TAX INCREMENT FINANCING - A PRIMER

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HOW THE TIF WORKS

ORIGINAL BASE TAXABLE PROPERTY VALUE = 100,000

TAXABLE PROPERTY VALUE WITH TIF = 3,000,000

TAXING BODY’S TAX RATE x 100,000 FOR 23 YEARS

CANNOT TAX AGAINST 2,900,000 (TIF FUND)
DETERMINING TAX INCREMENT FINANCING ELIGIBILITY

The legislation requires that the TIF redevelopment project area:

-- Should only designate tax increment areas in which investment is unlikely to occur “but for” the assistance that TIF can provide such private investments.

-- If an area, as a whole, will redevelop without the expenditure of public funds, then tax increment financing should not be used.
ESTABLISHMENT PROCESS
CONCERNS

A. DEPRIVED OF FUTURE TAX REVENUES

EAV Lost To TIF = 79,807,494.00

.004549 x 79,807,494 = 363,044.29

Tax Extension Lost = 363,944.29*

*Unless reimbursed through Intergovernmental Agreement

B. “BUT FOR” LANGUAGE IS IGNORED

C. PROPERTY INCLUDED THAT DOES NOT SATISFY CONDITIONS
CONTINUED CONCERNS

D. ORIGINAL INTENT WAS REDEVELOPMENT

E. LACK OF OVERSIGHT

F. NON-BLIGHTED PROPERTY MAY BE INCLUDED

G. MAY CREATE A WINDFALL FOR DEVELOPERS

H. NO LIMIT ON THE NUMBER OF TIFS

I. CITY MAY NOT EVALUATE ADMINISTRATOR
CONTINUED CONCERNS

J. CITY MAY FAIL TO EXPLORE ALTERNATIVES

K. CITY MAY NOT CONSIDER TIF FOR A SHORTER DURATION
POSSIBLE ACTIONS

A. TALK WITH CITY LEADERS
B. EXPLAIN IMPACT ON DISTRICT
C. EVALUATE PROPOSAL
D. CONSIDER OTHER FINANCIAL INCENTIVES
E. EXPLAIN “REIMBURSEMENT” AGREEMENT
DISTRICT ELIGIBLE TIF COSTS

1. COSTS OF REHABILITATION, RECONSTRUCTION OR REPAIR OR REMODELLING OF EXISTING OF PUBLIC OR PRIVATE BUILDINGS

2. COSTS OF THE CONSTRUCTION OF PUBLIC WORKS OR IMPROVEMENTS

3. TO THE EXTENT THAT THE MUNICIPALITY BY WRITTEN AGREEMENT ACCEPTS AND APPROVES THE SAME, ALL OR A PORTION OF A TAXING DISTRICT’S CAPITAL COSTS RESULTING FROM THE REDEVELOPMENT PROJECT

Tax Increment Allocation Development Act
65 ILCS 5/11-74.4 et. seq.
POSSIBLE ACTIONS

F. ENCOURAGE CITY TO BE CONSERVATIVE
G. LIMIT SIZE OF AREA
H. END TIF AS SOON AS POSSIBLE
I. LIMIT NUMBER OF TIFS
J. NO MIGRATION OF BUSINESSES
K. VALIDATE DEVELOPER
L. DELAY CAPTURE OF EAV
POSSIBLE ACTIONS

M. CONSIDER REIMBURSEMENT PHASE IN

N. BE SURE TIF IS HANDLED IN A LEGAL MANNER

O. CONSIDER PUBLIC STATEMENTS, IF NECESSARY

P. CONSIDER LAWSUIT, IF NECESSARY

Q. HIRE A CONSULTANT

R. WORK FOR REFORM
Is the success of my community tied to the success of our public schools?

Knowledge Works Foundation 2004 Poll
Thank You!