

# Value capture in the CMAP region

**Tax Increment Finance  
Transit Facility Improvement Areas**

September 17, 2019

**GO TO 2040 and  
ON TO 2050  
recommend value  
capture**

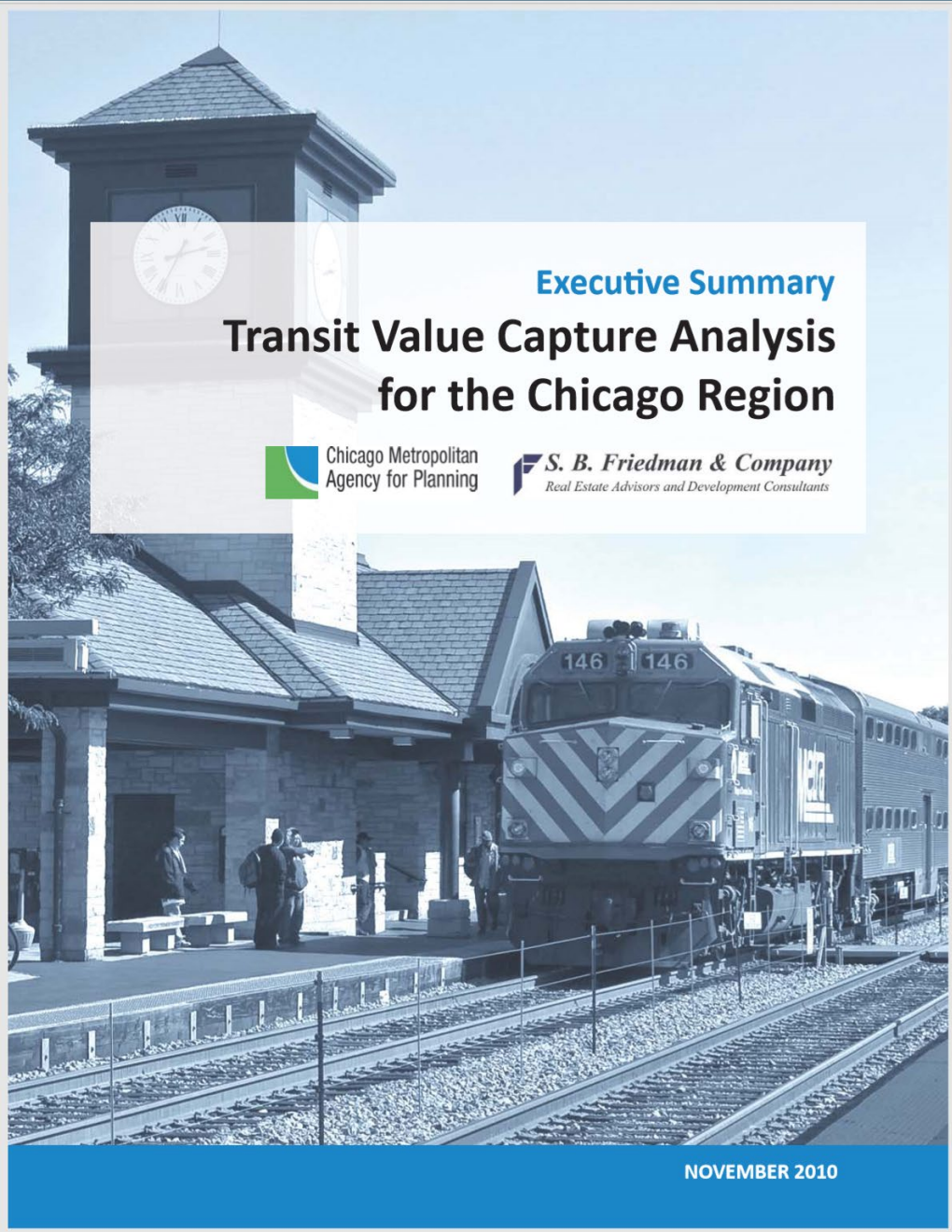
## **GO TO 2040**

Innovative funding mechanism to support local match

## **ON TO 2050**

Key project-specific transportation funding mechanism for local governments

