Final Report of the TIF Reform Task Force

June 1, 2018

RE: Report of the TIF Reform Task Force

Honorable Members of the Illinois General Assembly:

This report is being submitted to the Honorable Members of the General Assembly pursuant to Public Act 100-0465, which created the TIF Reform Task Force and directed it to study tax increment financing in Illinois.

In accomplishing its directive, the Task Force held several hearings, both in Chicago and Springfield, over the course of the past six months. The Task Force sought testimony from a diverse group of stakeholders in the hope of hearing all viewpoints related to the current state of TIFs in Illinois. Testimony was provided by individuals representing state and local governments, education, private industry, nonprofits and the economic development community. The testimony provided by these individuals covered topics such as the effect of TIFs on school funding, transparency, accountability, access to TIF increment, and oversight.

The Task Force recognizes that Tax Increment Financing is a complex issue that impacts almost all communities in Illinois. Given the complexity and expanse of the issue, the Task Force hopes that its work will help to advance the discussion of TIFs and believes the topic is worthy of continued discussions.

Respectfully submitted,

Members of the TIF Reform Task Force

TIF Reform Task Force

The Tax Increment Financing (TIF) Reform Task Force was created by the Invest in Kids Act (Public Act 100-0465). Section 2505-800 of the Act identifies four issues the Task Force was charged with reviewing. These are:

1. the benefits and costs of TIF districts;
2. the interaction between TIF law and school funding;
3. the expenditure of TIF funds; and
4. the expenditure of TIF surplus funds.

PA 100-0465 provides that the members of the Task Force shall consist of twelve members of the General Assembly; six (6) members from the Illinois House of Representatives, three (3) of whom are appointed by the Speaker of the House of Representatives and three (3) of whom are appointed by the Minority Leader of the House of Representatives; and six (6) members from the Illinois Senate, three (3) of whom are appointed by the President of the Senate and three (3) of whom are appointed by the Minority Leader of the Senate.

The Act provides that the Task Force shall report findings of the study and any recommendations to the General Assembly by April 1, 2018. Pursuant to subsequent legislation, the deadline of the report was extended to June 1, 2018.

TIF Reform Task Force Members

Task Force Co-Chairs

The Honorable Michael J. Zalewski – 23rd District State Representative
The Honorable Grant Wehrli – 41st District State Representative
The Honorable Toi Hutchinson – 40th District State Senator
The Honorable Tom Rooney – 27th District State Senator

Task Force Members

The Honorable Barbara Flynn Currie – 25th District State Representative
The Honorable Arthur Turner – 9th District State Representative
The Honorable Dave Severin – 117th District State Representative
The Honorable Joe Sosnowski – 69th District State Representative
The Honorable Melinda Bush – 31st District State Senator
The Honorable David Koehler – 46th District State Senator
The Honorable Michael Connelly – 21st District State Senator
The Honorable Chuck Weaver – 37th District State Senator

Acknowledgements

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Illinois TIF Overview

TIF Basics

TIF was first adopted in California in 1952, but as late as 1970 only a few states employed TIF programs. By 2004, however, all 50 states had passed legislation authorizing the use of TIF.

Illinois adopted TIF in 1977 with enactment of the Tax Increment Allocation Redevelopment Act (65 ILCS 5/Art. 11 Div. 74.4) (the TIF Act). A reform to the legislation was enacted in 1999. The Act requires a process of public notice, public meetings or hearings, and agreement from affected taxing bodies before a municipality can create a new TIF district. A representative from select taxing bodies sits on the Joint Review Board (JRB), which approves TIF district creation. Once a municipality has completed this process, it must pass an ordinance creating the new district. The initial lifespan of a TIF district is 23 years. Each TIF district has a redevelopment plan that specifies the projects that will be undertaken and must file an annual report with the Office of the Comptroller.

When a TIF district reaches its 23-year expiration date, the municipality must enact an ordinance dissolving the district or must seek General Assembly approval to extend the district an additional 12 years, or up to 35 years total. If the TIF district is dissolved, the county clerk eliminates the frozen value and returns the properties to their full value on the tax roll. Any excess money the district has collected is turned over to the county treasurer for redistribution to the appropriate taxing bodies. If the TIF district is extended, a municipality must follow a prescribed process of public notice and agreement from the affected taxing bodies, just as it does to create one.

A key point in the TIF Act is that the TIF revenues used for the payment of redevelopment project costs in taxing districts located in redevelopment project areas would not derive the benefits of an increased assessment base without the benefits of TIF; this is commonly referred to as the "but for" provision.[1]

TIF Increment

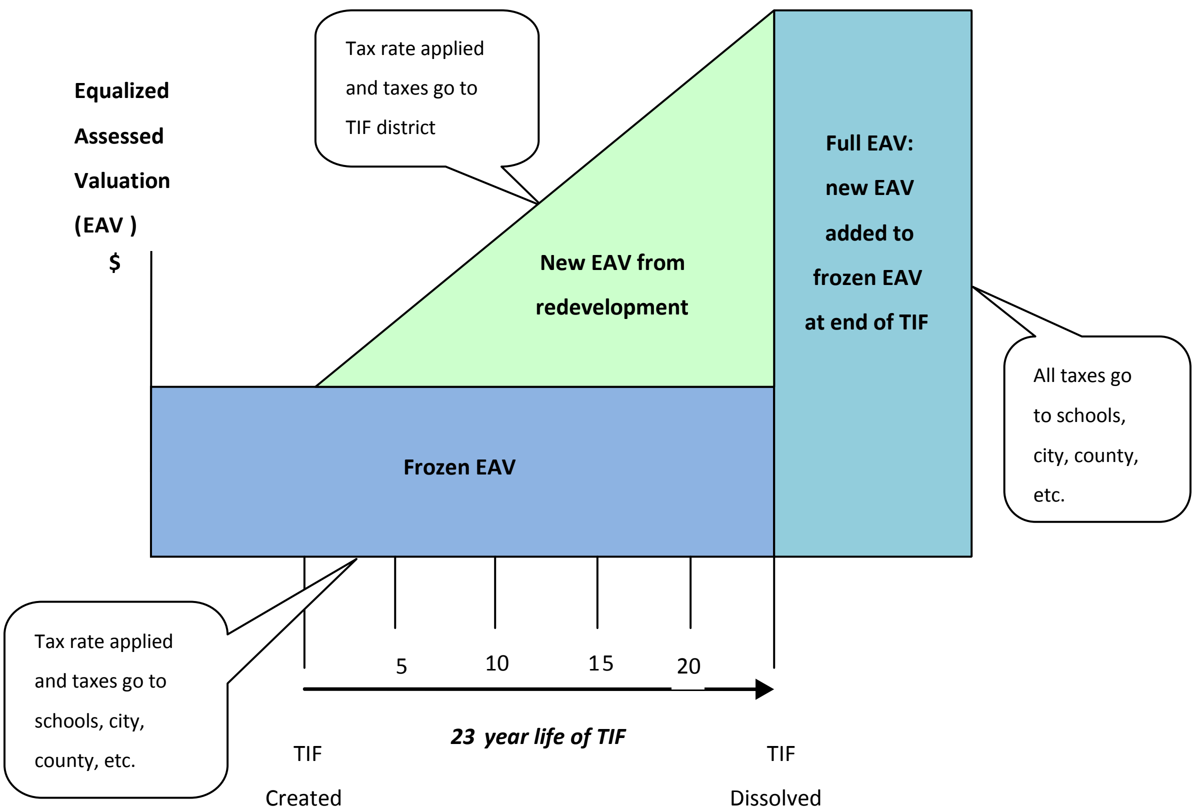
A common misconception of TIF districts is that the property tax dollars are frozen. In fact, it is the equalized assessed value (EAV) of the properties in the TIF that are frozen. *Figure 1. Allocation of equalized assessed value within a TIF district*, illustrates how TIF monies are generated and distributed. When a TIF is created, any increase in EAV within the TIF is no longer added to the EAV available for other taxing bodies. It is not included when tax rates are calculated, and the taxing bodies receive no revenue from that EAV. This tax rate is applied to the new EAV that is generated from the TIF development, also known as the TIF increment, so that any increase in property values within the TIF district generates tax dollars for the TIF district. In other words, any growth in the property values within

[1] Analysis of the Illinois TIF Act can be found in the report submitted by TIF Reform Panel established by Mayor Rahm Emanuel. "*Findings and Recommendations for Reforming the Use of Tax Increment Financing in Chicago: Creating Greater Efficiency, Transparency and Accountability*". Carole Brown: Chair. https://www.cityofchicago.org/content/dam/city/depts/mayor/Press%20Room/Press%20Releases/2011/August/8.29.11TIFReport.pdf. Retrieved 3/23/2018

a TIF district is taxed at the regular tax rate, and the tax dollars go into that district's funds. Taxes from the frozen amount of EAV go to the other taxing bodies.

If all new growth in property value within a TIF district is attributable to TIF, then taxing bodies do not lose any revenues and taxpayers do not have higher tax bills than they otherwise would have had. In these circumstances, TIF has performed perfectly—creating growth when no growth would have occurred. At the end of the life of the TIF, taxing bodies and taxpayers benefit from the expanded tax base.

Figure 1: Allocation of equalized assessed value within a TIF district



TIF EAV and Extension Summary: 2016

The Data Warehouse on the Office of the Comptroller's website lists 1,405 TIF districts statewide as of August 20, 2016. TIF districts with a positive TIF increment totaled 1,304 in 2016 representing just over $14.2B in TIF increment. *Figure 2: 2016 State Tax Increment Financing Breakdown,* summarizes the use of TIF throughout the State of Illinois in 2016. The State's total EAV before homestead exemptions in 2016 totaled $326.1B. The percentage of TIF increment as a percentage of total EAV was 3.9%.

Figure 2: 2016 State Tax Increment Financing Breakdown							
	Total EAV	Total Extension	# of TIF Districts	Total TIF Extension	Percent of Extension	TIF EAV Increment	Percent of EAV
STATEWIDE	362,136,996,943	29,806,223,108	1,304	1,238,780,867	4.2%	14,206,056,489	3.9%
COOK COUNTY	164,327,590,229	13,792,762,125	382	852,073,934	6.2%	10,318,994,645	6.3%
COLLAR COUNTIES	108,639,742,523	9,026,421,094	182	106,604,048	1.2%	1,057,197,707	1.0%
REST OF STATE	89,169,664,191	6,987,039,889	740	280,102,885	4.0%	2,829,864,137	3.2%

While TIF extension dollars that go to individual TIF districts vary by differing tax rates, the proportion of the total TIF extension to the total extension reflects those of TIF increment to total EAV. See Appendix A for the full chart including county numbers.

While the sheer size and scope of the use of TIF in terms of EAV overwhelms statewide summary, municipalities employ TIFs to a greater or lesser extent in proportion to their respective EAV. There are six counties with no TIF districts: Pope, Hardin, Calhoun, Clark, Greene and Henderson. The range of TIF increment as a percentage of total EAV extends from 0.3% (Putnam) to 9.5% (Ford). See Appendix B for the full chart including county numbers.

