

Village Board Agenda Memo

Date: May 18, 2016
To: Village President & Board of Trustees
From: Emily Rodman, Assistant Village Manager
Julia Cedillo, Village Manager 
RE: S.B. Friedman Development Advisors Letter of Engagement for TIF & Business District Consulting Services

PURPOSE

To discuss a proposed Letter of Engagement with S.B. Friedman Development Advisors for consulting services related to the implementation of two Tax Increment Financing (TIF) districts and four business districts.

GENERAL BACKGROUND

In November 2015, the Board commissioned S.B. Friedman Development Advisors to conduct a TIF Feasibility Study evaluating all commercial and industrial areas within the Village. The findings from the study were presented at the March 8, 2016 Village Board Workshop. At the April 12, 2016 Village Board Work Session, the Village Board expressed support in proceeding with engaging S.B. Friedman to assist with the implementation of TIF districts for the Village Market and 31st Street/Barnsdale Industrial Corridor, along with four business districts encompassing the commercial and industrial areas of the Village.

The proposed engagement includes two phases. The first phase includes the work necessary to proceed with implementation of two TIF districts at a cost not to exceed \$43,500. The second phase includes the work necessary to proceed with implementation of four business districts, at a cost not to exceed \$50,600.

The Village would also need to engage the services of a surveyor to complete the boundary legal descriptions (estimated at \$2,000 - \$4,000 per district) and a TIF Attorney (estimated at \$10,000 for both phases). The Village would contract separately for these services. All costs associated with implementation of TIF districts and business districts may be reimbursed from revenues generated by the respective districts. It is projected that the revenue generated by the districts in the first year will more than cover the associated implementation costs.

MOTION/ACTION REQUESTED

This item is for discussion and action. Assistant Village Manager Rodman will provide an overview of the process to date at the May 24, 2016 Board Meeting. The motion for consideration is below.

Motion to Authorize the Village Manager to enter into a contract with S.B. Friedman Development Advisors to provide Tax Increment Financing and Business District consulting services in an amount not to exceed \$94,100.

DOCUMENTATION

- S.B. Friedman Letter of Engagement dated May 3, 2016
- Village Board Memorandum Dated April 12, 2016 (w/out attachments – previously provided)

May 5, 2016

Ms. Julia Cedillo
Village Manager
Village of La Grange Park
447 N. Catherine Avenue
La Grange Park, IL 60526

Dear Ms. Cedillo:

Pursuant to our recent discussions, *SB Friedman Development Advisors* (“*SB Friedman*”) is pleased to present this proposal to provide Tax Increment Financing (TIF) and Business District consulting services to the Village of La Grange Park (the “Village”). This letter outlines our understanding of the Village’s objectives, as well as our proposed scope of services, timeframe, and fee to establish two TIF districts and four Business Districts within the Village.

Background and Understanding

In December 2015, *SB Friedman* was engaged by the Village to analyze the eligibility and optimal boundaries of five potential Tax Increment Financing (TIF) districts, as well as to estimate potential TIF and Business District revenue generated within each study area. It is our understanding that the Village has elected to begin the process of designating the following two study areas as both TIF and Business Districts:

- **Village Market:** A commercial and residential area located east of La Grange Road between Oak Avenue and Brewster Lane, containing the Village Market shopping center, Memorial Park and Homestead Apartments.
- **31st Street Central/Barnsdale Corridor:** A commercial and industrial district centered on 31st Street between Homestead Road and Blanchan Avenue, and along Barnsdale Road from 31st Street north to the Village boundary. This study area will be expanded from the area analyzed in our earlier engagement to include the residential properties located on the west side of Barnsdale Road.

Furthermore, the Village has elected to begin the process of designating Business Districts for two additional areas:

- **31st Street West/La Grange Road:** A commercial district located along La Grange Road north and south of 31st Street, encompassing predominantly freestanding retail/commercial buildings.
- **31st Street East/Maple Avenue:** A commercial district located along Maple Avenue north of 31st Street, including several freestanding and inline retail/commercial buildings.

During the TIF and/or Business District designation process, *SB Friedman* is typically responsible for: preparing eligibility studies; developing Redevelopment Project Area Plan and Project documents;

assisting with required notices and mailings; and attending/presenting at public meetings and hearings required for TIF and Business District adoption. We understand that in order to achieve contiguity within the proposed 31st Street Central/Barnsdale Corridor Study Area, the Village will need to annex a railroad parcel that is currently in unincorporated Cook County. This proposal assumes that the railroad parcel will be successfully incorporated into the Village.

