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TIF 's early retirement to help local governments

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By **TODD SHIELDS**

A laudable use of public finance has led Palatine to retire a tax increment finance district eight years early and thus deliver millions to local tax-supported agencies, village officials said.

The 23-year TIF, located on Dundee Road from Hicks to Rand roads, was scheduled to end in 2018. However, Palatine administrators recently announced the TIF's demise for 2010.

Village officials took on a \$24.3 million bond to help finance construction projects for retail developers in the TIF district. The bond's debt service, which includes its interest and the bond's purchase price, will be paid off in 2009.

In a TIF district, property taxes are frozen the year it is created, and property tax revenues that accumulate as the land's value increases thereafter are typically used to pay off bond debt undertaken by a municipality.

"The extra property taxes over the freeze year were set aside for bond debt service. The TIF area built-out fast and was occupied fast. With low occupancy, you get lower property taxes. That didn't happen here," Village Manager Reid Ottesen said.

Successful stores

The Dundee Road TIF contained "very economically successful" stores, such as Target, Linens 'n Things, Walgreens, Jewel and Dominick's, Ottesen said.

During the life of a TIF, tax-reliant entities -- schools, libraries, townships and park districts -- do not receive the accumulated property tax increase as revenue.

With the TIF retiring in 2010, all 16 public entities will get tax property revenues until 2015. Elementary School District 15, for instance, can expect \$10.2 million more from 2010 to 2015.

"Often, TIFs are extended to get more projects on board. We think it's really unheard of to retire a TIF early," Ottesen said.

Tim Millar, president of the District 15 Board of Education, also said the TIF performed well.

"The challenge for school funding is always there. Palatine is now showing the success of that TIF. The new funding certainly helps, and it is significant," he said.

Stephen B. Friedman, a TIF consultant in Chicago, was only aware of the village of Niles ending a TIF sooner than scheduled.

"It is somewhat unusual and does not happen everyday. TIFs with strong anchor stores can take off quicker, and it's great that Palatine was able to do this," he said.



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