

UNIVERSITY OF ILLINOIS EXTENSION  
AND RURAL PARTNERS  
ONLINE WEBINAR  
MAY 24, 2023

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# Blending TIF & Business Development Districts for Community Growth

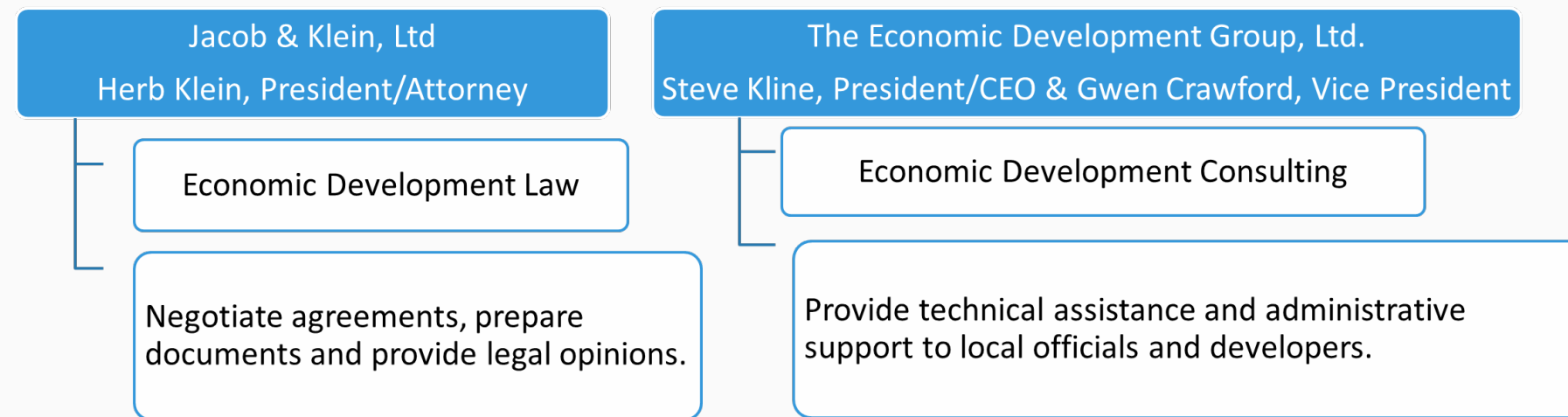
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WITH JACOB & KLEIN, LTD.  
AND THE ECONOMIC DEVELOPMENT GROUP, LTD.





# Webinar Presented by



“We help unravel the complexities of economic development opportunities, so community leaders may make better, more informed decisions.”





You are in the right  
place if...

**THIS SOUNDS LIKE YOU:**

- My town has a Tax Increment Financing (TIF) District.
- My town has a Business Development District (BDD).
- My town intends to use TIF and BDD to encourage community and economic development.

