

SUPPORTING TAX INCREMENT FINANCING AND OPPOSING SB2298.

WHEREAS, the City of DeKalb (the "City") is a home rule unit of local government and may exercise any power and perform any function pertaining to its government and affairs pursuant to Article VII, Section 6, of the Illinois Constitution of 1970; and

WHEREAS, the City has the responsibility to promote economic development and revitalization of underperforming areas within the City; and

WHEREAS, the City recognizes that Tax Increment Financing (TIF) is a means to address areas of blight, support development and promote local job creation and retention; and

WHEREAS, TIF incentives directly contribute to the expansion of the local tax base and attracts private development and new businesses to the City; and

WHEREAS, the availability of TIF is a critical mechanism to spur economic development in the City; and

WHEREAS, the City's corporate authorities find that the availability of TIF as an economic development tool is essential for the City's continuing economic vitality; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DEKALB, ILLINOIS:

SECTION 1: The foregoing recitals shall be and are hereby incorporated as findings of fact as if said recitals were fully set forth herein.

SECTION 2: The City's corporate authorities urge the Illinois General Assembly and Governor to protect TIF in its current form as a valuable economic development tool without additional restrictions on municipal governments and the communities they serve.

SECTION 3: The City's Executive Assistant shall forward a copy of this Resolution to the Illinois Municipal League.

SECTION 4: This resolution and each of its terms shall be the effective legislative act of a home rule municipality without regard to whether such resolution should (a) contain terms contrary to the provision of current or subsequent non-preemptive state law, or (b) legislate in a manner or regarding a matter not delegated to municipalities by state law. It is the intent of the City's corporate authorities that to the extent that the terms of this resolution should be inconsistent with any non-preemptive state law, that this resolution shall supersede state law in that regard within its jurisdiction.

SECTION 5: This resolution shall be in full force and effect from and after its passage and approval as provided by law.

PASSED BY THE CITY COUNCIL of the City of DeKalb, Illinois at a Regular meeting thereof held on the 23rd day of January 2023 and approved by me as Mayor on the same day. Passed by an 8-0 roll call vote. Aye: Morris, Larson, Smith, Perkins, McAdams, Verbic, Faivre, Barnes. Nay: None.




COHEN BARNES, Mayor

ATTEST:



Ruth A. Scott, Executive Assistant

Educate. Advocate. Empower.

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February 11, 2022

The Honorable Don Harmon

Senate President

327 Statehouse

Springfield, IL 62706

Dear Senate President Harmon,

On behalf of the 1,296 cities, villages and towns in Illinois, **the Illinois Municipal League (IML) respectfully requests that you oppose SB 2298 (Sen. Gillespie, D-Arlington Heights).**

Since May 2021, representatives of IML have met with Senator Gillespie and other stakeholders in response to multiple proposals put forward to reform the current Tax Increment Allocation Redevelopment Act (a.k.a., TIF Act).

In furtherance of these discussions, IML negotiated in good faith by soliciting input from local officials and providing substantial feedback, multiple counter proposals and various recommendations in a timely manner. Throughout, we have maintained that IML cannot and will not advocate for changes to the TIF Act that would be harmful to or reduce the effectiveness of TIF in general.

On February 10, Senator Gillespie convened a meeting of the stakeholder working group to discuss her goals and announced that she intends to move her proposal with a new amendment representing issues we strongly oppose.

Many of the changes included in SB 2298 take away decision-making authority from municipal officials. From our perspective, this bill is unacceptable and, if enacted, will work against the economic development goals and needs of Illinois communities.

The Illinois Municipal League respectfully requests that you oppose SB 2298 and preserve Tax Increment Financing as a valuable development tool for municipal governments.

Please feel welcome to contact me by phone at (217) 525-1220 or by email at bcole@iml.org at any time. Thanks.

