

Illinois City / County Management Association 2019 Summer Conference

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TIF TIPS: Getting The Most Out Of Your TIF District

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I. TIF Overview



TIF Overview

- Tax Increment Allocation Redevelopment Act (“TIF”) was adopted by the Illinois General Assembly in 1977.
- TIF is a “financing tool” for municipalities to:
 - Assist with restoring and revitalizing economically depressed areas or areas that lack adequate infrastructure to be economically viable or are a public health detriment to the community.
 - **Stimulate private and public improvements and investment in declining or problematic areas of the community.**
 - Dedicate a funding source to finance redevelopment programs and projects. 65 ILCS 5/11-74.4-1 *et seq.*

TIF Overview

What is Tax Increment Financing (TIF)

- TIF is a technique which utilizes future tax revenues to stimulate new private investment in redevelopment areas
- **Not a tax**
- Redistribution of tax revenues to be used in the TIF District
- **Tool to leverage public investment**



TIF OVERVIEW

- City / Village Manager “TIF Checklist” depends on whether your community:
 - Already has a TIF District
 - Wants to establish a TIF District
 - Has an expiring TIF District
 - Wants to extend the term of an existing TIF District
- Where your community stands on the TIF District lifecycle will drive decision-making on TIF financing, economic development projects and incentives and other TIF Plan goals and objectives

Question – TIF District Formation Considerations

- What is our first step in forming a TIF District?
- Who are the key players?

Answer – TIF District Formation Considerations

- **First, Get Know Your “TIF” Advisory Team**
 - City Council / Village Board
 - Treasurer / Finance Director
 - TIF Consultant (helps with TIF eligibility study, TIF Plan and TIF Budget)
 - TIF Counsel (helps with formation, maintenance and close out of TIF District)
 - Bond Counsel (if TIF bonds are going to be issued)
 - City / Village Auditor (prepares annual TIF audit report)
 - Land Planner / Community Development Director
 - Municipal Engineer

Answer - TIF District Formation Considerations

Next, Get to know your“ TIF” Interested Parties and Stakeholders

- Taxing Districts (e.g., schools, park district, library district)
- Local businesses
- Adjacent cities / villages for potential collaboration on joint TIF-funded projects
- Potential and actual TIF Objectors

Answer – TIF District Formation Considerations

- Using key members of your “TIF” Advisory Team (TIF consultant and TIF Attorney):
 - Review TIF District formation process with the City Council / Village Board
 - Identify Boundaries of Potential TIF District(s)
 - Engage TIF consultant to prepare a TIF Eligibility Study
 - Confirm whether the Potential TIF District(s) are “TIF Eligible” (more specifics on TIF District formation in later slides)

