
**CITY OF NAPERVILLE WATER STREET TIF DISTRICT
REDEVELOPMENT PLAN AND PROJECT**

Jointly Prepared By:

City of Naperville, Illinois

And

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LIST OF EXHIBITS

EXHIBITS

- Exhibit 1 - Boundary Map
- Exhibit 2 - Legal description
- Exhibit 3 - Existing Land Use Map
- Exhibit 4 - Proposed Land Use Map
- Exhibit 5 - TIF Qualification/Designation Report

I. INTRODUCTION

The City of Naperville (the "City") has considered redevelopment options for an area primarily south of the City's core downtown area and immediately south of the DuPage River. The City currently has a vibrant downtown retail area located north of the DuPage River and centered around Washington Street. The downtown area is surrounded by residential uses to the north, south and west and by North Central College and various residential uses to the east.

Strengths of the downtown area include relative proximity to a Metra station, and institutional uses, including Edward Hospital, City government, township offices, library, and public uses and recreational amenities, including the Riverwalk and Naper Settlement. The City intends to attract and encourage additional mixed use development in order to build upon the current development in the City's downtown core and areas nearby. Redevelopment efforts are intended to maintain the historical character and enhance the aesthetic character of the downtown area and to provide for complementary residential uses and commercial/retail services for the community.

Naperville was incorporated in 1857. The City is located in the Chicago metropolitan area and primarily in DuPage County (with a portion located in Will County) along the Interstate 88 corridor. The City has been one of the fastest growing communities in the Chicago metropolitan area and in the State of Illinois with a 2000 Census population of 128,358. According to City population estimates, the population of the City is estimated to be 141,741, as of June 30, 2007.

In August, 2000 the City adopted the Downtown Plan which sought to create a Transitional Use District to accommodate uses that would serve as a transition between the intense development of the downtown area and the residential neighborhoods on the periphery of the downtown area. The Downtown Plan was further designed to accommodate and facilitate the implementation of the northern portion of the proposed redevelopment area as a gateway area to the downtown area whereby additional commercial and residential uses would be encouraged and serve to address the deficiencies associated with deleterious land uses. Naperville hopes that private investment and public improvements will address the quality of the downtown area and selected adjacent property and make for successful implementation.

As part of the Downtown Plan, the City adopted the Water Street Study Area Vision Statement in order to plan for the redevelopment of the Water Street Area (the "Vision Statement").

The area discussed in this Plan (the "Redevelopment Project Area" or "RPA") is generally bounded on (i) the north by the DuPage River, (ii) the east by Main Street, (iii) the south by Aurora Avenue, and (iv) the west by Webster Street. Adjacent right-of-ways are also included.

The RPA consists of sixteen (16) tax parcels and eleven (11) structures as of June 2007. Approximately seventy-two percent (72%) of the qualifying structures located in the RPA are thirty-five or more years old based upon data obtained from the Naperville Township Assessor, the City, and aerial photography.

The structures within the RPA are currently being used primarily for retail, office and institutional uses. Many of the structures within the RPA were originally constructed for residential use. However, certain properties along Aurora Avenue have been converted from residential uses to office, service and institutional uses. One (1) structure within the south portion of the RPA remains residential.

The RPA has certain deficiencies related to inadequate utilities for contemporary use of the area, obsolescence, and suffers from the lack of benefits of contemporary community planning. The RPA may be suitable for redevelopment for mixed uses including residential, commercial, retail, and institutional. The RPA's best opportunity for redevelopment may be related to its proximity to existing businesses, and the downtown area.

The Redevelopment Plan

The City recognizes the need for implementation of a strategy to revitalize certain existing properties and buildings within the boundaries of the RPA and to stimulate and enhance private development within this area. The needed private investment in the RPA is only possible if tax increment financing (TIF) is adopted pursuant to the terms of the Tax Increment Allocation Redevelopment Act 65 ILCS 5/11-74.4-1 et seq., as amended, ("the Act"). Incremental property tax revenue generated by the development will play a decisive role in encouraging private development. Site conditions that have precluded intensive private investment in the past will be eliminated. Ultimately, the implementation of the Redevelopment Plan and Project will benefit the City and all the taxing districts, which encompass the RPA in the form of a significantly expanded tax base.

The designation of the area as a Redevelopment Project Area will allow the City to address RPA deficiencies including (but not limited to):

- Establishing a comprehensive and cohesive pattern of land-use activities that will increase efficiency and economic relationships, especially as such uses complement adjacent commercial and residential and other City redevelopments;
- Entering into redevelopment agreements in order to include the redevelopment of property and/or to induce new development to locate within the RPA;
- Coordinating and providing adequate parking for all redevelopments;
- Improving area appearance and accessibility through landscape, streetscape and signage programs;
- Coordinating land assembly in order to provide sites for more modern redevelopment plans;
- Providing infrastructure that is adequate in relation to redevelopment plans; and
- Improving community amenities to strengthen the RPA.

A map of the RPA boundaries is included in Exhibit 1 and is a part of this Redevelopment Plan and Project. The area on the whole would not reasonably be anticipated to be developed in a coordinated manner without the adoption of a Redevelopment Plan and Project. The City, with the assistance of Kane, McKenna and Associates, Inc. (KMA) has prepared this Redevelopment Plan and Project to use tax increment financing in order to address local needs and to meet redevelopment goals and objectives.

The adoption of this Redevelopment Plan and Project makes possible the implementation of a comprehensive program for the economic redevelopment of the proposed area. By means of public investment, the RPA will become a more viable area that will attract private investment. The public investment will set the stage for the redevelopment of the area with private capital. This in turn will lead to operation of viable residential, retail, and commercial uses within the RPA.

Pursuant to the Act, the RPA includes only those contiguous parcels of real property and improvements thereon substantially benefited by the redevelopment project. Also pursuant to the Act, the RPA is not less in the aggregate than 1½ acres.

Through this Redevelopment Plan and Project, the City will serve as the central force for marshalling the assets and energies of the private sector for a unified and comprehensive cooperative public-private redevelopment effort. Ultimately, the implementation of this redevelopment plan should create a stabilized and expanded tax base, the creation of new businesses, and the creation of new employment opportunities within the City as a result of new private development in the RPA.

Summary

It is found and declared by the City, through legislative actions as required by the Act, that in order to promote and protect the health, safety, and welfare of the public, that certain conditions that have adversely affected redevelopment within the RPA need to be addressed, and that redevelopment of such areas must be undertaken; and, to alleviate the existing adverse conditions, it is necessary to encourage private investment and enhance the tax base of the taxing districts in such areas by the development or redevelopment of certain areas. Public/private partnerships are determined to be necessary in order to achieve development goals. Without the development focus and resources provided under the Act, the development goals of the City would not reasonably be expected to be achieved.

It is found and declared by the City that the use of incremental tax revenues derived from the tax rates of various taxing districts in the Redevelopment Project Area for the payment of redevelopment project costs is of benefit to those taxing districts. The reason for the use of incremental tax revenues is that these taxing districts whose jurisdictions include in the Redevelopment Project Area would not derive the benefits of an increased assessment base without the City addressing the coordination of redevelopment through the plan.

It is further found by the City, in connection to the process required for the adoption of this Redevelopment Plan and Project pursuant to Section 11-74.4.3(n)(5) of the Act, that this Redevelopment Plan and Project will not result in the displacement of ten (10) or more inhabited residential units.

The redevelopment activities that will take place within the RPA will produce benefits that are reasonably distributed throughout the RPA.

Redevelopment of the RPA is tenable only if a portion of the improvements and other costs are funded by utilizing tax increment financing.

II. REDEVELOPMENT PROJECT AREA LEGAL DESCRIPTION

The Redevelopment Project Area legal description is attached in Exhibit 2.

