

**City of Rockford's  
Tax Increment Financing  
Policy Statement**

The Government Finance Officers Association (GFOA) recommends that local governments carefully evaluate whether Tax Increment Financing (TIF) and TIF districts are the most appropriate and effective tool to assist the local government in its economic development plans. TIF can be a powerful economic development tool, but when tax revenues from the TIF increment is diverted, other local governments will be affected by not receiving these revenues, which can constrain a government over the duration of the TIF. Additionally, the development project itself may contain risk, if the project fails to realize the projected results; it could subject the TIF (and the government) to significant financial pressures, particularly with respect to TIF debt service.

When creating the City of Rockford's TIF policy, an Ad Hoc Committee was formed to address five categories:

1. Priorities when negotiating a new TIF project/development agreement
2. Creating a new TIF district
3. The due diligence required for new projects within a TIF district
4. Monitoring/Reporting of existing TIF Districts and Agreements
5. The City's philosophy on use of incremental real estate tax from TIF

The Ad Hoc Committee was asked to take into account risk, financial conditions, the likelihood of “normal” changes in EAV which would occur without TIF status, and the relationship of a project to the City’s overall plans, including maintenance and sustainability. This policy is designed to be consistent with enabling statutes but also provide flexibility to the City consistent with the City’s Comprehensive Plan while furthering local priorities. This policy will be used going forward as a guide for City employees working with TIF as well as citizens that want to understand the process used to make TIF decisions. This policy will be updated annually to ensure relevancy and proper connection to the City's Comprehensive Plan.

**1. PRIORITIES WHEN NEGOTIATING A NEW TIF PROJECT/DEVELOPMENT AGREEMENT**

The following outlines eight main priorities the City will consider when negotiating a new project/development agreement within an existing TIF. The two primary priorities are the Type of Project (A) and the Location of Project (B). The six secondary priorities are Quality of Life (A), Crime Prevention (B), Education (C), Parks and Recreation (D), Historic Commercial Centers (E) and Riverfront (F). The Ad Hoc Committee used these eight main priorities to create a Guideline Point System to help simplify and make transparent the priorities in the City's decision making process (Appendix A). (Guideline Point System)

**I. PRIMARY PROJECT PRIORITIES (2)**

**A. Type of Project (1 of 2)**

**1. Industrial / Manufacturing**

- a. Provide for an adequate supply of land for development which increases primary employment opportunities.
- b. Maintain adequate capacities in public utilities.
- c. Promote the development of transportation-related goods and services as a special focus to Rockford’s economic base.
- d. Create primary employment opportunities, considering the number of jobs created based on full time equivalent (FTE).
- e. Obtain targeted employment opportunities that are consistent with City recognized regional economic development plan(s).
- f. Create economic incentives for businesses locate in areas with existing infrastructure.
- g. Support craft manufacturing and entrepreneurship.
- h. Create jobs in underserved areas and high unemployment zones.

