Calumet City	\$40,095,923	65
South Holland	\$36,050,273	47
Orland Park	\$32,763,720	10
Lansing	\$30,327,995	27
Chicago Heights	\$28,510,433	58
Homewood	\$25,847,943	23

Chicago is the largest municipality in Cook County in terms of the value of industrial incentive parcels as well but to a much lesser degree than with commercial incentives (see Table 4). Chicago has \$1.57 billion in FMV in industrial incentive parcels, about 17.5 percent of Cook County’s total. Elk Grove Village comes in second with \$927 million, which is more than 10 percent of Cook County’s total. Combined, the ten municipalities in Table 4 account for nearly two thirds (65 percent) of Cook County’s total FMV in industrial incentive parcels.

Table 4: Top ten municipalities by fair market value of commercial property with incentive classification, 2022

Municipality	FMV from incentive class properties	# of incentive parcels
Chicago	\$1,567,026,390	488
Elk Grove Village	\$927,465,940	246
Franklin Park	\$659,839,060	92
North Lake	\$605,255,790	19
Bedford Park	\$519,319,250	151
Melrose Park	\$350,581,750	92
Des Plaines	\$338,782,660	56
McCook	\$294,324,820	47
Matteson	\$288,028,380	6
Markham	\$269,549,800	641

Variation by incentive share

Total value by itself does not reveal the intensity with which different municipalities use incentive classifications. To understand the intensity of incentive use on a local level, it is necessary to examine the relative quantity of incentive value compared with the size of the whole tax base. Because only C&I parcels can receive an incentive classification, the share of total C&I property value (rather than all property uses) reveals the municipalities that most rely on this tool.

Some municipalities incentivize more than two thirds of their total commercial and industrial (C&I) value and as much as 90 percent of their industrial FMV. Table 5 shows groups of municipalities with the highest and median incentive shares relative to total municipal FMV for C&I, commercial, and industrial property. Palos Heights, the median municipality for share of incentivized C&I FMV, incentivizes 9.88 percent of its C&I property tax base. Incentives are likely to have a greater impact on the tax base of those municipalities with shares above the median, including Markham, Sauk Village, and McCook. Those at the low end of the distribution either have no incentive classification parcels within their boundaries or have no industrial and commercial parcels at all.²⁰

Table 5: Highest and median municipal incentive shares by total, commercial, and industrial fair market value with incentive classification, 2022²¹

C&I		Commercial		Industrial	
Municipality	% FMV	Municipality	% FMV	Municipality	% FMV
Markham	78.77%	Sauk Village	46.69%	Matteson	92.75%
Sauk Village	78.23%	Calumet Park	29.30%	Markham	92.46%
McCook	76.47%	Posen	28.73%	Homewood	91.47%
North Lake	72.93%	Ford Heights	28.20%	Phoenix	90.62%
Matteson	65.14%	Phoenix	28.17%	Richton Park	89.07%
Rolling Meadows	10.05%	Bedford Park	1.55%	Crestwood	20.77%
Niles	9.92%	Park Ridge	1.49%	Dolton	20.53%
Palos Heights	9.88%	Oak Park	1.38%	Lansing	19.36%
Richton Park	9.26%	Hoffman Estates	1.29%	Forest Park	18.97%
Broadview	8.73%	North Lake	1.25%	Lemont	18.93%
27 Municipalities do not have properties with incentive classification.		50 Municipalities do not have properties with incentive classification.		37 municipalities do not have industrial incentive properties.	

Note: The municipalities with median values for incentive share by FMV are bolded in Table 5.

When analyzing incentive intensity, normalizing incentive use by value accounts for how many non-residential parcels exist in each municipality. Some municipalities have comparable values of industrial

²⁰ Disaggregating by land use provides different results. Of the 118 municipalities with a majority of their tax base within Cook County, the median municipal value for share of incentive industrial FMV was 19.36% in Lansing and the median municipal value was 1.4% of commercial FMV in Oak Park.

²¹ Using incentive share to measure intensity provides a skewed perspective of incentive use. Very small municipalities that have fewer total commercial or industrial parcels or low total C&I property value will have high incentive intensity values. This dynamic explains why small industrial municipalities like Hodgkins or primarily residential communities like Homewood and Phoenix with a handful of industrial parcels show up in the highest quartiles of incentive use. In these cases of small numbers, the addition or subtraction of just a few parcels can make a significant difference in incentive intensity.

properties, such as McCook and Skokie, but they still use incentives very differently. For example, about 79 percent of McCook’s industrial FMV, or 38 percent of industrial parcels, had incentives in 2022 compared to Skokie’s 22 percent of industrial FMV, or 5 percent of industrial parcels.

In addition to patterns in the types of municipalities with high incentive intensities, distinct spatial patterns emerge when incentive intensity is mapped across the county. Municipalities that use incentives intensively cluster in various parts of the county, but particularly around the two airports and in the south suburbs. More revealing are the maps that disaggregate incentive C&I by land use (Figure 5a and 5b). Parcels with industrial incentives are concentrated in the south suburbs, near O’Hare International Airport, and, to a lesser extent, Chicago-Midway International Airport. The City of Chicago has just more than 21 percent of its industrial FMV receiving incentives (\$1.57 billion). Commercial incentive parcels are less concentrated than industrial ones, with 70 diverse municipalities across all parts of the county leveraging this policy tool.

Notably, south suburban communities use incentives at much higher intensities than most other parts of the county. This concentration of incentive use is likely related to the precarious fiscal state of the municipalities in this part of the county and its proximity to adjacent counties in Illinois and Indiana, which do not use a classification system and often have lower business property tax rates.

Figure 5a: Incentive classifications as a share of industrial fair market value by municipality, 2022

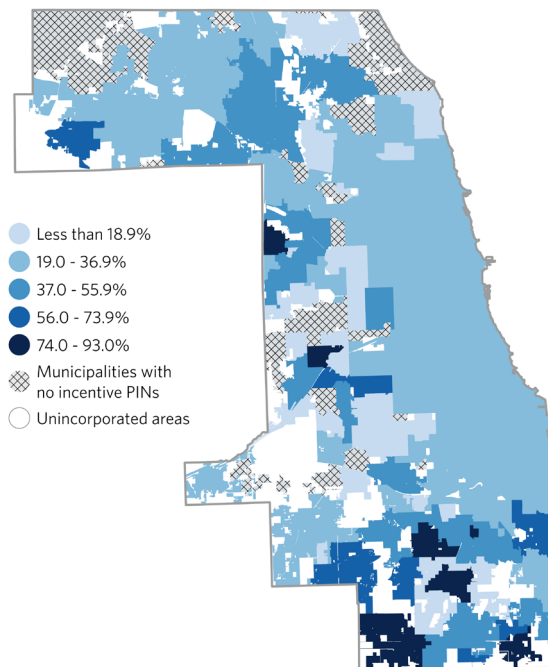
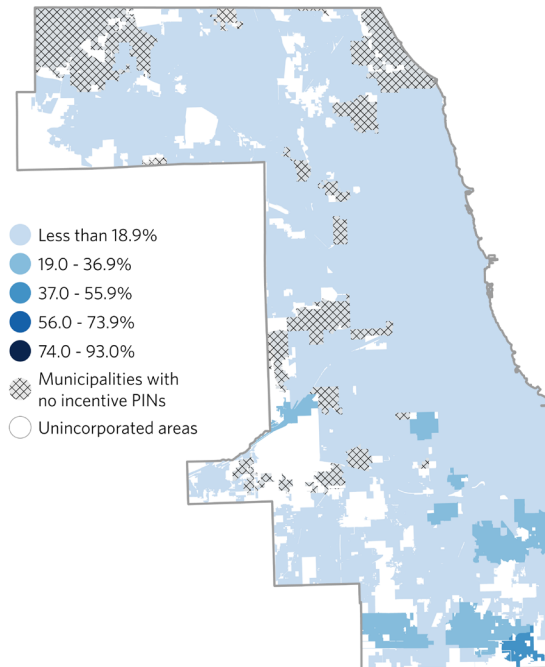


Figure 5b: Incentive classifications as a share of commercial fair market value by municipality, 2022



To address the economic development challenges faced by the south suburbs, Cook County introduced the current version of the Class 8 incentive classification in 2009.²² The Class 8 incentive was intended to streamline the application process compared to Class 6 and 7 incentives for municipalities located in

²² Ordinance amendment 09-O-26, Code of Ordinances of Cook County, Illinois ch. 74 §§ 63, 70, April 15, 2009. See Appendix I for more information on this history.

Bloom, Bremen, Calumet, Rich, and Thornton townships. The existence of this separate incentive classification may be another reason for the concentration of incentive use in the south suburbs. However, it is unlikely that, aside from the Amazon distribution center in Markham in 2022, the availability of this program is independently responsible for the prevalence of incentive use in this part of the region.

Explaining the concentration of incentive use

In addition to the above analysis, a consideration of local practices and preferences adds perspective to how and why municipalities use incentives. Academic research evaluating other jurisdictions and findings from interviews outlined later in this report suggest that some municipalities are more entrepreneurial and actively pursue businesses and developers with promises of incentives and other forms of public assistance, including infrastructure improvements.²³ Others may lack the personnel and capacity to engage in economic development activities and rely on third-party intermediaries such as property tax attorneys and consultants to facilitate incentive awards. Finally, some municipalities choose to devote their capacity to alternative economic strategies, such workforce development, zoning changes, the sale of publicly owned property, or the construction of infrastructure.

Incentives are increasingly prevalent in key parts of the county

A quantitative analysis of property tax data reveals that both the frequency and intensity of using incentive classifications have increased over time. Industrial properties receive incentive classifications more than commercial ones in terms of both the number of parcels and the value of those incentive parcels. In recent years, however, an increasing number of commercial parcels have received an incentive. Despite the limitations of the data, there are distinct spatial patterns in incentive use. Due to the concentration of economic activity in the central city, Cook County's incentive program is dominated in parcel counts and value by the city of Chicago. After Chicago, a handful of suburban municipalities grant most of the incentives. These municipalities are more industrial and commercial in makeup and are located near the region's two airports and in the south suburbs. Incentive industrial parcels display more spatial clustering while incentive commercial parcels are spread across the county's suburban municipalities.

²³ Joshua Drucker et al., "Do local governments use business tax incentives to compensate for high business property taxes?", *Regional Science and Urban Economics*, vol. 81 (2020), <https://doi.org/10.1016/j.regsciurbeco.2019.103498>; Andrea Craft et al., "Variation in the Heartland: Explaining the use of economic development incentives in three Great Lakes states," *Urban Affairs Review*, 57 no. 3 (2020), <https://doi.org/10.1177/1078087420928410>; Sara Hinkley and Rachel Weber, "Incentives and Austerity: How did the Great Recession affect municipal economic development policy?" *Urban Affairs Review*, 57 no. 3 (2020), <https://doi.org/10.1177/1078087420964254>.

Process mapping: complex, opaque, fragmented

In conjunction with the quantitative analysis by UIC, CMAP led a qualitative exercise to both map the existing incentive process and determine opportunities for improved use of incentive classifications. CMAP interviewed more than 40 stakeholders who are involved in their administration. These included county staff in multiple offices, business owners, members of Cook County’s Economic Development Advisory Committee (EDAC), property tax and development attorneys, and local elected officials. The findings allowed CMAP to construct a step-by-step narrative of how an incentive application moves from the earliest conversations about a development project through to its submission, review, approval, and activation. (See Appendix III for a comprehensive description of the various requirements and steps to awarding an incentive classification.)

To apply for an incentive classification, property owners may work with as many as five public offices and four public bodies, need up to six votes of approval, and pay more than \$8,000 in fees (not including any legal and consulting fees) across a process that can take 2-3 years to complete.

To understand the current process, it helps to look at the critical path for the most straightforward applications (see Figure 6 below, shown in green). Incentive classification is administered primarily by the Cook County Assessor’s Office (CCAO) together with local municipalities and the Cook County Bureau of Economic Development (BED). First, a developer will work with local public staff to assemble application materials and negotiate a redevelopment agreement. The municipality where the property is located (or the Cook County Board of Commissioners in unincorporated areas) must certify that the incentive is necessary for redevelopment to be viable by passing a resolution of support for the application. (Other taxing districts like schools or townships do consider these incentives, although they will factor in the calculation of all applicable taxes.) The developer then submits an application and all supporting documentation to CCAO based on the requirements outlined in county ordinance.²⁴

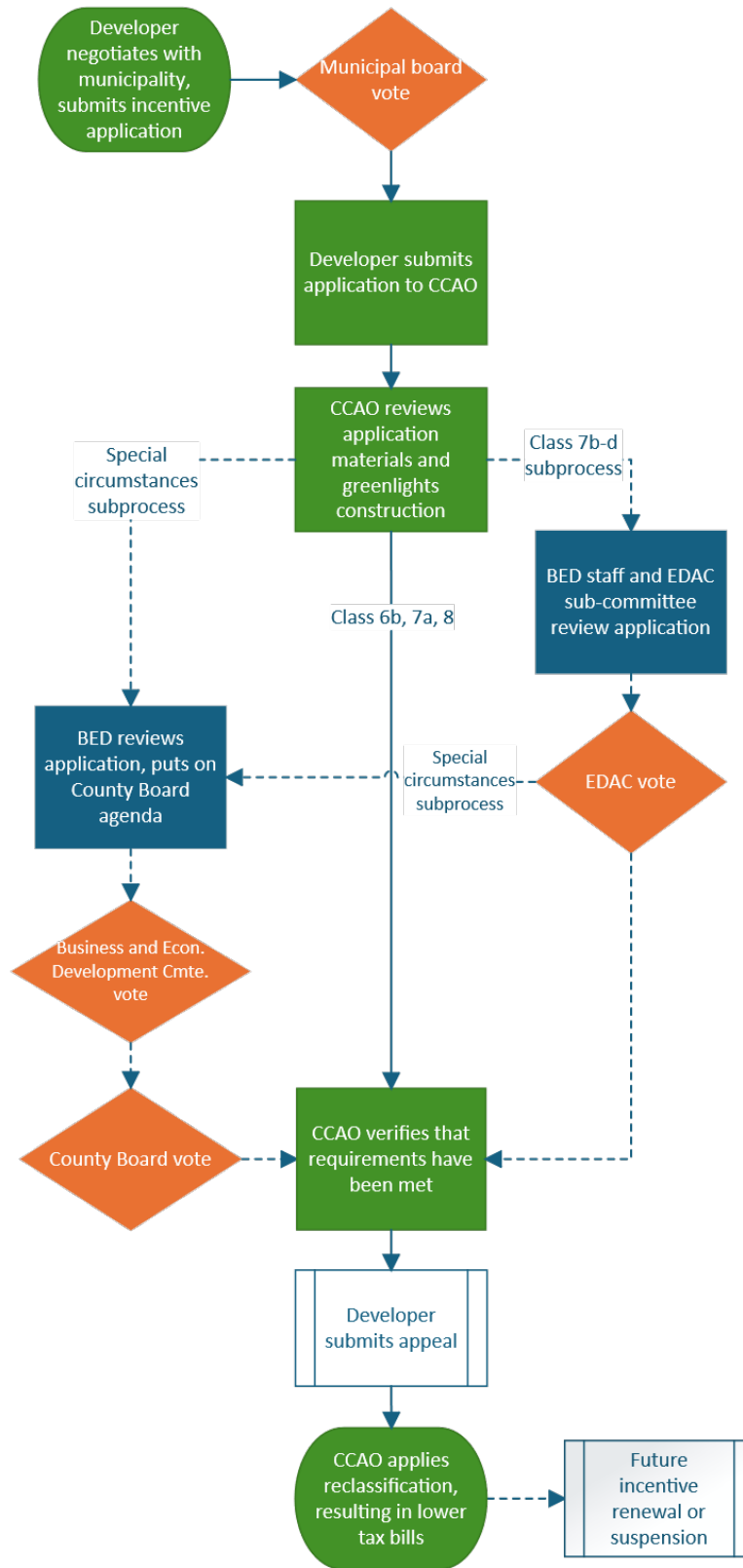
Once CCAO has a complete application and before a formal decision has been made, the developer is informally “greenlit” to begin construction on the property. During construction, CCAO will review project details and verify whether it meets all program criteria. Once construction is completed and eligibility confirmed, the property owner must file an appeal to have the property reclassified into the relevant incentive class. This appeal may need to follow a separate, standard, but complex path through CCAO, the Board of Review (BOR), or the Circuit Court, alongside other assessment appeals.²⁵ Once the appeal is granted and the property is reclassified, then the owner will begin to see lower tax bills.

However, some incentive applications require additional documentation and review. For example, some municipalities have their own local review and approval requirements before granting a resolution of support, and these steps are often not well communicated. Class 7b, 7c, and 7d applications are also reviewed separately by BED staff and voted on by EDAC and its subcommittees. Certain projects (such as properties that do not meet standard vacancy criteria) require a second resolution by the county board and its subcommittees to validate the finding of special circumstances that qualify an otherwise ineligible property. And CCAO has separate processes for annual reporting, renewals, and suspensions that may trigger after an incentive is awarded.

²⁴ Code of Ordinances of Cook County, Illinois ch. 74 §§ 63, 65, 70.

²⁵ This interaction — where incentive deals converge into property tax appeals — is highly unusual nationally and driven not by any particular benefit to the incentive program but rather, by how jurisdiction over the real property tax rolls rotates administratively among separately elected offices of Cook County. While this discussion focuses on other opportunities for improvements, future efforts may focus on alternatives to separate the two structures.

Figure 6: Critical path for incentive applicants



Stakeholders share mixed reviews and desire change

Interviews suggest that stakeholders find ongoing value in retaining incentive classification in some form — or at least, continuing to use reduced assessments as the county’s primary tool to support local development. But in practice, they also reveal a bureaucratic structure that has accreted over time and become difficult to navigate, opaque to outsiders, and fractured across different public offices. Later sections of this report explore the specific challenges that can arise in administering the incentives and specific actions Cook County officials can take to improve the program.

In short, county staff are widely commended for their doggedness and ingenuity in steering projects past procedural hazards, as well as their efforts to streamline and speed many steps. Yet applicants, elected officials, and other county staff do not fully understand or trust the process. While the critical path can be straightforward for some applications, exceptions and delays are commonplace. Information and accountability are spread thin across offices, giving rise to recurring doubts about program outcomes even as stakeholders point to “good projects.” Some procedures — like the additional reviews of Class 7 incentives or the undistinguished value of Class 8 — now lack a clear rationale. And some of the incentives are no longer well aligned with the county’s current strategy on economic and community development.

Beyond changes in program design and administration, many stakeholders wish to see broader reforms to how Cook County uses incentive classification to achieve public objectives — most notably to support racial equity and reinvestment through the property tax.

Empirical evidence on incentive classifications’ effectiveness

Amid conflicting perspectives surrounding the effectiveness of incentive classifications in reactivating vacant land and attracting businesses, the project team conducted a series of analyses of the fiscal impact of incentives on local property tax bases. While a range of assumptions are necessary for the following analyses, the data shows that smaller municipalities with high incentive intensity are the most likely to have meaningful changes to their composite tax rates due to the use of incentives. The analysis also shows that properties with incentives increased in value at a faster rate than those without, although land use changes were shown to have an even stronger correlation with appreciation than incentives.²⁶ Overall, more than \$7.5 billion in FMV went untaxed in 2022 due to the use of incentive classifications, causing about \$343 million in tax burden to shift from properties with incentive classifications to non-incentive properties.

The fiscal impacts of incentive classifications

Incentive classifications were introduced in the 1970s to reactivate the tax base and to attract and retain businesses.²⁷ County officials and some business leaders argued that lowering a key operating expense such as property taxes could attract new businesses and encourage existing property owners to invest in their facilities. In theory, property tax incentives have the potential to make even high-tax municipalities look as attractive as lower-tax competitors for the business receiving the incentive. Proponents have also held up incentives as a critical tool in getting vacant and abandoned properties back on the tax rolls, effectively strengthening the property tax base.

If reduced tax bills affect the location and investment decisions of businesses, there should be noticeable differences between those business property owners that receive incentive classifications and those that do not. These differences could be tied to employment (incentive recipients create jobs at a faster rate), establishments (incentive-offering municipalities grow their tax base at a faster rate), or capital investment (incentive recipients see their property values grow at a faster rate). This would also lead to differences between places in terms of economic development activity. Municipalities that provide incentives may attempt to extract some of the value of the reduced tax liability through revenue sharing agreements or unwritten *quid pro quos*. Moreover, incentive recipients are subject to living wage regulations that potentially constrain the value of the incentive.²⁸

Observing these potential differences requires systems that track and monitor beneficiaries for a reasonable period after they receive the incentive. These outputs or “impacts” can be self-reported or collected by a third party. Cook County ordinance mandates triannual reporting of employment and wage data for incentive class properties and provides for revocation of the incentive absent these disclosures.²⁹ However, this mandate has been suspended since 2017 and will return in 2025 absent another extension—but an extension seems likely given that the waiver has been extended five times since its initial passage.³⁰

²⁶ A lack of comprehensive data on incentives limits the following analysis of their fiscal impacts; for more information see Appendix II.

²⁷ Code of Ordinances of Cook County, Illinois ch. 74 § 61.

²⁸ Code of Ordinances of Cook County, Illinois ch. 74 § 71.

²⁹ See, e.g., Code of Ordinances of Cook County, Illinois ch. 74 § 63(7)k.

³⁰ Code of Ordinances of Cook County, Illinois ch. 74 § 75.

Once the outputs of incentives are known, their effectiveness can be framed by answering at least two questions. First, do the observed benefits to the tax base and local economic development outweigh the costs they impose on local taxing districts? Second, are the observed benefits caused by the incentives, or would they have materialized without the use of incentives? While available data allows for a modest cost-benefit analysis to address the first question, it does not allow for an analysis that could answer the second question around the “but-for” test.

The costs of incentive classifications

Incentives are not free. As described above, they involve administrative costs for Cook County and municipal governments as well as transaction costs such as application fees on the part of the applicants. Importantly, incentives impose fiscal costs on local governments and taxpayers, primarily in the form of foregone or shifted property tax revenues. The municipality that grants the incentive knowingly decreases its own tax base as a source of revenue. It concomitantly reduces the tax base available to school districts, special governments, and the county that share the same tax base, potentially impelling those taxing agencies to increase their tax rates.³¹ Moreover, incentives can increase the tax burden for properties without incentive classifications, including homeowners.

Uncollected property tax revenues from incentive classifications

To illustrate the tax savings potential for an incentive class property owner, take the case of an industrial parcel in the Village of Hazel Crest, which is in Bremen Township, southwest of Chicago.³² The fair market value of the owner’s property was \$1,000,000 in 2022 (see Figure 7). Because the owner was granted a 6B incentive classification in 2005, a 10-percent level of assessment was applied to the FMV instead of 25 percent to calculate the assessed value of \$100,000. After incorporating the state equalizer and applying the property’s tax code’s composite tax rate of 26.28 percent, the owner’s tax bill amounted to \$76,834. If the owner had not applied for and received the 6B incentive classification, they would have paid \$192,085 or 2.5 times as much as their actual tax bill.

The taxing jurisdictions that provide services and infrastructure to the property and others like it within their jurisdictions must find some way to account for this difference—either by reducing their budgets, searching for operating efficiencies, reducing the quality of their services, or maintaining their current budget and, as a result, increasing tax rates.³³ Incentives’ upward pressure on tax rates is already reflected in the 26.28 percent composite tax rate, which is substantially higher than the average across Cook County.

³¹ In conjunction with agreements between landowners and municipalities to “share” the savings from reduced tax liability from an incentive, municipal governments can use incentives as a tool to capture more than their share of the tax base that they share with other taxing jurisdictions, such as school and fire service districts.

³² PIN 28254010130000 is used for this example. It is a class 663 industrial incentive property. The incentive likely has been renewed once after its initial ten-year lifespan.

³³ We represent the process in which the taxing jurisdiction engages somewhat loosely here. Within a particular tax year, local governments determine their levy amounts within certain state-imposed constraints, and subsequently the county clerk calculates the property tax rate to yield that levy. A municipality can readily estimate the EAV of a property both with and without the incentive classification prior to the approval of the incentive. Moreover, municipalities ought to consider, and many likely do consider, at least implicitly and qualitatively, how incentive properties in their jurisdiction collectively affect their budgets and tax rates.