# Why are we here today?

## 4 THINGS WE'LL COVER

- 1 WHAT IS TIF?
- 2 WHAT IS BDD?
- 3 HOW DOES TIF & BDD COMPARE?
- 4 BLENDING TIF & BDD TOGETHER.
- 5 OPEN Q&A





# 1 WHAT IS TIF?

## Real Estate Tax Increment

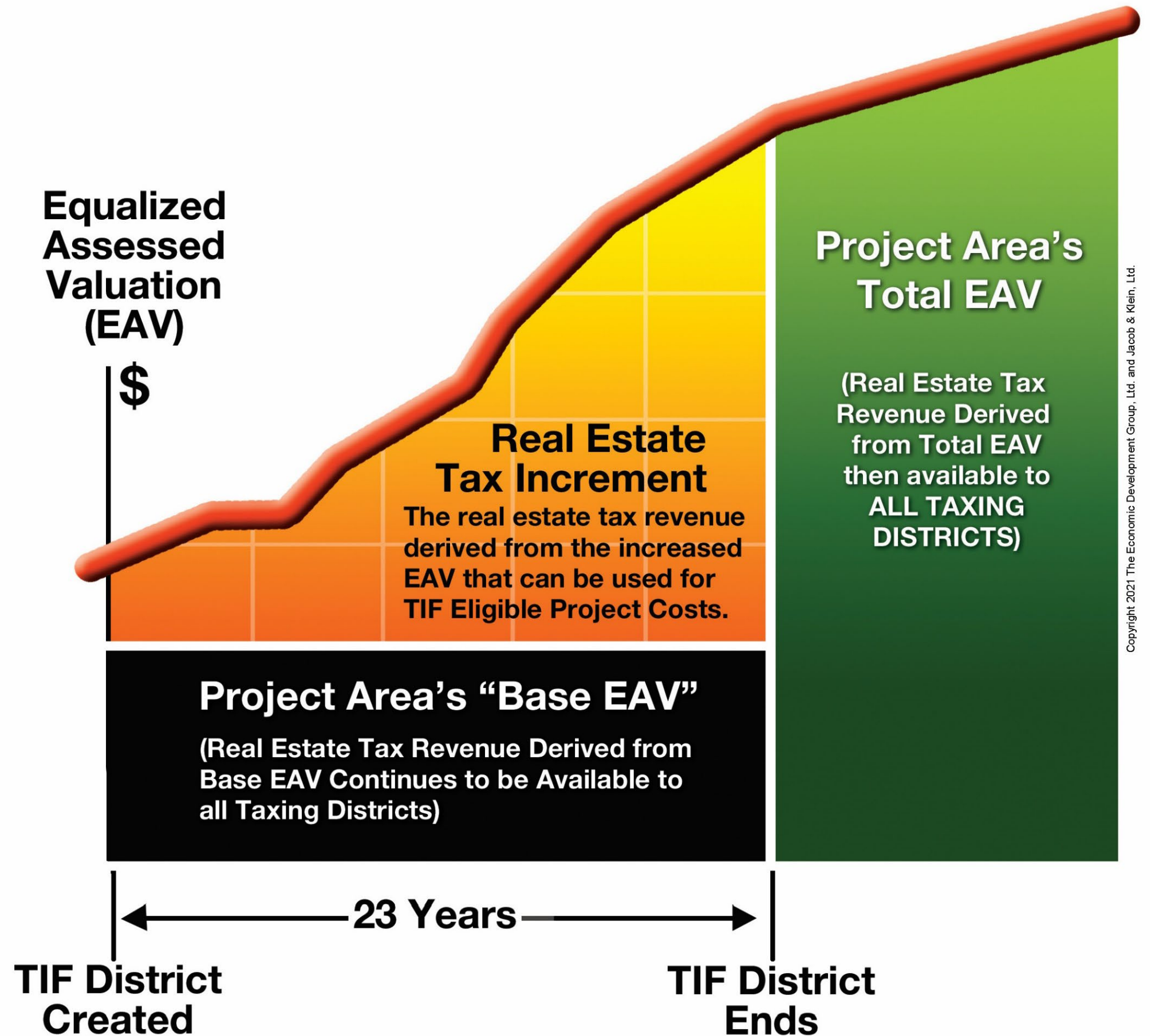
(RETI) results from increased Equalized Assessed Value (EAV) above the Base EAV during the life of the TIF District.

- ✓ TIF is not a new tax
- ✓ TIF Increment is a re-allocation of a portion of the property tax bill relating solely to new assessed valuation

NOTE: A TIF District is established and administered per the TIF Act (65 ILCS 5/11-74.4 *et. seq.*)

To learn more, visit online:

