

**CITY OF NAPERVILLE  
MEMORANDUM**

**DATE:** November 8, 2007

**TO:** Peter T. Burchard, City Manager

**THROUGH:** Margo L. Ely, City Attorney  
Marcie Schatz, Director of TED  
Douglas A. Krieger, Finance Director

**FROM:** Anastasia Urban, Project Manager - TED

**SUBJECT:** **Water Street TIF District Public Hearing**

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**ACTION REQUESTED:**

- a) Conduct the Public Hearing for the Water Street TIF District;
- b) Direct staff to prepare ordinances establishing a TIF District for the December 4, 2007 City Council meeting.

**BACKGROUND:**

Initial discussions regarding the creation of a Tax Increment Financing (TIF) District for the Water Street area reach back to 2002. However, when the TIF Feasibility Study for the Water Street Area was completed in 2004, there were no active development proposals for the Water Street Area and no further action was taken at that time.

***Water Street Vision Statement***

In 2006, during the formulation of the Water Street Vision Statement, the City Council authorized an update to the original TIF Feasibility Study. The Water Street Vision Statement was subsequently adopted by the City Council on November 6, 2006. The Vision Statement defines the future character of the Water Street area by providing guidance on elements of design and encourages consolidated redevelopment. The Vision Statement addresses design variables related to the private redevelopment of the Water Street District such as architectural style, pedestrian atmosphere, and building scale, as well as public improvements including the extension of the Riverwalk, uniform streetscape improvements, an underground stormwater management system, and public parking. Due to the significant public infrastructure needs such as a parking deck and Riverwalk improvements associated with the consolidated redevelopment of the Water Street area, a public-private partnership was deemed appropriate to achieve the goals of the Water Street Vision Statement. The creation of a TIF District is one method available to create such a partnership.

***TIF Process***

In order to determine if a Tax Increment Financing (TIF) District is appropriate for a certain area, there are a number of actions required by the state statute prior to designating an area as a

TIF District. Over the last several months, the City has taken these necessary actions for the proposed Water Street TIF District and is now prepared to host the formal public hearing, which is the last step required prior to adoption of ordinances creating a TIF District. A summary of this process is provided in the attached flow chart as Exhibit 1.

## **DISCUSSION:**

### ***Draft TIF Redevelopment Plan and Project***

The most critical element in consideration of a TIF District is the draft TIF Redevelopment Plan and Project. The draft TIF Redevelopment Plan and Project formally defines the Redevelopment Project Area (RPA), identifies the criteria which qualifies this RPA as a conservation area, establishes project objectives and identifies eligible project costs. The TIF project objectives and eligible project costs are closely aligned to the objectives identified in the Water Street Vision Statement. The Water Street Vision Statement anticipated consolidated development within the area, as opposed to lot by lot redevelopment. Consolidated development of the Water Street Area provides the city with a unique opportunity to architecturally and aesthetically unify a district in order to foster an atmosphere that embodies the principles of the Water Street Vision Statement and capitalizes upon defining opportunities that are unachievable with lot by lot development. Consolidated development in the Water Street Area also provides a better opportunity to accomplish necessary public infrastructure improvements such as construction of a parking deck, improvements to the Riverwalk on the south side of the river, and improvements to the alley. A copy of the draft TIF Redevelopment Plan and Project is attached as Exhibit 2.

The proposed Water Street TIF District is found to qualify as a conservation area, based upon a threshold finding that 50% or more of the buildings are 35 years old or greater. Such an area is not yet a blighted area, but exhibits three or more factors, which qualify it is a conservation area. The factors present in the Water Street TIF District are summarized below.

Lack of Community Planning - The RPA suffers from a lack of community planning due to the following:

- a) Conversion of residential structures and commercial uses which has led to inadequate parking availability and inadequate provisions for loading and servicing for more contemporary uses in the RPA.
- b) The area's utilities were not designed to support significant contemporary commercial development within the RPA.
- c) Many of the retail and commercial uses within the RPA are located in parcels that are inadequate in size and shape and are not substantial enough to sustain modern sized developments.

Obsolescence - Obsolescence is present due to the RPA's older design layout and building orientation, including provision for parking. Commercial buildings in the RPA exhibit characteristics that reflect earlier development patterns – including lack of coordinated parking, older design features, and older building construction features. Lastly, some of the structures are not being used for purposes for which they were initially designed.

Inadequate Utilities - Review of existing infrastructure has identified deficiencies in the water system, the sewer system, stormwater detention and electrical system. Improvements to these systems will be required for redevelopment in a contemporary fashion.

Deterioration – Various degrees of deterioration with respect to buildings were identified on seven of the 16 parcels. With respect to surface improvements, deterioration was found related to roadways, alleys, driveway, walkways, curbs and off-street parking areas.

Within the TIF Redevelopment Plan and Project, an estimate of TIF eligible project costs is provided on page 16.

### ***Joint Review Board***

Prior to conducting the public hearing to approve a redevelopment plan, the state statute requires that a Joint Review Board (JRB) be convened. In accordance with the TIF Act, the Joint Review Board consists of representatives from the Naperville Community Unit School District #203, DuPage County, Naperville Township, the College of DuPage, Naperville Park District, a public member and a representative selected by the municipality. The JRB is required to make a recommendation, which is advisory and non-binding, regarding the TIF area within thirty (30) days after convening the JRB.

The first JRB meeting was convened on Thursday, October 4, 2007 and reconvened discussion on October 15, 2007. At the second meeting, the representatives discussed the TIF Redevelopment Plan and Project; and a) how it met the objectives of the TIF Act, b) the plan requirements, and c) eligibility criteria. After board deliberation, three individual motions were made recommending the TIF Redevelopment Plan and Project qualifies with the above criteria. The recorded vote for each motion was 4-1, with Naperville Township dissenting on each vote. The state statute requires that the recommendation shall be adopted by a majority of those members present and voting. As such, the JRB's positive recommendation carries. A copy of the Joint Review Board's report is attached as Exhibit 3.

### ***Next Steps***

As all of the statutory notice and procedural requirements have been met, it is appropriate to conduct the formal public hearing. No earlier than 14 days after the public hearing, the City Council may introduce and adopt three ordinances necessary to adopt the TIF Plan, establish the Redevelopment Project Area and to adopt tax increment financing. These ordinances may be prepared for the December 4, 2007 City Council meeting and will comply with the 14 day requirement.

Immediately after passage of the ordinance designating the boundaries of the TIF District, the City Clerk must transmit the ordinances to the County Clerk. The County Clerk must determine the most recently ascertained equalized assessed value of each parcel of real property in the TIF

District, as well as the “total initial equalized assessed value” of the taxable real property within the TIF District and provide a written certificate stating the TIF “base” EAV.

After the TIF is established, the City may negotiate a development agreement that specifically identifies the acceptable costs for the increment to fund.

**RECOMMENDATION:**

- a) Conduct the Public Hearing for the Water Street TIF District;
- b) Direct staff to prepare ordinances establishing a TIF District for the December 4, 2007 City Council meeting.

cc: Joint Review Board Members