

Strategies and Tactics: *TIF Districts*

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Introductions

Cathy Johnson, CSBO, *Associate Superintendent for Finance and Operations, Township High School District No. 214*

Susan Harkin, CSBO, *Chief Operating Officer, Algonquin Community Unit School District 300*

Ares G. Dalianis, *Partner, Franczek Radelet P.C.*

Preview

- What is a TIF district?
- Finding ‘blight’
- Establishing a TIF district
- Working proactively with a Municipality
- Several case studies
- Epidemic of Re-TIF’ing
- TIF Reform Efforts

What is a TIF District?

- Economic development tool
- Available to municipalities
- Requires finding of 'blight' or 'conservation area'
- Creates a revenue source for public investments to improve an area
- The default tool for new development

Blighting Factors

- Dilapidation
- Obsolescence
- Deterioration
- Structures below minimum code
- Illegal use of structures
- Excessive vacancies
- Lack of ventilation, light or sanitary
- Inadequate utilities
- Excessive land coverage/overcrowding
- Deleterious land use & layout
- Environmental clean-up
- Lack of community planning
- Declining EAV in 3 of last 5 years

Finding Blight

- For a 'blighted area' – must demonstrate 5 or more of the 13 factors
- For a 'conservation area' – must find 3 or more of the factors
- Factors must be 'present to a meaningful extent' and 'reasonably distributed'
- Municipality will retain a TIF consultant to establish eligibility
- Vacant land findings

Joint Review Board

- Convened by the municipality
- Your opportunity to be heard
- Consists of representatives from community college, schools, park, library, fire protection, township, county, municipality, and a 'public member'
- JRB provides a recommendation
- If no, municipal approval must be 3/5 (rather than simple majority)

Importance of JRB

- Carefully review TIF eligibility study
 - Hire your own land use planner
- Communicate with other taxing bodies
- Negotiate JRB recommendation
- Insist on an intergovernmental agreement with municipality – TIFs run for 23 years
 - Surplus payments
 - Capital improvements
 - Limitations on Appeals & Rate Objections

Working with Municipality

- Issues for negotiation:
 - Term – 23 years or something shorter
 - Budget
 - Surplus payments
 - Geographic scope
 - Partial per capita cost of new students/notice
 - Infrastructure improvements
 - Other considerations
- 23 years is a long time – document all understandings

Working with Municipality

- Payment structures other than conventional TIF rebates
 - Payments in lieu of property taxes
 - Revenue sharing agreements
 - IGA's to provide for negotiated tax incentives other than TIF
 - IGA's that sunset earlier than 23 years (conventional TIF)
- Restructured/Renegotiated TIF Agreements
 - Mixed use developments
 - Amendments to include/exclude identified parcels
 - Direct rebates of property taxes

Case Study: Hoffman Estates

- Concerns about TIF eligibility
- Primarily residential TIF
- School boundaries spanned D300/D220
- Required a cooperative effort between both districts

Case Study: Mt. Prospect

- New TIF area was re-TIF'ing of former TIF area
- Eligibility of area in question
- Resulting litigation and settlement

Case Study: Arlington Heights

- VAH presented to Board with explanation for 12 year extension
- Proactive discussions ease path for new TIF district
- Communication is key

Case Study: Elmhurst

- Another example of re-TIF'ing of a suburban downtown area

Case Study: Crestwood

- Village wanted 12 year extension
- ESD insisted on 'impact aid' for nearby school
 - New windows, doors and soundproofing
- Village agreed to annual payments of \$150,000 increasing to \$300,000/yr.

Epidemic of Re-TIF'ing

- The latest exploitation of the TIF concept
- See HB 2964

Illinois TIF Task Force Recommendations

School Districts across Illinois need the following changes enacted to secure predictable, stable and reliable funds to educate Illinois' children! Please support these changes to the Tax Increment Financing Law providing transparency for community and impacted local governments!

Joint Review Board (JRB) Review and Action:

- **REQUIRE** Binding Approval
 - JRB Issues a Report approving or disapproving of any proposed plan
 - Include finances of all impacted taxing bodies in plan decision
 - Include “best interests of the community” as criteria for disapproval
 - Weighted JRB Voting based upon each taxing district’s percentage of total property tax rate

STOP using Tax Increment Financing to Overly Restrict Access to Property Tax Revenue

- No more than 25% of EAV of any taxing district without consent of the taxing district



ED-RED



Illinois TIF Task Force Recommendations

RETURN Accumulated TIF Surpluses to Local Governments

- Distribution of Unused Funds Returned
 - Require Municipalities to report surplus in Annual Financial Reports
 - Require declaration and distribution of surplus for any dedicated incremental revenues not used after 5 years
- Limit Portability of Revenues

STOP Allowing New Redevelopment Plans from Including Formerly TIF'd Land

- Prohibit Municipalities from creating new TIF projects on any portion of property previously included within a redevelopment area that has been dissolved, completed or terminated, for fifteen (15) years.

INCREASE the Criteria for Establishing a TIF

- Adjust the requirement for “vacant” property to include four (4) or more of the criteria to be considered for a TIF.

Illinois TIF Task Force Recommendations

STOP Establishing Residential TIF Areas Creating Overburdened Schools

- Prohibit the use of TIF for residential development from future or extended TIF agreements without the approval of local school boards.
- Require an Intergovernmental Agreement (IGA) with the affected board of education that addresses the financial support for any new students generated due to the development.

REQUIRE Transparency with Timely Reporting and Notice of Meetings

- Municipalities:
 - Failure to notice, Failure to File Reports, and Failure to hold annual JRB Meetings – County treasurer notified to declare “surplus funds” distributed to underlying taxing bodies
 - Provide additional time, 90 days (now 45 days) for notice to taxing bodies of JRB annual, amendment and origination plan meetings
- Require all existing municipalities where TIF ordinances are in place to file a termination date (last tax year established) with county treasurers.
 - Prospectively, require the same for any new redevelopment plans adopted.
 - Require notification to taxing districts by July 1st annually, instead of November 1st.
- Recovered Tax Increment Value after Failure To Notice
 - Allow taxing districts to recover lost access. Recovered tax increment value will be current year EAV in the first year beginning at least 60 days after such notice has been provided.

Questions and Answers

We thank you for your time!

Presenters:

Cathy Johnson, CSBO, *Associate Superintendent for Finance and Operations, Township High School District No. 214*

847.718.7610

cathy.johnson@d214.org

Susan Harkin, CSBO, CFO, *Carpentersville Community Unit School District No. 300*

847.551.8319

susan.harkin@d300.org

Ares G. Dalianis, *Partner, Franczek Radelet P.C.*

312.786.6163

agd@franczek.com