

**Elmhurst City Council will vote soon to create a 4th Tax Increment Financing District
What May Have Started As A Good Idea Has Degenerated into a Justification for a
Boondoggle and Has Become a Corrupt Political Process:**

Do the Ends Justify the Means? CAC Says No.

What is a TIF district?

Tax Increment Financing (TIF) is a favorite government tool used to spur economic development in areas identified as legally blighted or underperforming. Elmhurst currently has three TIF districts and is considering implementing a fourth on the north side of town.

How do TIF districts work?

City Hall provides developers and businesses with subsidies to lure them into town or to improve existing properties. At the most basic level, when a TIF district is created, property tax revenues that are collected over a certain base amount are redirected to City Hall for its exclusive use within the TIF district for a period of 23 - 35 years, rather than being distributed to numerous taxing bodies like the school district and park district. The diversion of property tax dollars away from the other taxing bodies and into the TIF district creates a TIF “piggy bank.”

City Hall’s theory of TIF

The theory behind a TIF district is that a developer or business will not come into a certain area unless a subsidy is provided. More subsidies lead to more development. Over 23-35 years of subsidized development, property values that otherwise would have remained stagnant rise. At the end of the 23-35 years, City Hall ends the TIF district and the school district and the other taxing bodies now begin to access property tax revenue based on the new, higher property values. So much development will have occurred during the TIF years that there will be a huge increase in property tax collected by the previously shut out taxing bodies as compared to what was collected during the 23-35 TIF years, or as compared to what they would have collected had City Hall never created the TIF district in the first place. The massive property tax increase will have been all due to the benevolence of City Hall.

Who pays for the TIF?

All property owners pay for the TIF district subsidy ¹ despite City Hall’s claims that only property owners in the TIF district pay.² TIF districts change the math calculation for property tax rates. Taxes are still collected on the increased property values within the TIF district, but rather than going to the school district, park district, etc., those funds are co-opted by City Hall to pay back the subsidies which have been given to developers or to cover other development related costs within the TIF district. The other taxing districts still need to collect their revenues from somewhere to meet their operational costs (the levy). That somewhere is from tax on properties located outside of all the TIF districts.

¹ See Doings Newspapers, August 19, 2004 Article, “Study Shows Citizens Fund Elmhurst’s TIFs.” Located at www.citizenadvocacycenter.org.

² City of Elmhurst Power Point “Tax Increment Financing Overview. Page 5. <http://www.elmhurst.org/DocumentView.aspx?DID=1843>

The Problem: In a rush to create TIF 4, the Elmhurst City Council has Failed to Adhere to Basic Principles of Good Public Policy and Has Not Justified the TIF Financial Details.

**Does the End Justify the Means? CITIZEN ADVOCACY CENTER SAYS NO.
For more information visit www.citizenadvocacycenter.org**

- **The TIF Privatizes Profits and Socializes the Cost of Development Without Adequate Justification:**
The City Council's proposed redevelopment costs are \$89 million. Why \$89 million? This is very large as compared to Elmhurst's other TIF districts. What potential projects is this based on? The City Council approved a \$1.25 million incentive related to Mariano's as part of TIF 4, before TIF 4 was even created. Are there other projects in mind? Have other incentive discussions happened that justify the \$89 million?
- **Phantom Rationale for Anticipated Property Growth and Estimated Redevelopment Costs:**
The City Council projects the property tax base in TIF 4 will go from its current value of \$32 million up to \$105-\$150 million. A 300% increase! Why? This estimate far exceeds growth projections made at the creation of the three previous TIF districts. How does the rate of inflation factor into the growth estimates of TIFs 1, 2, and 3?
- **City Council Projections Show \$16 Million Difference Between Projected Budgeted Redevelopment Costs and Projected Generation of Property Tax Increment at the End of 23 years:**
The City Council projects \$89 million in redevelopment costs but only recovering \$73 million in property tax increment at the end of 23 years. Why? Is the \$89 million too high? Is the idea to over-budget so to avoid amending the plan, which requires a public process? Is there a projected extension of the TIF district's duration? How does the projected difference impact the Intergovernmental Agreement with the School District?
- **Gerrymandered TIF District Map:**
Properties south of North Avenue should not be in TIF 4. They are already located in TIF 1, scheduled to end in 2021. Some of the properties are economically healthy, and Illinois law limits how long TIF districts can last (23 years initially with a one time extension of 12 years) to ensure that properties are not held in a TIF district in perpetuity. Moving properties from TIF 1 to TIF 4 means they could be in a TIF district for more than 60 years!
- **Doing What's Right vs. What's Legal:**
The School and Park Districts were not invited to discuss TIF 4 until just prior to the Joint Review Board meeting. If the City Council believed TIF4 to be a good idea, why not have a joint City Council and School Board meeting to discuss the issue publically? By not having an open discussion on TIF 4 itself, the conversation has changed to closed door discussions about a discretionary Intergovernmental Agreement focused on payouts. Adhering to strict legal requirements is the floor, not the ceiling, of good government policy.
- **No Process to Vet Incentive Requests by the City:**
City Hall has no such process for evaluating incentive requests. By the time the issues get to the Finance Committee, a multitude of private discussions have already happened. TIF 4 should not be adopted until a formal procedure to evaluate incentive requests is in place.
- **All Property Owners in Elmhurst Pay for the TIF:**
City Hall should not create TIF 4 until there is a "Taxpayer TIF Cost" calculation section of the City's website where individual property owners can determine how much they pay due to the TIF. Let individual property owners themselves decide if TIF 4 is a good investment.