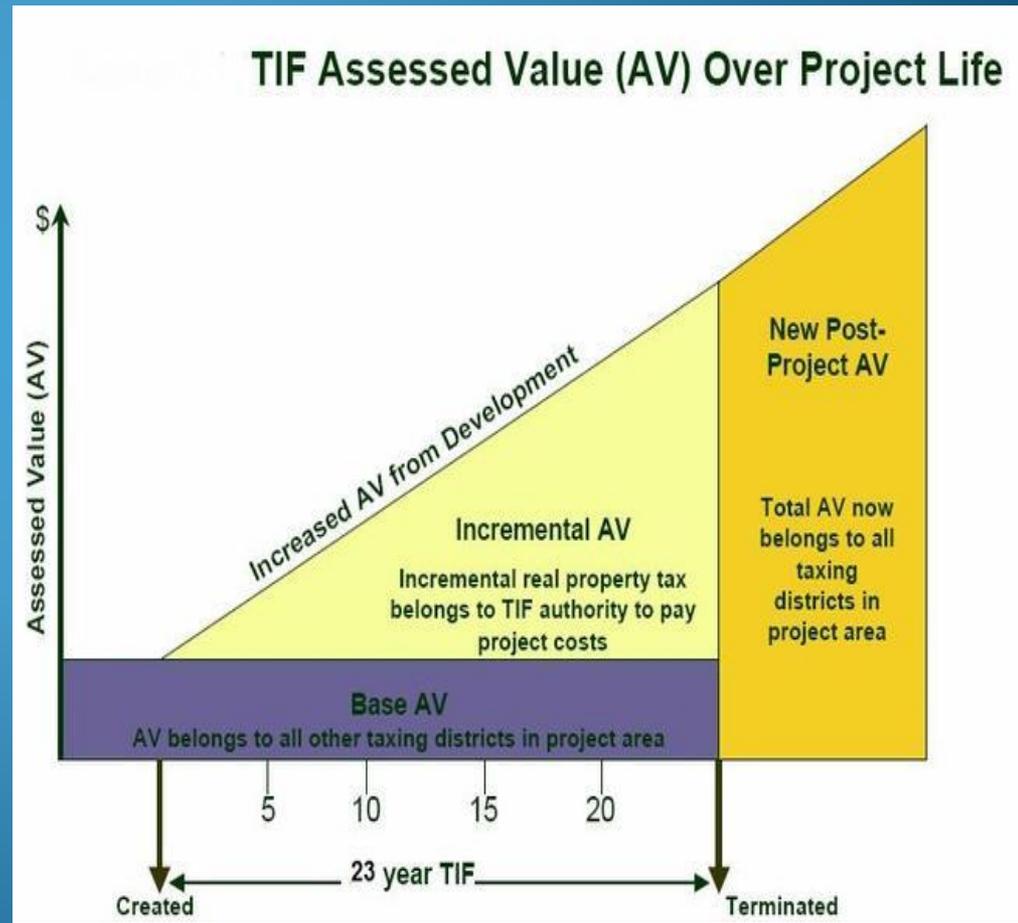
Question – TIF District Basics

- How does a TIF District work?

Answer – TIF District Basics

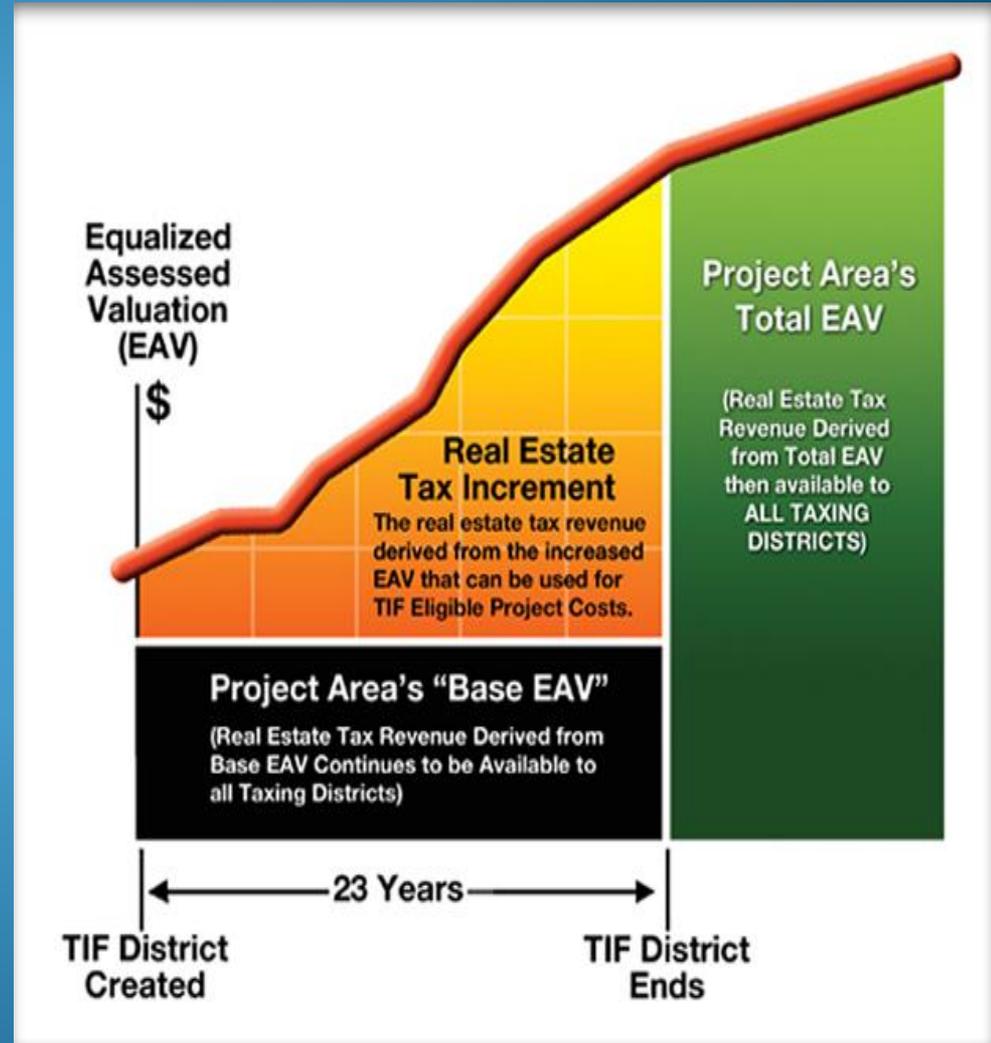
- A “tax increment” is the difference between the amount of property tax revenue generated before TIF District designation and the amount of property tax revenue generated after TIF District designation.
- Establishment of a TIF District **does not reduce property tax revenues** available to the overlapping taxing bodies.
- Property taxes collected on properties within the TIF District at the time of its designation continue to be distributed to the school districts, county, community college and all other taxing districts in the same manner as if the TIF District did not exist.
- **Only** property taxes generated by the **incremental increase** in the value of those properties after that time are **available for use for TIF purposes**.