III. REDEVELOPMENT PROJECT AREA GOALS AND OBJECTIVES

The following goals and objectives are presented for the RPA in accordance with the City's Zoning Ordinance and Comprehensive Plan (including any amendments thereto), the City's Downtown Plan and the Water Street Vision Statement.

General Goals of the City

- 1) To provide for implementation of economic development and redevelopment strategies that benefit the City and its residents.
- 2) To encourage positive coordinated feasible and comprehensive redevelopment of vacant sites and/or underutilized facilities.
- 3) To strengthen the property tax base of the City and overlapping tax districts.
- 4) To create new jobs and retain existing jobs for City and area residents.
- 5) To coordinate all redevelopment within the City in a comprehensive manner, avoiding land use conflicts and negative community impacts with attractive users.
- 6) To create a cooperative partnership between the City and proposed developers, owners and users.
- 7) To provide public infrastructure improvements within the City to promote redevelopment efforts, where necessary.
- 9) To increase the property tax and sales tax base.
- 10) To improve existing public infrastructure including sidewalks, crosswalks, streetscape, and roads.
- 11) To identify economically viable reuse opportunities for parcels in the RPA in a manner to promote mixed-use development.

Specific Objectives for the RPA

- 1) Design and Character – Build on the success of the downtown by including some predominate characteristics of the existing downtown, such as building materials, scale, and pedestrian amenities in the RPA.
- 2) Multi-Use Development – Multiple uses such as residential, commercial, office and recreational should be incorporated into the RPA in order to compliment each other and to create activity throughout the day and evening.
- 3) Pedestrian Access – Use the RPA to create an important link to the downtown pedestrian system through the connection the RPA can provide between the downtown businesses, the Riverwalk, the Municipal Center, and Naper Settlement.

- 4) Riverwalk and Naper Settlement – The proximity of the RPA to the Riverwalk and Naper Settlement provides opportunities to tie into each amenity, as well as expand and enhance the existing Riverwalk system and connections to the Naper Settlement.
- 5) Streetscape – The addition of benches, lighting, trees, fountains, landscaping, etc. should be incorporated into the redevelopment of the RPA to ensure cohesiveness and compatibility throughout the area.
- 6) Parking/Access – Residents and visitors should have a place to park their vehicles when they come to the Water Street Area to shop, eat, or work. As a means to build and maintain the pedestrian character of this area, parking should be convenient and accessible, while not detracting from the design, character, and walkability of the area.
- 7) Traffic – Traffic should be thoroughly addressed and accommodated within the RPA to minimize the impact of the increased traffic, which will result from redevelopment of the area.
- 8) Stormwater Management – The RPA is located adjacent to the West Branch of the DuPage River and accordingly, within a portion of the floodplain; as such, adequate stormwater management systems must be provided. These systems should account for existing floodplain considerations, as well as increased run-off, which may result from the redevelopment of the site.
- 9) Planned Unit Development District – A Planned Unit Development (PUD) District should be established for the RPA. This will provide a mechanism to enforce the considerations contained within the Water Street Vision Statement and ensure that the future vision of the RPA is realized.
- 10) All development must comply with planning and zoning processes of the City.

Source: City of Naperville Water Street Vision Statement, June 2006

Redevelopment Objectives

The RPA designation will allow the City to:

- a) Assist in coordinating redevelopment activities within the RPA consistent with the Water Street Vision Statement in order to provide a positive marketplace signal;
- b) Reduce or eliminate negative factors present within the RPA;
- c) Accomplish redevelopment over a reasonable time period;
- d) Provide for high quality development within the RPA;
- e) Provide for an attractive overall appearance of the RPA, and;
- f) Integrate the RPA with the downtown.

IV. ASSESSMENT OF FISCAL IMPACT ON AFFECTED TAXING DISTRICTS

It is anticipated that the implementation of this Redevelopment Plan and Project will have a minimal financial impact on most of the affected taxing districts. In fact, the action taken by the City to stabilize and encourage growth of its tax base through the implementation of this Redevelopment Plan and Project will have a positive impact on the affected taxing districts.

Given that there is the potential for new development, the City may permit new residential development to occur within the RPA. As such, there could be an increased burden placed on the area's school districts. To the extent that such development does occur, and school age children result from new community arrivals, the elementary and high school taxing districts could potentially be affected. The City has made allowances in this plan and project for revenue distributions to such taxing districts and will follow the guidelines provided by the Act to compensate the districts at levels dictated by the precise increase in students. Additionally, should the City achieve success in attracting private investment which does result in the demonstrated need for increased services from any other taxing district, the City would consider declaring sufficient TIF related surpluses, which funds are neither expended or obligated for redevelopment activities, as provided by the Act, to assist such taxing districts in paying the costs for any increased services.

Though strategies will be encouraged to promote growth via private investment within the area, specific objectives are geared to stabilize the RPA's existing strengths and revitalize the RPA's redevelopment potential. Should the City achieve success in attracting private investment which does result in the need for documented increased services from any taxing districts, the City will consider the declaration of sufficient surplus funds (as long as those funds are not already obligated to the TIF), to assist affected taxing districts in paying the costs for the increased services.

Any surplus Special Tax Allocation Funds, to the extent any surplus exists, will be proportionately shared, based on the appropriate tax rates for a given year, with the various taxing districts, including the City, after all TIF eligible costs either expended or incurred as an obligation by the City have been duly accounted for through administration of the Special Tax Allocation Fund to be established by the City as provided by the Act. The exception to this provision will be to the extent that the City utilizes TIF funding to assist in the redevelopment of residential units. In such cases, the City will provide for the cost incurred by eligible school districts in the manner prescribed by Section 11-74.4.3(q)(7.5) of the Act.

V. **TIF QUALIFICATION FACTORS EXISTING IN THE REDEVELOPMENT PROJECT AREA**

Findings

The RPA was studied to determine its qualifications under the Tax Increment Allocation Redevelopment Act. It was determined that the area as a whole qualifies as a TIF district under Illinois law. Refer to the TIF Qualification/Designation Report, (Exhibit 6) which is attached as part of this plan.

Eligibility Survey

The RPA was evaluated between January and June of 2007 by representatives of KMA and City staff. Analysis was aided by certain reports obtained from the City and other sources. In KMA's evaluation, only information was recorded which would directly aid in the determination of eligibility for a TIF district.

VI. REDEVELOPMENT PROJECT

A. Redevelopment Plan and Project Objectives

The City proposes to realize its goals and objectives of encouraging the development of the RPA and may encourage private investment through public finance techniques including, but not limited to, Tax Increment Financing:

- 1) By implementing a plan that provides for the retention and expansion of existing businesses, and the attraction of users to redevelop underutilized land and buildings that are available within the RPA.
- 2) By constructing public improvements which may include (if necessary):
 - i. Public parking improvements;
 - ii. Street, alley and sidewalk improvements;
 - iii. Utility improvements (including, but not limited to, water, stormwater management, and sewer projects consisting of construction and rehabilitation);
 - iv. Traffic control and lighting;
 - v. Landscaping and beautification;
 - vi. Riverwalk related improvements.
- 3) By entering into Redevelopment Agreements with developers or current property owners for qualified redevelopment projects, including (but not limited to) the provision of interest rate subsidy as allowed under the Act.
- 4) By providing for environmental remediation related to any public parking improvements.
- 5) By the redevelopment of existing building inventory through rehabilitation and improvement of structures.

B. Redevelopment Activities

Pursuant to the foregoing objectives, the City will implement a coordinated program of actions, including, but not limited to, acquisition, site preparation, clearance, demolition, provision of public infrastructure and related public improvements, and rehabilitation of structures, if necessary.

Site Preparation, Clearance, and Demolition

Property within the RPA may be acquired and improved through the use of site clearance, excavation, environmental remediation or demolition prior to redevelopment. The land may also be graded and cleared prior to redevelopment.

