



Naperville

CITY COUNCIL
5-15-07
AGENDA ITEM K3

COUNCIL AGENDA ITEM SUMMARY SHEET

TITLE: Water Street Tax Increment Financing District Workshop Follow-up and Recommendations

CITY COUNCIL AGENDA DATE: 05/15/07

SYNOPSIS: This agenda transmits responses to questions and requests for additional information raised at the April 23, 2007 City Council workshop on a potential Conservation Area TIF for the Water Street Area. Staff also recommends that City Council direct staff to present an Interested Parties Ordinance at the June 5, 2007 City Council meeting and hold preliminary meetings with taxing districts to discuss objectives of the proposed Water Street TIF.

COUNCIL ACTION PREVIOUSLY TAKEN:

Date of Action	Item No	Action
March 7, 2006	G1	Approved recommendation to proceed with update to the 2002 Feasibility Study
March 6, 2007	K2	Directed the Water Street TIF to a workshop discussion

TYPE OF VOTE REQUIRED: Simple Majority

COUNCIL ACTION REQUESTED: Direct staff to present an Interested Parties Ordinance at the June 5, 2007 City Council meeting and hold preliminary meetings with taxing districts to discuss objectives of the proposed Water Street TIF

Submitted by:		Prepared by:	
Name	Marcie Schatz/Doug Krieger	Name	Marcie Schatz/Doug Krieger
Dept.	TED/Finance	Dept.	TED/Finance

AGENDA ITEM NOTES



**CITY OF NAPERVILLE
MEMORANDUM**

DATE: May 7, 2007

TO: Peter T. Burchard, City Manager

FROM: Marcie Schatz, Director of Transportation, Engineering and Development
Doug Krieger, Director of Finance

SUBJECT: Water Street Tax Increment Financing District Workshop Follow-up and Recommendations

ACTION REQUESTED:

Direct staff to present an Interested Parties Ordinance at the June 5, 2007 City Council meeting and hold preliminary meetings with taxing districts to discuss objectives of the TIF

BACKGROUND:

On March 6, 2007 the Preliminary Qualification/Designation and the Financial Feasibility Study reports were transmitted to the City Council. The Preliminary Qualification/Designation report determines that the Water Street Area qualifies as a Conservation Area under state statute. The Financial Feasibility Study provided various financing scenarios for a TIF in the Water Street Area. At that meeting, the City Council directed the Water Street TIF discussion to a workshop setting.

INFORMATION:

Responses to questions and requests for more information from the April 23rd workshop are attached to this agenda item.

- Exhibit A is a response to questions raised at the workshop
- Exhibit B is a flow chart outlining the process to establish a TIF
- Exhibit C is a map of the proposed Water Street TIF area

The main topics of the discussion from the workshop included

Process The state statute identifies a comprehensive process that must be followed including the development of a Joint Review Board which includes representatives from affected taxing bodies and the public. This board would make recommendations to the City Council on the designation of a TIF area as well as the content of the redevelopment plan. This process is outlined in Exhibit B. The process flow chart outlines the process for establishing a TIF, the schedule is aggressive and some segments of the process may require more time than presented.

Impact on existing property owners The proposed TIF would not impact the zoning rights of the property owners within the Water Street Area. A proposed TIF also does not delay the



redevelopment of these properties, property owners have been encouraged to submit when they are ready

Boundary of the proposed TIF Area As currently proposed, the Water Street TIF area is bounded by the West Branch of the DuPage River, Main Street, Aurora Avenue and Webster Street. Two properties, the Bergamini property and Moser Plaza, are both excluded from this boundary due to their recent development/redevelopment.

Identification of funding responsibility for public improvements between the city, developer, and the TIF The identification of public improvements as well as their funding sources is a component of the redevelopment plan. A draft of this plan is presented to the City Council prior to its consideration by the Joint Review Board. The final contents of the redevelopment plan, and therefore the list of public improvements and their funding sources, is determined by the City Council. Due to the limited TIF funds available, city staff has begun discussing options for funding public improvements in the Water Street Area.