Tax Increment Example:



Answer – TIF District Basics

- The **maximum life** of a TIF District is **23 years**. A TIF District **can be extended for another 12 years**, but an extension requires an act of the State Legislature.
- **When the TIF District ends** and the municipality's obligations regarding both public and private redevelopment projects within the TIF redevelopment area are fully repaid, **property tax revenues are again shared by all the taxing bodies**.
- All taxing bodies then share the **expanded tax base** which is the growth which would not have been possible without the utilization of TIF financing.



Answer – TIF District Basics

“TIF District” = Allocation of Property Tax Revenue Generated From Properties Within the TIF District Into “Two Buckets”



One Bucket for Base Revenues – For All Local Governments / Taxing Districts



One Bucket for Incremental Revenues – For Redevelopment within the TIF District

Question – TIF District Formation Process

- What steps or actions need to be taken?
- What criteria do you need to meet in order to establish a TIF District?

Answer – TIF District Formation Process

- First step: Eligibility Study
- Additional steps for a TIF District that will have a “housing impact.”
 - Housing impact: reasonably be expected to result in displacement of residents from 10 or more inhabited residential units or contain 75 or more residential units.

Answer – TIF District Formation Process

- Steps to establish a TIF District (assuming a “housing impact”):
- Eligibility study
- Interested parties registry
- Public meeting (after notice)
- Mail eligibility report to all affected taxing districts
- Mail notice of the public hearing and JRB meeting
- JRB meeting (issuance of recommendation)
- Public hearing by the corporate authorities (after notice; publish notice twice)
- Ordinances
- If JRB recommends against adopting the TIF plan, the corporate authorities can only approve a TIF District with a 3/5 vote.

Answer – TIF District Formation Process

Areas that can be designated as TIF Districts

- 65 ILCS 5/11-74.4-3 - criteria listed
- **Blighted Areas**
 - Vacant or improved land; reliance on “visual” blight conditions and public safety/health/welfare criteria and stagnate or declining EAV
- **Conservation Areas**
 - more “subjective” determination based on menu of criteria
- **Industrial Park Conservation Areas**
 - Very specific, limited criteria (e.g., “labor surplus” municipality, industrial zoned land, vacant land suitable for industrial park, etc.)
- **Intermodal Transportation Facilities**
 - Very specific, limited criteria (e.g., 150+ acre site, Class 1 Railroad ROW, etc.)
- **Universal key criteria: “But for” designation** of the area as a TIF District, i.e., development of the area will not occur absent TIF funding or incentives

Answer – TIF District Formation Process

- **“Conservation Area” TIF Districts are possible in many developed communities**
- Conservation Area TIF District Criteria
 - **“..an area designated by the municipality, which is not less in the aggregate than 1 1/2 acres and in respect to which the municipality has made a finding that there exist conditions which cause the area to be classified as an industrial park conservation area, or a blighted area or a conservation area, or a combination of both blighted areas and conservation areas” (65 ILCS 5/11-74.4-3(p)).**
- Section 5/11-74.4-3(a) defines a “conservation area” as:
 - **“...any improved area within the boundaries of a redevelopment project area located within the territorial limits of the municipality in which 50% or more of the structures in the area have an age of 35 years or more. Such an area is not yet a blighted area, but because of a combination of 3 or more of the following factors: dilapidation; obsolescence; deterioration; presence of structures below minimum code standards; illegal use of individual structures; excessive vacancies; lack of ventilation, light, or sanitary facilities; inadequate utilities; excessive land coverage and overcrowding of structures and community facilities; deleterious land use or layout; lack of community planning; environmental remediation costs impede development; decline or minimal marginal increase in equalized assessed valuation; is detrimental to the public safety, health, morals, or welfare and such an area may become a blighted area.”**

Answer – TIF District Formation Process

- Examples of “Conservation Area” TIF District Criteria
 - Functional obsolescence and Economic obsolescence (age of structures)



Answer – TIF District Formation Process

Deterioration

Below Minimum Code Standards



Answer – TIF District Formation Process

Excessive Vacancies and Decline in Equalized Assessed Value



Inadequate Utilities and Environmental Clean-Up



Question - TIF District Boundaries

- How do you determine the TIF District boundaries?
- Who makes that determination?

Answer - TIF District Boundaries

- Municipality can express its preference for the TIF District boundaries
- TIF Eligibility Study ultimately decides proposed TIF District boundaries
- Boundaries and types of properties inside / outside the TIF District (commercial, industrial, manufacturing, residential, public lands) are key factors in TIF District vitality

Question – TIF Projects

- How do you decide what projects are included in the TIF District?