Land Assembly and Relocation

Certain properties in the RPA may be acquired, assembled and reconfigured into appropriate redevelopment sites.

Public Improvements

The City may provide public improvements in the RPA to enhance the immediate area and support the Redevelopment Plan and Project. Appropriate public improvements may include, but are not limited to:

- Improvements and/or construction of public utilities including, but not limited to, water system improvements;
- Roadway improvements;
- Public parking improvements, including a potential parking garage or garages;
- Streetscape improvements, identification markers, landscaping, lighting, and signage of public right-of-ways;
- Storm-water management; and
- Riverwalk related improvements.

Rehabilitation/Taxing District Capital Costs

The City may provide for the rehabilitation of certain structures within the RPA in order to provide for the redevelopment of the area and conformance to City code provisions. Improvements may include exterior and façade related work as well as interior related work.

School Tuition Payments

Pursuant to the Act, the City may provide for such payments as part of the residential redevelopment projects.

C. General Land Use Plan

Existing land use in the RPA generally consists of a mix of retail, residential, institutional and commercial uses. Existing land uses are shown in Exhibit 3 attached hereto and made a part of this Plan. Exhibit 4, attached hereto and made a part of this Plan designates intended general land uses in the Redevelopment Project Area that include mixed use, residential, retail, commercial, and institutional. The proposed land uses include mixed use, residential, retail, commercial, and institutional. The uses will conform to the City's Zoning Ordinance and Comprehensive Plan, as either may be amended from time to time.

D. Additional Design and Control Standards for Community Development in the City of Naperville

The appropriate design controls, as set forth in the City's Zoning Ordinance and Comprehensive Plan, the City's Downtown Plan and the Water Street Vision Statement shall apply to the RPA.

E. Estimated Redevelopment Project Costs

Redevelopment project costs mean and include the sum total of all reasonable or necessary costs incurred or estimated to be incurred, as provided in the TIF statute, and any such costs incidental to this Redevelopment Plan and Project. Private investments, which supplement “Redevelopment Project Costs”, are expected to substantially exceed such redevelopment project costs. Eligible costs permitted under the Act which may be pertinent to this Redevelopment Plan and Project include:

1. Costs of studies and surveys, development of plans and specification, implementation and administration of the redevelopment plan including, but not limited to, staff and professional service costs for architectural, engineering, legal, marketing, financial, planning, other special services, provided, however, that no charges for professional services may be based on a percentage of the tax increment collected; no contracts for professional services, excluding architectural and engineering services, may be entered into if the terms of the contract extend beyond a period of three (3) years. In addition, “redevelopment project costs” shall not include lobbying expenses;
 - 1.1 Annual administrative costs shall not include general overhead or administrative costs of the municipality that would still have been incurred by the municipality if the municipality had not designated a redevelopment project area or approved a redevelopment plan;
 - 1.2 The cost of marketing sites within the redevelopment project area to prospective businesses, developers, and investors;
2. Property assembly costs, including, but not limited to, acquisition of land and other property, real or personal, or rights or interest therein, demolition of buildings, site preparation, site improvements that serve as an engineered barrier addressing ground level or below ground environmental contamination, including, but not limited to, parking lots and other concrete or asphalt barriers, and the clearing and grading of land;
3. Costs of rehabilitation, reconstruction or repair or remodeling of existing public or private buildings, fixtures and leasehold improvements; and the costs of replacing an existing public building if pursuant to the implementation of a redevelopment project the existing public building is to be demolished to use the site for private investment or devoted to a different use requiring private investment;
4. Costs of the construction of public works or improvements, and redevelopment project costs shall not include the cost of constructing a new municipal public building principally used to provide offices, storage space, or conference facilities or vehicle storage, maintenance, or repair for administrative, public safety, or public works personnel and that is not intended to replace an existing public building as provided under paragraph (3) of subsection (q) of Section 11-74.4-3 of the Act unless either (i) the construction of the new municipal building implements a redevelopment project that was included in a redevelopment plan that was adopted by the municipality prior to the effective date of this amendatory

Act of the 91st General Assembly or (ii) the municipality makes a reasonable determination in the redevelopment plan, supported by information that provided that basis for that determination, that the new municipal building is required to meet an increase in the need for public safety purposes anticipated to result from the implementation of the redevelopment plan;

5. Costs of job training and retraining projects including the costs of ‘welfare to work’ programs implemented by businesses located within the redevelopment project area;
6. Financing costs, including but not limited to all necessary and incidental expenses related to the issuance of obligations and which may include payment of interest on any obligations issued pursuant to the Act accruing during the estimated period of construction of any redevelopment project for which such obligations are issued and for not exceeding 36 months thereafter and including reasonable reserves related thereto;
7. To the extent the municipality by written agreement accepts and approves the same, all or a portion of a taxing district’s capital (and additional student tuition) costs resulting from the redevelopment project necessarily incurred or to be incurred within a taxing district in furtherance of the objectives of the redevelopment plan and project;
8. Relocation costs to the extent that the City determines that relocation costs shall be paid or is required to make payment of relocation costs by federal or state law;
9. Costs of job training, advanced vocational education or career education, including but not limited to courses in occupational, semi-technical or technical fields leading directly to employment, incurred by one or more taxing districts, provided that such costs (i) are related to the establishment and maintenance of additional job training, advanced vocational education or career education programs for persons employed or to be employed by employers located in the Redevelopment Project Area; and (ii) when incurred by a taxing district or taxing districts other than the City, are set forth in a written agreement by or among the City and the taxing district or taxing districts, which agreement describes the program to be undertaken, including but not limited to the number of employees to be trained, a description of the training and services to be provided, the number and type of positions available or to be available, itemized costs of the program and sources of funds to pay for the same, and the term of agreement. Such costs include, specifically, the payment by community college districts of costs pursuant to Section 3-37, 3-38, 3-40 and 3-40.1 of the Public Community College Act and by school districts of costs pursuant to Section 10-22.20a and 10-23.3a of the School Code.
10. Interest costs incurred by a redeveloper related to the construction, renovation or rehabilitation of a redevelopment project provided that:
 - a) such costs are to be paid directly from the Special Tax Allocation Fund established pursuant to the Act;

- b) such payments in any one-year may not exceed 30% of the annual interest costs incurred by the developer with regard to the redevelopment project during that year;
 - c) if there are not sufficient funds available in the Special Tax Allocation Fund to make the payment pursuant to this paragraph (11) then the amounts so due shall accrue and be payable when sufficient funds are available in the Special Tax Allocation Fund; and
 - d) the total of such interest payments paid pursuant to the Act may not exceed 30% of the (i) cost paid or incurred by the redeveloper for the redevelopment project plus (ii) redevelopment project costs excluding any property assembly costs and any relocation costs incurred by a municipality pursuant to the Act.
11. Unless explicitly stated herein the costs of construction of new privately owned buildings shall not be an eligible redevelopment project cost.
12. None of the redevelopment project costs enumerated in this subsection shall be eligible redevelopment projects if those costs would provide direct financial support to a retail entity initiating operations in the redevelopment project area while terminating operations at another Illinois location within 10 miles of the redevelopment project area but outside the boundaries of the redevelopment project area municipality. For purposes of this paragraph, termination means a closing of a retail operation that is directly related to the opening of the same operation or like retail entity owned or operated by more than 50% of the original ownership in a redevelopment project area, but it does not mean closing an operation for reasons beyond the control of the retail entity, as documented by the retail entity, subject to a reasonable finding by the municipality that the current location contained inadequate space, has become economically obsolete, or was no longer a viable locaturion for the retailer or serviceman.
13. School District tuition costs as provided for by the Act.