Approach

Our approach to this assignment, presented as two phases, includes the following tasks:

PHASE 1: TIF DISTRICT DESIGNATIONS FOR TWO STUDY AREAS

- A. Prepare TIF Eligibility Studies;
- B. Prepare Redevelopment Project Area (RPA) Plan and Project Documents;
- C. Prepare Required Notices and Mailing Lists; and
- D. Complete Public Approval Process.

PHASE 2: BUSINESS DISTRICT DESIGNATIONS FOR FOUR STUDY AREAS

- A. Prepare Business District Eligibility Studies;
- B. Prepare Redevelopment Project Area (RPA) Plan and Project Documents; and
- C. Complete Public Approval Process.

Scope of Services

PHASE 1: TIF DISTRICT DESIGNATION

Task 1A: Prepare Formal TIF Eligibility Studies for Two Study Areas

1. **Conduct Project Kickoff Call.** We will conduct a conference call with the Village to:
 - Discuss the project scope and timeline;
 - Confirm the study area boundaries and fieldwork approach;
 - Review any additional documents compiled by the Village; and
 - Identify sources of data that will need to be updated since our earlier engagement.
2. **Obtain and Update Necessary Data and Maps.** We will obtain the data necessary to update our prior TIF eligibility findings, including 2015 assessment information, new parcel information (if any PIN divisions have occurred), and information on any new building permits or code violations that have been filed since the TIF eligibility analysis was completed. We will also obtain key data to determine whether the expansion areas qualify for TIF designation, based on the criteria outlined in the TIF Act.
3. **Conduct Fieldwork, Inspection of Physical Conditions.** We will conduct field research for the expansion areas and the surrounding context to document field-observable eligibility factors. We will also gather mailing addresses within 750 feet of the study area boundaries for noticing required in later tasks.

4. **Analyze Eligibility Factors/Required Findings and Tests.** Data will be analyzed to assess the presence and distribution of factors to establish eligibility and to meet the “but for...” and “lack of growth through private investment” requirements, as outlined in the Act. If for any reason the study area does not qualify for a TIF designation, we will advise you of that fact in writing and meet with you to discuss potential strategies at this point.
5. **Draft Eligibility Study Document.** We will draft a formal eligibility study document for inclusion in the Redevelopment Project Area (RPA) Plan and Project Document that will be prepared in later tasks.
6. **Conduct Call with Village.** We will conduct a call with the Village and the Village’s attorney and/or special TIF counsel to discuss our findings and recommendations, and to finalize the TIF boundary. During this call, we will also confirm the assumptions to be used in developing the TIF budget, goals and objectives, and the projections of future incremental property taxes.

If at this point, it appears unlikely that a TIF district can be established, we will advise you of that fact in writing, discuss options regarding potential alternative approaches going forward and stop work until a clear path can be defined, working jointly with the Village.

Task 1B: Prepare Redevelopment Project Area (RPA) Plan and Project Document for Two Study Areas

7. **Prepare Drafts of RPA Plan and Project Documents.** We will prepare RPA Plan and Project documents for the proposed TIF districts. This will represent the second half of the combined Eligibility Study and RPA Plan and Project documents. As required by the Act, the combined documents will include:
 - RPA description;
 - Formal legal description of the RPA boundary;
 - Summary of blight/conservation area conditions and analysis of eligibility factors;
 - Redevelopment Plan and Project goals and objectives;
 - Redevelopment strategies and activities;
 - Existing and proposed land uses;
 - Most recent EAV and estimated future EAV;
 - Estimated redevelopment project costs (line item budget);
 - Assessment of impacts on other taxing districts;
 - Affirmative action plan; and
 - Statement of conformance with other community plans.

Preliminary projections of incremental property taxes from the TIF districts will be included for the purpose of confirming the supportable budget for each district and estimating the future EAV of the RPA, as required by the Act.

A series of maps of the proposed TIF districts will be included in the RPA Plan and Project documents. These maps will include: community context, proposed boundary, documented distribution of eligibility factors, existing land use, and future land use.

The Act requires that a Housing Impact Study be completed if a Redevelopment Plan would result in the displacement of 10 or more occupied residential units, or if the area contains 75 or more occupied residential units and the Village does not certify that no residential displacement will occur. The cost of completing a Housing Impact Study is not included in our scope and budget.