**2. Commercial – New**

- a. Land Use
  - 1) Make retail centers attractive destinations
  - 2) Provide incentives for mixed-use development and redevelopment
- b. Economic Development
  - 1) Pursue opportunities to strengthen the sales tax base
  - 2) Provide services in underserved area
  - 3) Provide job opportunities in high unemployment zones
3. Commercial – Renovation/Improvement of Existing Commercial
  - a. Land Use
    - 1) Promote targeted infill development
    - 2) Direct development along corridors to create stronger districts.
    - 3) Provide financial incentives to aid the development of smart growth projects.
    - 4) Provide incentives for mixed-use in new development and redevelopment.
  - b. Economic Development
    - 1) Systematically plan for the redevelopment of Rockford's older commercial areas.
    - 2) Encourage the continuous upgrading and active marketing of existing retail centers.
    - 3) Enhance the unique appearance of existing structures through the preservation of architecture that represents a resource of value to the community.
4. Residential
  - a. Address concentration of low-income residential – Economic Development
    - 1) Encourage and promote a balance of new desirable developments
    - 2) Develop and maintain a comprehensive housing plan that goes beyond the scope of the Consolidated Plan
    - 3) Encourage housing strategies that revitalize older neighborhoods.
    - 4) Improve the state of neighborhoods surrounding downtown, complimenting existing plans.
    - 5) Reduce concentrations of poverty.
  - b. Dangerous and abandoned buildings – Economic Development
    - 1) Ensure that transportation improvements foster and support the revitalization of existing neighborhoods.
    - 2) Support the removal of derelict housing units provided that there is a strategy to minimize negative effects.
    - 3) Promote housing strategies that result in new housing within existing neighborhoods, utilizes existing infrastructure and is compatible with existing housing stock, (infill housing).
    - 4) Reduce financial roadblocks to rehabilitation.
    - 5) Minimize the hazards of lead paint while ensuring the financial feasibility of rehabilitation.
5. Tourism
  - a. Create opportunities for entertainment, spectator sports, events and venues.
  - b. Support arts and cultural opportunities for residents and visitors.
  - c. Provide entertainment for residents and visitors.
  - d. Create opportunities of "critical mass", such as City Market and Stroll on State.
6. Public Improvements
  - a. Land Use
    - 1) Retrofit existing arterials and collector streets with sidewalks.
    - 2) Design streets to facilitate safe pedestrian crossings.
    - 3) Require traffic calming in residential areas that experience excessive traffic speeds.
    - 4) Connect walkways, parking lots, greenways and developments.

- 5) Plant trees throughout the community and preserve existing trees during new construction.
- 6) Maintain sidewalks, bikeways and pathways
- 7) Serve the needs of those who are disenfranchised from, do not desire to use, or are otherwise unable to take full advantage of the predominately automobile-oriented transportation system.
- 8) Ensure that transportation improvements foster and support the revitalization of existing neighborhoods.
- 9) Improve the appearance of major roadway corridors in Rockford
- 10) Implement Gateway Plans

7. Arts

- a. Highlight cultural assets through public art and events.

8. Historic Preservation

- a. Find ways to take advantage of areas where a “critical mass” of historic sites exists, such as South Main area where Tinker Swiss Cottage Museum, the Graham-Ginestra House and the Ethnic Heritage Museum are located.

B. Location of Project (2 of 2)

1. High Priority Areas

- a. Central City defined areas that were developed prior to 1950
- b. Census tracts with high unemployment
- c. Census tracts with low median income
- d. Areas defined as Community Development Block Grant eligible Tract.
- e. Riverfront

2. Mid-Priority Areas

- a. Areas that developed between 1950 – 1990.
- b. Buildings that have been vacant for more than 10 years.

3. Low Priority Areas

- a. Typically “green field” locations that require the extension of public infrastructure

II. SECONDARY PROJECT PRIORITIES (6)

A. Quality of Life (1 of 6)

1. Land Use

- a. Support tree preservation through public / private partnerships.
- b. Plant trees throughout the community and preserve existing trees during new construction.
- c. Provide sidewalks.
- d. Design streets to facilitate safe pedestrian crossings.
- e. Provide safe pedestrian routes to transit.
- f. Make places walkable for aging populations and those with disabilities
- g. Create a comprehensive bicycling program

2. Natural Resources

- a. Protect our groundwater supply
- b. Protect our floodways and floodplains
- c. Redevelop Rockford’s brown fields

3. Landscaping

- a. Protect mature trees and maintain required landscaping
- b. Reforest/ plant trees to replace removal.
- c. Support efforts to preserve and/or restore natural vegetation.

- B. Crime Prevention (2 of 6)
  - 1. Establish positive police/ community relations through effective branch police stations.
  - 2. Implement “crime prevention” through environmental design programs.
- C. Education (3 of 6)
  - 1. Support local education opportunities for primary and secondary education
  - 2. Provide ongoing training for existing employees.
  - 3. Establish programs for those returning to work including parolee job training and education.
- D. Parks and Recreation (4 of 6)
  - 1. Land Use
    - a. Create a network of trails and greenways.
    - b. Create active and secure open spaces.
    - c. Create a comprehensive bicycling program.
  - 2. Community Facilities and Services
    - a. Assist the Park District in acquisition and development of facilities as appropriate.
    - b. Work with Park District in preparing a new park and open space plan.
    - c. Pursue the development of new pathways.
    - d. Continue the development of Riverfront open space.
- E. Historic Commercial Centers (5 of 6)
  - 1. Downtown, Midtown, Broadway and other Historic Districts
    - a. Develop a comprehensive way-finding system (signs and graphic communication to convey location and direction to travelers) to and within downtown.
    - b. Develop a block-by-block plan for downtown, complimenting existing plans.
    - c. Increase the amount and variety of downtown housing.
    - d. Expand the number and variety of destination entertainment venues.
    - e. Provide attractive and efficient options for travel.
- F. Riverfront (6 of 6)
  - 1. Focus on properties that revitalize the riverfront.
  - 2. Creation of public space along river.
  - 3. Remove of nonconforming uses along river corridor downtown.