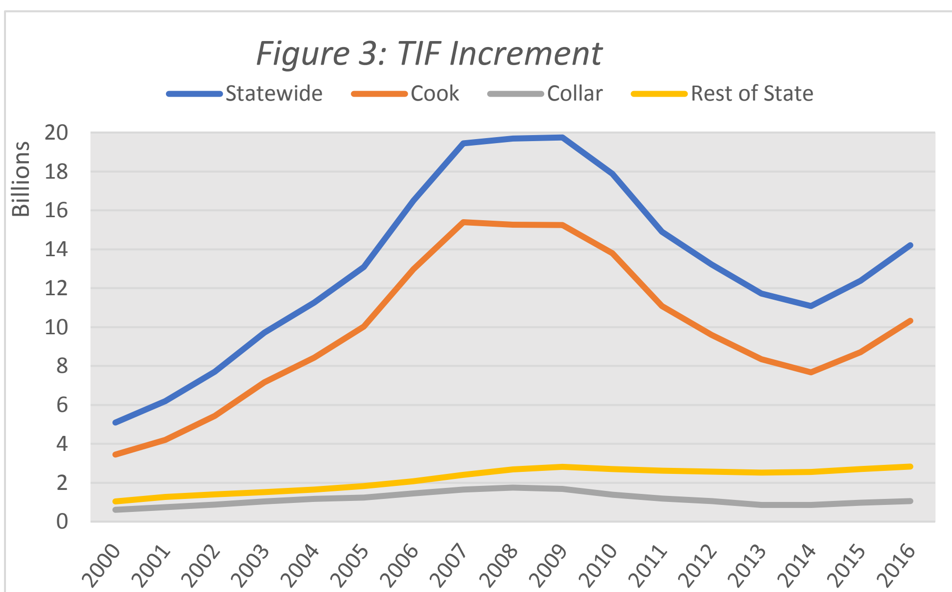
Terminated TIF Districts

The 'Municipalities with TIF Districts' report on the Comptroller's website lists active and terminated TIFs. Thirty-nine TIF districts have been terminated as of August 20, 2016. While this represents a small percent of the total TIF districts that have been created in Illinois, this is not surprising given the potential for a TIF district to last for 35 years. This means TIF districts terminating in 2018 could have been created as early as 1983.

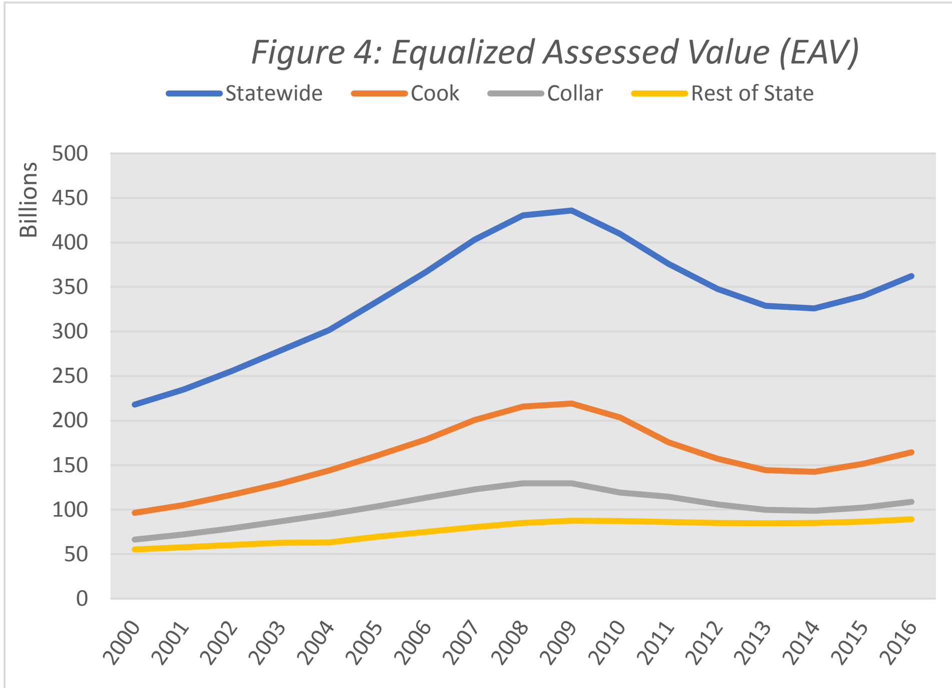
Summary of TIF Trends

TIF Increment and Equalized Assessed Value (EAV)

Figure 3: TIF Increment; and Figure 4: Total Equalized Assessed Value, show the changes in TIF increment and EAV over the past 16-year period. The statewide surge in TIF increment for the seven-year period from 2000 ($5.09 billion) to 2007 ($19.44 billion) reflected unprecedented growth of the real estate market in Cook County.



During the same period, TIF increment in Cook grew from $3.44 billion to $15.39 billion. Total Equalized Assessed Value (EAV) for all property grew in relative proportion to that of TIF increment. From the period of 2000 to 2007, statewide EAV grew from $217.92 billion to $403.44 billion, an 85% increase. In that period, Cook's EAV grew from $96.40 billion to $200.55 billion, a 108% increase.

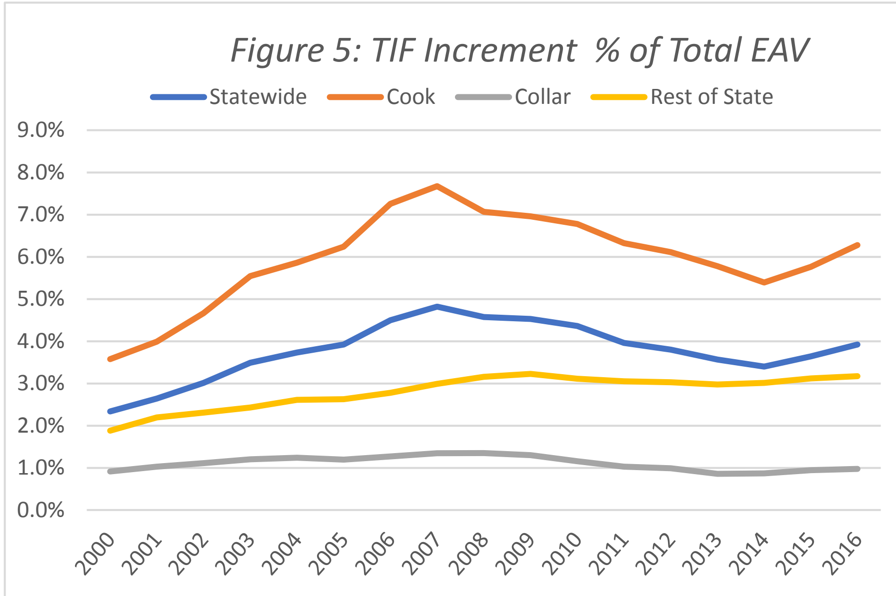


The rapid increase in value in the early to mid-2000s, commonly referred to as the "real estate bubble", was caused by, among other factors, relatively low interest rates, speculative buying, and questionable lending practices. The bubble began to burst in 2007 when declining real estate values and high mortgage delinquency rates led to the collapse of the subprime mortgage market. The combined effects of the subprime market collapse and the resulting recession created an overall housing market meltdown.

The meltdown in the real estate market coincided with declines in TIF increment and EAV. After leveling off somewhat from 2007 to 2009, statewide TIF increment fell from $19.74 billion in 2009 to $11.71 billion in 2013, a 41% decrease. Cook TIF increment during the period fell from $15.25 billion to $7.68 billion, a 50% decrease. The decline in TIF increment mirrors that of EAV. State totals for EAV declined from $435.88 billion in 2009 to $328.78 billion in 2013, a 25% decrease. Cook EAV during the period fell from $219.12 billion to $144.41 billion, a 34% decrease. In recent years, the real estate market recovered as did both TIF increment and EAV.

Separating the collar counties and the rest of state reveals the muted effect which the real estate bubble and subsequent meltdown had on counties outside Cook and the collars. The effect of the real estate downturn was certainly felt in the collar counties. The percent increase from 2000 to 2007 in TIF increment and EAV was 72% and 85%, respectively. The subsequent decrease in TIF increment and EAV in the collar counties from 2009 to 2013 was 49% and 23%, respectively. The counties outside Cook and the collars were spared the wide swings in value as reflected in their TIF increment and EAV. The increase in TIF increment and EAV from 2000 to 2007 was 130% and 45%, respectively. The decrease in TIF increment and EAV from 2009 to 2013 was less dramatic than that of Cook and the collars: 11% and 3% respectively.

Figure 5: TIF Increment % of Total EAV can be used as a barometer to gauge the relative growth of the statewide use of TIF by municipalities. Over the 16-year period, Cook County's percent increment to EAV has gone from 3.6% to 7.7% in the real estate bubble years from 2000 to 2007. By 2014, the percent decreased to 5.4% but has increased to 6.3% in 2016. The counties outside Cook and the collars saw their percent of TIF increment rise from 1.9% to 3.2% over the 16-year period. The collar counties experienced the least change with their percentage of TIF increment. Their percent of TIF increment hovered around 1% of total EAV for the entire 16-year period.



Issue 1: The Benefits and Costs of TIF Districts

Historically, tax increment financing has been viewed as a way to combat blight or deterioration within city districts or neighborhoods. As it proliferated, however, tax increment financing evolved, shifting from what was initially an urban renewal program targeted at depressed central city areas to a more general public investment and infrastructure financing scheme. Today, local governments employ TIF to achieve a variety of economic development goals, including job creation, growth in property values, and protection of the local tax base.

A true evaluation of TIF's impact on communities—a comprehensive comparison of the benefits versus the costs—depends upon comparing current reality to a hypothetical non-TIF world. This type of comparison is difficult to make, not only because of the complexities of the property tax system but also due to data intensity and the need for sophisticated statistical analysis. Such an evaluation is beyond the scope of this Task Force report; however, it's a valuable exercise to revisit the potential advantages and drawbacks of this pervasive and popular financing tool.

As is described in their informative guide to TIF, the Government Finance Officers Association identifies three aspects of tax increment financing which advantage its use compared with other development financing tools:

- SELF-FINANCING - Tax increment financing offers a way to dedicate a specific revenue source to pay for economic development subsidies. The incremental revenue expected to occur after businesses move into a TIF district provides the resources needed to carry out TIF projects, thus alleviating the need to establish a separate tax levy or increase tax rates upon residents outside the TIF district. This self-financing nature of TIF differentiates if from other economic development programs, such as tax abatements, tax credits, and other tax incentives, enterprise zones, and direct subsidy programs. The latter programs either *forego* tax revenue or facilitate expenditures from *current tax revenue* to support or encourage development projects. In the case of TIF, the business continues to pay property taxes on its assessed value, part of which continue to flow to local government units.

