Proposed Main Street / Washington Street Tax Increment Financing (TIF) District

Village of Oswego
Joint Review Board Meeting Presentation
July 8, 2016
Agenda

I. Redevelopment Project and Plan
II. TIF Mechanism
III. Factors Qualifying Area as a TIF District
IV. Key Elements of TIF Plan
I. Redevelopment Plan and Project

Background

• Through the comprehensive planning process the Village identified certain areas to focus economic development efforts, the area along Main and Washington Streets were identified as an area for investment.

• Through the comprehensive planning process the Village identified Tax Increment Financing (TIF) as a tool for encourage economic growth.

• The Village is exploring the possibility of establishing a TIF in the areas along Main and Washington Streets to achieve goals outlined in the 2015 Comprehensive Plan and the 2009 Downtown Plan.
I. Redevelopment Plan and Project

• Objectives of Redevelopment

  • The Village’s general economic development objectives are to increase and enhance the current businesses within the study area while encouraging recreational, commercial, retail, and mixed use opportunities as well
I. Redevelopment Plan and Project

• The TIF Plan complies with the legal provisions of the TIF Act

  • The TIF has contiguous parcels and exceeds 1 ½ acres

  • The “But-for” requirement is met because redevelopment is only feasible with utilization of tax increment financing

  • The area qualifies under the guidelines for a “conservation area”
II. TIF Mechanism

- TIF is a tool for achieving the Village’s economic development goals
II. TIF Mechanism

- Review of TIF Mechanism
  - TIF splits property tax revenue generated within the area into two components or “buckets”
II. TIF Mechanism

- A successful TIF produces positive incremental revenue over time

![TIF Mechanism Performance Graph](image-url)
II. TIF Mechanism

In practice, a successful TIF faces certain challenges generating positive Increment.
III. Qualification Factors

- **“Conservation Area”**
  - The TIF District is found to qualify as a “conservation area” under the statutory criteria set forth in the TIF Act
  - To qualify for designation as a “conservation area” at least 50% of the buildings within the area must be at least 35 years or older

<table>
<thead>
<tr>
<th>Conservation Area Findings</th>
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</thead>
<tbody>
<tr>
<td>Total Number of Buildings in RPA</td>
<td>130</td>
</tr>
<tr>
<td>Total Number of Buildings 35yrs+</td>
<td>84</td>
</tr>
<tr>
<td>Percentage of Buildings 35yrs+</td>
<td>65%</td>
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</table>

- An area can qualify as a “conservation area” if it is found that three of the additional qualifiers are present and distributed to a meaningful extent

- Per the TIF Act “conservation area” is defined as an area where, due to the presence of at least 3 of the qualifying factors, blight could potentially become present

- The Village is seeking the establishment of this TIF District to ensure that new development and new projects come to fruition to protect and increase the tax base
III. Additional Qualification Factors

- Qualification Factors for a “conservation area”
  1. Dilapidation: Advanced state of disrepair
  2. Obsolescence: The condition or process of falling into disuse
  3. Deterioration: When primary or secondary components of buildings have defects
  4. Presence of Structures Below Minimum Code Standards
  5. Illegal Use of Individual Structures
  6. Excessive Vacancies: The presence of buildings that unoccupied or under-utilized
  7. Lack of Ventilation, Light or Sanitary Facilities
  8. Inadequate Utilities: Insufficient in capacity, deteriorated, antiquated, obsolete, in disrepair or lacking
III. Qualification Factors

Qualification Factors for a “conservation area”

9. Excessive Land Coverage and Overcrowding of Structures and Community facilities: over intensive use of property

10. Deleterious Land-Use: Incompatible land-use relationships or inappropriate mixed-uses or unsuitable uses

11. Environmental Clean-Up: Proposed area has incurred IEPA or EPA remediation costs

12. Lack of Community Planning: The proposed redevelopment project area was developed prior to or without the benefit of community planning.

13. Declining EAV: For 3 of 5 last years, or behind the CPI
III. Qualification Factors

Summary of Proposed Oswego TIF-Qualifying Factors

<table>
<thead>
<tr>
<th>Maximum Possible Factors per Statute</th>
<th>Minimum Factors Needed to Qualify per Statute</th>
<th>In addition to “age” - Qualifying Factors Present in Proposed Study Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>3 plus age</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Lagging or Declining EAV</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Deterioration</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Inadequate Utilities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Deleterious Land Use or Layout</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Obsolescence</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Lack of Community Planning</td>
</tr>
</tbody>
</table>
III. Qualification Factors

- Lagging Equalized Assessed Value (EAV)
  - The EAV for the proposed TIF District declined in 3 of the last 5 years
  - The EAV of the TIF has grown at a rate slower than the CPI rate of inflation for 3 of the last 5 years
### III. Qualification Factors