Answer – TIF Projects

- Municipality (Village / City Officials, Staff and TIF Consultants) identifies desired and potential TIF District Projects
- Interested Parties and Stakeholders identify desired and potential TIF District Projects (e.g., car dealership, mixed use redevelopment, shopping plaza, etc.)
- TIF Act’s “eligible redevelopment project costs”
- TIF Redevelopment Project and Plan document will include specific projects and general redevelopment goals and objectives that can spur projects

Question – TIF Budget and Expenses

- Who sets the Budget for the TIF District?
- How does the TIF Budget work?
- What can TIF funds be spent on?

Answer - TIF Budget and Expenses

- Budget Guidelines
 - Overall TIF Budget **cannot be exceeded**
 - **Annual CPI Escalator plus additional 5% increase** applies to TIF Budget so Budget increases during life of TIF District
 - Line-items in TIF Budget are flexible
 - Covers 23 years; hence difficult to estimate with precision
 - TIF Budget expenditures subject to:
 - City / Village approvals
 - Determination of appropriateness of costs
 - Special TIF audit annually
 - Review by JRB annually
- TIF Budget should allow for the successful completion of TIF Plan Goals and TIF Projects (some go over budget)

Answer - TIF Budget and Expenses

- 65 ILCS 5/11-74.4-3(q).
- **Costs of redevelopment in a TIF District, including municipality's own expenses, expenses of developers and expenses of certain other taxing districts, including:**
 - Costs of studies, surveys, development of plans and specifications, implementation and administration of the redevelopment plan, including but not limited to staff and professional service costs for architectural, engineering, legal, financial, planning or other services
 - Land assembly costs
 - Costs of rehabilitation, reconstruction or repair or remodeling of existing public or private buildings, fixtures, and leasehold improvements
 - Costs of the construction of public works or improvements
- **NO POACHING:** no direct financial aid to a retail entity opening in the TIF while closing at another Illinois location within 10 miles of the TIF district and outside the boundaries of the municipality.

Answer - TIF Budget and Expenses

Commonly Used TIF Eligible Redevelopment Costs

- Land assembly costs
- **Environmental remediation and site development work** (e.g., utilities)
- **Rehabilitation** of public and private buildings and façade programs
- **Administrative costs** for municipal staff working on TIF matters (prorated salary and benefits)
- **Replacement (construction) of existing public building if site is used for private investment or development**
- Construction of **public works or improvements**
- Job training programs
- Financing costs of developer for TIF eligible project (limited term and interest reimbursement amount)
- **Marketing costs** of development sites in the TIF District
- **Professional studies, surveys and plans** related to redevelopment
- **Professional services** such as architectural, engineering, legal and financial planning related to TIF eligible projects
- Construction of affordable housing and relocation costs
- See, 65 ILCS 5/11-74.4-3(a)

Question – TIF Project Funding Options

- What funding options exist for TIF Projects?

Answer - TIF Project Funding Options

- Funding Options for TIF Districts to Support Economic Incentives or Projects
 - **"Pay-As-You-Go" TIF District**
 - Increment Generated Over Time Pays for TIF Incentives
 - **"Bonded" TIF District**
 - Bonds are issued so cash is immediately available to pay for TIF-eligible redevelopment project costs
 - **TIF Districts can have both "Pay-As-You-Go" and "Bonded" economic incentives**

Answer – “Pay-As-You-Go” TIF District

- “Pay-As-You-Go” TIF District
 - Village will only expend TIF incremental revenues once it has received them from the incremental property taxes generated by a project from increased EAV on a property and only proportional to those funds generated.

Example – “Pay-as-You-Go” TIF District



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PERSPECTIVE AT BURLINGTON AVENUE AND WOLF ROAD

Foxford Station
13027
10/28/2014

A1

Example – “Pay-as-You-Go” TIF District

- Foxford Station Project, Western Springs, Illinois (\$20+ Million Condo / Commercial Building).
- A private project must first increase the EAV of a property (i.e., construct a building) and pay increased property taxes before TIF revenue (increment) is generated to re-pay the developer for TIF-eligible project costs.
- Foxford developer received an economic incentive agreement to reimburse for up to \$2.2 Million of TIF eligible expenses (“**funding cap**”)
 - Tax code and tax code fund used to escrow Foxford-generated increment
 - Foxford increment payable: 70% to Foxford / 30% to Village
 - 23 year term or early termination if funding cap met
 - No real estate challenges allowed under incentive agreement expires
- **TIF Incentives to private developers can be viewed as a “return of private dollar investment” made within the TIF District**

Answer – “Bonded” TIF District

- “Bonded” TIF District
 - In order to begin construction on new improvements (e.g., alley, street and drainage projects) within the TIF District immediately, city/village may sell bonds secured against the TIF revenues expected to be paid to the TIF special fund over its lifetime.
 - Over time, tax incremental revenue from property tax payments flow into the TIF special fund and is used to pay annual debt service payments for the bonds.