- LOCAL CONTROL - Tax increment financing project initiation and management is carried out at the local level. TIF projects are not dependent upon federal or state funding.

- FLEXIBILITY IN PROJECT ACTIVITIES - Partly because it is not subject to many federal or state requirements, tax increment financing can be used for a broad array of activities, such as demolition or environmental remediation and other in-kind subsidies. Tax increment financing can also be used to subsidize a developer directly through land donations, for example. Moreover, TIF subsidies can be layered upon non-TIF subsidies offered by the municipality or state government.

In sum, local policy makers often like tax increment financing because it is relatively flexible and enables them to be entrepreneurial, formulating and implementing development plans. It's also an easier sell than a tax rate increase or general obligation bonds that require a voter referendum. These perceived advantages have spurred its widespread adoption and use.

However, tax increment financing has several potential drawbacks. First, poorly designed or poorly implemented TIF plans may not always be financially successful, and there is a substantial risk that they will fail. There is no guarantee that the development project will lead to increased private sector investment, more jobs or higher property values.

Second, even financially successful TIF projects may not be successful in an economic sense. Governments providing TIF project subsidies to businesses located in a growth corridor experiencing natural economic expansion may be wasting dollars if the businesses would have located and prospered in that area anyway – with or without subsidies. Such TIFs fail the ‘but for’ test.

Third, any TIF district failing the ‘but for’ test results in an opportunity cost to other governments. Schools and other units of governments sharing the same tax base with the TIF-sponsoring governments will not share incremental revenues (unless provisions require the TIF sponsor to revenue-share) until the TIF district is dissolved many years later.

The loss of actual or potential revenues raises a fourth issue. Schools and similarly situated governments that lose revenues captured by the TIF sponsor may have to respond by increasing the tax rate to compensate for a stagnant tax base. Thus, although there may be no direct increase in tax rates, there may be an indirect tax rate increase later.

In general, to promote the benefits and to limit the costs of TIFs, TIF redevelopment projects should be a collaborative effort between developers, municipalities, and taxing districts. The Task Force believes the adoption of best practices by municipalities employing TIFs can help to achieve a collaborative environment for the creation and administration of TIFs.

Recognizing the varied nature of TIF redevelopment plans and the municipalities themselves, the Task Force does not promote any particular set of best practices, but does make note of three approaches, which can serve as templates for municipalities to follow; the City of Chicago’s TIF Reform Panel recommendations, the Village of Brookfield’s TIF procedures, and the City of Rockford’s Tax Increment Financing Guideline Point System (see Appendix D). It is further suggested, that studying municipalities that have implemented best practices to achieve collaboration and success would be beneficial to informing future TIF discussions.

Availability of Data

The Task Force believes that access to data related to TIFs is also important to analyzing the efficacy of TIF in Illinois. While municipalities are required to file Annual Tax Increment Finance Reports with the Office of the Comptroller, these reports are not currently in a format that enables data mining and analysis. The Task Force learned, however, that the Office of the Comptroller recently enhanced the manner in which Annual Tax Increment Finance Reports are submitted. While these changes may offer some additional capabilities for data mining and analysis, it is the understanding of the Task Force that further enhancements are planned, which will further improve the State’s ability to make data available in a format that lends itself to better understanding the use of TIF in Illinois. The Task Force encourages these efforts.

Additionally, the Illinois TIF Reform Act of 1999 required TIFs to prepare a 10-year status report; however, the applicability of this requirement is uncertain. It is unclear if TIFs already in existence as of the effective date of the Act and TIFs created after the effective date of the Act are both required to submit this report or if only TIFs created after the Act are. It is also unclear to whom this report should be submitted. The Task Force recommends statutory changes to clarify this requirement.

Issue 2: The Interaction between TIF Law and School Funding

This issue is best broken down into two components; the school district's levying authority and the method by which state aid funds are distributed to school districts throughout the state.

Component 1: TIF Impact on School District's Levying Authority: PTELL vs Non-PTELL Counties

As stated earlier, it is the EAV of the TIF district that is frozen; the incremental growth generated by the TIF is taken out of a taxing district's tax rate calculation. If one was to accept the basic premise of TIF -- that all the incremental growth in a redevelopment project area was due to the TIF creation -- the extension amount generated by each taxing body would be the same whether the TIF was created or not. However, the question arises, in the case of increasing EAV in a TIF redevelopment area that is due to at least some natural growth in the market (therefore not fully satisfying the "but for" provision), does the lower EAV available to taxing bodies adversely affect extensions? The answer is a bit nuanced depending on whether the taxing district is subject to the Property Tax Extension Limitation Law (PTELL).

PTELL "Limiting Rate"

Illinois adopted PTELL in 1991 for the collar counties and was extended to Cook in 1994. A provision for a county to 'opt in' by county referendum was added for the rest of Illinois in 1996. As of 2017, thirty-three counties chose to 'opt in' via referendum. Ten other counties have rejected PTELL through the referendum process. There are currently thirty-nine counties subject to PTELL limitations. (See Appendix B for a map of PTELL counties). PTELL limits the increases in property tax extensions to the lesser of 5 percent or the increase in the National Consumer Price Index (CPI) for the year preceding the levy year. Home rule municipalities are not subject to the PTELL limitations. Increases beyond the limitation must be approved by voter referendum. While the extension for non-home rule taxing bodies are limited, individual tax bills can fluctuate due to changes in individual assessments, changes due to the general reassessment, and the application of homestead exemptions. Bonds that are also approved by referendum are also taken out of the PTELL rate limitation calculations. The limiting rate calculation is given by the equation:

Aggregate Extension Base * (1 + CPI or 5% max) / Tax Base

(Where aggregate extension base means the taxing district's last preceding aggregate extension, and the tax base is defined as Total EAV less homestead exemptions, less new property, less retiring TIF incremental value, plus any current EAV of any disconnections)

In the situations of an increasing or declining tax base (EAV) in PTELL districts, the limiting rate will increase or decrease in proportion to the change taxing districts' tax base (EAV). Therefore, it is PTELL and not TIF that restricts the maximum tax extensions of non-home rule units of government.

To illustrate a PTELL example, Chicago Public Schools (CPS) is subject to the PTELL limitations. PTELL limits the 2016 extension to the CPI increase (0.7%) over the 2015 aggregate extension. The resulting extension used in the PTELL calculation, ($2,370,325,470) is then divided by the 2016 rate setting EAV ($73,573,764,300) to obtain the limiting rate of 3.222%. The levy request made by the district for the education fund resulted in a preliminary tax rate of 3.458%. A PTELL reduction was applied to the fund and reduced the education fund rate to 3.115%. This reduction allowed for the overall PTELL cap fund rate (including workmen's comp, public building and capital improvement funds) to be equal to the limiting rate of 3.222%. Any increase in EAV due to the introduction of TIF increment will lower the limiting rate and the extension for CPS in tax year 2016 would be unchanged.

Non-PTELL - Individual Fund Maximum Rates

Non-PTELL counties that are not subject to the PTELL limiting rate are limited to individual fund maximum rates. For the non-PTELL counties, the county clerk calculates a tax rate for each fund using the levy amount requested by the taxing district. If the rate is higher than the maximum statutory ceiling or any voter-approved rate, the rate is reduced to the maximum rate. It is therefore conceivable that a taxing body in a non-PTELL county which is at their fund rate limit would lose money in a TIF redevelopment district. This assumes that EAV growth in the redevelopment area would have occurred naturally without the TIF; not satisfying the 'but for' provision.

To illustrate a non-PTELL district, O'Fallon High School District 203 in St. Clair County is not subject to PTELL. That said, individual funds are rate capped. The education fund rate limit for O'Fallon High School District 203 is 0.92%. For tax year 2016, the levy request $8,547,000 for the education fund resulted in a rate of 0.94936%. It was then lowered to the rate limit of 0.92%, resulting in a tax extension of $8,282,671. When all fund rates were calculated then summed, the total levy request of $20,927,522 was lowered to $20,803,909 tax extension. The overall certified tax rate for the district was 2.3108%.

TIF Use: PTELL vs non-PTELL

The issue of PTELL playing a role in the decision-making process of a municipality adopting a TIF district can be studied by examining the use of TIF in PTELL and non-PTELL counties. *Figure 6: TIF PTELL vs non-PTELL Comparison* shows that the 39 counties that are subject to PTELL account for over 86% of the total EAV before exemptions. TIF increment and extension as a percentage of total tracks closely that of total EAV: 85.8% and 83.6%, respectively. For the 63 counties not subject to PTELL, their use of TIF in terms of percent totals of increment and extension also tracks that of their percent portion of their total EAV. This suggests that PTELL does not play into a municipalities' decision-making process in creating a TIF district.

Figure 6: TIF PTELL vs non-PTELL Comparison

	Total	PTELL	% PTELL of Total	non-PTELL	% non-PTELL of Total
Number of Counties	102	39	38.2%	63	61.8%
EAV Before Exemptions	362,136,996,943	311,623,528,507	86.1%	50,513,468,436	13.9%
Extension	29,806,223,108	25,978,861,668	87.2%	3,827,361,440	12.8%
Number of TIF Districts	1,304	804	61.7%	500	38.3%
TIF Increment	14,206,056,489	12,184,592,063	85.8%	2,021,464,426	14.2%
TIF Extension	1,238,780,867	1,035,208,766	83.6%	203,572,101	16.4%

Component 2: State Aid Fund Distribution to School Districts

The formula used to distribute State aid funds to Illinois' school districts was revamped by Governor Bruce Rauner's signing into law Public Act 100-0465 or the Evidence-Based Funding for Student Success Act on August 31, 2017. This law enacts evidence-based funding (EBF) and comprehensively changes the way that school districts receive the bulk of state funds.

General State Aid (GSA) Formula

The previous method for distributing aid to school districts relied largely on the General State Aid (GSA) formula. The GSA had two components, the Equalization Formula Grant (EFG), which relies on the EAV of a district in determining that component of the GSA, and the Supplemental Low-Income Grant (SLIG), also referred to as poverty grants, which determines funding based on the number of students in poverty in the district. These two components are added to arrive at a district's GSA.

In calculating the EFG, TIF EAV, among other items, is excluded. During discussions preceding passage of the new funding formula, some wondered about the impact of not including TIF EAV in determining the EFG component of GSA. The basic question is this: do municipalities that have a heavier reliance on TIFs effectively "hide" the property wealth of a district, thus drawing more school aid funds to those districts?

Ignoring the "but for" discussion here, the answer is that it depends. It depends on the ratio between the EFG and SLIG going to any given school district. The amount of the SLIG in relation to the amount of the EFG a school district receives affects the degree to which TIF impacts school aid funding. Since SLIGs are unaffected by TIF EAV, the more SLIGs a district receives as a percent of total aid received, the lower the TIF impact and vice versa. For the 2016-2017 school year, SLIGs accounted for 37% of GSA statewide. For the City of Chicago School District 299, in particular, SLIGs accounted for nearly 80% of the GSA it received.

