

Tax Increment Financing in Peoria

Executive Summary

Q: What is Tax Increment Financing?¹

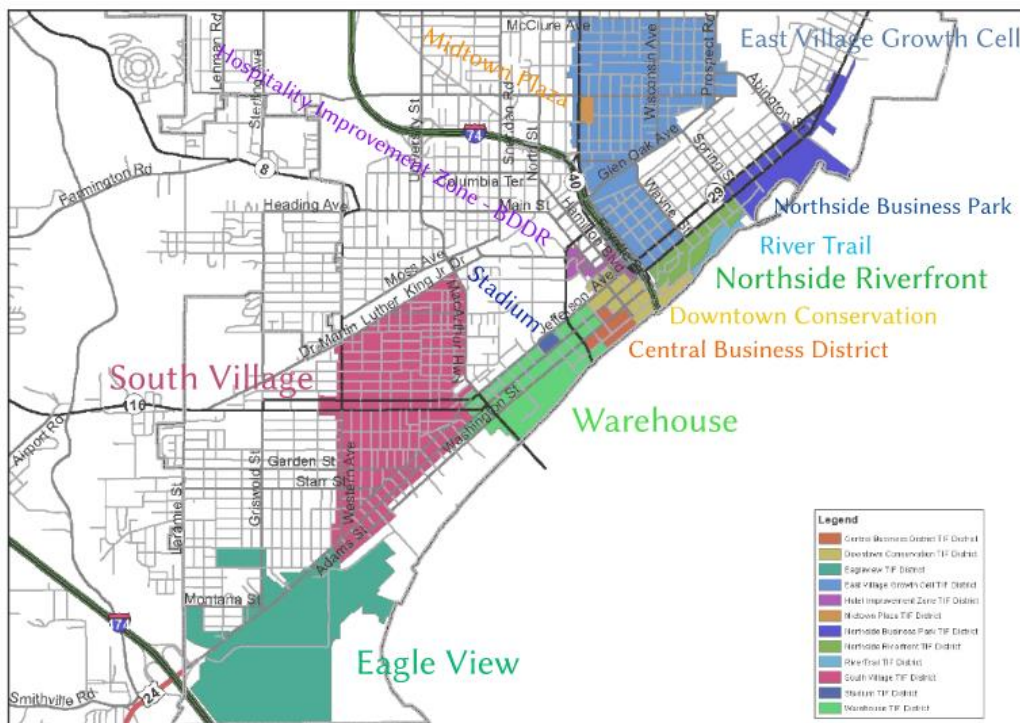
A: Tax Increment Financing, or TIF, is a tool state lawmakers gave local governments more than 20 years ago to help local governments restore blighted areas or jumpstart economically sluggish parts of their community. With this tool, local governments that have had difficulty financing infrastructure improvements, such as new roads and water and sewer line upgrades, can utilize this incentive to attract businesses or help existing businesses expand, without tapping into general funds or raising taxes.

TIFs help to overcome the extraordinary costs that often prevent development and private investment from occurring on environmentally contaminated and other properties. As a result, the TIF area itself improves and property values go up. Specifically, money for infrastructure improvements and other incentives comes from the growth in property tax revenues — the tax increment.

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, for each parcel within the TIF District. Establishment of a TIF does not reduce property tax revenues available to the overlapping taxing bodies. Property taxes collected on properties included in the TIF at the time of its designation continue to be distributed to the school districts, county, community college and all other taxing districts in the same manner as if the TIF did not exist. Only property taxes generated by the incremental increase in the value of these properties after the TIF's creation are placed in a TIF fund.

Q: How many Tax Increment Financing Districts (TIFs) are there in Peoria? Where are they located?

A: There are 12 active TIFs in Peoria. The following map show the location of each TIF district:



¹ Adapted from www.illinois-tif.com.

Q: How long do TIFs run? When do Peoria's TIFs end?

A: By law, a TIF can last up until 23 years from creation (they can be ended early at the discretion of the municipality). The Illinois General Assembly can approve the extension of individual TIFs for up to 12 additional years (35 years total). The following chart shows the dates of Peoria's active TIF districts:

Ref	TIF Name	Year TIF Created	Year TIF Payment Ends	Age of TIF in 2017	# of Parcels	Acres
1	Central Business**	1986	2021	31	109	92
2	Downtown Conservation	2013	2036	4	293	84
3	Eagle View	2007	2030	10	247	784
4	East Village Growth Cell	2011	2034	6	2,433	653
5	Hospitality	2008	2031	9	43	44
6	Midtown	1999	2022	18	4	10
7	Northside Business Park	1999	2022	18	251	214
8	North River	1995	2018	22	70	105
9	River Trail	2013	2034	4	1	20
10	South Village	2013	2036	4	3,268	672
11	Stadium	2000	2023	17	1	8
12	Warehouse District	2007	2030	10	457	544
	TOTAL				7,177	3,228

** - Extended an additional 12 years

Q: What are the steps to creating a new TIF?

