

TAX INCREMENT FINANCING

Streamlined TIF Program Overview and Application



**Richard M. Daley, Mayor
CITY OF CHICAGO**

**Department of Planning and Development
Lori T. Healey, Commissioner**

I. Background: TIF and the Streamlined TIF Application

The use of the Streamlined TIF Application is limited to industrial, commercial and mixed-use residential projects (including not-for-profit developments demonstrating substantial community benefits) for which applicants are requesting between \$25,000 and \$1 million in TIF assistance.

What is TIF?

TIF stands for “Tax Increment Financing.” TIF is a program administered by the City of Chicago’s Department of Planning and Development (DPD) to encourage and help pay for certain redevelopment projects located within designated areas of the City called “TIF Districts.” TIF funds are made available to property owners and businesses located within TIF Districts for certain improvements using the increased property tax revenue that these improvements generate. To find out if your property is located in a TIF district, or for more information about the program, please contact the City of Chicago DPD, Development Support Services Division, at (312) 744-4389 or visit the Department’s website at: www.cityofchicago.org/dpd. This document form can also be downloaded from the website.

What Can TIF Funds Be Used For?

TIF funds can be used for a variety of projects and activities which allow an eligible applicant to maintain or expand operations or contribute to the improved appearance and viability of the property. Redevelopment-related costs that are eligible for TIF reimbursement include, but are not limited to:

- Land acquisition, clearance and site preparation;
- Certain environmental remediation measures;
- Building rehabilitation and repair, (e.g. roof and facade improvements, HVAC and other mechanical system upgrades, building upgrades needed for ADA compliance and other substantial renovation);
- Signs or awnings which are permanently affixed to the building;
- Rehabilitation or remodeling of existing tenant improvements;
- Streets, streetscaping and other public infrastructure improvements;
- Professional fees related to the redevelopment project, including architect/engineering fees, developer fees and marketing/leasing commissions;
- Up to 30% of the applicant’s construction period interest costs; and
- Job training and Welfare to Work programs.

Examples of costs that are not eligible include new private building construction (except for low-income housing), initial tenant build-out, minor repairs or improvements (such as painting), the purchase of equipment and minor site improvements (such as planters and perimeter security fencing).

Who Is Eligible To Apply?

Current and prospective property owners and tenants may apply for TIF assistance using the Streamlined TIF Application. Tenants who apply must have the consent of the property owner(s). In limited circumstances, DPD may accept an application from an owner who intends to lease the property to another business. Prospective property owners or tenants may apply if sufficient proof

of site control or leasehold interest is submitted.

To be eligible for Tax Increment Financing assistance, the redevelopment project must:

- Be located within a TIF District;
- Be an industrial, commercial, or residential mixed-use property (with commercial on the ground floor). However, for all residential mixed-use projects receiving TIF funds, at least 20% of the residential units must be affordable to low- to moderate-income households;
- Create or retain full-time permanent jobs in the City of Chicago; and
- Not be economically or financially feasible or likely undertaken without TIF assistance.

Projects involving the conveyance or lease of City-owned land will not be considered for TIF assistance under the streamlined application process. Projects involving the following types of businesses will not be permitted without the consent of DPD: fast-food chain restaurants; national chain businesses; branch banks; employment agencies; currency exchanges; payday loan stores; pawn shops; astrology and/or palm-reading establishments; liquor stores, bars; adult bookstores; massage parlors; hotels or motels; track wagering facilities; trailer-storage yards; junkyards; and/or any uses similar to those listed above.

How Is TIF Assistance Calculated and Disbursed?

Except in special circumstances, the maximum amount of City assistance that any one project can be awarded under the Streamlined Application, including TIF, is limited to \$1.0 million or 25% of the total project cost, whichever is less.

TIF assistance awarded to the project under the Streamlined Program will be disbursed on a “pay-as-you-go” basis (annually, with no front funding, TIF note, or TIF bonds issued). TIF funds will be disbursed to the applicant after the project is completed and a Certificate of Completion has been issued by DPD. The specific payout term will be determined and discussed with the applicant on a project-by-project basis.

NOTE: The overall amount of TIF assistance provided to the project is limited by the annual amount of incremental taxes generated by the project. The applicant will be paid annually up to 90% of the total tax increment generated by their project.

What Are The City’s Construction and Monitoring Requirements?

All recipients of TIF assistance must comply with the City of Chicago’s construction requirements. During construction, 24% of hard costs must be paid to City-certified Minority Business Enterprises (MBEs) and 4% must be paid to City-certified Woman Business Enterprises (WBEs). In addition, construction employees must be paid at prevailing wage rates (as defined by the Illinois Department of Labor), and Chicago residents must perform at least 50% of total construction-worker hours. Prevailing wage rates are determined for Cook County on a monthly basis, and can be found online at www.state.il.us/agency/idol/CM/countym.htm. During construction, a payment bond must be maintained if any work is being done in the public way.