<https://www.tifillinois.com/tif-basics.html>

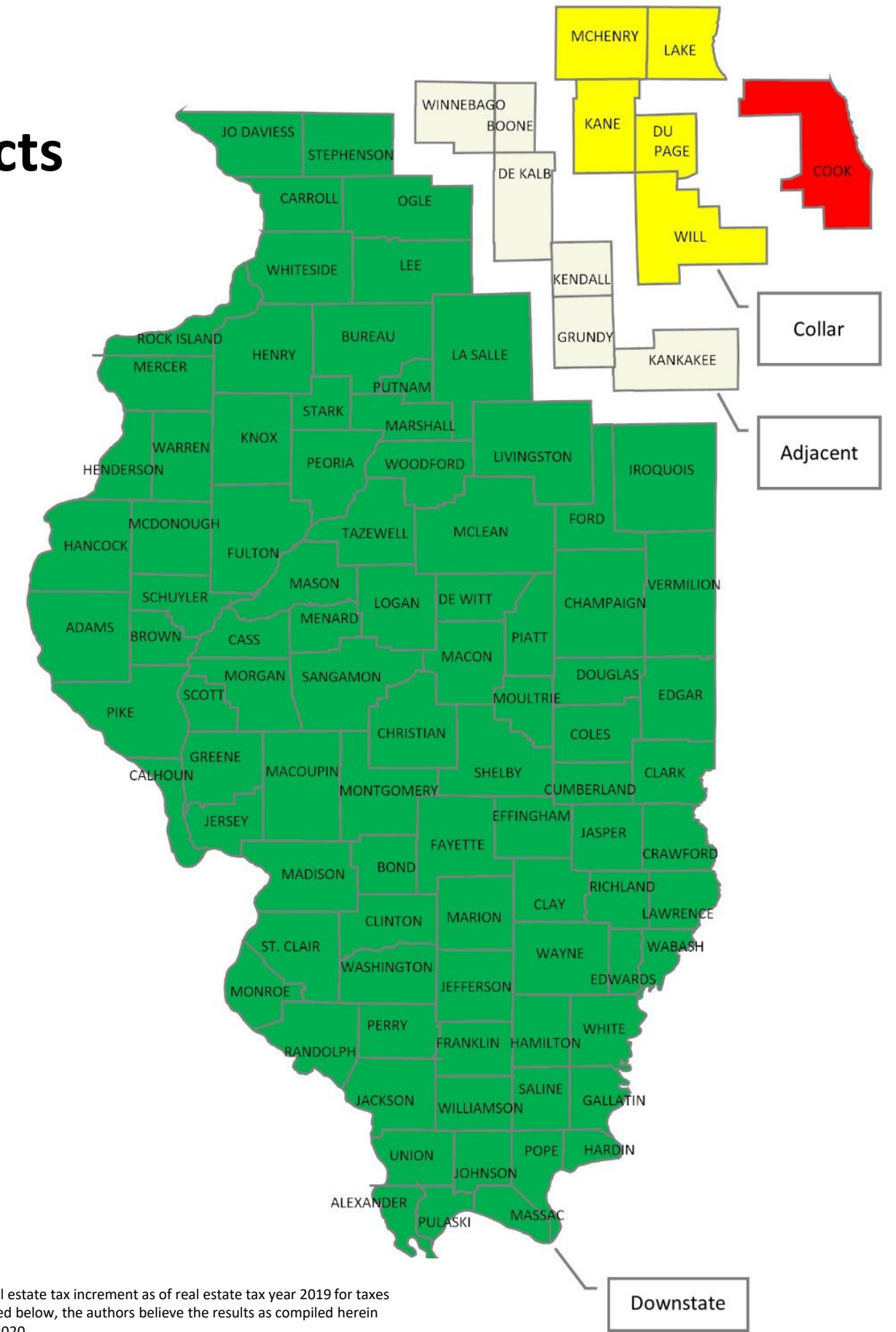






# 1401 Active TIF Districts in 97 Illinois Counties (2020)\*

- **425 (30%)**  
in Cook County, of which  
134 in City of Chicago
  
- **188 (14%)**  
in 5 Collar Counties
  
- **59 (4%)**  
in 6 Downstate/Adjacent  
Counties
  
- **729 (52%)**  
in 85 Downstate Counties



**Notes**  
 \* For this analysis, active TIF Districts are defined as those believed to be generating real estate tax increment as of real estate tax year 2019 for taxes payable in 2020. Although variation in total count was reported by the data sources cited below, the authors believe the results as compiled herein represent a reasonable estimate of the relative numbers of TIF Districts that existed in 2020.  
 Data Sources: Illinois Department of Revenue, *Table 14A – Tax Increment Financing (TIF) Districts* (re: municipalities reporting real estate tax increment during FY2021 / tax Year 2019 for real estate taxes payable in 2020); Office of Illinois Comptroller, *Municipalities with TIF Districts as of August 26, 2020*. Summary analysis compiled by The Economic Development Group, Ltd., 1701 Clearwater Ave., Bloomington, Illinois ([www.tifillinois.com](http://www.tifillinois.com)).



