



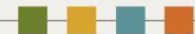
EHLERS
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Route 6 TIF Amendment Village of Coal Valley

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5/26/2017



Presentation Overview

- Basics of TIF
- Amendment to Route 6 TIF



What is Tax Increment Financing (TIF)?

- A tool to help local governments restore their most run-down areas or jumpstart economically sluggish parts of town.
- TIF's help local governments attract **private development** and new businesses.
- TIF's help local governments make the improvements they need, like new roads or new sewers and water mains.
- Allows redevelopment costs to equal green grass development costs, therefore “incenting” redevelopment.

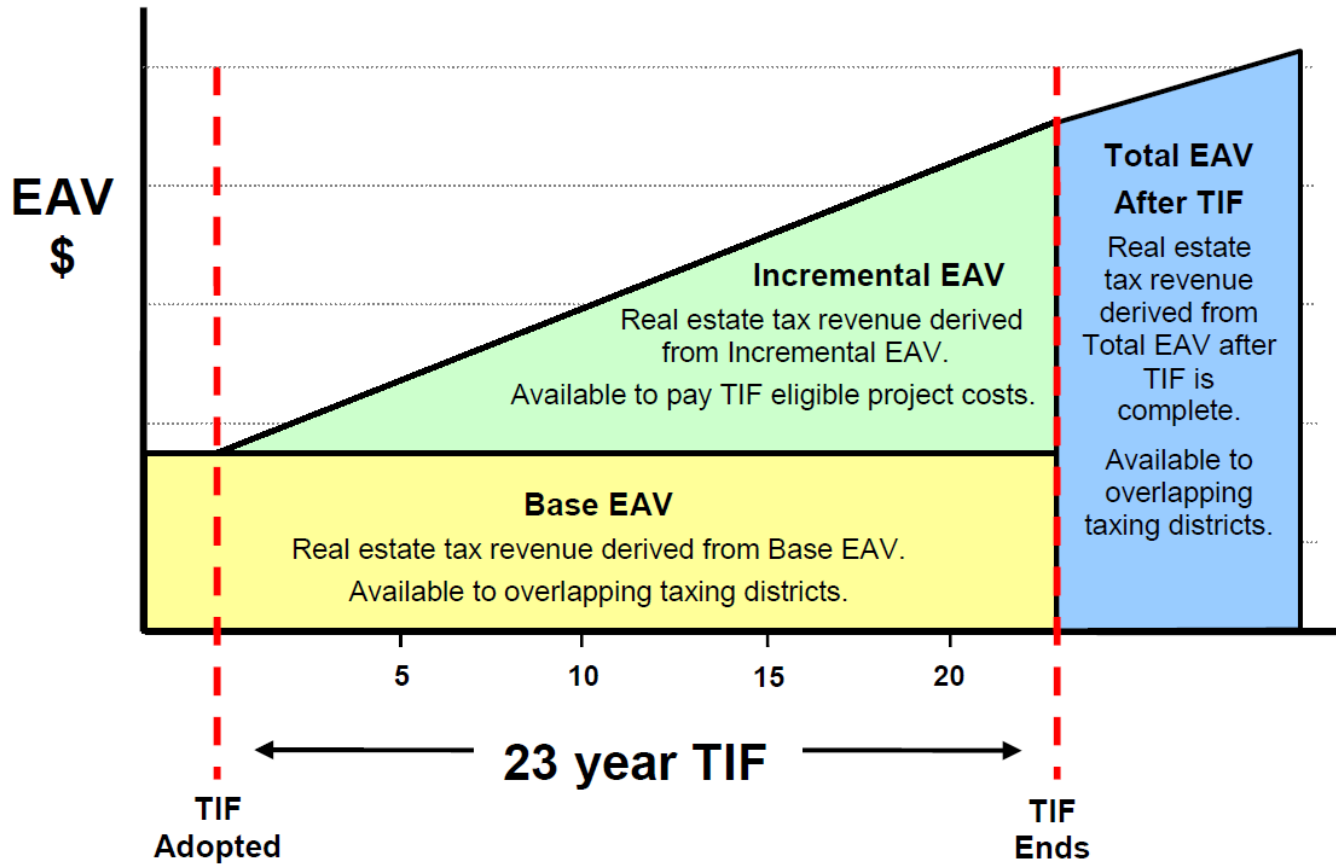


What is a "Tax Increment"?

- It is **not** a tax increase.
- It is the difference between the amount of property tax revenue generated before a TIF district is established and the amount of property tax revenue generated after the TIF district has new development.
 - TIF does not reduce property tax revenues available to other taxing bodies.
 - Only property taxes generated by the incremental increase are available for use by the TIF.



What is a "Tax Increment"?



How does TIF work?

- Community creates TIF.
- Freezes EAV at current levels for all taxing districts.
- Community undertakes public improvements/economic development incentive programs.
- Developer, local businesses, residents make improvements.
- EAV increases.
- Community pays developers/itself for improvements/incentives.
- When TIF expires, increased EAV has created additional revenue for **all** taxing bodies.



