



**Morton Grove, IL
Tax Increment Financing (TIF)**

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 areas 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.

“TIF” designation is possible only after it is determined that redevelopment of the area is unlikely to happen without the opportunities that are exclusively available through tax increment financing. This is known as the “but for” test. That is, reinvestment won’t happen, **but for** the availability and resources 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 property in the District tends to increase. This increase is the “incremental EAV” which in turn, yields the “tax increment”.

Example of "Tax Increment"

Lehigh/Ferris 2004 EAV 32,692,137

Minus Base EAV (14,743,872)

Incremental EAV = 17,948,265

Tax Rate = 7.639%

2004 Property Taxes to Regular Taxing Bodies

$14,743,872 \times 7.639\% = \$1,126,284$

2004 Tax Increment Retained in TIF District

$17,948,265 \times 7.639\% = \$1,371,068$

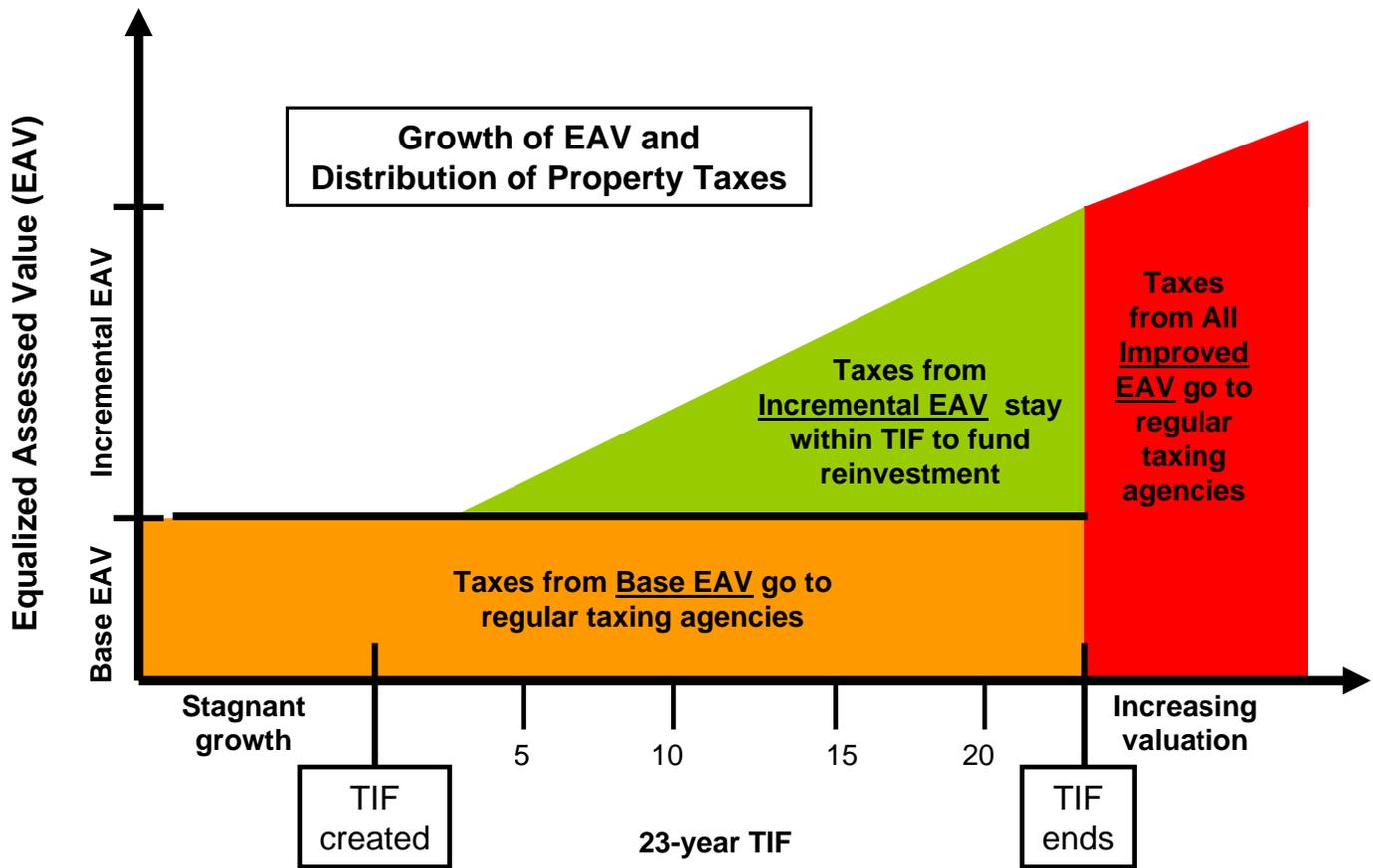
State law mandates that the property taxes generated by the base EAV continue to be distributed to the regular public taxing agencies, such as the school districts, library, park district, county, etc. The property taxes generated by the incremental EAV, however, are reserved for expenditures and improvements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

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 fully 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. The financing of public school improvements is a common use.



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 run-down motels that were the site of numerous criminal complaints have been transformed into a neighborhood Walgreen’s Pharmacy, a 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. TIF dollars have assisted in public improvements, the

development of “The Woodlands” and a new senior housing facility, “The Homesteads of Morton Grove,” which is scheduled for a spring 2011 groundbreaking.