Having discussed the effect of TIF EAV on the GSA formula, this report now gives a basic overview of how Evidence-Based Funding measures property wealth in a school district. This analysis may provide insight into how the introduction of TIF increment may alter the distribution of state school funds under the new formula.

Evidence-Based Funding (EBF) Formula

The Illinois State Board of Education (ISBE) instituted the new Evidence-Based Funding (EBF) formula outlined in PA 100-0465 for FY 2018. In constructing Evidence-Based Funding (Total State Contribution), ISBE adds the Base Funding Minimum (Hold Harmless) with Tier Funding (New Money). The Base Funding minimum ensures that each school district will receive at least the same amount in state funding as it did in the previous year. Tier Funding is characterized as new monies appropriated each year by the General Assembly. PA 100-0465 establishes the Minimum Funding Level that targets a minimum of $350 million be appropriated for Tier Funding to keep pace with inflation and continue to advance equity through the Evidence-Based Funding formula. This is a departure from the General State Aid (GSA) formula where state funding for a district fluctuated depending on the local resources calculation.

According to ISBE, the Evidence-Based Funding (EBF) formula follows three stages to determine funds needed for school districts to meet their Adequacy Target:[2]

> **Stage 1**: Determining the cost of educating all students, according to the defined cost factors. The result is the Adequacy Target for each district.
>
> **Stage 2**: Measuring each district's local resources for comparison to the Adequacy Target.
>
> **Stage 3**: Distributing additional state funds to assist districts in meeting their Adequacy Targets

Stage 2, measuring each district's local resources for comparison to the Adequacy Target, is most pertinent in the analysis of TIF increment impact on the distribution of state school funds.

Measuring Local Resources: EBF Formula

ISBE uses a three-step process to determine the local resources for individual districts.

> **Step 1**: Calculate the three-year average of a district's "Real" EAV
> "Real" EAV = (Original EAV – Adjustments)
> (Property Tax Appeal Board Decisions, Certificates of Error, and Abatements)
>
> **Step 2**: Compare the three-year average EAV to the most recent year EAV. If the most recent year EAV represents a decrease of 10 percent or greater, EBF uses the lesser EAV.
>
> **Step 3**: For districts subject to Property Tax Extension Limitation Law (PTELL), compare the EAV selected in Step 2 to the calculated PTELL EAV. EBF uses the lesser EAV.

Step 2 is new to the EFB calculation. The calculation of the PTELL EAV for use in Step 3 did not change from the original GSA calculation. The PTELL EAV addressed a policy issue brought on by the 1999 changes to the General State Aid (GSA) formula. The importance of this calculation necessitates a discussion of the background of this calculation.

PTELL Adjustment (PTELL EAV)

As Step 3 illustrates, the EBF formula compares the calculated PTELL EAV with the EAV from Step 2 and uses the lesser EAV in the determination of the district's Local Capacity Target. The PTELL EAV, also referred to as the PTELL adjustment, is the same in the EBF formula as what was used in the (GSA) formula.

The introduction of the PTELL adjustment, according to Education Funding Advisory Board (EFAB), was rooted in the changes made to the GSA formula in 1999 that penalized districts subject to PTELL. The

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[2] The calculation process for Evidence-Based Funding can be found at, Illinois State Board of Education, *"Understanding Evidence-Based Funding"*, https://www.isbe.net/Documents/EBF_Presentation_Detailed.pdf . Retrieved 3/27/2018.

GSA formula multiplied an assumed tax rate by the district's EAV[3]. This calculation produced an amount of property wealth that PTELL districts could not achieve due to the limits of PTELL. The coupling of the GSA formula rates with PTELL reduced rates produced the term "double whammy" where PTELL districts lost money at both the local and state level.

The General Assembly created the PTELL adjustment in 2000 to address the problem of the "double whammy" and compensate for any loss in access to a district's EAV. The solution was to create an Extension Limitation EAV. This adjusted EAV was calculated by using the PTELL district's prior EAV and multiplying by an index which was calculated by taking the current year possible maximum levy and dividing by the prior year actual tax levy.[4] During the inflationary periods of rapid EAV growth, many districts received what was termed as the "PTELL benefit" from the use of the PTELL EAV in the calculation of local resources.

Incorporating TIF Increment in EBF Formula

The Evidence-Based Funding formula for Student Success Act did not alter the way in which the state aid formula handles TIF increment in measuring property wealth. An excerpt from the TIF Act (65 ILCS 5/11-74.4-8) states the following "*No part of the current equalized assessed valuation of each property in the redevelopment project area attributable to any increase above the total initial equalized assessed value, or the total initial equalized assessed value as adjusted, of such properties shall be used in calculating the general State aid formula, provided for in Section 18-8 of the School Code, or the evidence-based funding formula, provided for in Section 18-8.15 of the School Code, until such time as all redevelopment project costs have been paid as provided for in this Section".*

The EBF formula further diminishes the effect of TIF increment on the distribution of state education funds when compared to the prior General State Aid (GSA) formula. The main reason is the hold harmless provision, which has school districts now only competing for new monies appropriated in the Tier Funding portion of EBF. The distribution of the new monies in Tier Funding follows a complex procedure that has many moving parts. The intricate interaction of the calculations puts ISBE in the best position to figure out exactly how the inclusion or exclusion of TIF increment impacts the distribution of Tier funds to each district. That said, ISBE suggests the recently implemented EBF formula does not create an incentive for municipalities to create TIFs for purposes of increasing a district's portion of state school funding.

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[3] Assumed tax rates: Elementary District 2.30% High School District 1.05% Unit District 3.00%

[4] Analysis of PTELL adjustment: Illinois State Board of Education, "APPENDIX II Review of Tax Rates and PTELL Adjustment" https://www.isbe.net/Documents/Appendix_II_fy11.pdf . Retrieved 3/27/2018

Issue 3: The Expenditure of TIF Funds

The issue of the expenditure of TIF funds necessitates an overview of the TIF statute relating to:

1. TIF District Designation
2. TIF Redevelopment Plan
3. TIF Redevelopment Project Costs
4. TIF Housing Impact Study
5. TIF District Oversight
6. TIF Reporting

TIF District Designation

Blighted, Conservation Areas, and Industrial Park Conservation Area

The stated purpose of the TIF Act was to promote the redevelopment of “blighted”, “conservation areas”, and “industrial park conservation area” through the use of incremental tax revenues to underwrite redevelopment projects. The TIF reform legislation adopted in 1999 inserted extensive language defining these terms. Prior to 1999, the definitions for blighted, conservation, and industrial park conservation areas were not expressly spelled out in the TIF Act.

“Blighted Area”

After November1 1999, to be designated a “Blighted Area”, the improved buildings (commercial, industrial or residential) must be a detriment to public safety, health, or welfare satisfying at least 5 of the 13 factors listed in the definition of which the municipality could meaningful document so that the factor is within the intent of the Act and distributed throughout the improved part of the redevelopment project area. Examples include; obsolescence, deterioration, excessive vacancies, environmental clean-up and lack of community planning among others. In the case of vacant areas, to be designated “blighted”, at least two factors of the 7 factors listed must be documented by the municipality. Examples include; obsolete platting, tax delinquencies, and the equalized assessed value of the redevelopment area had declined for 3 of the last 5 calendar years.

“Conservation area"

As stated in the TIF statute, the term “Conservation area” means any improved area within the boundaries of a redevelopment project area located within the territorial limits of the municipality in which 50% or more of the structures in the area have an age of 35 years or more. Such an area is not yet a blighted area but because of a combination of 3 or more of the same 13 factors listed for “blighted area”, the area at some point in the future may become blighted.

"Industrial park conservation area"

To foster industrial development, the inclusion the definition of "Industrial park conservation area" was placed in the TIF statute. Basically, the boundaries of a redevelopment project area located in a municipality that has a labor surplus (high unemployment) that is zoned as industrial and includes vacant land suitable for use as an industrial park can be designated as “industrial park conservation area”.

TIF Redevelopment Plan

Municipalities are required to produce a redevelopment plan that describes a comprehensive program that will reduce or eliminate the conditions that qualified a redevelopment area as a “blighted area” or “conservation area” or “industrial park area”. In 2009, the definition was expanded to include areas not classified as a “blighted area” or “conservation area” or “industrial park area”, but were within a one-half mile radius of an existing or proposed Regional Transportation Authority Suburban Transit Access Route (STAR line) station.

The 1999 legislation provided that no redevelopment plan may be approved or amended on vacant land that is used as a golf course or on designated public lands for recreational activities – camping and hunting - and nature preserves. The legislation also mandated to accomplish the objectives of the TIF district, the written redevelopment plan must include address ten provisions. These provisions include;

(A) an itemized list of estimated redevelopment project costs;
(B) evidence indicating that the redevelopment project area on the whole has not been subject to growth and development through investment by private enterprise, provided that such evidence shall not be required for any redevelopment project area located within a transit facility improvement area established pursuant to Section 11-74.4-3.3;
(C) an assessment of any financial impact of the redevelopment project area on or any increased demand for services from any taxing district affected by the plan and any program to address such financial impact or increased demand;
(D) the sources of funds to pay costs;
(E) the nature and term of the obligations to be issued;
(F) the most recent equalized assessed valuation of the redevelopment project area;
(G) an estimate as to the equalized assessed valuation after redevelopment and the general land uses to apply in the redevelopment project area;
(H) a commitment to fair employment practices and an affirmative action plan;
(I) if it concerns an industrial park conservation area, the plan shall also include a general description of any proposed developer, user and tenant of any property, a description of the type, structure and general character of the facilities to be developed, a description of the type, class and number of new employees to be employed in the operation of the facilities to be developed; and
(J) if property is to be annexed to the municipality, the plan shall include the terms of the annexation agreement.

TIF Redevelopment Project Costs

Redevelopment project costs are the sum of all the costs “reasonable or necessary” incurred to a TIF district’s redevelopment plan and project. The TIF statute list includes cost studies, costs in the repair and reconstruction of buildings whether public or privately owned, job training and financing costs. The 1999 legislation takes out any administrative costs of a municipality not related to the TIF project. Under redevelopment costs from the 1999 legislation, Section 11-74.4-3. Definitions. (7.5), there is extensive language regarding a definition of *“taxing district’s capital costs resulting from the redevelopment project”*.

More specifically, the language refers to increase costs to schools and library districts. In the case of school districts, costs are added given a housing development results in an increase in enrollment. These costs are added when TIF funds are used for infrastructure improvements "*within the boundaries of the assisted housing sites necessary for the completion of that housing as authorized by this Act, and which costs shall be paid by the municipality from the Special Tax Allocation Fund when the tax increment revenue is received as a result of the assisted housing units".* The language in 7.5 lists out various calculations of the costs depending on the type (foundation, alternate and flat) and size of the school district.