Important to Remember

“But For” Concept

- Gap in Financing/Extraordinary Risk
- **Without TIF, the Project is Not Possible**



Required TIF Reports

- Eligibility Report
- Redevelopment Plan and Program
- Housing Impact Study (may be required, if more than 75 occupied residential units or 10 or more units to be displaced in proposed TIF)



Eligibility Report

- Review and document for criteria for Eligibility
 - Blighted
 - Conservation
 - Combination of Blighted and Conservation
 - Industrial Conservation
 - Within $\frac{1}{2}$ mile of STAR Line



Redevelopment Plan and Project

Redevelopment Plan

- Goals
- Objectives
- Program
- Policy
- Implementation strategy
- Budget



Redevelopment Plan and Project

Certifications and Findings

- Project Cost
- Evidence “But For” met
- Assessment of Financial Impact on Taxing Districts
- Sources to Pay
- Terms and Obligations of Debt (if any)
- EAV of the Redevelopment Project Area
- EEO Compliance
- Industrial Conservation Compliance
- Not Subject to Growth and Redevelopment on its own
- Dates of Completion (23 Years or less; may be extended up to 35 years with approval of State)
- Housing Study findings
- Agreement with Comprehensive Plan
- No golf course



Schools

- For students added to system as the result of activities in the TIF, subject to partial reimbursement; same for patrons of the library district.
- Municipality can assist schools with infrastructure through TIF.
- Schools do not lose full EAV advantage because of State aid reimbursement (calculation on base not new EAV).
- If tax-capped, schools may not lose any funding.
- Begin discussions with schools early. Municipality may be able to out-vote them, but remember you are in the community together.
- Other than student reimbursement and justified capital improvements, Municipality must make payments to all taxing districts from surplus, not just schools.



TIF Administration and Management

- Establish a separate TIF Fund
- Annual Reporting
- Annual Joint Review Board Meetings
- Make and encourage improvements in TIF District
- Apply “But For” test to proposed projects
 - Gap analysis
- Ensure that expenses are TIF eligible before the project is underway



TIF Eligible Expenses

- Only certain costs are allowed to be reimbursed
- Examples
 - Cost of studies and surveys
 - Costs associated with land acquisition and site preparation including demolition and environmental remediation
 - Costs of rehabilitation and repair of buildings
 - Costs of construction of public works or improvements (street, water, sewer)
 - Costs of job training and retaining programs
 - Relocation costs
 - Certain financing costs
- Any reimbursement of expenses is based on approval of the corporate authorities.



TIF Ineligible Expenses

- Costs of new, private construction and purchase of equipment are non-eligible costs.
- New municipal public buildings, with some exceptions.
- Golf courses.
- Demolition, removal, or substantial modification of a historic resource is a non-eligible cost, with some exceptions.



Financing TIF Improvements

- Reimburse developer on a “pay as you go” basis.
- Issue bonds or shorter term notes to be repaid from TIF increment, and therefore, pay for eligible project cost up-front.
- Combination of the above methods.
 - The developer pays until property tax is generated, then the Village issues bonds using the increment for payment of bonds. In this case, part of the developer’s finance charges can be reimbursed.



TIF Positives and Negatives

Benefits

- Flexible tool
- All increment is applied toward costs
- Catalyst for other redevelopment

Challenges

- Qualification and adoption process
- Taxing district objections



How Communities Are Using TIF

Lemont, IL

- Downtown street improvements and parking garage
- Encouraged redevelopment of under utilized properties
- Building Repair and Façade Grants, Awning Grants

Danville, IL

- Partner with community college to provide campus housing
- Redevelop a main retail corridor and provide amenities for college and nearby V.A. hospital

Glenwood, IL

- Encourage rehab or redevelopment of dying shopping center
- Make infrastructure and stormwater management improvements

Macomb, IL

- Downtown improvements
- Encourage redevelopment of historic hotel property

Pecatonica, IL

- Removal of blighted buildings
- Offset certain eligible expenses for a senior assisted living facility

Rockton, IL

- Incent redevelopment of an industrial building with environmental issues



Route 6 TIF District

- Adopted November 1, 2006
- 75 acres
- Qualified as blighted area for both improved and vacant areas (per TIF Statute definitions)
- Includes improved and vacant parcels



Route 6 TIF District – Eligibility Factors

Improved land qualifying factors:

1. Obsolescence
2. Deterioration
3. Excessive land coverage
4. Lack of community planning
5. EAV increased at a lesser rate than the Village

Vacant land qualifying factors

1. Two Factor Test
 - EAV Increase less than City Increase
 - Obsolete Platting
 - Adjacent Structures and Site Improvements are deteriorated
2. One Factor Test
 - Flooding



Route 6 TIF District – Amended/Added Area

- Amendment will add contiguous parcels to expand the boundaries of the TIF (aka Redevelopment Project Area).
- All terms of the original TIF Redevelopment Plan will then apply to the newly added parcels as well.
- Conservation Area qualifying factors:
 - 50% or more of structures must be over 35 years of age
 - Minimum of three criteria for “Conservation Area”, as opposed to five criteria for “Blighted Area”
 1. Obsolescence
 2. Inadequate Utilities
 3. Lack of community planning
 4. Lagging EAV (all 3 measures)



Route 6 TIF Proposed Redevelopment Project Area



Redevelopment Goals for Amended Area

Consistent with original TIF Redevelopment Plan and Comprehensive Plan

- Eradicate Blighted/Conservation Area qualifying factors
- Redevelop properties with uses consistent with commercial nature of Route 6
- Public infrastructure improvements (utilities)
- Encourage further private development



Next Steps

1. Village decision to proceed with amendment process.
2. Approve Ehlers' services to draft the Amended Redevelopment Plan and assist with adoption process.
3. Village to discuss with other impacted taxing districts.
4. Staff will review draft Amended Redevelopment Plan and file "final" draft version with Village Clerk.
5. Adoption Process
 - a) Public notice as directed by TIF Act
 - b) (TBD) Public Information meeting
 - c) Joint Review Board
 - d) Public Hearing
 - e) Village Board consideration of ordinances to amend the TIF





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