



Kane, McKenna
and Associates, Inc.

**Proposed Dempster/Dodge
Tax Increment Financing (TIF)
District**

**City of Evanston
Joint Review Board Meeting
April 12, 2012**



Kane, McKenna
and Associates, Inc.

Overview

- I. Background on Proposed TIF District /
Plan for Dempster/Dodge Corridor
- II. Factors Qualifying Area as a TIF
District
- III. Key Elements of TIF Plan

I. Background

- The Dempster/Dodge TIF Area
 - Tightly “focused” TIF
 - One project/one developer/one tax parcel
- Strategic Importance
 - Important space for western Evanston
 - Ongoing viability of major user (Dominick’s) important for western Evanston residents
 - Ongoing success key to prevention of a “food desert”
 - Dempster major arterial road
 - Based on location and traffic counts, has potential for success
- Has faced chronic vacancies past decade
 - Despite location and strategic importance

3

I. Background

The TIF Plan complies with key legal provisions of the TIF Act, including but not limited to:

- TIF Plan conforms to the City’s *Comprehensive Plan*
- Area consists of contiguous parcels – exceeds 1 ½ acres
- “But-for” requirement is met - Redevelopment is feasible only with the utilization of tax increment financing
 - As documented in the TIF Qualification Report (Appendix V of the TIF Plan)
 - As represented by the developer

4

Kane, McKenna
and Associates, Inc.

I. Background

Specific
TIF
Objectives,
Strategies &
Measures

General Economic
Development
Goals

Comprehensive
Land Use Goals

5

Kane, McKenna
and Associates, Inc.

I. Background

- City has considered alternative economic development tools, with only limited success
- The City has considered, in succession:
 - *Financial tools other than TIF (sales tax sharing)*
 - *Ongoing monitoring of owner proposals and/or new tenant potentials*
 - *Now considering TIF*

6

I. Background

Review of TIF Financing

TIF involves splitting property tax revenue generated from properties within the TIF District into two components or “buckets”:



Bucket for Base Revenues – For All Local Governments



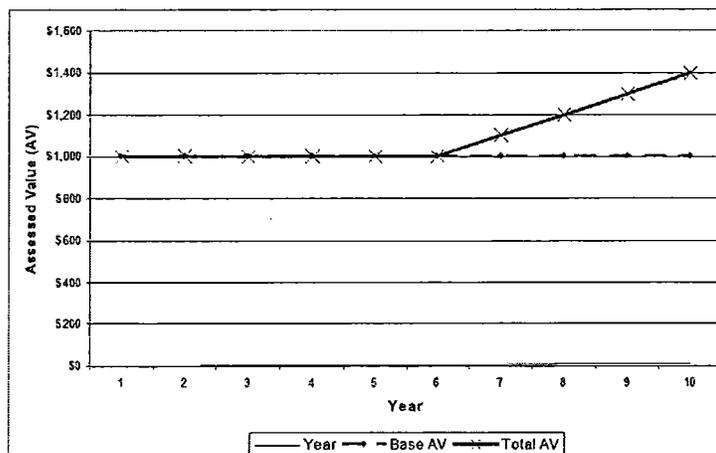
Bucket for Incremental Revenues – For Redevelopment within TIF

