

## TIF Summary

What is a TIF district? A Tax Increment Finance District (TIF) is an urban development tool created to combat urban *blight*\*. It was intended to bring development to urban areas that would not see investment "but for" the TIF. A good example of how this tool is supposed to work is the development and investment drawn to the Cabrini Green area after the housing projects were razed. However, the statute definition of *blight*\* is loosely interpreted and applied. It is the municipality that designates a particular area within its boundaries as *blighted*\* and in need of redevelopment. TIF is an extreme measure meant to combat extreme conditions, but it is commonly used in municipalities of all socio-economic levels as the first choice to spur development. \*\*

How do TIF districts work? TIF districts divert property tax revenue from local taxing bodies, i.e. school, park, and library districts, to developers as incentives to invest in the TIF area. The TIF raises money based on the assumption that property values within its boundaries will increase as the properties are developed. The municipality borrows against the future tax revenue increases in order to fund development now.

How do TIFs impact school districts? **The TIF freezes the property tax revenue available for taxing bodies at the time of the TIFs creation.** The lifetime of a TIF district is anywhere from 23 to 47 years, by statute. The original TIF is 23 years with the possibility of two 12-year extensions. That means that a school district's revenue from the TIF district properties will be flat for 23 to 47 years. The money that a school district would normally receive from the increasing value of properties included in the TIF disappears.

Since school districts are capitalized primarily through local property taxes, any decisions made by local municipalities that affect school district's access to, or the full value of, property taxes needs to be well understood. School districts are not required to be consulted before the creation of a TIF district within its boundaries. **TIF districts are a nearly invisible, but hugely impactful development tool municipalities utilize with little oversight and few statutory limits.**

*\*\*"Blighted area" means an area that is a blighted area which, by reason of the predominance of defective, non-existent, or inadequate street layout, unsanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire or other causes, or any combination of those factors, retards the provision of housing accommodations or constitutes an economic or social liability, an economic underutilization of the area, or a menace to the public health, safety, morals, or welfare.*

## TIF Implications Example:

Municipality wants to increase development and build the tax base in its downtown business district. Municipality decides to pursue a TIF district to that end. The properties Municipality includes in the TIF lie within School District's boundaries. The proposed TIF properties generate \$2000 in property tax

revenue each year. Presently, School District receives \$1000 of that revenue. The TIF will freeze School District's revenue from the properties in the TIF at \$1000 for the TIFs lifetime of 23 years, minimum.

Ten years later, the TIF parcels have been developed into housing designed to attract young families to the area. The property values have also tripled since the TIFs inception. Absent the TIF revenue freeze, the increased property values would net School District \$3000 a year in property taxes from the TIF properties. However, for the last ten years, and for the thirteen years to follow, School District will only receive \$1000 a year.

The new housing has lured families with school aged children into the TIF district properties, adding students to School District's rolls. School District was not let into the initial TIF conversation with Municipality and was unable to negotiate any financial support from the TIF for the additional students.

**The net result of the TIF for School District is flat, insufficient revenue for 23 years from high performing TIF properties, and additional students without the financial resources needed to maintain the community's educational expectations.**