8. **Obtain and Proof Boundary Legal Descriptions.** Based on the Village's preference, we will either directly engage and manage a licensed surveyor, or coordinate with the Village, who may elect to work directly with a licensed surveyor, to obtain boundary legal descriptions. Once the boundary descriptions are prepared, we will proof the text of the legal description to ensure their accuracy prior to inclusion in the RPA Plan and Project documents.
9. **Finalize RPA Plan and Project Documents.** We will prepare final RPA Plan and Project documents combining the eligibility studies, RPA project plans and budgets, legal descriptions, appropriate maps, and other required documentation. We anticipate first preparing draft documents to be distributed to and reviewed by the Village and the Village's legal counsel. Any revisions to the draft Plan documents will be incorporated into the final RPA Plan and Project documents, which will be filed with the Village Clerk 10 days prior to introduction to the Village Board.

Task 1C: Prepare Required Notices and Mailing Lists

10. **Prepare Mailing Lists for Noticing.** We will prepare mailing lists for noticing of the public hearing(s), as required by the Act. Our scope includes the following lists:
 - Taxing agencies within the proposed TIF districts;
 - Taxpayers and residents within the proposed TIF districts;
 - Taxpayers of properties within the proposed TIF districts for which taxes were not paid in the prior year; and
 - Residential addresses within 750 feet of the TIF boundaries.

The Act requires that municipalities make a good faith effort to provide notice by mail of the availability of the Eligibility Study and RPA Plan and Project documents, and how to obtain the report, to all residential addresses within 750 feet of the boundaries of any proposed TIF district. We will prepare a map identifying this buffer area, and gather the addresses in this area as part of the fieldwork.

11. **Prepare Sample Draft Notices and Ordinances.** We will provide sample draft documents for the Village and its legal counsel to review for mailings, public notices to be published in newspapers of general circulation, and ordinances for the adoption of the TIF districts. We can work with the Village and its legal counsel to refine these drafts, as needed.
12. **Coordinate Mailing and Noticing Process.** We will coordinate with the Village to ensure all addresses and notices are provided in a timely fashion. Based on the overall project timeline and the Village Board schedule, we will work with the Village and their legal counsel early in the designation process to establish a timeline for mailings and noticing.

Our scope and fee range assumes that the Village will prepare, package and mail all applicable notices. The Village may elect to engage a mailing company or prepare the mailings using Village staff resources.

Task 1D: Complete Public Approval Process

We will attend and take primary responsibility for presentations at the two key meetings that are part of the review process, as provided in the Act. These meetings include the Joint Review Board Meeting and the Public Hearing.

PHASE 2: BUSINESS DISTRICT DESIGNATION**Task 2A: Prepare Formal Business District Eligibility Studies for Four Study Areas**

1. **Conduct Project Kickoff Call.** We will conduct a conference call with the Village to confirm the Study Area boundaries and project timeframe, as well as to obtain any additional data necessary to complete the Business District eligibility analysis.
2. **Obtain and Update Necessary Data and Maps.** We will obtain the data necessary to update our prior eligibility research, including 2015 assessment information, new parcel information (if any PIN divisions have occurred), and information on any new building permits or code violations that have been filed since our prior eligibility analyses were completed.
3. **Conduct Fieldwork, Inspection of Physical Conditions.** We will conduct a field survey and review key data to determine whether the area qualifies for Business District designation, based on the criteria outlined in the Business District Act. In order to complete our eligibility survey, we will conduct fieldwork to document observable eligibility factors, including:
 - Predominance of defective, non-existent or inadequate street layout;
 - Unsanitary or unsafe conditions;
 - Deterioration of site improvements;
 - Improper subdivision or obsolete platting; and/or
 - Existence of conditions that endanger life or property by fire or other causes.

One or more of these factors must be present to the extent that it “retards the provision of housing accommodations or constitutes an economic or social liability, an economic underutilization of the area, or a menace to the public health, safety, morals or welfare.”

4. **Obtain/Analyze Village Traffic/Parking Reports.** We will also assess the presence of qualifying factors, as applicable, through the review of engineering and/or traffic studies (as available).
5. **Input Data, Summarize and Analyze Eligibility Criteria.** We will evaluate the presence and distribution of factors needed to establish eligibility and to meet the “but for...” and “lack of growth through private investment” requirements, as outlined in the Business District Act. If for any reason the study areas do not qualify for Business District designation, we will advise you of that fact in writing and meet with you to discuss potential strategies at this point.
6. **Draft Eligibility Study Document.** We will draft a formal eligibility study document for inclusion in the Redevelopment Project Area (RPA) Plan and Project Document that will be prepared in later tasks.

7. **Conduct Call with Village.** We will conduct a call with the Village to discuss our findings and recommendations, and to finalize the Business District boundary. During this call, we will also confirm the assumptions to be used in developing the Business District budget, goals and objectives.

