Village of Oswego
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What is Tax Increment Financing?

Tax Increment Financing, or TIF, is a tool state lawmakers gave local governments more than 20 years ago to help local governments restore areas going through economic change or jumpstart economically sluggish parts of town. With this tool, financially strapped local governments can make the improvements they need, like new roads or new sewers, and provide incentives to attract businesses or help existing businesses expand, without tapping into general funds or raising taxes.

Since the Federal and State governments have greatly reduced their support for economic development, Tax Increment Financing permits municipalities to accept some of this responsibility without raising local property taxes.

TIFs help local governments attract private development and new businesses. New businesses mean more jobs, more customers, and, in turn, more private investment. TIF designation also helps retain existing businesses that might otherwise find more attractive options elsewhere. The jobs and additional investment — private and public — mean more money for the community. TIF also helps to overcome the extraordinary costs that often prevent development and private investment from occurring on environmentally contaminated and other properties. As a result, the TIF area itself improves and property values go up.

Without TIF benefits, a deteriorating area will not improve. Businesses do not sink capital into decaying areas and most local governments cannot afford the needed costly improvements without raising taxes. But in a TIF district, dollars for improvements are generated by businesses — new and old — attracted by the TIF benefits. Specifically, money for infrastructure improvements and other incentives comes from the growth in property tax revenues — the tax increment.

Why is there a need for Tax Increment Financing?

Tax Increment Financing has proven to be an enduring and widely used economic development tool nationwide. TIFs are more frequently used now than ever because other development tools like Industrial Revenue Bonds and Urban Development and Infrastructure Grants, are no longer readily available to local governments.

Billions of dollars in federal and state aid to local governments have been eliminated. At the same time, unfunded federal and state mandates have increased the financial burden on most municipalities. Factor in state imposed property tax caps, and the funding problems facing local governments make it obvious that local governments are left to do more with less.
Tax Increment Financing offers local governments a way to revitalize their communities by expanding their tax base, offsetting, in part, the federal and state funds that are no longer available to them without imposing increased property taxes on the whole community

What is a Tax Increment?

A tax increment is the difference between the amount of property tax revenue generated before TIF district designation and the amount of property tax revenue generated after TIF designation. Establishment of a TIF does not reduce property tax revenues available to the overlapping taxing bodies. Property taxes collected on properties included in the TIF at the time of its designation continue to be distributed to the school districts, county, community college and all other taxing districts in the same manner as if the TIF did not exist. Only property taxes generated by the incremental increase in the value of these properties after that time are available for use by the TIF.

How do TIFs improve communities?

TIFs create short and long term benefits for communities. TIF benefits include:

No tax increases

In TIF areas properties are assessed and taxed the same way as in non-TIF areas. The nly change is that during the life of the TIF the property tax revenues are distributed differently — with the incremental increase in tax revenue going to the municipality to finance some of the redevelopment expenditures within the TIF area.

Increased property values

The engine that drives TIF is investment in private property subject to the property tax. It is primarily this investment that causes the increased property values and enables the TIF to be a valuable redevelopment tool for cities.

Private investment and development

City of Aurora (TIF #2 & #8)

The City had previously established a TIF Redevelopment Project Area in 1989 in order to address long term flooding and infrastructure issues near the Farnsworth / I-88 intersection in order to assist the proposed Chelsa/Simon Premium Outlet Mall project. The City issued TIF Revenue Bonds (to pay for off-site infrastructure improvements) and also issued a sales tax note to assist in site preparation and flood control improvements. The Area consisted of approximately 500 acres of basically undevelopable land due mainly to chronic flooding.

To achieve the goals and objectives of the Redevelopment Plan, the City of Aurora planned to encourage private investment through use of TIF District revenues and sales tax revenues. When the TIF expired several years ago, the City designated TIF 8 to assist in the Mall's expansion. Successful completion of the City's efforts resulted in the ancillary development, construction and operation of a light industrial and business park featuring light industrial, office, research, ancillary commercial, and open space uses that came about due to the expansion of Bitler Road. This development would generate tax revenues, support the elimination of chronic flooding and thereupon increase the marketability and use of land previously impracticable for development, provide local employment opportunities, preserve environmentally sensitive land, and improve open spaces for leisure and recreational activities.

Today the area is known as the Aurora Premium Outlet Mall and is host to more than 440,000 sq. ft. of retail space. Total Public investment into the Area was approximately $45,000,000 with Private investment exceeding $200,000,000.

