



Introduction to TIF

Tax Increment Financing (TIF) is an important tool with which the City of Berwyn, IL can assist development, improve public infrastructure and expand the local tax base, with repayment of the TIF expenditures coming from the increased tax base resulting from the development. In Berwyn, TIF is targeted toward eliminating blight, increasing property value and promoting job growth and economic development. State statutes permit TIF funding only when development would not occur “but for” TIF assistance. TIF assistance should be utilized for developments that implement City plans and are consistent with the goals of job creation and sustained economic development in Berwyn. Each project that receives TIF assistance must demonstrate sufficient need such that, without the City’s financial assistance, the proposed project would not take place. Other financial alternatives should be considered and utilized, if possible, before TIF assistance is employed, such as state and federal funds, tax credits, loans and/or foundation support.

While each specific application for TIF assistance will have unique characteristics, a well-reasoned and articulated set of guidelines will help residents, taxpayers, business operators, and the development community understand the issues generally involved in the City’s consideration of TIF assistance. At the same time, guidelines should be considered a framework for policy decisions, recognizing that the City must retain the flexibility to make exceptions in appropriate circumstances.

Goals for Projects Supported by Tax Increment Financing

- I. Attract, retain or expand businesses.
- II. Attract and retain family-supporting jobs.
- III. Increase the City’s tax base by facilitating development of underutilized properties or promoting development in emerging corridors.
- IV. Improve blighted properties or clean up brownfields in the City by making their redevelopment economically feasible.
- V. Support City planning initiatives by advancing catalytic projects identified in City plans, providing public amenities or infrastructure.
- VI. Encourage the development of higher concentrations and mixes of commercial, retail, business and professional office uses, with parking and Transportation Demand Management (TDM), within mixed-use projects.
- VII. Encourage development projects that enhance the streetscape and pedestrian experience and improve the vitality of commercial districts by adding interest and activity on the first floor of mixed-use buildings and parking facilities.

Guidelines for TIF

I. General Guidelines

- a. Each application for TIF assistance will be evaluated based on short-term and long-term economic development impacts, adherence to the City's plans, priorities and goals, public benefits provided, amount of public assistance compared to private investment, term of public assistance and risks associated with the project. Priority will be given to development projects that facilitate increased permanent employment with family-supporting wages in the City of Berwyn or expanded commercial opportunities.
- b. The City will require guarantees from developers where appropriate.
- c. The City will be mindful of the impact of TIF on the City's credit rating.

II. Guidelines for Specific TIF Districts

- a. TIF financing will be used as gap financing. TIF assistance will be limited to the amount necessary to make a project financially feasible. In certain instances, the City may use TIF to create developable land by providing infrastructure, conducting environmental remediation, market studies, and other associated professional services to spur development or redevelopment.
- b. TIF assistance cannot be used for project operating costs, and developer returns in projects that receive TIF assistance will be limited to no more than a reasonable market return.
- c. Each project must demonstrate sufficient need for TIF financial assistance so that without that assistance, the proposed project would face a significant hardship or would not occur.
- d. Each project must demonstrate probability of economic success.
- e. TIF assistance shall not exceed the amount of equity provided by the applicant. Equity is defined as cash or un-leveraged value in land or prepaid costs attributable to the project. Donated developer or construction management fees shall not be constituted as equity investment.
- f. Each for-profit project demonstrating a need for TIF assistance must generate sufficient tax increment to cover or repay both the TIF contribution to the project and/or portion of the planned public infrastructure costs within the respective tax increment district.
- g. All projects assisted with TIF shall pay real estate taxes.
- h. All projects shall be in compliance with all applicable federal, state and local laws, and building, fire and life safety codes.

III. Ineligible TIF Costs

- a. The City shall not assist write-downs for land purchases or rental rates that greatly exceed the assessed value of the current land use(s) as determined by the City.
- b. Operating costs including, but not limited to, lease up reserves and/or working capital.
- c. Tenant shifting that consists of moving a business to another location for purposes other than to retain or substantially expand business will be ineligible for TIF assistance.

TIF Application Process

I. Parties seeking TIF assistance shall communicate their interest and lay out their project to the Berwyn Development Corporation (BDC) staff before an official TIF application is submitted. BDC staff will undertake a preliminary analysis of the potential economic impact of the proposed development and its consistency with City plans, priorities and TIF goals before the submission of an official application.

II. If the proposed project appears to be consistent with the City's plan, priorities and goals, BDC will provide the party seeking TIF assistance with an official application for TIF assistance.

III. Parties seeking TIF assistance shall submit the information required in an official application for TIF assistance to the Executive Director of the BDC. This application must be accompanied by a non-refundable fee of 2% of the amount requested or minimum of \$750.

IV. BDC staff will then engage in deeper analysis of the financial viability and economic impact of the proposed project based on the information included in the application. The staff finding is presented to the respective TIF committee in closed session. Prior to the closed session meeting, the TIF team shall provide the developer with a written report of its recommendation including 1) amount of the TIF request 2) the amount of TIF (if any) recommended and 3) a general statement of comments or issues concerning the project and its conformance to TIF goals. The applicant may comment on the staff analysis and recommendation at the open session of the meeting.