A:

1. Council approves the TIF Consultant to conduct the study.
2. Council approves an Inducement Resolution authorizing the TIF and Housing Impact Studies.
3. Council approves a Resolution authorizing the publication of the new TIF and the Interested Parties Registry.
4. Interested Parties Registry Notice is published.
5. TIF land use, buildings and infrastructure is surveyed.
6. TIF required Community Meeting is held.
7. TIF Redevelopment Plan and Project is placed on file for inspection with the City Clerk.
8. Council approves a Resolution setting the TIF Public Hearing and Joint Review Board (JRB) Meeting dates.
9. Notice of the date of the Public Hearing and JRB Meeting is sent to DCEO and all Taxing Districts by Certified Mail.
10. Notice that the Redevelopment Plan is available for review is mailed to interested party registrants and residential addresses within 750 feet of the TIF boundary.
11. Written report to Council informing them that the JRB met and voted to approve or deny the proposed TIF.
12. Notice of the Public Hearing is mailed to all taxpayers, residents and tax delinquent owners by certified mail.
13. First and second publication of the Public Hearing Notice.
14. Public Hearing on the new TIF is held in City Council Chambers.
15. Council approves three ordinances approving the new TIF:
 - An ordinance approving the Tax Increment Redevelopment Plan and Project.
 - An ordinance designating the Redevelopment Project Area.
 - An ordinance adopting Tax Increment Financing for the City of Peoria, Peoria County, Illinois in connection with designation of the TIF Redevelopment Project Area.

Q: Do taxing bodies receive any information on TIFs once they are created?

A: By State law, the City must create and convene (at least annually) a Joint Review Board (JRB). The City presents the JRB with the most recent TIF Audits, provides project updates, and informs of any new TIF developments. The annual meeting is usually held in June, after TIF audits are received, but can be and have been held more often. The JRB is comprised of one representative from each taxing body, plus one “public member” who must live within the boundaries of a TIF.

Q: Why does District 150 get an annual check from the City in regards to Valeska Hinton Early Childhood Education Center? How many more years will such a check be sent and in what amounts?

A: In 1983, the City and Peoria School District 150 (PSD150) partnered in the redevelopment of Southtown. The agreement required the City to purchase Lincoln School, assemble and convey to PSD150 land for a new school, and pay for the cost of building the new school (up to \$2.5 million). In 1992, a payment agreement was reached wherein the City agreed, using Southtown TIF increment dollars, to pay PSD150 \$236,000 in December of each year for 17 years. In 2010, a final payment was made, which resulting in a grand total of \$237,982.87 provided to PSD150.

Q: What is the process for extending a TIF? Can any of the present TIFs be extended in any manner other than the process (Legislation) as outlined?

A: The only way a TIF can be extended beyond 23 years is to petition the Illinois General Assembly. That would likely start by making a request of our local representatives after approval of such action from the City Council.

Q: Is there any present intent to extend any of the TIFs? Can a School District, or any taxing body disagree?

A: There are no immediate plans to extend any TIF, though that discretion lies with the City Council first and then the General Assembly. TIFs are only extended if the Council and legislature feel doing so is in the best interest of the community. While any taxing district could object to any extension, we believe that if passed by the State Legislature, the TIF could be extended with or without School District support.

Q: Are there any plans in place for considering a new TIF? How does a new TIF get brought to the City Council – from staff or a developer? Can a School District not participate in a new TIF? How would the District opt out?

A: The City has no current plans for considering any new TIFs; but again, that is not a promise against future actions. TIFs generally are brought to Council by staff, though staff usually does so because of some developer or community interest. TIFs like Campustown and Midtown were more developer-driven; the Warehouse District, for example, was more community driven. Illinois’ TIF law gives municipalities the ability to create districts with or without the approval of other taxing authorities, including school districts, as long as the area meets the criteria and the process is followed. The District cannot opt out, though the City is free to create side agreements with any or all taxing authorities.

Q: Does each TIF have a new Letter of Agreement between the City and PSD150 or is there one letter/policy MOU that governs all TIFs and new TIFs?

A: The creation of the TIF does not require any Letter of Agreement between the City and any taxing authority. Any agreements that may exist, such as the Valeska Hinton Early Childhood Education Center agreement, are separate from the creation of the TIF itself.

Q: What has been the impact of TIFs in Peoria? In comparison to the EAV generated City-Wide and in PSD150?

A: The City has analyzed EAV growth both inside and outside of TIF boundaries, utilizing the most current data provided by the Peoria County Assessor’s Office. As the table below demonstrates, through the end of 2017, property values within TIF districts increased an annual average of 8% over their base value, while growth in the City and PSD150, over 19 years, averaged 5% and 3% each year, respectively:

Equalized Assessed Value* Growth of Peoria's TIFs In 2017						
Ref	TIF Name	TOTAL EAV - 2017 (Net Tax Value)	TIF Base EAV at Creation	Change In EAV	Overall Growth	Average Annual Growth
1	Central Business**	\$ 19,499,060	\$ 2,672,940	\$ 16,826,120	629%	20%
2	Downtown Conservation	\$ 40,479,480	\$ 42,926,328	\$ (2,446,848)	-6%	-1%
3	Eagle View	\$ 5,166,620	\$ 4,201,080	\$ 965,540	23%	2%
4	East Village Growth Cell	\$ 37,645,066	\$ 42,385,367	\$ (4,740,301)	-11%	-2%
5	Hospitality	\$ 23,275,320	\$ 12,168,960	\$ 11,106,360	91%	10%
6	Midtown	\$ 1,511,700	\$ 750,370	\$ 761,330	101%	6%
7	Northside Business Park	\$ 4,161,900	\$ 2,681,110	\$ 1,480,790	55%	3%
8	North River	\$ 2,872,070	\$ 1,667,550	\$ 1,204,520	72%	3%
9	River Trail	\$ -	\$ -	\$ -		
10	South Village	\$ 15,207,030	\$ 16,574,170	\$ (1,367,140)	-8%	-2%
11	Stadium	\$ 3,676,880	\$ 404,330	\$ 3,272,550	809%	48%
12	Warehouse District	\$ 23,800,050	\$ 16,141,140	\$ 7,658,910	47%	5%
	TOTAL	177,295,176	142,573,345	\$ 34,721,831	164%	8.3%
	Comparable Area	TOTAL EAV - 2017 (Net Tax Value)	EAV Base in 1998	Change In EAV	Overall Growth	Average Annual Growth
	CITY OF PEORIA	\$ 2,169,194,259	\$ 1,110,482,958	\$ 1,058,711,301	95%	5.0%
	PEORIA SCHOOL DISTRICT 150	\$ 1,427,721,395	\$ 967,358,693	\$ 460,362,702	48%	2.5%
* - Source: Peoria County Tax Computation Report - 1999 and 2017						
** - Extended an additional 12 years						

Q: How much has PSD150 (and other taxing bodies) lose during the life of the TIF? How much do those same taxing bodies stand to gain when the TIF expires?

A: The underlying rationale for creating a TIF is that the area in question (usually blighted) would not develop “but for” the incentives that could be available under the TIF. The incentives are used to encourage public and private investment within the district and reverse the decline of EAV (tax base) it has been experiencing, prior to its formation.

The question of how much taxing bodies may lose or gain from the formation of a TIF is based on the assumptions of: (a) rate of EAV growth without TIF, (b) rate of EAV growth with TIF, and the (c) tax revenues generated before, during, and after the TIF’s formation. If we were analyzing this from a laboratory experiment perspective and be able to control all other variables except for TIF formation, we could obtain results from a control group (no TIF) and measured against a test group (TIF). Because we cannot isolate the TIF formation variable in the “real” world, we can only use, case samples:

- Southtown, the City’s oldest TIF was created in 1978. In that year, the value of the TIF-eligible property was \$2,224,840. When Southtown TIF expired in 2013, property values grew to over \$31 million (34% of the base each year or 7.87% year-over-year increase). Over the same 35 year period, PSD150’s total EAV grew at a much slower rate: 3.3% of the base each year, or 2.4% year-over-year. Had the TIF not been created, and property values had grown at the District 150 rate, the property value would have grown to only \$5.1 million in 2013, and the total taxes received by the School District, between 1978 and 2013, would have been around \$6.5 million (PSD150 tax of 5.33628% annually). However, the TIF froze PSD150’s tax base at the 1978 level, and instead PSD150 received approximately \$4.1 million in property tax. It could be argued that the District has “lost” \$2.4 million total, or about \$68,500 per year, during the 35 year period when the TIF was in place. Looking beyond 2013, PSD150 is realizing the full property value and is receiving their share of the taxes on the *fully-improved* Southtown properties. The District’s annual tax receipt from this area in 2014 is estimated at \$1.8 million. Theoretically, that amount is over \$1,500,000 higher than the tax amount the District would have received from the same area given only average growth since 1978. The District regains its “lost” tax revenue of \$2.4 million, under this scenario in 1.6 years and makes a “bonus” from the TIF every year thereafter. It could also be argued that it is unlikely that the pre-TIF properties of Southtown would have averaged the same growth rate as the balance of the PSD150 area. The 2.4% rate is an average for every property within the PSD150’s area, and includes new development in northern and western parts of the District. Had Southtown values, without improvement, grown by a smaller percentage the total tax “lost” would have been even less and the recovery period even shorter
- The Stadium TIF is another clear example: Had not the TIF been created, it is unlikely that O’Brien Field would have been built. Given the quality and value of the property pre-TIF, it is unlikely that property would have increased by a factor of 10, over 18 years? From \$404,330 in 2000 to \$3,676,880 in 2017.

In conclusion, the use of TIF as an economic development tool has helped shape Peoria for the better. Developments such as O’Brien Field, the Illinois Medical Center, the Peoria Cancer Center, the University/MacArthur “S” curve, and many riverfront improvements would never have been possible without TIF. Many of the loft conversions in the Downtown/Warehouse District (Murray Place, Persimmon’s Loft, Winkler Lofts, Cooperage, Marquette Apts) would not have been considered without TIF funds.