TIF and Business District
How Do They Really Work?

CMAP

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Answer These Questions

- Will it fly politically?
- What kind of TIF and does the TIF/BD meet the criteria qualifications?
- If it meets criteria, does it meet the “But For” test?
- Finally, it all the above works, does it generate enough money to make the deal?

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Possible Scenario

- Electronic Equipment Manufacturer
- 250,000 square feet (existing building or build to suit)
- 30 foot ceiling height
- 10 truck docks
- All air conditioned
- On 10 full service acres
- Within one half mile of Interstate highway
- No more than 30 miles from O Hare Airport
- At least $35 million investment
- 300 employees – average wage $ 35,000 per year

- NEW CONSTRUCTION – redevelopment of older downtown property
- 2 acres preferred
- 20,000 square feet of commercial space
- Estimated annual retail sales of $6 million
- 20 condominiums – average 1,400 square feet
- Within 6 walking blocks of Metra Train Station
- Within a TIF district
- At least 50,000 population within 3 miles
- At least $70,000 average household income

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Tax Increment Financing

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Will it Fly Politically?

- Reconfirm Goals—Does the project fall within the Goals
- Make Sure The Board Understands That Redevelopment Is Not Easy
- Make Sure The Board Understands What TIF Is About
- Alert Them To Community Concerns—Eminent Domain, Schools, Make the Developer Richer
- Make Sure That More Than A Weak Majority Believes This Is The Way To Proceed

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Does Area Meet the TIF Qualifications?

- Blighted
- Conservation
- Industrial Conservation

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Blighted--Improve Land (5of 13)

Dilapidation	Obsolescence	Deterioration
Structures Below Minimum Code	Illegal Individual Structures	Excessive Vacancies
Lack of light, ventilation, sanitary	Inadequate Utilities	Deleterious Land Use or Layout
Environmental Clean up	Lack of Community Plan	Excessive Land Coverage
	Low EAV & EAV Rates of Increase	

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Blighted--Vacant Land (1of 2 Sections) 2 Criteria Required

1. Obsolete platting
2. Diversity of ownership
3. Tax and special assessment delinquencies or tax sales/ in last 5 years
4. Deterioration of structures or site improvements in neighboring adjacent areas
5. The **Redevelopment Project Area** has incurred Illinois Environmental Protection Agency or United States Environmental Protection remediation costs.
6. The Total EAV of the proposed area has declined or EAV rate less than CPI or City for (3) of the last (5) calendar years.

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Blighted—Vacant Land (1 Required)

1. The area consists of one or more unused quarries, mines, or strip mine ponds.
2. The area consists of unused rail yards, rail tracks, or railroad rights-of-way.
3. The area, prior, to its designation, is subject to chronic flooding that aversely impacts on real property in the area, as certified by a registered professional engineer or appropriate regulatory agency or contributes to flooding in watershed.
4. The area consists of an unused or illegal disposal site containing earth, stone, building debris, or similar materials that were removed from construction, demolition, excavation, or dredge sites.
5. Prior to the effective date of the applicable amendatory Act of the 91st General Assembly, the area is not less than 50, nor more than 100 acres, and 75% of which is vacant five (5) years prior to the designation of the Redevelopment Project Area), and the area meets at least one of the factors from previous criteria and the area has been designated but not yet developed as a town or village center by ordinance or comprehensive plan adopted prior to January 1, 1982
6. The area qualified as a blighted improved area immediately prior to becoming vacant, unless there has been substantial private investment in the immediately surrounding area.

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Conservation

- Three Criteria Blighted/Structure as opposed to Five Criteria for basic Blighted
- 50% or more of structures must be over 35 Years old.

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Industrial Conservation

- Contiguous To Blighted Area
- Labor Statistics (Unemployment Data of City or County above 6% and met National Rate during last six months)
- Industrial Park Zoning
- Annexation before Adoption

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Does the Doe Match the Deal?

- Are you Creating a TIF that will not Create Increment?
  - Attach two sites together to supplement the other
- Gap Analysis
  - Increment Projection
  - Project Costs
  - Difference
    - Reduce Project Costs
    - Add Additional Revenue

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But For?

- Types of Tests for TIF
  - Extraordinary Costs
  - EAV depressed (Land around developed, but this land has not for a number of years with only TIF reasons)
  - No activity
  - Infrastructure Improvements
- Types of Tests for Project
  - Pro Forma Analysis
    - Make even provision

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Business District

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What is a Business District

- Like TIF in that creates a boundary around a challenged area;
- Funding Mechanism is not Property Tax Increment, but Sales Tax or Hotel Tax that are levied of up to 1.00% in .25 increments on retail goods and hotels
- Same Powers

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Will it Fly Politically?

- Same – Educate and Review Process and Outcomes with Council/ Board
- Have you talked to the merchants?

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Does Area Meet the BD Qualifications?

1. Defective or inadequate street layout
2. Unsanitary or unsafe conditions
3. Deterioration of site improvements
4. Improper subdivision or obsolete platting
5. Conditions which endanger life or property by fire or other causes, or any combination of those factors
6. Retards the provision of housing accommodations
7. Constitutes an economic or social liability
8. Constitutes a menace to the public health, safety, morals, or welfare in its present condition and use

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But For ?

- Types of Tests for BD
  - Extraordinary Costs
  - EAV depressed
  - No activity (Land around developed, but this land has not for a number of years.)
  - Infrastructure Improvements
- Types of Tests for Project
  - Pro Forma Analysis
    - Make whole provision

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Does the Doe Match the Deal?

- Are you Creating a BD that will not Create Increment?
  - Attach two sites together to supplement the one
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  - Project Costs
  - Difference
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How Does It Work?

- Eligibility Study and Redevelopment Plan (Similar for both TIF and BD)
- Notices TIF--Interested Parties, Taxing Districts, Residences 750 Feet
- Notices BD—Public Hearing
- Joint Review Board for TIF—no school concerns for BD now—Does the new school sales tax for capital projects change that?
- Public Hearing –one for TIF (Public Meeting, if Housing Impact), two for BD
- Adopt Ordinances
- Reach Redevelopment Agreements
- Implement Project

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Your Best Shot

Good Luck!

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