Yours very truly,

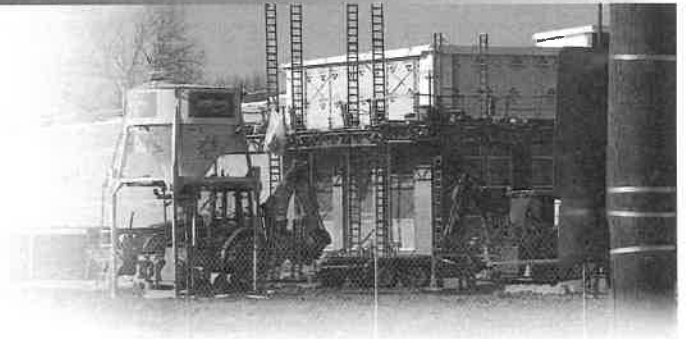
BRAD COLE

Executive Director

c: IML Board of Directors



TAX INCREMENT FINANCING (TIF)



BACKGROUND

Illinois adopted Tax Increment Financing (TIF) in 1977. A reform to this law was enacted in 1999. Since the first TIF statute was adopted by the State of California in 1952, 49 states have passed legislation authorizing the use of TIF. According to the most recently available data from the Illinois Office of Comptroller (IOC), there may be up to 1,496 TIF districts located in as many as 537 Illinois municipalities.

WHAT IS TIF?

TIF is a mechanism for municipalities to spur economic development in specific geographic areas that are blighted and deteriorating. To do this, local taxing bodies create a TIF redevelopment project area, or TIF district, whereby the Equalized Assessed Value (EAV) of the property in the area is set at a base amount. Property taxes collected on properties included in the TIF district at the time of its designation continue to be distributed to the school districts and all other affected taxing districts in the same manner as if the district did not exist. Establishment of a TIF does not reduce property tax revenues available to the overlapping taxing bodies.

A tax increment is the difference between the amount of property tax revenue generated before TIF district designation and the amount of property tax revenue generated after TIF designation. Only property taxes generated by the incremental increase in the EAV of these properties after that time are available for use in the TIF district by a municipality.

HOW IS A TIF DISTRICT CREATED?

In order to establish a TIF district, a local government must find that development or redevelopment of the area would not occur “but for” the creation and use of TIF. Illinois law specifies a number of requirements that must be satisfied for an area to qualify as a TIF district, beginning with identifying the district and the physical and economic deficiencies that need to be cured. Specifically, state law requires that the proposed area must meet one or more of three conditions:

1. Blighted conditions;
2. Conservation conditions; and,
3. Industrial park conservation conditions.

If one or more of these conditions is identified, municipal officials and a Joint Review Board, made up of representatives from affected local taxing bodies, must review a plan for the redevelopment of the TIF area. A public hearing must be held where residents and other interested parties can express their thoughts on the subject. If the plan for redevelopment is approved by the Joint Review Board, the municipality may adopt the plan by a majority vote of the corporate authorities. If the Joint Review Board rejects the plan for redevelopment, the municipality may proceed but the plan must be approved by a three-fifths vote of the corporate authorities. Finally, the mayor or village president will sign the ordinance into law. No state or federal approval is required for creation.



HOW DOES TIF WORK AFTER CREATION?

The growth of the EAV of property within the TIF district (the increment) is collected into a special fund for use by the municipality to make additional eligible investments in the TIF project areas. The reinvestment generates additional growth in property value, which results in more revenue growth for reinvestment. Once a redevelopment project is completed and has been paid for, the TIF district may be dissolved and the tax base returned to full use by all eligible taxing bodies.

HOW LONG DOES A TIF DISTRICT LAST?

Under Illinois law, a TIF district may last for up to a maximum of 23 years. This period can be extended by 12 additional years upon approval by the Illinois General Assembly. In some cases, the General Assembly has extended TIF districts twice, for a total of 47 years. Municipalities seeking extensions must receive approval from the General Assembly, which requires, by rule, letters of support from overlapping units of local government whose boundaries fall within the TIF district.

OTHER FUNDING SOURCES BESIDES TIF

TIFs are more frequently used now because other development tools, like Industrial Revenue Bonds and Urban Development and Infrastructure Grants, are no longer readily available to local governments.