Figure 7: Property tax bill for industrial PIN 28254010130000, 2022

TAX CALCULATOR			
2021 Assessed Value	100,000	2022 Total Tax Before Exemptions	76,834.84
		Homeowner's Exemption	.00
		Senior Citizen Exemption	.00
		Senior Freeze Exemption	.00
2022 Assessed Value	100,000		
2022 State Equalizer	X 2.9237		
2022 Equalized Assessed Value (EAV)	292,370	2022 Total Tax After Exemptions	76,834.84
2022 Local Tax Rate	X 26.280%	First Installment	41,344.92
2022 Total Tax Before Exemptions	76,834.84	Second Installment +	35,489.92
		Total 2022 Tax (Payable in 2023)	76,834.84

Overlapping taxing jurisdictions that count incentive properties as part of their tax base are also affected in the aggregate. Incentives provide tax relief to business owners, but they also erode the property tax base available to jurisdictions like the county, municipal governments, and school districts. For all taxing jurisdictions in incorporated Cook County, approximately \$7.58 billion in Fair Market Value was “untaxed” due to incentive classifications in 2022 (see Table 6). This value is calculated by applying each tax code’s tax rate to its associated tax base.³⁴ About three quarters of this untaxed value results from industrial incentive classifications. Applying adjusted composite tax rates to the parcels located in each tax code, the \$7.58 billion in untaxed FMV amounts to about \$343 million in tax burden that shifts from properties with incentive classifications to non-incentive properties.³⁵

Table 6: Untaxed fair market value and uncollected tax revenues due to incentive classification, 2022

	Total FMV (Billions)	2022 Untaxed FMV (Billions)	Uncollected Tax Revenue (Shifted Burden) (Billions)
Incentive parcels	\$12.6	\$7.58	\$0.343
Industrial incentive parcels	\$8.97	\$5.38	\$0.259
Commercial incentive parcels	\$3.57	\$2.20	\$0.084
Residential parcels	\$479	\$50.9	\$1.189
Increment for parcels in TIF districts	\$111.3	\$45.6	\$1.645
If incentive class properties had \$0 taxable value	\$12.6	\$12.6	\$0.239

Notes: \$12.6 billion of the \$113 billion C&I FMV in Cook County had an incentive classification in 2022. The untaxed value of residential parcels is due to homestead exemptions. The untaxed value of parcels within Tax Increment Financing districts is the amount of value above the frozen tax base (the “increment”).

³⁴ If parcels are located in a TIF district, the analysis assumes the increase in tax base becomes taxable instead of going to the TIF increment.

³⁵ The analysis adjusts the composite tax rates to hold municipal property tax revenues constant; see *Effect of Incentive Classifications on Municipal Composite Tax Rates* below.

The value of untaxable property due to incentives is substantial but not as sizable as other forms of property tax relief. For comparison's sake, residential properties make up \$479 billion of the \$596 billion FMV in Cook County. The different homestead exemptions available to owner-occupants of single-family homes and condominiums took about \$51 billion in FMV off the tax rolls (nearly seven times greater than incentives) or \$1.2 billion in tax revenues in 2022.

In terms of diverted revenue, moreover, incentive classifications are substantially smaller than Tax Increment Financing (TIF) districts. Over \$111 billion dollars of FMV is located within TIF districts, with over \$45 billion (41 percent) of this property value untaxed by overlapping taxing agencies. The potential tax revenues diverted to a TIF total more than five times the amount of industrial and commercial incentives in Cook County, at \$1.65 billion in 2022.³⁶

To illustrate the size of incentives relative to other forms of property tax relief, Table 6 presents a hypothetical scenario which incorporates two key but extreme assumptions that are worth keeping in mind when drawing conclusions about incentives: namely, that there are no behavioral responses to eliminating the incentive program, such as relocation or business closure, and that there is no effect with overlapping TIF districts. There are cases where a TIF district would receive the revenues from the currently untaxed value. For instance, in Markham in 2022—the year the Amazon distribution facility went online—TIF increments captured over 90 percent of new FMV growth from incentive class properties (see Appendix IV). Therefore, the estimates in Table 6 should be considered a ceiling or the largest possible amount of lost or shifted property tax revenues due to incentives.

Effect of incentive classifications on municipal composite tax rates

A change in taxable assessed value does not mean that local taxing jurisdictions in Cook County necessarily forego these property tax revenues or adjust their levels of service by that amount. Many taxing jurisdictions likely select their budgets and maintain their levies so as to cover services.³⁷ This leaves them with few options other than to alter the tax rates applied to their tax bases that are affected by incentives. If incentives reduce the taxable assessed value, this action will shift the tax burden to properties that are not commercial or industrial, i.e., residential owners and tenants, as well as commercial and industrial properties that do not have an incentive property class. The increased tax rate also will affect those taxpayers who receive incentive classifications because they too will be paying a higher composite tax rate on their (reduced) EAV, producing a smaller tax savings than perhaps was anticipated. On the other hand, if incentives are successful in recruiting or retaining economic activity that would not otherwise have been present, then incentives increase taxable assessed value and shift the tax burden away from non-incentive properties.

To estimate the maximum changes in municipal tax rates and shift in tax burden from incentive classifications taken together, the project team assumed that levies remained constant and calculated the amount by which Cook County municipalities would have to raise their tax rates to accommodate the loss in taxable EAV due to the incentives applied to existing commercial and industrial. In other words, the current composite tax rates (the summation of the tax rates of all taxing jurisdictions) were compared to a counterfactual, “stay and pay” situation in which all commercial and industrial incentive parcels contain the same assessed property values but in which incentive classifications do not exist, so that the same parcels are assessed at a 25-percent rate instead of 10 percent. The difference between

³⁶ Calculations conducted by the authors. EAV above the frozen base was added to the current tax base at the tax code level to calculate a hypothetical tax base and tax rate. The hypothetical tax rate multiplied by the TIF increment is then considered to be the “value” of TIFs.

³⁷ Most municipalities probably estimate the required budget and levy amounts, without explicitly performing the kinds of calculations conducted for this analysis (see footnote 33).

the current composite tax rate and the hypothetical tax rate from the increased tax base can be understood as the amount by which incentives increase tax rates.

Second, again holding municipal levies constant, the current composite tax rates can be compared to a different counterfactual scenario in which all commercial and industrial incentive parcels provide no property tax revenues at all — a “cut and run” situation in which the current commercial and industrial activity would not exist but for the incentive. In this calculation, the difference between the current composite tax rate and the hypothetical tax rate from the diminished tax base is the extent to which incentives lower tax rates by generating or retaining commercial and industrial property value.

Both calculated changes in the composite tax rate should be interpreted as extreme values. Together they define the outer envelope of the possible impact of incentives on tax rates. It is impossible to estimate with the information available how many or which of the commercial and industrial businesses currently receiving incentives would exist in their present form and location without those incentives. The bounds illustrate the possible range of the influence of incentives, and how that range is much larger for certain Cook County municipalities.

Table 7 displays the estimated tax rate changes in selected Cook County municipalities with respect to the first counterfactual scenario of no change in any C&I incentive property. The median climb in municipal tax rate is relatively small (0.23 percentage points (ppt.)), but some municipalities such as McCook, Matteson, Ford Heights, and North Lake show increases in tax rates of 4-6 percentage points to maintain their levies. The greatest impact on tax rates mainly occurs in the south suburbs, where property tax rates are already the highest in Cook County.

Table 7: Maximum increase in composite property tax rate due to incentive classification, 2022 (five largest and five median)

Municipality	Current comp. tax rate	Tax rate if no incent. class.	Rate change (pts.)
Mc Cook	13.61%	8.95%	4.66
Bedford Park	14.25%	9.72%	4.53
Matteson	18.50%	14.03%	4.47
Ford Heights	27.13%	22.91%	4.22
North Lake	12.19%	8.00%	4.19
Niles	8.05%	7.79%	0.26
Robbins	16.32%	16.08%	0.24
Chicago Ridge	13.39%	13.17%	0.22
Midlothian	16.00%	15.78%	0.21
Flossmoor	18.37%	18.18%	0.19

There are 28 municipalities that do not use incentives and have a majority of their taxable EAV within Cook County.

Table 8 shows the estimated tax rate changes in comparison to the second scenario in which all C&I incentive properties generate zero property tax revenues in the absence of incentives. The median change is again relatively small (a decline of 0.18 percentage points). The municipalities that show the greatest impact on tax rates are those that use incentives the most heavily, near Midway or O’Hare airports and in the south suburbs.

Table 8: Maximum decrease in composite property tax rate due to incentive classification, 2022 (five largest and five median)

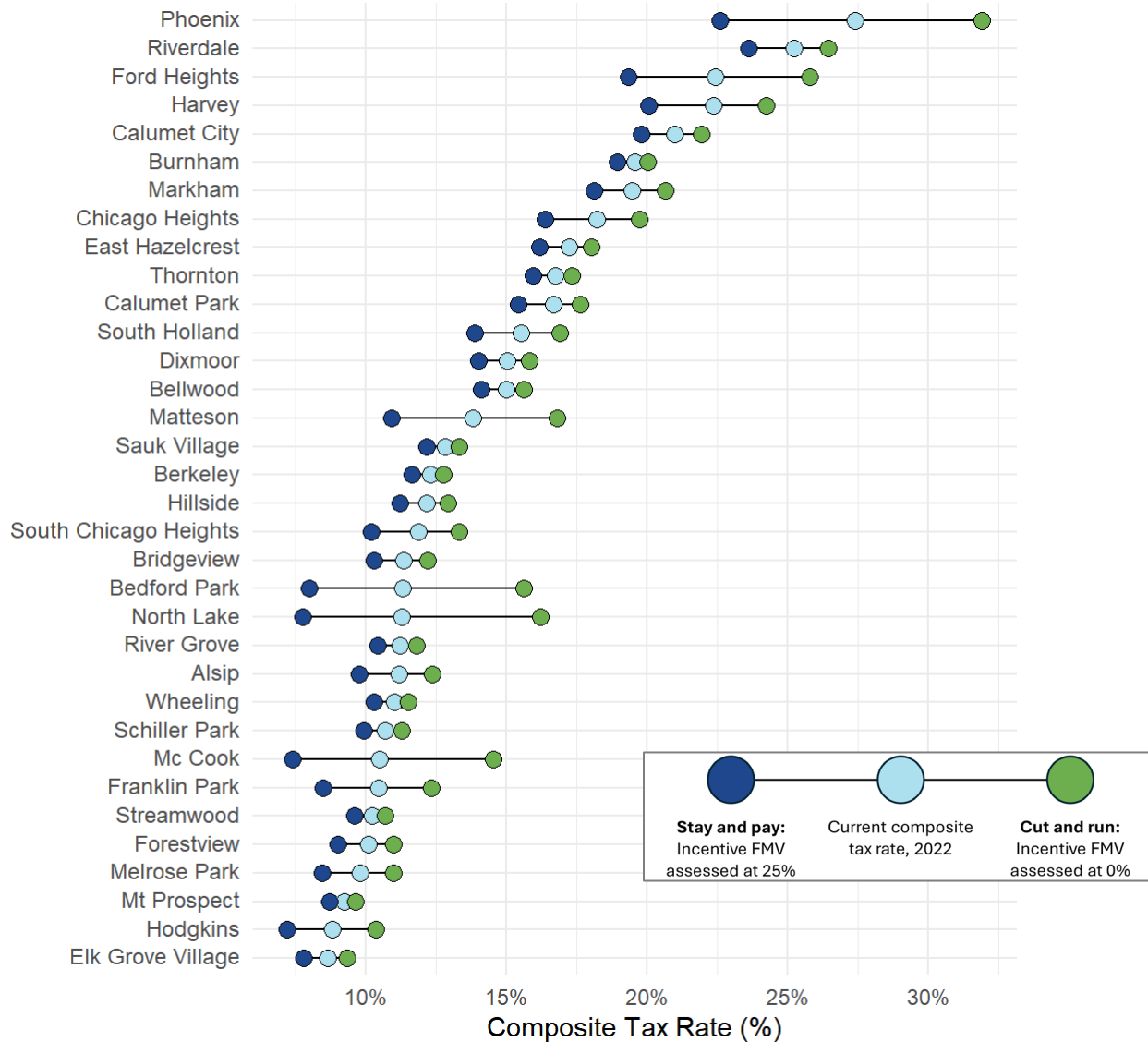
Municipality	Current comp. tax rate	Tax rate if no incent. class.	Rate change (pts.)
McCook	13.61%	20.86%	7.25
North Lake	12.19%	18.74%	6.55
Bedford Park	14.25%	20.69%	6.44
Matteson	18.50%	23.60%	5.10
Ford Heights	27.13%	31.63%	4.50
Rolling Meadows	10.08%	10.28%	0.20
Tinley Park	13.31%	13.50%	0.19
Niles	8.05%	8.23%	0.18
Robbins	16.32%	16.48%	0.16
Chicago Ridge	13.39%	13.54%	0.15

There are 31 municipalities that do not use incentives and have a majority of their taxable EAV within Cook County.

Figure 8 shows the same two changes in tax rate, sorted in descending order of current composite tax rate. The municipalities that show the largest changes in their composite tax rates are highlighted. Municipalities such as Phoenix, Markham, and Ford Heights stand out because their higher initial rates in conjunction with their extensive use of incentives generate the greatest potential change: the more the tax base is eroded by incentives, the larger the change in rates resulting from eliminating incentives regardless of any behavioral response.

The green dot on the right-hand side of each line reflects a “cut and run” response in which all properties with incentive classifications either lose all of their value or become tax exempt, effectively paying zero property taxes. In contrast, the dark blue dot on the left-hand side of each line represents a “stay and pay” scenario in which all income-producing properties continue to operate and pay property taxes at the regular 25-percent level of assessment for commercial and industrial properties.

Figure 8: Composite tax rate scenarios across municipalities



Select benefits of incentive classifications

If incentive classifications are effective at redeveloping property and reactivating formerly vacant or underutilized properties, there should be a positive relationship between classification status and property value change. There are several reasons for this expected change. Incentives may induce new investment to take place where it might not have occurred otherwise. Vacant land and abandoned structures may be converted to productive use and nearby properties may be influenced by the spillover effects from this investment. If incentives succeed in making an industrial area more attractive to other developers and businesses, the price of land inside the area may be bid upward. For this reason, incentive parcels would be expected to increase in value over time at a faster rate than non-incentive parcels.

There are other reasons that incentive properties might increase their value faster than non-incentive parcels. Incentives presumably are not assigned to parcels randomly; incentives may be awarded to properties that would have grown faster in value regardless of the incentive, due to pre-existing development plans, favorable locations, etc. If such were the case, incentive properties would grow in value faster than non-incentive properties, but the difference would not be caused by incentives.

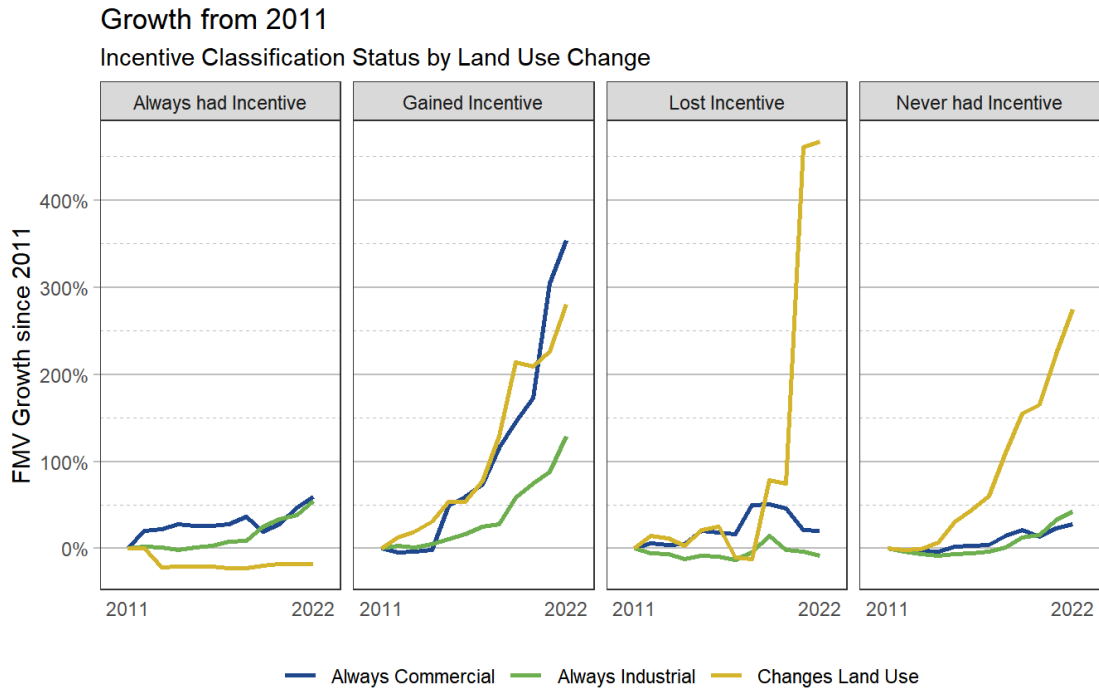
Most careful empirical analyses of the impact of incentives that account for how they are awarded have found insignificant effects and few benefits attributable specifically to property tax incentives: despite complaints about high taxes, selective use of incentives does not seem to change the investment decisions of private owners.³⁸ These studies address the issue nationally as well as in states and cities across the country. The findings, typically based on unavailable project-level data, suggest that incentives might be granted primarily to properties already destined to appreciate in value, either due to their redevelopment prospects or because of favorable characteristics like their locations. In other words, they would have been developed regardless of favorable property tax treatment.

Either way, examining Cook County incentive and parcel data, one could expect to find property value appreciation at the parcel level associated with incentive properties. Indeed, there is evidence of this anticipated outcome. The project team identified all parcels classified as either commercial or industrial (C&I) at any point from 2011 through 2022. The team then classified each parcel as (a) having an incentive for the entire period, (b) never having an incentive in the study period, (c) gaining incentive classification status, or (d) losing incentive classification status at some point between 2011 and 2022.

Figure 9 shows the change in total value for each grouping over time, indexed to 2011. As is apparent, those parcels that gained an incentive far exceeded the growth rates relative to other groups. It is also clear those parcels that changed their land use (blue line) also increased at a faster rate.

³⁸ Andrew Hanson, "Local employment, poverty, and property value effects of geographically-targeted tax incentives: An instrumental variables approach," *Regional Science and Urban Economics* 39, no. 6 (2009), <https://doi.org/10.1016/j.regsciurbeco.2009.07.002>; Timothy J. Bartik, "A New Panel Database on Business Incentives for Economic Development Offered by State and Local Governments in the United States," W.E. Upjohn Institute for Employment Research, 2017, <https://research.upjohn.org/reports/225>; Joshua Drucker, Geon Kim, and Rachel Weber, "Did incentives help municipalities recover from the Great Recession? Evidence from Midwestern cities," *Growth and Change* 50, no. 3 (2019), <https://doi.org/10.1111/grow.12318>.

Figure 9: Growth in fair market value by incentive classification status and land use change, 2011-2022



Values are indexed to 2011 FMV.
Excludes PINs that were tax exempt some years
or did not exist for all years between 2011 and 2022

Table 9: Commercial and industrial fair market value growth by 2022 category, 2011-2022

	Always had incentive	Gained incentive	Incentive ended	Never had incentive	Excluded*	Totals
Changed land use	-17% (n=2)	280% (n=442)	467% (n=51)	275% (n=11,085)	212% (n=21)	276% (n=11,581)
Always industrial land use	54% (n=896)	129% (n=1,136)	-8% (n=583)	42% (n=18,928)	30% (n=109)	45% (n=21,652)
Always commercial land use	59% (n=216)	354% (n=332)	20% (n=102)	28% (n=59,513)	15% (n=38)	30% (n=60,201)
Excluded*	(n=0)	1688% (n=711)	-90% (n=39)	-8% (n=5,009)	107% (n=5,050)	(n=10,809)
Totals	55% (n=1,114)	220% (n=2,601)	6% (n=775)	42% (n=94,535)	(n=5,218)	N =104,243

Note: Parcels were excluded from the analysis if they did not exist in all years of the dataset (n=5,591) or if they were tax exempt at any point (n=5,218).

Table 9 documents the degree to which the aggregate value of parcels that changed incentive classification status appreciated more rapidly than other parcels during the study period. The 332 commercial parcels that gained an incentive classification between 2011 and 2022 witnessed a 354-percent collective increase in value. Even commercial parcels that lost their incentive classifications during the study period appreciated in value, albeit with a much lower gain of 20 percent. Industrial parcels display a different trend: the 1,136 industrial parcels that gained an incentive classification during the study period appreciated by 129 percent in the aggregate whereas the 583 parcels that lost their industrial incentive classification during this period lost 8 percent of their value. Land use change seems to have an even stronger association with value appreciation than incentives. Even those parcels that never received an incentive still increased in value dramatically on average if they changed land uses--by 275 percent.

Additionally, the data shows that incentives are not having a significant impact on the improvement of vacant parcels. If incentive classifications are effective at reactivating formerly vacant land, one should observe that some of the incentive recipients are changing land use from a vacant parcel of land to one with improvements on it. If this were the case, a substantial overlap between incentive parcels and those that were reclassified from vacant land to other uses would be expected. The data shows that this is not the case: in 2018, for example, only 33 of the 690 parcels (5 percent) that changed from vacant land to another land use also received an incentive that year or in the remaining or following years (Table 10).

Table 10: Change from vacant land to incentive parcel by year, 2007-2022

Year	New construction with incentive	New construction	Gained incentive
2007	39	641	202
2008	38	824	254
2009	38	779	193
2010	15	862	137
2011	16	951	210
2012	7	1,164	139
2013	7	383	195
2014	5	645	175
2015	15	661	297
2016	14	469	320
2017	11	514	261
2018	33	690	320
2019	21	500	244
2020	10	320	184
2021	14	349	229
2022	617	921	817

Note: The increase in new construction with incentive in 2022 was due almost entirely to the Amazon distribution facility in Markham (see Appendix IV).

The potential of regular program evaluations and audits

Local and state governments have adopted various mechanisms to ensure the effectiveness of incentive programs. These include annual *program evaluations* to monitor short-term results year to year, as well as *policy evaluations* when authorizing legislation or ordinances come up for extension (e.g., every 5 – 10 years) to assess long-term, sustained economic and fiscal impacts. Administrators can also implement *annual audits* on a small, semi-random selection of incentive awards to understand how recipients are using funds, ensure legal compliance, and track desired outcomes. Across these tools, third-party study (e.g., by academic institutions or independent consultants) is often critical for ensuring objectivity. For example, the State of Michigan utilizes university researchers to evaluate economic impacts while avoiding conflicts of interest.³⁹ In best practices, incentive evaluations not only focus on fiscal and economic metrics but also involve feedback from local businesses, government agencies, and community stakeholders in a comprehensive look at their intended and unintended consequences.

Peers use different formats as well as different timeframes to evaluate incentive programs. The analysis in this report modifies the basic structure of *cost-benefit analysis*, seeking to weigh the increase in property value associated with Cook County’s incentives against the cost in terms of the untaxed property value. Cost-benefit analyses can also measure other kinds of benefits — such as job creation, increased wages, or business investment — relative to costs, often in the form of foregone tax revenues or direct expenditures on financial support to businesses. In low-income areas, this often includes metrics like job access for underemployed populations and improvements in local services. *Field experiments*, though costly, can offer even more robust insights by comparing incentive recipients with control groups of other businesses that did not receive an incentive. Additionally, *economic and fiscal impact models*, such as those used in New York and Maryland, can provide a comprehensive view of the ripple effects that incentives generate across industries and geographies.⁴⁰ Government personnel need to have the capacity to assess financial statements, be familiar with current cost estimates, and identify costs that are being overstated.

Regression modeling

Econometric modeling reveals a statistically significant positive association between property tax incentive classifications and property value growth. Specifically, properties receiving incentives demonstrate a substantial increase in FMV, ranging from 26 to 49 percent compared to similar properties. This suggests a strong link between incentives and property appreciation.

However, it is crucial to note that other factors, particularly land use changes, play a significant role in changes in parcel FMV over time. The team’s models indicate that properties experiencing land use changes, especially in conjunction with incentives, show an even more dramatic increase in FMV, with growth ranging from 138 to 184 percent. This highlights the potential interplay between incentives and land use in driving property value appreciation.

