6. Conclusion and Policy Implications

This paper effectively answers the "but-for" question at the level of the City of Chicago's overall use of TIF. Overall, TIF failed to produce the promise of jobs, business development, or real estate activity at the neighborhood level beyond what would have occurred without TIF. This finding is made by comparing fundamental economic development outcomes in block groups that received TIF designation to those that did not, controlling for the initial underlying characteristics of these neighborhoods. Furthermore, when we measure the impact of actual TIF-funded investments, we still find no evidence that TIF effectively obtained desired economic development outcomes.

While the findings of this paper are clear and decisive, it is important to comment here on their exact extent and external validity, and to discuss the limitations of this analysis. First, the findings do not indicate that overall employment growth in the City of Chicago was negative or flat during this period. Nor does this research design enable us to claim that any given TIF-funded project did not end up creating jobs. Rather, we conclude that on-average, across the whole city, TIF was unsuccessful in jumpstarting economic development activity—*relative to what would have likely occurred otherwise*. Secondly, these results are limited to the universe of observations from which treatment was specified (i.e. the City of Chicago). Thus, these findings should not be interpreted as a broad indictment of the use of TIF in any context. Lastly, while this paper uses the most detailed information available and includes a test of not only TIF designation, but also aggregate investment levels on economic development outcomes, we still lack data at the "project-level," which would allow one to separate out TIF investments in non-economic development related activities. While there is a good argument to be made that these investments themselves may increase local development activity, due to the City of Chicago's past reluctance to make TIF expenditure data public, a full accounting of TIF-funded projects is not possible at this time. Ultimately, however, this analysis and the story of TIF in Chicago more generally, should serve as a cautionary tale to jurisdictions throughout the U.S. and throughout the world.

The findings of this paper imply that the fiscal strain placed on the City of Chicago's General Fund, as well as the Chicago Public Schools and other public agencies that rely primarily on property taxes, is exacerbated by the sequestration of revenue in TIF accounts. Given that that the job creation record of TIFs is negligible at best, as shown in this paper, policymakers in the City should strongly reconsider adopting new TIF districts and should even consider additional legislation that attempts to recoup some TIF funds for general public sector activities. In practice, a limited amount of TIF funds have been used to support the construction of school buildings and other authorized capital improvements. However, this means that City Hall, and not the local school district, is effectively in charge of decisions on how such funds are used. By definition, TIF localizes fiscal capacity, and this may generate structural inequality across the city.

For policymakers outside the City of Chicago, there are applicable lessons to be taken from this paper. First, it is best to tie TIF designation to actual redevelopment proposals with a private sector partner up front. This is a requirement by state statute in North Carolina, where TIF has been used only sparingly. Second, each TIF proposal should be coupled with careful cost-benefit analysis that projects and clearly articulates the job creation outcomes of the redevelopment proposal. Third, while it was not an explicit aspect of this paper's empirical analysis, it is critical that public agencies considering TIF make all transactions as transparent as possible so that the public can clearly understand where their sequestered tax dollars flow and hold public officials accountable for their decisions.

These findings also support the position put forward by some urban theorists that, as cities seek new ways to become "entrepreneurial" (Harvey, 1989), they essentially cede power to private capital, which may or may not be located with the city limits. In the case of TIF, as Weber (2010) elucidates, as more and more tax revenue is sequestered, the standing of developers and footloose capital is strengthened as resources are shifted to accommodate their interests, while the provision of public goods such as basic education and shared infrastructure are rationed in the name of "fiscal crisis". Essentially, Chicago's extensive use of TIF can be interpreted as the siphoning off of public revenue for largely private-sector purposes. Although, TIF proponents argue that the public receives enhanced economic opportunity in the bargain, the findings of this paper show that the bargain is in fact no bargain at all.