

2023 Illinois Municipal League Conference Annual Conference
September 22, 2023 (Hilton Chicago Hotel – 720 S. Michigan Avenue, Chicago, IL)

TAX INCREMENT FINANCING *and Your Community*

Presented by

Herb Klein, President, Jacob & Klein, Ltd.
Steve, Kline, President, The Economic Development Group, Ltd.
Scott Niehaus, Village Manager, Village of Lombard, Illinois



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Jacob & Klein, Ltd

Economic Development Law

Negotiate agreements, prepare documents and provide legal opinions.

The Economic Development Group, Ltd.

Economic Development Consulting

Provide technical assistance and administrative support to local officials and developers.



We Help Municipalities

Unravel the complexities of economic development opportunities, so community leaders may make better, more informed decisions.



Population: 44,476



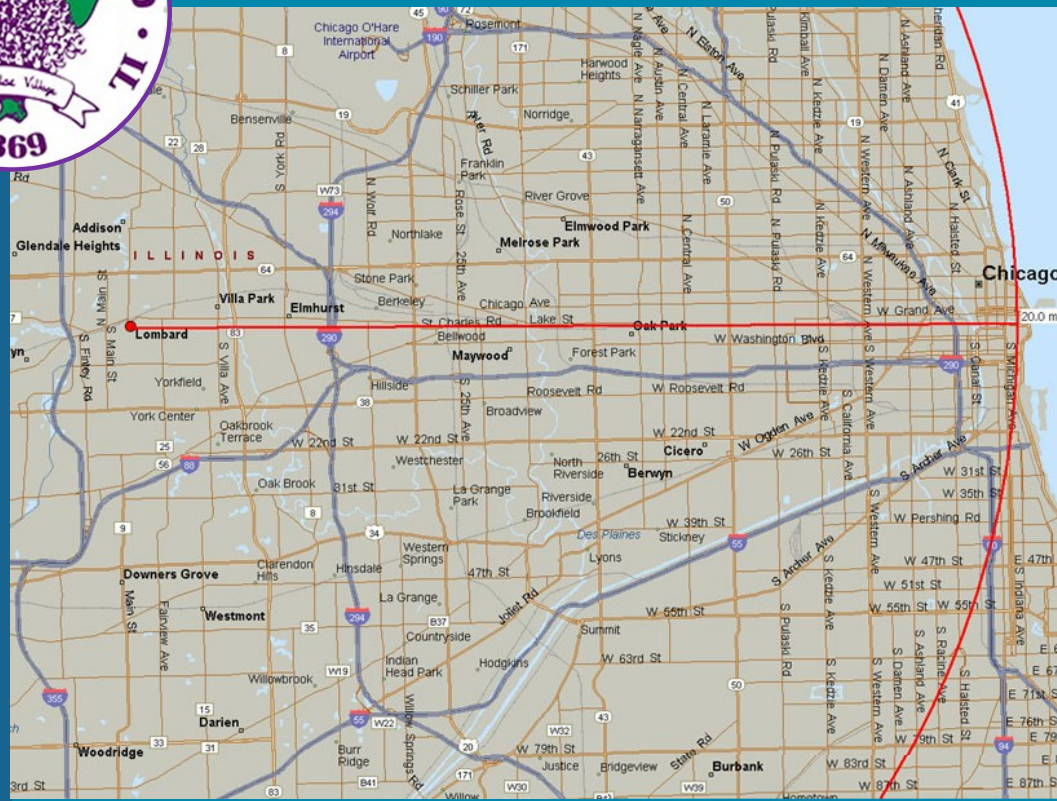
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Website: www.villageoflombard.org



"Each year during Lilac Time, about the first two weeks of May, Lilacia Park in Lombard, IL is visited by residents, and guests from near and far. The 8.5 acre park is fragrant with flowering lilac bushes, 75,000 tulips and other spring-flowering plantings. Lilacia Park is the focal point for residents and visitors alike during Lilac Time as well as throughout the changing seasons."





**Make things as simple as possible,
but no simpler.**

Albert Einstein

**...but
TIF
is often
misunderstood
and often
generates
a lot of
questions.**



Why TIF?

“Tax Increment Financing may be the **most widely used** local government program for financing economic development in Illinois.”

✓ Most effective economic development tool for:

- Improving deteriorated and blighted property conditions
- Repairing inadequate public infrastructure
- Stimulating new private investment
- Revitalizing downtowns
- Rehabilitating residential properties & neighborhoods
- Redeveloping commercial and industrial properties for retaining and creating job opportunities
- Expanding a stagnant real estate tax base

✓ Illinois Supreme Court in *Canton v. Crouch*, 79 Ill. 2d 356 (1980):

“Stimulation of economic growth and removal of economic stagnation are also objectives which enhance the public [good].”

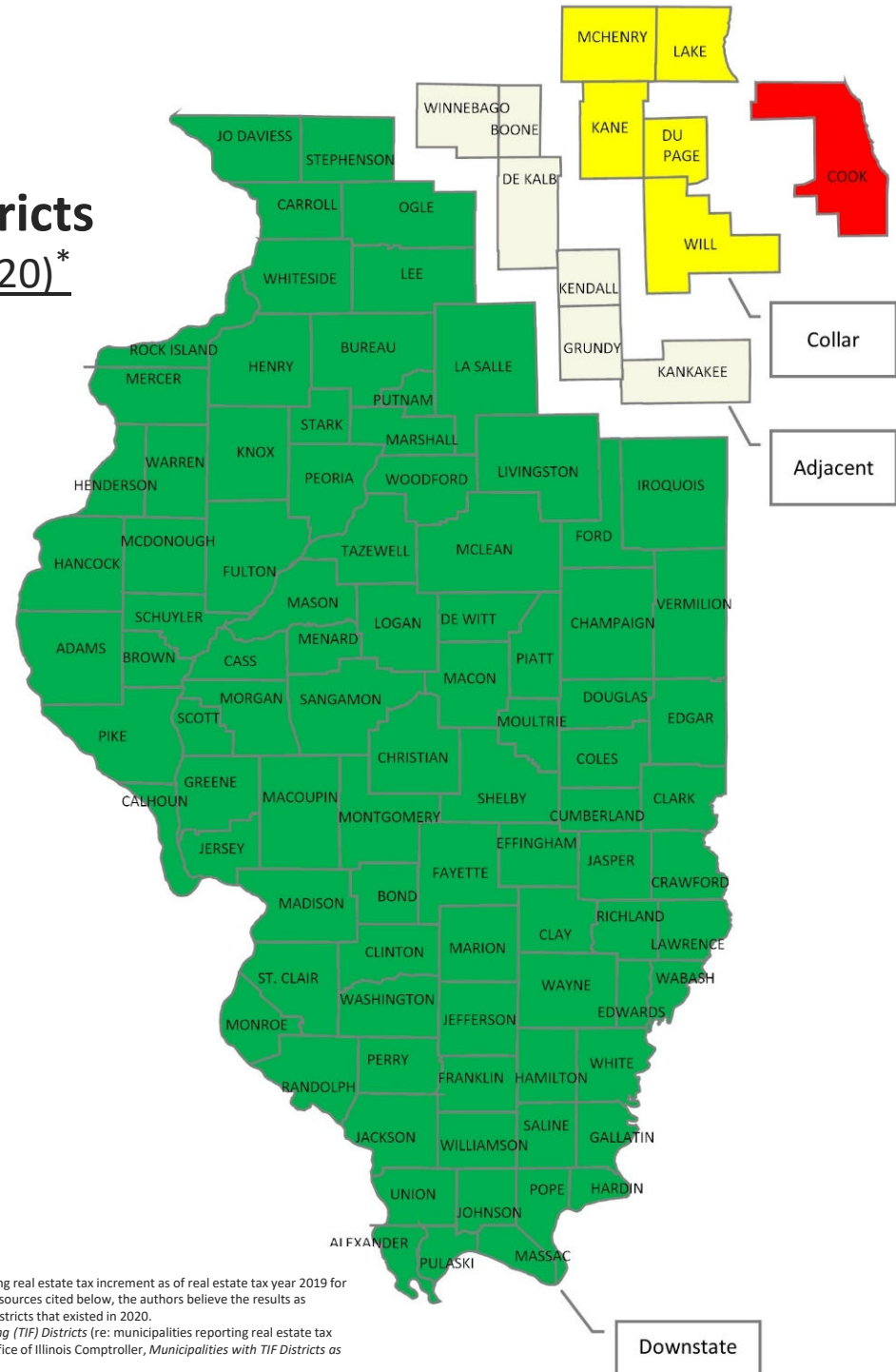


Where is TIF used in Illinois?