Those applicants seeking assistance for mixed-use residential projects must set aside at least 20% of the housing units for occupancy by low- to moderate-income households. The units must be made affordable to households with incomes no higher than 60% of the Chicago-area median income for rental units and 100% of the Chicago-area median income for for-sale units.

Following submission of the Streamlined TIF Application and upon preliminary recommendation of the project for TIF assistance from DPD, all applicants are required to meet with a representative of the City's Monitoring and Compliance Division to receive additional information on the construction and affordable housing requirements and monitoring process. To arrange the meeting, please call 312-747-2608.

II. Application, Approval, Construction, and Reimbursement Process

The following outlines the approval, construction and reimbursement process under the Streamlined TIF Program:

STEP ONE: APPLICATION PROCESS

The applicant submits the completed application. DPD will review the application and will notify the applicant within 30 days whether or not the project will be recommended, and if so, the amount of TIF assistance it recommends.

For Step One, the applicant must provide:

All applicants:

- Completed application form
- If project is bank-financed, a letter of interest from proposed lender
- Financial statement for applicant
- Contractor estimate to support construction budget
- Most recent second installment property tax bill for the project site
- Legal description of property involved, including description of leased premises (floor plan and legal description), if applicable

Owner-occupant applicants:

- Copy of deed, title policy, or purchase option or contract
- Gross business revenue projection and most recent Federal Tax Return

Owner-lessor applicants:

- Copy of deed, title policy, or purchase option or contract
- Copies of tenant leases or evidence of asking rents for similar properties in the area

Tenant applicants:

- Copy of lease or lease proposal
- Owner's consent letter
- Gross business revenue projection and most recent Federal Tax Return

STEP TWO: APPROVAL PROCESS

If the project is recommended by DPD, it will be presented to the Community Development Commission (CDC). If approved, a Redevelopment Agreement will be prepared between the City and the applicant, which then must be approved by the City Council. The final step in the approval process is the closing of the Redevelopment Agreement.

For Step Two, the applicant must provide:

Prior to CDC:

- Economic Disclosure Statement
- Principal Profiles
- Residential Developer License if project includes residential units
- Site plan
- Elevations
- Updated estimate of current and projected employees
- Signed lease (tenant-applicants)

Prior to City Council:

- Proof of equity and lender financing
- Any existing Phase I environmental audits with reliance letter from consultant
- Detailed project budget (final estimate, including M/WBE project budget)
- Floor plan of leased premises (tenant-applicants)

Prior to Closing:

- Proof of required insurance coverages
- Site survey
- Title policy
- Copies of building permits and zoning approval
- City-approved prior expenditures incurred before the closing of the redevelopment agreement
- Plans and specifications
- Updated estimate of current and projected number of employees
- Current financial statements
- Any other customary legal documents

STEP THREE: CONSTRUCTION

Construction may not begin before the City Council has approved the project. Construction may begin after Council approval and before the closing of the Redevelopment Agreement; however, there is no guarantee of TIF assistance until the final Redevelopment Agreement is approved and signed by the applicant and the City.

The applicant and general contractor are reminded that they must meet with the Monitoring and Compliance Division of the City prior to the start of construction to discuss the City's construction requirements. It is the responsibility of the applicant to ensure that the general contractor, or the

applicant if acting as the general contractor, complies with all City construction requirements.

Once construction is completed and proof of completion has been provided, DPD will issue a Certificate of Completion for the project. The applicant must then submit a Requisition Form to the City to initiate the reimbursement process. Please see the accompanying documents for a sample Requisition Form.

For Step Three, the applicant must provide:

During Construction:

- Temporary on-site signage indicating City financing
- Monitoring and compliance documentation

At Completion:

- Completed Requisition Form

STEP FOUR: REIMBURSEMENT

TIF funds will be disbursed one time per year throughout the term of the Redevelopment Agreement (which matches the payout term). An annual Requisition Form must be filed with DPD on September 30th each year to receive the annual TIF payment.

For Step Four, the applicant must provide:

- Completed Requisition Form submitted on September 30th each year throughout the term of the Redevelopment Agreement

If you have any questions regarding the program or application process, please contact the City of Chicago DPD, Development Support Services Division at (312) 744-4389.