Next steps

With consideration of the comments and questions received at the City Council workshop and the responses provided within this agenda item, staff recommends that the City Council direct staff to present an Interested Parties Ordinance at the June 5, 2007 City Council meeting and hold preliminary meetings with taxing districts to discuss objectives of the TIF. The recommendation is based on

- Staff believes that comprehensive redevelopment of the Water Street area consistent with the Vision Statement is not achievable without a significant public financing component
- A TIF is an appropriate financing mechanism that can provide funds to offset the costs of public infrastructure while also not putting the City at risk
- The TIF requires a thorough public review process incorporating the taxing bodies
- The TIF positively impacts properties within the TIF boundary by providing funds for needed public and utility improvements
- The TIF has an opportunity to offset the costs of public improvements, such as the Riverwalk and parking deck, that otherwise may have to be funded through other city revenues

RECOMMENDATION:

Direct staff to present an Interested Parties Ordinance at the June 5, 2007 City Council meeting and hold preliminary meetings with taxing districts to discuss objectives of the TIF

Exhibit A
Responses to Questions from the April 23, 2006 Workshop

- 1 *Why is the Bergamini property (NWC of Main and Aurora) and the Moser Property (SWC Main and Water) not included within the TIF boundary?*

The Bergamini property was upgraded in 1993 and was not included in the TIF Feasibility report transmitted to the City Council in 2004. The Moser Plaza project was completed in 2006. Both the Bergamini property and Moser Plaza have been recently upgraded or constructed, are not in need of public improvements to serve the property and do not contribute to the qualifications of the Conservation Area determination as outlined.

- 2 *What zoning rights are affected by a TIF?*

Zoning rights are unaffected by the establishment of a TIF. The zoning rights for this area are established through the Municipal Code, including the Water Street Vision Statement, and would remain unchanged through the establishment of a TIF.

- 3 *Please provide a flow chart for the TIF process which includes City Council decision points.*

The flow chart is attached as Exhibit B.

- 4 *How is parking provided for the Moser Plaza development, there is not enough on site?*

The Moser Plaza development was built on a property located within SSA 5 and therefore exempt from providing on-site parking. Tenants of the Moser Plaza building are parking in the temporary lots to the west on Water Street (through a private shared parking agreement) and also would have the right to park at the Municipal Center through the CBD hangtag program. It is anticipated that the future Water Street deck will accommodate the parking demand for Moser Plaza.

- 5 *How will the responsibility of funding public improvements be divided between the City, the TIF and the developer?*

Responsibilities of funding improvements by certain entities (city, developer, TIF) will be determined through the TIF process, with the City Council having the final determination of what is funded by each party. Ultimately, any redevelopment agreements that are negotiated by the City will determine the funding of the improvements. City staff would present a draft of the redevelopment plan to the City Council, which would include the list of public improvements and the funding sources for these improvements, after the adoption of the Interested Parties Ordinance.

However, given the limited funds available through the TIF, city staff has already begun the process about how costs could be divided

6 *What is the impact to the properties already participating in SSAs?*

Since the SSA is treated as a taxing body within the TIF, the incremental property taxes that are generated due to an increase in EAV through the life of the TIF is paid to the TIF instead of the SSA. As with other taxing bodies, this transaction will be invisible to the property owner. The SSA rates assessed against property owners within the TIF will be the same as property owners outside the TIF.

7. *How does the establishment of a TIF affect the timing of redevelopment of properties within the proposed TIF boundary?*

Given the status of discussion of the proposed TIF and the status of redevelopment projects in the Water Street Area, the TIF does not affect the timing of redevelopment of properties within the proposed TIF boundary. The established zoning requirements and processes including requirements to process projects in the Water Street area as a PUD through the Plan Commission and City Council will affect the timing. The Moser/Marquette proposal will be heard at Plan Commission later this month and staff has encouraged other developers to submit their projects to submit their projects whenever they are ready.

