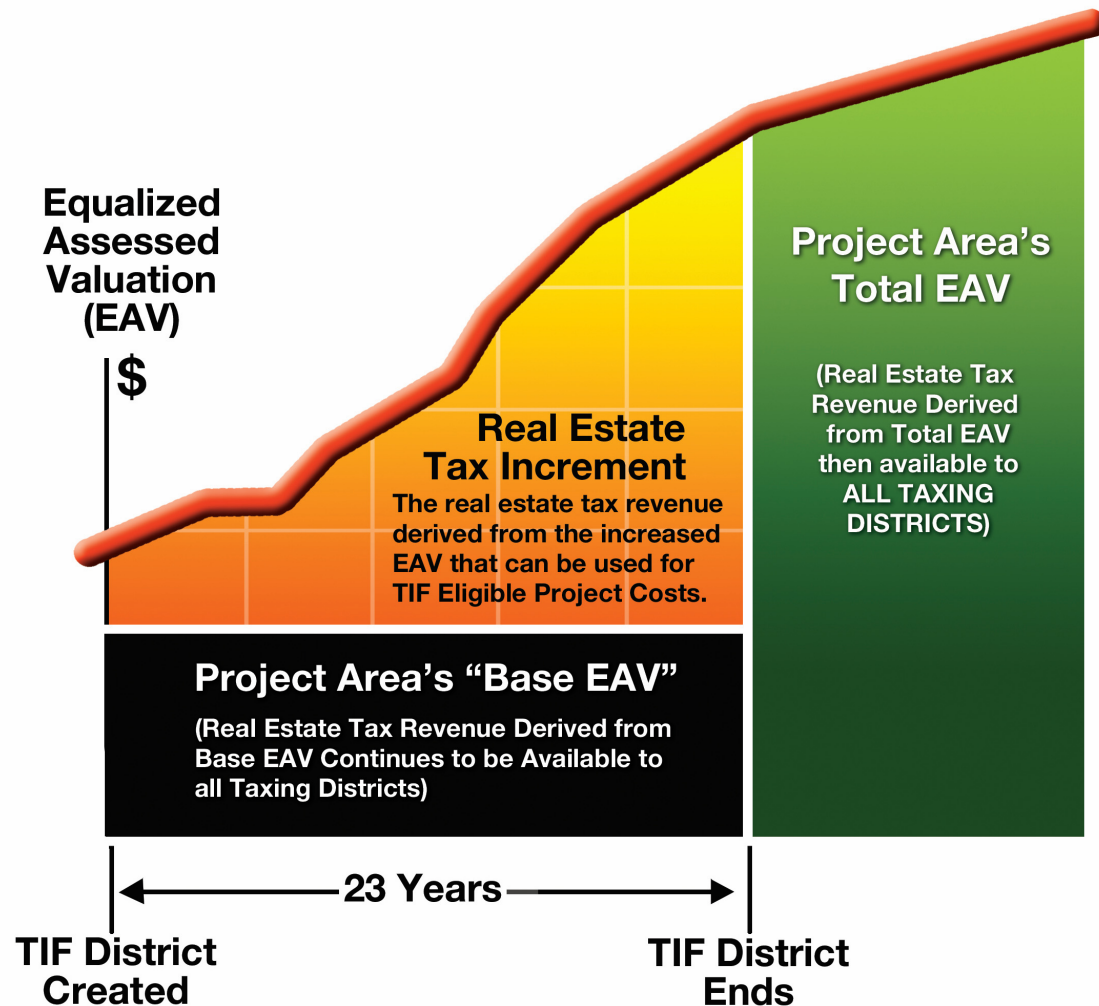


# How Does Tax Increment Financing (TIF) Work?

- Real Estate Tax Increment (RETI) results from an increase in Equalized Assessed Value (EAV) above the Base EAV that occurs during the life of the TIF District.
- Annual increases in EAV are then multiplied by the total real estate tax rate.
- The County sends RETI to Municipality for deposit to a Special Tax Allocation Fund.