Notwithstanding that the above costs are eligible for TIF financing by statute, only the public improvement costs that are outlined in the following budget and which are principally public improvement costs will be eligible for financing through pursuant to this Redevelopment Plan. None of the costs in the following budget are allocated to private development.

Estimated costs are shown in the next section. Adjustments to these cost items may be made without amendment to the Redevelopment Plan.

**CITY OF NAPERVILLE WATER STREET
RPA ESTIMATED PROJECT COSTS**

<u>Program Actions/Improvements</u>	<u>Estimated Costs (A)</u>
1. Land Acquisition and Assembly Costs and Relocation Costs associated with a parking facility	\$1,500,000
2. Demolition, Site Preparation, Environmental Cleanup and Related Costs	\$100,000
3. Public Improvements including, but not limited to, water, storm, sanitary sewer, the service of public facilities, construction of public facilities, construction of public parking facilities and spaces pursuant to the Act, and road improvements	\$12,200,000
4. Rehabilitation/Taxing District Capital Costs	\$50,000
5. Planning, Legal, Engineering, Administrative and Other Professional Service Costs	\$625,000
6. School District tuition reimbursement costs (only to reimburse for students generated by residential development in the RPA).(B)	<u>\$6,000,000</u>
TOTAL ESTIMATED(C)	\$20,475,000

(A) All project cost estimates are in year 2007 dollars. In addition to the above stated costs, any bonds issued to finance a phase of the Project may include an amount sufficient to pay customary and reasonable charges associated with the issuance of such obligations as well as to provide for capitalized interest and reasonably required reserves. Adjustments to the estimated line item costs above are expected. Each individual project cost will be reevaluated in light of the projected private development and resulting tax revenues as it is considered for public financing under the provisions of the Act. The totals of line items set forth above are not intended to place a total limit on the described expenditures as the specific items listed above are not intended to preclude payment of other eligible redevelopment project costs in connection with the redevelopment of the Proposed RPA, provided the total amount of payment for Eligible Redevelopment Project Costs shall not exceed the overall budget amount outlined above. Adjustments may be made in line items within the total, either increasing or decreasing line item costs for redevelopment.

(B) The potential school district tuition reimbursement costs identified above represents an estimate based on 25% of the residential portion of the projected TIF increment. If reimbursements are not required because students are not generated, the property tax increment set aside for this cost may be used by the City as it determines and in

accordance with the law, including the option to shorten the term of the TIF or to further offset public infrastructure costs.

- (C) The costs estimated above are only those costs associated with the public contribution for principally public improvements and explicitly exclude any private development costs. Additionally, the estimates do not include any portion of the costs that will be paid by a private party as part of a development.

F. Sources of Funds to Pay Redevelopment Project Costs Eligible Under Illinois TIF Statute

Funds necessary to pay for public improvements and other project costs eligible under the Act are to be derived principally from property tax increment revenues, proceeds from municipal obligations to be retired primarily with tax increment revenues and interest earned on resources available but not immediately needed for the Redevelopment Plan and Project.

“Redevelopment Project Costs” specifically contemplate those eligible costs set forth in the Act and do not contemplate the preponderance of the costs to redevelop the RPA. The majority of development costs will be privately financed, and TIF or other public sources are to be used, subject to approval by the City Council, only to leverage and commit private redevelopment activity.

The tax increment revenues which will be used to pay debt service on the municipal obligations, if any, and to directly pay redevelopment project costs shall be the incremental increase in property taxes attributable to the increase in the equalized assessed value of each taxable lot, block, tract or parcel of real property in the RPA over and above the initial equalized assessed value of each such lot, block, tract or parcel in the RPA in the 2006 tax year for the RPA.

Among the other sources of funds which may be used to pay for redevelopment project costs and debt service on municipal obligations issued to finance project costs are the following: certain local sales or utility taxes, special service area taxes, the proceeds of property sales, certain land lease payments, certain Motor Fuel Tax revenues, certain state and federal grants or loans, certain investment income, and such other sources of funds and revenues as the City may from time to time deem appropriate.

The Redevelopment Project Area would not reasonably be expected to be developed in a coordinated manner without the use of the incremental revenues provided by the Act.

G. Nature and Term of Obligations to be Issued

The City may issue obligations secured by the tax increment Special Tax Allocation Fund established for the Redevelopment Project Area pursuant to the Act or such other funds as are available to the City by virtue of its power pursuant to the Illinois State Law.

Any and/or all obligations issued by the City pursuant to this Redevelopment Plan and Project and the Act shall be retired not more than twenty-three (23) years from the date of adoption of the ordinance approving the Redevelopment Project Area. However, the final maturity date of any obligations issued pursuant to the Act may not be later than twenty (20) years from their respective date of issuance. One or more series of obligations may be issued from time to time in order to implement this Redevelopment Plan and Project. The total principal and interest payable in any year on all obligations shall not exceed the amount available in that year or projected to be available in that year, may be payable from tax increment revenues and from bond sinking funds, capitalized interest, debt service reserve funds, and all other sources of funds as may be provided by ordinance.

Those revenues not required for principal and interest payments, for required reserves, for bond sinking funds, for redevelopment project costs, for early retirement of outstanding securities, and to facilitate the economical issuance of additional bonds necessary to accomplish the Redevelopment Plan, may be declared surplus and shall then become available for distribution annually to taxing districts overlapping the RPA in the manner provided by the Act.

Such securities may be issued on either a taxable or tax-exempt basis, as general obligation or revenue bonds, with either fixed rate or floating interest rates; with or without capitalized interest; with or without deferred principal retirement; with or without interest rate limits except as limited by law; and with or without redemption provisions, and on such other terms, all as the City may determine.

H. Most Recent Equalized Assessed Valuation (EAV) of Properties in the Redevelopment Project Area

The most recent estimate of equalized assessed valuation (EAV) for 2006 of the property within the RPA is approximately \$2,940,800. The Boundary Map, Exhibit 1, shows the location of the RPA.

I. Anticipated Equalized Assessed Valuation (EAV)

Upon completion of the anticipated private development of the Redevelopment Project Area over a twenty-three (23) year period, it is estimated that the equalized assessed valuation (EAV) of the property within the Redevelopment Project Area will be approximately between \$27,901,881 and \$61,826,349.

The lower range estimate of the EAV above is based on a 2.5% annual increase in the assessed value of the development projected by the City while the higher range estimate of the EAV above is based on the following annual increases in the assessed value of the development projected by the City:

<u>Tax Years</u>	<u>Annual Increase</u>
2007-2011	10%
2012-2016	5%
2017 – TIF Termination	4%

VII. DESCRIPTION AND SCHEDULING OF REDEVELOPMENT PROJECT

A. Redevelopment Project

An implementation strategy will be employed with full consideration given to the availability of both public and private funding. It is anticipated that a phased redevelopment will be undertaken.

The Redevelopment Project will begin as soon as the private entities have obtained financing approvals for appropriate projects and such uses are conformant with City zoning and planning requirements. Depending upon the scope of the development as well as the actual uses, the following activities may be included in each phase:

Land Assembly: Certain properties in the RPA may be acquired and assembled into an appropriate redevelopment site.

Demolition and Site Preparation: The existing improvements located within the RPA may have to be reconfigured or prepared to accommodate new uses or expansion plans. Demolition may be necessary for future projects. Additionally, the redevelopment plan contemplates site preparation, or other requirements necessary to prepare the RPA for desired redevelopment projects.

Landscaping/Buffering/Streetscaping: The City may fund certain landscaping projects, which serve to beautify public properties or rights-of-way and provide buffering between land uses. Certain Riverwalk improvements may be funded.

Water, Sanitary Sewer, Storm Sewer and Other Utility Improvements: Certain utilities may be extended or re-routed to serve or accommodate the new development. Upgrading of existing utilities may be undertaken. The provision of necessary detention or retention ponds may also be undertaken by the City.

