

Tax Increment Financing (TIF) Districts 101

Presented at:
Carbon Cliff, Illinois
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Three Big Questions

What is TIF?

How do you establish a TIF District?

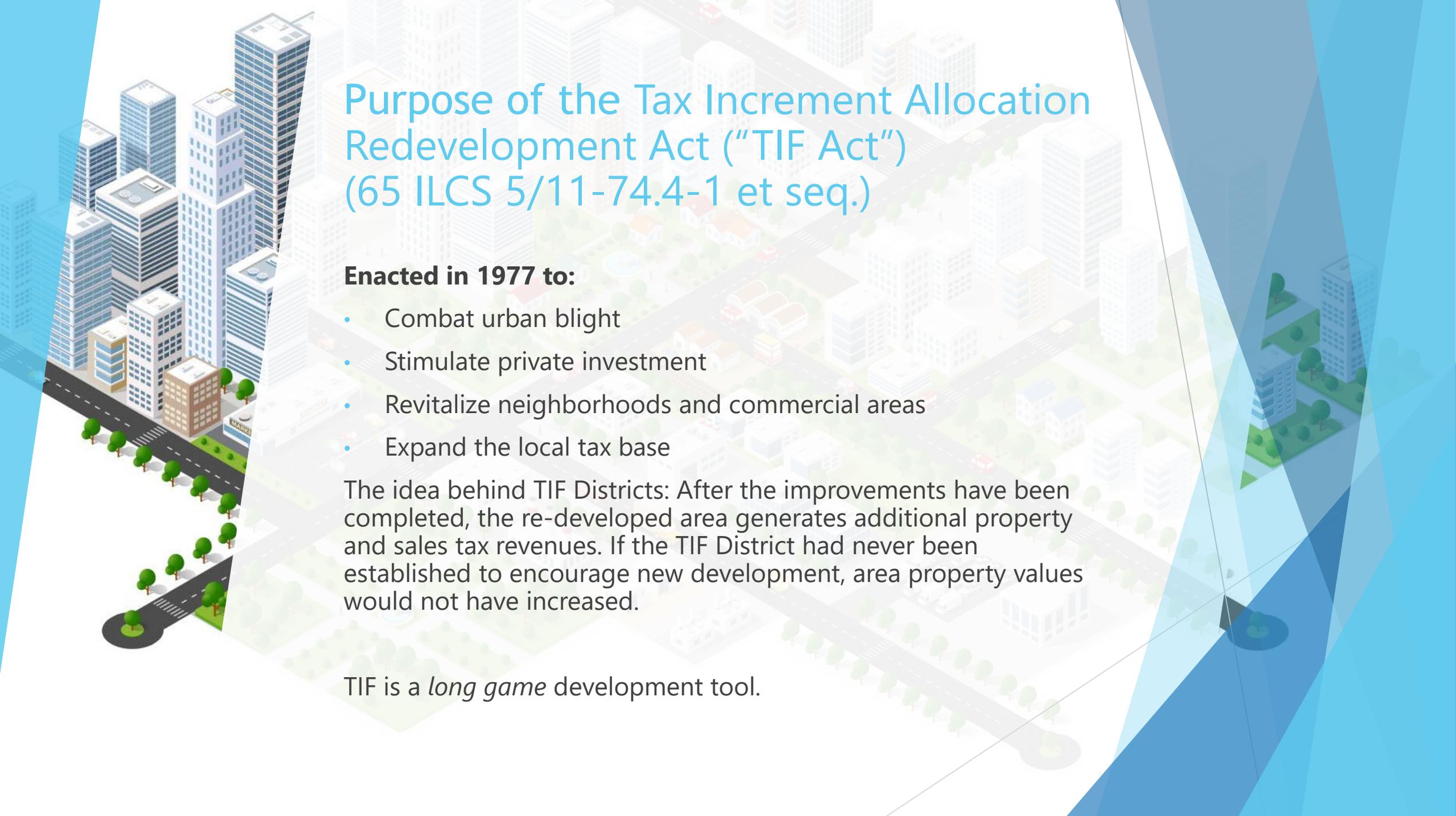
How can a TIF District help your community?

What is TIF?

Tax Increment Allocation Redevelopment Act (65 ILCS 5/11-74.4-1 et seq.)

- **Tax Increment Financing:** A public financing method used by a municipality to subsidize redevelopment, infrastructure, and other community improvement projects.
- TIF captures future increases in property tax revenues within a given area to fund improvements.
 - ▶ TIF is **not** an additional/new property tax.
 - ▶ TIF does not **decrease** property tax revenues for other public bodies.



