Public Hearing
Green Bay Road TIF
Monday, May 20, 2019
What is Tax Increment Financing?

Tax Increment Financing (TIF) is an economic development technique that allocates future property taxes from a designated area to pay for project improvements within that area. The program lasts for up to 23 years.
Misperceptions Regarding TIF

• Not a tax!

• Not a tax freeze!

• Redistribution of new tax revenues can only be used within the district

• Uses public investment to leverage greater private investment.

• Unlike other economic development tools, the tax rates are the same, whether inside or outside the TIF district.
TIF Is Not New or Unique to Illinois

- TIF first used in California in 1950s, now 48 States and DC allow TIF in some form.
- Illinois has over 40 years of experience with TIF.
- Over 440 communities in Illinois with TIF districts
- Over 1,300 TIF Redevelopment Project Areas, “TIF districts”
The Cycle of TIF

public investment

incremental tax revenues to pay for public investment

private investment

increased property values

The Cycle of TIF
How TIF Works

- Establishment of a “TIF Redevelopment Project Area” in a municipality.
- Establishment of the “Base”.
- Growth in the value of the property over the Base generates the “Increment”.
- Increment is used to make additional investments in the Project Area.

![Diagram explaining how TIF works](chart.png)
What Can TIF Pay For?

TIF funds can be used for project costs that benefit the district, including:

- Façade Improvement Grants
- Streetscape Improvements
- Utilities & Road Improvements, Traffic Signalization
- Environmental Clean-Up
- Property Assembly
- Taxing District Capital Costs, Student Impact Compensation
- May not Fund New Private Construction Costs – although Façade and Remodeling can be funded
Kenilworth Study Area

- 2008 Village Comprehensive Plan – envisioned vibrant business district
- After 11 years, little has changed
- Village Board explored options to enhance district and offset drain on residential property tax base
- Examined TIF
  - Eligibility Report
  - Redevelopment Plan
Green Bay Road TIF Projection

Before TIF:
property value (EAV) = $11,858,443
annual property taxes $1,000,000

After TIF spurs investment:
property value (EAV) = $42,861,680
annual property taxes $3,529,000 in the 23rd year

*If the District lasts 23 years*, the final year projected incremental property taxes of $2,529,000 would be available to the TIF fund to pay project costs, or be redistributed proportionally to taxing bodies.
The Project Area includes 74 parcels, covering approximately 15 acres.

There are a total of 34 structures, 32 of which were constructed before 1983.
Eligibility: Conservation Area

Major Qualifying Factors: Age plus 3:

1. Deterioration
2. Inadequate Utilities
3. Lack of Community Planning
4. Decline in the equalized assessed value (EAV)

Minor Qualifying Factors (present within the Project Area but not to distributed throughout the Project Area):

1. Obsolescence
2. Deleterious Land Use or Layout
3. Environmental Remediation
Deterioration

• Buildings in a state of deterioration exhibit defects, which are not easily correctable in the course of normal maintenance. Such buildings may be classified as deteriorating or in an advanced stage of deterioration, depending upon the degree or extent of defects. This would include buildings with major defects in the secondary building components (e.g., doors, windows, porches, gutters and downspouts, fascia materials, etc.) and major defects in primary building components (e.g., foundations, walls, frames, roofs, etc.) respectively.
69% of structures show deterioration
52% of sites show deterioration
11 total structures

57% of structures show deterioration
54% of parcels show deterioration
7 total structures

66% of structure shows deterioration
22% of parcel lots show deterioration
3 total structures

69% of structures shows deterioration
69% of parcels show deterioration
13 total structures
Utilities

This factor relates to all underground and overhead utilities, including, but not limited to, storm sewers and storm drainage, sanitary sewers, water lines, and gas, telephone and electric service, which may be shown to be inadequate. Inadequate utilities would include those which are: (i) of insufficient capacity to serve the uses in the redevelopment project and surrounding areas, and (ii) deteriorated, antiquated, obsolete, or in disrepair or are lacking.
Utilities cont.

Water
Water infrastructure serving Green Bay Road properties is located beneath Green Bay Road, and was installed roughly around 1922. Eleven of the 14 water control valves are the original gate valves which do not fully shut down the flow of water and leak when turned. The valves and water main are well beyond their estimated 50 year service life and are subject to frequent and disruptive repair.

Sewer
Green Bay Road is served by a separated storm and sanitary sewer system. All sanitary and storm sewers are beneath the roadway, many of which have evidenced deteriorated conditions and inadequate capacities necessitating reconstruction, replacement and up-sizing. All nine manholes show signs of significant infiltration and structural wear. The manholes require relining or replacement.

Lighting
Green Bay Road has 18 aging street lights located on concrete posts in the sidewalk along the western side. These light poles show wear at each base and require replacement. Each light fixture is connected via direct bury wire and have a history of failure. If the cable faults out, then conduits must be run from pole to pole. The lanterns have been updated with LED lighting, but the pole-to-pole wiring requires replacement.
Community Planning

- Lack of community planning may be a significant factor if the proposed Project Area developed prior to or without the benefit or guidance of a community plan. This means that no community plan existed, or it was considered inadequate, and/or was vitally ignored during the time of the area’s development. Lack of planning may be documented by establishing the date of adoption of the Village’s Comprehensive Plan (or other plans which may be relevant) and determining whether the area developed before or after that date. This finding may be amplified by other evidence which shows the deleterious results of the lack of community planning, including cross-referencing other factors cited in the eligibility findings, such as adverse or incompatible land use relationships, inadequate street layout, improper subdivision, and parcels of inadequate size and shape to meet contemporary development standards.
Community Planning cont.

