

SUMMARY OF STATE OF ILLINOIS TIF ELIGIBLE REDEVELOPMENT PROJECT COSTS

The following provides a summary of Illinois TIF eligible project costs. Please be aware that the definition of “redevelopment project costs” in the TIF Act rules and that the following synopsis is provided simply as a primer in understanding the definition. Also note that the eligible project costs for a particular TIF project area may be limited by the “estimated redevelopment project costs” (sometimes referred to as the “budget”) stated in the approved redevelopment plan for the TIF area. See the Illinois TIF Act for the full text of the definition of redevelopment project costs.

1. **Cost of studies, administration, professional and legal services** in support of implementing the redevelopment plan (e.g., planning, engineering, legal, financial services). The 1999 amendment prohibits “general overhead or administrative costs of the municipality that would still have been incurred...” absent the TIF program. The 1999 amendment also limits the former general cost item of “marketing” to the “cost of marketing sites within the redevelopment project area to prospective businesses, developers, and investors”.

Also, note that payment of such costs from TIF funds can only be associated with activities that would be eligible under TIF. For example, engineering fees for the design of “public works” projects in the TIF district would be eligible costs. However, engineering or architectural fees associated with building activities would not be eligible for TIF reimbursement (e.g., the cost of building private and most public buildings are not TIF eligible costs).

2. **Property assembly costs**, which includes land acquisition, demolition of buildings and site preparation (e.g., grading of land).
3. **Cost of rehabilitation** of existing public or private buildings.
4. **Cost of construction of public works or improvements**, such as streets, sidewalks and utilities. The 1999 amendment specifically prohibits the cost of constructing municipal buildings, including administrative facilities and public safety facilities.
5. **Costs of job training implemented by businesses** located within the TIF area.
6. **Financing costs related to the issuance of obligations** (e.g., bonds or TIF notes), including payment of interest costs.
7. **Taxing district’s capital costs** incurred or to be incurred by a taxing district in furtherance of the objectives of the redevelopment plan and project. The municipality must agree in writing to accept and approve such costs. (Note: see TIF Act for definition of “taxing district capital costs”)

which clearly states that such costs must be a direct result of a redevelopment project).

8. **School district costs associated with TIF assisted housing:** Note that TIF areas designated after November 1, 1999 (or existing TIF's that are amended after this date), which include TIF assisted housing developments will be required to pay to the school district a certain amount of the tax increment generated by such housing developments. The required payments is based, in part, on the number of students enrolled in the school district that live in the housing development that was assisted by the TIF program. The form of "assistance" can be indirect, such as the municipality paying for infrastructure costs with TIF funds. In this instance, the school district would be entitled to certain payments, if the district experiences an increase in attendance and costs resulting from the net increase in new students who reside in the housing development. However, payments to the school district would not be required if:
 - The school district fails to provide the City reasonable evidence to support its claim for reimbursement on an annual basis; or
 - The school district adopts a resolution waiving its claim to all or a portion of the reimbursement otherwise required under the Act; or
 - No students reside in the TIF assisted housing development.

9. **Library district costs associated with TIF assisted housing:** For redevelopment project areas designated (or redevelopment project areas amended to add or increase the number of tax-increment-financing assisted housing units) on or after January 1, 2005 (the effective date of Public Act 93-961), a public library district's increased costs attributable to assisted housing units located within the redevelopment project area for which the developer or redeveloper receives financial assistance through an agreement with the municipality or because the municipality incurs the costs of necessary infrastructure improvements within the boundaries of the assisted housing sites necessary for the completion of that housing as authorized by this Act shall be paid to the library district by the municipality from the Special Tax Allocation Fund when the tax increment revenue is received as a result of the assisted housing units. This paragraph (7.7) applies only if
 - (i) the library district is located in a county that is subject to the Property Tax Extension Limitation Law or
 - (ii) the library district is not located in a county that is subject to the Property Tax Extension Limitation Law but the district is prohibited by any other law from increasing its tax levy rate without a prior voter referendum.

10. **Relocation costs.**

11. **Payment in lieu of taxes (this is rare - see TIF Act).**

12. **Costs of job training incurred by one or more taxing districts**, subject to certain requirements.
13. **Interest costs incurred by a redeveloper** subject to a limit of 30% of the interest costs incurred. The 1999 amendment provides for greater interest cost reimbursement if the project involves rehabilitated or new housing units for low-income and very low-income households.
14. **No cost shall** be a redevelopment project cost in a redevelopment project area if used to **demolish, remove, or substantially modify a historic resource**, after the effective date [8/26/08] of this amendatory Act of the 95th General Assembly, unless no prudent and feasible alternative exists. “Historic resource” for the purpose of this item (14) means
 - (i) a place or structure that is included or eligible for inclusion on the National Register of Historic Places or
 - (ii) a contributing structure in a district on the National Register of Historic Places.

This item (14) does not apply to a place or structure for which demolition, removal, or modification is subject to review by the preservation agency of a Certified Local Government designated as such by the National Park Service of the United States Department of the Interior.

The definition of “redevelopment project costs” goes on further to prohibit the use of TIF funds to provide direct financial support to any retail entity initiating operations within the TIF area while terminating operations within 10 miles of the TIF area and outside the municipal boundaries. It also addresses the issue of how “Special Service Area” tax revenues can be used within the TIF area when the two types of districts overlap.