## 2 WHAT IS BDD?

### Business Development

District (BDD) funds result from increased municipal sales tax generated during the life of the BDD.

- ✓ Retailers' Occupation Tax
- ✓ Service Occupation Tax
- ✓ Hotel Operators' Occupation Tax

NOTE: The Illinois Department of Revenue collects BDD sales taxes and disburses the funds to the municipality on a monthly basis. Municipalities solely collect and administer the BDD Hotel Operators' Occupation Tax.

A BDD is established and administered per the BDD Act (65 ILCS 5/11-74.3 et. seq.)

For more information about "Leveling the Playing Field" Legislation, visit online: <https://tax.illinois.gov/content/dam/soi/en/web/tax/research/news/documents/lpf.pdf>

To learn more about BDD in general, visit online: <https://www.tifillinois.com/business-development-districts.html>



Municipality imposes new "BDD Sales Tax" within a designated BDD Area:

- Tax imposed in 0.25% increments, not to exceed maximum total of 1.0%







# 243 Business Development Districts Located in 154 Municipalities (May-2023)

ALTAMONT  
ALTON  
ANTIOCH  
ARCOLA  
ATLANTA  
ATWOOD  
AURORA  
BELLEVILLE  
BETHALTO  
BLOOMINGDALE  
BLUE ISLAND  
BOURBONNAIS  
BRADLEY  
BREESE  
BRIGHTON  
BURR RIDGE  
CAHOKIA HEIGHTS  
CAIRO  
CALUMET CITY  
CANTON  
CARLINVILLE  
CASEYVILLE  
CENTRALIA  
CENTREVILLE  
CERRO GORDO  
CHENOA

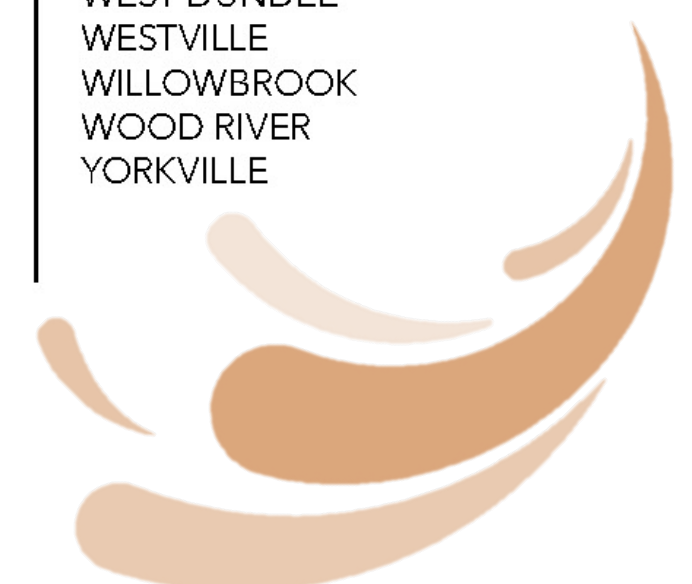
CHICAGO RIDGE  
COLLINSVILLE  
COLUMBIA  
DANVERS  
DIVERNON  
DU QUOIN  
DUPO  
EAST ALTON  
EAST DUNDEE  
EAST MOLINE  
EAST PEORIA  
EAST ST. LOUIS  
EDWARDSVILLE  
EFFINGHAM  
ELIZABETH  
ELMWOOD PARK  
ENERGY  
ERIE  
EVERGREEN PARK  
FAIRFIELD  
FAIRMONT CITY  
FAIRVIEW HEIGHTS  
FARMER CITY  
FORRESTON  
FOX LAKE  
FOX RIVER GROVE

GALESBURG  
GEORGETOWN  
GERMANTOWN HILLS  
GLEN CARBON  
GLENVIEW  
GODFREY  
GRAFTON  
GRANITE CITY  
GRANVILLE  
HAMEL  
HANNA CITY  
HARRISBURG  
HARRISTOWN  
HARTFORD  
HARVEY  
HEYWORTH  
HIGHLAND  
HILLSBORO  
HOMER  
ILLIOPOLIS  
JOLIET  
LAGRANGE PARK  
LAKE VILLA  
LEROY  
LOMBARD  
LONG GROVE