• Village of Kenilworth’s first Comprehensive Plan was adopted in 2008. This area had already starting being developed before 1920.

• Field work found cases of:
  • inadequate street layout
  • parcels of inadequate size and shape to meet contemporary development standards.
# EAV History

<table>
<thead>
<tr>
<th>Project Area EAV</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$12,189,007</td>
<td>$10,923,528</td>
<td>$10,776,504</td>
<td>$10,590,940</td>
<td>$12,126,918</td>
<td>$12,778,709</td>
<td>$11,858,443</td>
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<tr>
<td>% Change</td>
<td>-10.38%</td>
<td>-1.35%</td>
<td>-1.72%</td>
<td>14.50%</td>
<td>5.37%</td>
<td>-7.20%</td>
<td></td>
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### 5 Year Period

Upon completion, Total EAV for the district is anticipated to exceed $42,000,000 (>3.5x current value)

*Note: Preliminary Data from Cook County, not yet certified*
TIF Goals and Objectives

1. Maintain and enhance Green Bay Road as a “vibrant retail-mixed corridor”, consistent with the 2008 Kenilworth Comprehensive Plan.

1. Revitalize the corridor “through redevelopment, sensitive rehabilitation, and public improvements”.

2. Create a “pedestrian-oriented commercial-mixed use focal point for the Village”.

2. Support property-owner efforts to retain retailers and attract new businesses to occupy existing retail spaces, or to redevelop properties for contemporary retailing businesses.

3. Increase the property tax base for all the taxing jurisdictions.

2018 EAV = $11,858,443
Anticipated EAV by close of district = $42,861,680
<table>
<thead>
<tr>
<th>Project Costs</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Costs of Studies, Surveys, Development Plans, Implementation and administration of the Redevelopment Plan</td>
<td>$1,700,000</td>
</tr>
<tr>
<td>(2) Property Assembly, Acquisition of land and other property, Demolition of buildings, Environmental Mitigation, Site preparation and site improvements</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>(3) Rehabilitation, Reconstruction, Repair, or Remodeling of Existing Public or Private Buildings and Fixtures</td>
<td>$470,000</td>
</tr>
<tr>
<td>(4) Costs of the Construction of Public Works or Improvements</td>
<td>$7,918,000</td>
</tr>
<tr>
<td>(6) Financing costs, Including Expenses for Issuance of Obligations, Interest, Capitalized interest, and other financing fees and expenses</td>
<td>$500,000</td>
</tr>
<tr>
<td>(7) Other Taxing Jurisdiction’s Capital Costs resulting from TIF</td>
<td>$160,000</td>
</tr>
<tr>
<td>(7.5) School District Increased Cost Due to Additional Students</td>
<td>$2,282,000</td>
</tr>
<tr>
<td>(7.7) Library District Increased Cost Due to Additional Patrons resulting from TIF</td>
<td>$472,000</td>
</tr>
<tr>
<td>(8) Relocation costs to the extent that the Village determines that relocation costs shall be paid or is required to make payment of relocation costs by Federal or State law.</td>
<td>$1,000</td>
</tr>
<tr>
<td>(11) Interest cost incurred by a redeveloper related to the construction, renovation or rehabilitation of a redevelopment project, as provided by the Act.</td>
<td>$250,000</td>
</tr>
<tr>
<td>Total Estimated Project Costs</td>
<td>$23,753,000</td>
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</tbody>
</table>
Impact on Taxing Districts

- The value of the district is declining, and left unabated will continue to generate less property tax revenue than presently generated.

- It may be likely that some of the redevelopment will generate school age population increases, but the projected maximum number of dwelling units is a very, very small fraction of the total number of dwellings in the school districts.

- The TIF budget includes a projected maximum distribution to the schools and library district if residential redevelopment generates additional costs to the districts.

- Existing tax base will remain available to the taxing jurisdictions, while new incremental taxes are used to reimburse the costs of attracting new property investment.
TIF Schedule

• JRB
  April 17th and May 8th

• Public Hearing at Village Board Meeting of May 20, 2019

• Village Board Approval, No sooner than June 3, 2019

• End of District no later than 2042

• May not be extended without act of state legislature
Things to Remember

• Wait and see approach to redevelopment – has not been successful

• But for TIF – area is expected to continue to deteriorate

• TIF alone does not create any additional tax to any property owner (inside or outside the TIF)

• TIF does not freeze any property owner’s taxes.

• School and Library Districts eligible for incremental revenue offsets of tuition / operating expenses resulting from additional students/patrons
Things to Remember

- All taxing jurisdictions and taxpayers ultimately benefit by an increased tax base
- Once TIF expires, added EAV is like new construction
- If taxing bodies increase tax rate, the TIF area does not absorb that incremental increase, therefore the difference is distributed among non-TIF taxpayers
- The TIF Fund, like all other Village funds is subject to audit and financial reporting
- Every expenditure must be budgeted and approved by future Village Boards