# EXAMPLE TIF DISTRICT PROJECTION

## PROPOSED INDUSTRIAL PROJECT

### 50% NET "PAY-AS-YOU-GO" REIMBURSEMENT

EXAMPLE ONLY

TIF ESTABLISHED IN 2021

This information is for illustrative/educational purposes only.  
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Calendar Year of Receipts	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Total Real Estate Tax Increment	Constructed	Assessed	\$76,000	\$77,520	\$79,070	\$80,652	\$82,265	\$83,910	\$85,588	\$87,300	\$89,046	\$90,827	\$92,644
Proportionate Share of IGA & TIF Administrative Costs			\$19,000	\$19,380	\$19,768	\$20,163	\$20,566	\$20,978	\$21,397	\$21,825	\$22,262	\$22,707	\$23,161
<b>Net Real Estate Tax Increment</b>			<b>\$57,000</b>	<b>\$58,140</b>	<b>\$59,303</b>	<b>\$60,489</b>	<b>\$61,699</b>	<b>\$62,933</b>	<b>\$64,191</b>	<b>\$65,475</b>	<b>\$66,785</b>	<b>\$68,120</b>	<b>\$69,483</b>
Developer Share of Net RETI			\$28,500	\$29,070	\$29,651	\$30,244	\$30,849	\$31,466	\$32,096	\$32,738	\$33,392	\$34,060	\$34,741
Cumulative Developer Share			\$28,500	\$57,570	\$87,221	\$117,466	\$148,315	\$179,781	\$211,877	\$244,615	\$278,007	\$312,067	\$346,808
City Share of Net RETI			\$28,500	\$29,070	\$29,651	\$30,244	\$30,849	\$31,466	\$32,096	\$32,738	\$33,392	\$34,060	\$34,741

Calendar Year of Receipts	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	TOTALS
Total Real Estate Tax Increment	\$94,496	\$96,386	\$98,314	\$100,280	\$102,286	\$104,332	\$106,418	\$108,547	\$110,718	\$112,932	\$115,191	\$117,494	<b>\$2,192,217</b>
Proportionate Share of IGA & TIF Administrative Costs	\$23,624	\$24,097	\$24,579	\$25,070	\$25,571	\$26,083	\$26,605	\$27,137	\$27,679	\$28,233	\$28,798	\$29,374	<b>\$548,054</b>
<b>Net Real Estate Tax Increment</b>	<b>\$70,872</b>	<b>\$72,290</b>	<b>\$73,736</b>	<b>\$75,210</b>	<b>\$76,714</b>	<b>\$78,249</b>	<b>\$79,814</b>	<b>\$81,410</b>	<b>\$83,038</b>	<b>\$84,699</b>	<b>\$86,393</b>	<b>\$88,121</b>	<b>\$1,644,163</b>
Developer Share of Net RETI	\$35,436	\$36,145	\$36,868	\$37,605	\$38,357	\$39,124	\$39,907	\$40,705	\$41,519	\$42,350	\$43,196	\$44,060	<b>\$822,081</b>
Cumulative Developer Share	\$382,245	\$418,389	\$455,257	\$492,862	\$531,220	\$570,344	\$610,251	\$650,956	\$692,475	\$734,825	\$778,021	<b>\$822,081</b>	
City Share of Net RETI	\$35,436	\$36,145	\$36,868	\$37,605	\$38,357	\$39,124	\$39,907	\$40,705	\$41,519	\$42,350	\$43,196	\$44,060	<b>\$822,081</b>

Real Estate Assumptions	
Total Projected Market Value	<b>\$3,000,000</b>
Projected Taxable Value	\$1,000,000
2019 TIF Base EAV	\$50,000
Incremental TIF EAV	\$950,000
Real Estate Tax Increment	\$76,000
Parcel No:	

Variables	
Project Type:	1-Commercial-Industrial Bldg.
Assumed Long Term (CPI) Inflation Rate	2.0%
Assumed Total Tax Rate	8.00000%
Intergovernmental Agreements (IGA) & City's TIF Admin. Costs	25.00%
City Share of Net Real Estate Tax Increment	50.00%
Developer Share of Net Real Estate Tax Increment	50.00%

Developer's Estimated Total  
TIF Eligible Project Costs: **TBD**

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# Types of TIF-Eligible Project Costs

65 ILCS 5/11-74.4-3(q)

- Studies, surveys, planning costs.
- Professional services such as architectural, engineering, accounting and legal fees.
- Property assembly costs including land acquisition, demolition and site preparation.
- Rehab, renovation and repairs to existing structures within the TIF District Redevelopment Project Area
- All public works and infrastructure costs.
- Financing costs.



▪ Industrial



▪ Commercial

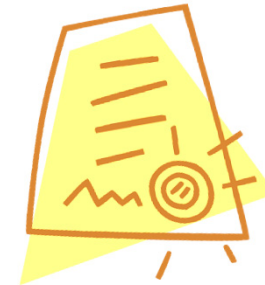


▪ Residential

# Private TIF Redevelopment Agreements

- **Redevelopment Agreements – in all cases.**

- Must be compliant with the TIF Act.
- Must be approved by ordinance or resolution.



- **“Pay-as-you-go” reimbursements are common.**

- Often “net” of proportionate commitments to intergovernmental agreements and administrative costs.

- **TIF Revenue Bonds:**

- Can be tax exempt.
- May include credit enhancements.

- **TIF Notes or Other Obligations.**

Carefully study the facts and figures, then seek qualified advice before issuing debt.

Specific financial recommendations are subject to “Registered Municipal Advisor” rules which were passed by Dodd-Frank Legislation in 2010. Municipal Advisor rules are established by the Municipal Securities Rulemaking Board and are enforced by the Securities Exchange Commission.