

To the citizens of Marion, Illinois

Over the past few months, there have been several newspaper articles, advertisements and television and radio reports discussing Marion's use of tax increment financing, commonly known as "TIF", to assist in Marion's development and growth. While all of the information given was well intentioned, unfortunately much of it was misleading and in many instances simply wrong. In order to insure that the public is fairly informed about the positive impact the existing TIFs and future TIFs have on Marion's continued growth, the City Council has determined that it should communicate its thoughts with the citizens of Marion in this forum.

TIF districts were first authorized by the Illinois legislature in 1977 (the "TIF Statute") and approved by the Supreme Court in 1980. They are designed to assist municipalities and developers in developing property within the municipality's limits that without a TIF would not develop or would not develop in a reasonable timeframe. Marion authorized its first TIF in July 1987 and since then authorized an additional 10 TIFs. Ten of those TIFs are still active. The remaining TIF completed its project and was terminated in accordance with the TIF Statute.

In 1987, the City of Marion had available 874 rentable motel rooms, approximately 29 restaurants, one shopping mall, one strip shopping mall, a Wal-Mart and numerous other retail outlets. As of this writing, the City of Marion has approximately 1300 motel rooms, 95 restaurants, a new hospital, a golf course with associated real estate development containing approximately 70 new homes, a new Super Wal-Mart, one of the largest Harley Davidson motorcycle shops in the country, two large retail box type stores, two new pharmacies, a large Kroger Store, ambulatory surgical center, and a new minor league baseball stadium. While not all of the new development has taken place in a TIF district, the majority of the development has been in TIF districts and the excitement and traffic involved from the TIF district businesses has contributed to the development of non-TIF locations.

The TIF Statute is designed to reimburse the developer for some private project costs and assist the city in building roads, sewer, water and other infrastructure, commonly called "eligible costs" in the TIF and adjoining TIFs' districts. The manner in which this is accomplished is by Marion paying the developer a negotiated portion of the real estate tax increase, and in some instances, a portion of the increase in Marion's sales tax revenue generated by the TIF project. The city retains the remainder to pay for the public infrastructure in the TIF or adjoining TIFs. The real estate tax rates and the process for determining assessments within the TIF boundary are not affected in any manner by the formation of a TIF. The property is assessed and the property owners in a TIF pay real estate taxes exactly as they would without a TIF. The real estate taxes that are collected in excess of those that were being collected in the year prior to the TIF formation are used to reimburse the developer and city for the public and private eligible costs spent to develop the TIF property.

The Illinois legislature determined that cities should be responsible for their own economic growth. In order to accomplish the development goal, the Illinois legislature determined that it was better for the local taxing districts that rely upon real estate taxes for revenue to forego the increase in real estate taxes caused by the TIF districts for a period of time in order to increase the overall real estate taxes collectible in the future. In other

words, the legislature decided it was better for the local taxing districts, including the city's general fund, to delay receiving the potential increase in real estate taxes for the positive benefits caused by a successful TIF in raising all real estate valuations, the sales tax revenue and jobs created by a successful TIF.

The legislature also realized that in certain instances the TIF legislation could delay receipt of the increased real estate tax revenue by local school districts as a result of a TIF established by municipalities. In order to address this issue, the Legislature built into the legislation provisions that reimburse a portion of the real estate taxes to a school district for increased real estate taxes. The TIF Statute and the Illinois school funding legislation provides a formula that yearly calculates the percentage of increased real estate taxes that are used to reimburse the city and developers for eligible costs and holds the school districts partially harmless by increasing the amount of school state aid a percentage of the increased real estate tax collections. The actual percentage reimbursed through state aid depends upon the amount of the school levy (the higher the levy the less percentage is reimbursed) and varies from year to year. It has ranged from 75% to 90% since 1987. In other words, for every dollar of increased real estate taxes involved in a TIF, the State pays the local school district 75 to 90 cents.

The recent news articles and comments from the local school district officials have led some of the public to believe (1) that TIFs cause real estate taxes in the TIF areas to be lower than the rest of Marion; (2) the real estate in the TIFs would have developed in the same manner without a TIF; (3) the TIF developers and Marion are taking the school district's money, and (4) that millions of dollars have been lost by the local school districts as a result of Marion's TIFs. None of these claims is correct.

First, as pointed out above, property in a TIF is assessed and property owners pay real estate taxes in exactly the same manner as other property owners. Second, one only has to remember what the property where the baseball stadium is located looked like before its development and consider how long it was in that condition to realize that it was not economical to develop without the assistance provided by a TIF. Third, the developers and Marion are not taking the school districts' money but are only reimbursed for eligible private and public eligible costs from the increased real estate taxes and sales tax revenue created by the TIF development. The school districts continue to receive the same real estate tax revenue from the TIF property as it was before the TIF was formed. These eligible costs are those limited by the TIF Act and they do not guarantee that any private project will be profitable. Neither the developer nor the City makes a profit from the TIF but are only reimbursed their eligible project costs over the years.

Finally, the local school districts are not losing millions of dollars as the formula for State aid reimburses the local school districts for 75% to 90% of that amount. The only monetary disadvantage to the school districts is the small percentage of the increase in real estate taxes caused by the increased valuation of the TIF property. In the City Council's opinion, this small amount is more than offset by the increased property valuation of surrounding areas caused by the new businesses, sales tax revenue generated and jobs created by the formation of the TIFs.

As the old saying goes, "the proof is in the pudding" and in this case while one can have a philosophical discussion as to the financial merits of TIFs to a municipality and local school districts, we have 22 years of experience to draw upon to see if the Marion TIFs have increased Marion's and the local school district's valuation and real estate tax

collection. The graph below shows that from 1987 to the present the assessed value of the property in the City of Marion has increased from \$82,555,917.00 to \$283,625,721.00 which is an overall 340% growth rate. During the same time, Marion Unit #2 School District's assessed valuation increased from \$142,545,204.00 to \$468,072,106.00, which is a 328% increase. As a result of the increased valuation, Marion Unit School District #2 has been able to increase its total levy from \$4,183,744.00 to \$19,057,828.00 which is a 455% increase during the same period. The assessed valuation graphs below show the phenomenal growth of the City of Marion's and Marion Unit School District #2's assessed valuation and the Marion Unit 2 Total Levy graph indicates the amount of increase in yearly levy made possible by this growth (to further illustrate the phenomenal growth consider that Marion's growth rate is all most 4 times the 89.88% inflation rate for the same period). The increase in the availability of funds to the Marion Unit School District is directly tied to the increased valuation which in the City Council's opinion was caused in a large part by its successful TIFs. The City of Marion Council firmly believes that without the formation of the present TIFs that it would not have the real estate development with a golf course, baseball stadium, Menards, Walgreens, new Kroger Store, hundreds of motel rooms, new restaurants, ambulatory surgery center, new hospital, additional exit and entrance onto Interstate Route 57 and various other business developments contained in and adjacent to the Marion TIFs.

The City Council urges you to carefully question those who continue to insist that Marion TIFs are ineffective, costly to the school districts and not necessary for the continued growth of Marion, Illinois. Finally, the City Council invites everyone to attend its council meetings and public meetings where the existing and future TIFs are discussed.

Mayor

City Council Members Signatures