## **2. CREATION OF A NEW TIF DISTRICT (AKA REDEVELOPMENT PROJECT AREA)**

The following outlines the nine steps City employees should take when evaluating the creation of of a new TIF District (also known as Redevelopment Project Area “RPA”):

- A. Analyze the area proposed for a TIF District to determine whether the proposed district is eligible as it meets:
  - 1. The criteria under applicable state law.
  - 2. The priorities for economic development and community development established by the City.
- B. Size
  - 1. The TIF District should be no larger than the size necessary to achieve the two Objectives in Item “A”
- C. Evaluation by Qualified Consultant
  - 1. The evaluation of a TIF shall be completed by a qualified consultant approved by the City and working under the direction of the City and shall include:
    - a. A preliminary TIF qualification report demonstrating conformance with state statute
    - b. A TIF Redevelopment Plan implementing the initiatives of the City’s Comprehensive Plan.
- D. The TIF Redevelopment Plan shall describe with specificity the City’s priorities that are to be achieved with the establishment of a TIF in the proposed District

1. The area encompassed by the proposed District should clearly relate to these priorities and the criteria established by law.
  2. If the District is to be created to fund public infrastructure improvements, the same “but for” analysis should be applied to these improvements; i.e. without the creation of the TIF District, these infrastructure improvements could likely not be made; there are no alternative sources of funds reasonably available.
- E. Determine whether Development or Redevelopment could take place within an acceptable timeframe without TIF assistance (e.g. “but for” the TIF assistance that is available through the establishment of a TIF District, development which furthers the City’s economic development or community development goals would not be reasonably likely to occur in this area within a reasonable time). Demonstrate that the physical and economic conditions in the district would not be addressed without the creation of the TIF.
1. Identify the public improvements that are to be made in the District financed through TIF revenues.
  2. Prepare a district-wide financial projection of TIF revenues and determine whether these revenues will support any TIF expenditures that are to be funded on other than a “pay as you go” basis.
  3. Identify any taxpayer concentration, tax appeal history, EAV trends, and the overlapping taxing jurisdictions’ projected contribution to any TIF revenues (based on the financial projection).
  4. Evaluate the City’s ability to meet the proposed TIF District objectives, its ability to mitigate potential risks to overlapping taxing districts, the City’s ongoing maintenance and repair costs, and the ability to repay debt in the event of revenue declines.
    - a. Work with the township assessor to obtain a projection of future EAV in the District without the creation of the TIF District based on available information.
    - b. Look at past and future EAV trends, collection performance, and delinquency rates.
    - c. Look at the effect that the creation of the TIF District is likely to have on property or businesses outside of the district.
  5. Subject the assumptions and methods for all feasibility studies to sensitivity analysis and other modeling techniques (see the Government Finance Officers Association best practice, *Evaluating Data and Assumptions in Economic Development Proposals*)
  6. Additionally, an alternative analysis should be prepared to evaluate pay-as-you-go financing and/or debt financing options that the TIF could support.
- F. Analyze the long-term economic benefit to the local economy for the term of the TIF, the fiscal impacts to the affected jurisdictions and overlapping tax entities (e.g., school districts), and the economic cost of TIF incentives.
- G. Evaluate the risk to general government operations when the TIF-related revenue is no longer available, including an evaluation of the impact of the TIF District on the City’s tax base.
- H. Prepare a maintenance plan for the TIF District’s projects, incorporating ongoing costs and future capital costs, the costs of periodic reviews of the TIF District performance, maintaining public information on the TIF District, etc. considering the revenue sources available to cover those costs. If a third party or private-sector partner such as a developer is to maintain the TIF District, provide a maintenance plan that incorporates those components.
- I. Prepare a Simple Summary Staff report to be used in the final decision making process.