“Tax Increment Financing is an essential tool for stimulating new private investment and economic development throughout Illinois.”

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.

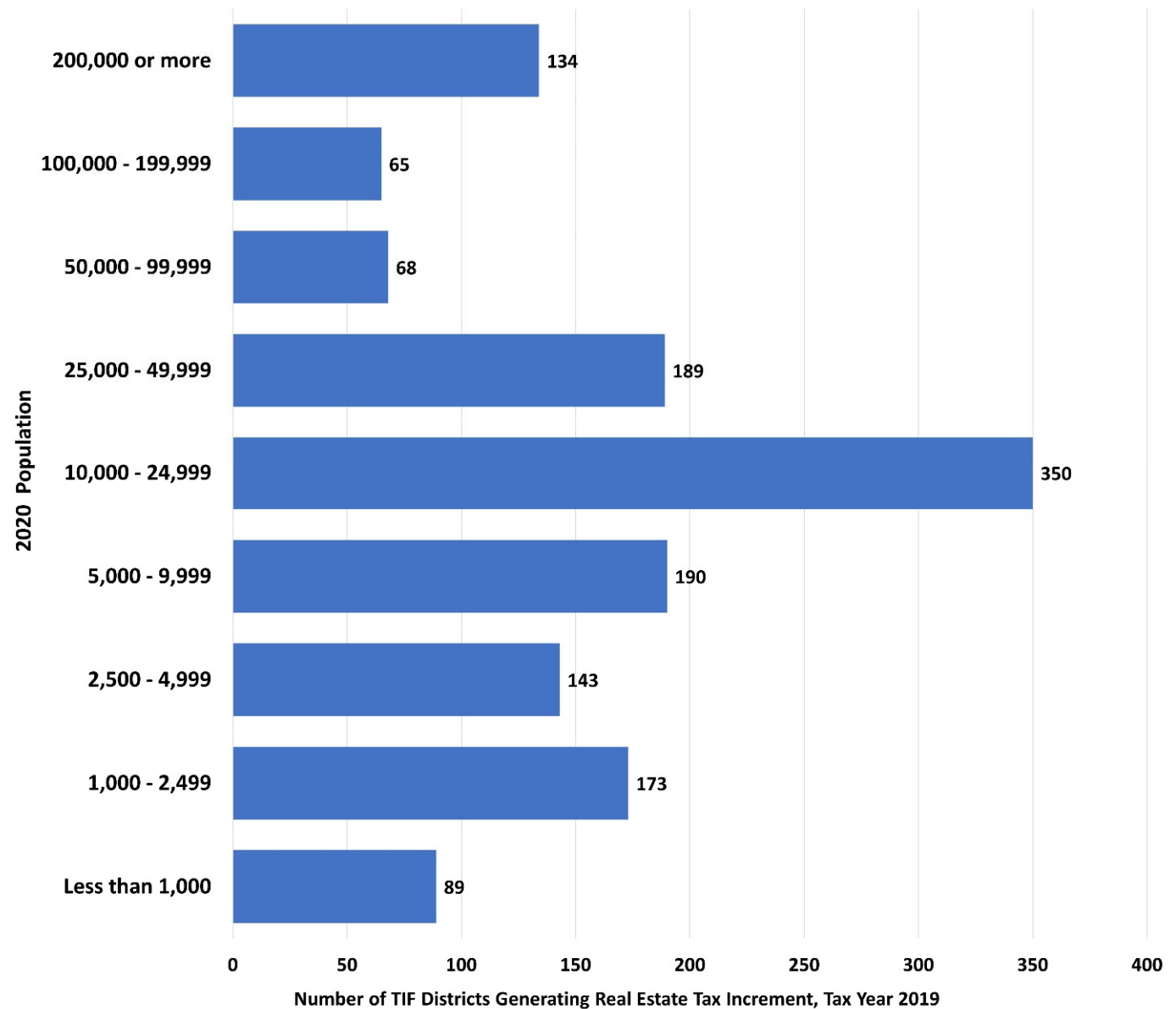
Data Sources: Illinois Department of Revenue, *Table 14A – Tax Increment Financing (TIF) Districts* (re: municipalities reporting real estate tax increment during FY2021 / tax Year 2019 for real estate taxes payable in 2020); Office of Illinois Comptroller, *Municipalities with TIF Districts as of August 26, 2020*.

Summary analysis compiled by The Economic Development Group, Ltd., 1701 Clearwater Ave., Bloomington, Illinois (www.tifillinois.com).

Does TIF work for any size town?

“Tax Increment Financing is vital to municipalities of all population sizes.”

Distribution of 1,401 TIF Districts in Illinois by Municipal Population Range in 2020



Notes

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*; U.S. Bureau of the Census – 2020. Summary analysis compiled by The Economic Development Group, Ltd., 1701 Clearwater Ave., Bloomington, Illinois (www.tifillinois.com).

How much TIF revenue is generated?

“85% of

Real Estate Tax Increment was generated by municipalities located in Cook County & its Collar & Adjacent Counties.”

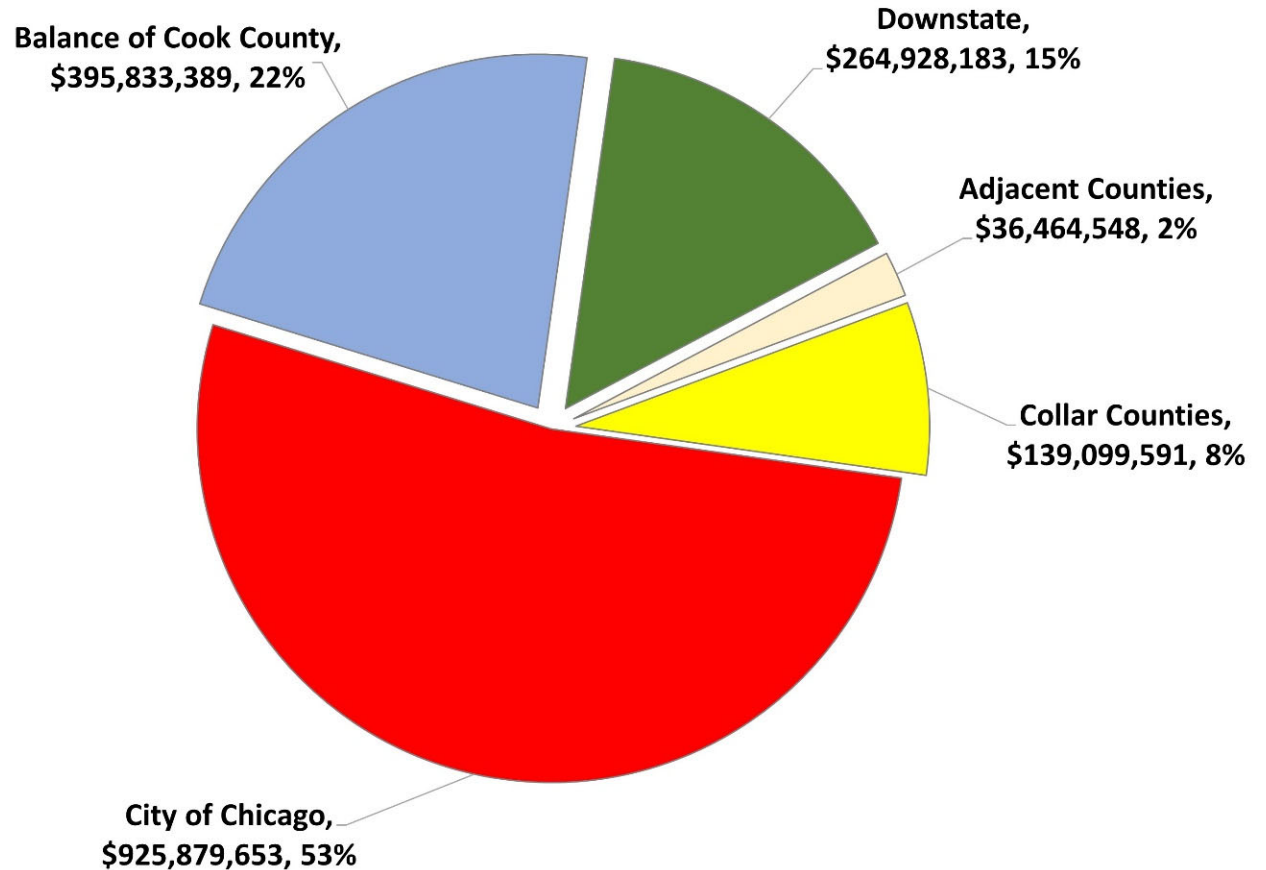
“53% of

Real Estate Tax Increment was generated within the City of Chicago.”

