

## **Tax Increment Financing (TIF) – Frequently Asked Questions**

January 13, 2012

The Downtown Strategic Plan (DSP), adopted in October 2009, creates a vision for the future of downtown Glen Ellyn. The DSP recommends an implementation plan, as well as a variety of funding sources, in order to fulfill this vision. One critical funding source recommended for consideration was the designation of the Central Business District as a Tax Increment Financing (TIF) district. Based upon this recommendation, the Village contracted with Ehlers & Associates to complete a feasibility study. The study concluded that the Central Business District is eligible to be designated as a TIF District. This document provides some basic information addressing questions that have been frequently asked regarding the Village's proposed TIF district and TIF districts in general.

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**Q: *What is Tax Increment Financing?***

**A:** Tax Increment Financing (TIF) is a tool provided to local governments to assist them in stimulating investment in areas which have difficulty attracting development or redevelopment or jumpstarting economically sluggish parts of the community. With this tool, local governments can make improvements to areas in need and provide incentives to attract businesses or help existing businesses expand without tapping into general funds. {The State of Illinois has over 1000 active TIF Districts, but by comparison the State of Minnesota has over 4200 TIF districts.}

**Q: *What are the benefits of TIF's?***

**A:** With a TIF district, local governments can make needed infrastructure improvements, such as roads, sewers, street lights, parking, etc. and provide incentives to attract businesses without raising additional property taxes. New businesses mean more jobs, more customers, and, in turn, more private investment. The jobs and additional investment — private and public — mean more money for the community. As a result, the TIF area itself improves and property values go up. Without TIF benefits, many times a deteriorating area will not improve.

**Q: *How does a TIF district work?***

**A:** A TIF district calls for local taxing bodies to make a joint investment in the development/redevelopment of an area, with the intent that any short term financial gains be reinvested into the district so that the entire community realizes a greater benefit in the future. Only the new property taxes generated by the incremental increase in the value of these properties after the TIF is established are available for investment in the TIF.

When a TIF district is created, the value of the property in the area is established as the “base” amount. Throughout the life of the TIF, the property taxes paid on this base amount continue to go to the various taxing bodies as they always had. It is the growth of the value of the property over the base that generates the tax increment. The increment is collected for use by the local government to make additional investments into the TIF district. This reinvestment generates additional growth in property value, which results in even more revenue growth for reinvestment. When the TIF project ends, all of the taxing bodies as well as the general community benefit from the new growth.

**Q: *What is a Tax Increment?***

**A:** A tax increment is the difference between the amount of property tax revenue generated before a TIF district is established and the amount of property tax generated after the TIF district has new development.

**Q: *How may TIF funds be used?***

**A:** The Illinois State Statute regarding this issue lays out multiple ways that TIF funds may be used. Some examples include: property acquisition, rehabilitation or renovation of existing buildings, construction or improvements to public works and professional services (e.g. architectural, engineering, etc). For a complete list, please visit the Illinois Tax Increment Association [website](#).

**Q: *How long does a TIF typically exist?***

**A:** Illinois TIF law allows a district to exist for 23 years. Any TIF district may be terminated earlier if all financial obligations are met and the Village Board votes to terminate the district. 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.

**Q: *Where would the Glen Ellyn TIF district be located?***

**A:** The current proposed boundaries fall between Anthony Street, Park Boulevard, Hillside Avenue and Newton Avenue. This generally includes the entire downtown, with some exceptions. A map of the proposed district can be found on the [Proposed Tax Increment Financing District](#) page of the Village website.

**Q: *Why the Glen Ellyn Central Business District?***

**A:** Over the past five years, property values in the downtown have begun to decrease. It is important that the community take proactive steps to ensure that it continues to be appealing to shop, eat and own a business in the central business district. The Downtown Strategic Plan provides some ideas of how to remedy these issues, but these ideas require a source of funding.

In addition, a TIF demonstrates to the development community that the Village is serious about moving forward with the Downtown Plan and committed to reinvesting in the downtown. The proposed TIF would provide a source of funding for many of the public infrastructure projects recommended in the Downtown Plan and could offer funds used to provide incentives to developers to spur development. But for the TIF, many of the projects in the Downtown Plan could not happen and the long term benefit from increased property values would not be realized.

**Q: *Where is the Village in the process of Establishing a TIF District?***

**A:** The Village contracted with a TIF Consultant, Ehlers and Associates to complete an eligibility study, a redevelopment plan and a housing impact study. Each of these documents can be found on the Village [website](#). Following the completion of these documents in the fall of 2011, they were brought forward to the Joint Review Board (JRB), which met in November and December 2011. The Joint Review Board is comprised of representatives from various local taxing authorities, including School Districts 41 and 87, Community College District 502 (COD), the Glen Ellyn Park District, DuPage County, the Village of

Glen Ellyn and Milton Township, as well as a citizen representative. The JRB reviewed these documents, and made a recommendation to the Village Board that the TIF Redevelopment Plan and Project meets the criteria as required by the TIF Act.