LOVES PARK  
MACHESNEY PARK  
MACKINAW  
MACON  
MADISON  
MAROA  
MARYVILLE  
MASCOUTAH  
MATTOON  
METROPOLIS  
MILLEDGEVILLE  
MILLSTADT  
MOLINE  
MONMOUTH  
MONTICELLO  
MORTON  
MORTON GROVE  
MOUNDS  
MOUNT CARROLL  
MOUNT PROSPECT  
MOUNT PULASKI  
MOUNT ZION  
MOWEAQUA  
MOWEAQUA  
NEOGA  
NEW ATHENS

NEW BADEN  
NOKOMIS  
NORRIDGE  
OAKBROOK TERRACE  
O'FALLON  
OLNEY  
PALOS HEIGHTS  
PANA  
PECATONICA  
PEKIN  
PEORIA  
PEORIA HEIGHTS  
PEOTONE  
PETERSBURG  
PINCKNEYVILLE  
POLO  
PONTIAC  
QUINCY  
RAMSEY  
RAYMOND  
RICHTON PARK  
RIVERSIDE  
ROMEOVILLE  
ROSELLE  
SALEM  
SANDOVAL

SHELBYVILLE  
SHERMAN  
SHILOH  
SKOKIE  
SOUTH ROXANA  
SPRINGFIELD  
STANFORD  
STERLING  
STOCKTON  
STREATOR  
SUGAR GROVE  
SWANSEA  
TAYLORVILLE  
TRENTON  
TROY  
VENICE  
VILLA PARK  
WARREN  
WATERLOO  
WEST DUNDEE  
WESTVILLE  
WILLOWBROOK  
WOOD RIVER  
YORKVILLE