Streamlined Tax Increment Financing Application

Please return the completed application and supporting documentation to:

City of Chicago
Department of Planning & Development– Development Support Services
City Hall, 121 North LaSalle Street, Room 1003
Chicago, IL 60602
(312) 744-4389

I. Applicant Information

1. Name of Applicant: _____
2. Business Name and Address: _____

State of Organization: _____
3. Phone Number: _____
4. Fax Number: _____
5. E-Mail Address: _____
6. Type of Business Entity: Sole Proprietorship Partnership
 For-Profit Corporation Nonprofit Corporation
 Limited Liability Company
7. Provide the street address of the property to be redeveloped below:

8. Attach a legal description of the project site and a description of leased premises if applicable. Legal descriptions can be obtained from the Cook County Clerk's Map Department, located at 118 N. Clark St. Room 434. Telephone: (312) 603-5640.

9. Currently, does the applicant own or lease the property? (Check one)
 Own Lease Neither

10. At project completion, will the applicant own, lease, or convert the property to condo ownership? (Check one)
 Own Lease Convert to Condo Ownership

11. At project completion, who will occupy (operate business on) the site? (Check one)
 Owner Renter Both

12. If the applicant is the current or prospective tenant of the property, attach a description of the premises to be leased (legal description, floor plan, etc).

13. Evidence of Site Control:

A. If the Applicant owns the project site, attach a copy of the applicant's deed. Also indicate:

Mortgage Holder(s): _____

Total annual mortgage payment (principal & interest) \$ _____

Total outstanding balance of existing mortgage(s): \$ _____

Name, address, and phone numbers of other persons or entities having an ownership interest in the property to be redeveloped, if applicable:

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

B. If the Applicant has a contract or option to purchase the project site, attach a copy of the purchase/option contract. Also indicate:

Date contract was signed: ____/____/____

Closing/expiration date: ____/____/____

- C. If the Applicant currently leases or will lease the project site, attach a copy of the lease or lease option contract. Also indicate:

Legal name of Owner as noted on the deed(s): _____

Name of person who signed lease for Tenant(lessee): _____

Landlord/Owner's name and address: _____

14. Owner Affidavit. If the applicant currently leases or plans to lease the property, have the owner (and all entities having ownership interest in the property) sign the attached Owner's Consent Letter.

II. Project Description

15. Indicate the total amount of TIF assistance requested (in current dollars): \$ _____

16. Has any other government assistance (funds, tax incentives, or other economic benefits) been provided to the applicant or the property? (Check one): Yes No

If so, describe the type and amount of assistance provided:

17. Provide a list of all properties comprising the project by Property Identification Numbers (PIN), along with the most recent second installment tax bill for each parcel. The Property Index Number is a 14 digit number formatted as follows: xx-xx-xxx-xxx-xxxx. One tax bill is issued for each PIN. Copies of tax bills can be obtained from the Cook County Clerk's Office at 121 N. LaSalle, Room 400, Chicago, IL 60602 (312) 603-5656.

PIN	EAV	Taxes
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Current: _____ square feet

Proposed: _____ square feet

21. Building Area (in square feet) of project building (or, for tenant applicants, leased premises):

	<u>Gross</u>	<u>Net Leaseable</u>
Current:	_____	_____
Proposed:	_____	_____

22. Land Use. Check the appropriate boxes for existing or proposed land use of the redevelopment site, and indicate the building areas dedicated to each use.

<u>Category</u>	<u>Existing</u>	<u>Proposed</u>	<u>Building Area</u>	
			<u>Existing SF</u>	<u>Proposed SF</u>
Retail	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____
Office	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____
Other Commercial	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____
Commercial/Residential Mixed-Use	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____
Industrial/Manufacturing	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____
Warehouse	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____
Other (Specify: _____)	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____
Vacant Building	<input type="checkbox"/>		_____	Not Eligible

23. Residential Unit Breakdown (For Residential Mixed-Use Properties Only)

Unit Style	No. of Units	No. of Rooms	No. of Bedrms.	No. of Bathrms.	Avg. Sq. Ft.	Avg. Rent*	Avg. Sale Price**
A	_____	_____	_____	_____	_____	\$ _____	\$ _____
B	_____	_____	_____	_____	_____	\$ _____	\$ _____
C	_____	_____	_____	_____	_____	\$ _____	\$ _____
D	_____	_____	_____	_____	_____	\$ _____	\$ _____
E	_____	_____	_____	_____	_____	\$ _____	\$ _____
TOTAL:	_____					\$ _____	\$ _____
					AVERAGE:	\$ _____	\$ _____

*Utilities included in apartment rent (check all that apply):

None Electric Heat Other (specify: _____)

**If condo project.

24. Attach a preliminary site plan to illustrate the proposed redevelopment project and site improvements.
25. Job Creation/Retention. List the current and projected number of part-time jobs and full-time jobs at the site before and after project completion.