### **3. DUE DILIGENCE REQUIRED FOR SPECIFIC PROJECTS WITHIN A TIF DISTRICT**

The following outlines nine critical due diligence steps City employees should take when evaluating a specific project within a TIF District:

- A. Apply the “But For” test - this is critical for public credibility and for fairness to other taxing districts.
  1. Each proposed project must demonstrate sufficient need for the City’s TIF assistance such that, without the TIF assistance, the proposed project would not occur.
  2. The proponent will demonstrate that every other reasonable financing alternative has been exhausted prior to the use of TIF.
  3. The satisfaction of the “But For” test will, in appropriate cases, be subject to review by an outside committee appointed by the City.

- B. Identify the City's priorities for the use of TIF that will be met or furthered by the project as outlined in this Policy
1. Economic Development
    - a. Job creation
      - 1) Employment of persons living in the District
      - 2) Employment generally
      - 3) Wage level
      - 4) Business located in the District
        - a) Location near existing housing
        - b) Location near planned housing
      - 5) What businesses or jobs
        - a) Manufacturing
        - b) Health care
        - c) Those consistent with the City's Economic Development Plan
      - 6) Other criteria
  2. Commercial Development
    - a. Underserved areas are Priority Locations
    - b. Avoid cannibalizing within the district or contiguous districts
    - c. Other criteria
  3. Shovel-ready industrial sites
  4. Community Development
    - a. Elimination of "blighted" features
    - b. Brown fields or environmental remediation
    - c. Improved public infrastructure
    - d. Creation of public resources (parks, schools, libraries, etc.)
    - e. Other
- C. Allocation of TIF Revenue
1. TIF support will be on a "pay as you go" basis.
    - a. Consideration will be taken for existing development projects where bonds may be refinanced to restructure debt. In these situations it shall be demonstrated by the developer that the proposal lessens the burden on existing bonds.
    - b. Consideration will be taken for public infrastructure improvements.
    - c. Consideration will be taken for the use of revenue bonds that are not backed by general obligations.
  2. Developer will be prohibited from contesting assessments.
  3. Project to be supported by TIF must be subject to real estate tax.
    - a. Exceptions – for schools, universities, hospitals, churches, when such activity fulfills the priorities of the policy.
  4. The Developer's share of TIF revenues derived from the Developer's project will be limited to 50% of the proceeds.
    - a. Additional revenues may be allocated when multiple policy priorities are satisfied.
  5. Under the following circumstances a Developer's project will be eligible to receive TIF support from revenues generated from other increment in the District in which the project is located.
    - a. Projects of significant importance to the community and meeting multiple goals of the Redevelopment Plan and Criteria outlined in this Policy.
    - b. Programs approved by the City consistent with the Redevelopment Plan (i.e. façade program, sign replacement program, landscaping program)
- D. The Developer will provide a "stress tested" financial presentation demonstrating the probability of the project's financial success.