“15% of

Real Estate Tax Increment was generated by municipalities located in 85 Downstate Counties.”

Total TIF Real Estate Tax Increment Generated In Illinois Tax Year 2019



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 by region, as well as a reasonable estimate of total real estate tax increment reported for tax year 2019. 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 Cook County Clerk, *Abstract of Valuations, Levies, Tax Rates, and Tax Extensions, Tax Year 2019*. Summary analysis compiled by The Economic Development Group, Ltd., 1701 Clearwater Ave., Bloomington, Illinois (www.tifillinois.com).

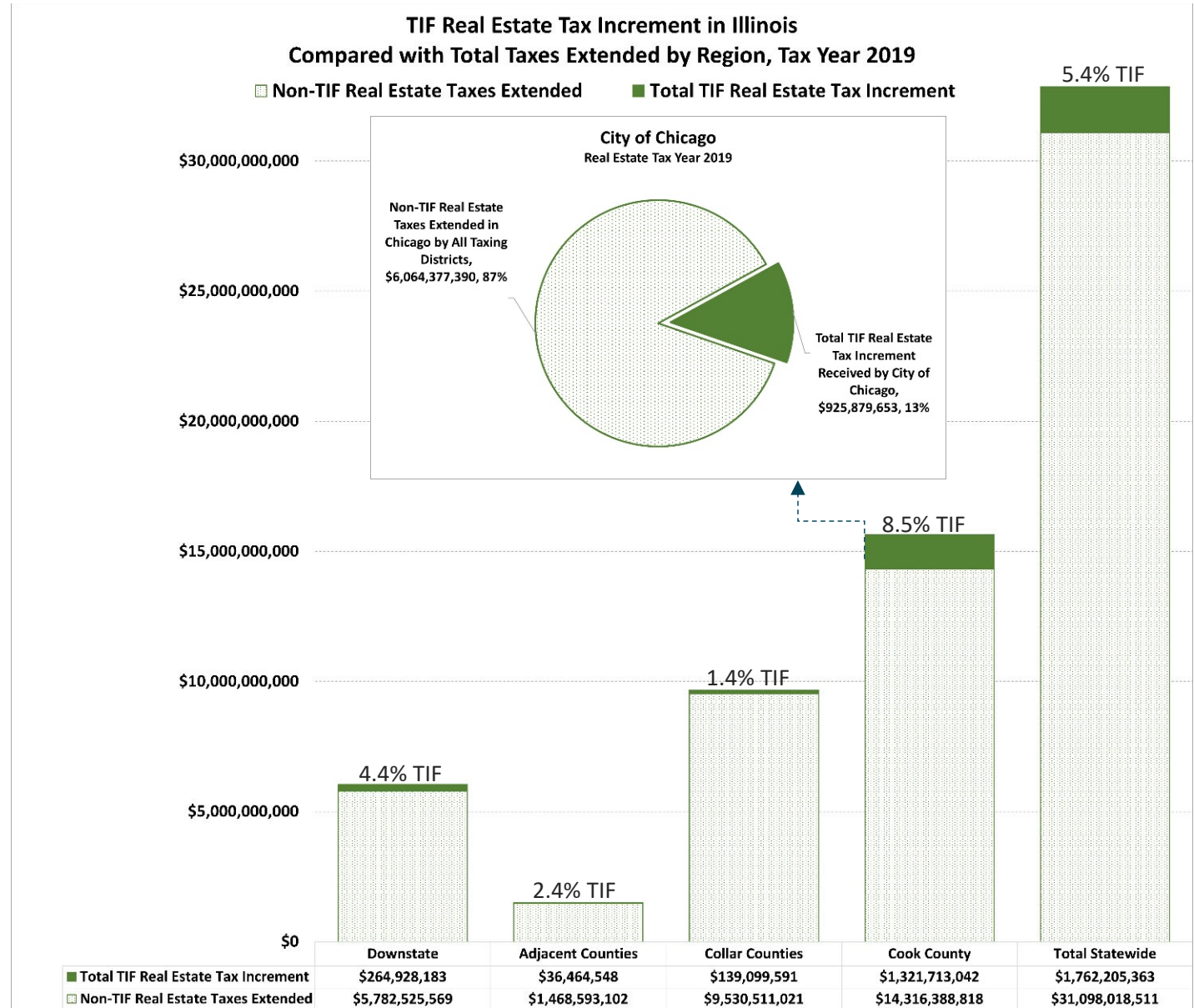
How does TIF fit in?

When combining TIF and Total Real Estate Taxes Extended for tax year 2019...

“TIF accounted for just **5.4%** of Statewide Real Estate Tax Revenue for tax year 2019.”

“**13%** of Total Real Estate Tax Revenue received by Chicago was TIF Increment.”

“TIF accounted for just **4.4%** of total Real Estate Tax Revenue Downtstate.”



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 by region, as well as a reasonable estimate of total real estate tax increment reported for tax year 2019. TIF Increment is reallocated (separately) on the incremental increase in equalized assessed valuation multiplied by the same total real estate tax rate applied to real estate taxes extended per amounts levied by applicable taxing districts. 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) and *Table 1—2020 Comparison of EAV and Taxes Extended, 2019 to 2020*; Office of Cook County Clerk, *Abstract of Valuations, Levies, Tax Rates, and Tax Extensions, Tax Year 2019*; Office of Cook County Clerk, *Agency Tax Report, City of Chicago, Tax Year 2019*; Office of Cook County Clerk, *2019 Cook County Tax Rates Released (Property Tax Snap Shot for Tax year 2019 Compared to Tax Year 2018)* published June 20, 2020. Summary analysis compiled by The Economic Development Group, Ltd., 1701 Clearwater Ave., Bloomington, Illinois (www.tifillinois.com).

How does TIF work?



Real Estate Tax Increment (TIF)

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



Annual Increases in EAV

if any, is multiplied by the total real estate tax rate applicable to that area



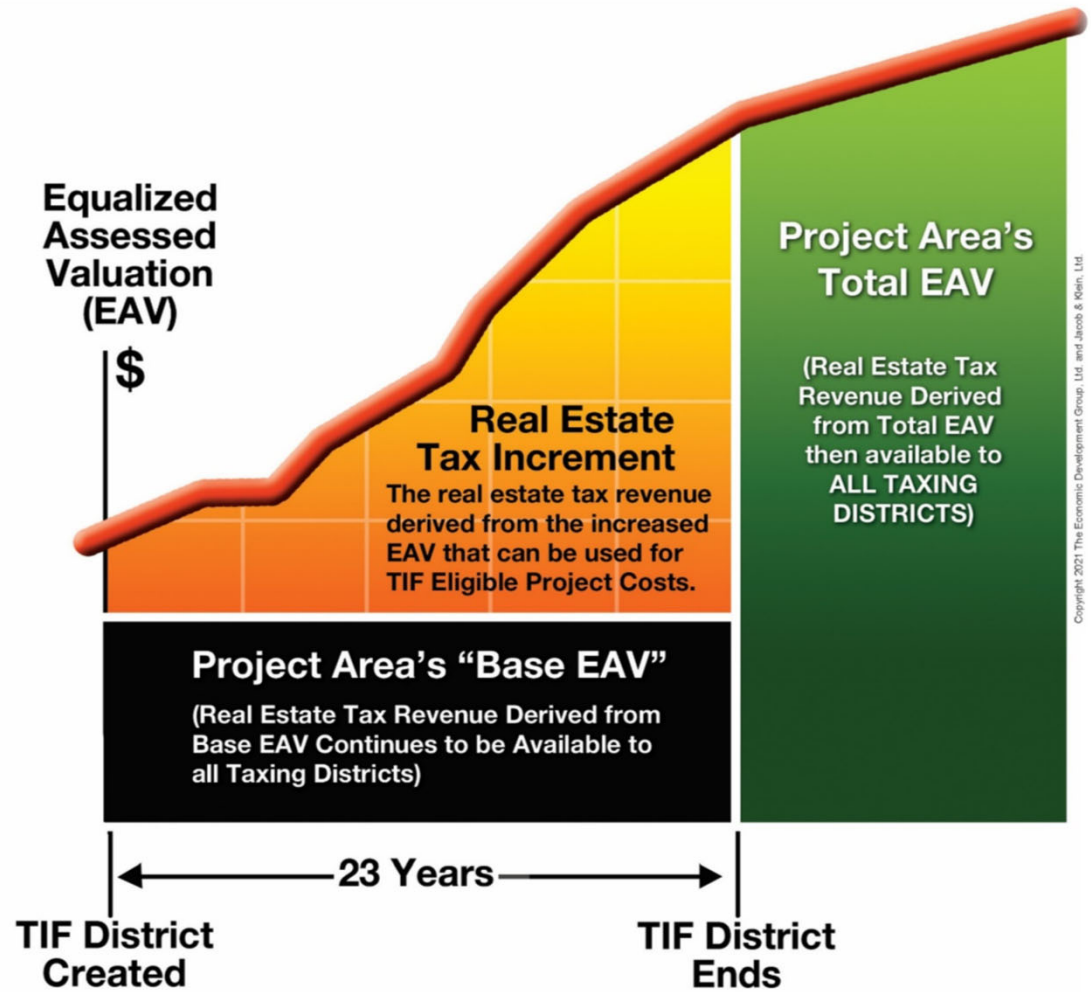
County Officials

re-allocate and send TIF real estate tax increment for deposit to municipality's Special Tax Allocation Fund (TIF Fund)