Furthermore, these findings should not be interpreted as causal. The models, while controlling for various factors, assume that all other relevant conditions remain constant. This assumption is unlikely to hold in the real world, meaning the reported effects of incentives are isolated only if nothing else changes. Therefore, direct comparisons of the numerical results should be made with caution. This analysis estimates associations, not causal effects, and unmeasured variables may influence the results.

³⁹ Michigan Compiled Laws, ch. 18 §§ 1751-1759.

⁴⁰ Code of Maryland, Economic Development Article § 2.5–109; Consolidated Laws of New York, ch. 60 § 180.

Thus, while incentives show a positive association with property value growth, especially when coupled with land use changes, the analysis does not establish causation. The models' assumption of constant conditions and the potential influence of unobserved variables necessitate a cautious interpretation. Appendix VIII provides detailed model specifications and caveats. Appendix IX uses very rough approximations of tax rate and revenue changes to compare the “cost” of incentive classifications (i.e., tax burden shifted to other taxpayers with potential metrics of FMV growth reflecting the “benefit”).

Opportunities to act

In interviews, stakeholders across Cook County share the many ways incentive classification can serve economic and community development. Many turn to it to address the “10-25 problem” — the disparity in levels of assessment on non-residential properties.⁴¹ Others use them to offset tax differentials near county and state boundaries, close the financing gap for individual projects, reward good corporate citizenship, and meet residents’ needs locally. But stakeholders also voice frustrations with the program design and administrative issues that limit how some communities deploy these tools.

Interviews provide a long list of actions that Cook County can take to maintain local flexibility while increasing regional impact. The following sections outline more than 30 strategies for county officials to consider. These strategies range from staff-led *tactical improvements* that would smooth the administration and customer experience to *strategic changes* that knit together the county’s leadership within the program as it is structured today and up to *structural reforms* that take extensive legislative action to reimagine the incentive program to meet current goals and market conditions.



Tactical improvements: Improve the benefit-risk balance for developers

Tackling common, administrative issues can increase the financial value that investors and developers see for working with communities. Strategies include:

- Strengthening accountability in a lengthy, fragmented system
- Modernizing the application process and communications
- Increasing program guidance to make applications more accessible and fairer



Strategic changes: Build a shared-values approach with partners

Collaborating with partners can strengthen the county’s ecosystem for economic development and bring forward more projects that fit with public goals. Strategies include:

- Enhancing the provisions of Class 8 to promote reinvestment and equity
- Aligning the incentives’ public purpose with expected impacts
- Promoting consistency at the local level



Structural reforms: Enhance incentive offerings to drive impact

Adapting the incentives’ program design to fit today’s reality can make a familiar but unreliable tool better reflect both current market conditions and Cook County’s leadership in economic development.

⁴¹ By using a higher level of assessment for businesses (25 percent) than residences (10 percent), Cook County’s system of property tax classification — a policy that does not exist in the collar counties — allocates a higher share of the tax burden to businesses, deterring reinvestment and hindering growth in the property tax base. In many communities, high effective tax rates on commercial and industrial properties present a barrier to attracting development, even when infrastructure and infill opportunities are plentiful. ON TO 2050, the region’s comprehensive plan, recommends reforming or phasing out the classification system to grow the tax base over time. (For more information, see Chicago Metropolitan Agency for Planning, “Property Tax Burden in the Chicago Region,” November 28, 2017, <https://cmap.illinois.gov/cmap-news/property-tax-burden-in-the-chicago-region/>.)

Today		A higher-impact incentives program would...
An opaque and fragmented process threatens to undercut the value of incentive classifications.	Tactical improvements	Reduce program strain and increase investor confidence through modernized , centralized , and transparent program administration.
Years of program changes and different perspectives on the incentives' public objectives have diluted the program's ability to further the county's goals.	Strategic changes	Align county and local priorities and restore the competitive edge of Class 8 to advance equitable and transformative investment.
Today's mix of incentive criteria and benefits have built up piecemeal over decades, and the increasing use of "special circumstances" add to application time and costs.	Structural reforms	Establish tiered awards and criteria to create a program that is well-aligned with today's market and adaptive to both local needs and project impacts.



Tactical improvements: Improve the benefit-risk balance for developers

Common headaches, delays, and uncertainties undercut how well Cook County’s incentive classifications can shape — not just supplement — real estate pro formas and project risk for developers. Business development is a balancing act between the financial risk and returns in any potential investment. Incentives are generally designed to tip the scales in favor of public objectives by creating benefits for certain types of development. Yet interviews show that a combination of administrative hurdles, informal workarounds, and a decentralized application process reduce the predictability and value of incentives to developers assembling projects. Barriers exist throughout the application and appeals process and result from decades of program changes, exceptions, and amendments meant to adapt incentive classification to changing economic objectives and circumstances.

Today, developers and business owners often see administrative issues as increasing an incentive’s financial risk (or lowering its potential returns) on a development project. Many take mitigating steps like hiring attorneys to help with the process or investing in areas with stronger, demonstrated markets. Ultimately, administrative delays and setbacks diminish the incentives’ ability to drive business decisions that further public objectives.

Addressing administrative barriers can help to unlock greater investment in local communities. Many process improvements are low-cost, short-term, staff-led actions that could increase investor confidence and reduce strain within the existing program, although strategies can also scale up to support farther-reaching reforms.

Strengthening accountability in a lengthy, fragmented system

Cook County has a significant opportunity to strengthen accountability, implement reporting and data requirements, and empower strategic oversight of the program. Today, successful applications may require staff coordination among five public offices (both municipal and county) and as many as six votes from four public bodies, depending on the project type and location. This extended chain of authority means no single entity has final and complete oversight over an application. Neither municipalities, nor CCAO, nor BED, nor EDAC unambiguously “own” the program. Instead, the process relies on bureaucratic techniques to deflect responsibility and avoid possible criticism. Both county staff and program participants flag how the need to “cover your bases” or “paper the file” contributes to delays and excessive review. This fragmentation limits the county’s ability to track, improve, and promote results.

Confusion about programmatic leadership also contributes to a recurring lack of trust over the incentives’ use and administration as well as calls for even more procedural safeguards. Stakeholders broadly understand their specific role in keeping applications moving, but many have questions about why and how delays occur, if projects are vetted appropriately, and whether incentives are making a significant impact. In interviews, stakeholders express concerns that tax savings are mostly going to businesses that would be operating anyway or that savings are not filtering through to small businesses, especially those renting commercial space from landlords who hold the incentive.

Additionally, the program lacks common mechanisms to ensure responsibility for both program and economic outcomes. The fragmented process limits the data available to track delivery and make regular improvements. For example, the county has an incomplete and unreliable record of past applications (especially for unfinished or unsuccessful projects), and the limited information that is

available cannot be joined with parcel-level data on properties' characteristics and valuations. It collects some relevant information like the firm's address, affiliates, and corporate structure as part of required disclosures on potential conflicts of interest, but data are not aggregated and archived for future use. In the wake of the COVID-19 pandemic, the county has also waived the requirement for recipients to submit triennial affidavits about the use, ownership, and occupancy of properties with an incentive.⁴² The lack of comprehensive program data prevented this project from reaching conclusions about the incentives' effect on the tax base, quality job creation, and other metrics of economic development.

Peer examples of data to monitor performance

The research and advocacy organization Good Jobs First rates local governments on how well they track and evaluate incentive programs. They found that the following counties use practices that rank high on accountability, transparency, and legibility:

- **Nassau and Suffolk counties (New York)** offer property tax abatements that rank highly in terms of transparency because of detailed disclosure practices, including information on the location of subsidized projects, subsidy duration, and job projections.
- **Franklin County (Ohio)** provides both Community Reinvestment Area (CRA) and Enterprise Zone (EZ) tax abatements, which receive high scores for its disclosure of job creation metrics, actual subsidies provided, and wage information. The programs facilitate transparency with downloadable data and multi-year evaluation information.
- **Shelby County (Tennessee)** offers a program to make payments in lieu of taxes and publishes annual reports with details such as recipients' facility addresses, dates of awards, subsidy duration, approved subsidy values, projected and actual job numbers, and wage data.
- **Travis County (Texas)** offers a property tax abatement and prints facility addresses and project duration details. However, it provides only limited disclosure of the actual jobs created, wages paid, and subsidy amounts.

A small subset of government agencies makes several years of data accessible online in easy-to-use formats. For example, they may make the data downloadable instead of locked in PDFs.

Options to take action:

- Reorganize program administration and strategic oversight. Cook County can strengthen both program accountabilities (e.g., time/cost of application) and outcome accountabilities (the resulting changes in property values, investment, or jobs). Centralizing administrative tasks and related staff as well as strategic oversight could allow the county to better manage the program's strengths and weaknesses. Greater accountability would likely require action by the county board to establish additional guidance and staff capacity.
- Strengthen regular sunsets by requiring evaluations and positive action to renew the incentives in line with strategic priorities. The main commercial and industrial incentives are set to expire in 2027. In extending the program, the county board could enact more robust evaluation provisions and requirements for future extensions — including the establishment of clear

⁴² Code of Ordinances of Cook County, Illinois ch. 74 § 75 was first adopted in 2018 (Ord. No. 17-9977, Jan. 17, 2018). While the ordinance was intended to sunset after one year, the waiver has since been extended five times (Ord. No. 18-1604, March 14, 2019; Ord. No. 20-0768, Jan. 16, 2020; Ord. No. 21-5228, Oct. 7, 2021; Ord. No. 22-6006, Oct. 20, 2022; Ord. No. 23-5373, Nov. 16, 2023).

benchmarks prior to reauthorization. Regular evaluation of the incentives' effects on net-new increases in property values, business and job creation, and local tax bases would help all stakeholders gain a more complete understanding of expected returns on investment as well as their costs and benefits. Stronger sunset provisions would allow the county to integrate adaptive management strategies, using regular feedback to adjust program goals and structures in real time.

- Enhance information by maintaining and publishing administrative data. Collecting, standardizing, and distributing incentive data is a prerequisite for robust policy evaluation. The county can improve transparency and accountability by releasing project-based data on applications and awards that can be merged with available open data on parcels.

At a minimum, Cook County can assemble the following information from each incentive recipient: address and parcels; date and duration of initial award and renewals; approved value of the incentive; existing and projected jobs, wages, and benefits; planned capital investment; M/WBE (Minority- and Women-Owned Business) spending; and appraised value of land and improvements before and after substantial rehabilitation.

- Reset regular reporting by allowing current waivers on affidavit requirements to expire and potentially including additional questions. The county can reinstate the requirement for incentive recipients to file triennial affidavits in reassessment years. To track other outcomes across time, the county could also require additional information on business activity, employment, wages, and other details. New requirements should balance the compliance burden and confidentiality concerns of incentive recipients, while supporting business commitments set in the terms of incentive agreements.
- Work with other local governments to understand the full fiscal impact of incentives on all local governments. The county can be a leader in disclosure and transparency by collecting and sharing agreement details in partnership with municipalities. Public reporting of any incentive that reduces tax revenues, including incentives approved by other taxing bodies, is required by GASB Statement 77.⁴³ While incentive classification technically does not result in foregone revenues, Cook County can take steps to improve accountability and transparency through public disclosure of all incentive agreements.

Modernizing the application process and communications

From the outside looking in, the administrative process has an ad hoc and reactive quality. Even with staff efforts to coordinate and streamline steps, applications move forward on a rolling basis, as documentation is completed, up against legislative and construction schedules, and without standard scoring or deadlines to compare projects. Because applications can move through five separate public offices, applicants lack a single point of contact, and information is often either hard to find or outdated.⁴⁴ And the lack of a comprehensive record-keeping or tracking system inhibits coordination across offices and among the more than 90 municipalities that currently use incentive classification. This

⁴³ Statement No. 77 of the Governmental Accounting Standards Board, Tax Abatement Disclosures, August 2015, <https://gasb.org/page/pronouncement?pagelid=/standards-and-guidance/pronouncements/summary-statement-no-77.html>.

⁴⁴ For example, CCAO has more than 20 separate applications, bulletins, and affidavits on its [website](#), in addition to municipalities' own brochures and forms. Expired options (like the Temporary Emergency Economic Recovery Modification, or TEERM, on Class 6b and 8) are still listed on Cook County's [landing page](#) for property tax incentives, despite being removed from ordinance in 2021.

complexity has led to a heavy reliance on the institutional knowledge of select staff and attorneys who have prior experience in the process.

While stakeholders widely commend county staff for helping projects navigate the requirements, opportunities for improvement exist. Steps to improve communication and administration could shorten delays, reduce the need for costly intermediaries, and broaden access to the program. Publishing clear incentive policies can also help smaller and under-resourced⁴⁵ businesses better navigate the process. While doing so is unlikely to increase incentive use, such policies can make it easier for businesses to comply with expectations and enable coordination across jurisdictions.

Understanding the requirements of GASB Statement 77

The Governmental Accounting Standards Board (GASB) establishes accounting and financial reporting standards for U.S. state and local governments that adhere to Generally Accepted Accounting Principles (GAAP). Although Illinois local governments are not required by statute to comply with GASB standards, many — including Cook County — follow these rules because they represent accepted best practices and meet other accounting requirements.

GASB Statement 77, issued in 2015, requires that state and local governments include in their financial reports details on tax abatements that impact their fiscal position. Abatements are forgone revenues in exchange for a specific action that contributes to economic development or other benefits. Reports should include details about the purpose of the incentive program, commitments made by all parties, any eligibility and compliance requirements, and gross amounts for the reporting period. It is intended to improve disclosure and transparency on how incentives affect a governments' ability to pay for future expenses and how they impact local financial and economic conditions.

Although complying with this guidance, Cook County provides minimal information on incentive awards in its [annual comprehensive financial report](#) — essentially an estimate of total foregone revenue per class. (The CCAO is required by ordinance to provide “status and progress” information to the County Comptroller ahead of the annual independent audit.⁴⁶) In lieu of other program evaluations, this information is an incomplete accounting of the effects and commitments that result from incentive classification. Most municipalities and school districts also do not disclose this information in their financial reports, and where they do, it is not aggregated or assembled at the program level. More work can be done to ensure residents and researchers can access the data required to accurately assess or evaluate the incentives.

Options to take action:

- Define the process. Develop an internal responsibility matrix that outlines the various roles and tasks. A common definition of each step (including side processes and exceptions) would improve coordination among public offices and offer a smoother experience for applicants. Simple tools like a RACI (Responsible, Accountable, Consulted, Informed) matrix would provide

⁴⁵ Stephan J Goetz et al., “Sharing the Gains of Local Economic Growth: Race-to-the-Top versus Race-to-the-Bottom Economic Development,” *Environment and Planning C: Government and Policy* 29, no. 3 (June 2011): 428–56, <https://doi.org/10.1068/c1077r>; Maryann Feldman and Nichola Lowe, “Evidence-Based Economic Development Policy,” *Innovations: Technology, Governance, Globalization* 11, no. 3–4 (2017): 34–49, https://doi.org/10.1162/inov_a_00255.

⁴⁶ Code of Ordinances of Cook County, Illinois ch. 74 § 67.

both staff and applicants with a shared understanding of roles and responsibilities at each step of the process.

- Define target timeframes (e.g., 2-3 weeks vs. 2-3 business days) for each phase of the review process to improve communication and timeliness. These targets can be shared with applicants to set reasonable expectations. Adherence to target timeframes would increase predictability and reduce project risk for applicants, particularly as the timing of key public meetings where applications are considered can help applicants understand timeframes and potential delays. Internal tracking of system performance could surface additional opportunities to shorten application periods, and more consistent program delivery could allow for fast-track programs to expedite approval on prioritized uses or projects.
- Modernize intake and customer service. The county can reduce uncertainty by establishing a transparent and easy-to-use online system for applicants to begin an application, submit supporting documents, and follow its progress. Doing so would connect staff to the application across multiple offices, allowing them to more easily answer questions as applications move through multiple reviews. The creation of an online application and tracking portal would also dovetail with other strategies like improvements to data collection and record-keeping or stronger collaboration with municipalities.
- Provide consistent communications to multiple audiences. Given the range of stakeholders involved in the application process, proactively sharing information, new materials, and program changes with public staff and elected officials would allow them to better understand the program and then work with property owners and the public. These materials could contain clear and up-to-date guidance on frequently asked questions as well as a unified description and messaging about the program.
- Improve transparency through a public dashboard on all applications and approvals. A public register showing the basic project details and status of each application as well as performance metrics on the county's review and approval could further modernize the program. This would also allow a wider range of stakeholders such as residents and elected officials to follow the program, its outcomes and improvement.

Increasing program guidance to make applications more accessible and fairer

To keep applications and development projects moving, county offices use informal workarounds to deal with uncertainties created by county ordinances and adapt the incentives to fit on-the-ground circumstances. Shifts in the real estate market can change project components after they have been submitted for incentive classification — for example, by revising the extent of reconstruction or by reworking a project from industrial to commercial. These common, mid-project changes have led county staff to adopt informal steps and solutions to match the topline requirements in ordinance with the tactical realities of real estate projects. While these efforts allow projects to remain incentive-eligible as market conditions and details shift, they render the decision-making process uncertain and opaque to outside observers.

For example, certain eligibility criteria are not fully defined in ordinance or clearly described in public-facing materials, such as *substantial rehabilitation*, *vacancy*, and *substantial re-occupancy*.⁴⁷ Staff use de

⁴⁷ County ordinances provide some definitions while leaving gaps — for example, defining *substantial rehabilitation* but only for the purposes of Class L for historical preservation. In other cases, they authorize the CCAO to promulgate further rules and

facto definitions for these terms (setting a threshold of 51 percent of a building's square footage), but nuances trigger questions. Do multi-unit shopping centers qualify as vacant if some storefronts are occupied but not others? After construction, do developers need to occupy 51 percent of the total building, or just the portion that is rehabilitated? In determining an incentive's value for partial rehabs, how does the county account for the square footage added by the rehabilitation when calculating the proportional amount of the land value eligible for the incentive?

Questions also arise around the final uses of a building. For example, how should staff handle a Class 7 commercial incentive for a multi-unit facility that is later leased by industrial tenants (or vice versa with Class 6b incentives)? Will the entire property receive the incentive, or will staff pro-rate the incentive based on the portions of the property occupied by qualifying uses? What about cases in which the landlord cannot find a qualifying tenant? Should the developer request a parcel division so the incentive can be applied to some units but not others?

Faced with these situations, staff use recurring workarounds like blended assessments or ad hoc parcel adjustments to keep projects in the pipeline. This practice is not necessarily problematic, as county ordinances cannot stipulate rules for every scenario.

That said, repeat applicants report knowing how to "work" the workarounds to navigate common issues. This can place frequent users like tax and development attorneys at an advantage. For example, county staff typically conduct field checks to confirm rehabs or business occupancy, but these checks are sometimes waived if known attorneys are involved and can provide proof of compliance. When describing their value proposition to clients, attorneys can point to their ability to justify the findings of blight necessary for Class 7 applications. In the absence of clear criteria for blight, certain attorneys have identified successful metrics to qualify projects that observers otherwise might not recognize as blighted and in need of incentives.

Taken together, these practices lead to a process that lacks transparency and predictability, especially for smaller and less experienced developers. Any incentive process will involve some judgment calls and the flexibility to adapt program requirements for specific projects. In many cases, informal rules and workarounds can be routinized to create a clearer path for most applications. Cook County can use stronger rulemaking, additional staff guidance, and increased transparency to reduce uncertainty for current and would-be developers.

Options to take action:

- Amend county ordinance or, where necessary, adopt and make public formal rules to define requirements and address conflicts. The codification of de facto practices and definitions in ordinance or formal rulemaking would increase predictability and reduce unexpected delays. A formal rulemaking process would include a proposal, public comment period, and public notice.
- Update application guidelines and eligibility bulletins. The county can ensure all available incentive information is up-to-date and clear by creating a common, simplified guidebook for incentive classification. They could include application requirements, the sequence of review and approvals, expected timelines, and updated resources like examples of successful projects or answers to frequently asked questions (FAQs). This could help municipalities and applicants access the incentives, while reducing the need for legal counsel and the strain on county staff.

regulations. (For example, in determining factors that would evidence *in need of substantial revitalization*. See Code of Ordinances of Cook County, Illinois ch. 74 § 62.)

- Build consistency and transparency across departments on parcel assignments and improve related recordkeeping. Since many projects involve multi-unit buildings and partial rehabs or extensions, the county could better define authorities and transparency requirements on how staff will address conflicts — e.g., when dividing or consolidating parcels, pro-rating incentives within a single parcel, using blended assessments, or taking other steps to activate an incentive. These steps should help applicants anticipate next steps. Improved parcel history and data quality would also complement efforts on program evaluation described below.
- Establish a menu of qualifying factors that demonstrate blight or stagnant growth. County ordinance requires federal, state, or local designation of the area where the property is located as in need of development. This is generally evidenced by stagnant or declining property assessments (for Class 7a and 7b) or by resolution of the municipality (for Class 8).⁴⁸ Creating and promoting more consistent, place-based criteria could advance projects that better fit with county investment objectives and increase predictability across municipalities whose designation processes can vary.

⁴⁸ Code of Ordinances of Cook County, Illinois ch. 74 § 65.



Strategic changes: Build a shared-values approach with partners

Without greater leadership, Cook County’s incentives offer more transactional than transformational results. They may close the financial gap for certain real estate projects but fall short of tackling structural barriers to investment. This is due, in part, to the dense web of partners who deploy the incentives on Cook County’s behalf and therefore shape whether the pipeline of projects fits with current, strategic goals and objectives. But incentive classifications are authorized, structured, and administered entirely under county ordinance. Coordinated changes in how partners use them can maximize public benefit for public expenditure.

For Cook County’s part, officials have articulated a strong desire to reduce disparities and broaden prosperity across communities, particularly those that have experienced disinvestment for decades.⁴⁹ If improved, incentive classifications — alongside other tools and programs — can support the county’s larger plan for sustainable, regional economic development. This includes adapting the program to minimize intraregional poaching, supporting historic strengths in exporting industries, improving buildings’ energy efficiency and accessibility, using data and analysis to better understand the real impacts of incentives, and supporting low-capacity communities.

County leaders have a significant opportunity to work with partners to advance projects with greater impact and shared values. Smart action to carve out the incentives’ purpose and support for their local use can leverage the current structure for greater effect. While county staff can take some steps directly, more extensive reforms like reorienting the program to support racial and social equity will require legislative action by the county board.

Enhancing the provisions of Class 8 to promote reinvestment and equity

Incentive classification’s legal and administrative structures — first adopted more than 40 years ago — no longer match the present-day needs and ambitions expressed by stakeholders. The shortcomings are perhaps sharpest around Cook County’s stated priority to advance equitable outcomes in local communities. In the *Policy Roadmap 2024-2027*, President Toni Preckwinkle identifies equity, specifically racial equity, as one of three overarching values and calls for a more equitable property tax system to support inclusive economic and community growth. In principle, any incentive program can help to remedy the lasting effects of racial segregation, discrimination, and disinvestment, if designed and used intentionally to reorient economic development. But communities may also need specific, coordinated tools to overcome structural issues.

For new business investment in Cook County, elected officials and public staff widely point to Class 8 as having the clearest policy alignment with supporting reinvestment and equity through the property tax. Eligible properties must be in one of five townships in the south suburbs (Bloom, Bremen, Calumet, Rich, Thornton) or other areas “in need of substantial revitalization.”⁵⁰ The statutory requirements and geographic boundaries of Class 8 position it as a specific, place-based economic tool for areas that often experience the greatest hurdles to attracting development. As a result, municipal leaders in the south

⁴⁹ “Policy Roadmap 2024-2027: Four-Year Strategic Plan for Offices Under the President” (Cook County, December 2023). “Cook County Racial Equity Action Plan 2021-2023” (Cook County, September 13, 2021).

⁵⁰ Code of Ordinances of Cook County, Illinois ch. 74 § 63. Evidence of the need for substantial revitalization includes substantial unemployment, lower median family income, abandoned or underutilized properties, a lack of viable industrial or commercial buildings, stagnant or declining real estate taxes, a lack of economic feasibility for private enterprise, and other factors set by the CCAO.

and west suburbs emphasize the importance of Class 8 as one of the few tools available to support their local economies. But new evidence suggests it may offer little distinct value in practice, as administrative and legislative changes have undercut Class 8's impact.

Interviews reveal that developers and attorneys commonly see Class 8 as interchangeable with the Class 6b and 7 incentives available throughout Cook County. Put simply, they do not see the current incentive structure as offering any added benefits for locating in weak market areas.