*Neither plan recommends a specific mechanism*



Chicago Metropolitan Agency for Planning

# Transportation Value Capture Analysis for the CMAP Region

EXECUTIVE SUMMARY: June 2011



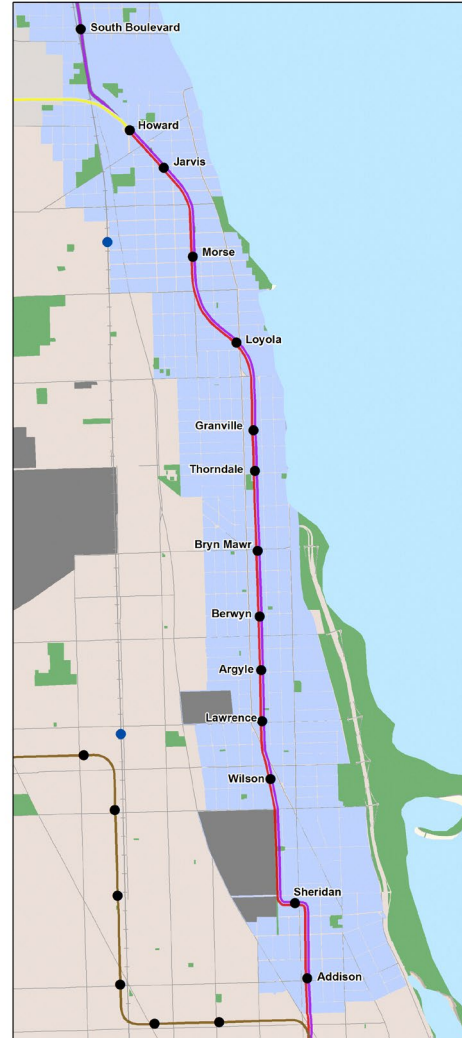
# Project-specific analyses

Red line extension

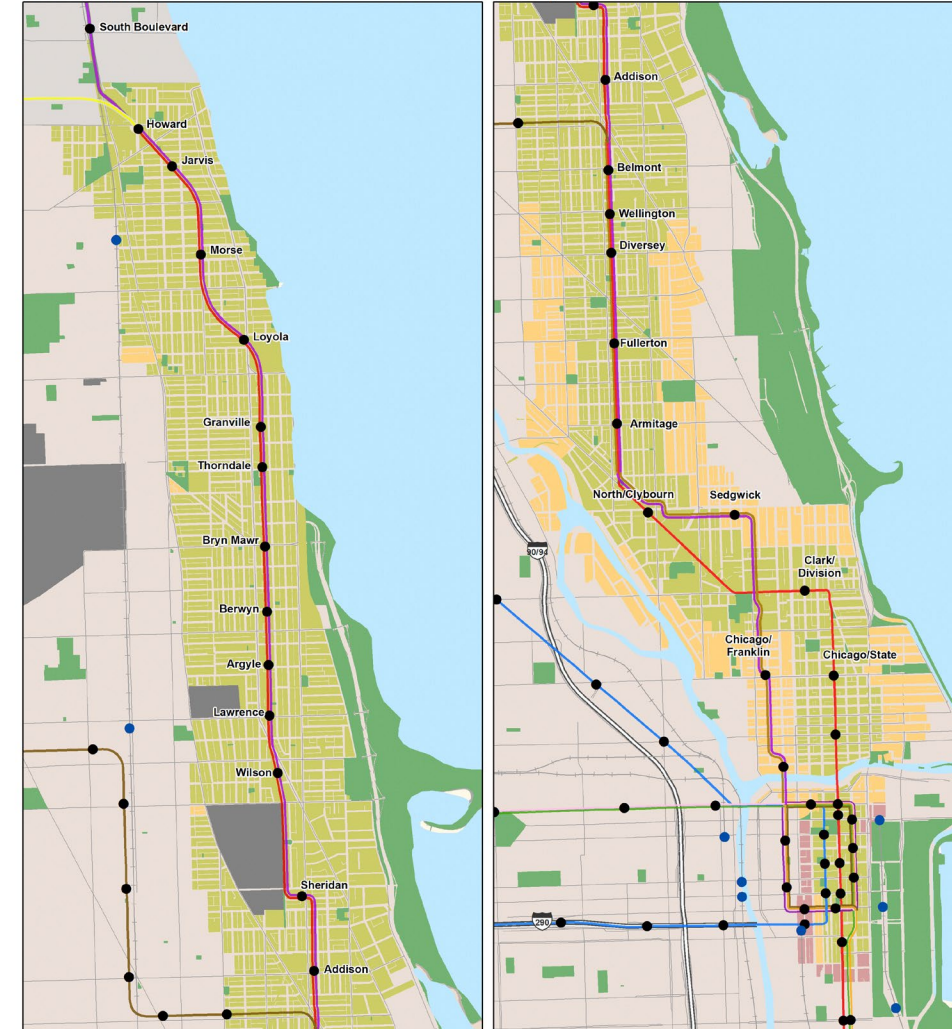
Red and purple  
modernization

53/120 (Tri-County corridor)

