



## Tax Increment Financing (TIF) Redevelopment Project Area No. 1 2 & 3

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 districts 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
- Costs to relocate tenants.
- A portion of the interest cost incurred by a developer relate dot he construction, renovation or rehabilitation of a redevelopment project.

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

### How does the City of Carbondale Tax increment Finance (TIF) Program work?

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

**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.

For 23 years after the TIF districts are established, property tax revenue generated by higher property values within the districts are 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 not the revenue created 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 districts. 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 Carbondale currently offers incentives for redevelopment in the TIF districts 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. In several cases, the City has pledged to developers 75 percent of the property tax on the new improvements they create. This arrangement continues until the point at which the developer ahs been paid the agreed upon reimbursement.

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

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**Example for a hypothetical property in the TIF districts:**

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 75 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.

The City would use its 25 percent share of the increment to pay for the other improvements in the TIF districts.

**Please Contact the City of Carbondale for detailed Information.**

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