

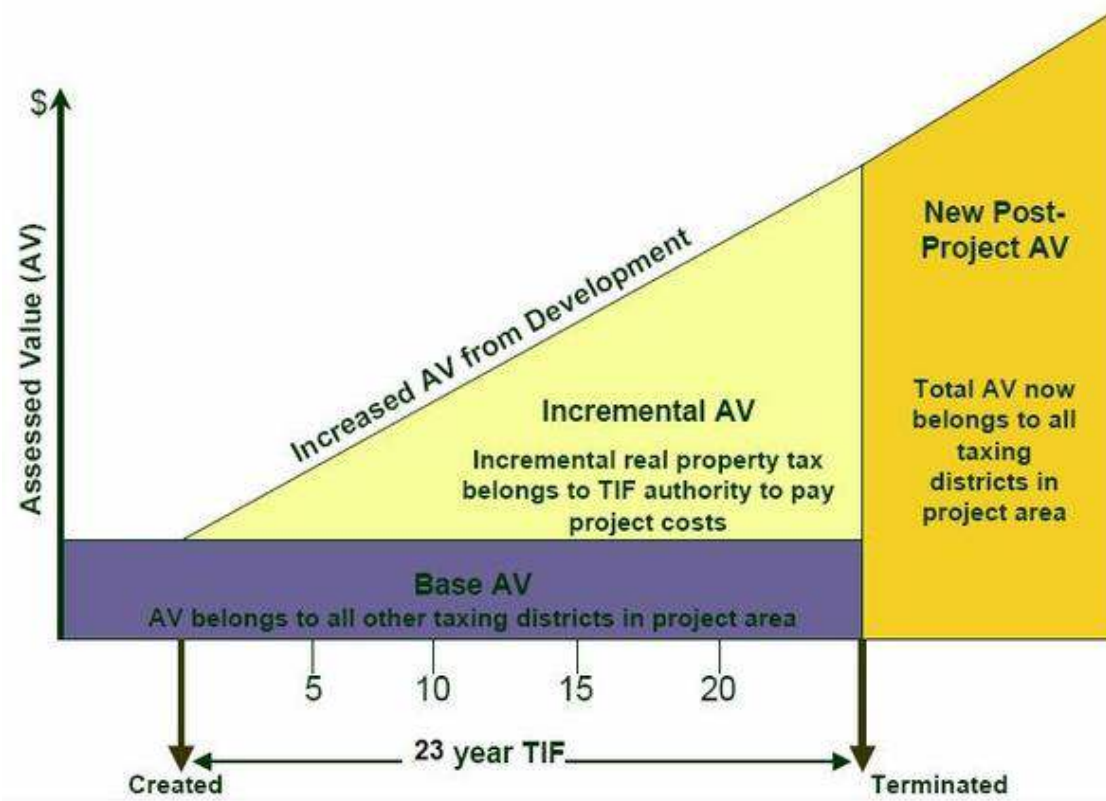
ROCK FALLS DOWNTOWN TIF GREENSPACE FUNDING PROPOSAL



TIF 101

- Tax Increment Financing is simple in concept. TIF calls for local taxing bodies to make a joint investment in the development or redevelopment of an area, with the intent that any short term gains be reinvested and leveraged so that all the taxing bodies will receive larger financial gains in the future. The funds for this investment do not come from current revenues, but from future tax revenues, not otherwise expected to occur. These new revenues are generated by increased public and private investment in identified, underperforming areas.
- When a TIF redevelopment project area (called a TIF district) is created, the value of the property in the area is established as the “base” amount. The property taxes paid on this base amount continue to go to the various taxing bodies. It is the growth of the value of the property over the base that generates the tax increment. This increment is collected into a special fund (the Special Tax Increment Allocation Fund) for use by the municipality to make additional investments in

TIF Assessed Value (AV) Over Project Life



the TIF project area. This reinvestment generates additional growth in property value, which results in even more revenue growth for reinvestment.

- In this way the TIF redevelopment project creates a vital cycle, increasing development and redevelopment in the area, such that when the TIF project ends — and Illinois law allows a TIF project to exist for a period of up to 23 years — all of the taxing bodies benefit from the new growth.

Typical TIF Projects

TIF funds may be used for costs associated with the development or redevelopment of property within the TIF, allowing blighted, declining and underperforming areas to again become viable, and allowing these areas to compete with vacant land at the edge of urban areas.

In communities big and small, local governments across the country have used TIF to develop vacant or blighted lands, improve streetscapes, develop housing, enhance greenspace and incentivize mixed-used and retail development among other purposes. This approach has also been widely used to attract important retail investments to traditionally underserved areas.

Typical projects include:

- The redevelopment of substandard, obsolete, or vacant buildings.
- Financing general public infrastructure improvements or development of greenspaces in declining areas.
- Cleaning up polluted areas.
- Improving the viability of downtown business districts.
- Providing infrastructure needed to develop a site for new industrial or commercial use.
- Rehabilitating historic properties.

ROCK FALLS PROPOSED USE OF TIF DOLLAR

The City of Rock Falls is proposing to build a greenspace in the RB&W District with a bike/walk path beginning at the west by the 1st Avenue Bridge and extending the length of the district behind the Holiday Inn Express & Suites. Other amenities will include a public outdoor entertainment venue, public restrooms, scenic overlooks, a water feature and skate park. The City is proposing to issue bonds to pay for the greenspace construction. Bonds are intended to serve as a way for local governments to raise funds for projects that create streams of income for things such as roads, parks, equipment and bridges. Bonds are usually used to fund government projects that will serve the public community.

Municipal bonds typically are designated as either general obligation bonds or revenue bonds. General obligation bonds are backed by the “full faith and credit” (and thus the taxing authority) of the issuing entity. Revenue bonds are backed by a specifically designated revenue stream, such as the revenues from a designated project, authority, or agency, or by the proceeds from a specific tax.

For this bond issuance, the City will **designate the revenues generated by two sources, the TIF revenues and the hotel/motel tax** to make the annual bond payments. Since the Holiday Inn Express & Suites did not exist when the TIF was created in 2010, the entirety of their property taxes is considered “the increment” and 100% of those funds will go into the TIF fund.

The City must show that the revenue stream designated is able to pay 125% of the scheduled payment: For example,

If the annual bond payment is \$154,100. the City must show the designated revenues are at least \$192,625.

In our case the projected assessed valuation of the Holiday Inn property is approximately \$2,000,000. (Giving it a fair market value of \$6,000,000). The expected property taxes in 2016 payable in 2017 on that valuation at 11.223 tax rate are approx.. \$224,460.00 which is sufficient to pay the \$192,625. annual payment.

As businesses within the downtown TIF continue to make improvements, renovate and remodel, those property taxes will also increase giving us more incremental dollars into the TIF. As was stated earlier the TIF revenue is generated **ONLY BY THOSE PROPERTY OWNERS WITHIN THE TIF DISTRICT.** Any property owner outside the TIF district will not be contributing to, or paying for, the greenspace construction. No road dollars, general fund revenue, utility monies or property taxes outside of the TIF district will be used.