For Library districts, the qualifications are the same as schools on the use of TIF funds for infrastructure improvements in support of a housing development. The calculation of the cost depends on the net increase in the number of persons eligible to obtain a library card who reside in the redevelopment project area. This is a cap on the per-patron cost of $120.

TIF Housing Impact Study

The TIF statute requires municipalities to prepare a separate housing impact study if the redevelopment plan resulted in the displacement of 10 or more residential units, or if the redevelopment area contained 75 or more inhabited residential units and did not certify that no more than 9 of those units would be displaced. The TIF statute specified the housing impact study be bifurcated into two parts. The first part dealt with the affected housing is the redevelopment area; physical descriptions of the units, whether the units are currently inhabited, and the racial and ethnic composition of the inhabitants of the residential units. The second part required municipalities to identify the inhabited residential units in the proposed redevelopment that are or may be removed. The impact study shall include the municipalities plans for relocation assistance to affected residents.

The 1999 legislation mandated that the housing impact study be incorporated into the redevelopment plan. Also, it provided that a redevelopment plan shall not be adopted if the plan does not ensure that in the case of low-income and very low-income persons, that need to be removed from the redevelopment area, are given affordable and relocation assistance according to federal guidelines.

TIF District and Oversight

Public Notice

Before a municipality can designate a TIF redevelopment project area, it must adopt an ordinance or resolution fixing a time and place for a public hearing. At least ten days prior to the meeting, the redevelopment plan or a separate report must be made available to public inspection. The report with a name of a contact person for further information on the eligibility of the redevelopment area must be mailed to affected taxing districts. The municipality must also print a newspaper notice on how the public may register to receive information regarding the proposed redevelopment plan. Finally, the municipality must mail to all residential addresses in the redevelopment project area and within 750 feet of the boundaries of the project area, on how to obtain information regarding the redevelopment plan and eligibility report.

Public Hearing

The public hearing is where the public or affected taxing body may file written or oral objections to any issues in the notice with the municipal clerk. After hearing all protests and objections, the meeting may be adjourned without further notice other than a motion for fixing a time and place for a subsequent hearing. If the municipality makes substantial changes to the redevelopment plan, a further public hearing and convening of the Joint Review Board must be conducted. All hearings regarding the redevelopment project, plan or plan may be held simultaneously.

Joint Review Board (JRB)

Prior to the public hearing, Illinois statutes requires municipalities convene a Joint Review Board (JRB). The JRB is made up of selected representatives from the taxing districts affected by a proposed TIF district. The districts include; community college, local elementary school district and high school district or each local community unit school district, park district, library district, township, fire protection district, and county. A representative from the municipality is also a JRB member as well a member from the public residing in the redevelopment project area. If no qualified person is available, the JRB is relieved for the requirement of a public member.

The JRB is tasked with the review of the proposed TIF plan and redevelopment project. However, any recommendation made by the JRB is an advisory, non-binding recommendation. The JRB shall issue a report that the proposed redevelopment plan either meets, or fails to meet, the requirements of the TIF Act. If no report is issued by the JRB, it is presumed that the taxing bodies have no objections to the proposed TIF district. The municipality has 30 days to address JRB issues and resubmit the plan. Notwithstanding any resubmission of the TIF plan by the municipality, JRB recommended changes to a proposed TIF project are subject to the public hearing. The proposed JRB changes must;

1. substantially affect the general land uses proposed in the redevelopment plan,
2. substantially change the nature of or extend the life of the redevelopment project, or
3. increase the number of inhabited residential units to be displaced from the redevelopment project area.

If the municipality and the JRB are unable to reconcile their differences, the municipality may proceed with the TIF plan but only with three-fifths vote of the corporate authority.

There is also a provision that provides for amendments made to the redevelopment plan. There are six types of amendments described in the TIF statute that require the municipality to convene the JRB and hold a public hearing. Amendments include;

1. add additional parcels of property to the proposed redevelopment project area,
2. substantially affect the general land uses proposed in the redevelopment plan,
3. substantially change the nature of the redevelopment project,
4. increase the total estimated redevelopment project costs set out in the redevelopment plan by more than 5% after adjustment for inflation from the date the plan was adopted,
5. add additional redevelopment project costs to the itemized list of redevelopment project costs set out in the redevelopment plan, or

(6) increase the number of inhabited residential units to be displaced from the redevelopment project area, as measured from the time of creation of the redevelopment project area, to a total of more than 10.

Issue 4: The Expenditure of TIF Surplus Funds

Summary of TIF Surplus

This issue is closely related to Issue 3: the expenditure of TIF funds as it directly relates in the amount of funds in a TIF district that may be declared surplus. In (65 ILCS 5/11-74.4-7) (from Ch. 24, par. 11-74.4-7) of the TIF Act, surplus funds shall be calculated annually and are defined as moneys not required, pledged, earmarked, or otherwise designated for payment and securing of the obligations and anticipated redevelopment project costs. Surplus funds are then distributed in proportion by the county collector to the affected districts in the redevelopment project area.

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Appendix A: 2016 Tax Increment Financing Summary

	PTELL County	Total EAV Before Homestead Exemptions	Total Extension	# of TIF Districts	Total TIF Extension	Percent of Extension	TIF EAV Increment	Percent of EAV
STATEWIDE		**362,136,996,943**	**29,806,223,108**	**1,304**	**1,238,780,867**	**4.2%**	**14,206,056,489**	**3.9%**
COOK COUNTY		**164,327,590,229**	**13,792,762,125**	**382**	**852,073,934**	**6.2%**	**10,318,994,645**	**6.3%**
COLLAR COUNTIES		**108,639,742,523**	**9,026,421,094**	**182**	**106,604,048**	**1.2%**	**1,057,197,707**	**1.0%**
REST OF STATE		**89,169,664,191**	**6,987,039,889**	**740**	**280,102,885**	**4.0%**	**2,829,864,137**	**3.2%**
ADAMS	No	1,351,064,670	80,550,724	2	470,316	0.6%	6,895,563	**0.5%**
ALEXANDER	No	49,997,015	5,021,183	1	87,581	1.7%	492,415	**1.0%**
BOND	No	253,537,654	20,118,866	5	587,066	2.9%	5,766,151	**2.3%**
BOONE	Yes	1,045,226,218	97,560,340	1	52,346	0.1%	471,914	**0.0%**
BROWN	No	107,495,400	7,179,488	2	307,568	4.3%	3,813,445	**3.5%**
BUREAU	No	716,118,835	60,819,746	6	1,060,108	1.7%	9,318,924	**1.3%**
CALHOUN	No	91,961,359	6,423,834	0	0	0.0%	0	**0.0%**
CARROLL	No	382,956,193	29,520,715	6	757,581	2.6%	7,049,085	**1.8%**
CASS	No	188,628,995	15,358,365	3	665,815	4.3%	6,137,958	**3.3%**
CHAMPAIGN	Yes	4,339,436,000	334,544,595	19	14,294,598	4.3%	159,574,764	**3.7%**
CHRISTIAN	Yes	640,568,958	40,039,532	2	213,637	0.5%	2,695,313	**0.4%**
CLARK	No	257,356,828	17,797,285	0	0	0.0%	0	**0.0%**
CLAY	No	190,189,241	13,661,561	3	520,892	3.8%	5,539,766	**2.9%**
CLINTON	No	738,269,548	49,206,097	10	3,381,679	6.9%	42,206,064	**5.7%**
COLES	Yes	794,963,667	57,731,817	5	1,048,476	1.8%	11,806,383	**1.5%**
COOK	Yes	164,327,590,229	13,792,762,125	382	852,073,934	6.2%	10,318,994,645	**6.3%**
CRAWFORD	No	502,560,388	33,639,588	4	316,890	0.9%	3,732,161	**0.7%**
CUMBERLAND	Yes	178,700,733	11,653,271	1	248,862	2.1%	2,952,065	**1.7%**
DEKALB	Yes	2,092,048,380	210,755,610	9	9,099,787	4.3%	72,763,736	**3.5%**
DEWITT	No	604,359,906	37,941,141	4	1,216,838	3.2%	13,437,188	**2.2%**
DOUGLAS	No	455,660,287	32,631,721	8	2,717,004	8.3%	33,092,918	**7.3%**
DUPAGE	Yes	38,662,079,498	2,771,524,882	54	30,767,780	1.1%	368,667,152	**1.0%**
EDGAR	No	375,596,117	25,265,375	2	506,197	2.0%	5,669,148	**1.5%**
EDWARDS	No	98,031,368	5,829,326	2	95,590	1.6%	970,580	**1.0%**
EFFINGHAM	No	848,174,020	51,444,431	8	4,632,162	9.0%	62,706,810	**7.4%**
FAYETTE	No	284,476,173	21,031,825	8	1,033,151	4.9%	10,469,500	**3.7%**
FORD	No	317,488,250	27,331,841	3	2,808,181	10.3%	30,024,153	**9.5%**
FRANKLIN	Yes	455,473,866	32,883,490	7	1,177,751	3.6%	12,051,156	**2.6%**
FULTON	No	558,289,521	44,901,792	6	1,829,987	4.1%	17,698,672	**3.2%**
GALLATIN	No	83,957,368	5,385,978	4	414,481	7.7%	4,422,516	**5.3%**
GREENE	Yes	226,868,347	15,113,407	0	0	0.0%	0	**0.0%**
GRUNDY	No	2,126,116,197	144,621,386	12	16,438,433	11.4%	190,150,454	**8.9%**
HAMILTON	No	136,979,811	8,841,430	1	76,247	0.9%	793,340	**0.6%**
HANCOCK	No	385,410,314	28,642,166	3	364,769	1.3%	4,121,335	**1.1%**
HARDIN	No	39,853,483	2,012,101	0	0	0.0%	0	**0.0%**
HENDERSON	No	159,216,668	11,758,802	0	0	0.0%	0	**0.0%**
HENRY	No	1,067,102,764	80,978,956	21	7,147,795	8.8%	73,513,447	**6.9%**
IROQUIS	No	585,502,375	50,987,373	4	964,324	1.9%	9,236,420	**1.6%**
JACKSON	Yes	844,384,141	71,246,780	7	925,316	1.3%	8,835,338	**1.0%**
JASPER	No	230,043,640	16,589,414	1	362,876	2.2%	3,582,672	**1.6%**
JEFFERSON	Yes	545,752,179	41,403,504	4	678,601	1.6%	6,783,506	**1.2%**
JERSEY	No	423,470,480	27,974,101	4	1,473,653	5.3%	18,325,391	**4.3%**
JODAVIESS	Yes	755,666,067	53,908,356	7	542,698	1.0%	6,170,159	**0.8%**
JOHNSON	No	165,116,029	10,948,995	3	1,036,539	9.5%	12,519,960	**7.6%**
KANE	Yes	14,090,757,790	1,286,516,172	49	16,235,910	1.3%	158,178,421	**1.1%**
KANKAKEE	Yes	2,054,303,429	186,093,659	13	5,043,058	2.7%	41,162,078	**2.0%**
KENDALL	Yes	3,095,321,296	300,908,485	4	328,014	0.1%	2,966,541	**0.1%**
KNOX	No	872,169,730	73,456,097	6	1,447,370	2.0%	13,984,966	**1.6%**

