



Illinois Tax Increment Association  
133 South 4<sup>th</sup> Street • Suite 204 • Springfield, Illinois 62701-1239  
Phone 217-523-4905 • Fax 217-391-4371 • www.illinois-tif.com

**Memorandum**  
**January 1, 2010**  
**Illinois TIF Redevelopment Project Costs**  
**(65 ILCS 5/11-74.4.3 (q), as amended)**

**I. TIF Act: "Redevelopment Project Costs" mean and include the sum total of all reasonable or necessary costs incurred or estimated to be incurred, and any such costs incidental to a Redevelopment Plan and a Redevelopment Project (TIF Plans adopted after November 1, 1999)**

**A. Costs of Studies, Surveys, Development of Plans, and Specifications, Implementation and Administration of the Redevelopment Plan**

- Staff and professional service costs for architectural, engineering, legal, financial, planning or other services
- No charges for professional services may be based on a percentage of the tax increment collected and no contract may extend beyond a period of 3 years
- Can not include lobbying expenses
- Municipalities annual administrative costs of administering the TIF - shall not include general overhead or administrative costs of the Municipality that would still have been incurred by the Municipality if the Municipality had not designated a Redevelopment Project Area or approved a Redevelopment Plan
- Costs of marketing sites within the Redevelopment Project Area to prospective businesses, Developers, and investors

**B. Property Assembly Costs**

- Acquisition of land and other property, real or personal, or rights or interests therein
- Demolition of buildings
- Site preparation
- Site improvements that serve as an engineered barrier addressing ground level or below ground environmental contamination, including, but not limited to parking lots and other concrete or asphalt barriers
- Clearing and grading of land
- Where the real property is occupied – costs of relocation assistance to residents and businesses to the extent required by municipal ordinance or federal or State law

### **C. Building Costs of Vertical Construction of Private Buildings**

- Costs of rehabilitation, reconstruction or repair or remodeling of existing buildings, fixtures, and leasehold improvements
- Costs of construction of new privately-owned buildings shall not be an eligible Redevelopment Project Costs

### **D. Building Costs of Vertical Construction of Public Buildings and Improvements**

- Costs of replacing an existing public building if pursuant to the implementation of a Redevelopment Project the existing public building is to be demolished to use the site for private investment or devoted to a different use requiring private investment including any direct or indirect costs relating to Green Globes or LEED certified construction elements or construction elements with an equivalent certification,
- Costs shall not include the cost of constructing a new municipal public building (not a replacement) principally used to provide offices, storage space, or conference facilities or vehicle storage, maintenance, or repair for administrative, public safety, or public works personnel
- Exception if the Municipality makes a reasonable determination in the Redevelopment Plan, supported by information that provides the basis for that determination, that the new municipal building is required to meet an increase in the need for public safety purposes anticipated to result from the implementation of the Redevelopment Plan
- New public buildings not otherwise limited may be constructed as public improvement costs

### **E. Public Improvement Costs**

- Roads, signalization and sidewalks
- Water and sewer
- Storm water detention
- Public utilities
- May include certain utility extensions for private utilities
- Public improvements may include new public buildings if not limited in D above
- including any direct or indirect costs relating to Green Globes or LEED certified construction elements or construction elements with an equivalent certification,



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#### **F. Costs Attributable to an Existing Retail Business**

- None of the Redevelopment Project Costs shall be eligible for TIF funding if those costs would provide direct financial support to a retail entity initiating operations in the Redevelopment Project Area while terminating operations at another Illinois location within 10 miles of the Redevelopment Project Area but outside the boundaries of the Redevelopment Project Area Municipality
- Termination means a closing of a retail operation that is directly related to the opening of the same operation or like retail entity owned or operated by more than 50% of the original ownership in a Redevelopment Project Area
- Exception for closing a retail operation for reasons beyond the control of the retail entity, as documented by the retail entity, subject to a reasonable finding by the Municipality that the current location contained inadequate space, had become economically obsolete, or was no longer a viable location for the retailer or serviceman
- May only apply to relocation of a business that generates sales tax

#### **G. Costs of Golf Courses and Redevelopment of Park Property**

- No development of vacant land with a golf course and related clubhouse and other facilities
- No development of vacant land designated by federal, State, county, or municipal government as public land for outdoor “recreational activities” (limited to camping and hunting) or for nature preserves and used for that purpose within 5 years prior to the adoption of the Redevelopment Plan

#### **H. Developer's Financing Costs / Interest and Other Costs of Developer Borrowing**

- Such costs are to be paid directly from the Special Tax Allocation Fund if there are not sufficient funds available in the Special Tax Allocation Fund to make the payment then the amounts so due shall accrue and be payable when sufficient funds are available in the Special Tax Allocation Fund
- Such payments in any one year may not exceed 30% (75% for TIF funded low income housing Projects) of the annual interest costs incurred by the Developer with regard to the Redevelopment Project during that year / is this limited to borrowing attributable to entire Project or only Reimbursable Redevelopment Project Costs

- Total of such interest payments may not exceed 30% (75% for TIF funded low income housing Projects) of the total (i) costs paid or incurred by the Developer for the Redevelopment Project plus (ii) Redevelopment Project Costs excluding any property assembly costs and any relocation costs incurred by a Municipality
- In lieu of reimbursement of financing costs per above, Developer receives a TIF Note which bears interest at a taxable rate equal to the interest costs of the Developer's loan (subject to usury rate limitations pursuant to Illinois law)

