



**CITY OF ELMHURST**  
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CITY MANAGER

January 8, 2018

TO: Mayor Morley and Members of the City Council

From: James A. Grabowski – City Manager

RE: Downtown TIF Overview

Tax Increment Financing has been an effective economic development tool to grow the property tax base in the City of Elmhurst. TIF 1 was established in 1986 and had a Frozen Base Equalized Assessed Value (EAV) of approximately \$22 million. Today the Equalized Assessed Value (EAV) of the same area is approximately \$82 million. Though TIF 1 has successfully grown the Downtown property tax base, most significantly on the periphery, there is still much work to be done to keep Elmhurst Downtown desirable and vibrant. Based on the market needs of today's commercial businesses, buildings in the core area of Downtown (area between York and Addison and Third and Arthur) are and continue to become obsolete. Eighty-five percent of these buildings are at least 35 years old and more than 40% are between 50 and 100 years old.

Due to this fact, the City of Elmhurst continues to receive inquiries for development in the Downtown. However, due to the limited time remaining in TIF 1 and the inability for redevelopment projects to produce property tax increment prior to the expiration of TIF 1, the opportunities for City participation are very limited. Because of the complexities, land and building costs, and development restrictions associated with Downtown development, it is very difficult to build a viable project without City TIF assistance. In order to incentivize redevelopment opportunities in the Downtown, the City determined that the best option was to terminate the existing TIF 1 and reestablish a new Downtown TIF District that focuses on the core of the Downtown.

A TIF Qualification Report was performed by Kane McKenna Associates and showed that the proposed Downtown TIF area qualifies as a conservation TIF and meets the following five eligibility criteria: Obsolescence, Deterioration, Inadequate Utilities, Deleterious Land Use and Layout, and Decline or Lag in EAV (The TIF Act requires that only 3 eligibility requirements be met).

The process for implementing a TIF District is clearly outlined by Illinois law (Illinois TIF Act) and focuses on public notification and opportunity for public input. In order to implement the Downtown TIF, the current TIF 1 will need to be terminated. Currently TIF 1 has future financial commitments and contractual obligations including debt service, rehabilitation (façade and streetscape), and existing redevelopment agreements (Opus, FFC, New Home Star, and Lens Ace Hardware). The estimated total financial obligation is \$5,920,100.

Looking back to 2004, at the request of the Elmhurst District 205(District 205), in an effort to financially assist the District, the City and District 205 entered into an Intergovernmental

Agreement (IGA) that released early nine redevelopment areas from TIF 1. These parcels produced approximately \$1,300,000 in property tax annually, in which the District's annual share is approximately \$1,000,000. The IGA also extended the TIF by 12 years to allow TIF 1, among other things, to recapture the revenue lost to the TIF Fund due to the early release of nine redevelopment areas. The City released additional projects in 2006 and 2007 to the benefit of all taxing districts.

As illustrated on the attached Make Whole Analysis, based on TIF 1 revenues and projections, the TIF Fund would be made whole in calendar year 2017. While not obligated, based on projections through 2022, TIF 1 is projected to generate \$10,791,391 in increment which if released to all taxing bodies, District 205 would receive an estimate \$7,643,503 in this scenario (see attached current Make Whole Analysis).

As stated earlier due to the short time remaining in TIF 1, the City's ability to grow the property tax base by having the financing tool (TIF) available to incentivize redevelopment is limited. While the City and District 205 may not agree on TIF revenue allocations pursuant to said IGA, the City recognizes and appreciates the financial needs of District 205. In the best interest of the community, the City would propose the establishment of the Downtown TIF, which would substantially assist District 205 in meeting its financial goals and objective. To allow the City the opportunity to continue Downtown growth, and address the current TIF obligations, the City proposes to terminate TIF 1 and establish a new smaller Downtown TIF in early 2018 with the following stipulations. TIF 1 fund would retain the 2017 and 2018 property tax increment to satisfy TIF financial obligations. All taxing districts would be guaranteed to capture all new growth commencing with the 2018 EAV from TIF 1. Based on the 2017 and 2018 increments received by the City and projections from the current Make Whole Analysis, District 205 would collect an estimated \$5,538,461 in property tax between 2019 and 2022.

As this is less than the current surplus projection, the City is proposing that District 205 receive additional revenues from three new projects that would also be released upon termination of TIF 1. These projects are Lakeside Bank, OPUS, and Fitness Formula Club. The additional projected property tax revenue received from 2019 thru 2022 to District 205 is \$1,234,800: Furthermore, the City proposes porting \$900,000 from TIF 1 to TIF IV for capital projects at Churchville Middle School and Conrad Fischer Elementary School to increase the overall benefit to District 205.

The City also proposes to obligate \$75,000 to Elmhurst Park District's 135 S. Palmer project to make up 2017 and 2018 Make Whole difference due to early termination of TIF 1.

#### **Time line for establishing Downtown TIF**

- January 2, 2018 - City Council passes resolution to set JRB and Public Hearing dates.
  - January 4, 2018 - Interested Parties notice published in Independent Newspaper
  - January 8, 2018 Notice of Public Hearings sent to affected taxing Districts, DCEO and any Interested Parties. Notice to include date and time of JRB, copy of plan, and Public Hearing date and time.
  - January 15, 2018 – Public Hearing notice sent to all residential addresses within 750 feet of proposed TIF boundary.
- January 24, 2018 – Joint Review Board Meeting to determine Downtown TIF eligibility.

- February 15 and 22, 2018 – Publish Notice of Public hearing in Independent Newspaper.
- February 12, 2018 – Send notice of Public Hearing to all property taxpayers in TIF boundary.
- March 5, 2018 - City holds Public Hearing.
- March 19, 2018 – Termination of TIF 1 and final approval of new Downtown TIF ordinances.
- March 20, 2018 – Transmit approved ordinances to County Clerk. TIF 1 termination ordinances filed with County Clerk.