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TESTIMONY

Testimony in support of the Housing and Economic Development Bond proposal
Finance Committee Subject Matter Hearing on the Bond Issuance

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Good morning members of the Finance Committee. My name is Dan Cooper and I am Senior Director of research at the Metropolitan Planning Council (MPC). MPC is a nonprofit policy and planning organization that builds equity in the built environment through its focus on housing and community development, water resources, transportation, and land use and planning. I'm here on behalf of MPC to express support for the Housing and Economic Development Bond proposal. Many families across the city are currently struggling with housing affordability, and many communities are in need of investment to build vibrant commercial corridors with diverse businesses.

We believe this proposal represents an effective solution to help address both of these challenges by providing an immediate revenue stream that can be used to support development where it is most needed. And, critically, we support it because the new borrowing will be paid for over time by revenue from expiring Tax Increment Financing (TIF) Districts.

Chicago has long been a city where stark disparities exist in resources across neighborhoods. By some estimates, low-poverty neighborhoods receive more than four times the amount of market-driven investment than high-poverty neighborhoods, which continues to grow the gap between neighborhoods that are doing well, and those that are struggling. To date, the development tools that city government has at its disposal to address this challenge have been inadequate. MPC's recent research on financial development incentives has shown that incentives for community and economic development largely have not, in the past, gone to areas that are the most starved of development and resources. This is largely because the biggest development incentive program—TIF—was not set up to generate dollars in neighborhoods with the greatest disinvestment. The geographic limitations on where funds can be spend ensures that incentives are used disproportionately in areas where private investment is already occurring, also contributing to resource gaps across neighborhoods.

An important lesson we have learned is that if equity is not baked into a program at the outset, there is little chance that its outcomes will be equitable. TIF was not designed to be equitable, and, unsurprisingly, its outcomes have not been either. With the proposed Housing and Economic Development Bond program, we have a new opportunity to center equitable development from the very beginning, without geographic limitations. This proposal will not be a panacea for all of the city's housing and development needs, but if executed well, it can make tangible impacts in long disadvantaged areas, where the market and public-driven investments have been inadequate.

We have confidence in the proposal because new debt will be paid for over a relatively short timeframe, while shifting away from an overreliance on TIF to incentivize development. We are also encouraged by the commitment to transparency and regularly publishing data on all bond-funded projects. It represents a positive step toward centering equitable development in neighborhoods that need it most.

For this proposal to have maximum impact, goals and selection criteria must be clear. The items that the City has circulated to date, in terms of both project selection and TIF extension, are a good start. Chicago has the opportunity to be a national leader in how it centers equity and neighborhood need in the deployment of development incentives. We recommend that strong consideration be given to funding projects that include housing affordable to special populations—those experiencing homelessness, those reentering from prison, and those whose income is much less than the area median, to name a few. We also encourage the continued use and refinement of data-driven strategies and criteria for ensuring that bond-funded projects work to close gaps between high and low-resourced communities, and work with existing community plans and stakeholders to determine where projects are funded. We see this proposal as a positive first step in making development incentive programs more equitable.