Bourbonnais — The Village in conjunction with the University worked together to market the new TIF District to potential hotel developers. The Village is currently negotiating with a developer to bring about a new hotel in the area. The services are expected to fill a void to both student and faculty visitors but also to the Chicago Bears football team who host their annual training camp at the Olivet University campus.

More Jobs

Sauk Village — More than $100 million multi facility development in a 400 acre industrial park has enabled five separate companies to create 200 new full-time jobs. In addition there were approximately 650 construction jobs created during the two-year construction period.

Stronger, broader tax base

Oswego — Infrastructure improvements in the Village of Oswego **—** new roads, demolition of dilapidated structures will help to attract private developers to invest in the community. Improvements to the water and sewer system will enable businesses to locate in the Village and to also bring about an improved quality of life for the residents.

Locally controlled

Chicago — One of the City of Chicago's primary development goals in its North Loop TIF district was the creation of a theatre district to be the "Broadway of the Midwest." The Oriental Theatre, part of this entertainment district, is expected to add $3.5 million annually to city tax revenue. No federal or state approval of this project was required.

Are TIFs widely used?

- Yes. Tax Increment Financing Districts (TIFs) are used throughout the country in communities large and small, urban and rural.

- 47 states currently utilize Tax Increment Financing as a catalyst for needed redevelopment projects.

- Tax Increment Financing helps make Illinois communities competitive with communities across the nation.

- The Midwest leads the nation in TIFs. Four of the seven leading states in Tax Increment Financing are Indiana, Minnesota, Wisconsin, and Illinois.

- TIF helps Illinois stay competitive with neighboring states that intensively use TIF to bolster economic development and attract new businesses.

What kind of planning goes into the development of a TIF district?

A Redevelopment Plan is an assessment of an area in need of economic assistance. The Plan demonstrates why the area needs to be redeveloped and how the municipality plans to revitalize the area.

Illinois law requires review by the major overlapping local governments and a public hearing on the Redevelopment Plan prior to TIF designation. The Plan must be made available for public review and inspection at least 45 days prior to the public hearing.

A Redevelopment Plan includes:

- A description of the boundaries of the district recommended for redevelopment.
- A discussion of why the area needs to be redeveloped.
- Documentation of how the area satisfies the “but for” requirement in order to qualify for TIF eligibility.
- The redevelopment goals and objectives for the area.
- An explanation of how the land in the TIF district will be used.
- A budget for the life of the TIF district, including the total TIF-eligible costs of the plan.
- An evaluation of the fiscal and programmatic impact on the overlapping taxing bodies.
- A description of the process to amend the plan.
- A statement of conformance with the municipality’s comprehensive plan.
- A timetable for redevelopment of the area.

How is a TIF district created?

Illinois TIF law specifies a number of requirements that must be satisfied for an area to qualify as a TIF district, beginning with identifying the district and the physical and economic deficiencies that need to be cured. Then municipal officials and a joint review board made up of representatives from local taxing bodies must review a plan for the redevelopment of the TIF area. Then a public hearing is held where residents and other interested parties can express their thoughts on the subject.

Then the proposal must pass through the same process any other ordinance passes through approval by the municipal governing board. Then the mayor or village president will sign the ordinance into law. No state or federal approval is required.

What major redevelopment costs are eligible for TIF funding?

TIF funds may be used for costs that will permit previously developed properties to compete with vacant land at the edge of the urban area. State legislation authorizes that TIF funds may be used for:

• Property acquisition
• Rehabilitation or renovation of existing public buildings
• Construction of public works or improvements
• Job retraining programs
• Relocation
• Business financing costs, including interest assistance
• Studies, surveys and plans

• Professional services such as architectural, engineering, legal, property marketing and financial planning
•Demolition and site preparation

How Long Can TIF Districts Last?

Typically, a TIF lasts 23 years. However, in some specific individual cases the State Legislature has extended this time to cover the taxes levied.

What Happens When a TIF District Expires?

During the life of a TIF, the base year of tax revenues are distributed to the various taxing bodies with the increment in tax revenues distributed to the TIF fund. Once the TIF expires, then the full property taxes paid by each property owner in the TIF are distributed to the various taxing bodies. With a successful TIF, the taxing districts will receive a windfall in tax revenues, particularly the elementary and high school districts – which have the highest tax rates.