

# Tax Increment Financing (TIF) Overview

*City of Elmhurst*

# TIF Overview

**TIF is a municipal financial incentive tool created by the Illinois State Legislature in 1978 to assist communities in implementing sound economic development.**

- TIF can provide infrastructure and other public improvements.
- TIF can pay for consultant, engineering, attorney and other applicable soft costs.
- TIF can be used to acquire property and prepare a site.
- TIF can pay for other eligible costs pursuant to state law.



# When is it the Right Tool?

**Will the area benefit from a TIF designation?  
What is the area's current condition or past history?**

- To induce industrial projects.
- To induce commercial projects including downtown areas.
- To induce residential and mixed use projects.



# How is TIF Implemented?

- Determine the area to be studied
- Adopt a Feasibility Resolution
- Qualify the Redevelopment Area
  - Conservation Area
  - Blighted Area



# TIF Basics

## *Review of TIF Financing*

TIF involves splitting property tax revenue generated from properties within the TIF District into two components or “buckets”



**Bucket for Base Revenues**  
For All Local Governments

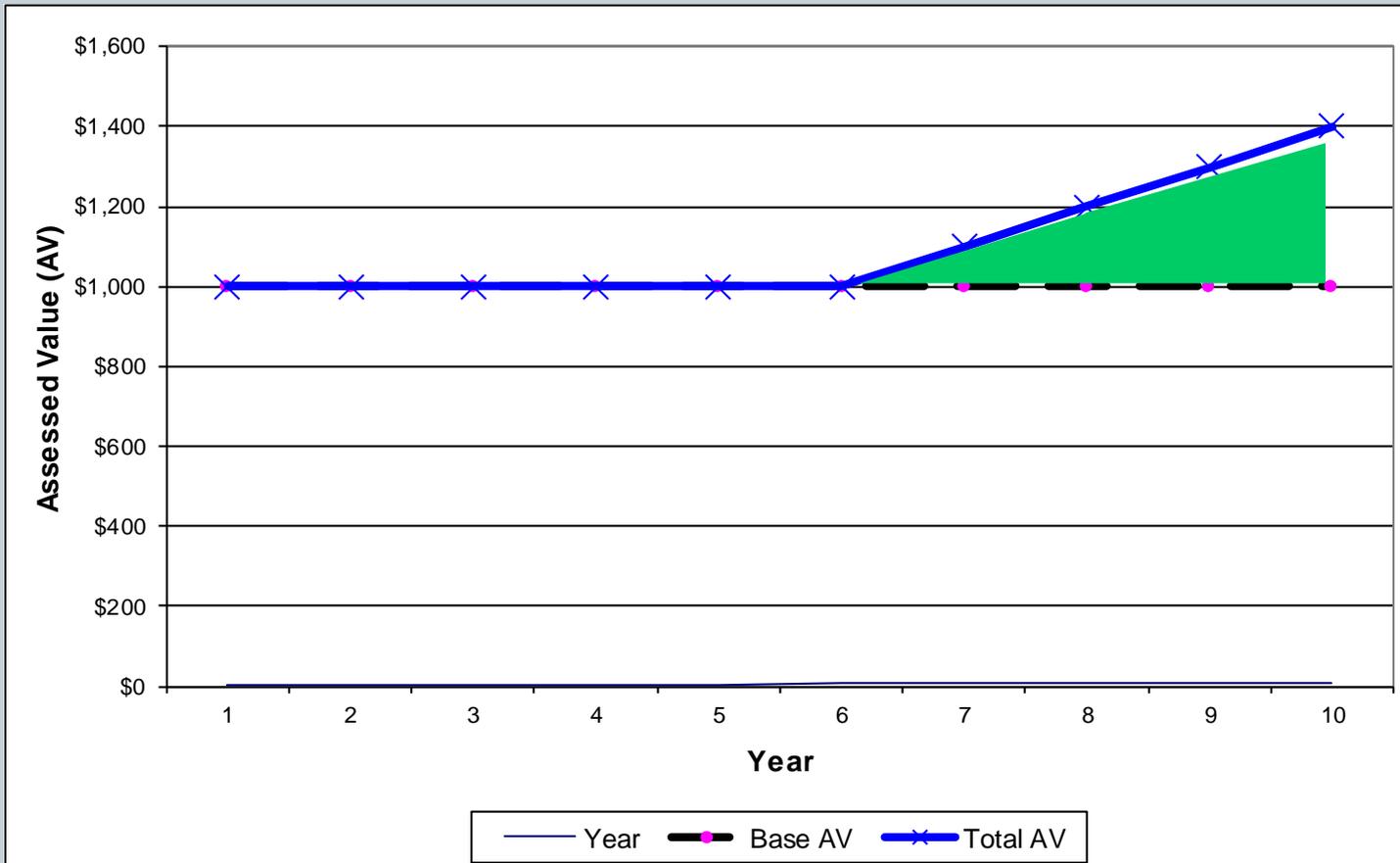


**Bucket for Incremental Revenues**  
For Redevelopment within the TIF District

# TIF Mechanics

## Review of TIF Financing

Ideally, a successful TIF produces positive incremental revenue over time



# Current TIF Districts



# TIF I

- Established in 1986

EAV

1986

2011

\$21,656,860

\$85,302,925

(including released property)