Class 8 provides the same financial benefit as most other incentive classifications — a 10-percent level of assessment for 10 years with a two-year phaseout. Per stakeholders, it initially offered two distinct advantages for eligible jurisdictions. First, applicants would have an easier case to make when qualifying projects under the requirements in ordinance. Once a community was certified as “in need of substantial revitalization,” developers and businesses could submit a streamlined application with a lower site-level burden of proof. Second, Class 8 also made the incentives on some commercial projects eligible for renewal for the first time — a benefit previously exclusive to Class 6b industrial incentives. Interviewees cited these advantages as an important part of the tool's initial effectiveness in addressing common challenges to development, such as competition with nearby, lower-tax states and counties.

Over time, changes in ordinance and practice have extended similar aspects beyond Class 8 and eroded the unique, targeted advantages it offered to disinvested communities. For example:

- Amendments to the ordinance in 2017 made Class 7a and 7b commercial properties eligible for renewal throughout Cook County. Alongside the existing renewability of Class 6b, this change removed a distinctive financial benefit of Class 8.⁵¹
- The county has also provided more flexibility in qualifying sites countywide for Class 7a and Class 7b incentives under the ordinance's blight-related requirements. Interviews revealed a common perception that attorneys familiar with the process can easily justify eligibility in areas that are perhaps more economically vibrant and viable than what county ordinance describes.
- Amendments over the past 15 years have broadened the “special circumstances” that can qualify projects countywide which otherwise would not meet certain eligibility criteria, such as shortening how long industrial properties need to have been vacant or abandoned.⁵² Several stakeholders described the increased use of these special circumstances as effectively lowering the eligibility requirements across the county via a backdoor.⁵³

Reflecting these changes, data on incentive use show that Class 8-eligible municipalities are using this tool more as a substitute than as a complement to the other incentives. For example, the number of industrial parcels in these communities with a Class 6b incentive has remained virtually flat since tax year 2006 (around 300 total annually), while those with Class 8 have grown sixfold to more than 1,800 in 2023. (In non-Class 8 municipalities, the number of Class 6b parcels grew by 128 percent in the same period.) For commercial properties, eligible municipalities had just five Class 7a parcels in 2023 and none in Class 7b — compared to 584 commercial parcels in Class 8, a fourfold increase since 2006. Reflecting the importance that local officials put on Class 8, municipalities use it to support new projects — just 17 percent of newly reclassified Class 8 parcels in this period had a Class 6b or 7 incentive in the prior year.

⁵¹ Ordinance amendment 17-0293, Code of Ordinances of Cook County, Illinois ch. 74 §§ 46, 62-73, March 22, 2017.

⁵² Ordinance amendment 13-O-36, Code of Ordinances of Cook County, Illinois ch. 74 § 63, July 17, 2013; Ordinance amendment 18-4201, Code of Ordinances of Cook County, Illinois ch. 74 §§ 63, 73, June 27, 2018.

⁵³ See ‘Enhance incentive offerings to drive impact’ for recommendations around the use of special circumstances and Appendix III for a more complete description of the current use of special circumstances.

But their substitution for the other, widely used classes suggests that Class 8 supports greater incentive *activity* without supporting greater incentive *value* for businesses than what is available in other areas.

To advance equity via place-based incentives like Class 8, Cook County will need to increase the additional value (perceived and actual) that developers see for working in marginalized areas over other alternatives. Communities across the full county have development needs, and a well-structured suite of incentive classifications can help to address the most common issues. But Cook County can also use regulatory, program, and incentive tools that explicitly benefit weak market areas and drive more equitable outcomes through the property tax.⁵⁴ Public leaders are largely looking to Class 8 to meet this need, despite the administrative and legislative decisions that have eroded its specific value over time. The county should reconsider how incentive classification (alone or in tandem with other tools) helps to achieve a vision where all communities can thrive.

Options to take action:

- Restore and maintain the competitive edge of Class 8. Cook County can further carve out the unique value of Class 8 (or a substantially similar tool) to increase the financial benefits for developers to locate in marginalized and disinvested communities. Moving forward, the county could work with partners to adopt program elements that would more effectively promote development in and target resources towards disinvested areas.

Options could take many shapes and include reforms to the eligibility requirements, benefit calculations, administration, funding sources, geographic availability, and applicable taxes. For example, the county could make greater use of property tax abatements⁵⁵ to further mark down the county's portion of the tax bill and restrict eligibility to Class 8 parcels. The county could also reduce the standard benefits for Class 6b and 7 incentives over time (e.g., restricting them to a 15-percent level of assessment or 5-year initial term) while maintaining the current 10-percent, 10-year benefits of Class 8 to sharpen investors' financial tradeoffs across potential projects.

- Establish formal partnerships to provide technical assistance to disproportionately impacted communities. Based on the lessons of Build Up Cook, the county can provide direct assistance or partner with service providers to assist low-capacity communities in sourcing, analyzing, and steering applications through the incentives process. This could include a range of options to help local governments work with businesses on a development incentive's financial feasibility, fiscal impact, and economic outcomes. See below for more strategies on working with municipalities.
- Provide funding to offset the incentives' impacts in municipalities with low tax bases. Municipalities in economically depressed areas find value in using incentive classification. But per interviews, concerns about further eroding an already insufficient tax base can inhibit some applications from moving forward. In certain cases (particularly when redevelopment would occur anyway), incentives can contribute to higher tax rates districtwide and undercut the financial value of incentives. Other levels of government like Cook County can reimburse local taxing districts for all or part of the costs of incentives — in effect, providing tax relief to

⁵⁴ "Cook County Racial Equity Action Plan 2021-2023," (Cook County, September 12, 2021). See <https://www.cookcountyil.gov/service/racial-equity>.

⁵⁵ Unlike incentive classification, property tax abatements provide a discount on a property's final tax bill. Any Illinois district that extends a property tax can reduce this tax for certain properties. Most abatements take a specified percent off the final tax bill for a period of years, with the discount staying flat over time or decreasing annually. The most common property tax abatements are statutorily limited to \$4 million and 10 years. See 35 ILCS 200/18-165, 35 ILCS 200/18-184.5, 35 ILCS 200/18/184.10, and Illinois Public Act 102-0669.

businesses from other revenue sources while preventing property tax rates from climbing. By providing funding assistance in the areas of highest need, the county could remove hurdles and help advance projects that contribute significantly to local tax bases.

- Encourage municipalities to use incentives to develop community benefits. Incentive classification is often one part of a larger redevelopment agreement between a property owner and the municipality — agreements that can incorporate meaningful public benefits. Cook County can structure the program design and administration to better support local partners in formalizing shared values and commitments among large developments, their investors, and impacted communities. Over time, the county could condition access to certain elements (e.g., funding, basic eligibility, tiered awards, fast-track programs) on public benefits. This could complement other efforts on technical assistance and capacity building.
- Work with community partners to predefine a menu of public benefits. While individual projects are likely to stay in the hands of municipalities, Cook County can set a strong expectation that incentive recipients are committing to deliver positive community impacts that advance the county's equity goals. The county could work with local partners to determine a list of options (e.g., local partnerships, joint investments, job benefits, public amenities) as an alternative minimum to locally negotiated community benefit agreements.

Aligning the incentives' public purpose with expected impacts

Incentive classification was first implemented in the 1980s to spur the tax reactivation of vacant or underutilized parcels, but it has since evolved into an all-purpose tool to support local development. More recent uses stretch well beyond what the initial design and structure were intended to carry. Today, interviews reveal substantially different perspectives on the purpose of incentive classification among both private and public sector stakeholders. These disagreements surface as recurring questions and conflicts over what factors the application process should consider, what outcomes stakeholders can expect, and who is responsible for delivering results.

Ultimately, incentive classification can serve multiple purposes, including economic development, community development, expansion of the tax base, or social equity (see Figure 10 below). But clarity and alignment on these goals is crucial. By revisiting the incentives' legal foundation in ordinance, the county can clarify their public purposes and establish medium- and long-term strategic goals for each of the separate classes.

Per Cook County ordinance, the incentive classifications provide assistance for new development or rehabilitation of industrial and commercial structures, particularly those with stagnant or declining property values.⁵⁶ The authorizing law also emphasizes the need for development in areas that are economically depressed, with brief mentions of increasing employment and the local tax base. But these latter objectives are neither carried through to the actual eligibility criteria as set out in later sections of the ordinance nor are they well-constructed for program evaluation.⁵⁷ The relevant provision on the purpose of Cook County's system of classifying property for tax assessment — including findings on the need for incentives — has not been amended since 2006.

⁵⁶ Code of Ordinances of Cook County, Illinois ch. 74 § 61.

⁵⁷ Code of Ordinances of Cook County, Illinois ch. 74 § 63.

Figure 10: Local development incentives can be structured to achieve multiple, different public objectives

Objective	Description	Examples
Economic development	Increase the availability of good jobs or enhance core economic assets	New businesses that employ middle-skill workers, sell goods and services to outside markets, deepen agglomeration economies with complementary firms, and/or diversify industrial base
Community development	Improve quality of life and amenities for residents	A new grocery store in a neighborhood with limited food options; filling vacant storefronts on a community main street
Expanded tax base	Increase or broaden a community's tax base	A new sales tax-generating business
Inclusive growth	Provide equitable opportunities for people of color, people with disabilities, and other marginalized groups	Agreements to hire, train, and promote local workers, support living wages, and/or contract with businesses owned by people of color and people with disabilities

Interviews show that stakeholders have drawn two contrasting perspectives from this language — neither of which is fully realized in the current process:

- Incentives as an entitlement.** Some county staff and certain governing boards take a narrow reading of the ordinance. Many see the incentives as *shall-issue* or *by-right* entitlements strictly focused on tax reactivation by improving vacant, stagnant, or underutilized parcels.⁵⁸ While they acknowledge that projects can have economic or community co-benefits (e.g., jobs, access to local services, etc.), these outcomes are not a core objective and should not factor into the county’s approval. This perspective dominates the current review process. In practice, county staff invariably approve every application that satisfies the program requirements, with only municipalities (if anyone) exercising discretion over which development projects justify and receive these tax benefits.
- Incentives as a negotiation.** By comparison, other county staff and most external stakeholders emphasize the incentives as a tactical multi-tool for economic development, with each agreement negotiated separately between the developer and (primarily) the municipality. Here, any rehabilitation of the property is a necessary and qualifying, but secondary, detail. This perspective suggests that decision-makers should instead appraise projects based on their wider impact on jobs and wages, business ownership, or other measures of economic activity. But in practice, local redevelopment agreements are generally not filed with the county, and the program does not collect or report information on any economic benefits.

⁵⁸ This perspective derives, in part, from uniformity provisions in the Illinois Constitution (which requires that “assessments shall be uniform within each class,” Illinois Constitution, art. 9 § 4.) and interprets them to limit Cook County from imposing “unreasonable” conditions on access to incentive classification.

Today, for its part, Cook County treats incentive classification as a shall-issue or by-right entitlement for qualifying properties. Where the county wishes to demonstrate greater policy leadership, it may need to strengthen its role in negotiating the economic impacts of individual incentive agreements.

The current structure is also not well equipped to address the county's separate, more recent policy goals. An administrative process designed for one purpose (to validate vacant properties) may not absorb other purposes over time. For example, stakeholders expressed that the Class 7d incentive (for grocery stores in food deserts) has not produced a significant impact yet because, in part, the incentive may be too blunt or reactive as an entitlement to contend with current market conditions. Recent discussions have also explored whether incentive classification could help expand transit-oriented development and deploy renewable energy systems. As the county continues to identify policy goals, the current structure may not be nimble or deliberate enough to serve each new objective.

Options to take action:

- Modernize the incentive classifications in ordinance. Local governments have valid reasons for pursuing incentives, but they can have drawbacks. As the county considers if and how the use of incentives might change, a clearer public purpose could guide choices in how the program is designed, administered, and funded. Revisiting the ordinance (particularly Sec. 74-61) could clarify the need and purposes of incentive classifications, establish medium- and long-term goals for each class, and integrate an approach that reflects present-day perspectives and priorities. Doing so would also provide the basis for other strategies around larger program redesigns and regular evaluation.
- Promote alignment among county staff and governing bodies. The county can cultivate a sense of shared purpose among staff, EDAC members, and elected officials by sharing materials on incentive best practices and strengthening onboarding procedures. Information could include context on the broader development finance toolbox, the history and trends of Cook County's incentive use, program design, and the roles of different players in the process, as well as elements of due diligence, impact analysis, and program evaluation. Such alignment will be particularly important if the county takes a more proactive leadership role in directing policy around incentives and could lead to more consistency in the overall process.
- Align incentive awards with county policy priorities. As the county clarifies the incentives' public purpose, it can strengthen the connection between these policy priorities and the process through changes in how the county makes final awards. Options include changes to the eligibility requirements, benefit calculations, administration, geographic availability, and applicable taxes. Larger program redesigns are explored below, but moderate reforms could include allowing more discretion in how the county scores and approves the applications, providing bonus points for projects that meet certain evaluation criteria, or tiering awards based on a project's policy alignment.
- Articulate goals publicly to make the incentives more accessible. Clearly stated goals, such as in plain text descriptions online, can signal to prospective businesses that Cook County is ready to be an effective partner, and that policy adherence is likely to result in public approval. These goals should align with existing local and regional plans, which are built on extensive analysis and community input.

Promoting consistency at the local level

Cook County can play a more active role in setting a common strategy and shaping the outcomes of incentives — for example, targeting investment in industries with historic strengths in the region and more middle-skill, middle-wage careers. To do so, it will need to partner with municipalities on how they broker and bring forward related projects. Incentive classification is a tool created and administered by the county, but municipalities are effectively responsible for deploying it on the ground.⁵⁹ More than 90 currently do. This opens the door to wide variation in local conditions and practices. In short, developers and their attorneys must navigate many different paths to apply for the same incentive. In collaborating with municipalities, the county can show greater leadership in economic development and promote alignment on common requirements, priorities, and targeted outcomes.

Individual applications — and broader program success — rely on how Cook County and municipalities work together to pursue mutual goals for development. Today, county staff and public bodies defer to municipalities on the need and rationale of each incentive deal and assume that a local resolution of support satisfies any but-for test or economic justification for the incentive. In interviews, stakeholders emphasize a strong preference for continuing to condition the county's final approval on local support. Proximity to the community and its development interests puts city councils and village boards in a well-informed position to advance applications that meet local needs. And many have adopted a robust, judicious process to negotiate projects, vet applications, and weigh the tradeoffs that come with business incentives — often in ways that reflect their unique, local histories and contexts.

Interviews also show that a disconnect between Cook County and municipalities contributes to recurring doubt and confusion over incentive classification. Not all municipalities have adopted or aligned local best practices. Instead, prospective developers face different procedural steps, local requirements, and fees in addition to county-level stipulations.⁶⁰ Stakeholders described the inconsistency as a significant barrier to investment. At the same time, differing approaches have resulted in incentive awards that feel distant from what county leaders hope to see. For example, respondents pointed to projects where incentives have been used reactively — to help out a friendly business owner or to vie for local services like a car wash or greenfield fast-food development — rather than as part of a larger economic strategy.

In exchange, municipal staff also indicate that they receive little communication about the program and, in some cases, lack a consistent or accessible point of contact for questions. They commend county staff for their diligence in helping municipal partners, while wishing information was shared more regularly and on a larger scale (such as via online portals, workshops, or mass communications). For example, current materials like the county's eligibility bulletins are either not regularly updated or not consulted by stakeholders. Greater coordination with and among municipalities could help to unlock potential projects that pursue both local and regional benefits.

⁵⁹ Other taxing districts (schools, libraries, fire districts, etc.) do not have the option to formally approve or deny incentives, although a property's reduced level of assessment will affect the tax base of each.

⁶⁰ See Appendix III for more information on the many different requirements and procedures used across Cook County's municipalities.

A local guide for development incentives

CMAP created the [Improving local development incentives](#) guide to help local governments, businesses, and communities benefit from incentive use. This technical guide presents strategies and practices that are tailored specifically to northeastern Illinois. Cook County can use this guide to help local governments — including municipalities, counties, school districts, and other special taxing districts — implement recommendations that will make the region a national leader in effective incentive use. The framework for this guide revolves around four principles — equity, transparency, performance-driven use, and pursuit of regional benefits — to make our region more competitive. Best practices include:

- Adopt a formal incentive policy to make it easier for business to comply with expectations
- Use incentives to meet community needs and advance equity
- Consider non-financial incentives first
- Design incentives to create living-wage jobs for local workers
- Collaborate — don't compete — with other local governments
- Establish business commitments with clear performance targets

Learn more at <http://cmap.is/incentives-guide>.

Options to take action:

- Work with municipalities to align local requirements and reviews in a common application. Transparent and consistent expectations can help potential applicants — including small and under-resourced businesses as well as those in low-market areas — better access resources. The county can engage municipal staff in an initiative to scale local solutions and develop standard requirements for local review, including a common application.
- Phase in conditions for municipalities to adopt a formal incentive policy and other best practices. Such a policy — which publicly sets out local goals, processes, guidelines, and targets in local ordinance or resolution — makes it easier for businesses to comply with these expectations and enables coordination across jurisdictions. CMAP's technical guide, [Improving local development incentives](#), provides a starting point on identifying standard and best practices for municipalities. Over time, the county can condition certain elements (such as access to incentive renewals or approval under special circumstances) on a municipality's efforts to refine its approach to economic development.
- Partner with technical assistance providers to support low-resource communities. The county can work with partners like the Urban Land Institute, Metropolitan Mayors Caucus, or councils of government to increase local capacity to carry out effective economic development. This can include developing model policies, peer-learning cohorts, networking events, and other skill-building resources on best practices. Such a program — expanding on the lessons of Build Up Cook — could provide liaisons for local development to serve as a point of contact for both municipalities and developers in navigating the incentive process.
- Promote collaboration as a countywide convener and informational resource. The county can improve incentive use by increasing awareness and building coalitions among local practitioners for best practices. This can include establishing trainings, networking events, and other

resources on development planning, incentive policies, market analysis, revenue- and cost-sharing agreements, community benefit agreements, and other related topics.

- Spread local awareness of program goals, progress, and updates. Improved, regular communication with local stakeholders (elected officials, staff, Councils of Governments, public-private partners, etc.) can support program alignment on county objectives, performance indicators, upcoming milestones, and changes in requirements or process. This work can be extended to work with municipalities to better market the incentives with multiple audiences (such as businesses, developers, municipal staff, and the public).



Structural reforms: Enhance incentive offerings to drive impact

Municipal and county development goals have evolved significantly in the decades since the incentives were first established, and the current offerings may no longer reflect market conditions or advance Cook County’s objectives. The sections above outline options to improve outcomes within the existing structure, but larger legislative action could restructure the county’s suite of incentive classes.

In interviews, stakeholders offer no clear rationale for the differences in eligibility requirements and approval paths across the separate incentives. They are distinguished primarily by the property’s use and project costs — Class 6b for industrial, Class 7a for commercial projects under \$2 million, and so on. Applications then need to follow separate paths for approval. While CCAO will review all applications, BED will also review most commercial applications (for Class 7b, 7c, and 7d but not Class 7a). Class 7 applications also receive more scrutiny than those for Class 6b, 8, and C via a higher but-for standard and as a result, require more extensive documentation of project viability, development timeline and financing, and need for public assistance. Respondents speculate that this may reflect historical concerns around both subsidizing footloose retail and consumer services as well as the need to address the county’s shift away from manufacturing since the 1980s.

Current distinctions based on use and project size may no longer make sense. Zoning and market demand now allow for more multi-functional spaces with little to distinguish the industrial use of a property. Some flex spaces can be used interchangeably for light manufacturing, distribution and logistics, sales and showrooms, or consumer services like equipment repair — uses that blur traditional categories. And while commercial tenants may be more mobile without the same locational requirements as industry, industrial uses tend to be less capital-intensive and locationally restricted today than when incentive classification first emerged. The \$2 million threshold also has not kept pace with recent inflation in the cost of construction materials, equipment, and labor. Even where projects are substantially different, stakeholders can give little explanation for why the application process has evolved to treat larger commercial projects so differently.⁶¹

Cook County’s mix of incentive classes has built up over time, without a rationale for either the current design and structure or for maintaining multiple, parallel paths for approval based on a property’s use and project size. This is not to argue that project types cannot or should not be distinguished but that the current structure now lacks reasoning.

The disconnect has also led to an increasing number of “special circumstances” and calls for new, additional classes to make the program fit different purposes. Provisions for special circumstances allow development projects to qualify for an incentive even if they do not meet the standard eligibility criteria, particularly those for vacancy and abandonment.⁶² Stakeholders appreciate these alternatives — either

⁶¹ In discussions, stakeholders suggested some ways that incentives can have different impacts on different property types. For example, commercial landlords may be more likely to pass along operating expenses like property taxes to retail tenants. (Current data cannot determine whether tax savings through incentive classifications are also passed through to tenants like small businesses.) By comparison, industrial properties and certain local commercial businesses like car washes or franchisees may have more “owner-users” with lower liquidity and fewer alternatives to cover tax bills.

⁶² For example, the Sustainable Emergency Relief program (adopted in 2013) opened Class 6b eligibility to still active industrial facilities “in imminent risk of becoming vacant and unused.” Class 8a (adopted in 2009) offers

because they improve the incentives' speed and flexibility or because they extend the incentives to "good projects and good businesses" that are otherwise ineligible. Some call for the county to expand the special circumstances even further. Anecdotally, staff, developers, and attorneys view them as a politic backdoor to lowering the requirements for incentive classification generally. From the data currently available, it is unclear whether special circumstances account for a growing share of the overall incentive activity. These applications also require a finding of special circumstances by the municipality and validation by the Cook County Board of Commissioners — routine votes that are often bundled and approved without discussion.

Since 2022, the county board has adopted new incentive classes to further adapt the structure for specific challenges. These include Class 7d (for grocery stores in food deserts), Class 8 MICRO (for microchips and semiconductor makers), and Class E (for solar energy installations).⁶³ Each pursues one of Cook County's public objectives but shows the limit of the main, longstanding incentives to evolve with different objectives over time. Stakeholders also observe in interviews that the blunt program design (i.e., a 10-percent level of assessment for 10 years with a two-year phaseout for all but Class 7c) gives few options to reward projects that offer more community benefits or better serve strategic goals. This returns to the question of whether Cook County's incentive classifications serve as an entitlement or a negotiation, as discussed above.⁶⁴

Finally, many stakeholders share an ambivalence about the current process for renewals. Both municipal and county staff express doubts about the standards for receiving a renewal, pointing either to the lax formal criteria in county ordinance or to the varying local standards used in practice. Many communities will reject all renewals as a matter of de facto policy, but some recognize an ongoing need to support local businesses in select cases, primarily industrial. From renewal protocols to distinctions between project types, policymakers and elected officials who want to see stronger impacts from this program can forge a significant overhaul of how incentive classifications shape development in their communities and across the county.

Options to take action:

- Engage local stakeholders to consider larger program reforms. Interviews bring up numerous proposals to adapt the existing incentive classes (like expanding the Sustainable Emergency Relief program to retail projects) as well as to establish alternative offerings (including more options with shortened terms similar to Class 7c). But stakeholders also emphasize the need for open collaboration on such reforms. A task force or resource group — with representatives from municipalities, other taxing districts, and the development industry — would allow further analysis and engagement on long-term strategies.
- Reorient evaluation criteria and tier awards based on projects' impact. Currently, almost all incentive classes offer the same level of tax benefit to property owners regardless of the property's use, project size, effect on local tax bases, community impacts, etc. Restructuring the classes around a new set of criteria and awards could better tie the financial value of incentives to project outcomes, while maintaining principles and provisions of tax uniformity. For example, the county board could adopt a new "default" incentive class with a 15-percent level of

similar flexibility to both commercial and industrial properties in qualifying areas. And the Critical Emergency Employee Retention Modification program (adopted in 2018) cut the vacancy criteria for Class 6b and 8 from twelve months — itself a special circumstance adopted in 2013 — down to three months for larger employers. (Code of Ordinances of Cook County, Illinois ch. 74 § 63.)

⁶³ Code of Ordinances of Cook County, Illinois ch. 74 § 63.

⁶⁴ See the discussion on "Aligning the incentives' public purpose with expected impacts" above.

assessment for 5 years and reserve the current 10-percent, 10-year incentive for projects that incorporate greater community benefits, support for targeted industries, higher job quality and access, or positive fiscal impact analysis.