#### **I. Costs Related to Issuance of TIF Notes or TIF Bonds**

- Financing costs, including but not limited to all necessary and incidental expenses related to the issuance of TIF Notes or TIF Bonds - attorneys, TIF consultants, trustees, etc.
- Capitalized interest costs in an amount needed to pay interest on any TIF Bonds or TIF Notes during the estimated period of construction of the Redevelopment Project and for not exceeding 36 months thereafter

#### **J. Payments to Taxing Districts within the TIF Area**

- All surplus funds in the Special Tax Allocation Fund shall be distributed annually within 180 days after the close of the Municipality's fiscal year to the Taxing Districts in the same manner and proportion as the most recent distribution by the county collector to the affected Districts of real property taxes from real property in the Redevelopment Project Area
- Guaranteed pass through of a % of the TIF Revenues to the School District of other Taxing Districts must be treated as a distribution of Surplus TIF Revenues and distributed proportionately to all Taxing Districts
- Costs of construction of Taxing District public improvements (typically Elementary or High School Building or Fire Stations or equipment) - requires a written agreement with the Municipality and costs must result from the Redevelopment Project and be in furtherance of the objectives of the Redevelopment Plan and Project

#### **K. Redevelopment Projects That Include Housing**

- 50% of the costs of construction of new housing units to be occupied by low-income households and very low-income households as defined in the Illinois Affordable Housing Act (In lieu of payment of Developer's financing costs)
- School District's increased costs attributable to assisted housing units located within the Redevelopment Project Area for which the Developer receives financial assistance or the Municipality incurs the costs of necessary infrastructure



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improvements within the boundaries of the assisted housing sites necessary for the completion of that housing

- Library District's (subject to tax rate caps) increased costs attributable to assisted housing units located within the Redevelopment Project Area for which the Developer receives financial assistance or the Municipality incurs the costs of necessary infrastructure improvements within the boundaries of the assisted housing sites necessary for the completion of that housing
- Reimbursement amount is determined pursuant to a complex formula based on the School District's increase in attendance resulting from the net increase in new students enrolled in the District who reside in housing units within the Redevelopment Project Area or the Library District's increase in persons eligible to obtain a library card in the District who reside in housing units within the Redevelopment Project Area
- School and Library Districts may adopt a resolution waiving the right to all or a portion of the reimbursement otherwise required
- Acceptance of the reimbursement waives the District's right to directly or indirectly set aside, modify, or contest in any manner the establishment of the Redevelopment Project Area or Projects

#### **L. Job Training Costs**

- Costs of job training and retraining Projects, including the costs of "welfare to work" programs implemented by businesses located within the Redevelopment Project Area
- Costs of job training, retraining, advanced vocational education or career education, including but not limited to courses in occupational, semi-technical or technical fields leading directly to employment, incurred by Taxing Districts
- Training costs must be related to the establishment and maintenance of additional job training, advanced vocational education or career education programs for persons employed or to be employed by employers located in a Redevelopment Project Area
- Requires a written agreement with the Municipality which describes the training program to be undertaken, the number of employees to be trained, the training and services to be provided, the number and type of positions available, itemized costs of the program and sources of funds to pay for such costs, and the term of the agreement

### **M. Day Care Services (Municipality with a Population of More Than 100,000)**

- Costs of day care services for children of employees from low-income families working for businesses located within the Redevelopment Project Area and the costs of operation of day care centers established by Redevelopment Project Area businesses to serve employees from low-income families working in businesses located in the Redevelopment Project Area

### **N. Special Service Area Costs**

- If a Special Service Area has been established then any tax increment revenues derived from the tax imposed pursuant to the Special Service Area Tax laws may be used within the Redevelopment Project Area for the purposes permitted by the Special Service Area laws as well as the purposes permitted by the TIF

### **O. Costs of Contiguous TIF Areas**

- Can use TIF Revenues from one Redevelopment Project Area for Redevelopment Project Costs in another Redevelopment Project Area that is
  - Contiguous to the Redevelopment Project Area from which the TIF Revenues are received
  - separated only by a public right of way from the Redevelopment Project Area from which the TIF Revenues are received
  - separated only by forest preserve property from the Redevelopment Project Area from which the TIF Revenues are received if the closest boundaries of such Redevelopment Project Areas are less than one mile apart.

### **P. Payments in Lieu of Taxes**

## **II. TIF Redevelopment Plan Budget**

- Must include an itemized list of estimated Redevelopment Project Costs
- Should be based on TIF Act categories and not tied to specific Redevelopment Project
- Budget should estimate use of all TIF Revenue for 23 year TIF Term and not what Municipality is willing to provide to specific Developer
- Footnotes should authorize
  - Consumer Price Index growth
  - Moving costs among categories
  - Use of TIF Revenues in contiguous TIF Areas pursuant to that contiguous area's TIF Plan
  - and budget



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- Budget amendments which 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 Redevelopment Plan was adopted require the Municipality to give notice, convene a joint review board, and conduct a public hearing pursuant to the procedures set forth in the TIF Act

### **III. Redevelopment Agreement**

- Sets forth the specific Redevelopment Project Costs which can be reimbursed to the Developer
- “Reimbursable Redevelopment Project Costs” definition
- Limited by the TIF Act and Redevelopment Agreement
- Should require a Requisition, certifications and bills or receipts