If at this point, it appears unlikely that a Business District can be established, we will discuss options regarding potential alternative approaches going forward and will stop work until a clear path can be defined, working jointly with the Village.

Task 2B: Prepare RPA Plan and Project Documents for Four Study Areas

8. **Prepare Drafts of RPA Plan and Project Documents.** We will prepare RPA Plan and Project documents for the proposed Business Districts. We assume this will represent the second half of the combined Eligibility Study and RPA Plan and Project documents. As required by the Act, the combined documents will include:

- District boundary, including a map;
- General description of proposed projects;
- Location of proposed projects;
- District name;
- Estimated project costs;
- Anticipated sources of funds to pay project costs;
- Anticipated type and term of obligations to be issued; and
- Tax rate(s) to be imposed.

Preliminary projections of Business District taxes will be included for the purpose of confirming the supportable budget for the district, as required by the Act.

A series of maps of the proposed Business Districts will be prepared for inclusion in the RPA Plan and Project documents. These maps will include: community context, proposed boundary, and the documented distribution of eligibility factors.

9. **Obtain and Proof Boundary Legal Descriptions.** Based on the Village's preference, we will either directly engage and manage a licensed surveyor, or coordinate with the Village, who may elect to work directly with a licensed surveyor, to obtain boundary legal descriptions. Once the boundary descriptions are prepared, we will proof the text to ensure their accuracy prior to inclusion in the RPA Plan and Project documents.
10. **Finalize RPA Plan and Project Documents.** We will prepare final RPA Plan and Project documents combining the eligibility studies, RPA project plans and budgets, legal descriptions, appropriate maps, and other required documentation. We anticipate first preparing draft documents to be distributed to and reviewed by the Village. Any revisions to the draft Plan documents will be incorporated into the final RPA Plan and Project documents, which will be finalized and filed with the Village Clerk.

Task 2C: Complete Public Approval Process

The Village will be required to provide public notice per the Act. We will work with the Village's legal counsel to ensure appropriate noticing. We will attend and present at the Public Hearing/Village Approval meeting. If requested, we can attend additional meetings.

Potential Additional Services

A Housing Impact Study is required by the TIF Act if the RPA has 10 or more residential units that may be displaced as part of the redevelopment plan or if the study area boundaries contains more than 75 residential units and the municipality cannot certify that displacement will not occur. The scope of services outlined above does not include costs associated with preparing a Housing Impact Study. Should the Village elect to conduct a Housing Impact Study, additional budget authorization, amounting to approximately \$4,000 and \$6,000 per study area, would be needed to conduct the tasks outlined by the TIF Act.

Timeframe and Fee Proposal

On the basis of the scope of the work outlined herein and our experience with similar projects, we estimate it will take approximately 60-90 days to complete Phase 1 tasks and 60-90 days to complete Phase 2 tasks. However, we will work with you to meet any specific deadlines, where possible.

Professional fees for our services will be based on time required at the billing rates of the *SB Friedman* personnel assigned to the project. The scope of the work and our experience with similar services indicate that our professional fees and expenses will not exceed:

PHASE 1: TWO TIF DISTRICT DESIGNATIONS:	\$43,500
PHASE 2: FOUR BUSINESS DISTRICT DESIGNATIONS:	\$50,600

Travel, publications, maps, outside data, report reproduction, and other out-of-pocket expenses will be billed as incurred without mark-up. Please see the detailed budget chart provided on pages 9-10 of this letter.

Please note that this fee proposal does not include expenses or allowances for third-party costs, such as:

- The boundary legal description, which will be performed by a licensed surveyor. Typically, we see fees for a boundary legal description ranging from \$2,000 to \$4,000.
- Legal costs, including any associated with annexation.
- Costs of mailing, noticing and publication of meetings (e.g., printing, postage).

Actual billings will be based on time expended at the Special TIF/Business District Project Hourly Rates that are currently as follows:

President	\$300
Practice Leader	\$270
Senior Project Manager	\$230
Project Manager	\$200
Associate Project Manager	\$170
Associate	\$140
Research Associate	\$125
Editor	\$100
Intern/Data Entry/Support	\$ 85

The above hourly rates will be in effect until December 31, 2016 except in the case of promotions of individuals. If we are authorized to proceed with this engagement after this date, rates are subject to adjustment. If additional services unrelated to TIF/Business District designation and associated meetings are required, those services will be billed at our Standard Hourly Rates.