8 *What is the base year for the TIF?*

The base year is the EAV assessment that is in place when the TIF ordinance is passed by the city

9 *When has the City paid to underground utilities?*

The conversion of city overhead electric lines to underground has occurred in many areas of the city and funded by different parties for various reasons. For the most part, the adjacent property owner has funded the costs when converting from overhead to underground. One such example is the undergrounding of the lines on the south side of Benton Avenue when the Main Street Promenade and Benton Terrace were developed. When the City is completing a capacity improvement project, the city has funded the undergrounding of the utility lines. Examples include the undergrounding of facilities and enhancements of capacity in the downtown area. Duct banks have been installed on Chicago Ave, Webster Street, and Van Buren Avenue. The city has completely funded those improvements

10 *Please provide a G O Bond analysis*

The G O Bond analysis will be provided as additional paperwork on Friday May, 11th

11 *Can a higher growth rate than 2.5% be used to reduce the life of the TIF?*

The calculation of the tax rate for Taxing Districts that are subject to the tax cap are based on an increase of 5% or the CPI of the Taxing Districts prior year tax levy. Other than provisions generally for new construction or referendums, the Taxing District does not get the full benefit of the substantial increases to EAVs of property. This reason that tax rates will decrease each year is due to the fact that the total EAV of property is growing faster than the CPI. Since over 90% of the tax rate for the proposed area is derived from Taxing District that are subject to the tax cap, the analyses assume that the property taxes paid by existing property will only increase at the average rate of the CPI used to calculate property taxes for the 5 prior tax years.

However, to the extent that additional incremental property taxes are generated in excess of the amounts projected, such additional incremental property taxes could be used to prepay any debt obligations which could shorten the life of the TIF

12. *How does the establishment of multiple TIFs affect the city's bond rating?*

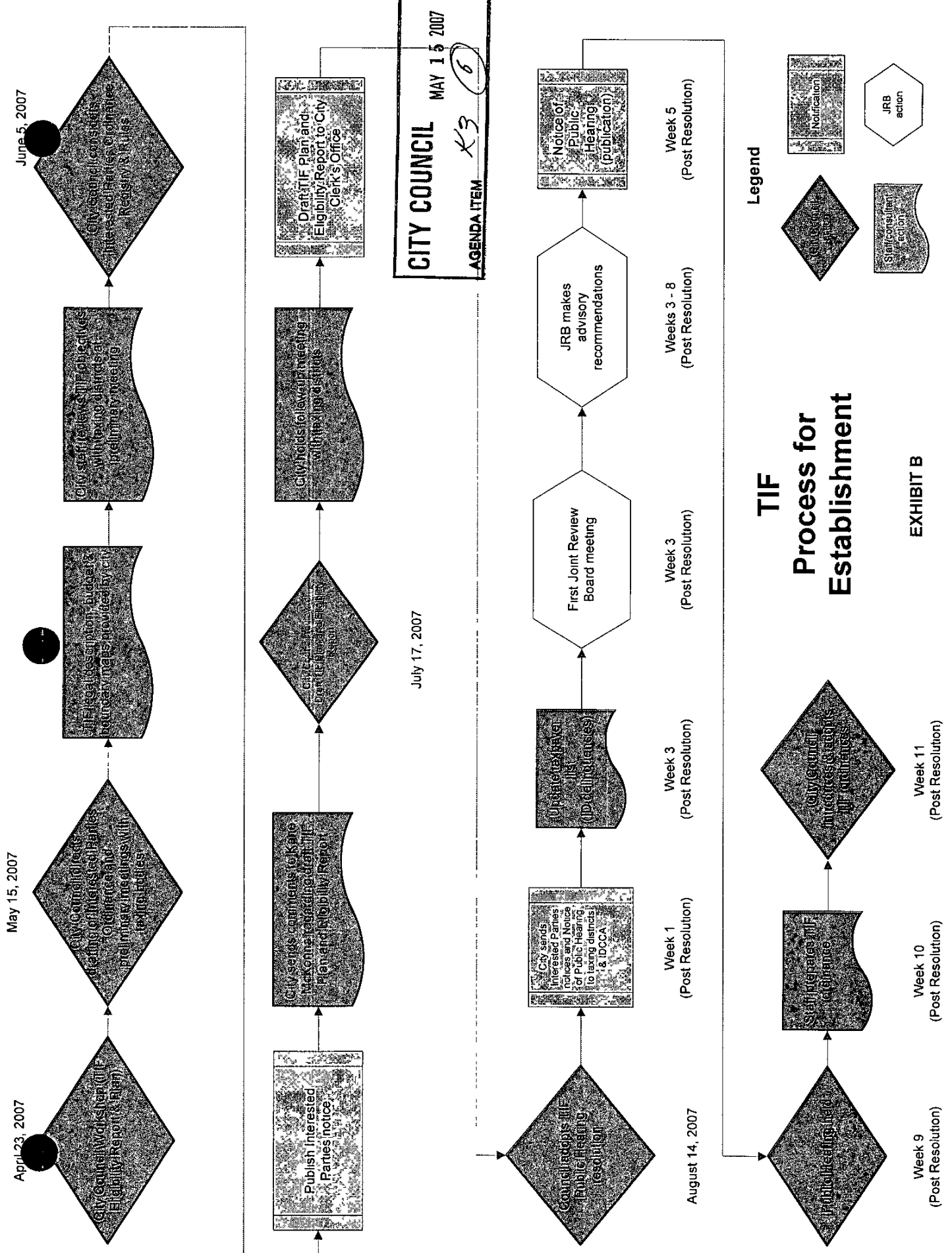
If G O bonds are not used, the establishment of multiple TIFs within a municipality will not affect the bond rating. If G O. bonds are used to back multiple TIFs, the bond rating could be negatively affected.