Appendix A: 2016 Tax Increment Financing Summary (Continued)

	PTELL County	Total EAV Before Homestead Exemptions	Total Extension	# of TIF Districts	Total TIF Extension	Percent of Extension	TIF EAV Increment	Percent of EAV
LAKE	Yes	26,484,507,524	2,307,894,050	33	15,971,496	0.7%	155,586,894	**0.6%**
LASALLE	No	2,900,626,745	219,532,882	44	18,817,953	8.6%	188,849,057	**6.5%**
LAWRENCE	No	158,519,111	9,782,108	2	398,439	4.1%	4,418,308	**2.8%**
LEE	Yes	822,948,953	62,287,120	3	571,515	0.9%	5,694,521	**0.7%**
LIVINGSTON	Yes	770,884,062	66,626,002	7	2,084,502	3.1%	19,917,255	**2.6%**
LOGAN	Yes	586,071,119	43,297,315	4	569,159	1.3%	6,856,218	**1.2%**
MCDONOUGH	Yes	508,374,806	41,533,975	3	324,591	0.8%	3,255,192	**0.6%**
MCHENRY	Yes	8,250,270,270	829,722,385	17	3,032,539	0.4%	22,225,640	**0.3%**
MCLEAN	No	4,231,431,432	329,765,672	19	6,724,706	2.0%	76,090,003	**1.8%**
MACON	No	1,862,837,842	152,777,358	13	2,862,803	1.9%	29,194,535	**1.6%**
MACOUPIN	Yes	707,851,286	45,500,864	6	105,691	0.2%	1,369,670	**0.2%**
MADISON	No	5,837,364,971	416,171,643	41	26,485,010	6.4%	280,544,586	**4.8%**
MARION	Yes	491,956,373	37,764,593	7	727,760	1.9%	7,100,585	**1.4%**
MARSHALL	No	309,508,454	24,138,575	10	1,628,420	6.7%	15,797,127	**5.1%**
MASON	No	231,556,114	20,629,239	3	950,164	4.6%	7,592,716	**3.3%**
MASSAC	Yes	214,637,874	13,948,912	5	1,050,105	7.5%	12,608,783	**5.9%**
MENARD	Yes	307,187,809	20,699,819	1	60,928	0.3%	765,321	**0.2%**
MERCER	No	324,267,538	24,227,758	3	963,710	4.0%	9,962,996	**3.1%**
MONROE	Yes	909,032,705	55,945,194	3	1,209,109	2.2%	16,796,010	**1.8%**
MONTGOMERY	No	504,087,215	39,594,141	5	1,558,778	3.9%	16,148,906	**3.2%**
MORGAN	Yes	639,198,525	45,767,691	3	785,506	1.7%	10,075,962	**1.6%**
MOULTRIE	No	311,559,553	22,564,122	5	2,043,438	9.1%	20,750,867	**6.7%**
OGLE	No	1,695,427,683	131,677,272	8	1,013,523	0.8%	10,919,050	**0.6%**
PEORIA	No	3,941,333,450	318,327,834	26	7,357,842	2.3%	78,633,512	**2.0%**
PERRY	No	247,330,461	18,371,448	5	634,689	3.5%	6,338,423	**2.6%**
PIATT	No	471,709,245	31,204,420	3	376,257	1.2%	5,610,484	**1.2%**
PIKE	No	281,504,292	19,581,532	3	800,739	4.1%	9,935,003	**3.5%**
POPE	No	58,066,752	3,069,894	0	0	0.0%	0	**0.0%**
PULASKI	No	50,506,114	3,857,051	3	109,880	2.8%	1,144,755	**2.3%**
PUTNAM	No	205,095,691	13,890,144	1	42,217	0.3%	556,424	**0.3%**
RANDOLPH	Yes	549,993,581	31,818,403	8	1,602,982	5.0%	20,547,326	**3.7%**
RICHLAND	No	260,823,720	17,342,759	1	114,589	0.7%	1,341,575	**0.5%**
ROCK ISLAND	No	3,015,018,696	243,243,673	46	19,083,660	7.8%	196,779,243	**6.5%**
ST. CLAIR	No	4,396,923,312	373,137,802	68	51,812,890	13.9%	392,315,208	**8.9%**
SALINE	No	309,639,885	23,136,719	2	159,762	0.7%	1,534,561	**0.5%**
SANGAMON	Yes	4,563,960,483	324,540,958	18	8,342,286	2.6%	104,278,578	**2.3%**
SCHUYLER	Yes	136,938,246	10,146,240	1	160,445	1.6%	1,695,704	**1.2%**
SCOTT	No	82,644,445	5,439,194	2	32,114	0.6%	388,268	**0.5%**
SHELBY	Yes	427,223,630	29,398,022	3	299,770	1.0%	3,495,053	**0.8%**
STARK	No	150,308,051	11,410,853	3	397,560	3.5%	4,143,218	**2.8%**
STEPHENSON	Yes	754,743,636	71,443,474	12	2,280,296	3.2%	19,748,225	**2.6%**
TAZEWELL	Yes	3,049,738,661	217,604,093	8	6,908,488	3.2%	76,577,342	**2.5%**
UNION	Yes	242,796,953	14,213,014	2	55,879	0.4%	761,136	**0.3%**
VERMILLION	No	1,052,369,252	87,250,305	15	1,899,897	2.2%	19,181,694	**1.8%**
WABASH	No	176,119,530	10,947,199	5	460,263	4.2%	5,903,907	**3.4%**
WARREN	No	372,956,023	27,774,916	2	273,019	1.0%	2,941,753	**0.8%**
WASHINGTON	Yes	337,649,088	26,144,989	2	135,142	0.5%	1,747,884	**0.5%**
WAYNE	No	220,659,773	16,279,997	2	1,135,525	7.0%	11,188,016	**5.1%**
WHITE	No	243,468,696	15,287,133	5	438,962	2.9%	4,961,608	**2.0%**
WHITESIDE	No	965,825,468	75,647,551	9	1,554,211	2.1%	14,452,168	**1.5%**
WILL	Yes	21,152,127,441	1,830,763,605	29	40,596,323	2.2%	352,539,600	**1.7%**
WILLIAMSON	Yes	1,289,913,232	82,730,344	20	7,905,510	9.6%	105,937,275	**8.2%**
WINNEBAGO	Yes	4,276,381,453	464,424,581	45	7,697,973	1.7%	60,938,718	**1.4%**
WOODFORD	No	996,828,294	73,428,542	4	719,985	1.0%	8,175,453	**0.8%**

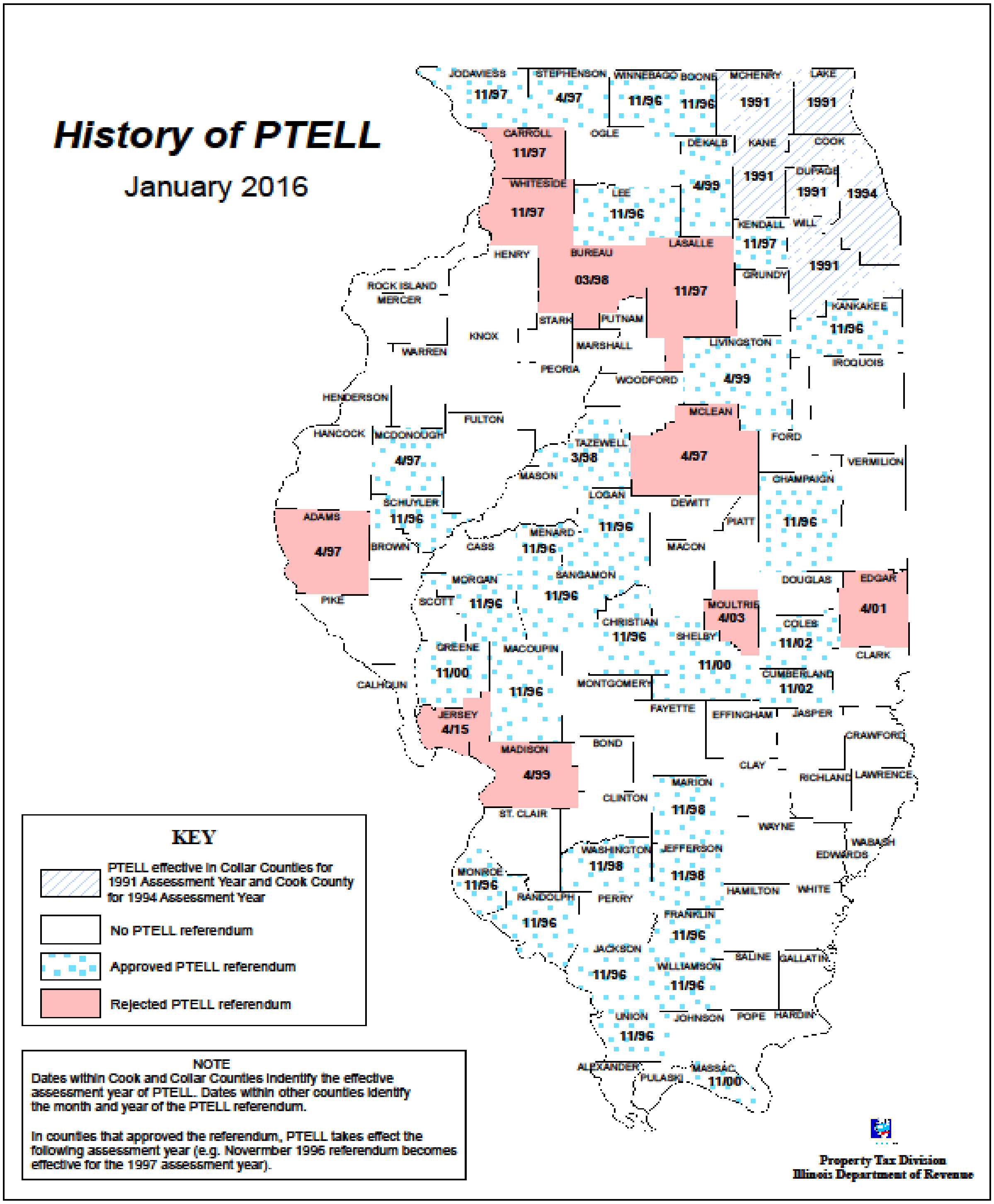
Appendix B: 2016 Tax Increment Financing Summary (Percent of EAV order)

