Tax Increment Financing (TIF)

JRB Meeting

Village of University Park
TIF 7 - Steger Road and Central Avenue

January 14, 2019
TIF Redevelopment Project Area
General Location

- **Boundaries**
  - North – Steger Road
  - South – Stuenkel Road/University Parkway
  - East – Cicero Avenue
  - West – I-57

- Approximately 408 acres, 8 PINs
- Commercial, residential, industrial, and open space
What is Tax Increment Financing (TIF)?

- A tool to help local governments restore run-down areas or jumpstart economically sluggish parts of town.
- TIF’s help local governments attract private development and new businesses.
- TIF’s help local governments make the improvements they need, like new roads or new sewers and water mains.
- Allows redevelopment costs to equal green grass development costs, therefore “incenting” redevelopment.
What is a "Tax Increment"?

- It is **not** a tax increase.
- It is the difference between the amount of property tax revenue generated **before** a TIF district is established and the amount of property tax revenue generated **after** the TIF district has new development.
  - TIF does not reduce property tax revenues available to other taxing bodies.
  - Only property taxes generated by the incremental increase are available for use by the TIF.
How is TIF generated?

- Before and After: Entire TIF
How do you establish a TIF?

- Identify an area with physical and economic deficiencies.
- Prepare Eligibility Report and Redevelopment Plan.
- Convene Joint Review Board. (December 6, 2018)
- Conduct public hearing where residents and other interested parties can express their thoughts on the subject. (January 2019)
- Adopt TIF Ordinances to establish TIF. (January 2019)
- No state or federal approval is required.
- Law allows a TIF district to exist for a maximum of 23 years. TIF districts may be terminated earlier if all financial obligations are paid-off and the municipal Council votes to terminate the district.
Eligibility Analysis

• Review and document Criteria for Eligibility
• Blighted, Conservation, Combination of Blighted and Conservation, or Industrial Conservation
  – **Conservation**
    • Improved Land (land with buildings)
    • 13 Criteria: 3 must be met, AND over 50% of buildings over 35 years of age
  – **Blighted**
    • Improved Land (land with buildings)
    • Vacant Land
  – **Industrial Conservation**
    – Does not apply
Blighted Area – Vacant Land

- 6 parcels

- One Factor Test - 6 criteria: at least 2 must be met (4 criteria met)
  1. Obsolete Platting
  2. Diversity of Ownership
  3. Deterioration of Structures in Neighboring Areas Adjacent to Vacant Land
  4. Lagging EAV
Conservation Area – Improved Land

- Age 1 parcels (50%)

- 13 criteria: at least 5 must be met (6 criteria met)
  1. Obsolescence
  2. Deterioration
  3. Excessive Vacancies and Underutilization
  4. Inadequate Utilities
  5. Lack of Community Planning
  6. Lagging EAV
Redevelopment Plan

• Introduction and Eligibility
  – Describes the community and its issues

• Redevelopment Goals and Objectives
  – Provides overall framework for guiding decisions during implementation of the TIF Plan

• Program Policies and Implementation
  – Outlines general activities and financing techniques to achieve Goals and Objectives

• Project Costs
  – Provides a maximum limit of expenditures by category
  – City is not committed to finance all of the Redevelopment Project Costs in Plan

• Program Certifications and Findings
  – Minimal financial impact to taxing bodies is expected
Key Findings

• Blighted Area factors (Improved and Vacant land) are reasonably present and distributed throughout the RPA.

• Costs to redevelop the area are extraordinary.
  • TIF funds can be spent on projects for properties within the TIF boundaries.

• Area as a whole has not been subject to growth and development through private enterprise and would not be reasonably anticipated to redevelop without TIF.

• The Village certifies no displacement of occupied residential units will occur as a result of the TIF Redevelopment Plan and Project.

• Conforms to the Comprehensive Plan of the Village

• Passes the “But For” test.
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