Investing in Illinois: Tax Increment Finance Programs/ Combining TIF With Other Public/Private Tools

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Tax Increment Finance

- TIF has an Important Role in Illinois Economic Development
- TIF has rejuvenated and transformed cities and villages throughout Illinois.
- Is Lightening Rod for Criticism. Why? Generally criticism is not appropriate.
- With very few exceptions, TIF has been used judiciously and carefully to protect public interest and promote economic development that might not otherwise receive investment. Many successful projects in the City of Chicago, Suburban communities and Downstate communities.
- Tax Increment Finance and development does not work in a vacuum.
- While staggering budget challenges are confronting most communities in 2013, the most determined leaders, authorities and developers are discovering innovative approaches for creating public/private partnerships and deploying creative strategies in connection with tax increment finance to raise capital and prosper during these difficult times.

Types of Useful Tools and Bonds in Illinois

What existing vital tools can combine with Tax Increment Finance to fill gaps?

Types of Tools:

- Tax Increment Finance
- New Markets Tax Credit
- Other Tax Credits
- SBA 504 Loans
- Business District
- Other Tools

Types of Bonds:

- Local Government Bonds, which are issued by a governmental issuer to finance a project, but the issuer agrees to use other tax revenues to repay the Bonds.
  - General Obligation
  - Debt Certificates
  - Special Assessments
  - Alternate Revenue Bonds (Double–Barreled Bonds)
  - Other Revenue Bonds
- TIF Revenue Bonds, which are issued by a governmental issuer to finance a project and use the future incremental tax increment from that project to repay the TIF Bonds.
- Private Activity Bonds, which may be paid by and finance facilities used by nongovernmental users.

Recent Illinois Examples of Issuing Bonds by Utilizing Tax Increment Finance

- TIF Bonds can be issued to finance Redevelopment project costs incurred within a TIF district including public infrastructure costs and certain private costs such as land acquisition, rehabilitation and related costs.
- TIF Revenue Bonds secured solely by TIF.
  - Port TIF revenue from contiguous TIF's pursuant to TIF Act to help coverage and enable bonds to be issued and project built.
    - Gun store and shooting range in **East Dundee**.
    - Intermodal facility in **Harvey**.
    - Grocery store.
- Alternative Revenue Bonds using TIF as primary revenue source meeting 125% test and general obligation backup.
    - Assisted Living, Auto Dealership, Large National Retailers, Athletic Facilities.
    - Infrastructure costs such as Roads, Water, Sewer.
    - Residential Housing.
    - **East Dundee, Berwyn, Sterling, Canton, Sullivan, Milan, LaSalle-Peru High School No. 120 are recent examples**.
- City issues Debt Certificates enhanced by sales tax pledged from project to finance land costs for Costco located in Business District **in North Riverside**.
- Bank purchased private activity bonds to finance mixed use facility with TIF benefits, NMTC, LIHTC and Chicago Housing Authority assistance.
  - **City of Chicago- Shops and Lofts Project.**

Case Study – Kone Center, Moline, Illinois

- $40 Million Kone Center – Eight Story Mixed-Use office building.

- Kone Corp., a Finland-based company that makes elevators and escalators consolidated its Moline, Illinois administrative and call center operations. Kone is anchor tenant, occupying third to eighth floors.
- Project retained 375 Kone jobs and added approximately 53 construction jobs and 50 new permanent positions.

- **Tool Box Utilized:**
  - A 20.2 Million Illinois Finance Authority Midwestern Disaster Area Bonds.
  - City of Moline borrows $7.5 Million and re-loans to Developer to purchase property at favorable interest rates. $7 Million Illinois- EDGE (Economic Development for a Growing Economy) Tax Credit program.
  - The City agreed to create a new 23 year Tax Increment Financing (TIF) district (to replace a portion of an existing district) that will use up to $10.1 million of increased property-tax revenue to cover project costs outside of construction, including land acquisition, interest and architectural and engineering work. Through the TIF, Developer will get back 90% of the property taxes Developer pays from the new development.
  - $8 Million New Market Tax Credits
  - $471,000 grant from DCEO.

