



Tax Increment Financing Districts:

***A Community
Conversation***

What is Tax Increment Financing (TIF)?



- A community development tool used by local governments to fund public investment in a particular area slated for redevelopment.
- A means of utilizing an area's future property tax revenues in order to invest in immediate projects or encourage present development.
- A joint investment in the development or redevelopment of an area with the intent that any short term gains be reinvested so that all taxing bodies will receive larger financial gains in the future.

What is Tax Increment Financing (TIF)?



- Originally created in California, TIFs are now used in 48 states to meet economic development challenges in local communities.
- The Illinois General Assembly adopted the Tax Increment Allocation Redevelopment Act (TIF Act) in 1977 to grant municipalities the power and authority to address the adverse conditions of blighted and conservation areas within their jurisdictions by undertaking redevelopment projects that were essential to the economic well-being of their community.

Why Tax Increment Financing (TIF)?



- TIF can be one of the most effective local economic development tools available to Illinois communities particularly to non-home rule municipalities like Sugar Grove.
- Unlike home rule communities, Sugar Grove has limited resources with which to stimulate and assist economic development in the community.

Why Tax Increment Financing (TIF)?



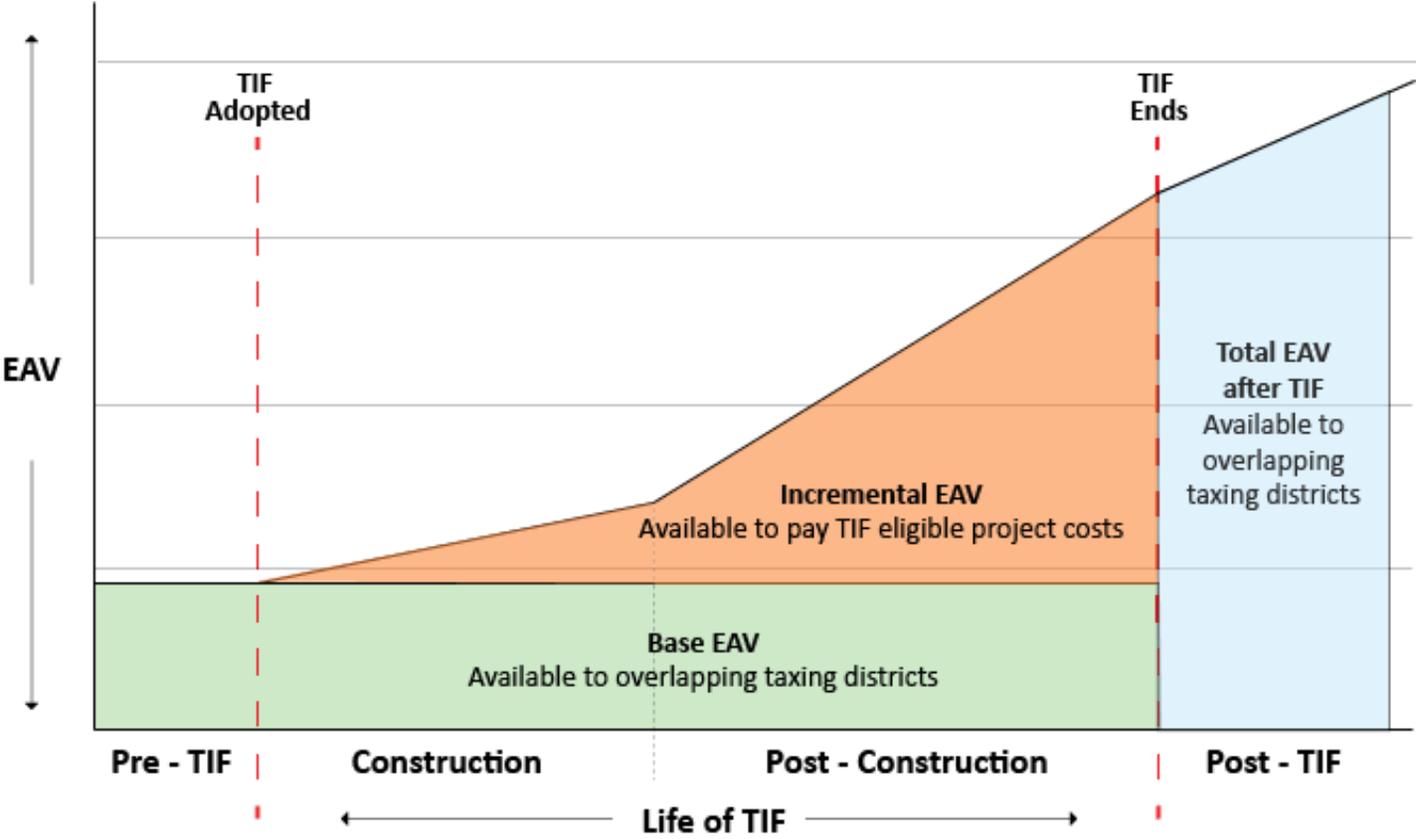
- TIF enables desired, but financially infeasible, projects to happen by relying on their own growth for funding of the project, not the general taxpayers.
- The basis of TIF is that a project could not happen “but for” the use of TIF funds.

How Does TIF Work?



- Tax Increment Financing is the difference between the amount of property tax revenue generated **before** a TIF district is established and the amount of property tax revenue generated **after** the TIF district has new development.
- TIF does not reduce existing property tax revenues available to other taxing bodies.
- Only property taxes generated by the incremental increase are available for use by the TIF.

How Does TIF Work? - Example



How Does TIF Work?



Simple Example

Before TIF

- Property value = \$100,000 Taxes = \$3,400

After TIF spurs investment

- Property value = \$1,000,000 Taxes = \$34,000

\$34,000
- \$ 3,400

\$30,600 incremental tax increase that goes to TIF fund

How are TIF Funds Used?



TIF funds can be used to support a number of public improvements and other investments that support redevelopment including, but not limited to:

- Public infrastructure improvements including roads, sidewalks, utilities, water, sanitary sewer, storm sewer, detention/retention, parking, street lighting, etc.
- Acquisition of property, land assembly, demolition, site preparation, etc.

How are TIF Funds Used? (cont'd)



- Rehabilitation of older buildings.
- Correction and mitigation of environmental issues, job training, workforce readiness and other related educational and training programs.
- Incentives to retain or attract private development.
- Can be declared surplus and distributed to taxing districts.

How do you establish a TIF?



- Identify an area with Physical and Economic Deficiencies.
- Establish Eligibility.
- Prepare a Redevelopment Plan, which includes:
 - an assessment of the area in need,
 - a demonstration of why the area needs redevelopment, and
 - an explanation of how the municipality plans to revitalize it.
- Convene Joint Review Board.
- Hold Public Hearing.
- Adopt Ordinances to Establish TIF.

TIF in the Village of Sugar Grove



- TIF in Sugar Grove IS:
 - Only considered for projects that are desirable, but are not financially feasible.
 - A financial analysis determines the need for TIF funds.
 - A method that keeps financial risk with the developer/land owner.

TIF in the Village of Sugar Grove



- TIF in Sugar Grove is NOT:
 - A transfer of financial risk to other residents/businesses through a property tax or other method.
 - Automatically given for the full increment or the full time period.

Conclusion



- TIF is a process that requires thoughtful planning and careful monitoring.
- When used properly, TIF is a blueprint for positive redevelopment that is mutually beneficial to all parties.
- For more information on TIF go to the Village's web site

sugargroveil.gov/transparency

and click TIF Information

Questions, Comments, Concerns