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</thead>
<tbody>
<tr>
<td>District</td>
<td>7,571,485</td>
<td>$7,168,214</td>
<td>$7,397,632</td>
<td>$7,710,027</td>
<td>$7,534,858</td>
<td>$7,958,662</td>
</tr>
<tr>
<td>EAV Annual % Change:</td>
<td>5.63%</td>
<td>-1.95%</td>
<td>-4.05%</td>
<td>2.32%</td>
<td>-5.33%</td>
<td>Base Year</td>
</tr>
<tr>
<td>Village Wide EAV:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Excluding the TIF)</td>
<td>782,841,868</td>
<td>$746,521,305</td>
<td>$744,930,605</td>
<td>$779,490,106</td>
<td>$836,708,892</td>
<td>$889,906,116</td>
</tr>
<tr>
<td>Balance of Village EAV</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>EAV</td>
<td>775,270,383</td>
<td>$739,267,741</td>
<td>$737,532,973</td>
<td>$771,780,079</td>
<td>$829,174,034</td>
<td>$881,947,454</td>
</tr>
<tr>
<td>Annual % of Change:</td>
<td>4.86%</td>
<td>0.24%</td>
<td>-4.44%</td>
<td>-6.92%</td>
<td>-5.98%</td>
<td>Base Year</td>
</tr>
<tr>
<td>CPI- All Urban Consumers</td>
<td>0.10%</td>
<td>1.60%</td>
<td>1.50%</td>
<td>2.10%</td>
<td>3.20%</td>
<td>1.60%</td>
</tr>
</tbody>
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Source: Kendall County Assessor & U.S. Department of Labor
III. Qualification Factors

• Deterioration

• In the RPA, 46% of the tax parcels evidenced deterioration.

• Deterioration was primarily observed among surface improvements, primary building components and secondary building components (doors, windows, porches and gutters).

• Parking lots adjacent to both vacant and occupied structures have widespread cracking, as well as potholes and depressions.
III. Qualification Factors

• Deterioration
III. Qualification Factors

• **Deleterious Layout**
  - The RPA suffers from a number of issues which in aggregate, create its land use and layout deficiencies.
  - The area as a whole has adequate parking but most of it is close to parks and residential. Businesses lack their own off-street parking.
  - Traffic patterns and conditions are determinants to deleterious land use and layout. Management of traffic flow along Washington at Madison and Washington at Main/Harrison/Adams further contributes to this factor.
  - Furthermore, deficiencies in traffic related signage are safety concerns to pedestrian, general traffic and especially truck traffic.
  - The size of the parking areas, loading docks, and streets combined with the heavy traffic of semi-trailer and articulating vehicles creates congestion in many areas of the RPA.
The Village Engineering department states that both the water mains and the storm and sanitary sewer within the RPA are antiquated and would need to be updated if redevelopment occurred.

- The water mains and the sewer system were constructed in the 1960s and are approaching the end of their useful life.
III. Qualification Factors

Obsolescence

• Many of the commercial and industrial structures are in need of repair and are outmoded in relation to newer properties

• Additionally, deterioration of site improvements contributed to the dated appearance of structures and facilities
III. Obsolescence
Deterioration & Obsolescence

Kane, McKenna, and Associates, Inc.

Village of Oswego
III. Qualification Factors

• Lack of Community Planning

• The area lacks many modern hallmarks of community planning that the rest of the Village enjoys
• The area lacks an effective grid system for its streets, which is a key planning factor and one that provides structure for the remaining portions of the Village
• Furthermore, there is conflict between the institutional uses and the mixed-use, commercial, and industrial uses in the RPA over time.
III. Qualification Factors

- In general the RPA has seen a substantial loss in value in the last five years. Between tax years 2014 and 2009 the area wide valuation fell 22%.
- Redevelopment issues include: RPA’s building age, lagging EAV, deterioration, inadequate infrastructure, and traffic flow.
- Current business owners within the RPA feel that the shortage of parking, circulation and flow as well as the outdated infrastructure are inhibiting local economic growth.
IV. Key Elements of TIF Plan

• The TIF Budget
  
  • The current base EAV of the proposed TIF District is $7,571,485
  
  • The proposed TIF Budget is $24,000,000
  
  • Upon completion of the anticipated private development of the RPA over a twenty-three (23) year period, it is estimated that the EAV of the property within the RPA would increase to between $31,000,000-$34,000,000 depending upon market conditions and the scope of the redevelopment projects
IV. Key Elements of TIF Plan

• The TIF Budget
  • The budget represents the maximum possible amount of expenditures by the Village
  • Sized to accommodate potential development requirements
  • 23 year budget, not annual budget
  • TIF eligible costs include public improvements as well as incentives for private redevelopment
VILLAGE OF OSWEGO
PROPOSED MAIN STREET/WASHINGTON TIF
ESTIMATED PROJECT COSTS

1. Land Acquisition, Assembly Costs, Demolition, and Relocation Costs  $3,500,000
2. Site Preparation (including related geo-technical costs), Environmental Cleanup, and Related Costs  2,750,000
3. Utility Improvements including, but not limited to, water, storm, sanitary sewer, the service of public facilities, and road improvements  7,000,000
4. Rehabilitation/Public facilities including but not limited to parking improvements and Taxing District Capital Costs pursuant to the Act  4,250,000
5. Interest Costs Pursuant to the Act  2,000,000
6. Planning, Legal, Engineering, Administrative and Other Professional Service Costs  2,000,000
7. Job Training  500,000
8. Statutory School and Library District Payments  2,000,000

TOTAL ESTIMATED PROJECT COSTS  $24,000,000
IV. TIF Schedule

- June 2nd, 2016: Village holds Public Meeting
- June 7th, 2016: Village Board adopts Public Hearing ordinance
- June 8th, 2016: Notice of Public Hearing sent to affected taxing districts, IDCEO, and registrants on interested parties registry
- June 22nd, 2016: Notices sent to all residents within 750ft of the TIF District’s proposed boundaries
- July 8th, 2016: Joint Review Board (JRB)
- July 21st & 28th: Notice of Public Hearing is published *
- July 25th, 2016: Notice to Taxpayers of Record is mailed
- August 16th, 2016: Village Holds Public Hearing
- 14-90 days after the close of the Public Hearing the Village may adopt the TIF ordinances