Example – “Bonded” TIF District

- Replacement (construction) of existing public building if site is used for private investment or development
 - Developer buys Village Hall parcel
 - Village Hall demolished
 - Build New Private Building
 - Build New Village Hall
 - Developer financing
 - TIF Bonds issued and repaid with new increment

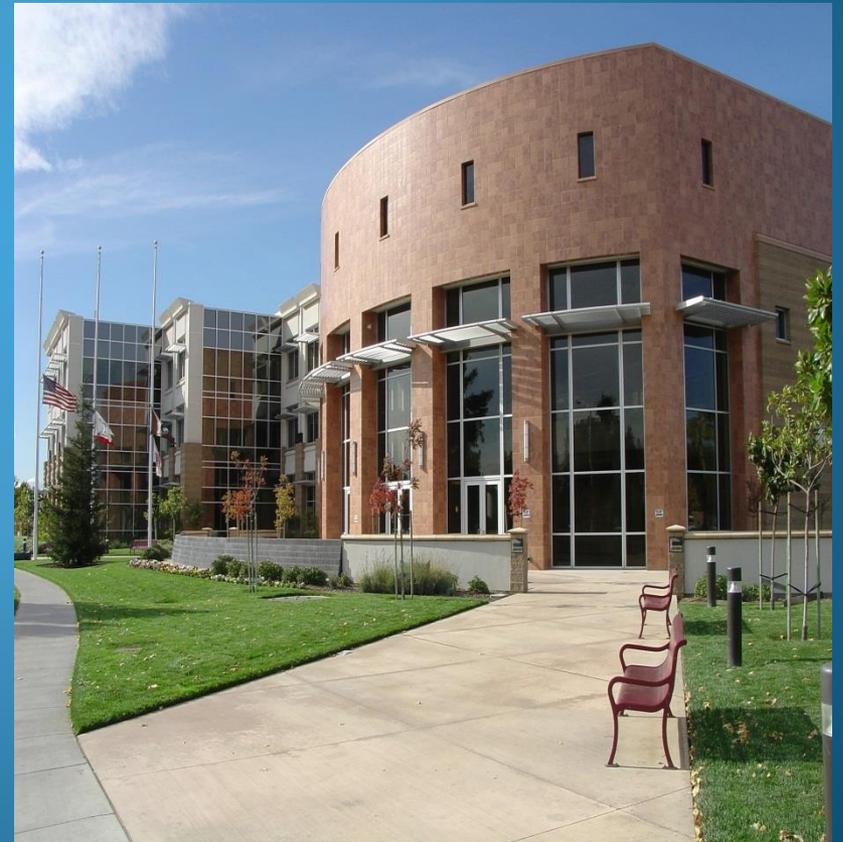
- Old Village Hall



Example – “Bonded” TIF District

- New Private Development

- New Village Hall



II. Other Economic Opportunities Under TIF Act



Question – Job Training Expenses

- Can TIF funds be used to pay Job Training expenses?
- How does a job training program work under the TIF Act?

Answer - Job Training is TIF Eligible Expense

- Job Training and Retraining Programs and Costs = **“UNDER-UTILIZED” OPPORTUNITY**
- TIF Eligible "Redevelopment Project Costs" expressly include:
 - (5) Costs of job training and retraining projects, including the cost of "welfare to work" programs implemented by businesses located in the TIF District (WTW program: employment and training program, immediate job placement or education or job training program or both; child care and transportation services).
 - (10) Costs of job training, retraining, advanced vocational education or career education, including but not limited to courses in occupational, semi-technical or technical fields leading directly to employment, incurred by one or more taxing districts.... See, 65 ILCS 5/11-74.4-3(q)(5 and 10)
- Opportunities:
 - TIF Act allows for **TIF-funded program cost reimbursement agreements with in-District employers**, community colleges and vocational schools
 - Job training, advanced vocational education or career education programs allowed for **persons employed or to be employed by employers located in a TIF District**

Question – P3s: Public Private Partnerships

- Can TIF funds be used to promote P3s: Public Private Partnerships?

Answer – P3s: Public Private Partnerships

- **TIF Eligible Redevelopment Costs = a “P3” because they incentivize private development**
- Note: Cannot pay for construction of new, privately owned buildings
- **Examples of Potential TIF-Funded P3s:**
 - Facade improvement programs
 - Restaurant space build-out / forgivable loan programs
 - Storm water management improvements for businesses, residents, HOAs and developers
 - Replacement (construction) of existing public building if site is to be privately developed (e.g., land swap between municipality and developer – new public building and rehabbed or new private use building)
 - Water and wastewater facilities
 - Sports facilities (note: golf facilities are excluded per TIF Act)
 - Parking meter program (City of Chicago)
 - Parking lots, parking decks and pedestrian friendly open space
 - Revitalization of 95th Street Business Corridor and parking lot program (Oak Lawn)
 - 800 Hillgrove Avenue PUD (Western Springs) (Cost Shared Parking Lot: Business Parking and Village-METRA Train Parking)
 - Businesses, Hospitals and Schools (Colleges) (Urban / Downtown Areas: Cost Sharing Parking Lots and Decks and Parks with Municipalities)

Question - Intergovernmental Cooperation Projects

- How do “IGAs” factor into TIF Districts?