Roadway/Street/Parking Improvements: Certain secondary streets/roads may be reconstructed. Related curb, gutter, and paving improvements could also be constructed as needed. Parking facilities may be constructed that would be available to the general public.

Utility services may also be provided or relocated in order to accommodate the renovation or expansion of buildings.

Traffic Control: Traffic control improvements that improve access to the Proposed RPA and enhance its redevelopment may be constructed.

Public Safety Related Infrastructure: Certain public safety improvements including, but not limited to, public signage, public facilities, and streetlights may be constructed or implemented.

Rehabilitation/Taxing District Capital Costs: The City may fund certain rehabilitation costs or certain taxing district capital improvements as provided for under the Act.

Interest Costs Coverage: The City may fund certain interest costs incurred by a developer for construction, renovation or rehabilitation of a redevelopment project. Such funding would be paid for out of annual tax increment revenue generated from the RPA as allowed under the Act.

Professional Services: The City may fund necessary planning, legal, engineering, administrative and financing costs during project implementation. The City may reimburse itself from annual tax increment revenue if available.

School Tuition Payments: The City may fund school tuition payments as pursuant under the Act.

B. Commitment to Fair Employment Practices and Affirmative Action

As part of any Redevelopment Agreement entered into by the City and any private developers, both will agree to establish and implement an honorable, progressive, and goal-oriented affirmative action program that serves appropriate sectors of the City. The program will conform to the most recent City policies and plans.

With respect to the public/private development's internal operations, both entities will pursue employment practices, which provide equal opportunity to all people regardless of sex, color, race or creed. Neither party will discriminate against any employee or applicant because of sex, marital status, national origin, age, or the presence of physical handicaps. These nondiscriminatory practices will apply to all areas of employment, including: hiring, upgrading and promotions, terminations, compensation, benefit programs and education opportunities.

All those involved with employment activities will be responsible for conformance to this policy and the compliance requirements of applicable state and federal regulations.

The City and private developers will adopt a policy of equal employment opportunity and will include or require the inclusion of this statement in all contracts and subcontracts at any level. Additionally, any public/private entities will seek to ensure and maintain a working environment free of harassment, intimidation, and coercion at all sites, and in all facilities at which all employees are assigned to work. It shall be specifically ensured that all on-site supervisory personnel are aware of and carry out the obligation to maintain such a working environment, with specific attention to minority and/or female individuals.

Finally, the entities will utilize affirmative action to ensure that business opportunities are provided and that job applicants are employed and treated in a nondiscriminatory manner. Underlying this policy is the recognition by the entities that successful affirmative action programs are important to the continued growth and vitality of the community.

C. Completion of Redevelopment Project and Retirement of Obligations to Finance Redevelopment costs

This Redevelopment Project and retirement of all obligations to finance redevelopment costs will be completed within twenty-three (23) calendar years after the adoption of an ordinance designating the Redevelopment Project Area. The actual date for such completion and retirement of obligations shall not be later than December 31 of the year in which the payment to the municipal treasurer pursuant to the Act is to be made with respect to ad valorem taxes levied in the twenty-third calendar year after which the ordinance approving the RPA is adopted.

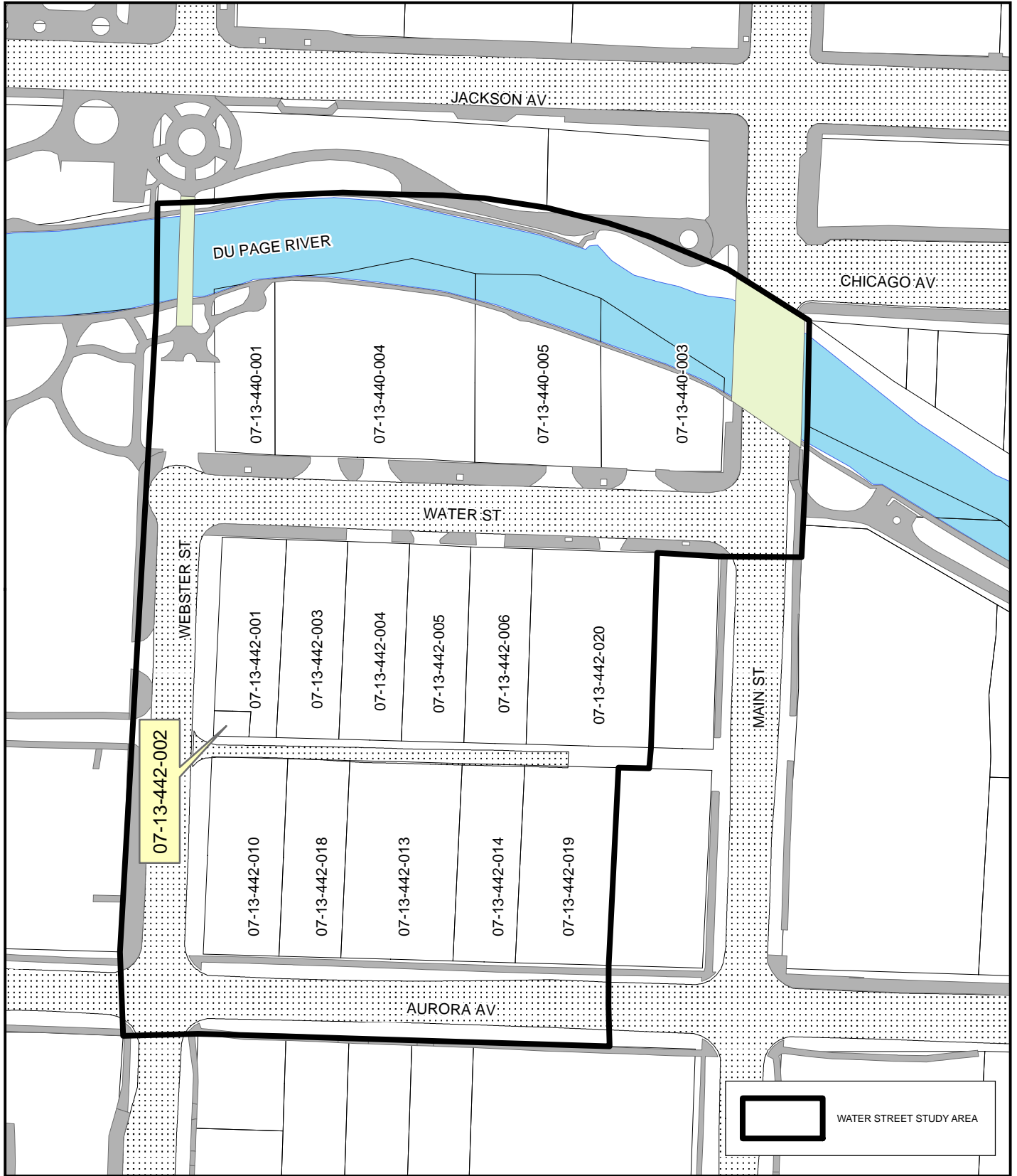
VIII. PROVISIONS FOR AMENDING THE TAX INCREMENT REDEVELOPMENT PLAN AND PROJECT

This Redevelopment Plan and Project may be amended pursuant to the provisions of the Act.

