Incorporated in 1869

Village of Rochester, Illinois Public Hearing
Rochester Village Hall Community Room, 6:00 p.m., January 30, 2017

TAX INCREMENT FINANCING FACT SHEET (No. 2 of 2)

What is Tax Increment Financing ("TIF")?

TIF is a locally controlled economic development tool used by municipalities to encourage new private investment in property within a designated redevelopment project area. There are over 1,300 TIF Districts in Illinois, of which more than 100 of those are located in towns of similar size to Rochester.

TIF may be used to promote future economic growth in communities like Rochester by encouraging improvements of existing buildings and the redevelopment of underutilized properties. Such new reinvestment promotes healthy growth, stable school enrollments, new job opportunities, a more robust local economy, an expanded tax base and improved quality of life for residents.

Creation of a TIF District stimulates new private investment by reducing the costs of development, thereby helping to put the Village on a more level playing field with other areas competing for the same types of projects. TIF does not in and of itself mean that development or redevelopment will occur. Market factors will always be the driving force for any development or redevelopment.

How Does TIF Impact a Current Property Owner's Taxes?

A TIF District is not a new tax, nor does it create a new *"taxing district"*. Properties located within a TIF District are not subject to higher property tax rates because of TIF. All properties within a TIF District are taxed at the same real estate tax rate as properties located outside of the TIF District.

Instead of increasing real estate tax rates, TIF changes how the Village can use a portion of the *NEW* tax revenue generated by properties within the TIF redevelopment project area.

How Can TIF Funds be Useful to the Village?

TIF re-allocates a portion of the affected total real estate tax bill to a *Special Tax Allocation Fund* for a municipality to reimburse certain eligible expenses incurred by the Village or a Private Developer for infrastructure improvements and other redevelopment costs as permitted by the Illinois TIF Act. Examples of such permitted uses of TIF Funds include:

- Costs of rehabilitation, reconstruction or repair or remodeling of existing public or private buildings.
- Costs of construction of public facilities or improvements, such as streets, sidewalks, water, sanitary and storm sewer, etc.
- Approved capital costs of overlapping taxing districts.
- Costs relating to marketing vacant sites.
- Costs of job training and retraining projects.
- Property assembly costs, such as land acquisition, demolition of structures and site preparation.
- Costs of environmental clean-up and related site preparation.
- Professional Services such as engineering studies and surveys, architectural plans, legal work, financial accounting, administration and implementation of the redevelopment plan.
- Certain financing costs of private and public redevelopment projects.

How Does TIF Actually Work?

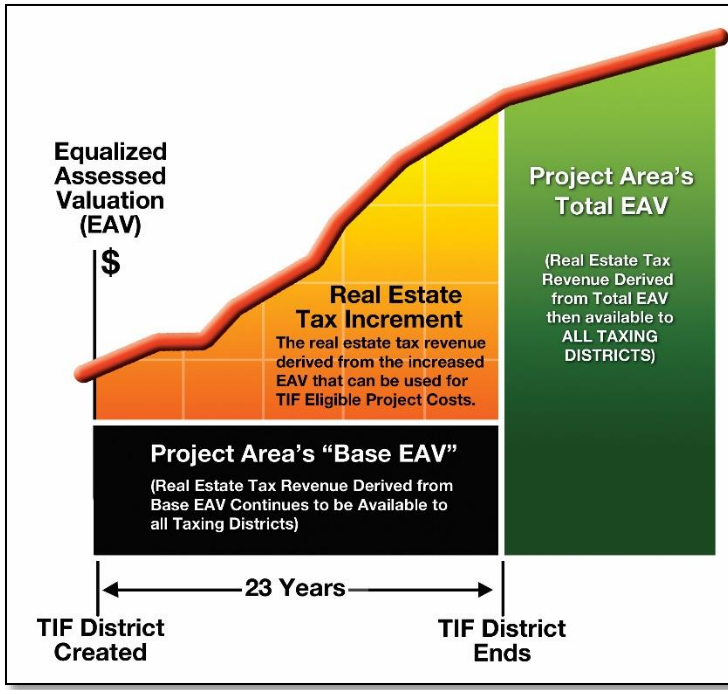

Figure 1. How Does TIF Work? Copyright 2017. Jacob & Klein, Ltd. and The Economic Development Group, Ltd.

TIF real estate tax "increment" is generated from the increase in Equalized Assessed Valuation ("EAV") above a "Base Year" EAV for each property within the TIF District.

Annual increases in EAV are multiplied by the tax rates of all the taxing bodies each year throughout the life of the TIF District.

TIF increment is created when the value of property in the TIF district increases due to redevelopment. When a property in the TIF district redevelops, the County Assessor assigns a new – and frequently higher – property value to the redeveloped property. Only the *increased* real estate tax revenue generated from the property's *increased* assessed value becomes TIF increment that the Village may use to support redevelopment in the TIF District.

Example: ABC Redevelopment Company purchases a property located in the TIF District that is valued at $50,000. ABC then invests in this property by constructing a new apartment above an existing retail shop. ABC's property is now worth $75,000, or $25,000 more than the property's prior value. The property tax revenue created by this $25,000 increase in ABC's property value is received by the Village and deposited to the Village's *Special Tax Allocation (TIF) Fund*. The Village can then use a portion of the new TIF increment to reimburse some of ABC's redevelopment costs, and use the rest of the TIF funds to reinvest in the TIF District by encouraging further redevelopment.

Other taxing districts (e.g., counties, townships, schools) continue receiving the tax revenue generated by the property's "Base EAV" that they received prior to when the TIF District was established. In the case of ABC's property, all taxes levied against the property's original $50,000 value continue to be distributed to the other, overlapping taxing districts. Only taxes levied against the *new* $25,000 increase in value go into the Village's TIF Fund.

The Village of Rochester's proposal for establishing a TIF District provides additional TIF funds to the affected taxing districts by annually designating a portion of all new real estate tax increment generated in the redevelopment project area as TIF Surplus Funds. This means that each year during the life of the TIF District, and after the Village has received the new TIF increment, some of those funds will be returned to the County Treasurer and Collector for re-distribution to the affected taxing bodies. The Village also anticipates that it will enter into Intergovernmental Agreements with other taxing bodies to reimburse certain capital costs that may be incurred as a result of or in furtherance of the Rochester TIF District Redevelopment Plan.

How Will a Successful TIF District Affect Homeowners In or Near the TIF District?

Homeowners benefit from a successful TIF District in several ways:

- Property market values are generally stabilized or improved, which can create a "spill over" benefit for adjacent neighborhoods.
- Certain public improvements - water, sewer, streets, etc., - can be paid for through sources, rather than from an increase in general property taxes.
- Increased business activity and construction jobs help to expand the tax base and can mean that fewer homeowner property taxes are required to provide for essential services within the community - police, fire, public safety, etc.