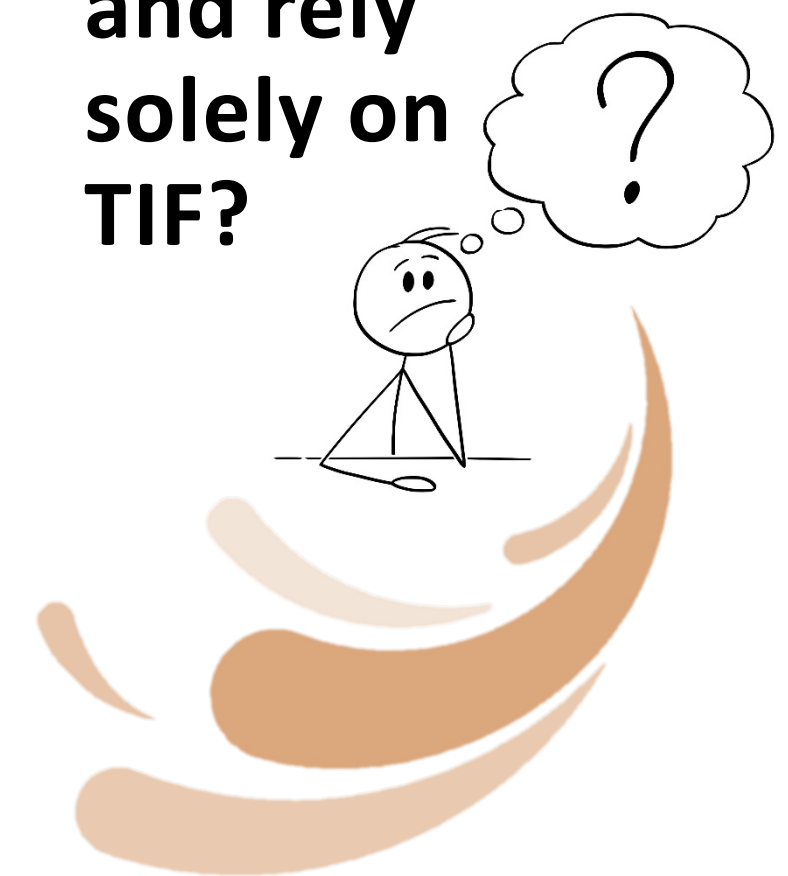






# You might be thinking...

**Why not just avoid creating a new tax and rely solely on TIF?**







### **TAX INCREMENT FINANCING DISTRICT**

**LONGER &  
MORE COMPLICATED  
TO ESTABLISH**

**OFTEN TAKES AT LEAST  
TWO YEARS TO  
GENERATE NEW FUNDS**

**OTHER TAXING BODIES  
MAY BE AFFECTED**

**NEW  
“VERTICAL CONSTRUCTION”  
IS NOT TIF ELIGIBLE**

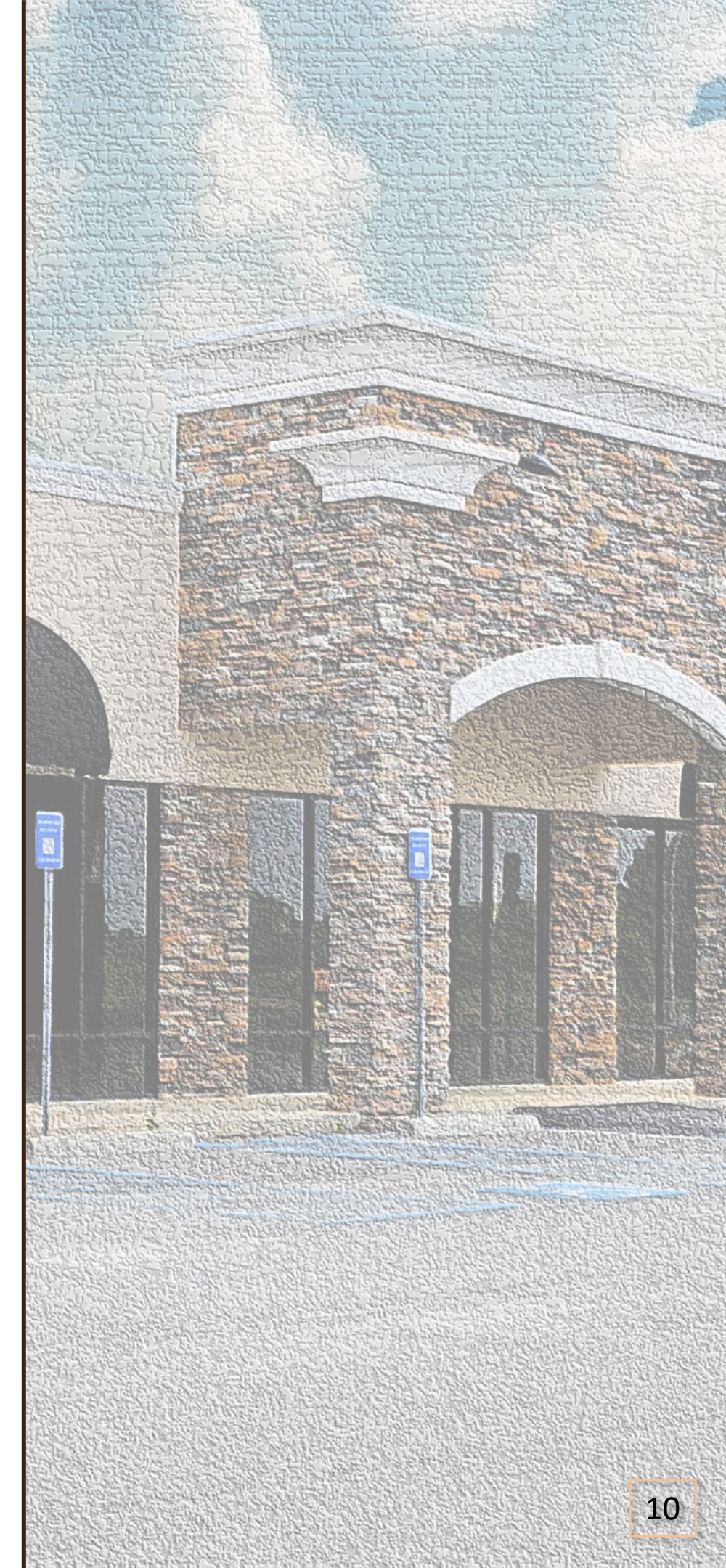
### **BUSINESS DEVELOPMENT DISTRICT**

**CAN ESTABLISH QUICKLY  
(IDOR ACCEPTS NEW BDD 2X/YR)**

**NEW FUNDS  
OFTEN GENERATED  
WITHIN A FEW MONTHS**

**INVOLVES ONLY THE  
MUNICIPALITY**

**NEW  
“VERTICAL CONSTRUCTION”  
IS BDD ELIGIBLE**





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# HOW DOES TIF & BDD COMPARE?



