

Tax Increment Financing 101 – Explaining the 147th/Cicero Avenue Corridor TIF

What is a TIF district?

TIF stands for Tax Increment Financing. 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. Only property taxes generated by the incremental increase in value of these properties after that time are available for use by the TIF. 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, library, and other taxing districts in the same manner as if the TIF did not exist.

Why do we need TIF districts?

It is a way to pay for improvements to vacant and underused land in our Village, to enable it to become productive again. TIF districts help develop blighted areas, build and repair roads and infrastructure, and put vacant properties to work for the people. By returning vacant or formerly vacant or underused properties to the tax rolls, the City creates new sources of revenue within the TIF district, generating the funds needed to make necessary improvements without raising taxes in the community. The City's investments in these areas are repaid through improved, productive properties that become new, permanent revenue generators.

TIF's create short and long term benefits for communities, which include:

- 1. No tax increases**
In TIF-designated areas, properties are assessed and taxed the same way as in non-TIF areas. The only change is that during the life of the TIF (23 years) the property tax revenues are distributed differently-with the incremental increase in tax revenue going to the City of Wood River to finance some of the redevelopment expenditures within the TIF area.
- 2. Increased property values**
TIF redevelopment projects are the investment that causes the increase in property values.
- 3. Private investment and development**
Private investors will not locate within a city that cannot provide adequate infrastructure or within areas that are considered blighted. The City can utilize TIF funds to offset relocation costs, development costs, and improve needed infrastructure.
- 4. Job creation, retention and training programs**
Increased development, redevelopment and relocation mean a greater demand for a workforce, and often times a higher skilled or higher educated workforce. Redevelopment also impacts areas outside of the TIF enabling other businesses to grow and prosper as well, thus sustaining their workforce.
- 5. Stronger, broader tax base**
Infrastructure improvements, demolition or redevelopment of blighted areas attract private developers to invest in the community. As a result, the equalized assessment value of a city can decrease, lessening the property tax burden previously placed upon the residents.
- 6. Locally controlled**
Municipal officials are responsible for determining the best utilization of TIF funds, not the state or federal government.

7. Incremental revenue is reinvested in the TIF district

TIF funds are only utilized within the TIF district as a means to encourage the redevelopment of the blighted area.

What major redevelopment costs are eligible for TIF funding?

- Property acquisition
- Rehabilitation or renovation of existing public or private buildings
- Construction of public works or improvements
- Job retention programs
- Relocation
- Financing costs, including interest assistance
- Studies, survey and plans
- Professional services such as architectural, engineering, legal, property marketing and financial planning
- Demolition and site preparation
- Day care services

How a city can incentivize a project:

Most cities provide TIF assistance by entering into "redevelopment agreements" with businesses that either locate within the City's TIF district or make substantial improvements within the TIF district.

General TIF Assistance requires a business/property owner to make certain improvements. The amount of negotiated assistance can be based upon the following criteria:

- The projected increase in the assessed valuation of the property
- The number and quality of new jobs created or retained
- The amount of other revenue generated for the City by the project
- The financial strength of the applicant
- The compatibility of the applicant to furthering the development and economic goals of the City.

Some common eligible uses include:

- Land acquisition
- Planning, legal, engineering, consulting and/or architectural services
- Demolition of buildings and clearing of property
- Construction costs of infrastructure improvements
- Rehabilitation of existing structures
- Financing costs
- Payment in lieu of taxes