- Tier application reviews and performance benchmarks to focus scrutiny where it is needed. Any changes in the scale or scope of awards can be complemented with changes in the speed of deploying them. The administrative process could be adjusted to require higher levels of scrutiny for projects that will have a more significant impact or that involve higher levels of investment. Streamlining the path for smaller projects could make the program more accessible to low-resource communities and smaller developers. Performance benchmarks, reporting requirements, and other strategies to improve project-level outcomes could also be connected to expected economic and fiscal effects. Even for larger projects, fast-track programs can reward more impactful projects with less uncertainty and shortened timelines.
- Use a flexible structure that limits the adoption of new incentive classes but allows the county to pursue strategic priorities. As the current provisions for incentive classification are set to expire, elected officials can realign the county's offerings with current objectives while limiting the confusing proliferation of additional incentives. For example, the county board could adopt a shorter reauthorization cycle to evaluate and affirm priorities that then flow through to scoring criteria and tiered awards on certain projects, such as those that involve weak-market areas, climate retrofits, or transit-oriented development.
- Consider structures that provide municipalities the flexibility to negotiate an incentive's term and level of assessment.⁶⁵ The use of *by-right* or *shall-issue* incentives limits how communities secure public benefits for public expenditures. Allowing municipalities to tailor the level and duration of incentives to a project's fiscal and economic impact could improve the program's responsiveness to local needs. This flexibility could be conditioned on either the maximum incentive benefits or a municipality's use of best practices to serve as important guardrails in resulting negotiations.
- Rationalize the eligibility and review requirements across commercial and industrial uses. If Cook County maintains the program's current orientation (i.e., by-right entitlements for reactivating parcels), it can instead clarify the but-for requirement and rationalize the similar-yet-different requirements across Class 6, 7, and 8 applications. Doing so would significantly reduce stakeholder uncertainty and improve turnaround times. Some distinctions may still be necessary (e.g., based on project size, location, ownership), but any ongoing differences in eligibility and review requirements should be judicious and well-communicated.
- Update thresholds for vacancy, stagnant or declining assessment, and investment requirements to better reflect current goals and market conditions. Changes to key eligibility requirements can also help to make sense of the separate paths for approval by updating where meaningfully different types of businesses or projects warrant additional scrutiny. These thresholds can be reviewed and updated regularly to ensure better consistency with changing market conditions for property development.

⁶⁵ Such arrangements may require a review of the state's Property Tax Code (35 ILCS 200), which sets limitations on the use of property classification for tax purposes. The Illinois Constitution, in article 9, section 4, also requires that "any such classification shall be reasonable and assessments shall be uniform within each class." The highest level of assessment is also limited to 2.5 times the lowest. Where necessary, the county may need to explore alternative mechanisms like abatements, credits, or rebates to enable more negotiated incentive benefits.

- Standardize some “special circumstances” as larger reforms to the incentives’ eligibility requirements. Cook County can improve the incentives’ speed to market and predictability by reducing the number of applications that require extra reviews and validation by the county board. Some de facto standards (like lower vacancy requirements) may be appropriate to incorporate as new updates to incentive classes in ordinance. While limiting the need for special circumstances, such changes should still maintain appropriate flexibility to adapt the incentives to diverse operating conditions.
- Where still necessary, develop an option for staff approval of “special circumstances.” Even routine votes by public bodies can cause unnecessary delay if they hold more bureaucratic than deliberative value. The county board could authorize staff to approve special circumstances directly. This may require greater staff guidance, reporting requirements, and/or a new set of criteria for eligibility exemptions that balance the need for continued program flexibility while reducing application slowdowns.
- Encourage greater use of other development tools. Changes to incentive classification can be considered in context with the wider challenges faced by prospective businesses, many of which are non-financial. Municipalities can use a more diverse range of tools to meet their needs and circumstances — such as property tax abatements, side-by-side loans for capital improvements, streamlined permitting, high-quality public goods (like improved traffic signaling or upgraded interchanges), or other strategies. Utilizing a wider range of development tools can help reduce reliance on incentive classification for projects where it may not be the best fit.

Using alternative structures to ensure compliance

State, county, and local governments across the country condition incentives on performance standards like employment, wages and benefits, or environmental and labor protections. One potential path for Cook County is to focus on pay-for-performance standards so that benefits accrue to recipients only after they achieve predefined benchmarks for capital investments that, due to their long-term nature and cash value, signal an applicant's credible commitment to revitalizing the property. Such capital investments are more directly tied to the underlying value of property than other typical performance standards, and a property tax incentive should increase property value if it is successful.

Future reforms to the incentives can continue to tie benefits to a fixed target level of investment. For instance, a capital expenditure provision on property tax abatements from Marion County, Indiana, provides that: "The City commits to providing a six-year real property tax abatement... as a result of the Applicants' capital expenditure of not less than \$4,950,000 or of not less than \$2,831,400 on leased space associated with the redevelopment and/or rehabilitation activities." Cook County can review building permits and require invoices from work completed as evidence of this investment.

Standards can also reflect an expected period of performance. Cook County could specify how long it expects the property owner to operate in place. While it is unlikely that a property owner will continue to own and operate a business in perpetuity simply to fulfill its obligations for a tax incentive, county officials can expect the recipient to remain in the locality for a reasonable amount of time and use different mechanisms to tie this activity to the length of the incentive. For example, Minnesota law requires that incentive recipients obtain the local government's permission to move outside of the community if the relocation occurs within five years of receiving the incentive. This permission can be granted only after holding a public hearing. In Ohio, assisted companies must maintain their operations at the project location for twice the number of years as the term of the tax incentive. Some states and counties also treat in-state and out-of-state relocations differently. For example, the State of Ohio reduces the penalties if the relocation is made within the state.

Moving forward

More than 90 municipalities in Cook County use incentive classification to support local development and offer lower tax bills to commercial and industrial properties. But this project has also shown the recurring challenges, inefficiencies, and tradeoffs that have accumulated over time to undercut today's public objectives. With the incentive provisions in county ordinances set to expire in December 2027, county leaders have an opportunity to make significant improvements to the design and administration of these tools. Any meaningful change will require action from the county board that will be closely watched by stakeholders with an interest in commercial real estate and tax appeals. This report outlines more than 30 potential next steps, with a focus on programmatic efficiency and the county's strategic leadership in driving inclusive economic and community growth. Progress will take time and investment. But initial discussions with county officials have focused on five key opportunities to improve outcomes for public expenditures:

1. Reorganize the county-level administration and strategic oversight of incentives to increase accountability.
2. Restore and maintain the unique value of Class 8 to increase the financial benefit of locating in disinvested communities.
3. Reorient incentives as a negotiated agreement (rather than a by-right entitlement) by tiering awards and reviews based on project impacts.
4. Create a consistent experience for developers by aligning local requirements with technical assistance for low-resource communities.
5. Modernize intake and customer service with better communication and a single, online system for tracking applications.

CMAP and the UIC Government Finance Research Center will continue to work with the Cook County Property Tax Reform Group on these and other actions to align incentive classifications with local and regional goals.

Appendix I: Historical debates over incentive classifications in Cook County

In the past century, Cook County’s classification system — and its use of incentive classes in particular — has experienced ongoing change and debate. With the extensive use of incentives today, stakeholders debate the effective purpose, conditions, and intended outcomes of these economic development tools from a variety of perspectives. This appendix provides a historical overview of Cook County’s incentive classifications and how recurring patterns can inform policy decisions today.

The inception of the classification system

A *de facto* classification system existed in Cook County as early as the 1920s — whereby standard administrative practice assessed businesses at a higher rate than residences — despite lacking explicit state authorization. During its early use, some parties contested that classification violated uniformity provisions in the Illinois constitution. As the 1970 Illinois Constitutional Convention approached, Cook County’s *de facto* classification system appeared increasingly at risk of termination through either litigation or new, more explicit language prohibiting the practice.^{66 67}

Legally validating Cook County’s classification system was one of then-Mayor Richard J. Daley’s primary policy goals for the constitutional convention. Advocates close to Mayor Daley represented a significant voting bloc in the convention, and successfully pushed for state authorization of classification through new constitutional provisions.⁶⁸ The change enabled any county in Illinois with a population greater than 200,000 to use a classification system for property tax purposes, provided that the highest level of assessment is no more than 2.5 times the lowest.⁶⁹ Cook County was — and continues to be — the only county in Illinois that uses a classification system. Following authorization, the Illinois General Assembly required that any future property tax classes must be enacted by counties’ governing boards.⁷⁰ Shortly thereafter, the Cook County Board of Commissioners established an ordinance detailing its assessment classes.⁷¹ Today, the classification system (including each of the incentives) is laid out in Chapter 74, Article II, Division 2 of the Cook County Code of Ordinances.

Changes to incentive classification over time

Cook County enacted its first incentive class in 1979 to encourage industrial development in areas with high unemployment by lowering assessment levels from 40 percent to 16 percent for qualifying

⁶⁶ Richard Wattling, “Taxation of Real Property in Cook County: The Railroad Cases and the Future of De Facto Classification,” *UIC Law Review* 1, no. 2 (1968), <https://repository.law.uic.edu/cgi/viewcontent.cgi?article=2695&context=lawreview>.

⁶⁷ “The Cook County Property Assessment Process: A Primer on Assessment, Classification, Equalization and Property Tax Exemptions” (Civic Federation, April 5, 2010), https://www.civiced.org/sites/default/files/100405_CookCountyAssessmentPrimer.pdf.

⁶⁸ Ann Lousin, “Where Are We At? The Illinois Constitution after Forty-Five Years,” *UIC Law Review* 48, no. 1 (2014), <https://repository.law.uic.edu/cgi/viewcontent.cgi?article=2094&context=lawreview>.

⁶⁹ “Valuation Procedures,” 35 ILCS 200/Art. 9 Div. 4 Property Tax Code.

⁷⁰ “Civic Federation Position on the Cook County Property Tax System: Recommendations for Reform” (Civic Federation, December 20, 2010), https://civiced.org/sites/default/files/101220_CookCountyPropertyTaxPosition.pdf.

⁷¹ “County Board Alters Tax Assessing System.” *Chicago Tribune*, Dec 18, 1973.

<https://chippublib.idm.oclc.org/login?url=https://www.proquest.com/historical-newspapers/county-board-alters-tax-assessing-system/docview/171039487/se-2>; Code of Ordinances of Cook County, Illinois ch. 74 §§ 60-99.

properties.⁷² Since the beginning, the program has been viewed as a creature of the Cook County Assessor's Office. The county's use of such incentives has since grown and evolved. But policymakers continue to grapple with fundamental questions about their aim and design that were sparked by some of the earliest applications.

For example, in 1981 a pharmaceutical firm received the first incentive to move its industrial development from Hammond, Indiana to Park Forest, Illinois. Critics pointed out that the firm was receiving more than a million dollars in tax relief while only creating five new jobs. The incentive also facilitated the movement of jobs and tax revenue from a lower-income, lower-market area to what was a higher-income municipality, despite the program's stated intent to target areas with high unemployment. Pierre de Vise, an urban sociologist at the University of Illinois Chicago, described this use of the incentive as "a travesty of the legislative intent made possible by the vagueness of the target area." Commissioner Harold L. Tyrell offered another perspective, stating "It doesn't matter whether it's in a high unemployment area or not. When you bring in new jobs it helps the whole area."⁷³

Around the same time, Hilton Hotels Corporation filed the first application for a commercial incentive to develop a large hotel complex in the North Loop. Then-assessor Thomas Hynes determined that the project did not qualify, leading Hilton to drop the project entirely in 1981. This high-profile case led to further debate about the types of projects and community benefits that incentives should support, the ultimate aims of this program, and the burden of proof on firms and developers to establish the need for public assistance.⁷⁴

Later reforms to strengthen standards

Since the inception of incentive classifications, the county has made reforms to their use and expanded the types available. In 1985, the county passed a suite of ordinance amendments that adjusted the incentives' level of assessment, established qualification requirements, and clarified the intention of Class 6, 7, and 8.⁷⁵ Many of today's practices find their roots in these 1985 reforms.

In the second half of the 1980s, both the City of Chicago and an advisory committee of the Cook County Assessor conducted separate studies of incentive classification. The city's study concluded that the program was creating few quality jobs and rarely figured into business relocation decisions, while the Assessor's committee asserted incentives helped create or retain more than twenty thousand jobs and added \$46.2 million in assessed value to the tax rolls. Related debates continued as the incentive approached expiration at the end of 1989. The county ultimately chose to extend authorization for incentive classifications, although the Assessor reported that just three firms had received a Class 7 incentive and only four firms a Class 8 in recent years. During these debates, proposed changes included the relaxation of a requirement for developers to prove they could not proceed without an incentive

⁷² William Juneau, "OK tax break to firms that help jobless here," *Chicago Tribune*, May 17, 1978, <https://chipublib.idm.oclc.org/login?url=https://www.proquest.com/historical-newspapers/ok-tax-break-firms-that-help-jobless-here/docview/171668306/se-2>.

⁷³ Rosalind Rossi, "New law gives firm 'ridiculous' break on taxes," *Chicago Sun-Times*, July 5, 1981, <https://infoweb-newsbank.com.chipublib.idm.oclc.org/apps/news/document-view?p=AMNEWS&docref=image/v2%3A1443FD2E0D78767F%40EANX-NB-173423078B7B2029%402444791-17341BE05425BB47%402-17341BE05425BB47%40>.

⁷⁴ "Choosing a Bait for Business." *Chicago Tribune*, Jul 16, 1982. <https://chipublib.idm.oclc.org/login?url=https://www.proquest.com/historical-newspapers/choosing-bait-business/docview/172725558/se-2>; "The great Hilton poker game," *Chicago Tribune*, December 14, 1981, <https://chipublib.idm.oclc.org/login?url=https://www.proquest.com/historical-newspapers/great-hilton-poker-game/docview/172493779/se-2?accountid=303>.

⁷⁵ Steve Kerch, "Cook County Tax Plan Tries to Keep Industry at Home," *Chicago Tribune*, Aug 11, 1985, <https://chipublib.idm.oclc.org/login?url=https://www.proquest.com/historical-newspapers/cook-county-tax-plan-tries-keep-industry-at-home/docview/176289708/se-2>.

(the “but for” test) and the introduction of a new reporting system whereby firms would report the jobs and assessed value created by their development — what appears to have evolved into the now-waived requirement to submit triennial affidavits.⁷⁶

As the overall property tax system in Cook County has evolved, so too have the specific levels of assessment provided through incentive classification. When first established in the late 1970s and early 1980s, the standard for most industrial and commercial property was 40 percent of fair market value, and incentive classification lowered this ratio to 16 percent in line with residential.⁷⁷ As levels of assessment have gradually decreased across all property types, those on the incentive classes have also declined. Incentives now lower assessment rates from 25 percent to 10 percent of fair market value.

Recent and ongoing changes

Over the last decade and a half, Cook County has continued to change and expand its incentives through various amendments to the enabling ordinance. A significant number of these changes have been related to the establishment of so-called “special circumstances” under which properties can become eligible for incentives for which they otherwise would not qualify. In 2009, the county established Class 8a, which allows properties to receive an incentive that do not meet the standard abandonment or vacancy requirement but can demonstrate that the enterprise has seen a significant decline in operating income and is otherwise not economically viable.⁷⁸ In 2013, the Temporary Emergency Economic Recovery Modification (TEERM) also reduced the necessary vacancy period from 24 to 12 months for Class 6b and Class 8 incentives; this program was later phased out in favor of an even shorter vacancy period for larger employers and then rescinded in 2021.⁷⁹

Also in 2013, the Sustainable Emergency Relief (SER) program established a special circumstance for industrial properties (initially just Class 6b but later Class 8 as well) to receive incentives if an enterprise has occupied a site for at least ten years but would no longer be economically viable without an incentive.⁸⁰ The Critical Emergency Employee Retention Modification (CEERM), established in 2018, allows for properties to become eligible for Class 6b if the property has been vacant for at least three continuous months and can provide evidence that the applicant will create or maintain at least 250 jobs at the site.⁸¹ The practical effect of these new programs has been to expand the universe of properties eligible to apply for and potentially receive incentive classification.

In addition to special circumstances, county officials have also established new types of incentive classification aimed at addressing specific challenges. In 2014, the Class 7c Commercial Urban Relief Eligibility (CURE) program created a commercial incentive with a term of five years, as opposed to the ten-year terms offered by Classes 7a and 7b.⁸² In 2023, the county board established Class 7d to support the new construction or rehabilitation of grocery stores in parts of the county lacking sufficient access to fresh groceries.⁸³ And in 2024, the county announced Class 8 MICRO to support the “manufacture of

⁷⁶ Charles Mount and John McCarron, “Cook Panel Votes to Keep Tax Breaks,” *Chicago Tribune*, Nov 17, 1989, <https://chicpublib.idm.oclc.org/login?url=https://www.proquest.com/historical-newspapers/cook-panel-votes-keep-tax-breaks/docview/1019146112/se-2>.

⁷⁷ Juneau, “OK tax break to firms that help jobless here,” *Chicago Tribune*, May 17, 1978.

⁷⁸ Ordinance amendment 09-O-26, Code of Ordinances of Cook County, Illinois ch. 74 § 70, April 15, 2009.

⁷⁹ Ordinance amendment 13-O-36, Code of Ordinances of Cook County, Illinois ch. 74 § 63, July 17, 2013; Ordinance amendment 21-2556, Code of Ordinances of Cook County, Illinois ch. 74 § 63, May 13, 2021.

⁸⁰ Ordinance amendment 13-O-36, Code of Ordinances of Cook County, Illinois, ch. 74 § 63, July 17, 2013.

⁸¹ Ordinance amendment 18-4201, Code of Ordinances of Cook County, Illinois ch. 74 §§ 63, 73, June 27, 2018.

⁸² Ordinance amendment 14-1930, Code of Ordinances of Cook County, Illinois ch. 74 §§ 63-73, June 18, 2014.

⁸³ Ordinance amendment 22-5345, Code of Ordinances of Cook County, Illinois ch. 74 §§ 63-64, 69, 73, October 20, 2022.

semiconductors, microchips, and associated component parts and service” in alignment with the state-level Manufacturing Chips for Real Opportunity Act (MICRO Act).⁸⁴

Cook County has also attempted to require certain labor standards on properties receiving incentives. A new 2016 requirement stipulated that all construction and maintenance work must be performed by contractors participating in an active apprenticeship or training program registered with the U.S. Department of Labor’s Office of Apprenticeship.⁸⁵ This requirement was later rescinded in 2017.⁸⁶ Separately, the county board added a living-wage provision in the ordinance in 2017. This required any employer occupying a property receiving a Class 6b or 8 incentive to pay its employees a living wage, as defined in the Cook County Procurement Code.⁸⁷ This requirement was waived for assessment years 2017-2022 but is currently in effect.⁸⁸

While the ordinance allows certain incentives (Class 6b, 7a, 7b, 8, and C industrial) to be repeatedly renewed beyond their initial, typically 12-year term, it limits other classes (Class 7c and 7d) to only one renewal term, and prevents still other incentives (Class C commercial) from being renewed at all.⁸⁹ Conversely, a 2017 amendment provided a set of criteria for which incentives could be revoked, such as property tax delinquency and failure to comply with living wage requirements or other state and federal law.⁹⁰

The above paragraphs comprise a non-exhaustive description of recent amendments, additions, and revisions to the county’s incentives. County officials and other stakeholders continue to discuss potential changes to the structure and administration of these tools, from the establishment of a new incentive classification to encourage transit-oriented development to a complete re-write of the ordinance.

⁸⁴ Ordinance amendment 24-3623, Code of Ordinances of Cook County, Illinois ch. 74 §§ 63-65, 73, September 19, 2024.

⁸⁵ Ordinance amendment 16-3191, Code of Ordinances of Cook County, Illinois ch. 74 §§ 63, 70, June 8, 2016.

⁸⁶ Ordinance amendment 17-4339, Code of Ordinances of Cook County, Illinois ch. 74 §§ 63, 70, June 8, 2016.

⁸⁷ Ordinance amendment 17-3127, Code of Ordinances of Cook County, Illinois ch. 74 § 71, June 7, 2017.

⁸⁸ Cook County Assessor’s Office, “Incentives & Special Properties,” <https://www.cookcountyassessor.com/incentives-special-properties>.

⁸⁹ Code of Ordinances of Cook County, Illinois ch. 74 §§ 63-64.

⁹⁰ Ordinance amendment 17-0293, Code of Ordinances of Cook County, Illinois ch. 74 § 73.

Appendix II: Property tax data and limitations

The UIC project team obtained detailed property tax bills from CCAO as well as parcel characteristics and select taxing agency levy data. When valuation data for C&I properties was inaccessible, the team incorporated other publicly available records, such as filings with the Cook County Recorder’s Office.⁹¹ The code and data needed to replicate the project team’s results are available at <https://tinyurl.com/36ewh272>.

Every property in Cook County is made up of one or more parcels. Each parcel is assigned a unique Parcel Identification Number (PIN) and is categorized under one of the CCAO’s three-digit “Classifications of Real Property” that provides a detailed description of each parcel’s use (e.g., single family home, bowling alley, industrial structure, nonprofit supermarket, vacant). The first digit of the CCAO’s Real Property Classification system differentiates among otherwise identical property types based on incentive classification status. Given the detailed nature of CCAO’s property classifications, assignment is often a matter of degree: Class 580, for example, is defined as an “industrial improvement” while Class 589 is defined as a “special industrial improvement.” Nevertheless, the team relied on the first digit of each PIN’s class code to identify parcels with incentive classifications (incentive PINs) and their broader land use (e.g., industrial, commercial, residential, or vacant).

The team categorized incentive PINs as either industrial or commercial. While this task was simple for Major Classes 6 and 7, which are divided into commercial and industrial, Major Class 8 is targeted geographically and thus makes no such distinctions. The team resolved this issue by making use of the second and third digits of the class codes. As discussed above, class definitions are relatively precise, which allowed the team to match land use as defined in Major Classes 6 and 7 to Major Class 8 land uses. The second and third digits of class codes from Major Classes 6 and 7 matched the second and third digits of the equivalent land use’s Major Class 8 class code.

This empirical analysis includes all parcels located within one of the 118 incorporated municipalities where most of the tax base is located in Cook County.⁹² CCAO provided data on assessed values (AV) for each parcel from 2006 through 2022. The team converted C&I assessed values into approximate fair market value (FMV) by applying some simplifying assumptions.⁹³ The equations for calculating FMV from AVs for PINs with and without incentive classifications are below.

$$FMV_{Incentive\ C\&I} = \frac{Assessed\ Value}{0.1}$$
$$FMV_{C\&I} = \frac{Assessed\ Value}{0.25}$$

⁹¹ UIC lacks access to proprietary commercial data subscriptions, such as those from CoStar and CBRE, which CCAO uses in its valuation models.

⁹² This analysis excludes the 16 municipalities where most of their tax base (by value) lies outside the borders of Cook County as well as all parcels located in unincorporated areas of Cook County.

⁹³ Fair Market Value (FMV) is also called the “Market Value for Assessment Purposes” and can be calculated as a property’s Assessed Value divided by the Level of Assessment.

Data challenge 1: Levels of assessment

The CCAO dataset does not contain information about the actual level of assessment (LOA) applied to incentive PINs. Incentive classifications benefit the property owner by reducing the assessed value of their property from 25 percent to 10 percent for the initial ten years. Yet, incentive PINs' LOAs change over time. In any one year, some incentive parcels will pay tax bills based on a 10-percent assessment ratio, while others will base their property tax on a 15- or 20-percent LOA depending on when they initially received the incentive. Incentive classifications can be renewed, in which case the assessment remains at 10 percent for an additional ten years and the number of renewal requests is potentially unlimited. Cook County lacks information on which incentives were renewed or when, however.

For simplicity, the team assumes a 10-percent value for the LOA for all incentive properties, recognizing that this slightly biases the estimates of FMV upwards and effective tax rates downwards. (CMAP estimated in 2013 that the average LOA for incentive PINs was 11.42 percent.) This assumption maximizes the direct impact of assessments on incentive classifications and minimizes the change in property value attributable to an incentive's indirect effect.

Data challenge 2: PINs as unit of analysis

Municipalities negotiate incentives for projects or entire facilities, not PINs or parcels. Consider, for example, the conveyances and municipal annexation agreements related to construction of an Amazon fulfillment center in Markham (see Appendix IV). The facility is made up of 38 distinct blocks of land, each of which is composed of dozens of PINs--most of which have an incentive classification.