All Taxing Bodies

Benefit from the growth that occurs within the redevelopment project area after projects are completed and the TIF District ends



THE SAME TIF CONCEPT APPLIES EVERYWHERE

**PEORIA COUNTY COLLECTOR
NICOLE BJERKE
PO BOX 1925
PEORIA IL 61656-1925**

2020 REAL ESTATE TAX BILL

**Office Hours 8:30am - 5:00pm M-F
treasurer@peoriacounty.org
Phone: 309-672-6065**

Parcel Number 14-22-455-008
Township Richwoods

Your Township Collector is:
Peter E Pfaff
4901 N. Prospect Rd.
Peoria Heights, IL 61616

Legal Description
SE 1/4 SEC 22-9-8E (824-199 & 89-15825) BEG N LN SCIOTA AVE AS ORIG PLATTED 141' E OF E LN PROSPECT AVE: TH E 185' NE 33.3' NE OF N LN SD SCIOTA AV E E 16' S 211.66' TO POB; ALSO N 20' VAC SCIOTA AVE S & ADJ
SE 1/4 SEC 22-9-8E (824-199 & 89-15825) BEG N LN SCIOTA AVE AS ORIG PLATTED 141' E OF E LN PROS

Site Address
4416 N PROSPECT RD
PEORIA HEIGHTS IL 61616

Owner Name

1st Due Date **06/08/2021** 2nd Due Date **09/08/2021**
Amount **\$37,879.14** Amount **\$37,879.14**

Mailing Address

DUPLICATE
77678

Tax Code	218
Tax Computation	
Fair Prop. Value	2,335,040
Total Value	778,270
HIE Exemption -	0
State Multiplier x	1.0000
State Equalized =	778,270
Senior Freeze Expt -	0
Owner Occ. Expt -	0
Senior Expt -	0
Frat. / Vet. Expt -	0
Dis Vet Homestd -	0
Dis Person Expt -	0
Returning Vet Expt -	0
Net Taxable Value =	778,270
Tax Rate x	9.73419
EZ Abatement -	0.00
Current Tax =	\$75,758.28
Fees/Liens/SSA +	\$0.00
Total Tax Due =	\$75,758.28

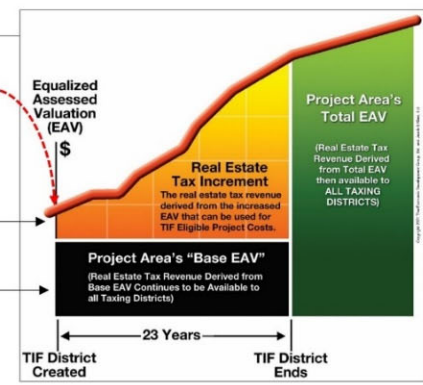
Taxing Body	Prior Year Rate	Prior Year Tax	Current Rate	Current Tax	Pension Amount
PEORIA COUNTY	0.82410	\$529.74	0.82410	\$529.72	\$125.34
PEORIA COUNTY SOIL & WATER	0.00039	\$0.25	0.00043	\$0.28	\$0.00
I C C J C #514	0.48714	\$313.13	0.48847	\$313.99	\$4.78
GREATER METRO AIRPORT AUTH	0.21617	\$138.95	0.22031	\$141.62	\$1.11
GREATER PEORIA M T D	0.27992	\$179.93	0.27164	\$174.61	\$56.68
GREATER PEO SAN DIST	0.00000	\$0.00	0.00000	\$0.00	\$0.00
PEO HTS PUBLIC LIBR	0.56425	\$362.70	0.57330	\$368.52	\$29.69
PLEASURE DRIVEWAY PKD	0.83695	\$537.99	0.82761	\$531.99	\$51.70
RICHWOODS TWP	0.18651	\$119.89	0.18843	\$121.12	\$6.64
PEORIA HTS	0.53099	\$341.32	0.55284	\$355.37	\$270.47
VILLAGE OF PHTS SSA NO.1	0.00000	\$0.00	0.00000	\$0.00	\$0.00
PEO HTS CUSD #325	5.76776	\$3,707.52	5.78706	\$3,719.92	\$154.66
PEORIA HEIGHTS TIF DISTRICT 1	0.00000	\$70,755.88	0.00000	\$69,501.14	\$0.00
Totals	9.69418	\$76,987.30	9.73419	\$75,758.28	\$701.07

TIF
is Not a
Taxing
District



Look closely, no tax rate for TIF, which is merely a re-allocation of this total tax bill after EAV increased \$713,990.

Total Taxable Value now = \$778,270
TIF Base EAV for this Project = \$64,280
Incremental EAV Increase = \$713,990



What does a \$714,000 EAV increase look like?

Before



Historic former bicycle factory was severely deteriorated and TIF Base EAV = \$64,280



After



Trefzger's Bakery, Peoria Heights, IL Increased EAV by \$713,900 and new Taxable EAV = \$778,270



Can TIF Funds can be combined with other funding sources?

Yes, and 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.

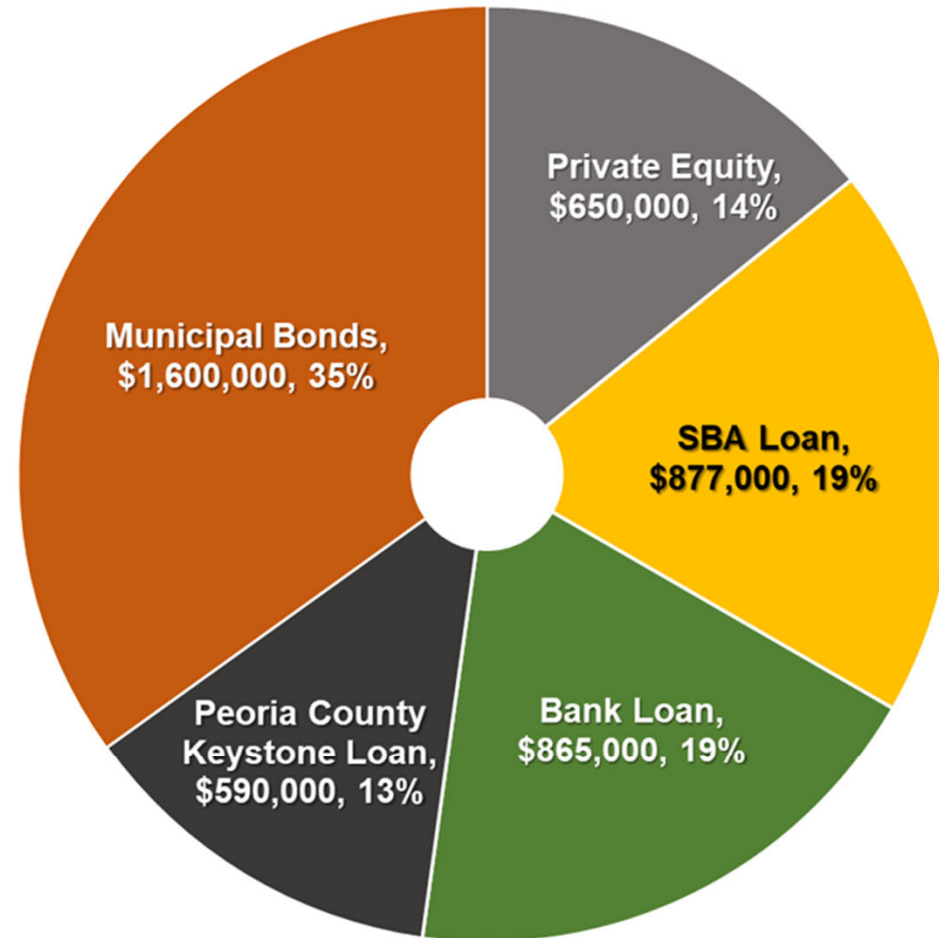


THE TREFZGER'S DEAL NEEDED TIF TO FILL A GAP

Municipal Bonds

- Negotiated/Private Placement with local Bank
- TIF Increment (soft pledge)
- Sales Tax (soft pledge)
 - Local 1.0%
 - Home Rule tax 1.5%
 - Food & Beverage Tax 2.0%
 - Bus. Dev. District Tax of 1.0%
- Special Service Area Tax
- Subordinated Mortgage
- G.O. Backed

Funding Structure



“Multi-Source Financing” is necessary for Private Redevelopment Projects.