An isometric illustration of a cityscape with various buildings, streets, and green spaces. The buildings are rendered in shades of blue, white, and brown. The streets are grey with white dashed lines. There are green trees and grass patches scattered throughout the scene. The overall style is clean and modern, typical of a professional presentation.

Purpose of the Tax Increment Allocation Redevelopment Act ("TIF Act") (65 ILCS 5/11-74.4-1 et seq.)

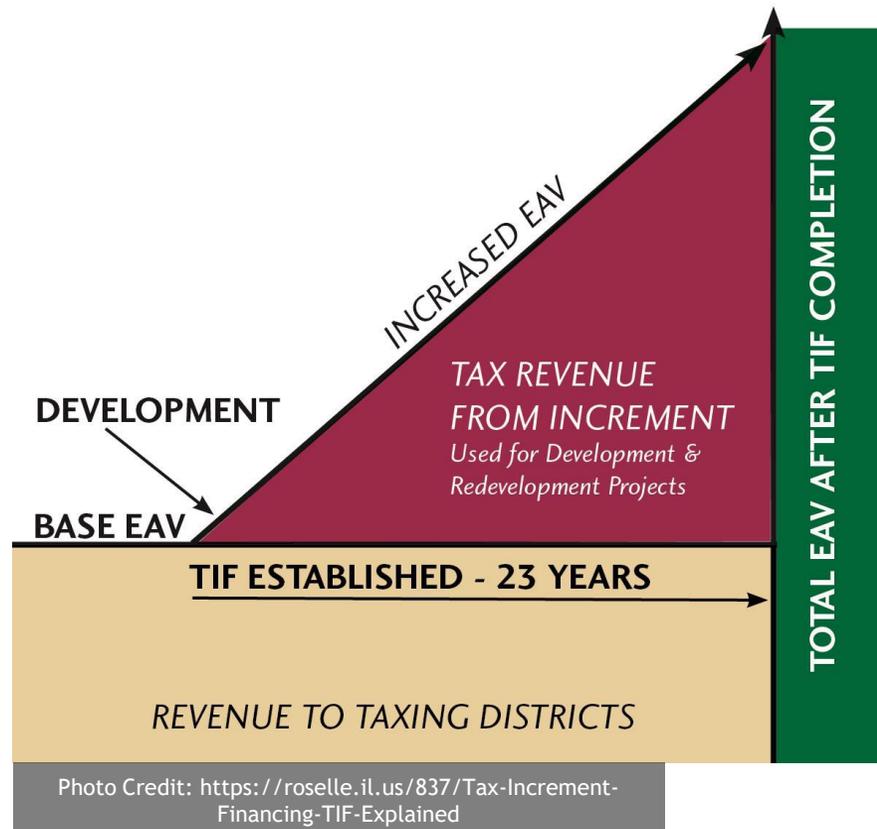
Enacted in 1977 to:

- Combat urban blight
- Stimulate private investment
- Revitalize neighborhoods and commercial areas
- Expand the local tax base

The idea behind TIF Districts: After the improvements have been completed, the re-developed area generates additional property and sales tax revenues. If the TIF District had never been established to encourage new development, area property values would not have increased.

TIF is a *long game* development tool.

