

What is a “TIF” Anyway?

“TIF” stands for Tax Increment Financing. It is a public financing tool that is most frequently used in older established communities that suffer from a lack of private redevelopment activity. Such areas can be designated as TIF Districts in an effort to spark re-investment and re-construction and to better utilize the land before blight sets in.

“TIF” designation is possible only after it is determined that redevelopment of the area is unlikely to happen without the financing power of tax increment financing. This is known as the “but-for” test. That is, reinvestment won’t happen, but-for the availability of “TIF”.

When a TIF District is established, the base Equalized Assessed Value (EAV) is temporarily frozen. As redevelopment and reinvestment occurs, the EAV of the updated properties in the District tends to increase. This increase is the “incremental EAV” which in turn, yields the “tax increment”.

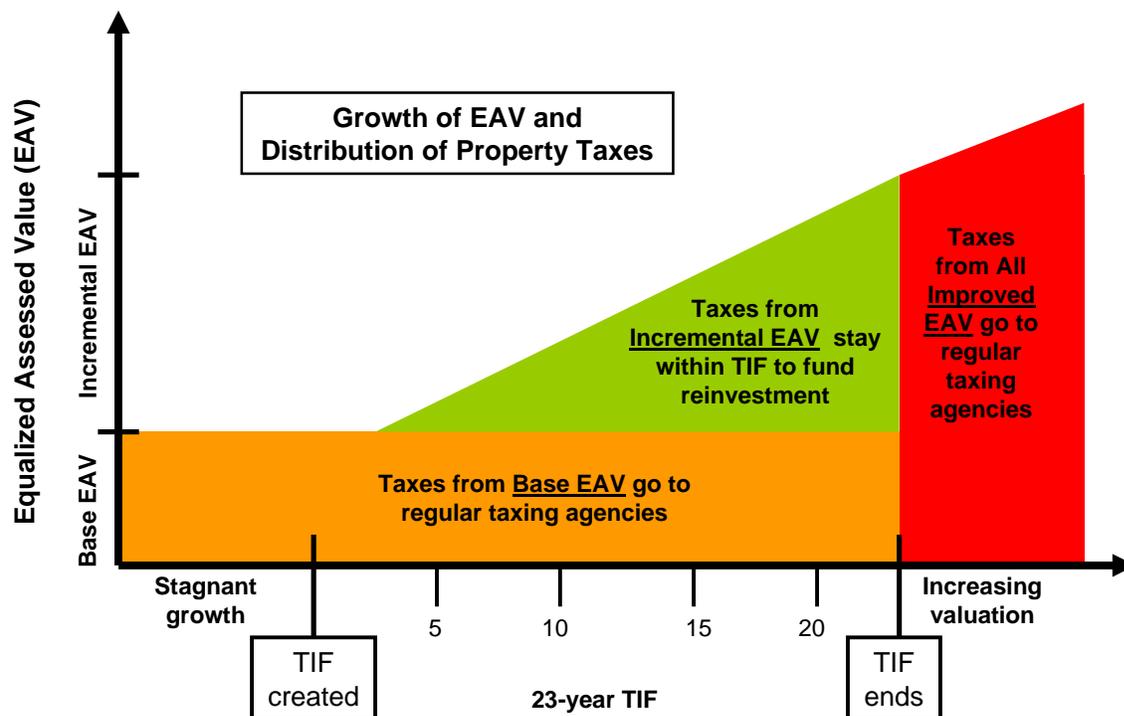
State law mandates that the property taxes generated by the base EAV continue to be distributed to the regular public taxing agencies, such as the school districts, library, park district, county, etc. The property taxes generated by the incremental EAV, however, is reserved for expenditures within the TIF District.

<u>Example of “Tax Increment”</u>	
Lehigh/Ferris 2004 EAV	32,692,137
minus Base EAV	<u>14,743,872</u>
Incremental EAV =	17,948,265
Tax Rate = 7.639%	
2004 Property Taxes to Regular Taxing Bodies	
14,743,872 x 7.639% = \$1,126,284	
2004 Tax Increment Retained in TIF District	
17,948,265 x 7.639% = \$1,371,068	

Eligible expenditures include public improvements such as streets, utilities, and public buildings. Other eligible expenses include the acquisition of land, rehabilitation of existing buildings, demolition, environmental cleanup, construction of affordable housing, financing costs, and related professional services.

Village officials and staff are responsible for directing activities within the TIF District while oversight is provided by a Joint Review Board consisting of representatives of each of the affected taxing agencies.

The TIF designation usually lasts for 23 years. After that time, the full improved EAV is subject to taxation by the regular taxing agencies and any surplus funds in the TIF are distributed to the taxing agencies. The graph depicts the long-term growth and distribution of EAV in a hypothetical TIF District.



There are nearly 1,000 TIF Districts located throughout the state of Illinois. Communities as small as Sauget (population 138) and as large as Chicago (population 2,800,000) use “TIF” as a means to spark reinvestment in local neighborhoods.

Morton Grove has two “TIF” Districts. The Waukegan Road TIF District was created in 1995 with the primary goal of improving the Waukegan Road Commercial Corridor. Since that time, three less-than-desirable motels that were the site of numerous criminal complaints have been transformed into a new neighborhood Walgreen’s Pharmacy, a new bank, and a highly successful automobile dealership.

The Lehigh/Ferris TIF District was created in 2000 with the primary goal of creating a transit-oriented neighborhood surrounding the Metra train station. Initiated after the creation of the TIF District, the *Woodlands* has proceeded faster than anticipated and is expected to be completed and sold out by 2007. This project consists of 400 condominiums and townhouses which replaced an obsolete and under-used industrial site. This new era of construction sparked additional investment in the neighborhood, including the *Trafalgar Square* residential project by Concord Homes & Neri Construction, and the *Crossings townhouse* development by Toll Brothers.

For more information about tax increment financing, refer to the Illinois Tax Increment Association website at www.illinois-tif.com or contact Bill Neuendorf, director of Community and Economic Development at 847-470-5231.

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