The CCAO does not provide a way to associate PINs with projects. In some cases, the value of an incentive could be overstated because the tax savings must be spread to other PINs in the project that are not receiving incentives.

Appendix III: Comprehensive description of application process

In 2024, the Chicago Metropolitan Agency for Planning (CMAP) led a qualitative process-mapping exercise to develop a step-by-step understanding of how Cook County’s incentive classification is administered in practice. More than 40 stakeholders (internal and external) who are involved with the submission, review, approval, and management of incentive applications were interviewed. These included county staff, business owners, members of Cook County’s Economic Development Advisory Committee (EDAC), property tax and development attorneys, and local elected officials. The project team sought to explore the following key questions:

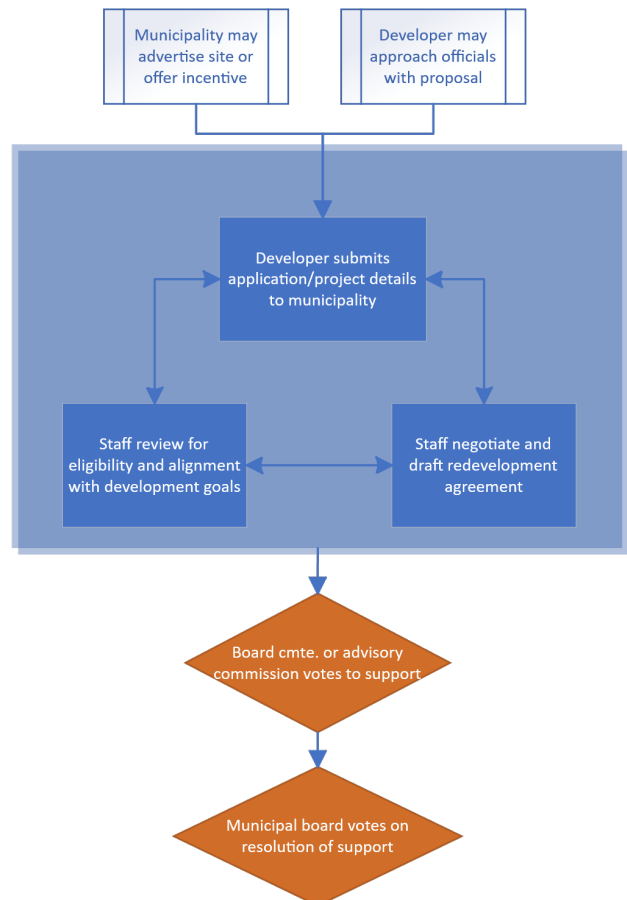
- What information, decisions, assumptions, or other factors influence the approval and renewal of incentive applications?
- How do perspectives and processes vary among stakeholders? Are stakeholders approaching these decisions in ways that affect outcomes?
- What mechanisms help to ensure that public objectives are being met? Do stakeholders have confidence that the process is fair, accurate, and effective?
- Are the county’s aims consistent with how the incentives are used in practice? What steps could improve coordination and decision-making?

Incentive classification is administered primarily by the Cook County Assessor’s Office (CCAO) together with local municipalities and the Cook County Bureau of Economic Development (BED). In short, applicants need to secure municipal support, apply to CCAO, verify their eligibility, and file an appeal to have their property reclassified. But this oversimplifies what can be a complex, opaque, and fragmented system. The sections below summarize the project team’s best understanding of the application process based on conversations with stakeholders.

Stage 1: Obtaining municipal support

For a property owner to obtain an incentive classification, they must first secure a resolution of support from the municipality where the property is located (or the Cook County Board of Commissioners in unincorporated areas). Local officials handle these requests in different ways. In some instances, the process begins when a property owner, developer, their attorney, or a site selection consultant approaches municipal staff seeking an incentive an incentive to redevelop the property. In other cases,

Partial diagram of stage 1



municipal staff may proactively suggest or promote the use of incentive classification to support local tax reactivation or economic development goals.

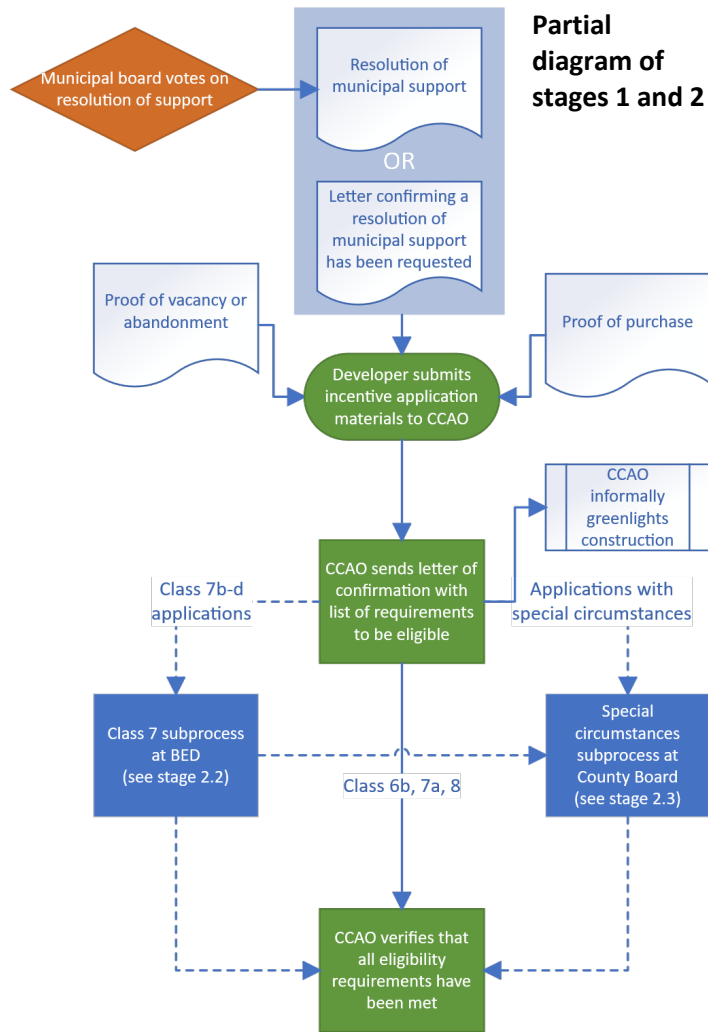
The developer may then need to submit application materials and project details like a real estate pro forma to the municipality, often to economic development staff. The municipal application process varies widely across the county. Some higher-capacity localities (e.g., Chicago, Hoffman Estates) have their own application forms and requirements to consider incentive classifications alongside other incentive types — for example, TIF district programs, sales tax rebates, Enterprise Zone certificates, and fee waivers. Others, like Franklin Park, rely on the same application materials required for submission to Cook County. And still others, like Elk Grove Village, tend to downplay any formal application, in favor of in-person site visits and conversations with the developer or business owner. Municipalities also vary in how much they charge in applications fees, which can range from \$1,000 to \$ 5,000. A few require businesses to remit a portion of their property tax savings to support further economic development or supplement general funds. Arlington Heights, for example, receives back 10 percent of a property’s annual savings for the first five years and uses it to capitalize a zero-interest revolving loan fund.

Once municipal staff review the application, a local resolution of support can require 2-3 meetings with local stakeholders, including a municipality’s economic development advisory group as in Park Forest, as well as any committees or hearings of the local governing board. Regardless of how much scrutiny the application receives at the municipal level, this resolution is assumed by county staff to satisfy the “but for” test: would this development happen but for the incentive? This test is an explicit condition on some incentive classifications and best practice in justifying local development agreements. Each of Cook County’s later steps to review and approve applications defer to municipalities on this question.

Different practices for different communities

Interviews reveal the wide range of questions or concerns that stakeholders raise in reviewing incentive applications, often reflecting local conditions. Redevelopment agreements can surface issues around the need for jobs and investment, community character, and residents’ desired types of commercial activity. Some municipalities with stronger market demand and a higher volume of applications will approve incentives via a consent agenda, with little discussion and based on staff recommendations alone. But developers can face greater scrutiny, particularly in communities operating with weaker markets, fewer resources, or concerns about environmental justice and displacement. In conversations, several stakeholders discussed the need to build municipal capacity — revenues, skills, and technical resources — to fully assess the benefits and costs of potential development.

Local concerns can also lead staff to negotiate for additional public benefits in return for incentive classification. Interviews brought up anecdotes of municipalities requesting the developer repave the parking lot of Village Hall with permeable pavers or give financial support for a local incubator or business association. These components may or may not be captured in a separate, formal incentive agreement, and that agreement may or may not be attached to the application eventually filed with Cook County. Such agreements are sometimes recorded against the deed of the subject property or simply understood as a “handshake deal” between the developer and local staff.



Other taxing districts (schools, libraries, fire districts, etc.) do not have the option to formally approve or deny the incentive.

Once the applicant receives a municipal resolution of support, they must apply to the Assessor’s Office. The CCAO needs to receive a complete application before any construction or rehabilitation begins on the property to ensure the project satisfies the but-for test. Staff will conduct an initial review of the application, send a confirmation of receipt highlighting any missing materials, and informally “greenlight” the applicant to start construction, with a strong warning to have support from the municipality and if applicable, the county board beforehand. This can cause issues when developers strike a handshake deal with local officials and begin construction before filing paperwork with the CCAO. Doing so may disqualify the project. County staff can also flag other issues. For example, partial rehabs may require dividing a property into multiple new parcels so

staff can more easily or quickly apply the incentive to qualifying parts. Property divisions must be initiated by the taxpayer and can take up to a year; where necessary, the CCAO will encourage applicants to begin the request early to avoid problems later.

County staff report that local resolutions of support are the most frequent delay in completing applications. If the municipality is unable or unwilling to provide a resolution at the time of application, local staff can instead provide a letter indicating that the municipality has received the request for a resolution. This allows the developer to “complete” their application and remain eligible for the incentive but proceed with construction and business operations while waiting for Cook County’s often-lengthy final approvals.

Stage 2: Navigating multiple county reviews

After obtaining municipal support, applicants move through a series of separate county reviews that vary based on the type of incentive classification. The structure of Cook County’s development incentives — and therefore the process for review — is based primarily on the proposed use of the property and project size, with most applications for commercial developments (Class 7b and 7c) reviewed by both the CCAO and the BED. All other incentives (Class 7a and those for industrial purposes,

brownfield redevelopment, and areas in need of revitalization) are reviewed only by CCAO.⁹⁴ Applications qualifying under “special circumstances” (such as properties that do not meet standard vacancy criteria) must receive a second resolution of support by the county board. Interviews did not identify a clear rationale for these differing review paths. In each case, these county-level reviews only verify an application’s eligibility based on program requirements. Final approval does not occur until the applicant successfully appeals for property reclassification in Stage 3.

Stage 2.1: CCAO’s review of Class 6b, 7a, and 8 incentives

For the most straightforward development projects, the county-level application process does not require any approval or verification beyond the CCAO staff review to confirm eligibility. This includes Class 6b for industrial development, Class 7a for commercial developments under \$2 million in total project cost, and Class 8 incentives in qualifying areas experiencing severe economic stagnation. The CCAO charges a \$500 application filing fee as well as \$1 per page for certified documentation and a \$100 fee for any amendment to the original application.

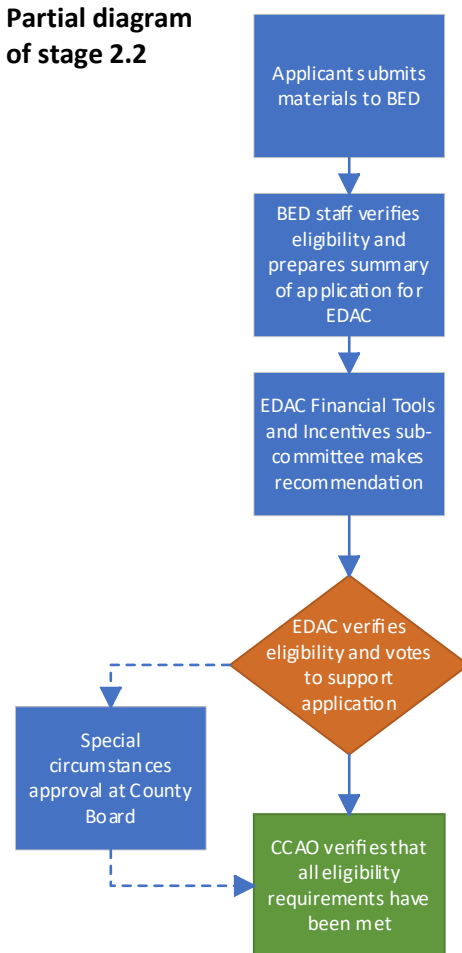
Per interviews, staff at the CCAO view incentive classification (at least, Class 6b and 8) as *shall-issue* or *by-right* entitlements. That is, staff will verify all eligible applications without any determination on the project’s merits. Once the developer completes construction and provides proof of occupancy of the property, they can begin the appeal process (see Stage 3).

Stage 2.2: BED’s review of Class 7b and 7c incentives

Incentives to encourage commercial development go through a second review by the BED and its Economic Development Advisory Committee (EDAC) in addition to that conducted by the CCAO. This includes Class 7b for properties with more than \$2 million in total project costs and Class 7c for those qualifying under the Commercial Urban Relief Eligibility.⁹⁵ While the CCAO administers Class 6b, 7a, and 8 as entitlements, applications for Class 7b and 7c are subject to a stronger but-for test and greater scrutiny over the necessity of the incentive. Developers (or their attorneys and site selection consultants) must provide additional documentation like a development plan, a pro forma, financing details, and an analysis of resulting tax revenue and employment. Interviews did not yield a consensus opinion on why commercial projects are held to a higher threshold. Multiple stakeholders did note that other incentive classifications used to require similar justification, but that the county has taken steps to lower the requirements on certain types over time.

BED staff initially review application materials again for project eligibility and/or work with applicants to submit all necessary information and documentation. BED staff

Partial diagram of stage 2.2



⁹⁴ The review steps for recently adopted incentives (including Class 7d for grocery stores in food deserts and Class 8 MICRO for microchips and semiconductor makers) are still being determined but are expected to require some BED verification as well.

⁹⁵ Code of Ordinances of Cook County, Illinois ch. 74 § 63.

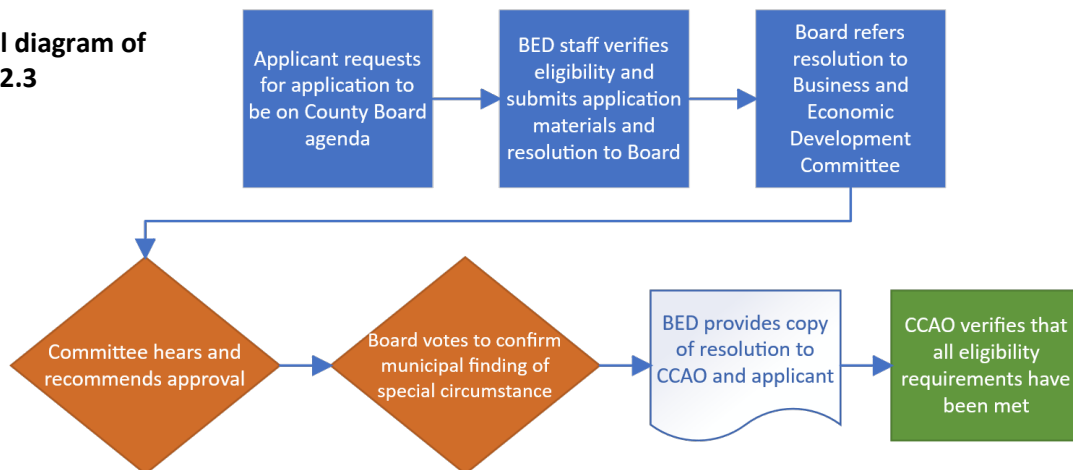
then prepare a summary of the application including details like site plans, employment details, and tax analysis. This summary does not include any new analysis by county staff of the project, its financials, or its potential impacts. Instead, it provides a standard, simplified format to help “tell the story” to members of the EDAC, based on the details that are commonly shared by applicants in their project narratives.

The application then goes before the EDAC’s Financial Tools and Incentives Subcommittee, which reviews the materials, speaks with applicants, and votes to recommend the project for verification. If successful, the application is then presented to the full EDAC for a verification vote. Although not required, developers and their attorneys are encouraged to join meetings where EDAC is voting on their application, and EDAC members may ask questions about the project. Members defer to municipalities on the benefit and necessity of a given development project and do not see themselves as making a formal determination on its merits. Neither county staff nor advisory members could recall a case in which the EDAC has rejected an eligible application. Instead, the BED staff review and the EDAC verification are seen as additional checklist items alongside other application materials. With these in hand, the CCAO will review proof of occupancy and confirm that the application can move into the appeal process (see Stage 3).

Stage 2.3: County board’s review of special circumstances

Certain projects can qualify for incentive classification despite not meeting standard criteria, particularly the twelve-month threshold for vacancy and abandonment. This process requires a finding of “special circumstances” by the municipality and validation by the county board. This is the case for both the Class 6b, 7a, and 8 incentives that otherwise would only pass through the CCAO staff review as well as Class 7b and 7c applications considered by CCAO and the EDAC. A range of different special circumstances are available for each of the incentive types covered by this report. For example, county ordinance allows a property to qualify as “abandoned” if its buildings or other structures have been unused for less than twelve continuous months but where a new purchase of the property has occurred. The municipality must include this finding of special circumstances in its resolution of support or risk having the application sent back for local review.

Partial diagram of stage 2.3



Applicants with special circumstances submit materials to the BED and request a draft resolution be put on the county board's agenda. BED staff facilitate the submission to the county board but do not evaluate the application on its merits. Special circumstances requests require a \$2,500 filing fee for Class 7 incentives and a \$1,000 fee for all others. While the draft resolution prepared by BED can include recitals or findings about the development project, its only legal effect is to validate the finding of special circumstances. Some details like anticipated jobs have been removed from standard templates because they are not part of the statutory requirements for incentive classification and because Cook County does not make a special circumstances finding based on an applicant's job claims.

County resolutions need to clear at least three procedural votes by commissioners — first to introduce the resolution in the full Board and refer it to the Business and Economic Development Committee, second to approve and recommend it out of committee, and third to approve the final resolution before the full Board. Without holdups, more straightforward applications can secure this resolution in approximately 1.5-2 months depending on the legislative calendar.

As with municipal resolutions, stakeholders indicated that securing a resolution from the county board can be a significant administrative delay in the review process. BED staff often need to work with developers (or their representatives) to complete all application materials and, given the internal deadlines and competing priorities on board agendas each month, setbacks in other requirements can push back approval by several weeks. But according to BED staff, resolutions tend to be heard and approved regularly and in a timely manner once they are submitted via Legistar, the county's electronic legislative and agenda management system. BED staff may also work with commissioners to represent the project before the county board, although questions are uncommon. Votes both in committee and before the full Board are typically bundled and approved without discussion. Neither the CCAO nor the applicant is required or expected to be present for these hearings.

Once the county board votes to validate the finding of special circumstances, BED staff and/or the County Clerk forwards a copy of the resolution to the CCAO, which reviews proof of occupancy and confirms that the applicant can begin the appeal process.

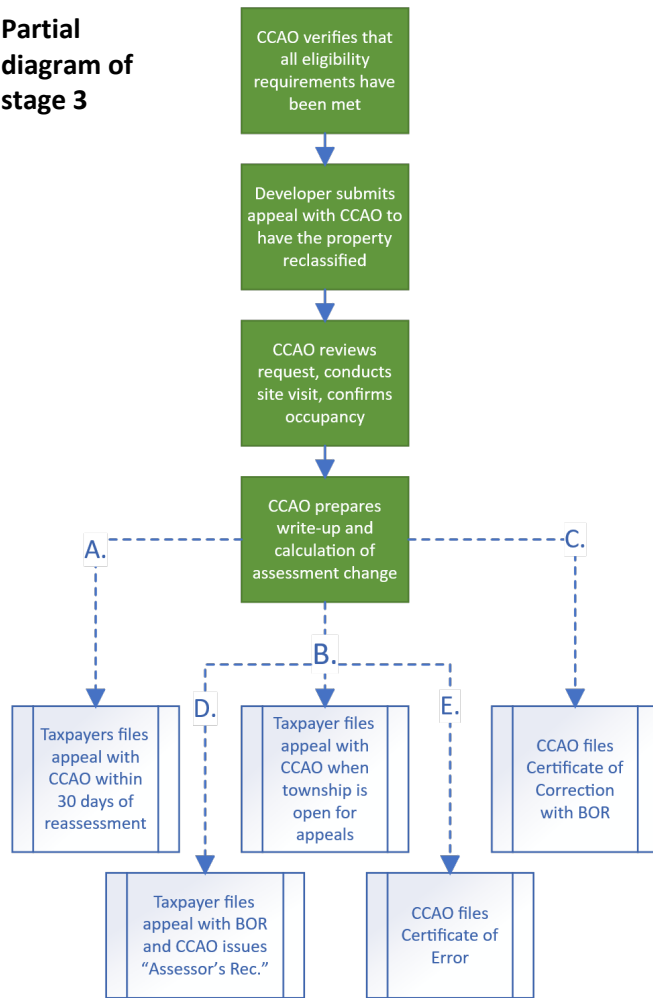
Stage 3: Appealing for reclassification

The core mechanism of each Cook County incentive is a property assessment appeal. Prior steps (including reviews and public votes by the municipality, CCAO, BED, EDAC, and/or county board) confirm eligibility but are not a final approval. Instead, property owners must formally appeal to have parcels reclassified into the relevant incentive class with a lower level of assessment. This effectively merges any new incentives into the official property tax rolls as jurisdiction rotates between the CCAO and the Board of Review (BOR), an independent office with quasi-judicial powers to adjudicate taxpayer complaints. Because incentive applications go through the lengthy validation process outlined above, these appeals are treated more routinely or procedurally than other, contested cases for over-valuation.

Once the developer completes construction, they must finalize their eligibility application with the CCAO by submitting proof of occupancy and a fee of \$100. The CCAO will review the request and, in most cases, conduct a site visit to the property to confirm the completion of substantial rehabilitation and occupancy of the property. Cook County does not oversee or monitor construction but regularly use property inspections (or "field checks") as well as documentation requests to verify evidence for reclassification. Staff will prepare a write-up detailing the assessment change for the property and a

calculation of its new assessed value. Given the complexity of some development projects or the changes that can occur during construction, CCAO staff often must make “judgment calls” on how to apply the incentives to different properties as well as workarounds like blended assessments or ad hoc parcel adjustments. Interview indicated that these solutions and final calculations are not well communicated among county offices or assembled in a central tracking system.

Partial diagram of stage 3



From here, authority over the reclassification depends on the triennial property assessment cycle. Each property in Cook County is reassessed (by township) every three years or in response to interim changes like permit applications or other special circumstances. The CCAO will send a reassessment notice by mail to each property owner with important information like the new estimated fair market value of their property. Any taxpayer — including those who have completed construction and occupied an incentive property — may appeal their reassessment directly with the CCAO within 30 days of receiving their notice and before the CCAO certifies and publishes the tax rolls as required by law. If the developer misses the appeal period in their reassessment year, they also have an annual opportunity to file directly with CCAO while their township is “open” for appeals (typically for one month each year). This is the most straightforward way to have the property reclassified and finally activate incentives.

If the CCAO receives and approves the appeal during one of these windows, staff will quickly approve the appeal and administer changes in

the tax rolls. The applicant will begin to see updated information online on the Cook County Property Tax Portal and ultimately, lower property tax bills. An attorney is not required to appeal directly with the CCAO. However, some developers may also wish to appeal their valuation (the estimate of fair market value) downwards based on other concerns, in addition to the reclassification caused by the incentive itself. Some municipalities reportedly urge businesses not to appeal their valuations or risk having their incentive suspended or revoked by the municipality (see Stage 4).

As the CCAO certifies and publishes the tax rolls for each township, jurisdiction over related appeals passes to the BOR. If the applicant misses the window to appeal directly with the CCAO, the Assessor’s staff can first file a certificate of correction with the BOR before a final filing date (by township) to reclassify the property. Certificates of correction are used to amend the tax rolls and correct mistakes of fact or clerical errors but not mistakes of valuation judgments or opinions. A taxpayer is not required to

file a legal appeal with the BOR for the CCAO to file a correction, although an appeal case will be created if one does not already exist.

