Proposed Dempster/Dodge Tax Increment Financing (TIF) District

City of Evanston
Joint Review Board Meeting
April 12, 2012

Overview

I. Background on Proposed TIF District / Plan for Dempster/Dodge Corridor
II. Factors Qualifying Area as a TIF District
III. Key Elements of TIF Plan
I. Background

- The Dempster/Dodge TIF Area
  - Tightly "focused" TIF
  - One project/one developer/one tax parcel
- Strategic Importance
  - Important space for western Evanston
    - Ongoing viability of major user (Dominick's) important for western Evanston residents
    - Ongoing success key to prevention of a "food desert"
  - Dempster major arterial road
  - Based on location and traffic counts, has potential for success
- Has faced chronic vacancies past decade
  - Despite location and strategic importance

The TIF Plan complies with key legal provisions of the TIF Act, including but not limited to:
- TIF Plan conforms to the City's Comprehensive Plan
- Area consists of contiguous parcels – exceeds 1 1/2 acres
- "But-for" requirement is met - Redevelopment is feasible only with the utilization of tax increment financing
  - As documented in the TIF Qualification Report (Appendix V of the TIF Plan)
  - As represented by the developer
I. Background

- City has considered alternative economic development tools, with only limited success
- The City has considered, in succession:
  - Financial tools other than TIF (sales tax sharing)
  - Ongoing monitoring of owner proposals and/or new tenant potentials
  - Now considering TIF
I. Background

Review of TIF Financing

TIF involves splitting property tax revenue generated from properties within the TIF District into two components or “buckets”:

- Bucket for Base Revenues – For All Local Governments
- Bucket for Incremental Revenues – For Redevelopment within TIF

I. Background

Review of TIF Financing

- Ideally, a successful TIF produces positive incremental revenue over time
I. Background

Review of TIF Financing
- In practice, a successful TIF faces certain challenges in seeking to generate positive increment

![Graph: TIF Performance Adjusted for Project-Related Risks]

II. Qualification Factors

- The proposed TIF District is found to qualify under the following criteria:
  - Improved property - As a "blighted-improved area", based upon the findings that:
    - A combination of 5 or more of the 13 factors set forth in the TIF Act are present in the area
II. Qualification Factors

Improved Property – Conservation Area Findings Underlined

1) Dilapidation
2) Obsolescence
3) Deterioration
4) Presence of Structures Below Code
5) Illegal Uses
6) Excessive Vacancies
7) Lack of Ventilation and Sanitary Facilities
8) Inadequate Utilities
9) Excessive Land Coverage
10) Deleterious Layout
11) Environmental Clean-up
12) Lack of Community Planning
13) Lagging EAV

II. Qualification Factors

Obsolescence

☐ The area is economically and functionally obsolete
  – Economically, obsolescence is manifested by the EAV stagnation + declining market values + vacant storefronts
☐ When one part of the City stagnates, such as this area, this shifts the tax burden onto other parts of City
II. Qualification Factors

Excessive Vacancies

- The area has had numerous vacancies
  - Situation has deteriorated in past 3 years
    - Larger-scale vacancies occurring as well
  - 52% vacancy as of January 2012
    - Vacancy levels well in excess of normal “churn”
II. Qualification Factors

Vacancies
II. Qualification Factors

Vacancies
II. Qualification Factors

Deleterious Layout

- Per the TIF Act, deleterious layout evidenced by inadequate ingress/egress, limited buffering vs residential areas, and other indicators

Environmental Clean-up

- Per the TIF Act, there are a certain environmental problems that have required remediation/clean-up expenditures
- Previously a contaminated area was:
  - Remediated with an "engineered barrier" put in place
  - Barrier limits re-use of portions of the site
II. Qualification Factors

Inadequate Utilities

- Utilities are over 100 years old and use obsolete materials
- E.g., combined sewers use outmoded materials prone to breakage/outrage such as cast iron (modern materials include PVC and ductile iron)

