

### **Quick reference**

# WHAT IS TAX INCREMENT FINANCING (TIF)?

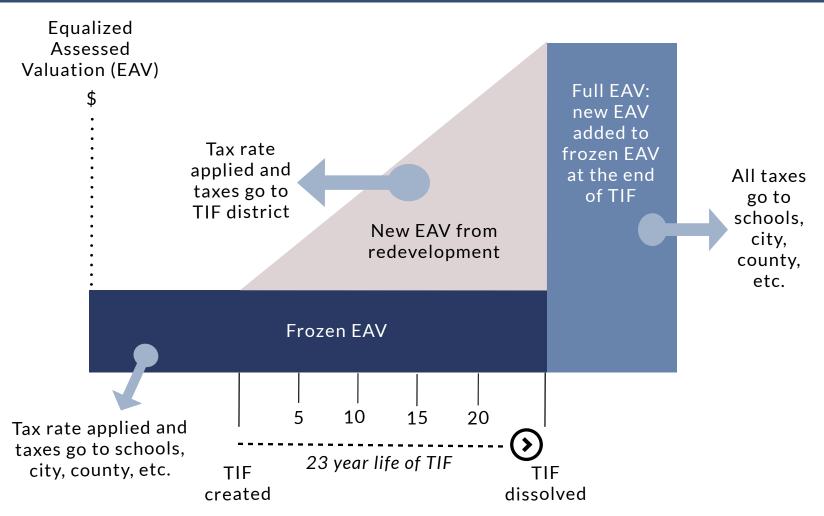
Tax Increment Financing (TIF) is a funding tool used to support development in "blighted" areas where the city believes that public investment is required. A designated TIF district takes a portion of its property taxes to create its own fund that can be used for economic development costs within that particular district.

#### How do TIFs make money?

TIF money comes from property taxes that are calculated in a slightly different way than normal property taxes.

When a TIF district is created, the city determines the total property tax value of all the property in that district. That base amount (called the Equalized Assessed Valuation) is frozen and sent to the same place it normally goes each year it is collected.

Anything above that frozen amount in a year (the "increment") is then collected in a fund for use within the TIF district.





## **Quick reference**

# HOW ARE TIF DISTRICTS CREATED?

#### WHAT IS A TIF DISTRICT?

TIF districts, sometimes referred to as redevelopment areas, are certain areas designated by the city as needing public funding for redevelopment. This designation lets the city spend tax dollars collected in that specific area for public purposes (such as streets and lighting) and private development (such as a subsidy to a private development). Once created, a TIF district lasts for 23 years, but can be extended.

#### **Proposal**

Eligibility Study and Redevelopment Plan

Public Outreach

A TIF district is usually proposed by the city, sometimes at a developer's request.

In some cases, a district will be created with a specific development in mind

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An <u>eligibility study</u> will be conducted to make sure the district qualifies - and to draw the map lines.

A <u>redevelopment plan</u> will be created that outlines what the district can spend money on.

The Department of Planning and Development will let all TIF district residents know of the plan for the district, and will hold public meetings in some cases.



## Spending the Money

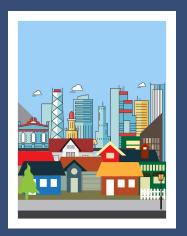
Reviews, Committees, and City Council

After the district is approved, the city can begin collecting the eligible TIF funds and spending the money according to the Redevelopment Plan

Some communities have been effective in creating more community input and process into TIF decisions. The most successful communities are those that have been able to work through this process with the local alderman.

To pass a TIF district, the redevelopment plan must be reviewed and approved by city agencies, usually in this order:

- 1. Community Development Commission or CDC (for introduction)
- 2. A Joint Review Board
- 3. CDC again (for formal review)
- 4. The Finance Committee
- 5. City Council



## **Quick reference**

# USING TAX INCREMENT FINANCING (TIF) FUNDS

Tax Increment Financing (TIF) is a funding tool used to support development in "blighted" areas where the city believes that public investment is required. A designated TIF district takes a portion of its property taxes to create its own fund that can be used for economic development costs within that particular district.

#### How are TIF funds used?

TIF funds can be used for many purposes, from streets to job training to funding purely private development. In all cases, TIF funds are only allowed to be used where "but for" TIF funding, the area would not reason reasonably expect development.

- Economic Development: funds given to private developments
- Infrastructure: streets, lighting, sewers, and other projects
- Residential Development: Public, private, or subsidized housing projects
- SBIF and TIF Works: Small business and job training
- Sister agencies: Schools, CTA, the park district, and other public agencies

#### TIF COMMITMENTS, 2009-2017

