

Background - Prospect and Main TIF

SB Friedman was retained by the Village to conduct a Tax Increment Finance (TIF) eligibility study of the village's downtown area to be referred to as the Prospect and Main Redevelopment Project Area (RPA). The study area includes portions of the existing Downtown Redevelopment TIF and additional parcels along Prospect Avenue and Central Road west of the railroad tracks. A total of 235 parcels and 128 buildings are included in the study area.

The process used to conduct the analysis included:

- Surveying of property on a parcel-by-parcel basis
- Data collection on the age and condition of parcels in the study area along with condition of the public infrastructure
- Compiled and mapped all factors
- Evaluated any private investment into the proposed TIF area

Findings of the study show that the RPA qualifies as a **Conservation Area** based on the age of the existing buildings (85% were > 35 YOA) and four eligibility factors. The four factors are:

- Lack of growth in EAV
 - EAV declined in 4 of the past 5 years
- Deterioration
 - Deterioration was observed in over 59% of the parcels
- Inadequate utilities
 - Deficiencies in storm water detention, water mains and overhead utilities
- Lack of community planning
 - Evidence of incompatible land use, inadequate street layout and improper subdivision

There are several redevelopment objectives of the RPA.

- Rehabilitation of existing buildings and construction of new properties
- Replacement, repair, and/or improvement of public infrastructure (utilities, parks, sidewalks, streets)
- Improve the image, attractiveness and accessibility through streetscaping, landscaping and signage
- Physical improvement and/or renovation of existing building structures and façades in the RPA
- Site assembly and preparation, including demolition and environmental clean-up
- Support the goals and objectives of other overlapping plans: *Including but not limited to the Village's Comprehensive Plan, Downtown Implementation Plan and Northwest Highway Corridor Plan, in addition to coordinating available Federal, State and local resources to further the goals of this Redevelopment Plan and Project*

The proposed budget for the RPA is \$30 million with funds available to the schools for costs related to increased per capita tuition and capital costs resulting from the redevelopment.

Justification for a New TIF

A number of concerns have been raised by residents and the taxing districts as to the need for a new downtown TIF. The primary concerns are listed below with our response.

- New TIF is unnecessary
 - There remain key parcels in the downtown area that have not been redeveloped. No growth was seen in the undeveloped parcels during the 30-year period of the original downtown TIF.

- TIF I did enough and the Village should leave downtown alone
 - For both fiscal and policy reasons the Village should move forward with the new RPA. Fiscally, the Prospect and Main TIF area EAV has declined faster than the rest of the Village in 4 of the past five years causing higher tax rates and limitations in the annual levy. In addressing policy directives of the Board, the current downtown does not fulfill the goals and ambitions of the downtown plan. The village has identified 6 redevelopment areas that will further the plan.
- New TIF will be used to give away tax dollars to developers
 - To receive funds the develop project must first show that it supports key policy goals of the downtown plan while proving the project would not go forward without TIF assistance
 - Comprehensive review of proposed projects will be performed by village board and staff, outside experts, and the TIF District Joint Review Board
- Schools and parks will be deprived of their funds to operate
 - There has been shown that the TIF will have no effect on the schools ability to meet annual budget obligations as the increase in property values would not have occurred but for the TIF.
 - The greater EAV base, when released to the taxing districts, will provide strengthened long-term financial stability.
- Residential developments created from the TIF will add students to our schools
 - There is a per capita funding formula by which schools are fully compensated for the additional students brought to their districts as a result of the new TIF development.

TIF 1 Impacts

- The annual growth rate in EAV for the Downtown TIF 1 was greater than if no TIF were in place. \$18.6 million in new base will be returned to the taxing districts upon the dissolution of the TIF
 - Annual growth rate with the TIF was 3.68%
 - Annual growth rate without the TIF was 3.56%
- Estimated percentage point reduction in the SD 57 tax rate from TIF 1 is 0.1124%
- Estimated SD 57 levy increase from new growth in TIF 1 is \$625,714 annually

Projected - Prospect and Main TIF Impacts

Assumptions used to project impacts from the new TIF are more conservative than actual experience. Projected growth in the RPA was assumed to be 2.0% where in reality there has been no growth. **Using assumptions reflecting actual experience there would not be an impact at all on the SD 57 levy.**

- TIF incremental growth not captured by SD 57 in 2020 is just 0.58% of the total tax base

There is just a 0.02 percentage point estimated increase in the SD 57 rate due to the Prospect and Main TIF over the hypothetical no TIF scenario

- SD 57 tax rate with no new TIF is projected to be 3.2942%
- SD 57 tax rate with a new TIF is projected to be 3.3128%
- SD 57 tax bill impacts projected for 2020 with the Prospect and Main TIF
 - \$300,000 home market value - \$14.91
 - \$350,000 home market value – \$17.40
 - \$400,000 home market value – \$19.88