

# TIF Assistance

## Tax Increment Financing

### TIF Districts Map

#### General Policy:

While tax increment financing (TIF) is an important and useful tool in attracting and retaining businesses, it is essential that it is used appropriately to accomplish the City's economic development goals and objectives. The fundamental principle that

makes TIF viable is that it is designed to encourage development which would not otherwise occur. The City is responsible to assure that the project would not occur "but for" the assistance provided through TIF. It is the policy of the City to consider the judicious use of TIF for those projects which demonstrate a substantial and significant public benefit by constructing public improvements in support of developments that will create new jobs, retain existing jobs, eliminate blight, strengthen the stability, and stabilize and upgrade existing neighborhoods and areas. Priority will be given to projects that meet these goals.

#### Policy Guidelines:

#### **The following criteria are to be used by the City to evaluate TIF applications:**

1. Each TIF applicant must demonstrate that without the use of TIF, the project is not feasible and would not be completed.
2. Each TIF applicant must possess the financial and technical ability to complete and operate the project.
3. Projects involving retail development that is targeted to encourage an inflow of customers from outside the City or that will provide services that are currently unavailable or in short supply in the City will be viewed more favorably.
4. Allowable uses of TIF assistance funds include: Land acquisition, Planning, Legal, Engineering or Architectural services, Demolition of buildings and clearing of property, Construction costs of Infrastructure improvements, Rehabilitation of existing structures and financing costs.



The City enters into "redevelopment agreements" with businesses that either locate or make substantial improvements within the TIF District. Through this agreement, the business agrees to complete the project and make certain improvements. A business cannot assume the City will financially participate in the project. Decisions are made on a project-by-project basis and must receive City Council approval before the staff can process any assistance.

**Consideration for project assistance is to be reviewed for compliance with the following requirements:**

- The business must be a "for profit" business in good financial standing.
- The business must be located within the established TIF District.
- The business must show the financial capability to complete the proposed project.

[Tax Increment Financing Assistance Application](#)

## **Frequently Asked Questions**

### **Related Questions**

## **What kinds of projects are permitted under the TIF Act?**

State legislation authorizes that TIF funds may be used for the following types of projects:

- Rehabilitation or renovation of existing public or private buildings
- Property acquisition
- Construction of public works or improvements
- Job retraining programs
- Relocation
- Financing costs, including interest assistance
- Studies, surveys, and plans
- Professional services, such as architectural, engineering, legal, property marketing, and financial planning
- Demolition and site preparation
- Day care services
- A budget for the life of the TIF district, including the total TIF-eligible costs of the plan

- An evaluation of the fiscal and programmatic impact on the overlapping taxing bodies
- A description of the process to amend the plan
- A statement of conformance with the municipality's comprehensive plan
- A timetable for redevelopment of the area.

## **What is used to designate an area an industrial park conservation area:**

The municipality must have had a relatively high unemployment rate and the area to be designated must:

- be located within the municipality or within 1.5 miles of the municipal boundaries and be annexed to the municipality
- be zoned industrial prior to the establishment of the TIF
- contain vacant land suitable for an industrial park and a blighted or conservation area contiguous to the vacant land.

## **To be designated as a conservation area what factors must be met?**

At least 50% of the structures in the improved area must be 35 years old and three of the 14 factors for designation of a blighted area and another factor entitled "excessive vacancies" must be present.

## **What conditions must exist for an area to be designated for TIF?**

Illinois law includes three sets of conditions for qualifying areas as TIF Districts:

- blighted conditions
- conservation conditions
- industrial park conservation conditions

# What factors are used when designating an area as blighted?

## **Improved property (land that is not vacant)**

Must contain at least 5 of 14 factors that make it detrimental to the public safety, health or welfare of the community. These factors must be present, with that presence documented, to a meaningful extent so that a municipality may reasonably find that each factor is clearly present and reasonably distributed throughout the improved part of the area. These factors are as follows:

- Dilapidation
- Obsolescence
- Deterioration
- Illegal use of individual structures
- Structures below minimum code standards
- Excessive land coverage and overcrowding of structures and community facilities
- Lack of ventilation, light or sanitary facilities
- Inadequate utilities
- Excessive land coverage
- Deleterious land use or layout
- Environmental clean-up
- Declining equalized assessed value
- Lack of community planning.

## **Vacant land**

Must have at least two of the following six factors that impair sound growth of the area, using comparable standards of evidence as for improved areas:

- Obsolete platting
- Diversity of ownership
- Tax and special assessment delinquencies
- Environmental contamination
- Declining equalized assessed value
- Deterioration of structures or site improvements on adjacent land.

In addition, there are six other types of vacant land that can be designated for TIF Districts.

- Land that was blighted before becoming vacant;

- unused quarries, mines, or strip mine ponds;
- unused rail yards, rail tracks or railroad right-of-way;
- chronic flooding that adversely impacts on property in the area and is caused by improvements recently constructed in the area;
- unused or illegal disposal sites;
- large areas that have been previously designated as a town center and meet other requirements.

## **What is the “but for” test?**

When considering an area for TIF designation, Mount Carmel officials must ask the question, “Will the same kind of private investment occur here without an incentive?”

In order to designate that area as a TIF district, the answer to this question must be “No.” But for the incentive provided by TIF, development would not occur in the designated area.”

Evidence that the district satisfies the “but for” test is provided in the Redevelopment Plan.

Illinois has one of the most stringent “but for” test of all the states that use Tax Increment Financing.

## **What kind of planning goes into the development of a TIF project area?**

A Redevelopment Plan is an assessment of an area in need of economic assistance.