Red/Purple Line Modernization Potential Value Capture A



Red/Purple Line Modernization Potential Value Capture Areas - Expanded





# Value capture in the region today

Vital due to federal and in-region constraints on transit funding

Local option to fund road or transit improvements

Viable revenue source for some ON TO 2050 Regionally  
Significant Projects

**Tax Increment Finance**

**and**

**Transit Facility Improvement Areas**

# Illinois has two similar mechanisms

## **Tax Increment Finance**

Tax revenues on property value above a “base” value can fund infrastructure, redevelopment, economic development, and similar

## **Transit Facility Improvement Area**

Tax revenues on property value above a “base” value – less required revenue sharing – can fund defined rail transit improvements



# How do TIF and TFIA work?

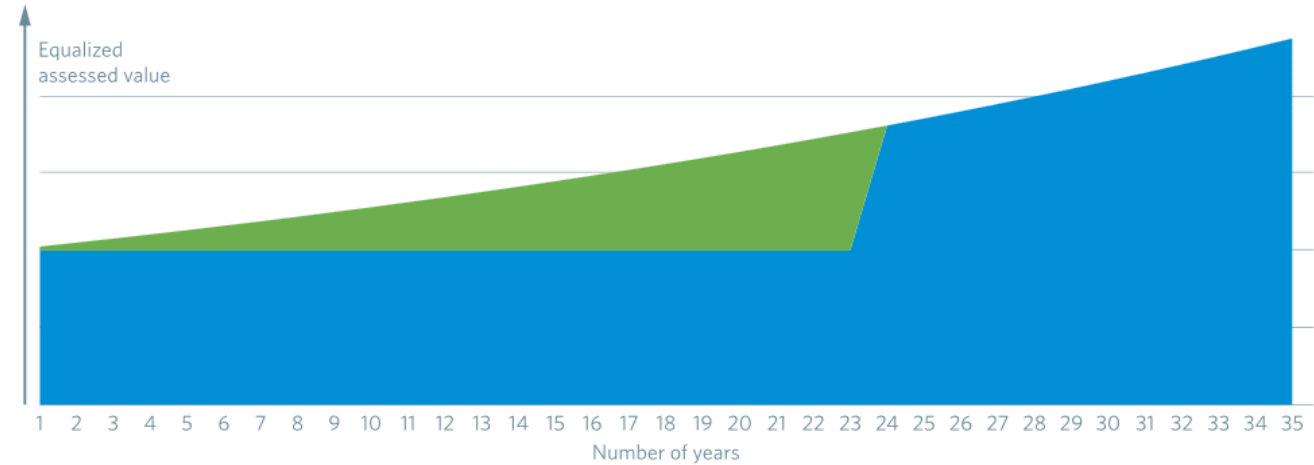
## Current and proposed revenue sharing in TIFs and TFIAs