- E. Prepare a thorough Development or Redevelopment Plan that includes an estimate of the incremental increase in real estate valuation the proposed project will create, (not required for identified TIF programs, i.e. Façade Program).
  - 1. This will be based on an estimate provided by the Township Assessor comparing the before and after assessment and the Assessor's opinion of value
  - 2. The City will hire outside professionals to assist with this process at the expense of the developer:
    - a. When bond funding is considered and/or
    - b. At the discretion of the Finance Director
- F. Thoroughly investigate the Developer, and his/her ability to meet the obligations outlined in the development agreement as necessary. This includes due diligence in examining the Developer's financial and other resources, and its track record with similar projects.
- G. If development project satisfies the criteria set forth above, the City will prepare a draft Term Sheet that sets forth the components of the proposed Development Agreement in simple terms.
- H. The Development Plan and Development Agreement include the following:
  - 1. A clear statement of the City priorities or goals which are to be furthered by the project
  - 2. Detailed performance measures.
    - a. Success is not simply the achievement of increased assessed value.
    - b. Success should be measured by the priorities (job creation, elimination of blight, environmental remediation, increased assessed value, etc.)
    - c. Measurements should be independently confirmed
  - 3. Milestones for identified performance measures
  - 4. Guarantees of Performance
    - a. Level of Developer guarantee varies based on the Developer's share of the TIF revenues and the share of TIF revenues that go to cover public infrastructure costs that would otherwise have been borne by the general fund.
    - b. Increase priority ranking for job guarantee
  - 5. The share of the TIF Revenues the Developer will receive
    - a. Rank the project on the City's priorities using a numerical scoring system.
    - b. Adjust the ranking to reflect any public infrastructure improvements that will be covered by the TIF revenues.
  - 6. Developer's Share
    - a. A grant
    - b. A loan repayable only out of incremental taxes if performance measures are met and out of Developer's funds if not.
    - c. Bonded in tranches with any GO bond tranche enjoying senior status
    - d. Other
  - 7. Identify the steps for monitoring, evaluating and enforcing the agreement (e.g. are target job creation numbers met)
    - a. Cover the cost to the City in terms of staff and consultants for the monitoring of the TIF and the project through the life of the TIF.
    - b. Cover the cost to the City of ongoing transparency: filing and publishing annual reports, web-site maintenance, etc.
    - c. Identify the amount of funds to be withheld to monitor agreement
  - 8. Specify the Developer's obligation to provide information throughout the life of the TIF.
    - a. Guarantee that the project's users (tenants, operators, etc.) are obligated to provide the information necessary to monitor results.

9. Steps to be taken if performance goals are not met, including descriptions of the consequences for either better or worse performance
  10. For Bonded Projects, establish the responsibility to monitor bond covenants.
  11. Document who is responsible for the following:
    - a. Project upkeep
    - b. Who backs up project revenue if increments are not sufficient
    - c. Ongoing maintenance responsibilities
    - d. Maintaining designated reserves, if required.
    - e. Project reporting and monitoring
    - f. Adherence with state and local laws.
- I. Prepare a Simple Summary Staff report including the Guidance Point System (Appendix A) to be used in the final decision making process.

#### **4. MONITORING / REPORTING OF EXISTING TIF DISTRICTS AND AGREEMENTS**

The following outlines five monitoring/reporting requirements of City employees to make sure TIF districts are regularly and fairly monitored:

- A. On an annual basis, publish a report of each TIF District to determine if the TIF is functioning as projected.
  1. Measure actual performance, as compared to projected performance, including:
    - a. Items such as actual versus projected tax base, jobs created, location of jobs and the potential impact of shifting economic development from non-TIF District to TIF District
    - b. Private investment completed during the year within the TIF
    - c. Public investment both measured in TIF dollars and non-TIF dollars
    - d. Current projections both measured in TIF fund revenue and fund balances through the life of the TIF
    - e. Review of any transfer of funds from one TIF District to another.
- B. On an annual basis, provide a summary of existing development agreements within each TIF and performance of the agreement compared to projections.
- C. Fully comply with the State of Illinois requirements for an annual TIF report.
- D. Convene the Joint Review Board to review existing TIFs
  1. Evaluate performance of TIF
  2. Review implementation of Redevelopment Plan
  3. Assess Fiscal Impact on affected taxing districts.
  4. Review of any increase in services to any taxing district.
    - a. Determine if there are any surplus funds as defined by the TIF Act
- E. Transparency
  1. Develop a web-based portal for each TIF District and each development project within each TIF District.
  2. Portal should include:
    - a. All non-proprietary information relied on by the City in entering and monitoring the development agreement.
    - b. Economic forecasts.
    - c. Job creation.
    - d. Infrastructure established.
    - e. Performance standards
    - f. Monitoring results
    - g. Pictures
    - h. Developer information

#### **5. CITY'S PHILOSOPHY ON USE OF INCREMENTAL REAL ESTATE TAX FROM TIF**

It is the City's philosophy with respect to Tax Increment Financing to use the incremental real estate taxes generated from new development in TIF areas to improve those areas and to use the incremental real estate taxes from TIF areas, however they are generated, to improve those areas.