EAV

- 2004 Intergovernmental Agreement and property release to assist District 205 and TIF extension
  - \$1 million in District 205 revenue
- 2006 Property tax release \$26,000,000
- 2006 Property tax release \$9,500,000
- 2007 Property tax release \$4,700,000
- 2011 Total EAV increment of released properties \$36,944,091

2011 Property tax for released properties to all taxing bodies - **\$2,200,000**



# TIF I

## 2004 IGA Estimated Surplus Declaration (in millions)

2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
\$0.67	\$2.11	\$2.18	\$2.26	\$2.34	\$2.42	\$2.50	\$2.59

**Estimated total surplus  
distribution to all taxing bodies -**

***\$17,083,000***  
***(2014 – 2022)***



# TIF II

- Established in 1993

- EAV

	1993	2011
EAV	\$4,573,244	\$16,034,450

- 2004 surplus distribution - **\$734,000**
- 2010 surplus distribution - **\$615,000**



# TIF III

- Established in 1996

- EAV

1996	2011
\$4,350,030	\$12,027,650

- Annual revenue share based on CPI not to exceed 3%
- Total surplus distribution to date - **\$660,000**



# Proposed North York TIF Update



# Timeline

- 2009 Comprehensive Plan identified nine sub-areas.
- Economic Development Commission evaluated nine sub-areas and recommended the study of five for proposed economic development opportunities to include TIF districts.
- City Council directed Kane, McKenna to perform TIF feasibility study/eligibility report.
- City Council reviewed and concurred with draft TIF eligibility report.
- City Council directed Kane, McKenna to develop Redevelopment Plan and Project.
- City Council reviewed draft Redevelopment Plan and Project and directed City Attorney to develop Public Hearing resolution.



# Timeline

- **May 22:** Draft TIF Plan and Eligibility Report on file at City Clerk's office 10 days before the City Council approves the TIF Public Hearing Resolution.
- **June 4:** City Council adopted Public Hearing resolution.
  - Joint Review Board (JRB) – July 2, 2012 at 5:00 p.m.
  - TIF Public Hearing - August 6, 2012 at 7:30 p.m.
- **June 12:** City sent notices by regular mail to residential addresses within 750 feet of proposed boundaries.
- **June 14:** Notice of Public Hearing sent to affected taxing districts, ILDCEO and any interested parties via certified mail.
- **June 18:** City Council update and review of Redevelopment Plan and Project.



# Timeline

- **July 13 and July 20:** Published Notice of Public Hearing in two editions of local newspaper.
- **July 23:** Sent Notices of Public Hearing to all property taxpayers of record in the proposed TIF district and any interested parties.
- **August 6:** City holds the Public Hearing for the proposed TIF.
- ***NEXT STEP:*** City Council adopts the three ordinances necessary to implement the TIF. The ordinances:
  - Approve a Tax Increment Redevelopment Plan and Project for the North York Street Redevelopment Project area.
  - Designate the North York Street Redevelopment Project area pursuant to the tax increment allocation redevelopment act.
  - Adopts tax increment allocation financing for the North York Street Redevelopment Project area.



# **City of Elmhurst Proposed North York Street TIF District**



**Public Hearing  
August 6, 2012**

# Completed Notifications Conforming to TIF ACT

- ✓ **Publication of Notice of Interested Parties Registry**
- ✓ **Notice to residents within 750 feet of the project area**
- ✓ **Notice to taxing districts, Illinois DCEO and interested parties**
- ✓ **Publication of Notice of Public Hearing (2)**
- ✓ **Notice to the taxpayers of record located in the TIF**

# Resolution and Recommendation of the Joint Review Board (JRB)

***JRB reviewed the proposed Redevelopment Plan and Project and the Qualification Report***

## **JRB Findings:**

- **RPA satisfies the eligibility criteria and qualifies as a conservation area as defined in the TIF Act**
- **Redevelopment Plan and Project conforms to the requirements of the TIF Act**

## **JRB Recommendation:**

- **City Council approve the North York Street Redevelopment Plan and Project**

# City of Elmhurst Proposed North York Street TIF District

The TIF Act requires a municipality to first demonstrate that 50% or more of the structures in the TIF are 35 years of age or older and then to identify three (3) or more qualification factors included in the next chart are present prior to a proposed TIF designation as a conservation area.