How TIF Works

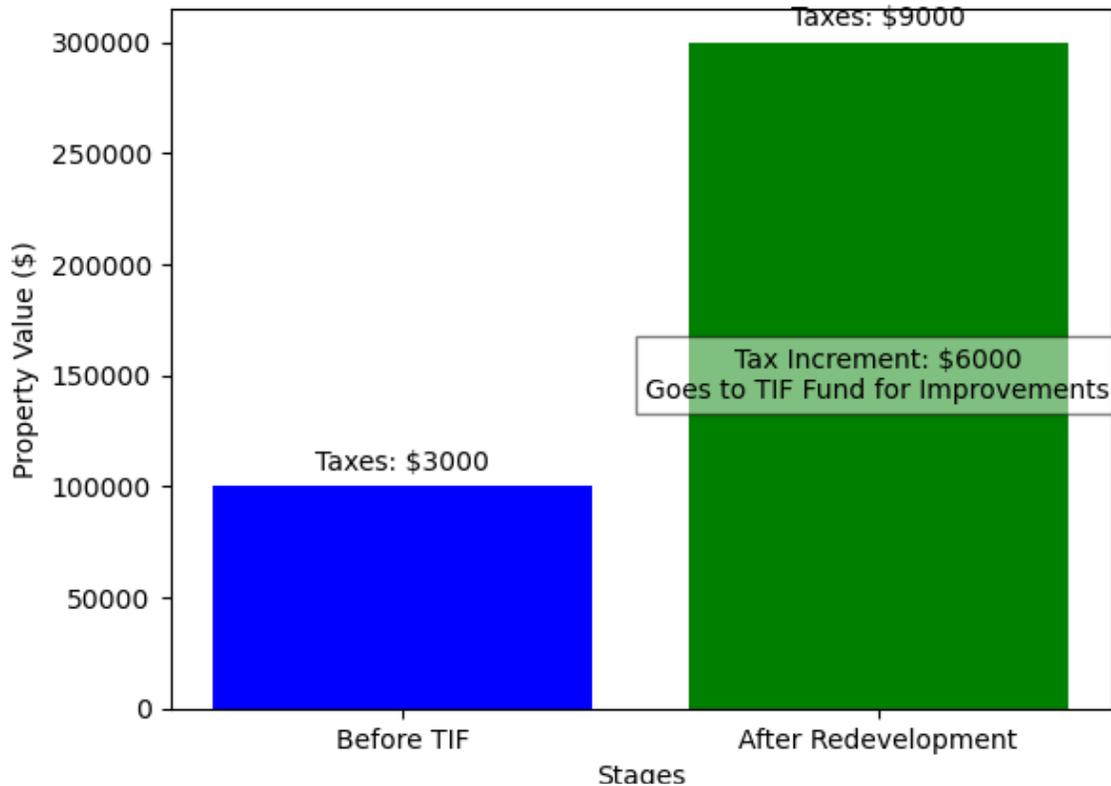


Once a TIF District is established, the current property value (Equalized Assessed Value or "EAV") is recorded and then "frozen" to calculate how much money local taxing bodies (schools, fire protection districts, etc.) will continue to receive

Taxing bodies still receive the same amount of property tax revenue before the TIF was created (no loss in revenue from the existing tax base)

Tax Increment: As the area improves, property values go up, and the extra tax revenue from this growth goes into a special TIF fund

Example of How TIF Works



- ▶ **Before TIF:** Property value is \$100,000, generating \$3,000 in taxes (goes to schools, fire, etc.).
- ▶ **After Redevelopment:** Property value increases to \$300,000, generating \$9,000 in taxes.
- ▶ **Tax Increment:** The extra \$6,000 (difference) goes into the TIF fund to support further improvements in the district.

Establishing a TIF District

How does a community implement TIF?



Criteria for establishing a TIF District

Must be at least 1.5 acres, and...

| | Improved Parcels (currently developed) | Vacant Parcels (currently undeveloped) |
|--------------|---|--|
| Blighted | <p>At least 5 of: Dilapidation; Obsolescence; Deterioration; Illegal use of structures; Excessive vacancies; Inadequate utilities; Overcrowding; Unsuitable/harmful land uses; Lack of community planning; declining EAV</p> | <p>At least 2 of: Obsolete platting; Diversity of ownership impedes ability to assemble land for development; Tax delinquencies; Deterioration in surrounding structures; EPA environmental remediation site; declining EAV -OR- Area contains unused mines, quarries, strip mine ponds; Area consists of unused rail tracks/right-of-way; Area subject to chronic flooding; Area contains unused or illegal disposal sites</p> |
| Conservation | <p>At least 50% of the structures are at least 35 years old -AND- At least 3 of: Dilapidation; Obsolescence; Deterioration; Illegal use of structures; Excessive vacancies; Lack of ventilation/light/sanitary facilities; Inadequate utilities; Overcrowding; Unsuitable/harmful land uses; Lack of community planning; declining EAV</p> | <p>Cannot establish a conservation area on vacant parcels.</p> |

Steps to Create a TIF District

Feasibility study

Redevelopment plan and project

Joint Review Board meeting

Public hearing

Approval by municipal ordinance

*Are you creating a TIF in a residential area?
You might also need public meetings.*

The creation of a TIF District typically takes between 4 and 6 months

- ▶ Consultant completes Feasibility Study - required for certain residential TIFs
- ▶ Consultant completes Redevelopment Project and Plan
- ▶ Publish notice of Interested Parties Registry
- ▶ Make copy of Plan/Project available - at least 10 days prior to Ordinance establishing Public Hearing date
- ▶ Pass Ordinance establishing Public Hearing date
- ▶ Send notice of Joint Review Board meeting/Public Hearing to applicable taxing bodies - 45 days prior to Hearing date
- ▶ Send Notices of Public Hearing - 10 days notice mailed to property owners; published twice between 10-30 days out
- ▶ First Joint Review Board meeting - between 14-28 days after sending Notices of Public Hearing
- ▶ Report of the Joint Review Board - no more than 30 days from first Joint Review Board meeting
- ▶ Hold Public Hearing - No less than 45 days from Notice of Public Hearing to taxing bodies
- ▶ Introduce Ordinances Adopting TIF - 14 to 90 days from the close of the Public Hearing
- ▶ Pass Ordinances Adopting TIF - no definitive timeframe

Feasibility Study

65 ILCS 5/11-74.4-4.1

Feasibility Study: preliminary report to help a municipality decide if TIF is appropriate for effective redevelopment of a proposed redevelopment project area.