This fee proposal is subject to revision if the engagement entails more time than estimated due to problems that are encountered that could not reasonably have been foreseen at the commencement of the engagement, or if the scope is changed. In this event, we will discuss the matter with you so that a mutually acceptable revision may be made. If the time spent on this engagement is substantially less than we have estimated, we will bill you a lesser amount.

This fee proposal contemplates our attendance at the following meetings:

- Joint Review Board Meetings for each TIF District
- Public Hearings for each TIF District
- Combined Public Meeting for all Business Districts

Additional meeting time and additional TIF and Business District-related services, beyond what has been included in the budget, will be billed at the Special TIF/Business District Project Hourly Rates outlined above.

Invoices will be rendered monthly as our work progresses for services and costs as incurred. These invoices are payable within 30 days.

If at any point the decision is made to discontinue our services, our fee will be based upon the actual time expended and out-of-pocket costs incurred to that date.

PHASE 1: TWO TIF DISTRICT DESIGNATIONS –BUDGET

	TOTAL	Senior Project Manager	Project Manager	Associate	Research Associate
Special TIF District Designation Rates:		\$230	\$200	\$140	\$125
Task 1A: Prepare Formal TIF Eligibility Studies for Two Study Areas					
Conduct Project Kickoff Call		2	2	COMP	
Update Maps & PIN Lists (if any PIN divisions have occurred since TIF Eligibility Study)					4
Obtain Updated Assessment Information					4
Review Building Permit & Code Violation Information (only new information since TIF Eligibility Study)			3	3	
Conduct Fieldwork, Inspection of Physical Conditions				4	4
Analyze Eligibility Factors/Required Findings and Tests		3	3	6	
Draft Two Eligibility Study Documents (submitted combined with Redevelopment Plan)		4	8	32	4
Conduct Call with Village to Discuss Updated Findings		2	2	COMP	
<i>Subtotal Hours</i>	90	11	18	45	16
<i>Subtotal Professional Fees</i>	\$14,430	\$2,530	\$3,600	\$6,300	\$2,000
Task 1B: Prepare Redevelopment Project Area (RPA) Plan and Project Document for Two Study Areas					
Prepare First Draft of Two RPA Plan and Project Documents, Maps & Graphics		4	12	40	16
Proof Two Boundary Legals (Prepared by Others)				4	4
Finalize Four RPA Plan and Project Documents		2	4	4	
Conduct Call with Village to Discuss Draft Reports	90	6	16	48	20
Revise/Finalize Four Reports	\$13,800	\$1,380	\$3,200	\$6,720	\$2,500
Task 1C: Prepare Required Notices and Mailing Lists					
Prepare Two Mailing Lists for Noticing					
A. Prepare 750' Residential Buffer Map					4
B. Conduct Fieldwork and Collect Addresses				2	2
C. Enter Addresses/Obtain Postal Information					4
D. Compile/Proof List for Mailing			2	4	4
Provide Sample Draft Notices and Ordinances		2	2		
Coordinate Mailing and Noticing Process			1	2	2
<i>Subtotal Hours</i>	31	2	5	8	16
<i>Subtotal Professional Fees</i>	\$4,580	\$460	\$1,000	\$1,120	\$2,000
Task 1D: Complete Public Approval Process					
Prepare Materials for Joint Review Board and Public Hearing		4	4	8	
Attend/Present at Joint Review Board (Assumes 2)		8	8	COMP	
Attend/Present at Public Hearing (Assumes 2)		8	8	COMP	
<i>Subtotal Hours</i>	48	20	20	8	0
<i>Subtotal Professional Fees</i>	\$9,720	\$4,600	\$4,000	\$1,120	\$0
Total Hours	259	39	59	109	52
Total Professional Fees	\$42,530	\$8,970	\$11,800	\$15,260	\$6,500
General Expenses (estimate - ~2% of professional fees)	\$900				
Boundary Legal Description	Billed directly to Village (typically \$2,000-\$4,000)				
Mailing Costs and Title Company Tax Delinquency Research	Billed directly to Village				
TOTAL PROJECT BUDGET	\$43,430				