# TIF Qualification Factors Included in the TIF Act For a Conservation Area (in addition to age)

- 1) Dilapidation
- 2) Obsolescence
- 3) Deterioration
- 4) Presence of structures below code
- 5) Illegal uses
- 6) Excessive vacancies
- 7) Lack of ventilation and sanitary facilities
- 8) Inadequate utilities
- 9) Excessive coverage
- 10) Deleterious land use
- 11) Environmental clean up
- 12) Lack of community planning
- 13) Lag or decline in equalized assessed valuation (EAV)

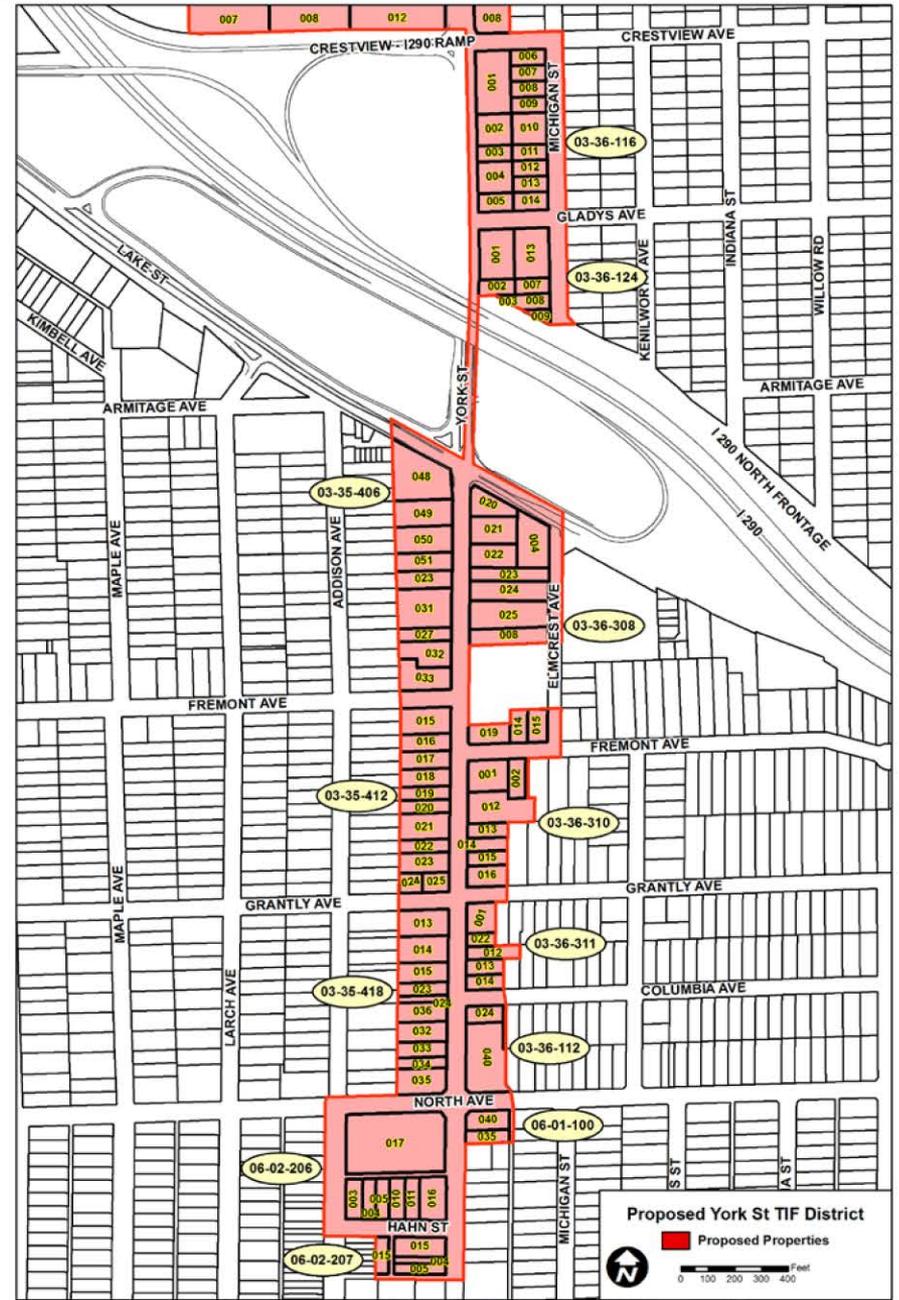
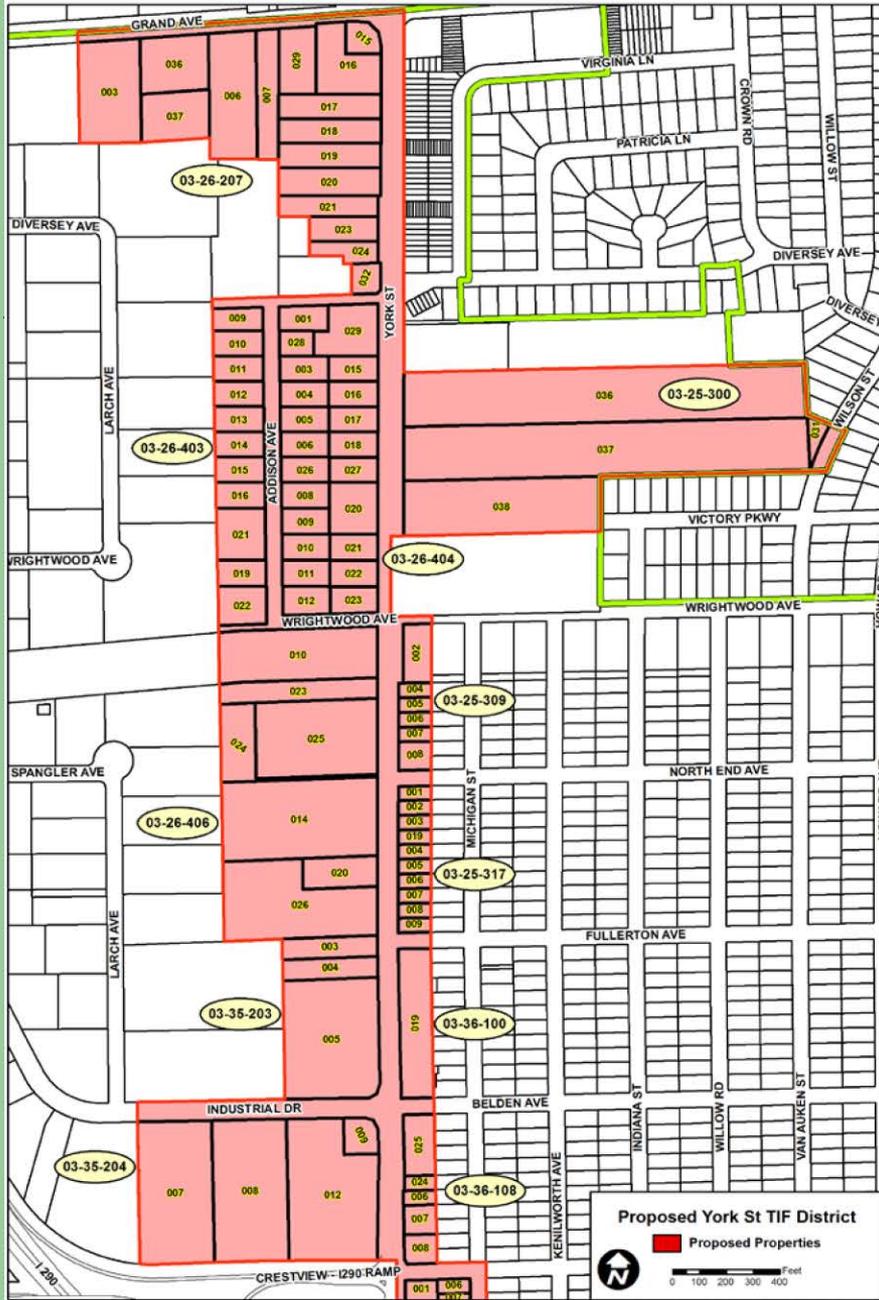
# TIF Qualification Factors Present for the Proposed North York Street TIF

