

Tax Increment Financing (TIF) – Frequently Asked Questions

June 1, 2014

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.

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 jumpstarting less economically active parts of the community. With this tool, local governments can make improvements to areas in need and provide incentives to attract new development 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 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.

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: 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 underutilized properties in our commercial areas and attracting stable commercial growth, the Village can continue to strengthen the business community, which is a key to Algonquin'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 Algonquin through public investment and encouraging private investment is the most effective way to protect and enhance the central business district as a critical Algonquin asset.

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: What should I do if I want to learn more about the potential TIF District?

A: Attend the upcoming TIF public meeting on Monday, June 23, 2014 at 7:00 p.m. in the Ganek Municipal Center (2200 Harnish Drive), where the Village's TIF Consultant Kane, McKenna and Associates will give a presentation on the proposed TIF District. For any questions or for more information, please contact Russell Farnum, Community Development Director at (847) 658-4184 or Michael Kumbera, Assistant Village Manager at (847) 658-2700.