Case Study - Kone Center – Moline, Illinois

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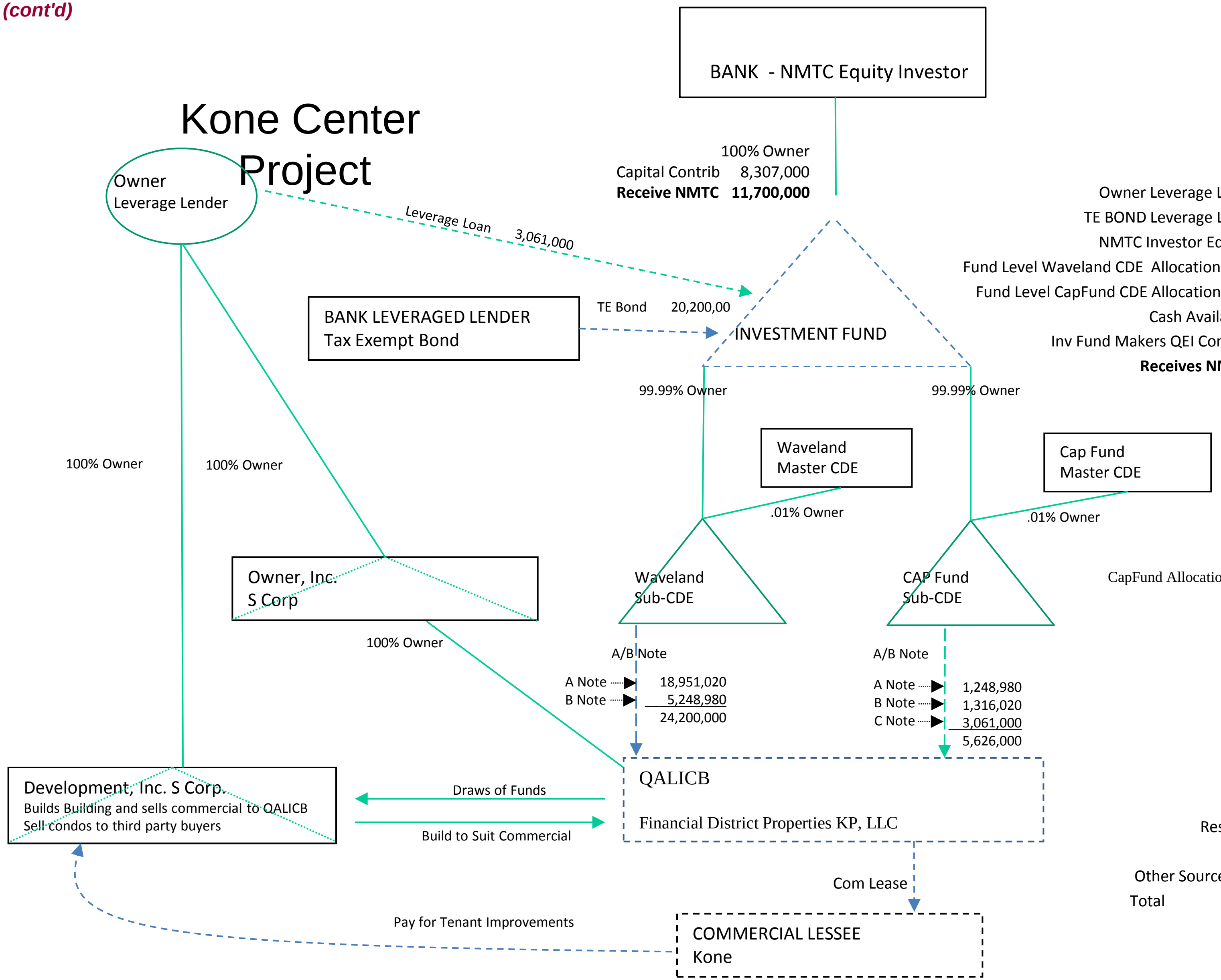

Owner Leverage Loan	3,061,000
TE BOND Leverage Loan	20,200,000
NMTC Investor Equity	8,307,000
Fund Level Waveland CDE Allocation Fee	(1,452,000)
Fund Level CapFund CDE Allocation Fee	(116,000)
Cash Available	30,000,000
Inv Fund Makers QEI Contrib	30,000,000
Receives NMTB	**11,700,000**

QALICB Sources

Waveland A Note	18,951,020
Waveland B Note	5,248,980
Cap Fund A Note	1,248,980
Cap Fund B Note	1,316,020
Reserve of Annual Fee	(29,000)
Cap Fund C Note	3,061,000
Other Sources at Landlord Level	1,574,701
Total	31,371,701

Summary

What are the options for a community that desires to create jobs and spur economic development?

- Create TIF District and utilize to encourage developers to invest in community.
- Today most developers have GAP in financing. What tools should be used with TIF to narrow GAP and permit project to be accomplished?
  - Use New Markets Tax Credit or other Tax Credits to create equity in connection with TIF.
  - Issue TIF Bonds, Alternate Revenue Bonds or other types of Conduit Bonds.
  - Consider other credits and programs such as 504 Loans and USDA programs to narrow GAP.
  - Combination of tools leads to successful projects.

Vital Tools and Resources

- **Are our vital tools going to be taken away?**
  - Federal proposals exist to take away Federal tax-exempt status of government bonds. This would cost communities approximately 100-250 basis points (1 – 2.5%) on future borrowing costs.
  - While other states and countries are looking to responsibly expand vitals tools, certain members of legislative body in Illinois looking to restrict Tax Increment Finance. Does this make sense when Illinois is losing jobs to other States that are not looking to restrict TIF?

Thank you.

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