TIF Factors present

- 1) Obsolescence
- 2) Deterioration
- 3) Excessive vacancies
- 4) Deleterious land use or layout
- 5) Lack of community planning
- 6) Lag in EAV

- 68% of the structures in the TIF District were found to be 35 years old or older and the minimum three factors are present plus three additional factors

# North York Street RPA Boundary Map



# Proposed Elmhurst North York Street TIF: Area Conditions

- 68% of the structures in the RPA are in excess of 35 years of age.
- The RPA developed in piece meal fashion over the years and will require coordination by the City in order to address the adverse factors present.
- The growth of EAV of all the properties in the RPA lagged behind the growth in EAV of the remainder of the City for 4 of the last 5 years.

# Redevelopment Plan Summary

- Identifies TIF district boundaries with map and legal description.
- Summarizes City goals and objectives for redevelopment, including a general description of redevelopment activities and land uses.
- Provides an estimate of redevelopment project costs (TIF budget of \$89.1 million).
- Estimated base EAV (from 2011 tax year) - \$31.9 million.
- Estimated EAV for the RPA at end of 23 years - \$105 to \$150 million.

## Next Steps – TIF Process

- City Council may consider the adoption of the three TIF ordinances 14 days after close of public hearing.
- County Clerk determines the most recently ascertained equalized assessed value for each parcel in the RPA and certifies the total initial equalized assessed value for the RPA.