13. *Who defines the Joint Review Board and can Plan Commission fulfill this role?*

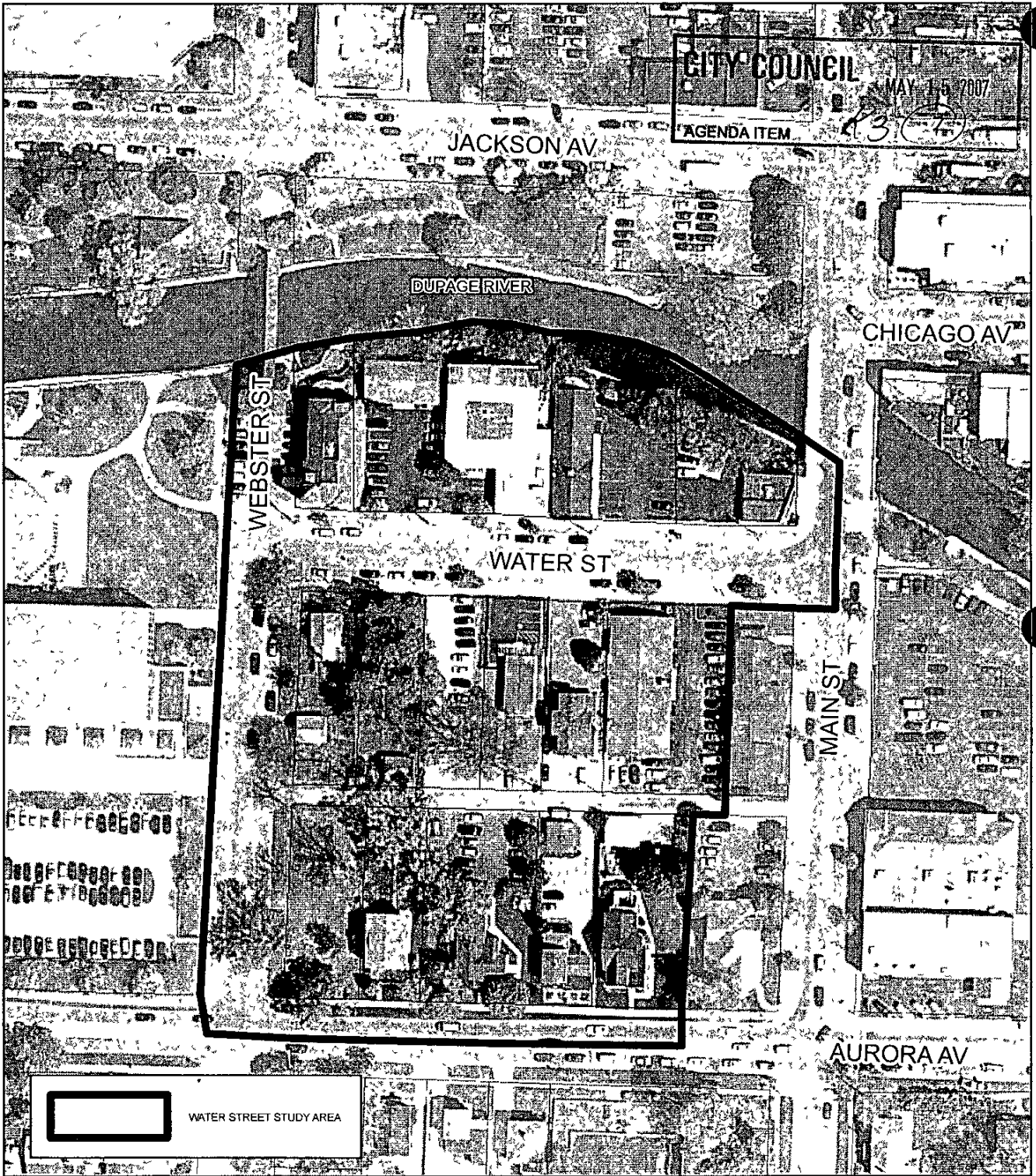
The composition of the Joint Review Board is defined by state statute and includes a representative selected by each