Answer - Intergovernmental Cooperation Projects

- 65 ILCS 5/11-74.4-4(p)
- **Municipalities may jointly perform “redevelopment plans and projects” and utilize the TIF Act financing and authority wherever:**
 - “Contiguous redevelopment project areas” exist or
 - Joint adoption of TIF tax financing for a redevelopment project area comprised of “contiguous real property” within their respective corporate boundaries.
- **How to Implement?**
 - Use existing adjoining TIF Districts or create adjoining TIF Districts.
 - Adopt intergovernmental agreement (IGA) to spend TIF funds or issue obligations (bonds), separately or jointly.
 - Expend TIF revenues received for eligible expenses anywhere within “contiguous redevelopment project areas” or as otherwise permitted in the Act.
 - For redevelopment project areas established within a “transit facility improvement area”, these provisions apply only with respect to such redevelopment project areas that are contiguous to each other.
- **Examples**
 - **Infrastructure projects** (paving streets on municipal boundaries; extension of utilities).
 - **Economic development projects** that span corporate boundaries (**adjacent business corridor areas**).
 - **TOD Projects** (shared use parking lots: commuter parking lot / downtown business parking lot; pedestrian friendly improvements: bike and walking paths, underpasses / overpasses).
 - **P3 IGAs**

III. TIPS to MAXIMIZE TAX INCREMENT



Question -TIPS to MAXIMIZE TAX INCREMENT

- What options exist to maximize the “generation” of TIF increment?
- What are ways to maximize the use of TIF increment?

Answer - TIPS to MAXIMIZE TAX INCREMENT

Existing TIF Districts

- **Use “TIF-smart” strategies** for municipal role in land assembly and economic development
- **Property Assembly Tips:**
 - **Municipalities should avoid acquiring properties within a TIF District**, unless it has a municipal purpose for the property or it is part of a “quick flip” transaction to a developer (**avoid creating tax exempt parcels** – tax increment revenue drag)
 - **Use option to purchase contracts with assignment clauses**, so contracts can be assigned to developer
 - Preferred option: **Developers take title directly** (no impact on real estate taxes; reimbursement land assembly cost can be negotiated in TIF incentive / development agreement)
 - **Acquisition of tax exempt properties** (e.g., school, not-for-profit use, place of worship) by municipality for resale to tax paying developer / owner is **desirable** (boost EAV from zero; positive increment revenue)
 - **Environmental issues** (due diligence investigation is a must; remediation can be cost prohibitive; TIF funds may be only source to remediate into viable use)

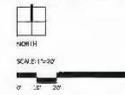
Answer - TIPS to MAXIMIZE TAX INCREMENT

- **Use Tax Codes Within TIF District:**
 - Allows property specific increment to be allocated per PIN
 - Mechanism to enhance incremental revenues **where “blending” is used, like in Cook County** (fix to come in year 2020)
 - **Remove “underperforming” properties** (no EAV or negative EAV trend) from dragging down overall increment revenues
 - Allows site specific projects to bolster overall incremental revenues, example: Western Springs Foxford Station

Answer - TIPS to MAXIMIZE TAX INCREMENT



Schematic Design - Streetscape
Foxford Station
 Village of Western Springs, Illinois



PROJECT NO.
Foxford Station
 ARCHITECTS
 FitzGerald Associates
 ARCHITECTS
 Mackie Consultants
 DATE AND VERSION: 01.14.14
 01.14.14 - 01.14.14

Answer - TIPS to MAXIMIZE TAX INCREMENT

- Foxford Station Mixed Use Development (Western Springs)
 - Former grocery store and drycleaner site (long-time vacancy, blighted, obsolete buildings; TIF needed to spur site redevelopment)
 - 28 luxury condos with on-site enclosed parking and 3,600 sq. ft. first floor commercial space
 - TIF incentive agreement (reimbursement of public infrastructure costs, certain site development costs and professional fees and costs)
- “Pay-As-You-Go” TIF District
- Tax Code for Foxford Station Property needed to capture sizable “bump” in EAV once building improvements added to tax rolls to begin paying TIF incentives