Adopt an Ordinance or Resolution authorizing a feasibility study and including the following information:

The boundaries of the area to be studied

The purpose(s) of the proposed redevelopment plan and project.

A general description of TIF under the Act.

The name, phone number, and address of the municipal officer to contact for questions, comments and suggestions about the redevelopment project area.

Redevelopment Plan

65 ILCS 5/11-
74.4-3(n)

Some items to be included in a Redevelopment Plan:

- ▶ Itemized list of estimated costs
- ▶ Proof of need (“but for” requirement)
- ▶ Assessment of financial impact on taxing districts affected by redevelopment
- ▶ Sources of funds to pay costs
- ▶ Nature and terms of obligations to be issued
- ▶ Most recent Equalized Assessed Valuation (EAV)
- ▶ Estimate of EAV after redevelopment
- ▶ Commitment to fair hiring practices and affirmative action

Joint Review Board Meeting (65 ILCS 5/11-74.4-5)

- ▶ The Joint Review Board (“JRB”) is required to meet within 14 - 28 days of notice of the required public hearing being sent.
- ▶ JRB membership includes: municipality, school districts, community college districts, library districts, county, township, fire protection districts, one member of the public
- ▶ The purpose of the JRB is to get feedback from certain taxing bodies.
- ▶ JRB must issue a report within 30 days of first convening.
- ▶ If JRB is not in favor of TIF, municipality can still approve TIF with 3/5 majority vote.

Public Hearings

65 ILCS 5/11-
74.4-5

Village board must officially set a time and place for public hearing on the proposed TIF district

The Redevelopment Plan or detailed eligibility report must be made available for public inspection at least 10 days before setting the hearing

Must notify (1) affected taxing districts by certified mail and (2) the public in a local newspaper

Restrictions on TIF Districts



Cannot develop a golf course, clubhouse, and related structures on vacant land



Cannot use public land for recreational activities (camping & hunting) or for nature preserves

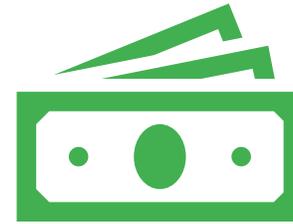


TIF district is limited to 23 years; possibility of an extension of up to 35 years



Borrowing by the municipality and/or developer

TIF Bonds are an option...
Quicker start but more risk



“Pay as you go”

Developer project costs are reimbursed as
new increment is generated
Slower start but less risk

Always ask yourself...what are you going to do if the developer becomes insolvent?

Financing Strategies

Ongoing Obligations



Reporting Requirements



Alignment with Redevelopment Plan and Project



Releasing Surplus



Winding down a TIF District

How can a TIF District
help your community?

“Redevelopment Project Costs” are...

Public infrastructure (roads, sewers, lighting)

Property acquisition and demolition

Site preparation and environmental remediation

Rehabilitation of existing structures

Financing public or private redevelopment projects



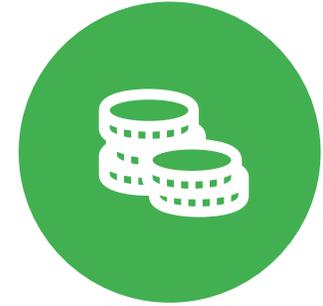
NEW PRIVATE BUILDINGS



EQUIPMENT



RENT/LEASE PAYMENTS



PROJECT COSTS THE VILLAGE
IS NOT INTERESTED IN
REIMBURSING

“Redevelopment Project Costs”
are NOT...

Working with Developers

- ▶ The Village is not **obligated** to reimburse all eligible costs!
- ▶ Any incentive to developers should be:
 - ▶ Tied to Developer providing proof of eligible costs
 - ▶ Payable only out of the TIF Fund



Thank you!

Megan Lamb
Ottosen DiNolfo Hasenbalg & Castaldo, Ltd
1804 N Naper Blvd.
Suite 350
630-682-0085
mlamb@ottosenlaw.com