- Community college district
- Local community unit school district
- Park District
- Township
- County

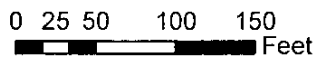
These agencies have the authority to directly levy taxes on the property within the proposed redevelopment area. Also included on the joint review board is a representative selected by the municipality and a public member. Due to the required composition of the Board, the Plan Commission cannot serve this function.



PROPOSED WATER STREET TIF AREA



Transportation Engineering and
 Development Business Group
 Questions Contact (630) 420-6694
www.naperville.il.us
 May 2007



This map should be used for reference only
 The data is subject to change without notice
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 or application of the data. Reproduction or redistribution is
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#1

**CITY OF NAPERVILLE
MEMORANDUM**

DATE: May 11, 2007
TO: Peter T Burchard, City Manager
FROM: Douglas A Krieger, Director of Finance *DK*
SUBJECT: Item K-3 Water Street TIF General Obligation (G O) Bond Analysis

PURPOSE: The purpose of this memo is to provide additional information related to Item K-3 “Consideration of the Water Street Tax Increment Financing (TIF) Feasibility studies ” regarding the use of General Obligation (G O) Bonds as a component of the TIF financing options

DISCUSSION: At the April 23, 2007 City Council Water Street TIF Workshop, Councilman Furstenau asked for the impact of the use of General Obligation Bonds as a component of TIF financing scenarios

Kane McKenna, the City’s TIF consultant completed two additional financing option scenarios The following is a brief description of the two additional scenarios

Scenario #5 – Developer Note refunded by City of Naperville General Obligation Bonds – In this scenario, a taxable Developer Note of \$4,217,743 is issued and, upon completion of the construction of the development, this note is refunded by City G O Bonds The amount of the Developer Note in this scenario is the same as the original Scenario #1 – Developer Note scenario presented at the April 23, 2007 workshop

Scenario #6 – Developer Note refunded by City of Naperville General Obligation Bonds (increased net proceeds) – Under this scenario, a taxable Developer Note of \$5,984,078 is issued, and, upon completion of the construction of the development, this note is refunded by City G O Bonds

The following table compares the Net Proceeds of Bonds for the two new scenarios with the four scenarios presented at the April 23, 2007 workshop

Scenario	Net Proceeds of Bonds
1-Developer Note Financing Scenario	\$4,217,743
2-Variable Rate Bond Financing Scenario	\$4,150,000
3-TIF Bond Financing Scenario	\$3,855,000
4-TIF/SSA Bond Financing Scenario	\$4,750,000
5-GO Bond Financing Scenario	\$4,217,743
6-GO Bond (increased proceeds) Financing Scenario	\$5,984,078

The issuance of GO Bonds would save a projected \$2,211,598 in debt service costs as compared to the original Scenario #1 Developer Note Financing Scenario Scenario #6 – (increased net proceeds) would provide for an additional \$1,766,335 in net proceeds for the costs of infrastructure improvements. However, under either of these scenarios, the City would be exposed to the following risks

- 1) Insufficient incremental property taxes available to provide for debt service,
- 2) Changes in state law relating to the calculation of property taxes, and
- 3) Impact on the City's bond rating

Because of these risks, staff does not, at this time, recommend the use of General Obligation Bonds as a component of TIF Financing

RECOMMENDATION: Please forward this memo to the City Council as additional paperwork for the May 15, 2007 City Council meeting