7

I. Background

Review of TIF Financing

- Ideally, a successful TIF produces positive incremental revenue over time

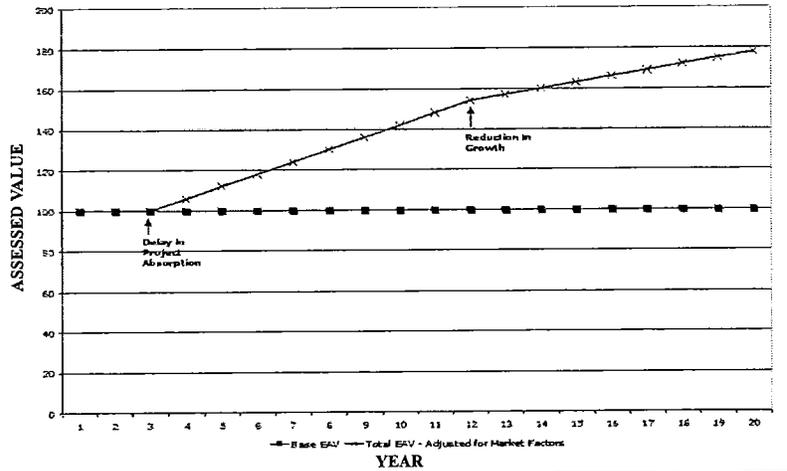


8

I. Background

Review of TIF Financing

- In practice, a successful TIF faces certain challenges in seeking to generate positive increment
TIF Performance Adjusted for Project-Related Risks



II. Qualification Factors

- The proposed TIF District is found to qualify under the following criteria:
 - Improved property - As a "blighted-improved area", based upon the findings that:
 - A combination of 5 or more of the 13 factors set forth in the TIF Act are present in the area



II. Qualification Factors

Improved Property – Conservation Area Findings Underlined

- | | |
|------------------------------------------------|-----------------------------------|
| 1) Dilapidation | 8) <u>Inadequate Utilities</u> |
| 2) <u>Obsolescence</u> | 9) Excessive Land Coverage |
| 3) Deterioration | 10) <u>Deleterious Layout</u> |
| 4) Presence of Structures Below Code | 11) <u>Environmental Clean-up</u> |
| 5) Illegal Uses | 12) Lack of Community Planning |
| 6) <u>Excessive Vacancies</u> | 13) <u>Lagging EAV</u> |
| 7) Lack of Ventilation and Sanitary Facilities | |

11



II. Qualification Factors

Obsolescence

- The area is economically and functionally obsolete
 - Economically, obsolescence is manifested by the EAV stagnation + declining market values + vacant storefronts
- When one part of the City stagnates, such as this area, this shifts the tax burden onto other parts of City

12

II. Qualification Factors

Excessive Vacancies

- The area has had numerous vacancies
 - Situation has deteriorated in past 3 years
 - Larger-scale vacancies occurring as well
 - 52% vacancy as of January 2012
 - Vacancy levels well in excess of normal “churn”

13

II. Qualification Factors

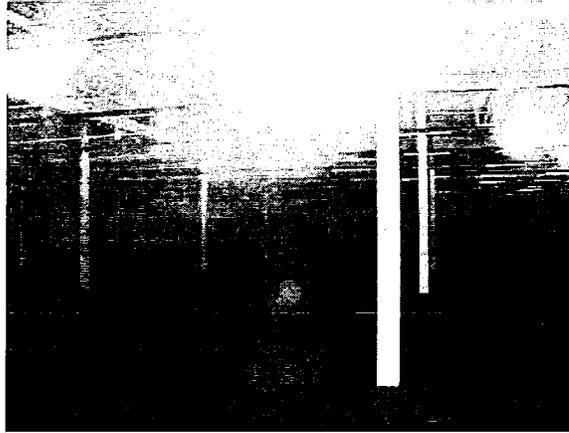
Vacancies



14

II. Qualification Factors

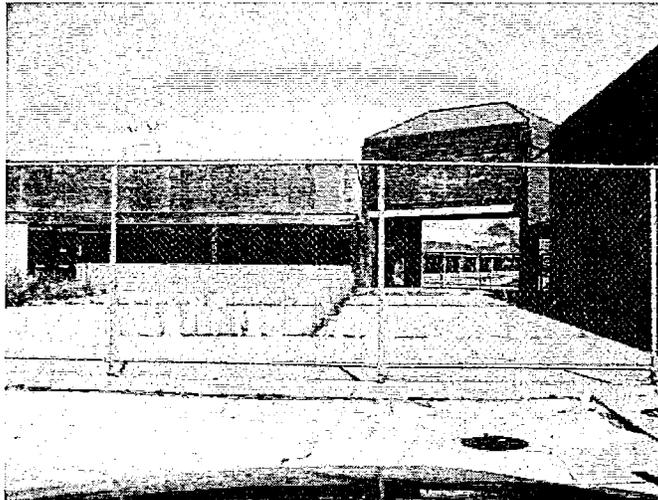
Vacancies



15

II. Qualification Factors

Vacancies



16

II. Qualification Factors

Vacancies



17

II. Qualification Factors

Vacancies



18



II. Qualification Factors

Deleterious Layout

- Per the TIF Act, deleterious layout evidenced by inadequate ingress/egress, limited buffering vs residential areas, and other indicators