Note: Revenue sharing provisions do not apply to suburban taxing districts

Source: Chicago Metropolitan Agency for Planning analysis, 2016

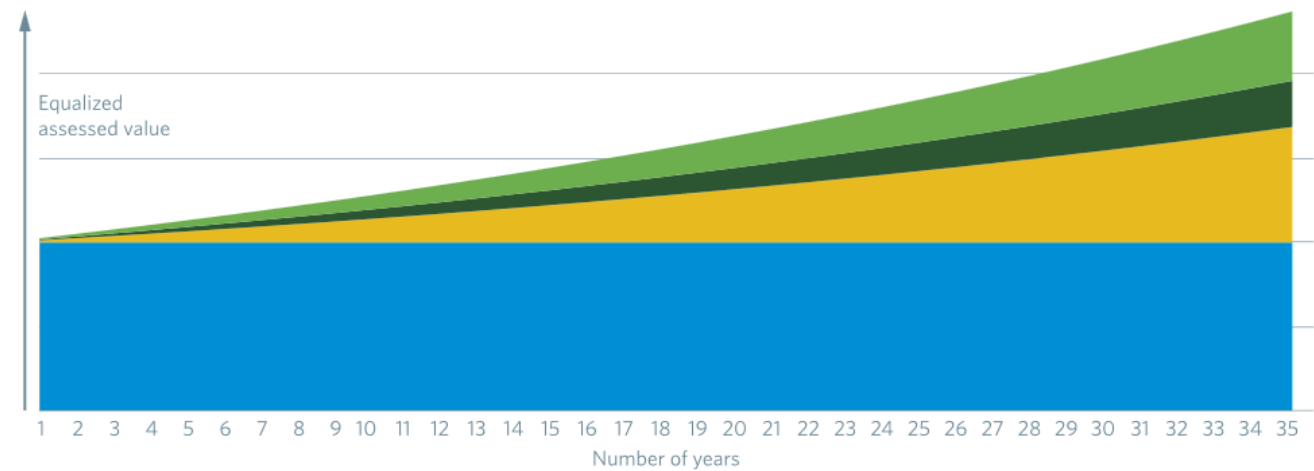
### Typical Illinois tax increment finance district

● Base value ● Increment for TIF



### Proposed transit facility improvement area

● Base value ● Increment to schools ● Increment to other taxing districts ● Increment to TFIA



## Tax Increment Finance District

## Transit Facility Improvement Areas

### Revenue mechanism

Tax revenues on property value increase above the “base” equalized assessed value

### Revenue sharing to overlapping jurisdictions

- 1) Taxes on the base value
- 2) Other revenue sharing as agreed to at TIF establishment
- 3) Proportionate share of “surplus”

- 1) Taxes on the base value, plus 20% of incremental revenues
  - 2) Chicago Board of Education revenues are excluded
- \*In Chicago only

### Timespan

23 years, up to 35 with legislative approval

35 years, district expires when the improvement is paid for

### Establishment criteria

Areas meeting specific blight, age, and property value criteria

Areas up to one half mile from four transit projects identified in legislation

### Eligible expenditures

Planning, redevelopment, affordable housing, and similar expenses as outlined in statute

Rail transit infrastructure, stations, and similar

# Lessons learned on Tax Increment Finance and value capture

# Benefits of TIF

Long timeframe and large value base often generate the highest revenue potential, if an area is growing

Known mechanism for municipalities, financing, etc.

Flexible use of revenues to support transportation beyond just infrastructure costs

# TIFs are used throughout the region to create or upgrade transit stations

CTA Morgan Station Green/Pink Lines

Skokie Oakton Station Yellow Line

Glenview Metra UP-N (also included land sales)

Palatine Metra UP-NW

Des Plaines Metra UP-NW





# Skokie Oakton Yellow Line Station

Added a new station to an existing transit line

~\$20 million funded by:

\$14.0 million CMAQ

\$6 million TIF

Paired with redevelopment of the Illinois Science + Technology Park

# TIF can produce the most revenue for most projects

Figure 12. Estimated Value Capture Bonding Capacity for SSA and TIF-based Value Capture Districts on the 53/120 Corridor

Bonding Scenario	SSA***	TIF***
Excludes existing residential EAV		
Existing EAV Only*	\$20 MM to \$21 MM	\$35 MM to \$71 MM

# TIF is not always the best tool

\* Existing EAV projections for an area assumed no EAV growth because a TIF requires EAV growth; a 2.0% to 3.0% annual growth rate of existing EAV was assumed.

\*\* Growth Scenario projections assumed development of approximately 4.2 million square feet of Office, 6.0 million square feet of Industrial, and 2.6 million SF of Retail within the Corridor by 2040.

\*\*\* An SSA tax rate of 0.50% has been assumed. TIF bonding estimates assume a diversion of 50% of TIF revenues to underlying jurisdictions. All districts are established in 2018. Bonding term is 25 years.

