



City of Marion
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TAX INCREMENT FINANCING (TIF)

Tax Increment Financing (TIF) helps municipal governments stimulate redevelopment in a designated area. Using this financing tool, the City can **reimburse developers** for certain expenses using the property tax revenue that new development in the TIF district generates. Expenses eligible for reimbursement include:

- Architectural, engineering, legal, environmental, financial, planning, and other services
- Property assembly costs, including acquisition of land, demolition of buildings and site preparation
- Costs of rehabilitation, reconstruction or repair or remodeling of existing buildings, fixtures and leasehold improvements
- A portion of the construction interest cost incurred by a developer related to the renovation or rehabilitation of a redevelopment project

Please contact the City of Marion for detailed Information.

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How does the City of Marion's Tax Increment Finance (TIF) program work?

When a tax increment financing (TIF) district is established, the *equalized assessed value* (EAV) on each property within the TIF district is set at a “base” value.

For 23 years from the date the TIF district is established, property tax revenue generated by higher property values within the district is paid to the city's special TIF fund, instead of the other taxing bodies. Those taxing bodies (the county, park district, school districts, etc.) continue to get the tax revenue from the "base EAV" in the district, but the revenue create by property values above the base.

The municipality can use the money in the special TIF fund to pay for certain costs of redevelopment within the designated district. Money in the TIF fund can be used to make public improvements like streets, sidewalks, street lighting, or water and sewer lines, or to provide incentives to private developers. As an incentive, the City can reimburse developers for expenses like buying property, demolishing buildings, remodeling buildings and other specific redevelopment activities.

The City of Marion currently offers incentives for redevelopment in the TIF district by reimbursing developers for expenses through an annual rebate on property tax. The rebates are reimbursement for eligible project costs, and they are tied directly to the property tax *increment* created on the site of their new development. The City and the Developer negotiate the reimbursement rate based on the new improvements they create. This contract continues until the point at which the developer has been paid the agreed upon reimbursement.

Equalized Assessed Value (EAV) is the property value established for property tax purposes. The township tax assessor sets the assessed value at one-third the fair market value.

Increment means the difference between the value created by new property improvements and the “base” set when the TIF district was established.

Example for a hypothetical property in the TIF district:

2002 (base year)

EAV: \$45,000

Tax Paid: \$3,825

2006 (following a major redevelopment project)

EAV: \$ 300,000

Tax Paid: \$25,500

After the project is complete in 2006, a *property tax increment* of \$21,675, the difference between \$25,500 and \$3,825, goes into the City's special TIF fund.

In this case the developer has a Redevelopment Agreement with the City Council stating that the City will pay the developer 60 percent of the property tax increment each year, up to the point that the City has paid \$275,000, which was the developer's cost to buy the land. Assuming that the property's new assessed value and the overall property tax rate stay the same, it will take 17 years for the City to complete payment of the reimbursement.

Reimbursement is approved by the City Council through a redevelopment agreement.