What can TIF Funds be used for?

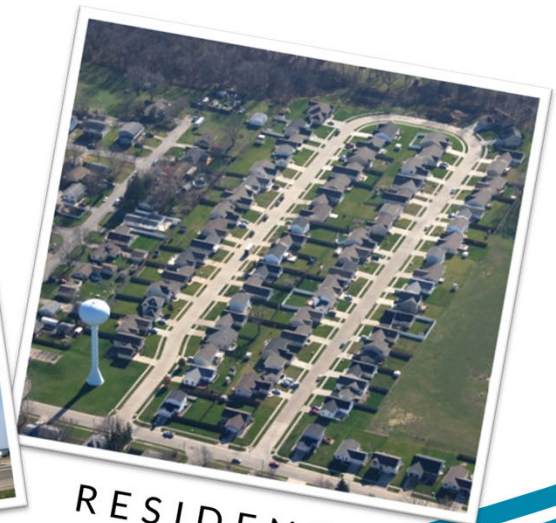
- Studies, surveys, planning costs.
- Professional services such as architectural, engineering, accounting and legal fees.
- Property assembly costs including land acquisition, demolition and site preparation.
- Rehab, renovation and repairs to existing structures within the TIF District redevelopment project area
- All public works and infrastructure costs.
- Financing costs.



INDUSTRIAL



COMMERCIAL



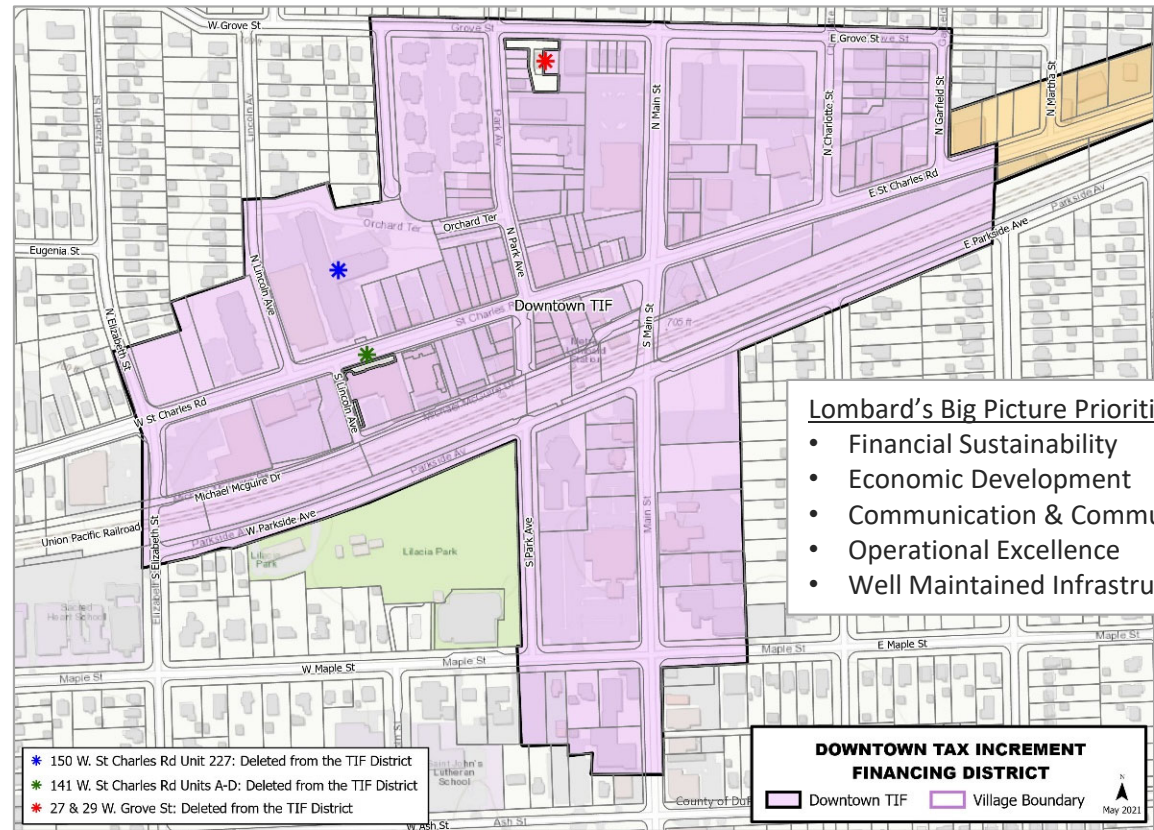
RESIDENTIAL

How is a TIF District Redevelopment Project Area determined?

✓ What are the municipality's goals & objectives?

✓ Which areas need public infrastructure to help stimulate new private investment?

✓ Where is new redevelopment likely to occur with TIF assistance?



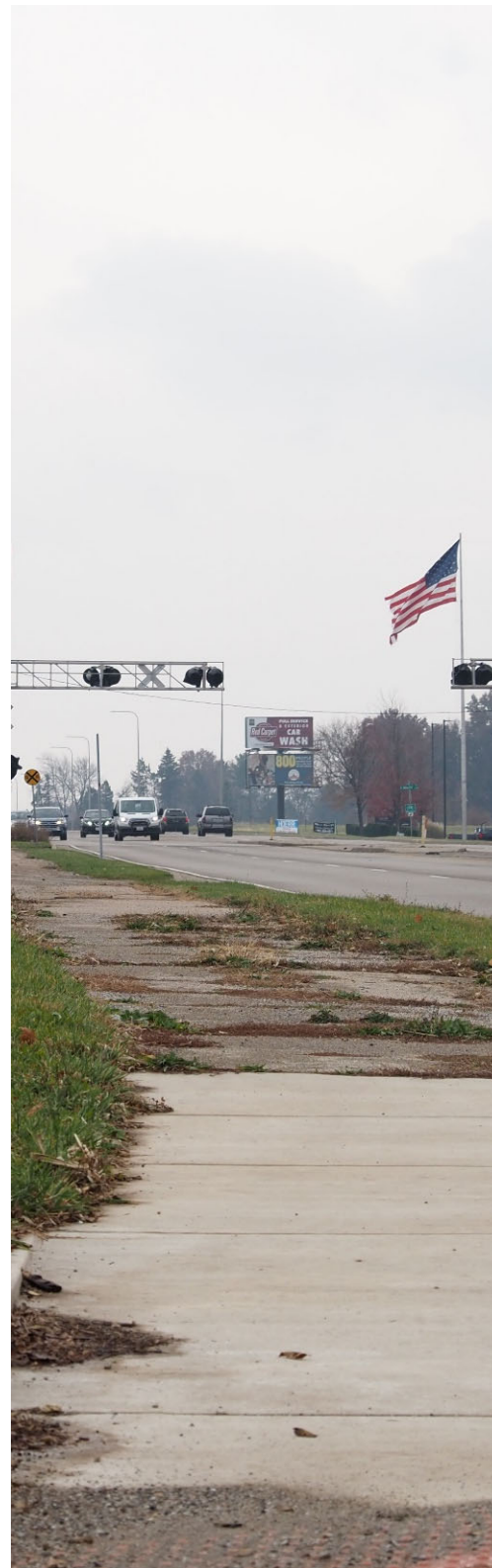
TIF Redevelopment Project Areas must be contiguous and at least 51% of the Area exhibits characteristics of deteriorated and/or blighting conditions which are present to a meaningful extent and distributed throughout the Proposed Redevelopment Project Area.

TIF BEGINS WITH DEFINING A QUALIFIED REDEVELOPMENT PROJECT AREA

BLIGHTING FACTORS IMPROVED PROPERTIES

Examples: dilapidation; deterioration; obsolescence; code violations; illegal uses; excess vacancies; inadequate utilities/sanitary facilities; overcrowding, deleterious uses; EPA sites; deteriorated public infrastructure; lack of planning; and declining/lagging assessed valuation.

