



Tax Increment Financing (TIF)

Why TIF, Why Now for Montgomery?

- 1. Development today requires public-private financial partnerships.** Private development deals are extremely tough to finance today. Developers, tenants, lenders, etc. all are asking the question of what public incentives are available. Teska conducted an open house for prospective developers for a downtown project in Western Springs recently, and one of the participants noted “As a developer, general contractor, building owner and property manager, we are not looking at any communities that do NOT have funding assistance.
- 2. It is a very competitive marketplace.** Developers want to know what tools are in place now – not which tools you will consider. TIF, in particular, takes at least four months to create – and for all but the largest of projects that is simply too long to wait. Establishing a TIF will allow Montgomery to compete with both Illinois and other communities nationally for ultra-competitive development investment. There are over 400 Illinois communities that currently utilize TIF, including most of your neighbors.
- 3. The Adoption of the TIF Provides for the Implementation Phase of the Comprehensive Plan.** An adoption of a TIF creates a funding source to initiate the implementation of the Village’s Comprehensive Plan.
- 4. TIF is a Way to Fund Need Infrastructure Improvements.** Roads, water, sewer service, streetscape and other utilities are needed to support new development. Increasingly, tenants and developers want the infrastructure in place upfront – they do not want to wait for the extension or upgrading of services. As part of the TIF process, Teska will assist the Village in planning on how TIF funds should be allocated.
- 5. Many projects require multiple incentives.** Given extremely difficult private financing markets, many projects that are moving forward today are combining things like sales tax and TIF to create a tiered approach to public partnerships. Layering of funding sources is likely necessary for future redevelopment in Montgomery’s TIF Districts.
- 6. Multiplier Effect.** In addition to providing a funding source for public improvements, economic incentives like TIF can produce both construction and full-time employment opportunities, and create spin-off developments as an area improves.
- 7. Assessed Values are Low.** Because TIF is funded by increments in property values, establishing a TIF when the assessed values of property are low allows for greater increment and thus more money available for improvements. Locking in a TIF in the near future provides an opportunity for greater return when the market improves.

8. **Potential Legislation.** Several current and proposed bills are targeting TIF – focused on either annual increases in the TIF base (which would reduce potential increment) or requiring an annual return of unused increment. While we do not know how pending legislation will ultimately end-up, we do know that often new rules are only applied to new districts. If Montgomery creates a TIF in the near term, such district may be ‘grandfathered’ under the old rules.
9. **Successful TIF’s Benefit Everyone.** Not only does new development provide opportunities for employment, it also increases the total taxable value of property, which increases the tax base for all taxing bodies.