

MEMORANDUM

TO: Mayor Robert J. Lovero and the City Council

FROM: David Hulseberg, Executive Director, BDC

DATE: July 21, 2018

SUBJECT: Roosevelt and Depot Tax Increment Financing (TIF) Districts

This memorandum provides a background on the Roosevelt TIF and the Depot TIF. It seeks guidance from City Council on future direction.

Background: Both, the Depot TIF and the Roosevelt TIF were formed on January 28, 1997. These TIF districts expire in 2020 with last payment received in 2021. Given that it takes nearly a year to reconstitute a TIF or to extend one, it is prudent now for the City to decide whether they want the TIF to expire or take some other action in that regard.

While both TIF's have achieved several of their goals and objectives, the great recession which began in December of 2007 took much away from redevelopment opportunity in the two TIFs. As such, some eight (8) years of the 23-year life of the two TIF districts were lost. Clearly there has been recent evidence that development opportunities are beginning to heat up in the two TIFs now. The City can take advantage of the positive market conditions that exist and extend or reconstitute the TIF.

The basis of a TIF is the creation of new tax increment and since property taxes are paid one year in arrears. Therefore, it is unlikely that a new construction project starting now would create any real new increment that a developer could benefit by to assist in financing a project. An extension of the TIF or a reconstitution of a TIF would give additional life to the TIF and thus, enable new and additional projects to move forward. Additionally, existing City debt that qualifies as a TIF expense could be funded from that source. Projects that will require alternative funding, discontinuation or modification include the following;

- \$346,000 liability – payable to the IDOT in relation to the road/infrastructure improvements completed within the Roosevelt Road TIF in previous years.
- \$300,000 loan – payable to the BDC commercial loan program. It was originally anticipated that the loan program would be payable from the proceeds of the sale of land adjacent to Culver's at 6931 Roosevelt Road.
- \$11,490,437 in TIF GO Bond Payments (\$857,654 Roosevelt, \$10,632,783 Depot)
- Why Berwyn Campaign
- BDC Financial Support
- Economic Incentive Agreements for Roosevelt and Depot Areas
- Community Events
- Administration of Loan Programs
- TIF Administration
- New PILOT Programs

Options: As a preamble, the City can treat the two TIF Districts separately and not take the same action on both. The first option is to do nothing and let the TIFs expire. The result of this action is that no further funds will be coming forth from the TIF Districts after 2021 and the City will need to address how the prior bulleted items. This will place a heavy burden on an already strained City budget.

The second option is to reconstitute the TIFs. A reconstitution would reset the 23-year clock of the TIF District. The TIF would need to meet the state statute in requalifying as a TIF. The process of creating a TIF is further explained on Exhibit A, attached. As part of resetting the clock, the TIF 's equalized assessed valuation (EAV) base would also change from the original base presently being used the EAV base when passed. The result of this is that there would not be any increment being generated until either inflation or new development occurred within the respective TIF.

The third option would be to extend the TIF by up to twelve (12) years through an act of the legislature. As part of that approval process each governmental unit in the TIF would need to sign off on a letter of support. On the positive side, the original base 1999 EAV stays in place. This would maintain the existing level of increment being generated (apart from the Depot TIF where the tax status of MacNeal may alter that number) and would assist in supporting projects in the TIF.

Recommendation: Given the City's desire to pursue development opportunities in the two TIFs as well as to pay for certain public infrastructure expenses, debt on the City books and other TIF eligible expenses it is recommended that the Roosevelt and Depot TIFs be extended and that the Berwyn Development Corporation be authorized to take all steps necessary to bring forth to the City such action.