## SET-UP:

	TIF	BDD
IMPOSES A NEW TAX	NO	YES
TYPICAL LENGTH OF TIME TO ESTABLISH (MONTHS)	4-6	3
MAXIMUM LIFESPAN WHEN INITIALLY ESTABLISHED (YEARS)	23	23
DESIGNATED FOR A QUALIFIED REDEVELOPMENT PROJECT AREA	YES	YES
ESTABLISHMENT INVOLVES OTHER TAXING DISTRICTS	YES	NO
QUALIFYING FACTORS REQUIRED FOR CREATING REDEVELOPMENT PROJECT AREA	YES	YES
MUNICIPALITY HAS SOLE AUTHORITY TO ADMINISTER	YES	YES
ALL PRIVATE REIMBURSEMENTS MUST BE APPROVED BY WRITTEN AGREEMENT	YES	YES
ANNUAL REPORTING REQUIREMENT WITH OFFICE OF ILLINOIS COMPTROLLER	YES	NO

## STATUTORY USES OF FUNDS:

ENGINEERING, ARCHITECTURAL, LEGAL & OTHER PROFESSIONAL COSTS	YES	YES
PROPERTY ACQUISITION	YES	YES
SITE PREPARATION	YES	YES
REHABILITATION, REPAIR, & RENOVATIONS OF EXISTING STRUCTURES	YES	YES
PUBLIC WORKS, FACILITIES, & INFRASTRUCTURE	YES	YES
JOB TRAINING & RETRAINING	YES	NO
REIMBURSE FINANCING COSTS	YES	YES
CAPITAL COSTS / OTHER COSTS INCURRED BY OTHER TAXING BODIES	YES	YES
RELOCATION COSTS	YES	YES
PAYMENTS IN LIEU OF TAXES	YES	N/A
MARKETING	YES	YES
VERTICAL CONSTRUCTION COSTS OF NEW PRIVATE BUILDINGS	NO	YES
MUNICIPALITY MAY PLEDGE REVENUE FUNDS FOR DEBT SERVICE	YES	YES



# TIF & BDD Funds can be used to reimburse private redevelopment costs in a variety of ways.



Redevelopment agreements may include a combination of these approaches too.

Some form of written redevelopment agreement that is approved by municipal resolution or ordinance is required by law. Always.



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**BLENDING TIF & BDD TOGETHER.**

A single redevelopment agreement can include both TIF and BDD incentives.



**EXAMPLE TIF DISTRICT & BDD PROJECTIONS**

**COMMERCIAL-RETAIL PROJECT**

TIF FORMED: 2015 / BDD FORMED: 9/3/19

Developer Reimbursements: 75% Net TIF + 75% Business District Sales Tax

Calendar Year of Receipts	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Real Estate Tax Increment (RETI)			<i>Built</i>	<i>Assessed</i>	\$121,385	\$124,420	\$127,531	\$130,719	\$133,987	\$137,336	\$140,770
School Share & Project Share of Admin					\$30,346	\$31,105	\$31,883	\$32,680	\$33,497	\$34,334	\$35,192
Net Real Estate Tax Increment					\$91,039	\$93,315	\$95,648	\$98,039	\$100,490	\$103,002	\$105,577
Business District (BDD) Sales Tax				\$146,210	\$146,210	\$146,210	\$146,210	\$146,210	\$146,210	\$146,210	\$146,210
<b>Total Net RETI &amp; BDD Tax Available</b>				<b>\$146,210</b>	<b>\$237,249</b>	<b>\$239,525</b>	<b>\$241,858</b>	<b>\$244,249</b>	<b>\$246,700</b>	<b>\$249,212</b>	<b>\$251,787</b>
Developer's Share of Net RETI & BDD				\$109,658	\$177,937	\$179,644	\$181,393	\$183,187	\$185,025	\$186,909	\$188,841
Cumulative Developer Share				\$109,658	\$287,594	\$467,238	\$648,631	\$831,818	\$1,016,843	\$1,203,753	\$1,392,593
Village's Share of Net RETI & BDD Tax				\$36,553	\$59,312	\$59,881	\$60,464	\$61,062	\$61,675	\$62,303	\$62,947
Cumulative Village Share				\$36,553	\$95,865	\$155,746	\$216,210	\$277,273	\$338,948	\$401,251	\$464,198