PHASE 2: FOUR BUSINESS DISTRICT DESIGNATIONS –BUDGET

	TOTAL	Senior Project Manager	Project Manager	Associate	Research Associate
Special Business District Designation Rates:		\$230	\$200	\$140	\$125
Task 2A: Prepare Formal TIF Eligibility Studies for Four Study Areas					
Conduct Project Kickoff Call		2	2	COMP	
Update Maps & PIN Lists (if any PIN divisions have occurred since TIF Eligibility Study)					4
Obtain Updated Assessment Information					4
Conduct Fieldwork, Inspection of Physical Conditions				14	14
Review Building Permit & Code Violation Information, (only new information since TIF Eligibility Study)			4	4	
Obtain/Analyze Village Traffic/Parking Reports			4	4	
Input Data, Summarize and Analyze Eligibility Criteria		4	8	8	
Draft Four Eligibility Memos		4	8	32	
Conduct Call with Village to Discuss Eligibility Findings		2	2	COMP	
<i>Subtotal Hours</i>	124	12	28	62	22
<i>Subtotal Professional Fees</i>	\$19,790	\$2,760	\$5,600	\$8,680	\$2,750
Task 2B: Prepare RPA Plan and Project Documents for Four Study Areas					
Prepare Four First Drafts of Plan and Report, Maps & Graphics		8	24	80	32
Finalize Four RPA Plan and Project Documents				6	6
Conduct Call with Village to Discuss Draft Reports		2	2	2	
Revise/Finalize Four Reports		4	8	8	
<i>Subtotal Hours</i>	182	14	34	96	38
<i>Subtotal Professional Fees</i>	\$28,210	\$3,220	\$6,800	\$13,440	\$4,750
Task 2C: Complete Public Approval Process					
Attend Public Hearing/Approval Meeting (Assumes combined meeting for all four districts)		4	4	COMP	
<i>Subtotal Hours</i>	8	4	4	0	0
<i>Subtotal Professional Fees</i>	\$1,720	\$920	\$800	\$0	\$0
Total Hours	314	30	66	158	60
Total Professional Fees	\$49,720	\$6,900	\$13,200	\$22,120	\$7,500
General Expenses (estimate - ~2% of professional fees)	\$900				
Boundary Legal Description		Billed directly to Village			
Notices in Newspaper of Local Circulation		TBD			
TOTAL PROJECT BUDGET	\$50,620				

Acceptance Procedures

We appreciate the opportunity to present this proposal to you. To indicate your acceptance of this proposal authorizing us to proceed, please sign and return this letter to us.

Sincerely,
SB Friedman Development Advisors



Fran Lefor Rood, AICP
Senior Project Manager



Lance Dorn
Project Manager

Accepted:

Signature

Date

Name

Title

LIMITATIONS OF ENGAGEMENT

Our deliverables will be based on estimates, assumptions, and other information developed from research of the market, knowledge of the industry, and meetings during which we will obtain certain information. The sources of information and bases of the estimates and assumptions will be stated in the deliverables. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the period covered by our analysis will necessarily vary from those described in our deliverables, and the variations may be material.

The terms of this engagement are such that we have no obligation to revise the deliverables to reflect events or conditions that occur subsequent to the date of the deliverable. These events or conditions include, without limitation, economic growth trends, governmental actions, additional competitive developments, interest rates, and other market factors. However, we will be available to discuss the necessity for revision in view of changes in the economic or market factors affecting the proposed project.

Preliminary Tax Increment Financing (TIF) and Business District projections are anticipated to be prepared under this engagement for the purpose of estimating the approximate level of increment that could be generated by proposed projects and other properties within the proposed TIF and Business District boundaries and from inflationary increases in value. These projections are intended to provide an estimate of the final equalized assessed value (EAV) of the TIF or Business District for inclusion in the final deliverable and to provide a level of assurance that the increment to be generated would be sufficient to cover estimated project costs.

As such, our report and the preliminary projections prepared under this engagement are intended solely for your information, for the purpose of establishing a TIF or Business District, and may be reviewed by private institutional lenders in support of potential debt obligations. These projections should not be relied upon by any other person, firm or corporation, or for any other purposes. Neither the report nor its contents, nor any reference to our Firm, may be included or quoted in any offering circular or registration statement, appraisal, sales brochure, prospectus, loan, or other agreement or document intended for use in obtaining funds from individual investors, without our prior written consent.

Village Board Agenda Memo

Date: April 12, 2016
To: Village President & Board of Trustees
From: Emily Rodman, Assistant Village Manager 
Julia Cedillo, Village Manager
RE: Tax Increment Financing Feasibility Study Findings – Discussion



PURPOSE

To discuss the findings of the TIF Feasibility Study and provide staff direction on how the Village Board would like to proceed with implementation of TIF Districts and/or Business Districts.

