



Economic Development Tools to Build Your Community Webinar - Q&A

Do you have to have a project to develop a TIF or a business district?

No, you don't have to have a project. It does help if you do, that way you know that there will be an increment coming in for a TIF or sales tax coming in for a Business District.

For Enterprise Zones, how is the sales tax exemption handled if the business purchases building materials out of state?

If a vendor charges the Illinois State sales tax, then building materials purchased out of state can receive the sales tax exemption. It is the same process as if the building materials were purchased in state.

What is the best way to incentivize the first couple of businesses that locate and invest in a new TIF district when the increment has not yet been well established?

In some instances, a municipality takes on the risk and puts in the infrastructure on the front end, with hopes that investments are made with homes or projects being built. It is a riskier situation, with no guarantee that it is going to work out.

Alternatively, things can happen after the fact. Most TIF and Business District deals are structured where the business comes in, or the homeowner comes in, and they make the investment. Then they are reimbursed over time. It is a slower payment but mitigates the risk of upfront incentives.

The City of Effingham and Village of Dieterich have both use performance-based agreements in the past. This is where the project would come in and the business puts in the infrastructure. Then the business is reimbursed over a period of time, up to a certain dollar amount for those improvements. If the project does not generate the tax, then they are not reimbursed.

Does a new TIF require specific legislative authorization, or is it only administered through DCEO?

It is not a state decision. It is a local decision to set up a TIF or Business District. The municipality must follow the statutory and noticing requirements. You are required to give notice to the Illinois Department of Commerce and Economic Opportunity.

If you want to extend a TIF District, that does require legislative approval. In doing so, the unwritten rule is that you have to have letters of support from 100% of your taxing bodies. It is not written in the statute, but more than likely your legislators will not introduce a bill to extend your TIF unless you have that support from your taxing bodies. It is a best practice for everyone to be on the same page.



Once a TIF is formed, can it be dissolved prior to the end of the life timer timeframe?

Yes, a TIF or Business District can be dissolved early. A few examples of why this might be done:

- *If it is a smaller district and really focused on one or two projects, those projects are completed, all the incentives are paid out, and there is really nothing else to do in the district*
- *If nothing is happening within the district*

Open communication and transparency with taxing bodies and everyone involved are keys to successful TIF and Business Districts.

Our old grade school is in our TIF district. Have had trouble getting funding to tear down the building. Could TIF funds be used for demolishing the building if we plan to develop there for new housing?

Demolition is an eligible cost in both a TIF or Business District. If you have the money, you can go ahead and pay for the demolition of that school building or any other building for that matter. It would also include grading the site after being demolished and preparing it for a new project.

It is a best practice to have a project ready on the other end of a demolition, so that you have a promise of new economic activity and new investment when you do make that demolition expense.

Understandably, if you have the money and you know the building needs to come down because of health and safety concerns or other related issues, then the upfront investment would be warranted.

Where can people find information on what are eligible expenses in a TIF and Business Districts?

Information on eligible expenses can be found in the [TIF Act and business district law](#). It is recommended to reach out to your local economic development professional with any questions.

For the Village of Dieterich, noting 93 newly constructed homes in 15-years, did you see a bump in interest in the residential property from the work from home growth? Did you see a bump from interest in people wanting to relocate the Village once you guys started this process?

Yes. Recognizing that there is a shortage of housing in our area, having shovel ready lots available at a \$4,000 and \$5,000 price point in a huge incentive. The housing shortage definitely plays a factor in people seeking out our community and also a great school district. People seek our school district for its great reputation. Our school district is one of the top reasons people choose to relocate to Dieterich. Progress breeds progress.



For the Village of Dieterich, would you be able to explain how the loss the village takes on the sale of the lot is recouped?

With the new increment created. Going from a farm field with very low taxable value to a new rooftop/house being put on it creates a large increment. A one-year timeframe is allotted to build each of the new homes.

The Village partnered with Dieterich Bank to finance the construction loans, that loan capacity is there knowing from the history of how quick the lots are sold, and the Village is able to flip the infrastructure loans with the new increment created.

For the Village of Dieterich, what hurdles did you experience when starting out? What could people expect when trying to replicate this in their own communities?

There are a lot of hurdles. Infrastructure such as water, sewer, gas, electric have to go in. It's important to manage covenants well, to ensure that the things you want to see to promote that cohesive neighborhood. Dieterich doesn't have building codes. Setting rules in the subdivision covenants was important to attract the desired type of building style to create the most taxable value. Covenants have changed with each new addition, based on what the Village has learned along the way.

For the Village of Dieterich, how did you prepare your school system for the expected population boom?

We had a lot of room in our school that wasn't being used, the nearly 30% decrease created a lot of underutilized capacity within our classrooms. Now our school district is at maximum capacity and is in the process of adding on.

For the City of Effingham, how do you get residential sales tax exemption approved? Is this done on the local level, or do you have to go to the state?

For the Enterprise Zone, it would go through the City. The contractors would come to the city and fill out the forms. The forms are then submitted to the State and the State sends a signed off form that the contractors use when they go to the vendors. It starts at the local level and then to the state for approval. This process is completed electronically and typically completed very quickly, often during the same day.



During the presentations, PGAV noted that the life and area of a TIF can be extended. Is it possible to extend the area and or life of a Business District too?

The boundaries a Business District can be expanded. You can also remove property from a Business District.

To Adam's knowledge, no Business Districts have been extended in terms of the time. It was recognized that somewhere this may have happened, but the general rule is that the Business District lasts 23-years.

Economic Development Tools to Build Your Community
Hosted by Business Navigator Alliance of Southcentral & Southeastern Illinois on Thursday, January 26, 2023 at 10:30a.m.

Moderator:

Courtney Yockey, President & CEO – Effingham Regional Growth Alliance

Presenters:

Adam Stroud, Senior Project Manager – PGAV Planners

Brittney Gipson, Village Clerk & Economic Development Coordinator – Village of Dieterich

Todd Hull, Economic Development Director – City of Effingham

Yockey, C., Stroud, A., Hull, T., & Gipson, B. (2023, January 26). Economic Development Tools to Build Your Community [Webinar]. Business Navigator Alliance of Southcentral & Southeastern Illinois.
<https://youtu.be/5G-BSVm6ArQ>

Resources:

Tax Increment Allocation Redevelopment Act

Illinois Municipal Code (65 ILCS 5/11-74.4-1) (from Ch. 24, par. 11-74.4-1) Sec. 11-74.4-1. This Division 74.4 shall be known and may be cited as the "Tax Increment Allocation Redevelopment Act". (Source: P.A. 84-1417.) <https://www.ilga.gov/legislation/ilcs/ilcs4.asp?DocName=006500050HArt%2E+11+Div%2E+74%2E3&ActID=802&ChapterID=14&SeqStart=212800000&SeqEnd=213600000>

Business District Development and Redevelopment Law

Illinois Municipal Code (65 ILCS 5/11-74.3-1) (from Ch. 24, par. 11-74.3-1) Sec. 11-74.3-1. Division short title; declaration of public purpose. This Division 74.3 may be cited as the Business District Development and Redevelopment Law. <https://www.ilga.gov/legislation/ilcs/ilcs4.asp?DocName=006500050HArt%2E+11+Div%2E+74%2E3&ActID=802&ChapterID=14&SeqStart=212800000&SeqEnd=213600000>

Illinois Tax Increment Association

<https://illinois-tif.com/>

Illinois Enterprise Zone Association

<https://ieza.org/>

Business Navigator Alliance of Southcentral & Southeastern Illinois – www.ilbusinessnavigators.com