A "Blighted Area" means five (5) or more qualifying characteristics are found to be present.





CONSERVATION AREAS

If 50% or more of structures are 35 yrs. of age or older, then a "Conservation Area" requires findings of three (3) or more qualifying characteristics.





BLIGHTING FACTORS VACANT PROPERTIES

Examples: deterioration of adjacent properties; obsolete platting; EPA site; tax delinquencies; diversity of ownership; declining/lagging assessed valuation; unused quarry, mine, or strip mine pond; unused railroad right-of-way; disposal site; blighted before becoming vacant; flooding/drainage; and unemployment.

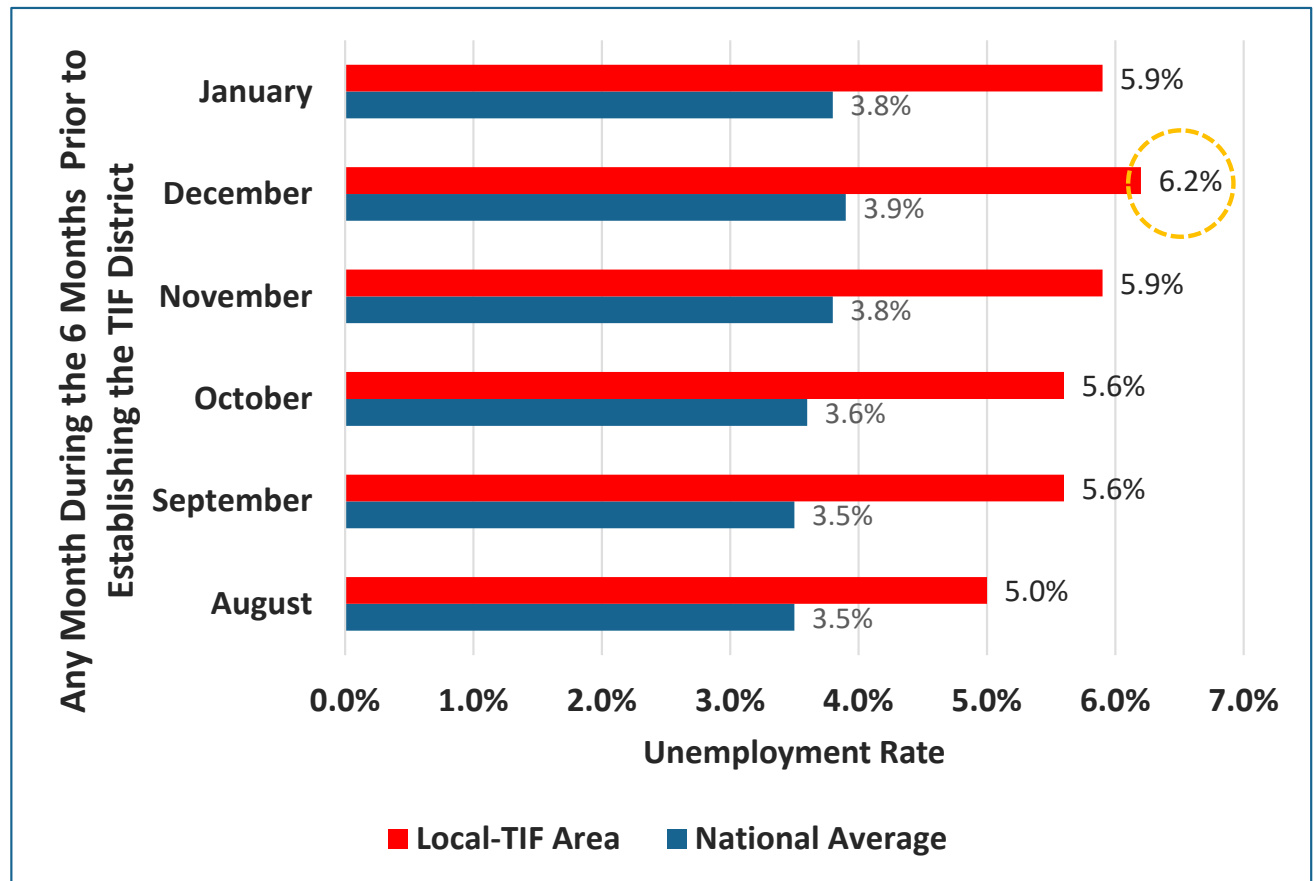
VACANT LAND MAY ALSO QUALIFY AS AN INDUSTRIAL PARK CONSERVATION AREA



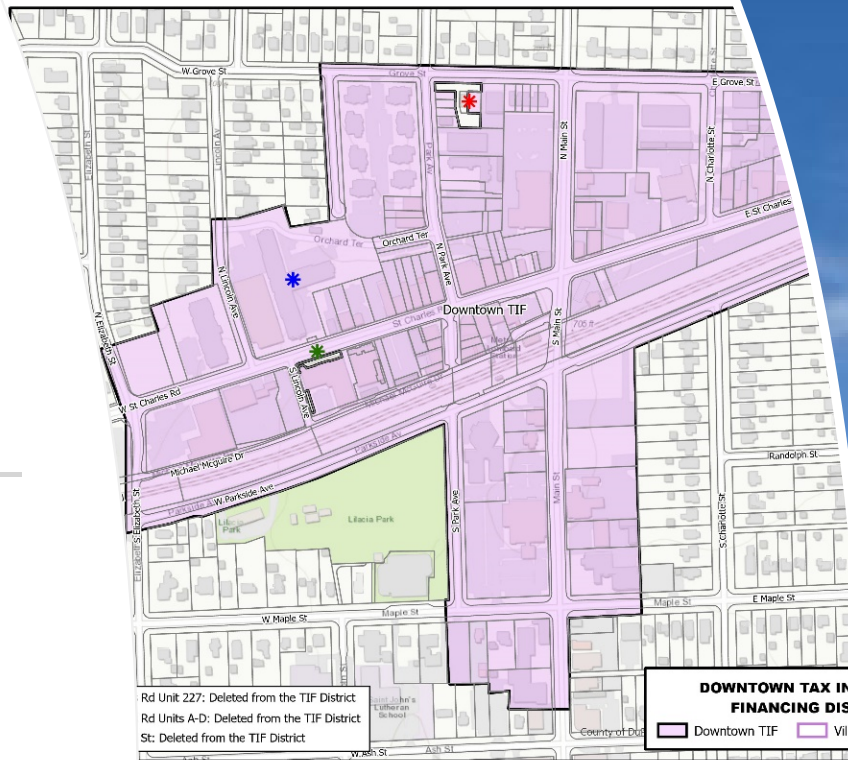
Unemployment Rate is above 6% and is also 100% of National Average Unemployment during the Six (6) Months prior to Establishing TIF District



Zoned Industrial
Area within or annexed to the municipality that is zoned for industrial use no later than at the time the municipality designates the TIF Redevelopment Project area by ordinance

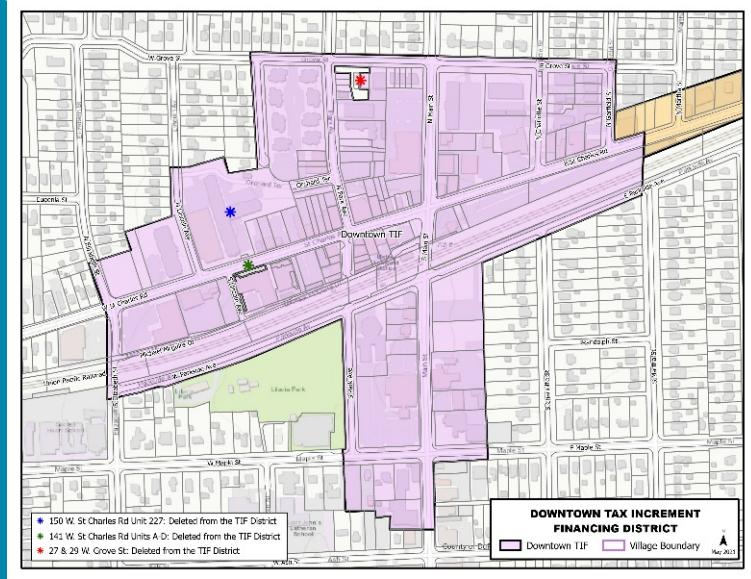


A lot has changed in Downtown Lombard since 1989!