II. Qualification Factors

Environmental Clean-up

- Per the TIF Act, there are a certain environmental problems that have required remediation/clean-up expenditures
- Previously a contaminated area was:
 - Remediated with an "engineered barrier" put in place
 - Barrier limits re-use of portions of the site

II. Qualification Factors

Inadequate Utilities

- Utilities are over 100 years old and use obsolete materials
 - E.g., combined sewers use outmoded materials prone to breakage/outage such as cast iron (modern materials include PVC and ductile iron)

21

II. Qualification Factors

Lagging EAV

- Equalized Assessed Valuation (EAV) of the proposed TIF District has lagged behind the balance of the City's EAV
 - Four of the last five years
- TIF Act requires a minimum finding for three of the last five years

22

II. Qualification Factors

Lagging EAV

	2010	2009	2008	2007*	2006	2005
Total EAV for TIF District	10,816,879	10,712,129	14,148,341	13,508,513	13,346,272	13,493,788
EAV Change (%)	1.0%	-24.3%	4.7%	1.2%	-1.1%	
City-wide EAV (Excluding TIF)	3,031,067,208	3,295,277,240	2,924,249,551	2,758,831,516	2,232,546,474	2,229,259,234
City EAV Change (%)	-8.0%	12.7%	6.0%	23.6%	0.1%	
CPI	1.6%	-0.4%	3.8%	2.8%	3.2%	

23

III. Key Elements of TIF Plan

- Base EAV: \$10,816,879 (2010 EAV)
- Projected EAV: Upon completion of redevelopment and "re-tenanting," approximately \$30,000,000 to \$35,000,000
- Proposed TIF Budget: \$20,000,000 (see next slide)
 - The TIF Budget is:
 - A maximum amount which does not obligate the City to expend such amounts
 - Sized to accommodate potential development requirements
 - 23 year budget, not annual budget
- Proposed Land Uses: Retail, commercial, institutional, and residential uses
- Key "but for" finding – redevelopment will not go forward without the TIF assistance

24

Program Actions/Improvements	Estimated Costs
Land Acquisition, Assembly, and Relocation	\$500,000
Site Preparation, Including Environmental Remediation, Demolition, and Site Grading	\$4,000,000
Utility Improvements (Including Water, Storm, Sanitary Sewer, Service of Public Facilities, and Road Improvements)	\$3,000,000
Rehabilitation of Existing Structures; Taxing District Capital Improvements	\$4,750,000
Public Facilities (including Parking Facilities and Streetscaping)	\$4,000,000
Interest Costs Pursuant to the Act	\$1,250,000
Professional Service Costs (Including Planning, Legal, Engineering, Administrative, Annual Reporting, and Marketing)	\$1,250,000
Job Training	\$1,000,000
Statutory School and Library District Payments	\$250,000
TOTAL ESTIMATED TIF BUDGET	\$20,000,000

25

III. Key Elements of TIF Plan

- Budget Guidelines
 - Overall budget cannot be exceeded
 - Line-items in budget are flexible
 - Covers 23 years; hence difficult to estimate with precision
 - Budget expenditures subject to:
 - City approvals
 - Determination of appropriateness of costs
 - Special TIF audit
 - Review by JRB annually

26



Next Steps

- Public Hearing to review TIF Plan
 - May 14, 2012
- Notices mailed to taxpayers within TIF District and residents within 750 feet of TIF boundaries
- TIF ordinances may be introduced 14 to 90 days after the Public Hearing
 - Subject to additional review/approval by City Board
 - Two open meetings with opportunity for additional public comment