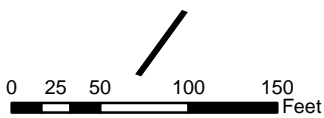
EXHIBIT 1

BOUNDARY MAP

City of Naperville
WATER STREET STUDY AREA BOUNDARY MAP



Transportation, Engineering and
 Development Business Group
 Questions Contact (630) 420-6694
 www.naperville.il.us
 May 2006



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M:\data\GISUsers\DCD\Water Street\Water Street PINS.mxd

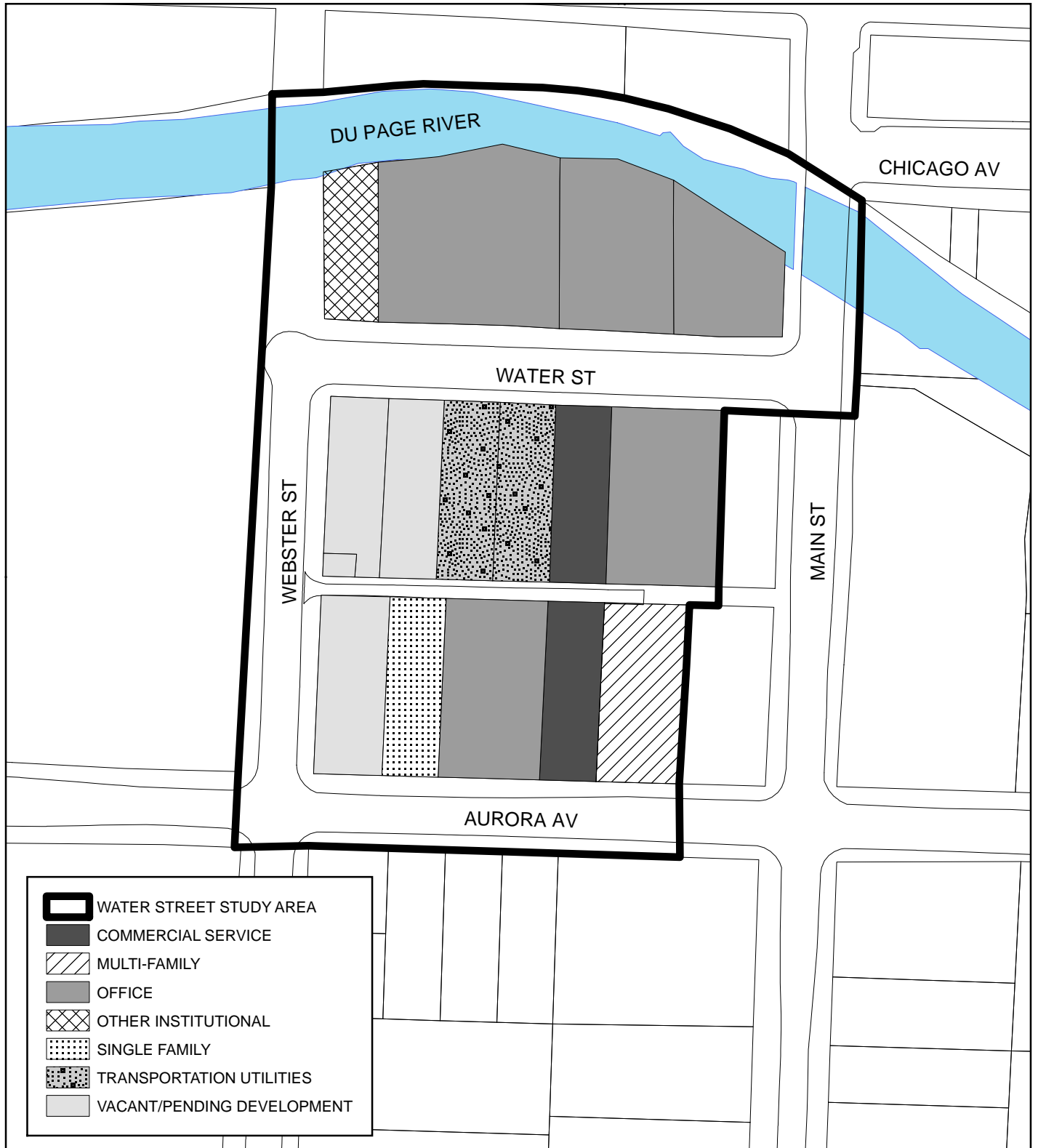
EXHIBIT 2
LEGAL DESCRIPTION









LOTS 1, 2, 3, 4, 5, 6, 7 AND 8 IN BLOCK 1, AND LOTS 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 AND THE WEST HALF OF LOT 15 IN BLOCK 4, ALL IN MARTIN'S ADDITION TO NAPERVILLE, BEING A SUBDIVISION OF PART OF THE SOUTHEAST QUARTER OF SECTION 13, TOWNSHIP 38 NORTH, RANGE 9 EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO THE PLAT THEREOF RECORDED FEBRUARY 6, 1847 AS DOCUMENT 2584, IN DUPAGE COUNTY, ILLINOIS

TOGETHER WITH ALL OF WATER STREET LYING NORTH OF THE NORTH LINE OF BLOCK 4 AFORESAID, AND ALL OF WEBSTER STREET LYING NORTH OF THE SOUTH RIGHT-OF-WAY LINE OF AURORA AVENUE AND LYING WEST OF BLOCKS 1 AND 4 AFORESAID, AND ALL OF AURORA AVENUE LYING SOUTH OF THE SOUTH LINE OF BLOCK 4 AFORESAID AND LYING WEST OF THE SOUTHERLY EXTENSION OF THE WEST LINE OF THE EAST HALF OF LOT 15 IN BLOCK 4 AFORESAID, AND ALL OF THE PUBLIC ALLEY (FORMERLY PLATTED AS SQUAW LAIN) LYING WITHIN BLOCK 4 AFORESAID LYING WEST OF THE SOUTHERLY EXTENSION OF THE WEST LINE OF LOT 1 IN SAID BLOCK 4, AND ALL OF MAIN STREET LYING NORTH OF THE EASTERLY EXTENSION OF THE NORTH LINE OF BLOCK 4 AFORESAID, AND ALL OF THE DUPAGE RIVER LYING EAST OF THE NORTHERLY EXTENSION OF THE WEST RIGHT-OF-WAY LINE OF SAID WEBSTER STREET AND LYING WEST OF THE NORTHERLY EXTENSION OF THE EAST RIGHT-OF-WAY LINE OF SAID MAIN STREET AND LYING NORTH OF THE NORTH LINE OF BLOCK 1 AFORESAID, ALL IN DUPAGE COUNTY, ILLINOIS.

EXHIBIT 3
EXISTING LAND USE MAP

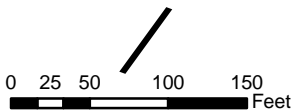
City of Naperville WATER STREET TIF DISTRICT EXISTING LAND USE MAP



-  WATER STREET STUDY AREA
-  COMMERCIAL SERVICE
-  MULTI-FAMILY
-  OFFICE
-  OTHER INSTITUTIONAL
-  SINGLE FAMILY
-  TRANSPORTATION UTILITIES
-  VACANT/PENDING DEVELOPMENT