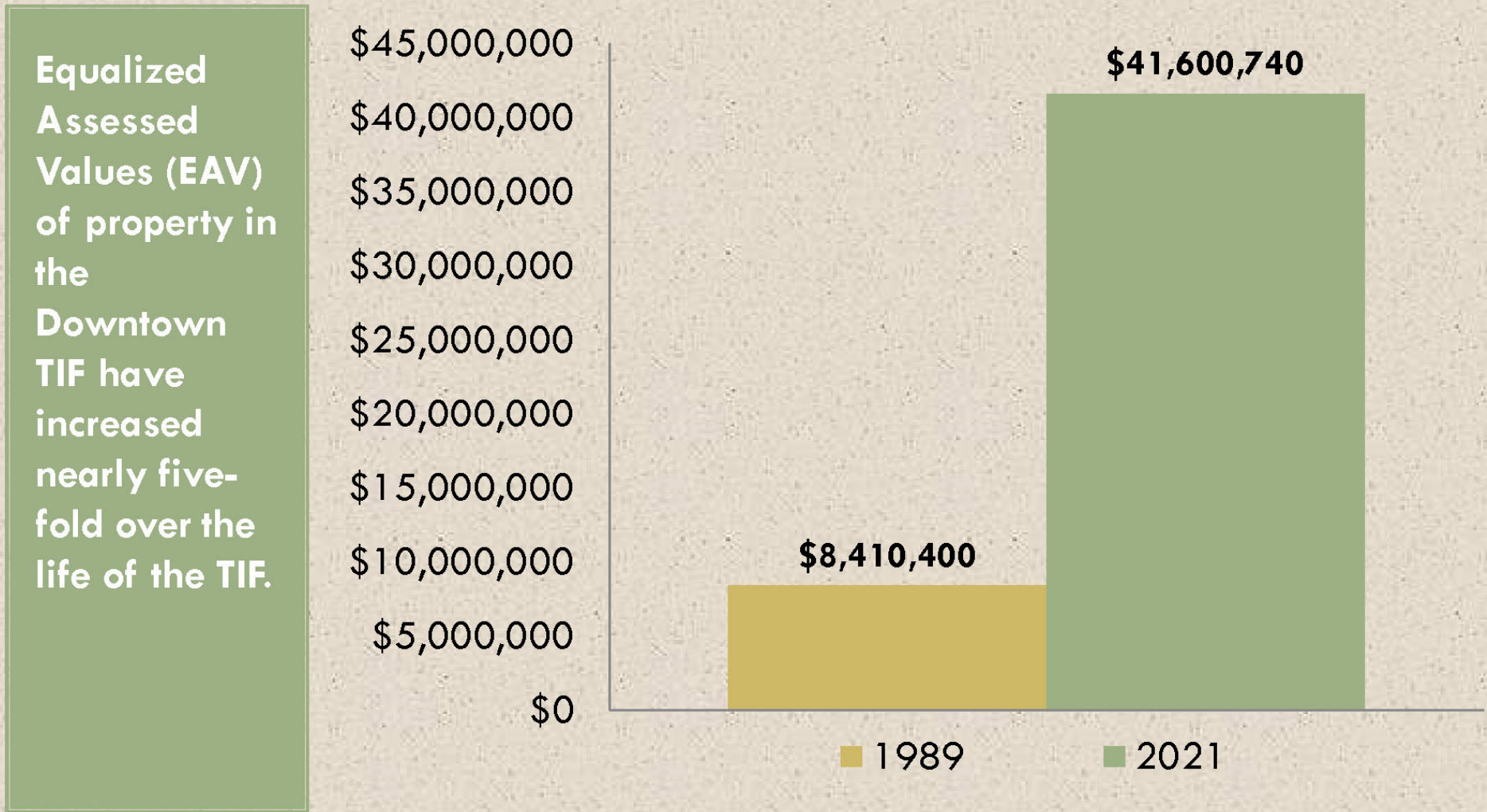


“Lombard ‘aced’ the BUT-FOR-TIF concept!”





Village of Lombard Downtown TIF District Growth in Equalized Assessed Valuation, 1989-2021



Is it OKAY to work with OTHER TAXING BODIES?

YES, it is.

Myths and misconceptions have persisted over the years to suggest it is somehow inappropriate for municipalities to use TIF cooperatively with school districts and other units of local government. Those opinions are based on poor information.



Legal Authority

Several statutes help enable municipalities to mitigate impacts of TIF on other taxing bodies



Multiple Methods Available

Numerous approaches are already available for using TIF Funds to encourage cooperation among local stakeholders



LEGAL AUTHORITY FOR USING TIF TO COOPERATE WITH OTHER TAXING BODIES

TIF ACT

65 ILCS 5/11-74.4 *et. seq.*

- ❑ **Reimburse Capital Costs** which are reasonable and necessary costs incurred or to be incurred that are incidental to and in furtherance of the objectives of a TIF redevelopment plan and project

See Section 5/11-74.4-3(q)

- ❑ **Make and Enter Into All Contracts** with property owners, developers, tenants, overlapping taxing districts, and others necessary or incidental to the implementation and furtherance of its redevelopment plan and project

See Section 5/11-74.4(b)

INTERGOVERNMENTAL COOPERATION ACT

IL Compiled Statutes
Ch. 5 Sect. 220/1 *et. seq.*

- ❑ The 1970 **Illinois Constitution**, Article VII, Section 10, and the Illinois Compiled Statutes, Ch. 5 Section 220/1 *et. seq.* provide legal authority for **intergovernmental privileges** and authority to be enjoyed jointly by school districts and municipalities as well as other public bodies politic

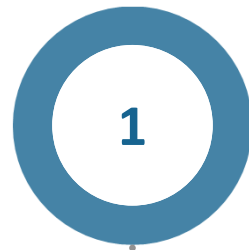
EXPENSES FOR ECONOMIC DEVELOPMENT ACT

IL Compiled Statutes
Section 5/8-1-2.5

- ❑ Section 5/8-1-2.5 of the Municipal Code allows a municipality to **appropriate and expend funds for economic development** purposes, including, without limitation for commercial enterprises that are deemed necessary or desirable for the promotion of economic development within the community



METHODS FOR TIF TO COOPERATE WITH OTHER TAXING BODIES



Design TIF Plan

Incorporate thoughtful impact analysis into TIF Plan and anticipate some future assistance to other taxing bodies



Count New Kids

Refer to default method in TIF Act as amended to reimburse schools a portion of TIF Funds for a "net increase" in student enrollment attributable to a TIF project(s)



Pay Capital Costs

Design an appropriate method or formula for determining an annual amount to reimburse for capital costs incurred or to be incurred because of a TIF project(s)



One-Time Reimbursements

Capital cost reimbursement for a specific project or cost incurred or to be incurred because of a TIF project(s)



In-Kind Assistance

Municipality may use TIF Funds to repair or construct a public infrastructure within the TIF Area that may provide a specific benefit to another taxing body



Return Bond Rate

Municipality agrees to return TIF increment derived from another taxing body's bond (referendum) rate – taxing body should adjust annual levy accordingly



Payments in Lieu of Taxes

Municipality pays estimated real estate tax on property acquired by municipality and used for private use



