

# Chicago Reader

## The Works

Workers protesting at the Republic Windows & Doors factory last week

Darren Hauck/Getty Images

### Out the Window

Republic Windows & Doors will make good on what it owes workers. Now what about our \$10 million?



By Ben Joravsky

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When their six-day sit-in at Republic Windows & Doors ended last week, a crowd of jubilant workers and union activists cheered in triumph.

Yes, they had lost their jobs when Republic closed its north-side factory on December 5, but at least they had forced Bank of America and JPMorgan Chase to lend the company \$1.75 million so it could make good on its obligation to cover their vacation and severance pay.

But there was some unfinished business lost in the workers' celebration—the little matter of nearly \$10 million in public money Republic received from the city in 1996 and 2000 in exchange for promising to keep 610 workers on the payroll through 2019.

In recent years it's become commonplace for cities across the country to offer tax breaks or subsidies to private, for-profit businesses that agree to set up shop in town. But it's not always apparent whether they get a return on their investment—or even whether they try to hold these firms to their end of the bargain. As the nation prepares to shell out hundreds of billions of dollars in bailouts, it might be a good idea to make sure that someone—anyone—is checking the fine print.

Based on what city officials tell me, it's very unlikely the city of Chicago will ever recoup any of its money from Republic because under its contract the company has been exempt from potential penalties since June 2006. "I'm not sure there's much that we can do," says Pete Scales, spokesman for the city's Department of Planning.

But alderman Manny Flores, whose First Ward borders Goose Island, told me at press time Tuesday that he was planning to introduce an order to the City Council on Wednesday that would require the city to look into whether it can recover any of the money given to Republic. (See our blog Clout City for an update after the meeting.) "I'm not necessarily convinced we can't go after some of that money," Flores says. "I also believe that this may result in further analysis and review of how we undertake to use TIF money as incentives, and making sure we have mechanisms in place to see that it's used appropriately. These subsidies are not meant to be freebies—they're meant to keep jobs in the city of Chicago."

Yes, the Republic subsidy, like most such handouts in Chicago, came out of a tax increment financing account. As you may already know, TIF districts take property tax dollars that would have gone to the schools, parks, county, and other taxing bodies and set them aside, theoretically to fund development in communities too blighted to attract it on their own.

Goose Island, where Republic was located, actually fits this profile—unlike many areas that are part of TIF districts in the Loop or on the near south and west sides. For years the island, in the Chicago River from about Chicago to North avenues, was dominated by heavy industry, but by the late 1980s it was largely a wasteland drawing almost no interest from manufacturers, who were moving to the suburbs, the south, or overseas when they weren't closing shop. The future of the island became a subject of intense debate. Some developers argued that the city should try to extend River North and Lincoln Park and turn the island into a residential area. There was even talk of a casino.

None of that came to pass, partly due to the efforts of the Local Economic and Employment Development Council, a Chicago nonprofit whose mission is to create and preserve industrial development. Working with the city—even while acting as something of a watchdog over it—LEED helped bring in an impressive infusion of state, local, and federal monies to tear down a stretch of Ogden Avenue, rebuild the Division Street Bridge, and fortify the Chicago River seawall, among other projects. And that all took place even before TIF money really started flowing anywhere in the mid 1990s.

"There is a lot of capital investment that needs to happen," says **Mike Holzer**, director of economic development for the **LEED Council**. "I'm totally with you on the abuse of TIFs. But I think in industrial areas, where you're dealing with complicated sites, dealing with old bridges, crappy streets, viaducts that are so low they prevent trucks from going under them, TIF is an important tool."

The Goose Island TIF was created in 1996, and since then funding from it has been used to help develop facilities for about a dozen different industrial operations on Goose Island—including Republic. In 1996 the City Council, at Mayor Daley's urging, approved \$6,525,000 in TIF money to help Republic build a \$20 million factory on the island. Four years later Republic returned to the council asking it to increase the subsidy by more than \$3 million.

"Among other things, the developer [Republic] constructed a larger manufacturing facility than originally planned," according to the TIF agreement approved by the council in 2000. Also, the actual cost of public infrastructure rose from \$1.5 million to \$3.070 million. In other words—big surprise—there were cost overruns on the project, which eventually totaled about \$39 million, nearly double the initial estimate.

Republic got the extra public money it asked for.

As it does with most TIF-funded deals, the city paid for the subsidy to Republic by borrowing the money, then repaying the loan with the property taxes collected in the TIF account. The city is still making payments on the Republic loan today. Including interest, the city has spent \$10.4 million on the deal to date, according to Scales.

Has it been worth the money? Absolutely, says LEED's Mike Holzer. "I want to hammer this point. To develop a groundswell of change in this area, you have to take extraordinary steps. People say industrial will never come back—industrial is dead. People said Goose Island will be the next River North—put a casino there. Instead it has become a valuable industrial site. Republic was an important part of that. It's an example of what TIFs can be doing. It's not a misuse."

But it didn't work exactly the way it was supposed to, either. The city handed over the TIF money so Republic could build a factory that would actually employ somebody. In fact, the TIF deal between the city and Republic is quite specific on this point: "The developer [Republic] shall use

commercially reasonable best efforts to insure that not less than . . . a total of 610 full-time equivalent, permanent jobs to be retained by the developer [Republic] at the Facility through the Term of the Agreement." And that term, documents show, ends July 10, 2019.

Ah, but what a TIF deal gives in one paragraph it can take away in another. In this case, the contract goes on to specify that Republic will have to pay a penalty only if it falls below its job commitment before or on June 5, 2006. In other words, the clause that protects Republic's interests takes precedence over the clause intended to protect the workers and the taxpayers.

According to Leah Fried of the United Electrical Workers Local 1100, which organized the sit-in, Republic employed 500 people when the union first started organizing there in 2004. When the plant closed earlier this month, it employed fewer than 300. So clearly no one at the city was holding Republic accountable for meeting its job obligations, even though the agreement guarantees that "the number of jobs at the facility will be certified to the city on an annual basis."

But it's all moot anyway, according to the city. The company president at the time of the agreement left Republic in 2006. The company doesn't even own the factory building anymore—also in 2006, it was sold for \$31 million to the William Wrigley Jr. Company, which also owns another large factory on Goose Island. Meanwhile Republic's owners have purchased a window and door factory in Red Oak, Iowa, which, according to a recent article in the New York Times, employed 102 nonunionized workers.

Well, at least the factory was built, Holzer says, even if it doesn't employ anyone at the moment. He figures it eventually will again. "It's a state-of-the-art manufacturing facility," he says. "I think it has reuse potential. Whether it will be expanded for Wrigley or a new company, I don't know. But I don't think it will sit vacant."

Whoever moves there, you can bet they'll leverage some more TIF money out of the deal.

Ben Joravsky discusses his columns weekly on the Mr. Radio podcast, [mrradio.org/theworks](http://mrradio.org/theworks).

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