If correction by the CCAO is not possible due to the assessment calendar, the taxpayer must file an appeal with the BOR instead, which can be a lengthier process and requires assistance from an attorney. The CCAO can often help shorten the process by issuing an assessor recommendation. (This is an internal procedure designed by county staff to correct mistakes of valuation judgments or opinions as well as making property classification changes, but interviews did not identify the legal foundation in county ordinance or other statute.) Assessor recommendations must be filed by the BOR's evidence submission deadline for the property's township.

In each case, the BOR technically has discretion to approve or deny these appeals for incentive classification based on the requirements in ordinance, the assessor recommendation, and/or updated tax details. But according to CCAO staff, the BOR has only denied affordable housing incentive appeals (under the now largely defunct Class 9 program) and has not recently denied appeals for Class 6b, 7, 8, or C incentives. Instead, incentive appeals are approved procedurally and without discussion, and any other complaints in the appeal (e.g., over-valuation) are treated separately from the request for incentive classification.

If none of these channels are available due to the assessment calendar, the path of last resort is through a certificate of error — a statutory mechanism used to correct any assessment errors in a prior tax year. Certificates of error may be initiated by the CCAO directly or via taxpayer request and can be certified retroactively for up to three years. The certificate process can take multiple years to navigate and requires the taxpayer to continue to pay their full, unreduced tax bills until approved, when they will be credited for overpayments. CCAO staff indicated that many of the county's workarounds and alternative paths are trying to help applicants avoid certificates of error to activate an incentive due to these additional costs and time delays.

Stage 4: Managing the incentive post award

Once the incentive has been formally activated through the appeal process, the taxpayer receives the benefit of the incentive through a lower tax bill due to the reduced level of assessment. Throughout the term of the incentive (typically ten years with a two-year phaseout), the CCAO continues to reassess the property as usual. In reassessment years, county ordinance requires property owners to submit an affidavit attesting to the property's continued use, ownership, employed workers, and physical updates. Cook County has repeatedly waived this requirement for tax years 2017 – 2024 without penalty for any pending eligibility or renewal applications.

In the last year of an active incentive before the two-year phaseout begins, a property owner may apply for an incentive renewal. (Each renewal restarts a property's incentive period and other than Class 7c and 7d, can be used multiple times to maintain a reduced level of assessment indefinitely.) Like the initial approval of an incentive classification, renewals largely hinge on the support of the municipality or the county board in unincorporated areas. Interviews with stakeholders revealed the range of municipalities' considerations on renewals. Certain municipalities that heavily use incentives like Elk Grove Village do not renew incentives as a matter of de facto policy. Other municipalities like Park Forest will weigh property tax changes over time and the impact that a renewal would have on the local tax base. Some municipalities also reportedly consider informal conditions like businesses' ongoing

participation in local recycling programs and business breakfasts. Municipalities may also seek other agreements on additional investments or improvements into a property in exchange for a resolution in support of an incentive renewal.

With a municipal resolution of support, the CCAO will verify application materials and eligibility before approving the renewal directly. Neither BED nor the county board reviews applications for renewals. Likewise, because it does not require a class change on the tax rolls, property owners are not required to go through the appeals process again. The CCAO will administer the renewal for the remaining term of the incentive, pending further renewals.

Incentive classification may be suspended, revoked, or cancelled for a variety of reasons, including the recipient's failure to comply with laws and regulations like the county's living wage ordinance, delinquency in paying property taxes, or any inaccuracies or omissions when first applying. Interviews offered recent examples of suspended incentives due to nuisances like rowdiness at a restaurant turned bar as well as revoked incentives when business changes from commercial to industrial (or vice versa) disqualify property for a given classification. Multiple entities can initiate the process to suspend or revoke: the CCAO by rule, the municipality by letter to the CCAO, the county board by resolution on the recommendation of BED and EDAC, or the recipient themselves. Ultimately, any suspension or revocation of an incentive is approved and administered by the CCAO.

Appendix IV: Discussion of Markham's Amazon distribution center

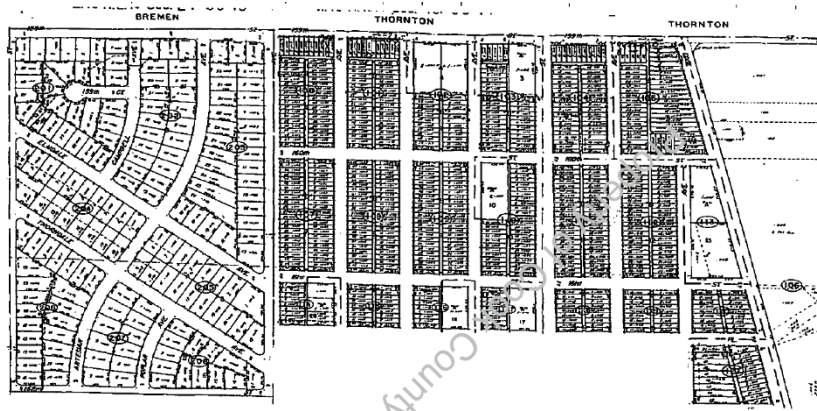
This appendix uses the Amazon Distribution Center that opened in Markham in 2022 to highlight several key themes referenced throughout the report.

First, the distribution center shows that the timeline for developing a property that eventually receives an incentive is longer than that reflected in the data and may begin well before the incentive recipient is even known to the municipality or property owner. The developer of what became the distribution center first entered into agreements with Markham for the city to acquire the property in 2006 (e.g., City of Markham Resolution No. 06-R-346, Sept. 20, 2006). Each separate agreement references several dozen parcels eventually incorporated into the project. By 2011, Markham had assembled the parcels for the project and entered into an official redevelopment agreement with the developer, assigning it a right to buy the assembled parcels (CCRD Doc. 20049160000, p. 28). The assembled parcels, as reflected in the development agreement, are shown below as Figure 11.

In 2019, Markham approved the developer's petition to vacate the property's streets and alleys, attaching a list of hundreds of parcels associated with the redevelopment agreement (CCRD Doc. 20049160000, Feb. 18, 2020). Also in 2019, three LLCs related to the developer sought a "No Further Remediation Letter" from the Illinois EPA in connection with prior contamination at the site (CCRD Doc. 2201115034, Jan 11, 2022). In 2020, Markham assigned the property to these three LLCs (Owners) for \$10.00 (CCRD Doc. 20049160000, Jun. 11, 2020). The Owners now rent the property to Amazon LLC, which is referenced in passing as "the tenant" in subsequent mortgage agreements related to the property (e.g., CCRD Doc. 2016344135, Jun. 11, 2020). However, it was ultimately Amazon that applied for the incentive classifications.

Second, Figure 12 illustrates the challenge of using PIN-level data to model the relationship between development and incentive classifications. While most of the distribution center is made up of Major Class 8 incentive parcels, each one counts as a separate observation in the data. Moreover, to the extent that their costs and benefits should be spread across the entire project, not every associated parcel has an incentive. This "incentive dilution" across an entire project is not reflected in this project's data, although it is presumably reflected in the decisions of elected officials and developers.

Figure 11: Visualization of Amazon distribution center included in Markham-Interstate Crossings, LLC, redevelopment agreement



Source: Cook County Clerk's Office Recorder of Deeds, Doc. 20049160000.

Figure 12: Amazon distribution center parcels (clockwise from bottom right: 2022, 2021, 2006, 2015)



Third, the redevelopment agreement between Markham and the property developer shows that property tax incentives are used in conjunction with other tools that nearly eliminate the public benefit from property tax incentives in the form of a rejuvenated tax base while increasing the private benefits. Commencement of the distribution center's development was contingent on Markham reimbursing the property owner for development related costs through Tax Increment Financing (TIF). Markham established a TIF district and borrowed against its future increment to fund these expenses. Results should be reviewed with caution. In assuming that all growth in property value is taxed by the city, the team's empirical approach cannot account for the details of these redevelopment agreements. In the case of the distribution center, the future revenue stream was securitized to its net present value and the bulk of these revenues were returned to the developer via the TIF mechanism. Indeed, approximately 90 percent of all property tax revenue from properties with incentive classifications in Markham in 2022 went to TIF increment instead of the various agencies of which it is part of the tax base — a substantial increase from approximately 60 percent in 2021.

Fourth, the distribution center shows that, while a developer may incur substantial transaction costs over the course of obtaining an incentive, the municipality may incur transaction costs too. In fact, the municipality may absorb the transaction costs that would otherwise be borne by the developer. Here, Markham was responsible for assembling the parcels that ultimately became the distribution center and borrowed against the project's future property tax revenue to fund its current development.

Appendix V: Detailed regression results

Below, Table 11 shows the results of six linear regression models with two-way fixed effects (a common method for controlling for both year and time-invariant characteristics). All six models focus on estimating the relationships among incentive status, land use, and change in fair market value (FMV). The dependent variable in each model is the change in the parcel's FMV since 2011, expressed as the ratio of the parcel's property value to its 2011 value.

There are several features common to all six models that are relevant to their interpretation:

- *Controls for time-invariant characteristics.* All six models control for unobserved or unobservable characteristics for each parcel across the period. This is accomplished by leveraging the time-series aspect of the dataset with a statistical tool called “fixed effects.” The first three models, I-A, I-B, and I-C, control for factors specific to each parcel from 2011 through 2022, such as distance to the border with Indiana or the general makeup of the municipality where the parcel is located. On the other hand, models II-A, II-B, and II-C only control for unobserved factors at the municipal level, not factors specific to any parcel within a municipality.
- *Controls for time-specific characteristics.* The same way fixed effects are used as a control mechanism for characteristics of parcels or municipalities that do not change over time, fixed effects are used to control for factors that impacted all parcels in any given year, such as the inflation rate or the COVID-19 pandemic.
- *Key categorical variables.* Unlike continuous variables (e.g., FMV), regression models calculate the effects of discrete or categorical variables (such as having a classification incentive) with reference to a baseline category. This is necessary to be able to incorporate categorical information into the models. Indeed, the central question of this analysis, the relationship of incentives to FMV growth, involves analyzing the categorical variable of whether a parcel has an incentive.
 - Models I-A, I-B, and I-C: all values are in comparison to the baseline category of properties that became commercial and never had an incentive between 2011 and 2022.
 - Models II-A, II-B, and II-C: all values are in comparison to the baseline category of non-incentive, commercial properties.
- *Interaction terms.* To fully capture the interaction of land use and incentive classifications, models I-B, I-C, II-B, and II-C include terms that reflect the influence of an incentive classification under different land use scenarios. Models I-B and II-B estimate the association of an incentive with FMV growth based on a given parcel's land use in each year, whereas Models I-C and II-C examine how an incentive is related to FMV growth based on whether a parcel changed its land use during the study period.

All six models cluster standard errors by municipality to account for potential spatial correlation among parcels. (The next appendix discusses how the models are robust to other forms of standard errors.) The effect of extreme outliers is mitigated with the common technique of “Winsorizing” the extreme values for FMV in the sample (Yale and Forsythe, 1976). The team used a 98th percentile range, replacing values in the bottom 1 percent and top 1 percent with the mean of the bottom 2 percent and top 2 percent, respectively.

The team urges caution in interpreting and using these findings for making policy decisions. None of the models are fully specified and suffer from omitted variable bias that can mask “true” results. Two key drivers of property value change — parcel-level attributes and municipalities’ political climates — are absent from the team’s models entirely. Finally, while fixed effects control for the stable features that differentiate individual parcels and specific municipalities, they do not provide independent explanatory value.

Table 11: Expanded regression results

Dependent variable: Ratio of parcel 2022 FMV to parcel 2011 FMV

	I: PIN-Level Fixed Effects			II: Municipality-Level Fixed Effects		
	A	B	C	A	B	C
Incentive	0.86*** (0.18)	0.89** (0.28)	0.49** (0.16)	0.44*** (0.11)	0.48* (0.21)	0.26* (0.12)
Industrial	-1.12*** (0.29)	-1.12*** (0.29)	-1.24*** (0.27)	0 (0.01)	0 (0.01)	-0.47*** (0.06)
Other Land Uses	1.8*** (0.35)	1.8*** (0.35)	1.8*** (0.35)	1.02*** (0.23)	1.02*** (0.23)	0.54* (0.21)
Vacant Land	-1.22*** (0.05)	-1.22*** (0.05)	-1.2*** (0.05)	-0.25*** (0.02)	-0.25*** (0.02)	-0.73*** (0.04)
Always Industrial	-	-	-	-	-	0.5*** (0.07)
Changes Land Use	-	-	-	-	-	0.52*** (0.03)
Incentive (Industrial)	-	-0.05 (0.17)	-	-	-0.06 (0.13)	-
Incentive (Changes Land Use)	-	-	1.84*** (0.33)	-	-	1.38** (0.42)
N	1026195	1026195	1026195	1026195	1026195	1026195
R2	0.601	0.601	0.603	0.100	0.100	0.118
R2 Adj.	0.561	0.561	0.564	0.100	0.100	0.118
R2 Within	0.100	0.100	0.106	0.038	0.039	0.058
R2 Within Adj.	0.100	0.100	0.106	0.038	0.038	0.058

* p < 0.05, ** p < 0.01, *** p < 0.001

Notes: Standard errors are clustered by municipality for both parcel and municipality fixed effects models. Models do not include parcels that did not exist for all years between 2011 and 2022. Models do not include parcels that were not taxable for all years.

Together, these empirical models identify a large and statistically significant relationship between incentives and gains in parcel FMV. In addition, properties that change land use also experience large changes in their rate of property value appreciation—small declines for those that switch from

commercial to industrial land use, and larger declines for those switching from commercial to vacant or non-C&I uses.

More specific findings from the models include:

- *Incentive classification.* In each model, the *Incentive* variable has a large, positive, statistically significant relationship with parcel FMV appreciation. The estimated coefficient of 0.86 in Model I-A, for example, indicates that, on average, parcels with an incentive added 86 percent more to their baseline property value than parcels without an incentive, after controlling for land use and parcel characteristics. This large increase fits the descriptive outcomes described in the body of the report. The estimates in the other models are not identical in size but are comparable in magnitude, adding further evidence of the association between parcel FMV growth and incentive classifications.
- *Land use.* Holding incentive classification status fixed, most of the models demonstrate a strong, negative correlation between parcel FMV growth and industrial land use or vacant land (relative to commercial land use), and a strong, positive association between parcel FMV growth and other property types (relative to commercial land use).
- *Land use change.* Model II-C demonstrates a strong, positive association between a change in land use and parcel FMV appreciation.
- *Interaction of land use and incentive classification.* Models I-B and II-B include interaction terms that show the relative value of incentives to different land uses. The analysis finds no statistically significant difference in incentive value between commercial and industrial parcels.
- *Interaction of land use change and incentive classification.* The analysis finds a significant, positive association between (1) a parcel both having a change in land use and having or obtaining an incentive classification and (2) that parcel's FMV growth.

The coefficients for the fixed effects estimators in Models II-A, II-B, and II-C (not included in Table 11) reveal that parcels in some municipalities have experienced smaller average gains in property values compared to the baseline municipality (Chicago). These include Midlothian, Oak Park, Glencoe, and others. The finding that C&I properties grow in value at different rates in different municipalities is not surprising, and corroborates the notion of municipality-specific circumstances, including distinctive approaches economic development policies and approaches.

Appendix VI: Alternative regression models

The project team estimated several kinds of models in addition to the preferred models described in the main text and previous appendix, both as part of the process of model specification and as robustness checks. These are outlined briefly in this Appendix. These other models demonstrate either similar (but statistically weaker) findings than the preferred models or statistically insignificant results that do not contradict the conclusions reached above.

- *Non-longitudinal.* Dependent variable: ratio of parcel property value in 2022 to property value in 2011. Estimation procedure: ordinary least squares regression. Explanation: this model does not examine each annual change in property value, but only the growth or decline in property value through the entire period. Rationale: simpler specification, less “noise” due to property value volatility (but also many fewer observations). Outcome: key relationships insignificant. The estimates (see Table 12) are applied in the Comparing Benefits and Costs section of the report.

Table 12: Single-period regression model results

Dependent Variable: Ratio of parcel 2022 FMV to parcel 2011 FMV

	I	II	III
Incentive Entire Period	0.1 (0.1)	0.1 (0.08)	-0.01 (0.1)
Gained Incentive	1.27*** (0.35)	1.05*** (0.29)	0.63** (0.24)
Lost Incentive	-0.1 (0.07)	-0.18*** (0.05)	-0.12 (0.14)
Always Industrial		0.26** (0.09)	0.26** (0.09)
Changed Land Use		1.18*** (0.19)	1.14*** (0.19)
Industrial Incentive Entire Period			0.13 (0.12)
Gained an Incentive, Industrial Entire Time Period			0.31** (0.11)
N	93285	93285	93285
R2	0.033	0.083	0.085
R2 Adj.	0.032	0.082	0.083

* p < 0.05, ** p < 0.01, *** p < 0.001

Notes: Standard errors clustered by municipality. Control variables for municipalities omitted. Reference group is property that was always commercial use and never had an incentive classification.

- *Incentive as the outcome.* Dependent variable: indicator variable for having an incentive classification. Estimation procedure: logistical regression. Rationale: investigates the key relationship of interest in reverse—what variables (including municipality and year fixed effects) are related to

incentive classification. Outcome: weaker statistically than preferred models; no advantage in terms of causality because of lack of parcel history or other independent determination of precedence of incentive classification and property characteristics.

- *Alternate panel models.* The project team tested different combinations of fixed effects being included as well as dividing industrial and commercial properties into two separate models.

In addition to these alternate model types, the team tested specification variations within several of the models, including the preferred models in the main text and Appendix IV. In each case, the variations did not substantially affect the primary findings described and often were not statistically clear.

- Land use change specification. Options tested one indicator for all types of land use changes (with the baseline being consistent land use) versus multiple indicators for changes between different starting and ending land use categories.
- Incentive change specification. The team tested using one indicator for all types of incentive change versus distinguishing gaining from losing an incentive.
- Geography. Assessment triad (North, South) plus baseline of Chicago.
- Starting value of parcel in 2011. There may be a propensity for lower-valued properties to rise in value at different rates than initially higher-valued properties.
- Pre-analysis period trajectory. Control for parcel value change from 2006 to 2011.
- Winsorizing extreme values. The results are substantially stronger with extreme values of property value appreciation recoded. These outlier parcels presumably possess unusual circumstances that fall outside the normal range of factors producing value gains.
- Tax-Increment Financing (TIF) district. Location within a TIF district might separately boost the value of a PIN, due to subsidization of approved development or financing costs, or expectation of future allocations from the TIF increment.

Incentive classifications and TIFs have the potential to work at cross purposes to each other. Municipalities and businesses want to maximize the amount of increment in TIF districts to increase the value and flexibility of funds used for economic development purposes. But incentive classifications reduce the amount of taxable value sequestered in a TIF district. Municipalities rely on property appreciation to pay back bonds secured by the increment, whereas incentives potentially decrease the revenues available for repayment.⁹⁶

Incentives frequently overlap with designated TIF districts. In 2022, about 42 percent of incentive C&I FMV (44 percent of parcels) was located within TIF districts. 26.7 percent of incentive C&I FMV is captured in those TIFs' increments and therefore cannot be taxed by local governments.

⁹⁶ The overlap with TIF is of interest from a budgetary perspective because it is not unusual for the combined value of TIF and incentive classifications to eliminate 10% or more of expected business property tax revenue in municipalities with a commercial and industrial tax base. See Joshua Drucker et al., "The use of business property tax incentives in Cook County, Illinois," *University of Illinois Institute of Government and Public Affairs*, 2018, <https://hdl.handle.net/2142/110179>.

There are several additional model-related caveats worth noting.

- The models are not fully specified. Goodness-of-fit diagnostics indicate that much of the variation in value change cannot be associated with the independent variables in the models, particularly for models that do not include parcel fixed effects.
- All models use parcels as observations, without including any information about multiple-parcel projects they may belong to, due to lack of such data.
- Despite work to compile a large parcel-level data set, the team was not able to obtain data to specify the longer-term trajectory of incentive use. The model only includes the 2011 through 2022 timeframe.⁹⁷ Therefore, the analysis does not account for whether a parcel received an incentive at an earlier date that might have encouraged subsequent investment. It also cannot distinguish whether the reduced assessment ratio was consistent or increased over time, with such dynamics possibly affecting the value outcomes observed during the period of this analysis.
- The dataset is highly skewed in the distribution of property value and value increase and exhibits spatial dependence. This analysis does not substantively model spatial relationships, such as property valuation being affected by the features, valuation, and disposition of similar neighboring properties. The team applied adjustments to standard error estimations to account for these inefficiencies as much as possible.

⁹⁷ While data on incentive use is available from 2006 – 2022, the project team limited this empirical analysis to the 2011 – 2022 period due to changing levels of assessment for incentive properties in the longer period.

Appendix VII: Prevalence of incentive classification use in Cook County by quantity of parcels

While the body of the paper describes the value of parcels in fair market value (FMV), this section describes and analyzes the use of incentive classification according to the quantity of properties, which offers some different findings than the examination of property value contained within the main body of the report.

In 2022, there were 94,400 commercial and industrial (C&I) parcels in Cook County. This value represents a low point over the last decade because the number of non-residential parcels has been decreasing. The decline in commercial and industrial properties (averaging 224 parcels a year from 2011 to 2022) may be due to the conversion of properties to residential or other uses.

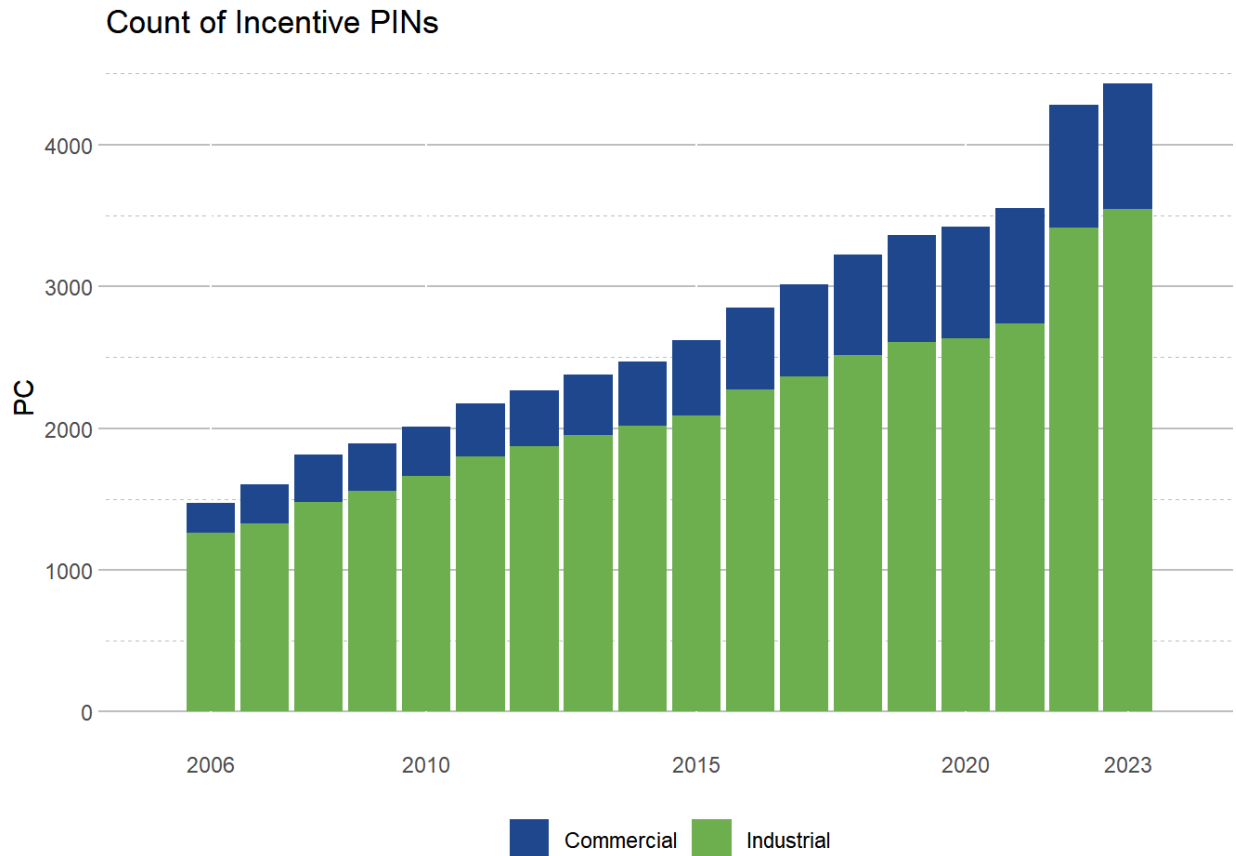
Of these 94,400 C&I parcels, 4,276 (4.57 percent) had incentives in 2022. Although most parcels in the County did not receive an incentive classification in either year, the share of incentive parcels has more than doubled since 2011 (2.25 percent of C&I parcels; see Table 13 and Figure 13). The increase may be due to programmatic changes in eligibility, an increase in applications as businesses become more aware of incentives, or a general willingness of Cook County and municipalities to use incentives as a tool to encourage business retention and tax reactivation given the relatively high property tax burdens. Without knowing what share of incentive applicants (as opposed to parcels) receive incentives, the reason for the increase is difficult to surmise.

