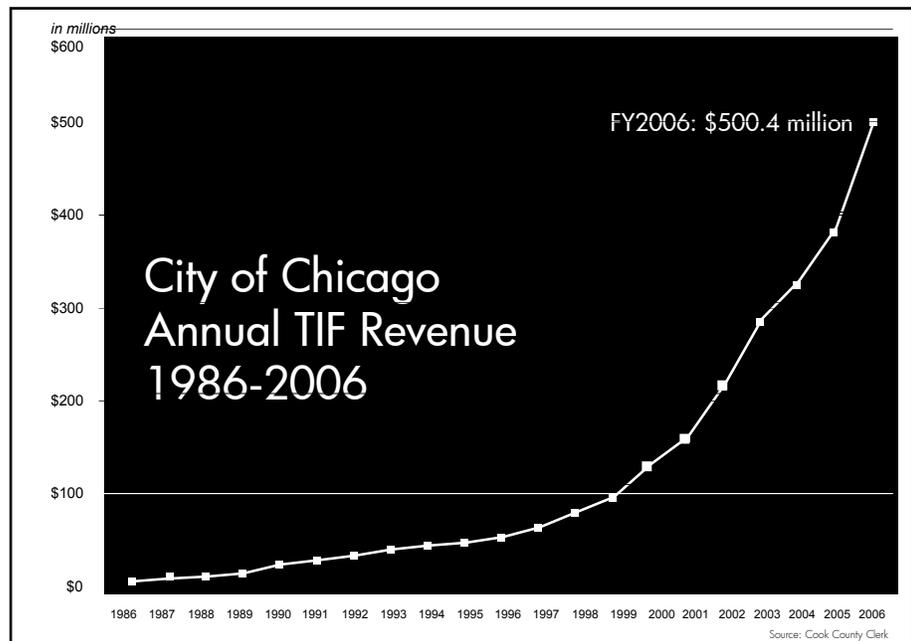


Tax Increment Finance 101

What the heck is TIF?

Tax increment financing (TIF) is a widely used economic development tool which captures all new property tax revenues within a given area and reinvests them within the area's borders for public improvements and private development incentives. Any such area is known as a "TIF district" (or sometimes simply as "a TIF" as well).



How does a TIF accumulate money?

Once a TIF district is established, the equalized assessed value of all properties within it is frozen. This frozen "base value" continues to generate property tax revenue for all of the local governments which levy real estate taxes, but taxes generated by any increase in property values due to new development or inflation - the "tax increment" - are set aside for reinvestment within the TIF, hence the name "tax increment financing." Also, funds from one TIF district may be transferred by the municipality into an adjacent TIF.

How long does a TIF last?

In Illinois, the life of a TIF district is 23 years. Once expired, districts may be extended for 12 more years.

What is the purpose of TIF?

TIF districts are supposed to be used to stimulate economic development in "blighted" areas (or those in danger of becoming blighted) that would not see such development "but for" the use of TIF. However, the existence of "blight" is based on highly subjective criteria.

In Cook County, property tax bills for properties located within a TIF district contain a line item identifying the TIF and listing its tax amount as \$0.00. This is misleading: the true amount of TIF revenue collected is concealed in the revenue the bill portrays as going to local governments.

Can TIF money be used for anything?

There are limitations on the uses to which TIF money may be put, particularly a prohibition on funding new construction itself (although the funds may be used to assemble parcels, upgrade adjacent public infrastructure, rehabilitate existing buildings, subsidies for development loan financing and interest, job training, and a few other uses).

Who oversees the TIF program?

In Chicago, TIFs are technically overseen by the Community Development Commission (CDC) - a body appointed by the Mayor of Chicago - the City Council, and the administration. In reality, TIF funds are controlled almost entirely by the Department of Planning and Development and the mayor's office, frequently in consultation with local aldermen.