GENERAL BACKGROUND

In February 2015, the Village Board held a strategic planning session on Tax Increment Financing districts (TIF's) and business districts. In November 2015, the Board commissioned S.B. Friedman Development Advisors to conduct a TIF Feasibility Study evaluating all commercial and industrial areas within the Village. The findings from the study were presented at the March 8, 2016 Village Board Workshop (presentation is attached). The findings revealed that all of the evaluated areas could potentially qualify for TIF and/or business districts and that a significant amount of revenue could be generated from some of these areas to support their redevelopment.

TIF DISTRICTS VS. BUSINESS DISTRICTS

As previously discussed the revenue generated from a TIF district is derived from property tax. When a TIF district is implemented, a base year is established and as the assessed value of the property increases, the incremental increase in revenue that results is "captured" by the TIF and may then be used to reinvest within the district. If the Village were to put TIF districts in place in 2016, the base year for those districts would be 2015 and the first revenues would be collected in 2017 (for 2016 tax year).

Business districts allow a municipality to increase the sales tax rate collected from businesses within the district boundaries by quarter increments up to 1%. The revenues derived from the 1% may then be reinvested within the district. This type of sales tax increase is typically seen as more favorable by businesses than a general non-home rule sales tax increase (requiring a referendum) because the revenues must be reinvested within the district (rather than be directed to the Village's General Fund).

For a summary table and comparison of how revenues generated under each type of district may be expended, please see the attached table prepared by S.B. Friedman.

S.B. FRIEDMAN RECOMMENDATION

S.B. Friedman recommended the Village proceed with implementation of TIF districts for the Village Market and the combined 31st Street Central/Barnsdale Corridor area, and also create business districts encompassing each of these areas. Their recommendation was based on the potential revenue to be generated from the areas combined with both the short-term and long-term redevelopment opportunities they identified.

	Est. TIF Revenue	Est. Business District Revenue (@1%)
Village Market	\$10-\$12 Million	\$1.6-\$1.85 Million
31st St. Central/Barnsdale	\$8.2 Million	\$1.85 Million

The 31st Street East area demonstrates the lowest long term revenue potential of all five areas evaluated. S.B. Friedman did not identify any short or long term development opportunities in the area due to existing uses, future constraints on use (e.g. Betty Scheck Center) and also the size and configuration of the lots. As a result, they are not recommending proceeding with a TIF or Business District at this point in time.

	Est. TIF Revenue	Est. Business District Revenue (@1%)
31st St. East	\$1.1 Million	\$570,000

The 31st Street West area demonstrates some significant long-term revenue potential and S.B. Friedman also identified two potential long-term redevelopment opportunities (Jiffy Lube and the dry cleaner). While S.B. Friedman is not recommending implementing a TIF in this area, the Village Board may want to consider it in the future as this corner has high visibility and does serve a “gateway” to the Village.

	Est. TIF Revenue	Est. Business District Revenue (@1%)
31st St. West	\$1.65 Million	\$1.2 Million

STAFF RECOMMENDATION – TIF DISTRICTS

Generally, staff concurs with the findings of S.B. Friedman and their recommendations. However, staff believes it would be in the Village’s best interest to expand the boundary of one of the proposed TIF districts. Staff’s recommendation related to S.B. Friedman’s findings on TIF districts is detailed below, by geographical area.

Village Market

Staff concurs with S.B. Friedman’s findings and recommends proceeding with implementation of a TIF district this fiscal year. Due to the manner in which property is assessed by Cook County, the declining property values experienced over the last few years are cycling out and property values are anticipated to rise. This makes it an opportune time to put a TIF district in place and staff does not see a benefit to delaying implementation.

31st Street Central/Barnsdale Corridor

Staff concurs with S.B. Friedman's findings but would recommend that the Village expand the boundary of the proposed TIF district to include the apartments along the west side of Barnsdale Road. (The boundary as currently proposed only includes Barnsdale Road and does not take in the property to the west). The existing uses along Barnsdale include the IHB railroad, the Park District Recreational Facility and several light industrial and warehousing facilities. There is currently no buffer between these existing high intensity uses and the adjacent low intensity residential use to the west. Including these multi-family properties in the TIF would provide the potential to use future TIF revenue to improve the buffering of these incompatible uses. S.B. Friedman has taken a very preliminary look at the area and believes it may qualify as a Conservation Area under the TIF Statute. The formal evaluation needed to qualify the area could be conducted as part of the implementation phase for the overall TIF.

During their evaluation, S.B. Friedman also discovered that the portion of the IHB railroad that is adjacent to the former Praxair parcel and a portion of the Cook County Sheriff's Facility are not within the Village's municipal boundaries. As a result, the Village cannot include the former Praxair property in the 31st Street/Barnsdale Corridor TIF without first annexing the IHB railroad parcel. The IHB has indicated they are amenable to the Village annexing the property. Should the Village Board decide to proceed with a TIF in this area, the Village would incur additional costs related to preparing a plat of annexation for property.