Following this recommendation, the Village Board held a public hearing on January 9, 2012 to provide additional opportunity for public comment. With the completion of all of these steps, the next and final step is consideration of three proposed ordinances at an upcoming Village Board Meeting, tentatively scheduled for February 2012. These ordinances finalize the adoption of the TIF Redevelopment Plan, establish the Redevelopment Project Area and adopt tax increment financing. Throughout the final steps of this process, the Village will be working to keep residents and other taxing bodies informed.

**Q: *How will a TIF district improve the community?***

**A:** Tax Increment Financing is the most powerful economic development tool available to local governments and is widely used nationally and in almost 400 municipalities around the State of Illinois. Tax Increment Financing offers local governments a way to revitalize their communities by improving and/or expanding their tax base. By redeveloping blighted properties in our commercial areas and attracting stable commercial growth, the Village can continue to strengthen the business community, which is a key to Glen Ellyn's overall success.

From a financial standpoint, property values are generally flat and some are declining in this area, and reinvestment is only happening on a small scale. All taxing bodies would benefit from stabilizing property taxes in the short-term and increasing property values in this area over the long-term. In our current economy, decreasing property values, a tighter money supply, and the overall recession make redevelopment more difficult. These are the same reasons why facilitating development is necessary to ensure our commercial areas remain strong. Revitalizing downtown through public investment and encouraging private investment is the most effective way to protect and enhance the downtown as a critical Glen Ellyn asset.

**Q: *How much funding will the proposed TIF District generate for the Village of Glen Ellyn over its lifetime?***

**A:** Depending on the actual increase in property values over time and the rate and number of redevelopment projects ultimately constructed, it is anticipated that a TIF District could generate between \$16.5 and \$34.5 million over its lifetime.

**Q: *What are the potential uses of TIF Funds in relation to the Village's Downtown Strategic Plan?***

**A:** The following bullet points represent potential uses of TIF Funds in the Village's Downtown:

- Design and Install New Public and Wayfinding Signage
- Construct a New Train Station
- Construct a Greenway
- Construct a Pedestrian Underpass
- Analyze downtown traffic circulation w/potential of converting streets to two-way traffic

- Construct Two New Parking Garages
- Construct a New Public Plaza
- Maintain and enhance the recreational path system
- Relocate the Fire Station and Redevelop this Prime Corner in Downtown
- Undertake Streetscape Improvements
- Encourage new development and investment in the downtown
- Assist with property assembly and site preparation
- Facilitate private downtown building maintenance and modernization

**Q:** *What potential impacts will the TIF District have on residents located outside of the TIF District Boundaries?*

**A:** The TIF District redistributes any additional property taxes generated from an increase in the value of the properties within the TIF district to the TIF fund. Due to the relatively compact size of the proposed TIF District, these potential revenues redistributed only account for a very slight percentage of taxing bodies overall revenue. For example, District 87's Equalized Assessed Value (EAV) within the district is approximately less than 1% of their total EAV, while District 41's EAV within the TIF District represents approximately less than 4% of their overall EAV. These small percentages speak to the slight potential impact the TIF District could have on the residents living outside of it. It is important to note that the TIF district will not affect the tax revenues currently received by all included taxing bodies; it will only affect the incremental increase in property values which is significantly smaller than the current value of the district. Please remember that any additional revenue generated from the increment would have not been available if the TIF district did not exist.

**Q:** *Will a TIF district take money away from schools, parks, the library or other jurisdictions?*

**A:** No, the taxing bodies will continue to use the same levy process as they do now, the TIF District will not impact that at all. Any additional property taxes generated from an increase in the value of the properties within the TIF district would go into a TIF fund; however, the increment would have not been available if the TIF district did not exist. This is because the property values only increased due to reinvestment that was, in part, funded by the TIF district.

**Q:** *Are there any TIF Districts in surrounding communities that may have an effect on Glen Ellyn Residents?*

**A:** Yes, a variety of surrounding communities have implemented Tax Increment Financing Districts, including the Village of Glendale Heights and the Village of Lombard. These TIFs have been in place for some time and have a minimal impact on property owners outside of the TIF boundaries.

**Q:** *Where should I go if I want to read more about the potential Downtown TIF district?*

**A:** The Village has posted all of the documents that have been published up to this point on the [Proposed Tax Increment Financing District](#) page of its website and will continue to update this page as new documents are prepared.