Answer - TIPS to MAXIMIZE TAX INCREMENT

- 65 ILCS 5/11-74.4-10
- **Use of Other Revenues To Pay TIF Obligations:**
 - Revenues received by the municipality from any property, building or facility owned, leased or operated by the municipality or any agency or authority established by the municipality, or from repayments of loans, may be used to pay TIF “redevelopment project costs” or reduce outstanding obligations of the municipality incurred under this Division for redevelopment project costs.
 - These “other” revenues can be placed in the TIF special tax allocation fund.
 - **Potential sources of revenues:**
 - Example #1: Lease payments, sales taxes and property taxes generated from Village-owned building rehabbed with TIF funds that is leased to retailers.
 - Example #2: Cellular lease funds generated from Village water tower leases.
- **Property Sales Proceeds:**
 - Revenue (including “gains”) received by the municipality from the sale or other disposition of real property acquired by the municipality with TIF funds shall be deposited by the municipality in the TIF special tax allocation fund for re-use on TIF eligible expense.
 - Includes any “proceeds of obligations” funded by TIF funds or TIF financing (bonds).

IV. Portability of Funds



Question – Portability of TIF Funds

- How does “portability” of TIF funds work?

Answer - Portability of TIF Funds

- **“Porting” = taking TIF funds collected in one TIF District and spending them in an adjacent TIF District. 65 ILCS 5/11-74.4-4(q)**
- **Allowed only:**
 - Among **touching TIF Districts** (or when “only separated by” options: e.g., a road).
 - **Must be authorized** in TIF formation ordinance and TIF Redevelopment Plan
- **Negative Aspect:**
 - Porting has been referred to as “Robbing Peter to Pay Paul”
 - Issues arise where some taxing districts are not in each TIF District
- **Positive Aspects:**
 - Temporary “loan” transfers
 - Transfers with no obligation to repay
 - Approve all transfers by ordinance and identify as loan to be paid back or transfer with no repayment obligation
 - Mature Healthy TIF Districts
 - Fund projects in new TIF District (“Pay-As-You-Go” TIF District).
 - **“Overachiever” TIF Districts can help “Underperforming” TIF District**
 - Example: Single Purpose TIF District (auto dealer or large big box retailer) can assist a slower growth “Pay-As-You-Go” TIF District
 - IGA with adjacent city/village to share cost of streetscape project within regional business corridor

V. Library and School Patron Fees



Question – Sharing of TIF Funds

- Is a municipality obligated to share TIF revenue with other taxing agencies, like schools and libraries?

Answer - Library Patron Fee

- Legislation creating right of reimbursement for Public Library Districts became effective January 1, 2005 (65 ILCS 11/74.4-3(q)(7.7))
- Reimbursement Process:
- **Public Library Districts are entitled to petition and receive reimbursement for “increased costs attributable to assisted housing units” where developers receive TIF incentives or public infrastructure is constructed with TIF funds for benefit of “assisted housing units” after January 1, 2005, and existing TIFs that add assisted housing after January 1, 2005;**
- Amount paid to Library District is tied to the “number of persons eligible to obtain a library card based on the assisted housing units (**dispute over calculation: new actual registered library patrons vs. potential patrons**);
- Amount of reimbursement is the “per-patron cost” of providing library services: the “Total Operating Expenditures Per Capita” for the library in the previous fiscal year (**cannot exceed \$120 per patron**) multiplied by number of eligible persons;

Answer - Library Patron Fee

- **No right to reimbursement unless the Library District is in a “tax capped” county or cannot increase property taxes without a referendum; and**
- Library District must provide “convincing evidence” to support request for reimbursement, and must do so after July 1 and before September 30 of each year.
- No reimbursement unless Library District “experienced an increase in the number of patrons from the municipality that created the [TIF District]....”
- **Municipality rights:**
- May deduct from reimbursement amount any amount of TIF funds provided voluntarily to Library District
- Cap on reimbursement amount: 2% of tax increment generated by assisted housing units

Answer - School Fee

- 65 ILCS 5/11-74.4-3(q)(7.5)
 - School fee and request process similar to library fee calculation and process
 - Elementary, secondary, or unit school districts may petition and receive TIF funds as compensation for actual number of students enrolled as a result of redevelopment projects that increase the number of tax-increment-financing assisted housing units
 - Municipality has rights to require “reasonable evidence” for each annual request for compensation
 - Different calculation formulas apply to different types of school systems and factor in population (e.g., special formula applies within the City of Chicago)

Answer – Sharing of TIF Funds

- Under the TIF Act, municipalities are required to declare **“surplus”** for any amounts of TIF funds that are not necessary to fund pending and proposed TIF projects and other budgeted TIF eligible expenses.
- To avoid a challenge by a taxing agency who may demand that the city/village release “surplus” TIF funds, include in the annual municipal budget a separate TIF budget and appropriation for the expenditure of “on-hand” TIF funds and anticipated TIF fund receipts.
- **NOTE:** Surplus funds get re-distributed to all taxing bodies in same proportion as tax agencies’ percentage share of property tax bill.
- If taxing body has **other tax levy encumbrances and debt ordinances** (e.g., bonds, fire and police pensions, tax assessment escrow, etc.), **part of surplus funds will be captured** by those other obligations and **reduce amount paid into general fund** (i.e., **pre-payment of those obligations** – regular property tax distributions should boost general fund by pre-payment amount)

VI. Extension Of TIF District: 23 Year Term or 35 Year Term



Question -Extension Of TIF District

- Once established, how long does a TIF District last?
- Can the TIF District term be extended?