	Total EAV Before Homestead Exemptions	Total Extension	# of TIF Districts	Total TIF Extension	Percent of Extension	TIF EAV Increment	Percent of EAV
CALHOUN	91,961,359	6,423,834	0	0	0.0%	0	**0.0%**
CLARK	257,356,828	17,797,285	0	0	0.0%	0	**0.0%**
GREENE	226,868,347	15,113,407	0	0	0.0%	0	**0.0%**
HARDIN	39,853,483	2,012,101	0	0	0.0%	0	**0.0%**
HENDERSON	159,216,668	11,758,802	0	0	0.0%	0	**0.0%**
POPE	58,066,752	3,069,894	0	0	0.0%	0	**0.0%**
BOONE	1,045,226,218	97,560,340	1	52,346	0.1%	471,914	**0.0%**
KENDALL	3,095,321,296	300,908,485	4	328,014	0.1%	2,966,541	**0.1%**
MACOUPIN	707,851,286	45,500,864	6	105,691	0.2%	1,369,670	**0.2%**
MENARD	307,187,809	20,699,819	1	60,928	0.3%	765,321	**0.2%**
MCHENRY	8,250,270,270	829,722,385	17	3,032,539	0.4%	22,225,640	**0.3%**
PUTNAM	205,095,691	13,890,144	1	42,217	0.3%	556,424	**0.3%**
UNION	242,796,953	14,213,014	2	55,879	0.4%	761,136	**0.3%**
CHRISTIAN	640,568,958	40,039,532	2	213,637	0.5%	2,695,313	**0.4%**
SCOTT	82,644,445	5,439,194	2	32,114	0.6%	388,268	**0.5%**
SALINE	309,639,885	23,136,719	2	159,762	0.7%	1,534,561	**0.5%**
ADAMS	1,351,064,670	80,550,724	2	470,316	0.6%	6,895,563	**0.5%**
RICHLAND	260,823,720	17,342,759	1	114,589	0.7%	1,341,575	**0.5%**
WASHINGTON	337,649,088	26,144,989	2	135,142	0.5%	1,747,884	**0.5%**
HAMILTON	136,979,811	8,841,430	1	76,247	0.9%	793,340	**0.6%**
LAKE	26,484,507,524	2,307,894,050	33	15,971,496	0.7%	155,586,894	**0.6%**
MCDONOUGH	508,374,806	41,533,975	3	324,591	0.8%	3,255,192	**0.6%**
OGLE	1,695,427,683	131,677,272	8	1,013,523	0.8%	10,919,050	**0.6%**
LEE	822,948,953	62,287,120	3	571,515	0.9%	5,694,521	**0.7%**
CRAWFORD	502,560,388	33,639,588	4	316,890	0.9%	3,732,161	**0.7%**
WARREN	372,956,023	27,774,916	2	273,019	1.0%	2,941,753	**0.8%**
JODAVIESS	755,666,067	53,908,356	7	542,698	1.0%	6,170,159	**0.8%**
SHELBY	427,223,630	29,398,022	3	299,770	1.0%	3,495,053	**0.8%**
WOODFORD	996,828,294	73,428,542	4	719,985	1.0%	8,175,453	**0.8%**
DUPAGE	38,662,079,498	2,771,524,882	54	30,767,780	1.1%	368,667,152	**1.0%**
ALEXANDER	49,997,015	5,021,183	1	87,581	1.7%	492,415	**1.0%**
EDWARDS	98,031,368	5,829,326	2	95,590	1.6%	970,580	**1.0%**
JACKSON	844,384,141	71,246,780	7	925,316	1.3%	8,835,338	**1.0%**
HANCOCK	385,410,314	28,642,166	3	364,769	1.3%	4,121,335	**1.1%**
KANE	14,090,757,790	1,286,516,172	49	16,235,910	1.3%	158,178,421	**1.1%**
LOGAN	586,071,119	43,297,315	4	569,159	1.3%	6,856,218	**1.2%**
PIATT	471,709,245	31,204,420	3	376,257	1.2%	5,610,484	**1.2%**
SCHUYLER	136,938,246	10,146,240	1	160,445	1.6%	1,695,704	**1.2%**
JEFFERSON	545,752,179	41,403,504	4	678,601	1.6%	6,783,506	**1.2%**
BUREAU	716,118,835	60,819,746	6	1,060,108	1.7%	9,318,924	**1.3%**
WINNEBAGO	4,276,381,453	464,424,581	45	7,697,973	1.7%	60,938,718	**1.4%**
MARION	491,956,373	37,764,593	7	727,760	1.9%	7,100,585	**1.4%**
COLES	794,963,667	57,731,817	5	1,048,476	1.8%	11,806,383	**1.5%**
WHITESIDE	965,825,468	75,647,551	9	1,554,211	2.1%	14,452,168	**1.5%**
EDGAR	375,596,117	25,265,375	2	506,197	2.0%	5,669,148	**1.5%**
JASPER	230,043,640	16,589,414	1	362,876	2.2%	3,582,672	**1.6%**
MACON	1,862,837,842	152,777,358	13	2,862,803	1.9%	29,194,535	**1.6%**
MORGAN	639,198,525	45,767,691	3	785,506	1.7%	10,075,962	**1.6%**
IROQUIS	585,502,375	50,987,373	4	964,324	1.9%	9,236,420	**1.6%**
KNOX	872,169,730	73,456,097	6	1,447,370	2.0%	13,984,966	**1.6%**

Appendix B: 2016 Tax Increment Financing Summary (Percent of EAV order)

	Total EAV Before Homestead Exemptions	Total Extension	# of TIF Districts	Total TIF Extension	Percent of Extension	TIF EAV Increment	Percent of EAV
CUMBERLAND	178,700,733	11,653,271	1	248,862	2.1%	2,952,065	**1.7%**
WILL	21,152,127,441	1,830,763,605	29	40,596,323	2.2%	352,539,600	**1.7%**
MCLEAN	4,231,431,432	329,765,672	19	6,724,706	2.0%	76,090,003	**1.8%**
VERMILLION	1,052,369,252	87,250,305	15	1,899,897	2.2%	19,181,694	**1.8%**
CARROLL	382,956,193	29,520,715	6	757,581	2.6%	7,049,085	**1.8%**
MONROE	909,032,705	55,945,194	3	1,209,109	2.2%	16,796,010	**1.8%**
PEORIA	3,941,333,450	318,327,834	26	7,357,842	2.3%	78,633,512	**2.0%**
KANKAKEE	2,054,303,429	186,093,659	13	5,043,058	2.7%	41,162,078	**2.0%**
WHITE	243,468,696	15,287,133	5	438,962	2.9%	4,961,608	**2.0%**
DEWITT	604,359,906	37,941,141	4	1,216,838	3.2%	13,437,188	**2.2%**
PULASKI	50,506,114	3,857,051	3	109,880	2.8%	1,144,755	**2.3%**
BOND	253,537,654	20,118,866	5	587,066	2.9%	5,766,151	**2.3%**
SANGAMON	4,563,960,483	324,540,958	18	8,342,286	2.6%	104,278,578	**2.3%**
TAZEWELL	3,049,738,661	217,604,093	8	6,908,488	3.2%	76,577,342	**2.5%**
PERRY	247,330,461	18,371,448	5	634,689	3.5%	6,338,423	**2.6%**
LIVINGSTON	770,884,062	66,626,002	7	2,084,502	3.1%	19,917,255	**2.6%**
STEPHENSON	754,743,636	71,443,474	12	2,280,296	3.2%	19,748,225	**2.6%**
FRANKLIN	455,473,866	32,883,490	7	1,177,751	3.6%	12,051,156	**2.6%**
STARK	150,308,051	11,410,853	3	397,560	3.5%	4,143,218	**2.8%**
LAWRENCE	158,519,111	9,782,108	2	398,439	4.1%	4,418,308	**2.8%**
CLAY	190,189,241	13,661,561	3	520,892	3.8%	5,539,766	**2.9%**
MERCER	324,267,538	24,227,758	3	963,710	4.0%	9,962,996	**3.1%**
FULTON	558,289,521	44,901,792	6	1,829,987	4.1%	17,698,672	**3.2%**
MONTGOMERY	504,087,215	39,594,141	5	1,558,778	3.9%	16,148,906	**3.2%**
CASS	188,628,995	15,358,365	3	665,815	4.3%	6,137,958	**3.3%**
MASON	231,556,114	20,629,239	3	950,164	4.6%	7,592,716	**3.3%**
WABASH	176,119,530	10,947,199	5	460,263	4.2%	5,903,907	**3.4%**
DEKALB	2,092,048,380	210,755,610	9	9,099,787	4.3%	72,763,736	**3.5%**
PIKE	281,504,292	19,581,532	3	800,739	4.1%	9,935,003	**3.5%**
BROWN	107,495,400	7,179,488	2	307,568	4.3%	3,813,445	**3.5%**
CHAMPAIGN	4,339,436,000	334,544,595	19	14,294,598	4.3%	159,574,764	**3.7%**
FAYETTE	284,476,173	21,031,825	8	1,033,151	4.9%	10,469,500	**3.7%**
RANDOLPH	549,993,581	31,818,403	8	1,602,982	5.0%	20,547,326	**3.7%**
JERSEY	423,470,480	27,974,101	4	1,473,653	5.3%	18,325,391	**4.3%**
MADISON	5,837,364,971	416,171,643	41	26,485,010	6.4%	280,544,586	**4.8%**
WAYNE	220,659,773	16,279,997	2	1,135,525	7.0%	11,188,016	**5.1%**
MARSHALL	309,508,454	24,138,575	10	1,628,420	6.7%	15,797,127	**5.1%**
GALLATIN	83,957,368	5,385,978	4	414,481	7.7%	4,422,516	**5.3%**
CLINTON	738,269,548	49,206,097	10	3,381,679	6.9%	42,206,064	**5.7%**
MASSAC	214,637,874	13,948,912	5	1,050,105	7.5%	12,608,783	**5.9%**
COOK	164,327,590,229	13,792,762,125	382	852,073,934	6.2%	10,318,994,645	**6.3%**
LASALLE	2,900,626,745	219,532,882	44	18,817,953	8.6%	188,849,057	**6.5%**
ROCK ISLAND	3,015,018,696	243,243,673	46	19,083,660	7.8%	196,779,243	**6.5%**
MOULTRIE	311,559,553	22,564,122	5	2,043,438	9.1%	20,750,867	**6.7%**
HENRY	1,067,102,764	80,978,956	21	7,147,795	8.8%	73,513,447	**6.9%**
DOUGLAS	455,660,287	32,631,721	8	2,717,004	8.3%	33,092,918	**7.3%**
EFFINGHAM	848,174,020	51,444,431	8	4,632,162	9.0%	62,706,810	**7.4%**
JOHNSON	165,116,029	10,948,995	3	1,036,539	9.5%	12,519,960	**7.6%**
WILLIAMSON	1,289,913,232	82,730,344	20	7,905,510	9.6%	105,937,275	**8.2%**
ST. CLAIR	4,396,923,312	373,137,802	68	51,812,890	13.9%	392,315,208	**8.9%**
GRUNDY	2,126,116,197	144,621,386	12	16,438,433	11.4%	190,150,454	**8.9%**
FORD	317,488,250	27,331,841	3	2,808,181	10.3%	30,024,153	**9.5%**