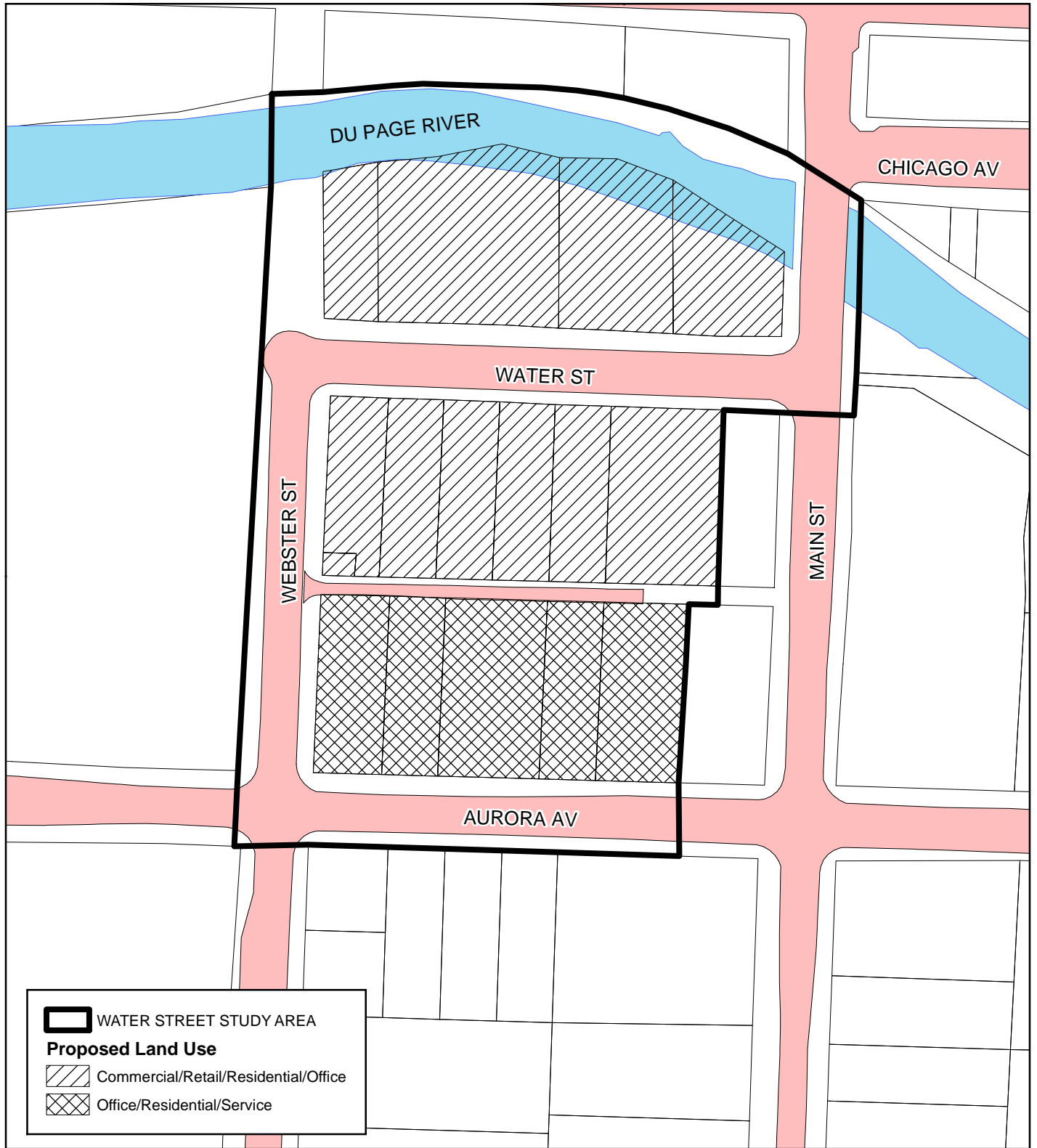
Transportation, Engineering and
Development Business Group
Questions Contact (630) 420-6694
www.naperville.il.us
July 2007



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EXHIBIT 4
PROPOSED LAND USE MAP

City of Naperville
**WATER STREET TIF DISTRICT
 PROPOSED LAND USE MAP**



 WATER STREET STUDY AREA

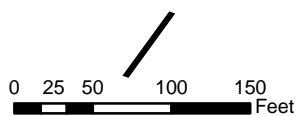
Proposed Land Use

 Commercial/Retail/Residential/Office

 Office/Residential/Service



Transportation, Engineering and
 Development Business Group
 Questions Contact (630) 420-6694
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 July 2007



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EXHIBIT 5

TIF QUALIFICATION/DESIGNATION REPORT

**CITY OF NAPERVILLE TIF
TIF QUALIFICATION/DESIGNATION REPORT
PROPOSED WATER STREET TIF DISTRICT**

A study to determine whether all or a portion of an area located in the City of Naperville qualifies as a conservation area as set forth in the definition in the Tax Increment Allocation Redevelopment Act, 65 ILCS Section 5/11-74.4-3, et seq., as amended.

Prepared For: City of Naperville, Illinois

Prepared By: Kane, McKenna and Associates, Inc.

August 2007

**CITY OF NAPERVILLE
PRELIMINARY QUALIFICATION/DESIGNATION REPORT
PROPOSED WATER STREET TIF DISTRICT**

TABLE OF CONTENTS

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V.	Qualification of RPA Findings of Eligibility	9
VI.	Summary of Findings and Overall Assessment of Qualification	13

EXHIBIT A - Legal Description

EXHIBIT B - Boundary Map

I. INTRODUCTION AND BACKGROUND

The purpose of this TIF Qualification/Designation Report (the "Report") is to identify the criteria for establishing a "redevelopment project area" by means of "conservation area" qualification factors, as defined by the Tax Increment Allocation Redevelopment Act (65 ILCS 5/11-74.4-1, et seq.) (the "Act").

The Act has been established to assist Illinois municipalities "promote and protect the health, safety, morals, and welfare of the public, that blighted conditions need to be eradicated and conservation measures instituted, and that redevelopment of such areas be undertaken; that to remove and alleviate adverse conditions it is necessary to encourage private investment and restore and enhance the tax base of the taxing districts in such areas by the development or redevelopment of project areas" (65 ILCS 5/11-74.4-2(b)).

In the context of planning for the RPA within the boundaries legally described in Exhibit A and in the map attached hereto as Exhibit B (the "RPA"), the City of Naperville (the "City") has authorized the study of the RPA within the boundaries described in the map attached hereto as Exhibit B in its entirety to determine whether RPA qualifies for consideration as a "redevelopment project area" as such term is defined in the Act (the "Act"). Kane, McKenna and Associates, Inc. ("KMA"), has agreed to undertake the study of the RPA.

The RPA is located primarily south of the downtown core area and immediately south of the DuPage River. The RPA is generally bounded on (i) the north by the DuPage River, (ii) the east by Main Street, (iii) the south by Aurora Avenue, and (iv) the west by Webster Street. Adjacent right-of-ways are also included. The RPA consists of sixteen (16) tax parcels and eleven (11) structures as of June 2007. Approximately seventy-two percent (72%) of the qualifying structures located in the RPA are thirty-five or more years old based upon data obtained from the Naperville Township Assessor, the City, and aerial photography.

The structures within the RPA are currently being used primarily for retail, office and institutional uses. Many of the structures within the RPA were originally constructed for residential use. However, certain properties along Aurora Avenue have been converted from residential uses to service, office and institutional uses. One (1) structure within the southwest portion of the RPA remains residential. The uses within the remainder of the RPA consist primarily of various retail and office uses. Three of the vacant parcels within the RPA recently contained residential structures that were over one hundred years old and which were demolished in 2004. One of the vacant parcels contains a parking lot which was recently paved and which serves a commercial facility that is separated by two parcels of property unrelated to such commercial facility. The development of the majority of the RPA occurred prior to the adoption of a comprehensive plan by the City and can be characterized as having been developed with an uneven pattern of land uses due to the fact that the RPA is divided from the remainder of the downtown area by the DuPage River.

The RPA has certain deficiencies related to inadequate utilities for contemporary use of the area, obsolescence, and suffers from the lack of benefits of contemporary community planning.

The City is investigating options related to the redevelopment of the RPA and preserving the character of the City's downtown area, making contemporary infrastructure improvements in the area and coordinating the redevelopment within the RPA.

From a City economic development perspective, the RPA represents a significant potential for redevelopment. The City has adopted the Water Street Vision Statement which includes various goals and objectives for area development, including infrastructure improvements and upgrades, and potential mixed use related development for the RPA. The redevelopment could assist the City to accomplish objectives related to infrastructure upgrades and could provide the necessary resources to provide for the comprehensive redevelopment of the RPA by applying contemporary planning techniques for the benefit of the residents of the City and visitors to the City and Riverwalk area.