Answer - Extension Of TIF District

- TIF Districts' 23 year term may be extended for up to an additional 12 years
- **Why amend the TIF Ordinance?**
 - Extra time to complete TIF Projects
 - Extra time to "grow" EAV and increment
 - Recovery from late 2000s Recession
 - Close out and wind down process
- **Extension Process**
 1. A municipality may elect to extend the life of a TIF District to up to 35 years by:
 - a. Approval of special legislation by the Illinois General Assembly that amends the TIF Act.
 - b. Consent from all taxing districts within the TIF District.
 - c. Conduct a public hearing.
 - d. Adopt an ordinance.
 - e. Provide written notice of the public hearing (at least 14 days and not more than 30 days) to all taxing bodies within the TIF District.



VII. Close Out and Wind Down Process



Question – TIF Close Out and Wind Down Process

- How does a municipality “close out” and “wind down” a TIF District?

Answer - Close Out and Wind Down Process

- TIF Districts have a **23 year life cycle**
- Prior to TIF District expiration date (**3 to 5 year window**):
 - Confirm TIF Fund balance and estimated future TIF revenue through expiration date and last tax increment / property tax payment cycle
 - Identify “Active” Projects and Completion Status
 - Identify “Planned” TIF Eligible Projects and prepare Project Completion Schedules
 - Prepare “Cost to Complete” Budgets for Active and Planned TIF Eligible Projects
 - Hold a JRB Meeting(s): inform taxing districts of Close Out / Wind Down Plan and share TIF performance data (Cooperation and Transparency is key)

Answer - Close Out and Wind Down Process

- **Close Out –Wind Down / Payout TIF Option (Within 1 To 2 Year Window)**
 - Determine “Active” Projects and “Planned” TIF Eligible Projects to be completed with TIF Fund balance and estimated future TIF revenue.
 - Adopt Ordinance(s) approving “Planned” TIF Eligible Projects, Project Completion Schedules and “Cost to Complete” Budget(s) for “Active” and “Planned” TIF Eligible Projects.
 - Complete TIF Eligible Projects.
 - Calculate “surplus” TIF Fund amount on TIF District expiration date.
 - Adopt final Ordinance approving final payments on TIF Eligible TIF Projects and declaring “surplus” TIF Funds (if any) and ordering transfer of “surplus” funds to the county treasurer for re-distribution to all taxing agencies within the expired TIF District.

Answer - Close Out and Wind Down Process

- **Close Out / Escrow Option**

- Essentially same steps as Wind Down / Payout TIF Option, except:
 - One or more TIF Eligible Projects not completed before expiration date.
 - City / Village wants to complete the TIF Eligible Project(s).
- **What Now?**
 - Other taxing districts can demand share of TIF Fund balance (litigation to compel payment of “surplus” funds).
 - Avoid argument of “surplus” TIF Funds automatically declared upon TIF District expiration.
 - Need a strategy for avoiding litigation and funding completion of Project(s).
 - Forgiveness vs. Permission (Keys: Cooperation; Transparency; Project Impacts for Taxing Districts; Health of TIF District).

Answer - Close Out and Wind Down Process

- **Adopt Ordinance “closing out” TIF District and approving creation and transfer of TIF Funds to Construction Escrow, Project Completion Schedules and “Cost to Complete” Budget(s) for “Active” and “Planned” TIF Eligible Projects**
 - Make specific findings justifying need to complete Project(s) and use of Escrow(s)
 - Allow transfer among Project Budget lines and Escrows to complete all remaining Projects
- **Complete Projects and Project payments via Escrow(s)**
 - Release of Escrow funds for progress and close out payments based on staff and engineer reports on Project completion, pay requests, contractor sworn statements and waivers, and board/council approved letter of direction to title company
- **Conduct annual JRB Meetings (update taxing districts on Project status and Escrow(s) balance)**
- Calculate “surplus” TIF Funds in Escrow(s)
- **Adopt final Ordinance** approving final payments on TIF Eligible Projects and declaring “surplus” TIF Funds (if any) and ordering transfer of “surplus” funds in Escrow(s) to the county treasurer for re-distribution to all taxing agencies within the expired TIF District
- **Close out the Escrow(s)**

Answer - Close Out and Wind Down Process

- In Cook County (and possibly other Counties):
 - Retain a certain portion of TIF Funds (in an escrow or municipal bank account) to provide for assessed valuation challenges and tax objection refunds.

Questions?

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