V. The BDC shall have a minimum of 21 days to analyze each TIF application and make comments and recommendations before any action by the initial TIF committee.

Financial Assistance

Commercial Loan Program

The BDC/City of Berwyn Commercial Loan Program funds loans for economic development purposes throughout the City of Berwyn. All loans must be approved by the Berwyn Development Corporation and the Berwyn City Council for uses which may include but are not limited to:

- Façade Improvement
- Land/Building Purchase
- Business Purchase
- Building Construction/Renovation
- Leasehold Improvements
- Equipment
- Contingency

For more information please call the BDC office to schedule an appointment with the Executive Director: (708) 788-8100.

Other Financial Incentives

Preservation Financial Incentives

10% Rehabilitation Tax Credits: For commercial and income-producing properties; not a grant; differs from a deduction; more similar to a “rebate;” credit lowers the amount of tax owed.

The Passive Activity Limitations, the Alternative Minimum Tax, and the At-Risk Rules all affect the amount of credit an individual can claim in one year. Approximately \$9,000 is the maximum credit most individuals can claim in any one year - larger credit amounts can be divided up and carried to other years.

Criteria: 10% of the amount spent to rehab a non-historic building built before 1936; only non-National Register Buildings are eligible; only non-residential properties; substantial rehab - \$5,000 or greater adjusted basis.*

- Physical retention test
 - 50% of exterior walls remain as exterior walls
 - 75% of exterior walls remain as exterior or interior walls
 - 75% of building’s internal structure remains
- No formal design review process required by the IRS;
Applicant submits form to IRS.

*Adjusted basis = (roughly) purchase price minus land value, minus depreciation, plus past improvements. Contact your accountant for further details.

Administered by Internal Revenue Service - requires IRS form 3468

To download form 3468 and instructions:

http://www.irs.gov/forms_pubs/formpub.html

50% Disabled Access Tax Credit

This is a tax credit for an eligible small business that pays or incurs expenses to provide access to persons with disabilities. The expenses must be to enable the eligible small business to comply with the Americans with Disabilities Act of 1990. See instructions for Form 8826, Disabled Access Credit, for more information.

This program is administered by the IRS/Department of the Treasury. To access Form 8826, go to <http://www.irs.gov/pub/irs-pdf/f8826.pdf>

Illinois Small Business Development Centers (SBDC)

Illinois Small Business Development Centers located throughout the state provide assistance to new and existing small businesses.

Services include:

- One-on-one business counseling and management assistance.
- Assistance with the development of business plans.
- Help accessing marketing information and the development of business plans.
- Business Financing Programs.
- Assistance with financial analysis and planning.
- Access to business education and training opportunities

Illinois SBDC at Joseph Center
7600 West Roosevelt
Forest Park, Illinois 60130

Telephone: 708/697-6200
Fax: 708/488-2290
Contact: Louis White
E-mail: sbdc@josephcenter.com

Illinois SBDC at Illinois Hispanic Chamber
of Commerce
1800 W Cermak Rd.
Chicago, IL 60608-4342

Telephone: 312/492-9960 x 111
Contact: Silvia Bonilla
E-mail: sbdc@ihccbusiness.net

BDC TIF Application Processing Timeline

1) Drop Application off to BDC

- i) BDC staff needs at least **Three Full Weeks** (21 days) prior to the appropriate TIF committee meeting for review.
- ii) Completed applications dropped off any time after the three week deadline will be placed on following month's TIF Committee agenda.

2) Initial Application review

- i) BDC staff will check the completeness of the application.
- ii) Applications which are incomplete or insufficient will be returned to applicant. The three week deadline for submission will be reset and applies to completed applications only.

3) Comprehensive Review

- i) A BDC planner will thoroughly review the application. After the planner's analysis, a recommendation will be provided to the appropriate TIF committee.

4) Staff Meeting with Client

- i) Applicant meets with BDC staff to review recommendation and discuss findings.

5) BDC TIF Committee Meeting

- i) The TIF application will be presented for review and approval at the appropriate TIF Committee meeting. Approval is needed in moving forward to the BDC Board of Directors Meeting.

(1) Cermak/Roosevelt TIF committee meets the third (3) Thursday of every month at 8:30 a.m.

(2) Depot/Ogden TIF committee meets the third (3) Thursday of every month at 4:30 p.m.

6) BDC Board of Directors Meeting

- i) Meets the first (1) Tuesday of the month at 8:30 a.m.
- ii) TIF application must be approved by the BDC Board of Directors in order to proceed to Berwyn City Council for final approval.

7) Berwyn City Council

- i) Meets the second (2) and fourth (4) Tuesday of the month.
- ii) Final approval for TIF funds is awarded.

8) Written consent from the BDC

- i) Written notification of the amount of TIF funds awarded and the scope of work will be mailed to the owner.