Among incentive recipients, most — 3,414 parcels (80 percent) — were industrial land uses in 2022, with the remaining 862 parcels (20 percent) of incentive parcels classified as commercial. About 13.7 percent of all industrial parcels in Cook County received an incentive in 2022, compared to only 1.2 percent of commercial parcels.

Table 13: Incentive parcel counts by year, 2006-2023

Year	Incent C&I		Commercial		Industrial		All C&I
	C&I incentive parcels	Share of C&I	Commercial parcel count	Share of commercial	Industrial parcel count	Share of industrial	C&I parcel count
2006	1,469	1.40%	207	0.30%	1,262	4.77%	105,013
2007	1,603	1.52%	278	0.40%	1,325	5.07%	105,761
2008	1,812	1.70%	331	0.48%	1,481	5.68%	106,344
2009	1,895	1.77%	335	0.48%	1,560	6.04%	106,871
2010	2,008	1.87%	344	0.49%	1,664	6.44%	107,170
2011	2,174	2.03%	377	0.53%	1,797	6.87%	107,048
2012	2,267	2.12%	393	0.55%	1,874	7.12%	107,133
2013	2,380	2.22%	426	0.60%	1,954	7.49%	107,114
2014	2,468	2.31%	449	0.63%	2,019	7.81%	106,865
2015	2,623	2.45%	533	0.75%	2,090	8.14%	106,855
2016	2,851	2.67%	579	0.82%	2,272	8.95%	106,878
2017	3,016	2.83%	652	0.92%	2,364	9.38%	106,732
2018	3,226	3.03%	714	1.01%	2,512	10.04%	106,556
2019	3,361	3.16%	751	1.06%	2,610	10.51%	106,486
2020	3,419	3.22%	788	1.12%	2,631	10.69%	106,241
2021	3,554	3.35%	819	1.17%	2,735	11.20%	106,145
2022	4,278	4.03%	862	1.24%	3,416	13.75%	106,044
2023	4,427	4.18%	882	1.27%	3,545	14.24%	105,912

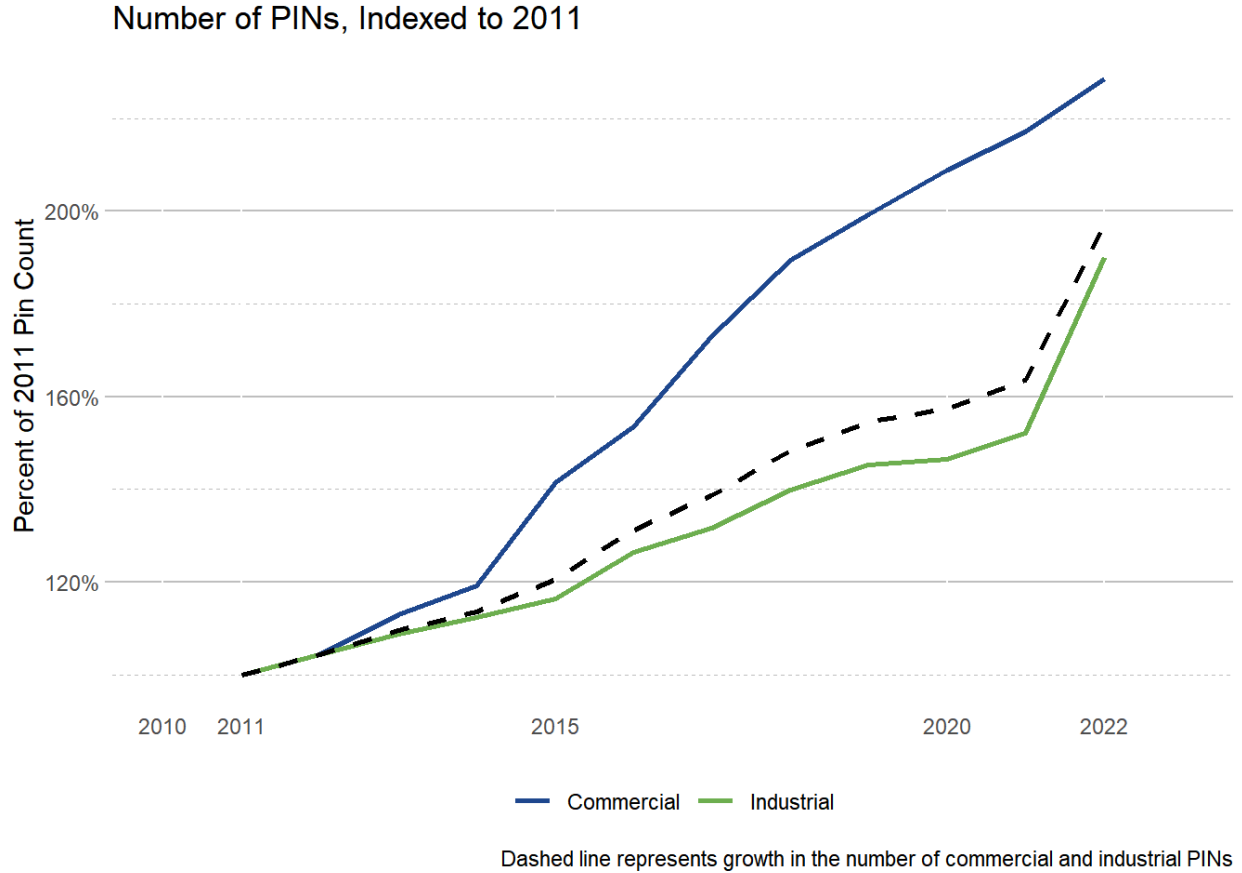
Figure 13: Incentive parcel counts by year, 2006-2023



Although commercial land use represents a smaller proportional share of incentive recipients, the commercial incentive share of total commercial parcels has been increasing over time at a faster rate than the share of industrial parcels with incentive classifications. In 2011, commercial parcels made up 17 percent of C&I incentive parcels; this share grew to 20 percent by 2022. The difference can be seen in Figure 14, which normalizes parcel counts in each year by the 2011 value. The growth trajectories of industrial and commercial incentives appear to diverge beginning in 2014 and have widened consistently since that year until 2022.⁹⁸

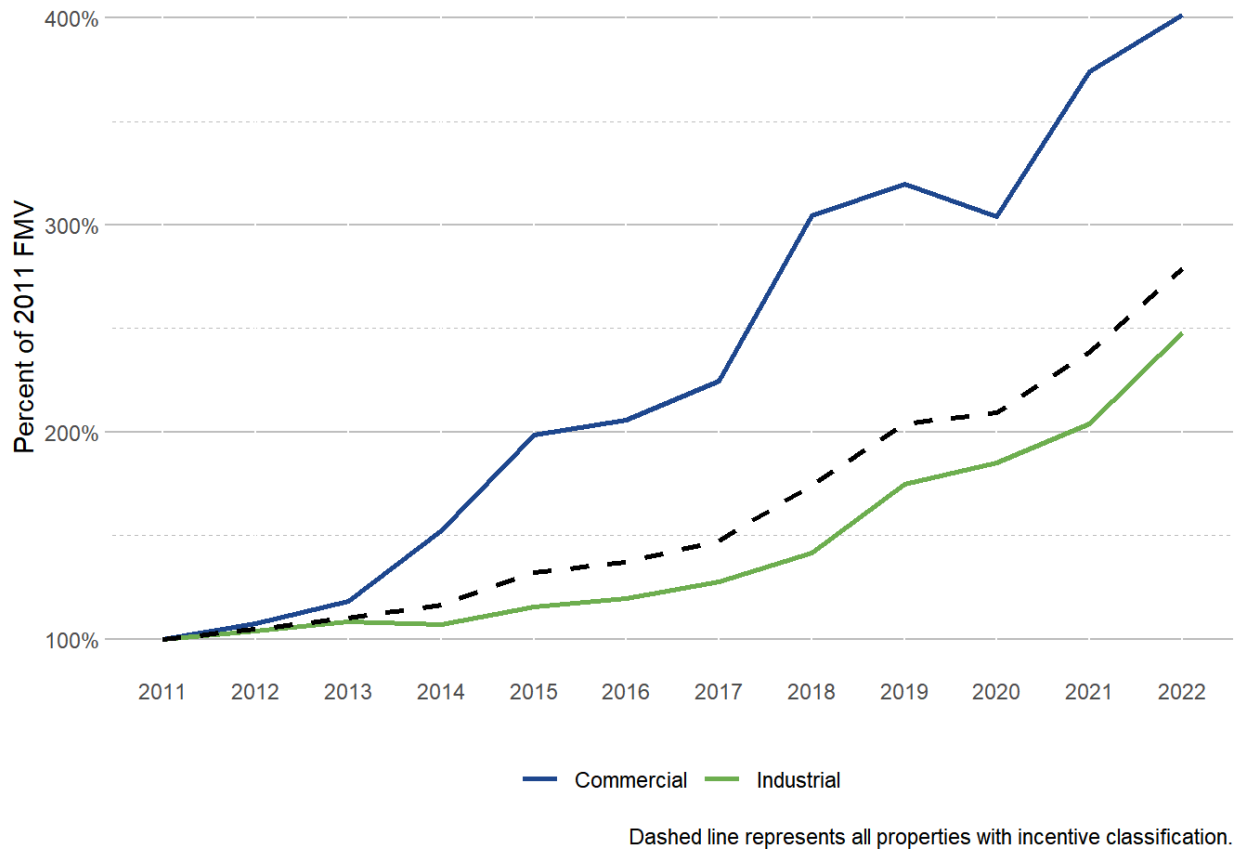
⁹⁸ 593 parcels were reclassified as industrial properties in 2022. This surge in incentive industrial parcels is due primarily to the Amazon fulfillment center in Markham discussed above and illustrates one of the limitations caused by the inability to link parcels to projects. See Appendix IV for a map of parcels showing the primarily Class 100 and 200 parcels that became industrial parcels because of this development project.

Figure 14: Normalized incentive parcel counts, 2011 to 2022



For comparison, FMV growth is shown in Figure 15. In 2018, for example, the value of commercial properties receiving an incentive rose by 35 percent compared to the previous year. There was not a correspondingly large increase in the number of commercial parcels receiving incentives at that time. This increase in value is largely associated with the rotation of triads being reassessed.

Figure 15: Increases in incentive FMV by year, 2011-2022 (normalized to 2011 FMV)



While about 4.6 percent of Cook County’s commercial and industrial properties received an incentive in 2022, this share is distributed unequally across the region. Some municipalities did not use incentives at all while others were more intensive users.

Twenty-seven municipalities — including Barrington, Glencoe, Palos Park, and Elmwood Park — have no incentive parcels in 2022. This could be because no or few industrial properties were sited in these municipalities (as in Glencoe and Buffalo Grove). Thirty-seven municipalities have no industrial incentive properties, and 49 municipalities have no commercial incentive properties. Another possible explanation is that no property owners applied for incentives or were granted incentives in these municipalities. For example, Stickney hosts 27 industrial parcels and 96 commercial ones, yet none of them hold an incentive classification in 2022. Similarly, none of the 90 industrial parcels or 370 commercial parcels in Morton Grove receive an incentive in 2022.

Conversely, some municipalities use incentives intensively, as measured by both parcel counts and value. In McCook, 47 out of 77 industrial parcels have a Class 6 incentive in 2022. In Calumet City, 65 out of 870 commercial parcels receive an incentive classification.

Table 14: Class 8 parcels in Cook County, 2006-2023

Year	Becomes 8	Total 8	6 or 7 to 8	Becomes 7	Total 7	Becomes 6	Total 6
2006	0	272	0	0	86	0	1,111
2007	79	355	2	12	97	109	1,151
2008	113	456	0	4	97	138	1,259
2009	85	543	0	18	55	90	1,297
2010	15	553	0	2	56	119	1,399
2011	62	608	1	13	64	117	1,502
2012	45	641	1	1	64	93	1,562
2013	55	668	1	9	72	131	1,640
2014	43	702	0	11	80	120	1,686
2015	88	762	25	66	147	157	1,714
2016	105	864	0	27	165	187	1,822
2017	87	924	0	23	189	152	1,903
2018	56	951	0	52	243	209	2,032
2019	66	979	0	24	265	153	2,117
2020	38	983	0	24	285	119	2,151
2021	67	1,035	0	25	301	124	2,218
2022	673	1,703	0	22	318	116	2,257
2023	116	1,813	0	25	296	141	2,318

Note: The increase in class 8 parcels in 2022 was due almost entirely to the Amazon distribution facility in Markham. See Appendix IV.

Appendix VIII: Econometric analysis of incentive classifications in Cook County

The first model evaluates the effect of a change in land use or classification status for a parcel compared to any similar parcel (“PIN FE”). The second model compares parcels with similar parcels in the same jurisdiction (“Municipality FE”). Both models found a positive association between gaining an incentive classification and parcel FMV growth. Those gaining an incentive classification were statistically significantly associated with an FMV growth of 49 percent greater than a similar parcel that did not receive an incentive classification, holding all else fixed. Similarly, parcels gaining an incentive classification were statistically significantly associated with a growth of 26 percent in their FMV compared to a parcel in a similar municipality, again holding all else fixed.

That said, both models suggest other drivers of value growth may be at play. Notably, they suggested that a parcel changing land use — presumably to a more valuable purpose—in conjunction with gaining an incentive classification was associated with a 184 percent growth in FMV for that parcel compared to a similar parcel in the first model. The second model, which allowed for a change in land use *and* incentive, showed an association between a parcel changing land use and a statistically significant 52 percent increase in FMV, holding all else fixed. Moreover, this model suggests that gaining incentive classification and changing land use is associated with a 138 percent increase in FMV compared to a parcel in a similar municipality that changed neither incentive status nor land use, holding all else fixed.

A common rationale for using econometric models is to account for the range of factors that may be influencing the apparent relationship and thereby isolate the causal influence of the crucial determinant (in this case, incentive status). Property values appreciate because of changes in the economic environment, such as rates of inflation and interest rates, which would affect all parcels. Moreover, reactions to property tax incentives may depend on municipal, industry, or firm-specific circumstances that researchers cannot observe or measure directly. Here, the project team cannot establish causation because features other than the incentive status that cannot be measured or controlled for could be responsible for subsequent changes in property value.⁹⁹

However, this analysis can estimate the *association* between incentive status and property value change using econometric techniques that account for land use and land use change, macroeconomic time trends (e.g., inflation or GDP growth), unobservable municipal characteristics, and, in some models, unobservable characteristics specific to individual parcels. Controlling for these features permits us to separate the role of incentives from land use, municipal policies, and idiosyncratic influences at points in time, and to more carefully ascertain the degree to which incentives and land use change interact in association with property value appreciation. These models control for year-specific influences on growth rates of all properties, such as COVID or the ordinary ups-and-downs of the business cycle.

⁹⁹ Although it is possible to make causal claims using econometric models, the project team cannot do so here because it lacks key elements of a causal research design, namely random assignment of incentive classifications to properties, or sufficient observations of the other features of each PIN that may be determining property value change (e.g., building characteristics, project features, municipal economic development policies) (Huntington-Klein 2022).

To measure and analyze these relationships, the team estimated a series of models with varying specifications. The following focuses on presenting the preferred set of models (see Appendices V and VI for abbreviated descriptions of different models).

Table 12 below displays the results of two models examining the relationships between the annual change in parcel value (relative to 2011) and key variables including incentive status and land use. These models both benefit from information that spans over a decade. The team leveraged this historical data to apply a statistical method to control for unseen characteristics known as fixed effects (FE), which is used to control for (a) characteristics of the unit of observation (parcels or municipalities) that do not change over time and (b) annual factors that equally affected all parcels in the sample (e.g., inflation). The two models diverge in that they control for different unobserved characteristics of the parcels in the sample. Specifically, the parcel fixed effects model accounts for the time-invariant characteristics of each PIN, such as the neighborhood in which it is located or proximity to a highway on-ramp. The municipality fixed effects model instead accounts for differences at the municipality scale that would affect property values for all parcels in that municipality, such as school quality and tax rates, but does not control for the influence of idiosyncratic parcel attributes.

The estimates of both models are expressed in comparison to a baseline condition. The coefficients for the parcel fixed effects model are in relation to commercial parcels without an incentive, whereas the municipality fixed effects model produces estimates in comparison to commercial parcels without an incentive that are located within the City of Chicago. Table 15 displays the regression results, along with standard errors to evaluate the accuracy of the calculation of the coefficients, and goodness-of-fit measures of the extent to which the models capture the variation in the dependent variable.¹⁰⁰

¹⁰⁰ The project team uses two-way fixed effects linear regressions. Both models Winsorize extreme values by recoding the top and bottom percentiles of property value gains.

Table 15: Regression model results

Dependent variable: Ratio of parcel FMV to parcel 2011 FMV

	PIN FE	Municipality FE
Incentive	0.49** (0.16)	0.26* (0.12)
Industrial	-1.24*** (0.27)	-0.47*** (0.06)
Other Land Uses	1.8*** (0.35)	0.54* (0.21)
Land	-1.2*** (0.05)	-0.73*** (0.04)
Always Industrial	-	0.5*** (0.07)
Changes Land Use	-	0.52*** (0.03)
Incentive (Changes Land Use)	1.84*** (0.33)	1.38** (0.42)
Observations	1026195	1026195
R2	0.603	0.118
R2 Adj.	0.564	0.118
R2 Within	0.106	0.058
R2 Within Adj.	0.106	0.058

* p < 0.05, ** p < 0.01, *** p < 0.001

Notes: Standard errors are clustered by municipality for both parcel and Municipality fixed effects models. Model results are robust to Driscoll-Kraay and Newey-West standard errors.

This analysis provided evidence that property tax incentive classifications are associated with greater parcel value growth. The models reveal a statistically significant, positive relationship between parcel value growth and having an incentive classification. The significant and positive coefficient for the “Incentive” variable demonstrates the positive relationship between adding or having an incentive and the rise in property value in that same year.

The coefficient in the PIN FE model can be interpreted as the gain of an incentive being associated with a rise in property value for that parcel by 49 percent (i.e., the property adds 49 percent more of its 2011 value than it would have without an incentive), a large increase that fits with the descriptive findings in the previous section. The equivalent coefficient in the municipality FE model demonstrates that incentives are associated with a 26-percent greater increase in FMV, which suggests that attributes specific to the parcel may counterbalance the association to some degree. Land use also has a strong association with property value appreciation. Both models identify a strong association between

changing land use and parcel FMV growth, with large declines for properties that switch from commercial land use (the baseline in the model) to vacant or industrial land uses, and a large gain for properties that switch to other land uses (mostly rental residential properties).

The main contribution of the municipality FE model is to support the primary findings that incentives and land use changes are powerfully associated with property value change, even if the model does not remove the influence of all property-specific characteristics. In addition, the municipality FE model, by only controlling for features at the municipality and not at the parcel scale, reveals that municipality and location are significantly associated with the interplay of incentives and FMV growth. The finding that C&I properties grow in value at different rates in different municipalities is not surprising, and corroborates the notion of municipality-specific circumstances, including distinctive approaches to economic development policy.

The effects of incentives differ based on land use and whether land use changes over time. The interaction between incentives and land use is a powerful influence on the relationship. For example, the municipality FE model estimates that changing from commercial to industrial land use is associated with a loss of 47 percent of its 2011 FMV, switching the average change in property value from receiving an incentive from a gain of 26 percent to a decline of 21 percent.

The project team urges appropriate caution in interpreting and using these findings. Neither of the preferred models can fully account for all the factors that would affect property value appreciation or decline. The team lacks information on many of the property-specific and local policy variables that are suspected to affect property value change as well as the influence that incentive classifications have on property value change. By incorporating fixed effects, the models do control for—though they do not substantively explain—the features that differentiate individual parcels and specific municipalities, so long as these features do not change during the study period. The influence of the set of fixed effects in each model (not included in Table 15) indicates the substantial impact of parcel and municipality characteristics. Please also see Appendix VI for a more detailed description of the model interpretation and caveats.

These regression models provide additional and more statistically rigorous support to the conclusions reached above that incentives and property value appreciation are strongly associated with each other. The main conclusion is that *it is possible* that incentives cause property value appreciation. It is also *very possible*, especially considering the findings in the literature, that incentives in Cook County are granted to properties that appreciate in value due to other reasons. These findings are consistent with either explanation.

Appendix IX. Comparing incentive classifications’ “benefits” to “costs”

While the myriad factors that influence development decisions and property values and the lack of comprehensive data make it difficult to determine the exact costs and benefits of incentive classifications, rough estimates can help outline what is potentially gained and lost through this program. As described above, it can be estimated that incentive classifications lead to approximately \$7.58 billion in untaxed FMV across the county and a shift in property tax burden of \$343 million. Conversely, by using the higher rate at which properties with incentives were shown to appreciate compared to non-incentive properties (See “Descriptives” section), it can be estimated that commercial and industrial properties gain roughly \$719 million in value on an annual basis that is associated with incentive classification. Applying the average Cook County property tax rate of 8.45 percent to this additional value results in about \$61 million in additional tax revenues, significantly less than the approximately \$343 million in tax “cost” or burden shift estimated to be created by incentives.¹⁰¹

One way to compare the costs and the benefits of incentives as described in the preceding sections of this report is to assess the relative size of their association with property values and tax collections. Above, the project team totaled the FMV not taxed due to incentives as \$7.58 billion, with a resulting “cost” or shift in property tax burden to other parcels of \$343 million in 2022. Here, a similar estimate can shine light on the magnitude of the gain in property values associated with incentives for comparison.

For this estimate, the team employs a one-period model estimated with ordinary least squares regression, as more appropriate and simpler for estimating the average difference in property value change across the study period (described as the non-longitudinal alternative regression model in Appendix VII). For commercial incentive parcels, this regression model estimates that, holding all other characteristics constant, a parcel with an incentive is anticipated to rise more in property value or FMV than a parcel without an incentive by 63 percent of its base value during the 11-year period between 2011 and 2022. Translating this into an average annual gain in property value produces a figure of about 4.5 percent. If this average yearly increment in property values accrues to the stock of commercial incentive parcels in 2022 that together comprise \$3.57 billion in FMV, the gain in value is approximately \$162 million per year. For industrial incentive parcels, this regression model estimate for the 2011-2022 increase in property value appreciation is 94 percent of its base value, or an average annual gain of about 6.2 percent. Applying this rate to the \$8.97 billion in FMV of industrial incentive parcels in 2022 yields an estimate for gain in value of approximately \$557 million per year.

¹⁰¹ This approach produces a rough estimate. It applies only to those parcels that currently have incentives. These parcels are unlikely to be representative of all potential C&I incentive properties, and so additional parcels awarded incentives would be unlikely to achieve the same rates of property value growth as those currently with incentives. Moreover, this method of estimating the property value benefit of incentives considers only the property values and resulting taxation of C&I incentive parcels. There is not currently available information suitable to assess any other outcomes, such as changes in employment or other economy activity. This estimate also does not take into account possible competitive disadvantage for businesses whose properties do not receive incentives. Nevertheless, the estimate provides a reasonable comparison of the costs and benefits of commercial and industrial incentives, with both costs and benefits quantified through property taxation.

The commercial and industrial properties that receive incentives gain roughly \$719 million in value on an annual basis that is associated with incentive classification, which may be contrasted with the \$343 million in “cost” to tax revenues or shift in tax burden to non-incentive parcels.

Additionally, it can be helpful to consider the extent to which these gains in property values are captured in municipal property tax revenues. Across Cook County, the 2022 average property tax rate is 8.45 percent, so the \$719 million in additional property value generates about \$61 million in property tax revenues.



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