	<u>Current</u>	<u>Projected</u>
Full Time Employees:	_____	_____
Part Time Employees:	_____	_____
Total Employees:	_____	_____

Project Status

26. When will construction start (Month/Year)? _____ / _____
27. When will construction be completed (Month/Year)? _____ / _____

Project Budget and Financing

Complete Exhibit E, “Sources and Uses of Funds” regarding anticipated project costs and financing.

III. Operating Information

Provide the following information regarding operating revenues and expenses. Complete only the section that pertains to your situation/project, as follows:

- **Section 1: Owner Occupant Applicant-** The site will be *owned and operated* by the Applicant.
- **Section 2: Owner/Lessor Applicant-** The site will be *owned* by the Applicant and *leased* to one or more other businesses (prior City approval required). This section also applies to mixed-use residential properties.
- **Section 3: Tenant Applicant-** The site will be *leased* by the Applicant.

Section 1: Owner Occupant Applicant

Business Name: _____

What does your business do? _____

Projected Gross Annual Business Revenue at this location*:
 (after project is completed) \$ _____

**Attach a federal tax return for the previous year and revenue projections as supporting documentation for projected revenue amount.*

Section 2: Owner-Lessor Applicant

Business Name: _____

What will be the nature of the business(es) on the site? _____
_____**Rental Income**

	Current	After Completion
Potential Annual Rental Income:*	\$ _____	\$ _____
Less Vacancy Loss @ _____%	\$ _____	\$ _____
Effective Annual Rental Income	\$ _____	\$ _____

**Attach rent roll. For commercial and industrial projects, attach signed leases if available. Otherwise, provide alternative documentation, such as evidence of asking rents for similar properties in the area, to support anticipated rent.*

Operating Expenses (Typical annual expenses paid by owner from rental income and not paid directly by tenant.)

	Current	After Completion
Management Fee:	\$ _____	\$ _____
Property Insurance:	\$ _____	\$ _____
Utilities:	\$ _____	\$ _____
Real Estate Taxes:	\$ _____	\$ _____
Common Area Maintenance (CAM):	\$ _____	\$ _____
Other (Specify: _____):	\$ _____	\$ _____
Total Annual Expenses Included in Rent:	\$ _____	\$ _____
TOTAL Annual Net Operating Income (Deduct Total Annual Expenses from total Effective Annual Rental Income—equals funds available for debt service and equity)	\$ _____	\$ _____

Section 3: Tenant Applicant

Business Name: _____

What does your business do? _____

Revenue

Projected Gross Annual Business Revenue at this location*:
(after project is completed) \$ _____

**Attach a federal tax return for the previous year and revenue projection as supporting documentation for revenue amount.*

Rent

Annual Net Rent:
(if known) \$ _____

If Net Rent is not available, provide:

Annual Gross Rent: \$ _____

Annual Utility Costs and Maintenance Fees:
(Base Year Amount or Stop) \$ _____

Annual Property Taxes:
(Base Year Amount or Stop) \$ _____

VII. Signature

I, the undersigned, affirm that the project descriptions, numerical and financial estimates, and all other information I have provided in this application are true and complete to the best of my knowledge. I have read and understood the requirements described in this application, including the Construction Monitoring Requirements and the City of Chicago Design Guidelines. Furthermore, I certify that I am authorized to initiate the Streamlined TIF application process on behalf of the project described.

Signed, _____ Date: _____

Title: _____

Legal Disclaimer

Completion of this application does not entitle the applicant to financial assistance. Any such assistance must be approved by the Community Development Commission and the City Council.

Application Checklist

This checklist has been provided for your convenience. If you have any questions regarding the application process, please call (312) 744-4389

Forms

- Streamlined Application Form
- Sources and Uses of Funds
- Owner's Consent Letter (if the applicant will not own the project site)
- Applicant's Financial Statement

Provide the following documents

- Legal Description of Project Site
- Description of Leased Premises (if applicant is the tenant)
- Interior and Exterior Photographs
- Preliminary Site Plan
- Proof of Site Control:
 - (a) Property Deed or Purchase Option Contract
 - or*
 - (b) Lease or Lease Proposal/Option Contract/Letter of Intent
- Letter of Interest From Financing Sources (if project is to be bank financed)
- Prior Year Second Installment Property Tax Bill(s) for Project Site
- Supporting Documentation For Project Costs
- Operating Revenue Documentation, to Include;
 - (a) Gross Revenue Projection and Prior Year Tax Return (Owner Occupant and Tenant applicants)
 - or*
 - (b) Lease documents, market rent evidence, and/or rent roll (Lessor applicants)

Informational Documents

- Program Overview
- Building Design Guidelines
- Required Insurance
- Requisition Form Sample

All forms and documents must be submitted with the completed application.