Sources: CMAP analysis of Lake County Assessor data



# TIF has drawbacks

Transportation competes with many potential expenditures

District must have potential for substantial property value growth

Requires a finding of blight

Overlapping tax districts may need to raise property tax rates

Public perception is poor

**TFIAs offer a  
transit-focused  
alternative**

# Transit Facility Improvement Areas

Revenues pay only for the designated rail transit improvement

Limited to areas within one half mile of transit improvements

Immediate revenue sharing with overlapping jurisdictions

The district expires when the project is paid for

Cannot overlap existing TIFs

# Red and Purple Modernization

First TFIA created in Illinois

Reconstructs four stations and adds accessibility, rebuilds 1.3 miles of track and structures, and builds the Red-Purple Bypass

~\$2.1 billion Phase I funded by:

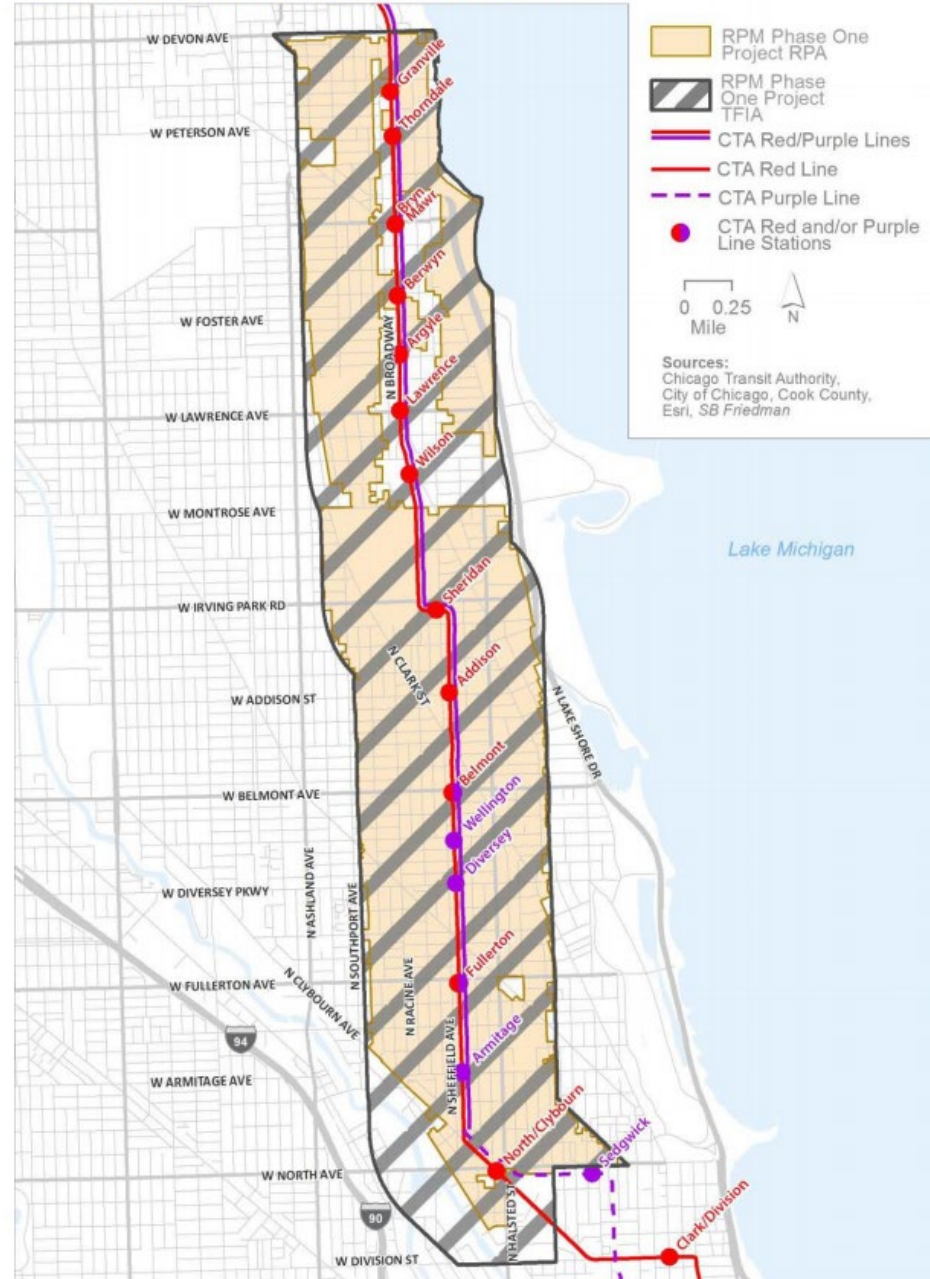
\$957 million FTA Core Capacity funds

\$125 million CMAQ

\$622 million TFIA

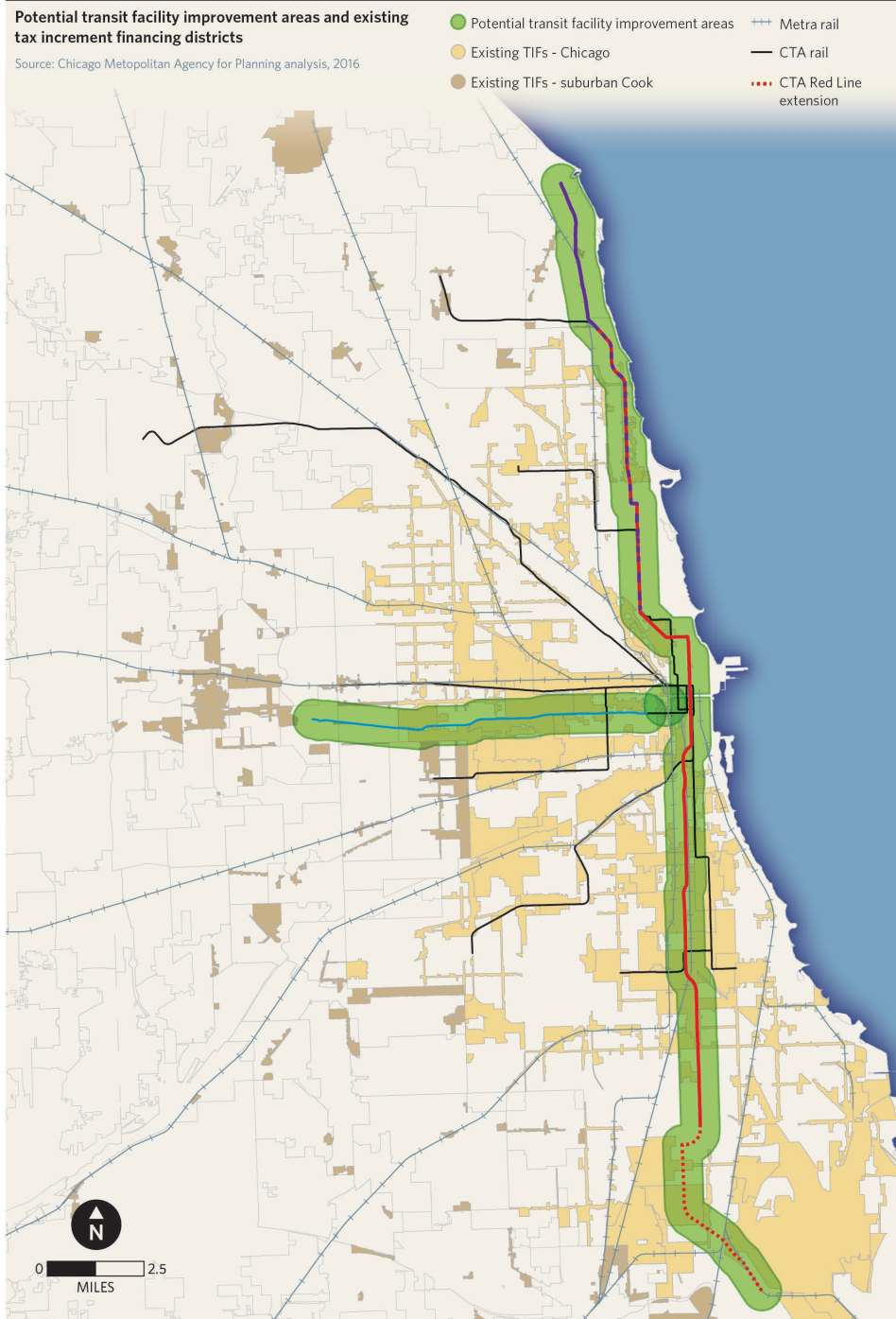
\$385 million other CTA revenues

Map 2: Proposed RPM Phase One Project RPA Boundary



# Red Purple Modernization TFIA Boundary





# But, TFIAs are limited to just four projects

## ON TO 2050

Change the legislation to designate districts based on criteria

# TIF and TFIA conclusions

Strong potential capital revenue source for transit stations and lines

Each district must adapt to the local context and concerns

Expanding TFIA to more project types could be beneficial

One revenue source among many...



# Questions?

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