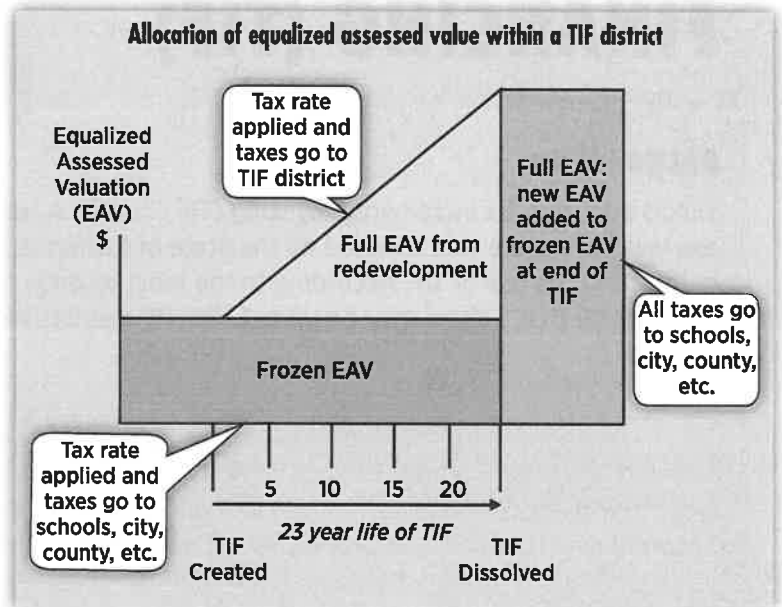
Federal and state aid to local governments has been reduced. At the same time, unfunded federal and state mandates have increased the financial burden on most municipalities. Factor in state imposed property tax caps, and the funding problems facing local governments make it obvious that local governments are left to do more with less.

TIF offers local governments a resource to revitalize their communities by expanding their tax base, offsetting, in part, the federal and state funds that are no longer available to them without imposing increased taxes on the whole community.

WHAT CAN TIF BE USED FOR?

TIF funds may be used to reimburse eligible “redevelopment projects costs” as defined in the Act.¹ The statute provides a comprehensive list of associated project and reimbursement costs which may include, but are not limited to, the following actions occurring within the TIF district:

- Administration of a TIF redevelopment project;
- Property acquisition, renovation, rehabilitation and demolition;
- Construction of public works or improvements;
- Job training related to the TIF area;
- Financing costs, including interest assistance;
- Studies, surveys and plans;
- Marketing related to sites within the TIF; and,
- Professional services, such as architecture and design services.



Source: The “Final Report of the TIF Reform Task Force,” June 1, 2018.

¹ 65 ILCS 5/11-74.4-3(a).

DESIGNATION AND DISTRIBUTION OF SURPLUS FUNDS

The TIF Act provides that any portion of an annual ending balance of a TIF fund that has not been identified (or is not identified as being required, pledged, earmarked or otherwise designated for payment or securing of obligations or anticipated redevelopment project costs) shall be designated as surplus. (Section 11-74.4-7)

The Act also provides for the distribution of surplus funds annually, within 180 days after the close of a municipality's fiscal year. Surplus funds are paid by the municipal treasurer to the county collector, the Illinois Department of Revenue (IDOR) and to the municipality in direct proportion to the incremental tax revenue received. The county treasurer is then required to make distributions to the respective taxing districts.

TIF REPORTING REQUIREMENTS

The Act currently requires TIF municipalities to submit a report to IOC, and all taxing districts overlapping the redevelopment project area, no later than 180 days after the close of each municipal fiscal year detailing information about a TIF district. The report must include, but is not limited to, an analysis of the special tax allocation fund, a statement setting forth all activities undertaken in furtherance of the objectives of a TIF District Redevelopment Plan, a legal opinion that the municipality is in compliance with the TIF Act and any amendments to the redevelopment plan.

On May 28, 2021, the General Assembly passed HB 571 (Rep. Carroll, D-Northbrook/Sen. Gillespie, D-Arlington Heights). This legislation amends the TIF Act and expands mandated reporting requirements to include a comparison between the original projected increment and jobs for the TIF district, the actual amount of increment and jobs created to date, and an update on the stated rate of return for a development and the actual debt service on any notes issued by the municipality. In addition, HB 571 authorizes municipalities to select a consultant to provide an analysis of the projected increment and the actual debt service on any notes issued by the municipality. The Illinois Municipal League (IML) opposed the legislation as an unfunded mandate.

IML ADVOCACY

IML and numerous local elected officials, as well as the General Assembly – shown through its continued actions granting and extending TIF designations – firmly believe in the value of TIF as a mechanism to spur economic development in communities across the state.