TIF Surplus Funds

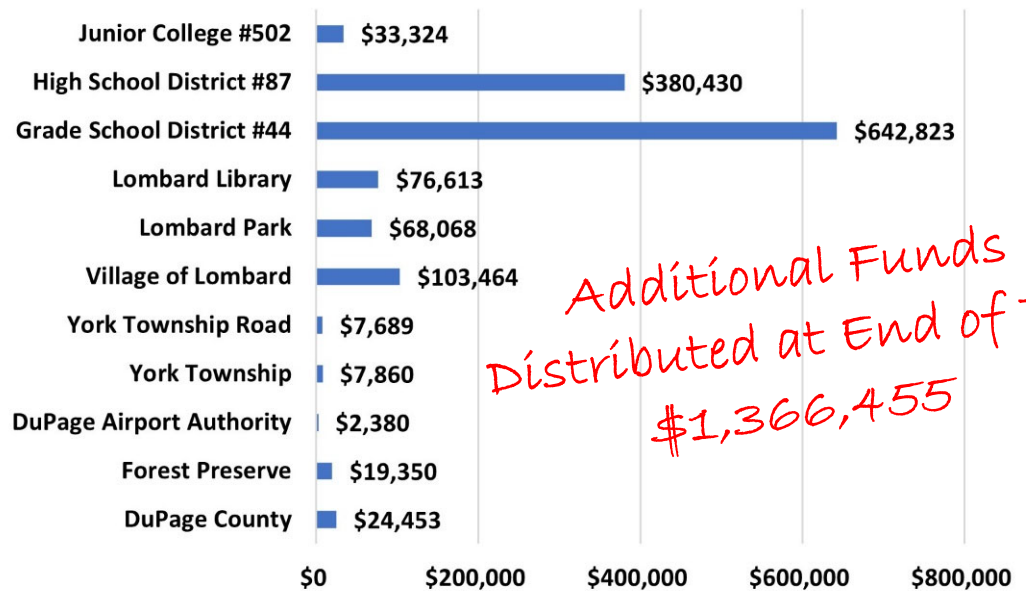
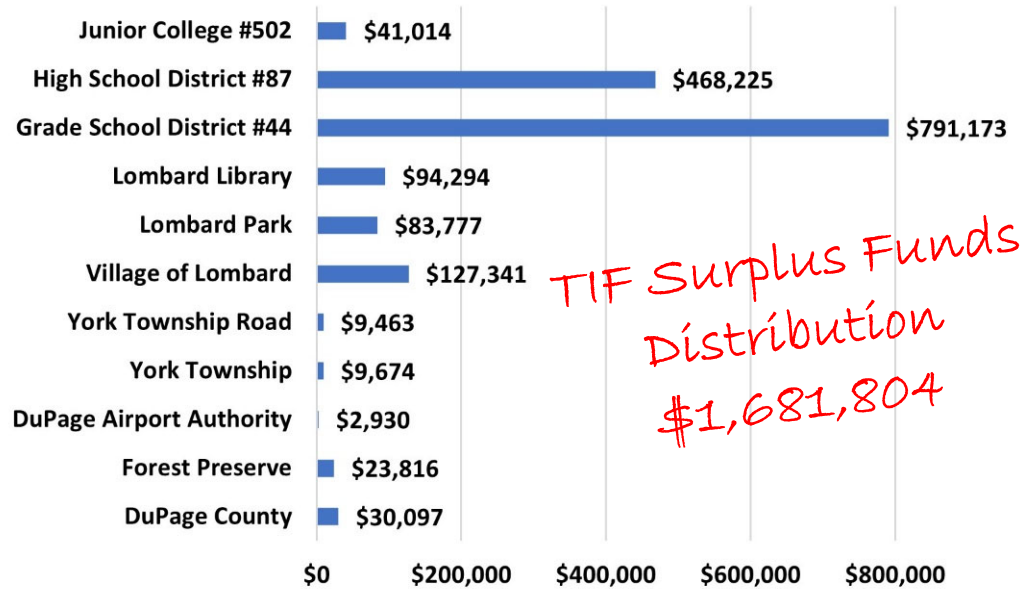
Municipality may declare TIF Surplus Funds if such surplus funds exist or was anticipated when TIF District was established – Surplus Funds returned to County for prorated redistribution to all taxing bodies

Lombard Downtown (1989) TIF District ends in 2025.

For Fiscal Year 2023:

Total TIF Increment = \$3,048,258

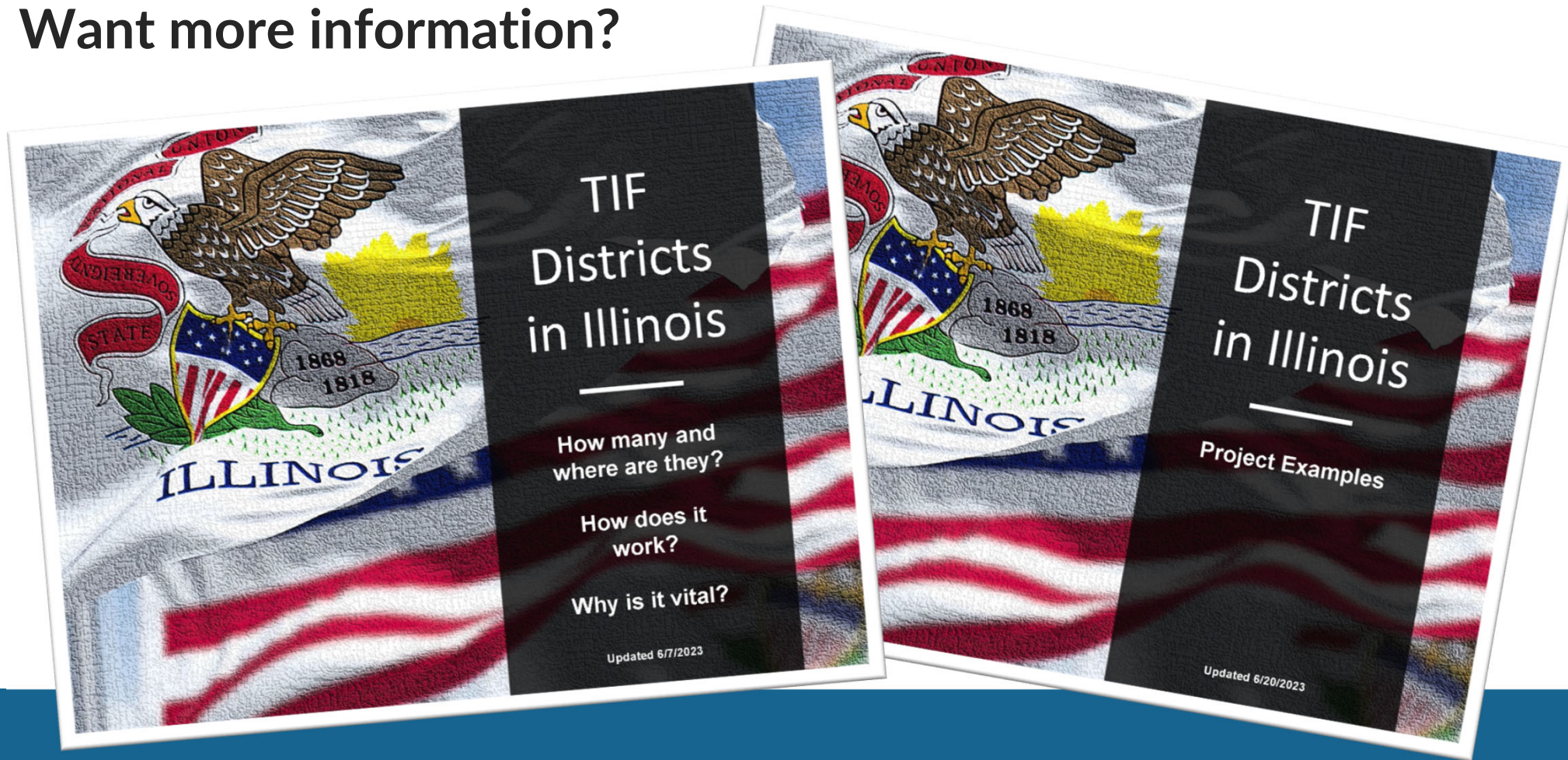
“Lombard’s experience with
Tax Increment Financing
has been one of
COMMUNICATION and
RELATIONSHIP BUILDING”



WHAT ARE SOME COMMON MISCONCEPTIONS ABOUT TAX INCREMENT FINANCING?

- ✓ All you need to know about TIF is on the Internet
- ✓ TIF is an entitlement program
- ✓ The City will use TIF to take my property
- ✓ TIF will re-zone my property
- ✓ I didn't give my permission to include my property in the TIF Area
- ✓ TIF and Enterprise Zones cannot co-exist
- ✓ Residential TIF Districts are illegal
- ✓ Large vacant tracts do not qualify for TIF
- ✓ Other taxing bodies cannot benefit from TIF
- ✓ They would have built it anyway

Want more information?



These presentations were prepared by Jacob & Klein, Ltd. and The Economic Development Group, Ltd., in consultation with SB Friedman Development Advisors and at the direction of the Illinois Municipal League (IML) Municipal Managers Committee. Copies in both PowerPoint Slideshow and Adobe PDF formats are available free of charge by contacting one of the IML Municipal Managers Committee Members:

- **Julia Cedillo, Committee Chair, Village Manager, La Grange Park (email: jcedillo@lagrangepark.org)**
- Reid Ottesen, Village Manager, Palatine
- Patrick Urich, City Manager, Peoria
- Bob Barber, Village Administrator, Beecher
- Walter Denton, City Administrator, O'Fallon
- JoAnn Hollenkamp, City Manager, Greenville
- Scott Niehaus, Village Manager, Lombard
- Regan Stockstell, Village Manager, Richton Park
- Gary Williams, City Manager, Carbondale
- Scot Wrighton, City Manager, Decatur
- ILCMA Liaison: Dawn Peters, Executive Director, ILCMA



2023 Illinois Municipal League Annual Conference
Tax Increment (TIF) Financing and Your Community
Jacob & Klein, Ltd. and The Economic Development Group, Ltd.

Thank You for Attending!

We appreciated the opportunity to speak with you today.

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