

The ABC's of TIF:

Benefitting All Of Chicago

What is TIF?

TIF stands for Tax Increment Financing. In short, the TIF program is an investment in Chicago's future that has already made the city a better place to live and work. It works by promoting development of commercial, industrial, and residential sites across the city through public-private partnerships.

TIF is used in areas of the city that have struggled to attract or retain housing, jobs and commercial activity, without the City being forced to raise property taxes or diverting funds from other City projects to make these improvements happen.

The program finances public and private projects that include rehabilitating existing buildings for new uses; residential developments; retail shopping centers; helping businesses expand or relocate in the city; funding the creation of public parks; and constructing new schools, libraries, police and fire stations.

Since TIF was first used in Chicago in the 1980s, more than 140 TIF districts have been established in the city. They have generated \$8.3 billion in private investment; created or retained 66,000 jobs; built 17,000 residential units (including affordable and CHA replacement units); and created or rehabbed 35.2-million square feet of commercial, industrial and office space.

How does TIF work?

TIF is used to encourage development and investment where it would not otherwise occur.

The basic idea behind TIF is similar to rehabbing a home. Just as rehabbing one's home makes it both nicer to live in and worth more money, TIF helps improve the quality of life in a neighborhood and makes homes and other buildings in that neighborhood increase in value, providing both immediate and future benefits for residents.

TIF works by allowing the City to capture property tax revenues above the base tax rate that existed before the area was designated as a TIF district.

When a TIF is created, property values increase due to the new development and investment in the neighborhood. The new property tax dollars that result (also called the "increment") are set aside to help pay for community projects and create incentives for private investment within that specific TIF area, ensuring that new dollars are reinvested in the same community where they were collected.

How is a TIF district created?

The process by which TIF districts are created is very public and can take between six months to one year to complete to ensure many opportunities for review and input by the public, experts and City officials. Under Illinois State Law, TIF districts are designated as either a

"blighted" or "conservation" area.

"Blighted" areas are those that have been deprived of investment for many years and have experienced a decrease in shopping, housing and employment options for neighborhood residents.

"Conservation" areas are created to prevent the decline of major neighborhood centers before it occurs, by working to retain existing businesses and housing, and attracting new ones.

Before an area can even be considered for a TIF district, an eligibility study is conducted to determine if the area meets the specific conditions required to be designated as "blighted" or "conservation." At the same time, a redevelopment project and plan is created that presents the City's goals for the proposed TIF district. The City and local alderman host at least one public hearing to gather input on the proposal. An advisory joint review board then meets to review and comment on the proposal. The joint review board consists of a member of the public and representatives from each taxing body within the area including Cook County, Chicago Public Schools, and the Chicago Park District. After considering the comments received, the City may then make a recommendation to advance the proposal to the Community Development Commission, which will consider the proposal at a public meeting. If approved by the CDC, the proposal is introduced into the City Council, considered at a public hearing by the Council's Committee on Finance, and voted on by the full City Council.

Does TIF increase the taxes in other parts of the city?

No. The main benefit and appeal of TIF districts is that they are self-sustaining and allow the City to pay for major improvements projects without raising taxes or having other parts of the city pay for those improvements. In fact, TIF helps grow the City's overall tax base – and therefore helps keep everyone's taxes lower than they otherwise would be – by bringing new properties and new businesses to the tax rolls that would otherwise not exist.

If I live in a TIF district, does the TIF increase my taxes?

No. TIF is not a new tax, but it works by putting the natural increase in property taxes to work in that specific neighborhood. Homeowners may see increases in property taxes, but only in proportion to increases in the value of their homes – exactly the same as if they were not in a TIF

How does TIF benefit a community?

It increases the amount of both private and public investment within a community through new development projects that improve the quality of life for residents and the local economy. In neighborhoods, it is helping turn communities around by redeveloping vacant lots for new homes and apartment buildings, community centers, retail complexes, office buildings and manufacturing uses. Most importantly, it is helping to create jobs. In the Central Area, it has brought about the rebirth of Downtown by converting old buildings into a mix of new uses that include universities, condominiums, offices and hotels. It has revitalized State Street, established Chicago's theater district, and helped to attract national and international corporations. All of which has helped Chicago maintain a healthy economy and affirmed its position as a premier tourist attraction and force in the global economy.

Do all redevelopment projects within a TIF district automatically receive funding?

No. Each TIF request is thoroughly evaluated by the City. TIF funding is not available to projects that can move forward with private capital alone. Additionally, projects that receive TIF must include benefits to the community and to the city as a whole. State TIF legislation strictly restricts the types of development costs that are eligible for TIF assistance. They include: land acquisition, environmental contamination cleanup, certain costs associated with rehabilitating or replacing existing buildings, public improvements such as if a building needed sewer and water lines, and a portion of construction costs for affordable or CHA replacement residential units.

Is TIF only used for private development?

No. TIF is used to fund many public projects, most notably the Chicago Housing Authority's Plan for Transformation and the Chicago Public Schools "Modern Schools Throughout Chicago" initiative. TIF is also used to build or improve CTA stations; build libraries, police stations, fire stations, and parks; improve streets, sidewalks and sewers; and install new street lighting.

How does TIF affect other taxing bodies?

It benefits other taxing bodies in two important ways. First, TIF helps pay for projects that those taxing bodies would otherwise have to pay for (and perhaps raise taxes for). Second, TIF creates major new economic activity inside and outside the TIF district. New buildings and stores generate revenue and pay taxes; new jobs create new spending subject to sales and other taxes which in turn help create additional jobs. That economic activity means more tax dollars for the taxing bodies, which lessens the need to increase taxes on everyone else.

How does TIF benefit public schools?

TIF benefits the Chicago Public Schools both directly and indirectly, and is a major factor behind the dramatic improvements in the quality of schools in Chicago the last 15 years. The "Modern Schools Throughout Chicago" program alone will receive over \$800 million in TIF money to help build 24 new schools and renovate three existing ones. In addition, Chicago Public Schools revenue from property taxes increased nearly 45 percent between 1996 and 2007, in large part thanks to TIF helping revitalize the City's overall tax base. Because Chicago

Public Schools are funded by all the property taxes collected citywide, they benefit from the city attracting new residential and commercial development. It is also important to remember that, per State law, TIF districts are only created in areas where the tax base is stagnating, declining or is projected to begin declining. In other words, were it not for the TIF there would not be growth in the tax base in a TIF district for the schools to capture.

Does TIF fund any other programs?

Yes. Several programs have been established through the TIF program to help community initiatives, small businesses, and the environment.

They include:

SBIF:	Small Business Improvement Fund
NIF:	Neighborhood Improvement Fund
GRIF:	Green Roof Improvement Fund
RIF:	Riverfront Improvement Fund

What is the life of a TIF district?

Individual TIF districts run for 23 years. The City can request authority of both the State of Illinois and the Chicago City Council to end a district before it reaches its expiration date or extend it past the date, both of which are dictated by the needs of the neighborhood in question.

What happens after a TIF district expires?

The property tax revenues that had been captured by a TIF would be included in the property taxes already collected by Cook County – these revenues being much higher than they would have been without the TIF (because of the new development and business activity in the TIF area). TIF serves as a major long-term benefit to the region's overall tax base.

How long has TIF been used? Do other cities use it?

The State of Illinois established TIF legislation in 1977 after it had been used successfully in other parts of the country. Chicago's first TIF district was established in 1983.



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