While IML will not advocate for proposals that would be harmful to or reduce the effectiveness of TIF, we remain committed to serving as a partner with and all stakeholders in improving and addressing perceived issues with the TIF Act.

iml.org



From: [Nicklas, Bill](#)
To: [Scott, Ruth](#)
Cc: [Barnes, Cohen](#)
Subject: FW: IML - TIF Legislation Update
Date: Thursday, January 5, 2023 10:58:06 AM

FYI. We'll put this on the January 23 Agenda.

From: Brad Cole <bcole@iml.org>
Sent: Thursday, January 5, 2023 10:52 AM
Subject: IML - TIF Legislation Update

[NOTICE: This message originated outside of the City Of DeKalb mail system -- DO NOT CLICK on links or open attachments unless you are sure the content is safe.]

DATE: January 5, 2023
TO: TIF Communities
CC: IML Board of Directors
**FROM: Brad Cole, Executive Director
Illinois Municipal League**
RE: TIF Legislation Update

Last week, I met with State Senator Ann Gillespie (D, Arlington Heights) and State Representative Mark Walker (D, Arlington Heights) in their district offices to discuss past, present and future legislation involving tax increment financing (TIF). We met as a small group, with their respective staff also attending, for more than an hour and had a thorough conversation on wide-ranging topics that involve TIF districts. While I was a little spirited at times in my defense of TIF, our meeting was positive and the dialogue meaningful, for which I thanked everyone.

Having said that, it is my understanding that Senator Gillespie will file legislation again this spring to address TIF reforms that she believes are necessary. You may recall our efforts in opposition to SB 2298, which she filed last year. Our letter ([available via this link](#)) to the General Assembly was effective in communicating our concerns at that time.

In conjunction with our previous actions, we asked municipalities to adopt resolutions in support of tax increment financing. Those resolutions are helpful to us as we advocate on your behalf and they indicate local support for the much-needed developments TIF districts encourage and incentivize. **If you have not done so already, please consider adopting a resolution ([available via this link](#)) and returning it to us for this purpose;** you can send it to me by email or in hard copy, whichever is easiest for you.

With regard to the upcoming legislative session, which begins on January 11 after the inauguration

of the 103rd General Assembly, we anticipate there may be several bills filed that could negatively impact TIF. **Senator Gillespie indicated that she will file new legislation, in some ways similar but not exactly the same as SB 2298, that will be open to negotiation; I have offered to reserve taking any position on such a bill until it is finalized.** Once her bill or any other bills are finalized and we know the details – whether pro or con – we will inform TIF communities promptly and seek your support of our position. **Make no mistake, however, the Illinois Municipal League (IML) will aggressively defend the current TIF statute and we will vigorously oppose any efforts to weaken or diminish municipal authority in administering TIF programs.**

Our general fact sheet about TIF ([available via this link](#)) is a helpful resource, which you can download and share with your local legislators or others who may not fully understand the issue.

Thank you for your leadership locally and for your assistance on important issues like this. As always, please feel welcome to contact us with any comments or questions.

BRAD COLE | Executive Director
ILLINOIS MUNICIPAL LEAGUE
500 East Capitol Avenue | PO Box 5180 | Springfield, Illinois 62705
phone: 217.525.1220 | cell: 618.201.7320 | fax: 217.525.7438
email: bcole@iml.org | personal: brad.cole@hotmail.com | www.iml.org

Scott, Ruth

From: Scott, Ruth
Sent: Wednesday, January 25, 2023 9:01 AM
To: bcole@iml.org
Cc: Nicklas, Bill; Barnes, Cohen
Subject: City of DeKalb TIF Support Resolution (2023-014)
Attachments: City of DeKalb TIF Support Resolution.pdf

Mr. Cole,

Attached please find the City of DeKalb's resolution supporting tax increment financing and opposing SB2298.

Sincerely,

Ruth A. Scott
Executive Assistant / Recording Secretary
City of DeKalb
164 E. Lincoln Highway
DeKalb, Illinois 60115
Phone: (815) 748-2090
Fax: (815) 748-2091
Email: ruth.scott@cityofdekalb.com



Scott, Ruth

From: postmaster@iml.local
To: bcole@iml.org
Sent: Wednesday, January 25, 2023 9:01 AM
Subject: Delivered: City of DeKalb TIF Support Resolution (2023-014)

Your message has been delivered to the following recipients:

bcole@iml.org (bcole@iml.org)

Subject: City of DeKalb TIF Support Resolution (2023-014)