



Village of Marshall

VILLAGE OF MARSHALL TIF ASSISTANCE FRAMEWORK

The Village utilizes the tax increment finance (TIF) mechanism to help spur development of the local economy and to diversify the tax base of the Village. The Village has one tax increment district (TID). TID #2 is created as a “Mixed Use District” development where 50% of the land within the TID is suitable for a combination of industrial, commercial, or residential uses.

When factoring in the level of TIF assistance, the Village has established the following criteria:

- # of jobs created and level of wages associated with a project;
- Quality of architecture and building materials of the project;
- Whether a project addresses unique housing needs of the Village;
- The compatibility of the project with adjacent or nearby land uses;
- Other project/site-specific factors will also be considered.

HOW IS TIF ASSISTANCE CALCULATED?

The level of TIF assistance is calculated based on a guaranteed assessed value (AV) of a project in a specified period of time. A typical TIF incentive range is 10-20% of a project’s guaranteed AV. For example, for a commercial project guaranteeing \$5M of new development (AV), TIF assistance would range from \$500,000 to \$1,000,000. One model of TIF assistance is “up-front” where the Village sets aside funds in an escrow disbursement arrangement to be used during key construction platforms (foundation, enclosure, and occupancy permit). Up-front incentive is on the lower end of the TIF assistance spectrum (10-15%) as outlined above. Further, the Village has maintained a 70/30 margin. Meaning, as we are borrowing money for this type of “up-front” incentive, the value of taxes added annually must be 130% of Village debt service on the incentive.

Secondly, the Village utilizes a “PAYGO” (pay-as-you-go) TIF assistance model. In a PAYGO situation, no “up-front” monies are granted; rather, the Village and developer share a portion of the annual tax revenue from the project. For example, a \$5M project when completely built out yields \$90,000 per year in taxes. The Village and developer, through negotiation, may share up to 50/50 (\$45,000 developer, \$45,000 village) annually for a period of years until the TIF assistance negotiated is satisfied by the Village. The PAYGO method allows the Village to offer TIF Assistance on the higher end of the 10-20% spectrum, especially when comparing the project to the TIF Assistance criteria above.

LAND VALUE AS A FACTOR IN TIF ASSISTANCE:

Another factor is the value of land. The Village owns portions of land in TID #2. To spur development and aid a business up-front, the Village is willing to discount land costs, and then share tax increment revenue in the PAYGO method. This would allow some up-front assistance in the form of land, and then a share of annual taxes as PAYGO as an incentive package to the business/developer.

Any TIF assistance will be negotiated with the Village Administrator and must be approved by the Village Board in a formal development agreement that adequately protects Village taxpayers. What is being provided is a general framework for developers or business owners to utilize when attracting investor interest for a potential project.