II. Qualification Factors

Lagging EAV

- Equalized Assessed Valuation (EAV) of the proposed TIF District has lagged behind the balance of the City’s EAV
  - Four of the last five years
- TIF Act requires a minimum finding for three of the last five years
II. Qualification Factors

Lagging EAV

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<tbody>
<tr>
<td>Total EAV for TIF District</td>
<td>10,816,879</td>
<td>10,715,229</td>
<td>14,148,341</td>
<td>13,508,512</td>
<td>13,346,212</td>
<td>12,491,166</td>
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<td>EAV Change (%)</td>
<td>1.0%</td>
<td>-24.3%</td>
<td>4.7%</td>
<td>1.2%</td>
<td>-1.1%</td>
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<td>City-wide EAV (Excluding TIF)</td>
<td>3,601,087,208</td>
<td>3,256,227,240</td>
<td>2,824,349,351</td>
<td>2,758,831,576</td>
<td>2,232,244,414</td>
<td>2,210,252,234</td>
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<tr>
<td>City EAV Change (%)</td>
<td>-9.0%</td>
<td>12.7%</td>
<td>6.2%</td>
<td>23.6%</td>
<td>0.7%</td>
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<td>CPI</td>
<td>1.6%</td>
<td>-0.4%</td>
<td>3.0%</td>
<td>2.9%</td>
<td>3.2%</td>
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III. Key Elements of TIF Plan

- Base EAV: $10,816,879 (2010 EAV)
- Projected EAV: Upon completion of redevelopment and "re-tenanting," approximately $30,000,000 to $35,000,000
- Proposed TIF Budget: $20,000,000 (see next slide)
  -- The TIF Budget is:
    - A maximum amount which does not obligate the City to expend such amounts
    - Sized to accommodate potential development requirements
    - 23 year budget, not annual budget
- Proposed Land Uses: Retail, commercial, institutional, and residential uses
- Key "but for" finding - redevelopment will not go forward without the TIF assistance
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<tr>
<th>Program Actions/Improvements</th>
<th>Estimated Costs</th>
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<tr>
<td>Land Acquisition, Assembly, and Relocation</td>
<td>$500,000</td>
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<tr>
<td>Site Preparation, Including Environmental Remediation, Demolition, and Site Grading</td>
<td>$4,000,000</td>
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<tr>
<td>Utility Improvements (Including Water, Storm, Sanitary Sewer, Service of Public Facilities, and Road Improvements)</td>
<td>$2,000,000</td>
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<td>Rehabilitation of Existing Structures; Taxing District Capital Improvements</td>
<td>$4,750,000</td>
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<td>Public Facilities (Including Parking Facilities and Streetscaping)</td>
<td>$4,000,000</td>
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<td>Interest Costs Pursuant to the Act</td>
<td>$1,250,000</td>
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<td>Professional Service Costs (Including Planning, Legal, Engineering, Administrative, Annual Reporting, and Marketing)</td>
<td>$1,250,000</td>
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<td>Job Training</td>
<td>$1,000,000</td>
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<tr>
<td>Statutory School and Library District Payments</td>
<td>$250,000</td>
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<tr>
<td>TOTAL ESTIMATED TIF BUDGET</td>
<td>$20,000,000</td>
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Kane, McKenna and Associates, Inc.

III. Key Elements of TIF Plan

- **Budget Guidelines**
  - Overall budget cannot be exceeded
  - Line-items in budget are flexible
  - **Covers 23 years; hence difficult to estimate with precision**
  - Budget expenditures subject to:
    - City approvals
    - Determination of appropriateness of costs
    - Special TIF audit
    - Review by JRB annually
Next Steps

- Public Hearing to review TIF Plan
  - May 14, 2012
- Notices mailed to taxpayers within TIF District and residents within 750 feet of TIF boundaries
- TIF ordinances may be introduced 14 to 90 days after the Public Hearing
  - Subject to additional review/approval by City Board
  - Two open meetings with opportunity for additional public comment