

## Tax Increment Financing: FAQs

- 1) What is Tax Increment Financing (TIF) and how widely is it used?
  - a) TIF is an economic development tool to encourage private investment
  - b) 49 States and D.C. have a TIF law. CA first used TIF in 1952
  - c) Illinois adopted TIF in 1977
  - d) As of 2020: 500 Illinois municipalities in 96 counties use TIF
  - e) There are nearly 1,500 active TIFs in Illinois
  - f) There are over 350 active TIFs in Cook County
  
- 2) Why use TIF?
  - a) TIF is locally controlled by the local city, not dependent on county, state or federal approval
  - b) TIF does not raise taxes on existing property to pay for redevelopment
  - c) TIF may be used to stimulate economic development and redevelopment
  - d) TIF may be used to pay various redevelopment costs, including public improvements and infrastructure
  - e) TIF enhances the tax base of local governments to reduce tax burden on other properties
  - f) TIF retains and creates new jobs
  
- 3) Who pays for TIF, and Is TIF a new tax?
  - a) TIF is not a new tax. TIF is not a tax break or abatement. TIF does not raise taxes.
  - b) All properties within a TIF continue to pay property taxes as normal
  - c) Schools, parks, libraries, counties, etc. continue to receive “Base Taxes” levied on property value at the time a TIF is adopted
  - d) Property Taxes resulting from added value of new development is referred to as *Incremental Property Tax (IPT)* revenue (or “**TIF Revenue**”) and is used to pay redevelopment costs
  
- 4) How does TIF operate?
  - a) A city adopts a (1) Redevelopment Plan, (2) designates a Redevelopment Project Area, and (3) adopts the use of TIF
  - b) A TIF lasts 23 years (or 35 with special state legislation), and may be dissolved sooner
  - c) Local governments continue to receive Base Taxes for the duration of the TIF
  - d) A city temporarily captures IPT revenue during the life of the TIF to pay redevelopment costs, and the revenue is used to pay redevelopment costs
  - e) To pay redevelopment project costs a city may combine TIF funds with other funding sources including and not limited to Local Sales Tax and Business District Sales Tax.

5) What can TIF money be spent on?

Eligible "Redevelopment Project Costs" means and includes the sum total of all reasonable or necessary costs incurred or estimated to be incurred, and any such costs incidental to a redevelopment plan and a redevelopment project.

Summarized below is a short-hand list of Eligible Redevelopment Project Costs. A complete list is contained in the Illinois Tax Increment Allocation Act (65 ILCS 5/11-74.4-1)

- Costs of studies, surveys, development of plans;
- Costs of marketing sites within the redevelopment project area to prospective businesses, developers, and investors;
- Property assembly costs, including but not limited to acquisition of land and other property, real or personal, demolition of buildings, site preparation, and the clearing and grading of land;
- Costs of rehabilitation, reconstruction or repair or remodeling of existing public or private buildings, fixtures, and leasehold improvements
- Costs of the construction of public works or improvements [related to a Redevelopment Project];
- Costs of job training and retraining projects;
- Financing costs, including [capitalized interest] during the construction of any redevelopment project for which such obligations are issued and for not exceeding 36 months;
- All or a portion of a taxing district's capital costs resulting from a redevelopment project incurred in furtherance of the redevelopment plan and project;
- An elementary, secondary, or unit school district's increased costs attributable to TIF-assisted housing units (NOTE: school district reimbursement is based on formulas related to types of school districts and number of children attending schools);
- A public library district's increased costs attributable to TIF-assisted housing units (NOTE: library district reimbursement is based on formulas related to number of patrons generated);
- Relocation costs;
- Payment in lieu of taxes;
- Costs of job training, retraining, advanced vocational education or career education;
- Interest cost incurred by a redeveloper related to the construction, renovation or rehabilitation of a redevelopment project provided that (limited to 30% of interest cost);
- Cost of day care services (within a municipality with a population of more than 100,000)
- Costs relating to the development of urban agricultural areas under Division 15.2 of the Illinois Municipal Code.

6) What can TIF money NOT be spent on?

The following is a list of costs that are NOT eligible for TIF-Assistance:

- No costs associated with newly constructed privately-owned buildings;
- No costs associated with a retail entity relocating from an existing location within 10 miles, unless the closing of the existing retailer was for reasons beyond the control of the retail entity, or the existing location had become economically obsolete, or was no longer a viable location for the retailer.

No costs associated with the demolition, removal, or substantial modification of a structure that is (i) included or eligible for inclusion on the National Register of Historic Places or (ii) a contributing structure in a district on the National Register of Historic Places

- 7) How much TIF Revenue was received in Cook County and Nearby Communities in 2020?
  - a) 2020 TIF Cook County: \$1,315,329,327
  - b) 2020 TIF received by Surrounding communities currently and # of active TIFs in community
    - i) Alsip (3): \$ 335,501
    - ii) Bedford Park (4): \$ 7,952,136
    - iii) Blue Island (5): \$ 2,837,022
    - iv) Bridgeview (6): \$ 2,827,141
    - v) Chicago Ridge (2): \$ 1,390,973
    - vi) Crestwood (2): \$ 1,761,873
    - vii) Harvey (7): \$ 5,954,324
    - viii) Hickory Hills (1): \$ 287,854
    - ix) Justice (3): \$ 924,852
    - x) Lemont (3): \$ 577,985
    - xi) Markham (5): \$ 5,300,645
    - xii) Midlothian: \$ 642,630
    - xiii) Oak Forest (7): \$ 2,180,873
    - xiv) Oak Lawn (7): \$ 3,581,994
    - xv) Orland Park (1): \$ 4,582,309
    - xvi) Palos Heights (2): \$ 425,266
    - xvii) Tinley Park (4): \$ 1,610,614
    - xviii) Willow Springs (2): \$ 2,022,201
    - xix) Worth (1): \$ 62,015
  
- 8) What is involved in creating a TIF district, and how long does it take?
  - a) Each TIF requires the following documents: an Eligibility Study, a Redevelopment Plan, and possibly a housing impact study
  - b) Two key meetings are held: a Joint Review Board meeting, and a Public Hearing
  - c) The entire process can take 6 to 12 months, depending on the complexity