Appendix C


History of PTELL
January 2016
JODAVIESS 11/97
STEPHENSON 4/97
WINNEBAGO 11/96
BOONE 11/96
MCHENRY 1991
LAKE 1991
CARROLL 11/97
OGLE
DEKALB 4/99
KANE 1991
COOK 1994
DUPAGE 1991
WHITESIDE 11/97
LEE 11/96
KENDALL 11/97
WILL 1991
HENRY
BUREAU 03/98
LASALLE 11/97
GRUNDY
ROCK ISLAND
MERCER
KNOX
STARK
PUTNAM
MARSHALL
KANKAKEE 11/96
WARREN
PEORIA
LIVINGSTON 4/99
IROQUOIS
WOODFORD
HENDERSON
FULTON
MCLEAN 4/97
FORD
HANCOCK
MCDONOUGH 4/97
TAZEWELL 3/98
MASON
VERMILION
CHAMPAIGN 11/96
LOGAN 11/96
DEWITT
SCHUYLER 11/96
ADAMS 4/97
MENARD 11/96
PIATT
BROWN
CASS
MACON
SANGAMON 11/96
DOUGLAS
EDGAR 4/01
MORGAN 11/96
PIKE
SCOTT
MOULTRIE 4/03
CHRISTIAN 11/96
COLES 11/02
SHELBY 11/00
GREENE 11/00
MACOUPIN 11/96
CLARK
CALHOUN
MONTGOMERY
CUMBERLAND 11/02
FAYETTE
EFFINGHAM
JASPER
JERSEY 4/15
BOND
CRAWFORD
MADISON 4/99
CLAY
MARION 11/98
RICHLAND
LAWRENCE
CLINTON
ST. CLAIR
WAYNE
WASHINGTON 11/98
JEFFERSON 11/98
WABASH
EDWARDS
MONROE 11/96
RANDOLPH 11/96
PERRY
HAMILTON
WHITE
FRANKLIN 11/96
JACKSON 11/96
SALINE
GALLATIN
WILLIAMSON 11/96
UNION 11/96
JOHNSON
POPE
HARDIN
ALEXANDER
PULASKI
MASSAC 11/00
KEY
PTELL effective in Collar Counties for 1991 Assessment Year and Cook County for 1994 Assessment Year
No PTELL referendum
Approved PTELL referendum
Rejected PTELL referendum
NOTE
Dates within Cook and Collar Counties indentify the effective assessment year of PTELL. Dates within other counties identify the month and year of the PTELL referendum.
In counties that approved the referendum, PTELL takes effect the following assessment year (e.g. Novermber 1996 referendum becomes effective for the 1997 assessment year).
Property Tax Division
Illinois Department of Revenue

Appendix D: TIF "Best Practices" Procedures

2011 Chicago TIF Reform Panel[5]

1. **Establish TIF Goals.** Develop a multiyear Economic Development Plan that is then submitted to the City Council for consideration. The Economic Development Plan should guide all future TIF district designations and project allocations.
2. **Allocate Resources.** Create a multi-year Capital Budget that is then submitted to City Council for consideration. The Capital Budget should detail the funding of City infrastructure needs, including those articulated in the Economic Development Plan. All TIF infrastructure allocations and porting decisions should be made in accordance with the Capital Budget.
3. **Monitor Performance.** The City should establish metrics for its use of TIF. These metrics will be used to benchmark (1) TIF district and project performance in aggregate; (2) alignment with the Economic Development Plan; (3) achievement of district-specific goals appropriate for district type (i.e., industrial, commercial, residential or mixed use); (4) programmatic characteristics (TIF-NIP, TIFWorks, SBIF, etc.) and (5) project-specific characteristics. The City should compile data for and report on these metrics on a regular basis.
4. **Increase Accountability.** The City should make the justification for public funding of private projects more explicit, monitor projects more systematically to ensure recipients of TIF funding meet their obligations and ensure there are consequences for not delivering expected returns on public investment.
5. **Take Action.** The City should set and manage to performance thresholds for districts and projects. Every five years TIF districts should be subject to strategic reviews which lead to continuation of the district, revision of the district strategy or more significant change.
6. **Enhance Oversight and Administration.** Empower an internal body with clear accountability for all aspects of TIF, and ensure that the staff and organizational capacity exist to execute recommendations and provide effective oversight.

Nick Greifer: Village of Brookfield TIF Administrator[6]

a. Undertake an economic evaluation/risk assessment of proposed redevelopment projects, to ensure that (a) Village assets are safeguarded and (b) the proposed projects satisfy the "but-for" test embodied within the Tax Increment Allocation Redevelopment Act.

b. Proposed uses of tax increment financing will be subject to rigorous economic analysis and risk assessment. Specific evaluation activities may be established by staff to perform the evaluation and assessment. Based on the recommendation of the Village manager or his/her designee, additional reviews may be undertaken for larger projects involving greater public financial assistance.

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[5] TIF Reform Panel. "*Findings and Recommendations for Reforming the Use of Tax Increment Financing in Chicago: Creating Greater Efficiency, Transparency and Accountability*". Carole Brown: Chair. https://www.cityofchicago.org/content/dam/city/depts/mayor/Press%20Room/Press%20Releases/2011/August/8.29.11TIFReport.pdf. Retrieved 3/23/2018.

[6] Testimony: Nick Greifer: Village of Brookfield TIF Administrator, TIF Task Force Hearing March 9,2018.

c. The results of the economic analysis and risk assessment will be presented to the Village Board prior to the request for approval of the proposed use of tax increment financing.
d. The need for public assistance must be demonstrated and documented by the developer to the satisfaction of the Village, pursuant to staff procedures.
e. The developer must be able to demonstrate the ability to execute the proposed redevelopment project, taking into account financial capacity, past experience, general reputation and credit history.
f. When the project is intended as a for-sale development (i.e., office, retail or residential condominiums), the developer must retain ownership of the overall project until final completion; provided, however, that individual condominium units may be sold as they are completed. For all other projects, the developer is to stabilize its occupancy, to establish the project management, and to initiate payment of taxes based on the increase in equalizes assessed value.
g. Performance Measures: The Village may consider the following performance measures to evaluate a redevelopment project:
    - Projected Revenues – The Village will estimate property tax and, if applicable, sales tax revenue of a project over the period that the TIF District is in effect;
    - Leverage Ratio – The Village will endeavor to maximize the amount of private investment per dollar of public assistance; i.e. require $2 of private investment for every $1 of public investment;
    - Financial Gap – The Village may perform a "gap analysis" to determine the difference or gap between project sources and uses; additionally it may compare developer investment return with and without public assistance to determine an appropriate rate of return to the developer (e.g., based upon calculations such as internal rate of return);
    - Developer Equity – The Village will consider the percentage of project costs financed by developer equity, to determine if Village and developer interests are properly aligned. Equity includes cash, unleveraged value in land, or prepaid costs allocated toward the project.

City of Rockford Tax Increment Financing Guideline Point System[7]

This Guideline Point System will be used by City employees in negotiating a development agreement for a specific project. It will also allow citizens to look at the decision-making process transparently.

With this system, a project that has a very high ranking could receive a greater share of the TIF that it creates, could receive more generous terms on any TIF District funds that are loaned to the developer, etc. The purpose is not to establish a strait-jacket.

It was the opinion of the Ad Hoc Committee that a simple ranking of priorities is probably more useful than one that attempts to be accurate to the 5th decimal using a point system. With this in mind, in the following outlines the four categories of points allocated to a project: (a) the type of project; (b) the

[7] City of Rockford, *"Tax Increment Financing Guideline Point System"* http://rockfordil.gov/wp-content/uploads/2017/03/Approved-Scoring-System-Appendix-A-9-22-2014.pdf , Retrieved 5-3-2018.

location of the project; (c) an employment factor; and (d) a discretionary “other” factor. The total score for any project is the sum of its four-point categories.

a. Type of project

- i. Industrial/Manufacturing—100 Points
  - 1. New
  - 2. Existing
- ii. Commercial—75 Points
  - 1. New commercial
  - 2. Renovation/improvement of existing commercial
  - 3. Demolition of abandoned structures
- iii. Professional/Office—75 Points
- iv. Residential—50 Points
  - 1. Address concentration of low-income residential
  - 2. Dangerous and abandoned buildings
- v. Advanced education and training—30 Points
- vi. Arts—20 Points
- vii. Public Improvements—10 Points
  - 1. Note that this means the use of TIF funds for a public improvement standing alone, not that some part of the funding for a project in a different category would include a public improvement. For example, a new manufacturing plant might require an upgraded sewer line. That is a manufacturing project even though it includes a public improvement. The line between “stand alone” public improvements and those linked to a specific project is not an easy one to draw.
  - 2. For “stand alone” public improvements, it is hard to see how the “but for” test is met since the funding of the improvement will often be a question of the allocation of tax revenues. It is also a practice that uses the taxing authority of another jurisdiction to pay for something that the City is unable or unwilling to fund out of its own possible revenue sources.
- viii. Tourism—10 Points
- ix. Historic Preservation—10 Points
  - 1. Historic preservation should be considered in context, in terms of alternative development and in terms of “opportunity costs”, the impact that abandoned structures have on surrounding neighborhood.

b. Location of the project—note that these areas all presumably will have to qualify as “blighted”

- i. High Priority areas—100 Points
  - 1. Central City (broadly defined)
    - a. The Central City would encompass most of the areas that were developed by the 1950s
  - 2. Census tracts with high unemployment
  - 3. Census tracts with low median income
  - 4. Riverfront
- ii. Mid-Priority areas—50 Points
  - 1. Areas that developed between 1950 – 1990.
  - 2. Buildings that have been vacant for more than 10 years.

3. For example, the abandoned grocery store at the Charles/Alpine 5 Points area.

iii. Low Priority areas—10 Points

1. Typically “green field” locations which require the extension of public services

c. Employment Factor—number and wage rate—50 Points each

i. High/High—100

ii. Low/High—50

iii. High/Low—50

iv. Low/Low--0

d. Others—up to 100 points

i. Indirect employment

ii. MBE/WBE/Veterans

iii. Targeted employment

For example, a development project that involves an expansion of an existing manufacturing facility in an Low Income area that is credibly expected to create 20 new high wage jobs would receive: 100 points for the type of project; 100 points for the location of the project; 50 points for a low number of high wage jobs; for a total of 250 points. And (assuming that it targeted ex-offenders for employment) it could receive 100 points in the “other” category.

The renovation of a vacant shopping center in a Moderate Income area which will credibly create 100 new jobs would receive: 75 points for the type of project; 50 Points for location; 50 points for employment (high number of low wage jobs); for a total of 175 points. It could also receive points in the “other" category if, for example, it was structured to target employment from high unemployment census tracts.

Scale

- High Priority Over 225 points
- Mid Priority 125 to 224 points
- Low Priority Under 124 points