Calendar Year of Receipts	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	TOTALS
Real Estate Tax Increment (RETI)	\$144,289	\$147,896	\$151,594	\$155,384	\$159,268	\$163,250	\$167,331	\$171,514	\$0	\$0	\$0	<b>\$2,176,674</b>
School Share & Project Share of Admin	\$36,072	\$36,974	\$37,898	\$38,846	\$39,817	\$40,812	\$41,833	\$42,879	\$0	\$0	\$0	<b>\$544,168</b>
Net Real Estate Tax Increment	\$108,217	\$110,922	\$113,695	\$116,538	\$119,451	\$122,437	\$125,498	\$128,636	\$0	\$0	\$0	<b>\$1,632,505</b>
Business District (BDD) Sales Tax	\$146,210	\$146,210	\$146,210	\$146,210	\$146,210	\$146,210	\$146,210	\$146,210	\$146,210	\$146,210	\$97,473	<b>\$2,729,253</b>
<b>Total Net RETI &amp; BDD Tax Available</b>	<b>\$254,427</b>	<b>\$257,132</b>	<b>\$259,905</b>	<b>\$262,748</b>	<b>\$265,661</b>	<b>\$268,647</b>	<b>\$271,708</b>	<b>\$274,846</b>	<b>\$146,210</b>	<b>\$146,210</b>	<b>\$97,473</b>	<b>\$4,361,759</b>
Developer's Share of Net RETI & BDD	\$190,820	\$192,849	\$194,929	\$28,809	\$0	\$0	\$0	\$0	\$0	\$0	\$0	<b>\$2,000,000</b>
Cumulative Developer Share	\$1,583,413	\$1,776,262	\$1,971,191	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	
Village's Share of Net RETI & BDD Tax	\$63,607	\$64,283	\$64,976	\$233,939	\$265,661	\$268,647	\$271,708	\$274,846	\$146,210	\$146,210	\$97,473	<b>\$2,361,759</b>
Cumulative Village Share	\$527,804	\$592,087	\$657,064	\$891,003	\$1,156,664	\$1,425,311	\$1,697,019	\$1,971,865	\$2,118,075	\$2,264,285	\$2,361,759	

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Real Estate Assumptions	
Total Projected Market Value	\$5,000,000
Projected Taxable Value <sup>1</sup>	\$1,666,667
TIF Base EAV	\$367,260
Real Estate Tax Increment	\$121,385

BDD Sales Tax Assumptions	
Total New Annual Retail Sales	\$14,621,000
1% BDD Sales Tax	\$146,210

Variables	
Inflation Rate	2.5%
Total Tax Rate (2021)	9.34160%
School & Admin. Share	25%
Developer Share of Net RETI <sup>2</sup>	75.00%
Developer Share of BDD Sales Tax <sup>2</sup>	75.00%

**Total Est. TIF Eligible Project Costs: \$2,000,000**  
**Developer Reimb as % of Total Costs: 100%**

<sup>1</sup> Note: EAV is estimated and subject to change by Developer verifying actual taxable value with local Township Assessor.

<sup>2</sup> Note: Final incentives are subject to written redevelopment agreement approved by Village Ordinance.

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## BLENDING TIF & BDD TOGETHER.

All reimbursements of TIF & BDD funds paid pursuant to written agreement and in return for verified eligible project costs!



# Reimbursement Process

TO RECEIVE TIF AND BDD INCENTIVES

**STEP 1:** Apply and request assistance.



**STEP 2:** Negotiate written agreement.



**STEP 3:** Verify eligible project costs.



**STEP 4:** Receive reimbursement(s).