For the same reasons as noted for the Village Market above, staff recommends proceeding with implementation of a TIF district this fiscal year.

31st Street East

Staff concurs with S.B. Friedman's findings and does not recommend implementing a TIF district in this area at this time.

31st Street West

Staff concurs with S.B. Friedman's findings and does not recommend implementing a TIF district in this area at this time. However, due to the potential revenue to be generated and the potential redevelopment opportunities within the district as well as its high level of visibility as a "gateway," staff recommends the Village continue to consider this area for a TIF in the future.

STAFF RECOMMENDATION – BUSINESS DISTRICTS

S.B. Friedman has recommended the Village implement business districts in the two areas that are also recommended for TIF districts. Staff recommends expanding the use of business districts to include all geographical areas evaluated. Since the implementation of a business district increases the sales tax rate within that district, staff believes it would be more equitable if all commercial and industrial businesses were subject to the same sales tax rate. Additionally, this provides the opportunity for all business to potentially benefit from the revenue derived

from the business district, preventing the perception that the Village is somehow “favoring” certain areas and excluding others.

IMPLEMENTATION COSTS

At the request of staff, S.B. Friedman prepared costs estimates related to the implementation of TIF and business districts under different scenarios. Should the Village proceed with implementation of multiple TIF districts and/or multiple business districts concurrently, there are some cost savings to be realized. In addition to S.B. Friedman’s fees, there are other incidental costs associated with TIF/business district implementation, including attorney’s fees, boundary legal fees, court reporter fees, fees for legal notice publications and mailings and potentially fees associated with conducting a housing study (Village Market). All costs incurred in implementing a TIF and/or business district may be reimbursed to the Village from the future revenues generated by the respective district. Below is a summary of the estimated costs. Again, these costs may change depending on how districts are implemented, as there are potential cost savings by implementing multiple districts at once.

TABLE 1: TIF Implementation Costs

	S.B. Friedman Fees	Attorney's Fees	Boundary Legal Fee	Misc. Fees*	TOTAL
Village Market	\$21,950	\$5,000	\$3,000	\$2,000	\$31,950
31st St./Barnsdale**	\$24,535	\$5,000	\$3,000	\$5,000	\$37,535
				Total	\$69,485

**Includes legal fee publication, court reporter, legal notice mailing, plat of annexation for IHB railroad, etc.*

***Savings of \$2,585 if boundary of 31st/Barnsdale TIF is not expanded*

TABLE 2: Business District Implementation Costs

	S.B. Friedman Fees	Attorney's Fees	Boundary Legal Fee	Misc. Fees*	TOTAL
Village Market	\$15,860	\$3,000	**	\$1,000	\$19,860
31st St./Barnsdale	\$15,860	\$3,000	**	\$1,000	\$19,860
31st St. East	\$15,330	\$3,000	\$2,000	\$1,000	\$21,330
31st St. West	\$15,330	\$3,000	\$2,000	\$1,000	\$21,330
				Total	\$82,380
				<i>Less Savings if done simultaneously</i>	<i>-\$8,220</i>
					\$74,160

**Includes legal fee publication, court reporter, legal notice mailing, etc.*

***Boundary legal from TIF District could be used*

Staff has reviewed the implementation costs and the potential revenues to be generated by each district. Based on the projections provided by S.B. Friedman, each district would generate

enough review to cover the costs of implementation within its first year (both for the TIF and business districts).

IMPLEMENTATION TIMELINE

As explained above, staff recommends the Village proceed with implementation of TIF Districts for Village Market and the 31st/Barnsdale Corridor this year. Staff also recommends proceeding with implementation of business districts in all five areas evaluated. Due to timing and the staff work involved with implementation, staff recommends the Village proceed with TIF implementation first. This is anticipated to take approximately 3-4 months. Once in place, staff recommends the Village proceed with implementation of the business districts (this fall) which is also anticipated to take 3-4 months.

MOTION/ACTION REQUESTED

This item is for discussion only. If there is consensus by the Village Board, they may request staff prepare a formal motion for consideration at the April 26th Village Board Meeting regarding implementation of TIF and/or business districts. Alternatively, the Village Board may choose to continue the discussion to a future meeting.

DOCUMENTATION

- S.B. Friedman Presentation “TIF Eligibility Findings & Recommendations for Five Study Areas” – March 8, 2016
- TIF vs. Business District Eligible Expenditures Table