Illinois law requires review by the major overlapping local taxing bodies and a public hearing on the Redevelopment Plan prior to TIF designation. The Plan must be made available for public review and inspection at least 45 days prior to the public hearing.

A Redevelopment Plan includes the following elements:

- A description of the boundaries of the district recommended for redevelopment
- Reasons for redevelopment of the area
- Documentation of how the area satisfies the “but for” requirement in order to qualify for TIF eligibility
- Redevelopment goals and objectives for the area
- An explanation of how the land in the proposed TIF district will be used

- A budget for the life of the TIF district, including the total TIF-eligible costs of the plan
- An evaluation of the fiscal and programmatic impact on the overlapping taxing bodies
- A description of the process to amend the plan
- A statement of conformance with the municipality's comprehensive plan
- A timetable for redevelopment of the area.

## **How is a TIF District created?**

Illinois TIF law specifies a number of requirements that must be satisfied for an area to qualify as a TIF district:

- Identifying the district and the physical and economic deficiencies that need to be cured.
- municipal officials and a joint review board made up of representatives from local taxing bodies must review a plan for the redevelopment of the TIF area.
- A public hearing must be held where residents and other interested parties can express their thoughts on the subject.
- The proposal must pass through the same approval process through the Mount Carmel City Council.
- Finally, the Council must vote to approve the ordinances to create the TIF District.

## **Can a TIF District be changed?**

Yes, TIF Districts can be changed. In the case of minor changes to the Redevelopment Plan, notice must be given to all taxing bodies and to the public through publication in a newspaper of general circulation within the area prior to the TIF being established.

However, major changes to the Redevelopment Plan adding parcels of property to the TIF district, changing land use, changing the nature of or extending the life of a TIF, increasing the number of low income households to be displaced, add new redevelopment costs to the budget, or increasing the budget by more than 5% after adjustments for inflation, require another public hearing, and all the opportunities for public input that were available during the initial establishment of the TIF district.

## **Does a TIF District divert money from schools?**

No. Schools continue to receive all the tax revenue they were entitled to before the creation of the TIF district. In actuality TIF Districts can create money for schools. By improving blighted areas of the City this can increase the tax base in the long run. The property tax revenue generated from private development attracted by a TIF designation is “new” money. Without the TIF District, development would not occur, and the tax increment would not be produced.

## **Does TIF require the issuance of debt?**

The creation or amendment of a TIF district does not mean that any debt will be created or incurred. The City Council may decide to issue bonds and incur debt with the revenue source being the incremental property tax, or the City Council may choose to just assist via funds which have already been built up in the restricted TIF fund.

## **How do TIF Districts improve communities?**

TIF Districts create short- and long-term benefits for communities:

- Increased property values
- No tax increases attributed directly to development of infrastructure
- Improvements to blighted areas of the City
- Private investment and development
- New jobs
- Job retention
- Job training programs
- Stronger, broader tax base
- Stronger economic base
- Locally controlled development
- Incremental revenue is reinvested in the TIF district
- Stimulates investment outside TIF district boundaries.

## **What are the opportunities for public input?**

In the establishment and operation of a TIF district, there are many opportunities for public participation:

- Before a TIF district is created, the Redevelopment Plan must be available for public review at least 45 days prior to the public hearing.
- The public hearing offers the community an opportunity to raise questions and voice their concerns about the proposed redevelopment.
- A registry of interested residents and organizations must be created for each TIF, and a notice of important TIF activities shall be sent to those registered.
- Committee meetings of the city council afford the public another opportunity to voice support or opposition of the TIF district.
- Extensive annual reports are required for each TIF and will soon be available to the public through the State Comptroller's web page.
- Additional notices and public meetings are required for certain housing TIFs.

## **What communities in Illinois use TIF?**

In Illinois, TIF districts are used by communities with populations as small as 138 and as large as 2.8 million and every size community in between. TIF can help any size community rebuild infrastructure and attract private investment. TIF Districts are found throughout Illinois.

A complete list of Illinois communities with TIF Districts is available on the [Illinois Comptroller's website](#).

## **When does a TIF District terminate?**

Illinois TIF law allows a TIF district to exist for a maximum of 23 years. Any TIF district may be terminated earlier if all financial obligations are paid off and the municipal board votes to terminate the district.

An extension is available if legislation is passed by the State Legislature.

If no redevelopment project has been initiated within a TIF district within seven years following district designation, the municipality must repeal the TIF. Upon termination of the TIF district, the full tax base, including the increment which had been used to pay for improvements, becomes available to all taxing bodies for their use throughout the future.



## Who controls TIF funds?

Municipal officials control the allocation and disbursement of funds within the TIF district.

## Who monitors the TIF process?

Local governments monitor the progress of the TIF district.

By law, all the school districts and major taxing bodies meet with the TIF municipality annually to review the progress of each TIF.

Under Illinois law, municipalities have an obligation to cooperate with other taxing bodies in monitoring TIF Districts. By law, the Joint Review Board must meet annually to review the effectiveness and status of the TIF district.

## Why is there a need for Tax Increment Financing?

- There are areas where redevelopment may not be supported using traditional market mechanics. TIF provides local governments with a tool to overcome economic barriers in these specific areas and partner with developers and investors to make improvements.
- TIF can be used to cover cost related to environmental remediation that might not be financially feasible without the TIF funds.

[View All FAQ's](#)

## Web Links

- [State Tax Increment Financing](#)

## Supporting Documents

Tax Increment Financing Application 181.07 KB

Mount Carmel TIF Districts Map 674.51 KB