Furthermore, the City is mindful of the existing residential uses neighboring the RPA. Therefore, the City wishes to coordinate any new commercial and residential use development within the RPA and ensure that development occurs within the guidelines of the City's comprehensive plan, and the City's zoning regulations as they may be determined by the City Council of the City from time to time.

The City has reviewed the RPA for possible redevelopment for a period of time. In planning for this potential redevelopment, the City has conducted a review of possible land uses for the area. The zoning and land use plans include the existence of residential uses located within the area. A key goal of the City is to promote the development of underutilized sites and to encourage the redevelopment or renovation of the existing sites.

The City is concerned that the RPA may be underutilized and, therefore, benefit from public funds to attract private investment and maximize the public benefits associated with redevelopment. Any large scale redevelopment plan will require the coordination of infrastructure and planning efforts in order to efficiently serve the proposed redevelopment, as well as the surrounding area. Therefore, the creation and utilization of a TIF redevelopment plan is being investigated by the City to help provide the assistance required to eliminate conditions detrimental to successful redevelopment of the RPA. A Vision Statement for the Water Street Area was completed in November 2006 to further aid in the redevelopment process.

Given City goals for the RPA and the objectives briefly described above, the City has made a determination that it is highly desirable to promote the redevelopment of the RPA. Without an implementation plan for redevelopment, City officials and staff believe current properties will remain underutilized and City goals and objectives will not be achieved. The City intends to create and implement such a plan in order to increase tax revenues associated with the RPA and to increase the community's tax base.

Given the conditions of the RPA, the City is favorably disposed toward supporting redevelopment efforts. However, the City is determined that redevelopment take place through the benefit and guidance of comprehensive economic planning by the City. Through this coordinated effort, the area is expected to improve. Development barriers, inherent with current conditions, which impede economic growth under existing market standards, are expected to be eliminated.

The City has determined that redevelopment currently planned for the RPA may only be feasible with public financial assistance. The creation and utilization of a redevelopment plan pursuant to the Act is intended by the City to help provide the assistance required to eliminate conditions detrimental to successful redevelopment of the area.

The use of property tax increment financing relies upon induced private redevelopment in the RPA creating higher real estate value that would otherwise decline or stagnate without such investment, leading to increased property taxes compared to the previous land-use (or lack of use). In this way the existing tax base for all tax districts is protected and a portion of future increased taxes are pledged to attract the needed private investment.

II. QUALIFICATION CRITERIA USED

With the assistance of City staff, KMA examined the RPA from January to June 2007 and reviewed information collected with respect to the RPA to determine the presence or absence of appropriate qualifying factors listed in the Act. The relevant sections of the Act, for this RPA are found below.

The Act sets out specific procedures which must be adhered to in designating a redevelopment project area. Pursuant to the Act, a “Redevelopment Project Area” is defined as follows:

“an area designated by the municipality, which is not less in the aggregate than 1 ½ acres and in respect to which the municipality has made a finding that there exist conditions which cause the area to be classified as a blighted area or a conservation area, or a combination of both blighted area and conservation area.”

Conservation Area

The Act defines a “conservation area” as follows:

“**Conservation area**” means any improved area within the boundaries of a redevelopment project area located within the territorial limits of the municipality in which 50% or more of the structures in the area have an age of 35 years or more. Such an area is not yet a blighted area but because of a combination of 3 or more of the following factors is detrimental to the public safety, health, morals or welfare and such area may become a “blighted area”:

- (A) Dilapidation: An advanced state of disrepair or neglect of necessary repairs to the primary structural components of buildings or improvements in such a combination that a documented building condition analysis determines that major repair is required or the defects are so serious and so extensive that the buildings must be removed.
- (B) Obsolescence: The condition or process of falling into disuse. Structures become ill-suited for the original use.
- (C) Deterioration: With respect to buildings, defects including, but not limited to, major defects in the secondary building components such as doors, windows, porches, gutters and downspouts and fascia. With respect to surface improvements, that the condition of roadways, alleys, curbs, gutters, sidewalks, off-street parking and surface storage areas evidence deterioration, including, but not limited to, surface cracking, crumbling, potholes, depressions, loose paving material and weeds protruding through paved surfaces.
- (D) Presence of Structures Below Minimum Code Standards: All structures that do not meet the standards of zoning, subdivision, building, fire and other governmental codes applicable to property, but not including housing and property maintenance codes.

- (E) Illegal Use of Individual Structures: The use of structures in violation of applicable federal, State, or local laws, exclusive of those applicable to the presence of structures below minimum code standards.
- (F) Excessive Vacancies: The presence of buildings that are unoccupied or under-utilized and that represent an adverse influence on the area because of the frequency, extent or duration of the vacancies.
- (G) Lack of Ventilation, Light, or Sanitary Facilities: The absence of adequate ventilation for light or air circulation in spaces or rooms without windows, or that require the removal of dust, odor, gas, smoke or other noxious airborne materials. Inadequate natural light and ventilation means the absence of skylights or windows for interior spaces or rooms and improper window sizes and amounts by room area to window area ratios. Inadequate sanitary facilities refer to the absence or inadequacy of garbage storage and enclosure, bathroom facilities, hot water and kitchens and structural inadequacies preventing ingress and egress to and from all rooms and units within a building.
- (H) Inadequate Utilities: Underground and overhead utilities such as storm sewers and storm drainage, sanitary sewers, water lines and gas, telephone and electrical services that are shown to be inadequate. Inadequate utilities are those that are: (i) of insufficient capacity to serve the uses in the redevelopment project area; (ii) deteriorated, antiquated, obsolete or in disrepair; or (iii) lacking within the redevelopment project area.
- (I) Excessive Land Coverage and Overcrowding of Structures and Community Facilities: The over-intensive use of property and the crowding of buildings and accessory facilities onto a site. Examples of problem conditions warranting the designation of an area as one exhibiting excessive land coverage are: (i) the presence of buildings either improperly situated on parcels or located on parcels of inadequate size and shape in relation to present-day standards of development for health and safety and (ii) the presence of multiple buildings on a single parcel. For there to be a finding of excessive land coverage, these parcels must exhibit one or more of the following conditions: insufficient provision for light and air within or around buildings, increased threat of spread of fire due to the close proximity of buildings, lack of adequate or proper access to a public right-of-way, lack of reasonably required off-street parking or inadequate provision for loading and service.
- (J) Deleterious Land-Use or Layout: The existence of incompatible land-use relationships, buildings occupied by inappropriate mixed-uses or uses considered to be noxious, offensive or unsuitable for the surrounding area.
- (K) Environmental Clean-Up: The proposed redevelopment project area has incurred Illinois Environmental Protection Agency or United States Environmental Protection Agency remediation costs for, or a study conducted by an independent consultant recognized as having expertise in environmental remediation has determined a need for the clean-up of hazardous waste, hazardous substances or underground storage tanks required by State or federal law, provided that the remediation costs constitute a material

impediment to the development or redevelopment of the redevelopment project area.

- (L) Lack of Community Planning: The proposed redevelopment project area was developed prior to or without the benefit or guidance of a community plan. This means that the development occurred prior to the adoption by the municipality of a comprehensive or other community plan or that the plan was not followed at the time of the area's development. This factor must be documented by evidence of adverse or incompatible land-use relationships, inadequate street layout, improper subdivision, parcels of inadequate shape and size to meet contemporary development standards or other evidence demonstrating an absence of effective community planning. For purposes of this Report, the references to lack of the benefits of contemporary community planning shall be defined with the same definition as Lack of Community Planning under the Act.

- (M) The total equalized assessed value of the proposed redevelopment project area has declined for three (3) of the last five (5) calendar years prior to the year in which the redevelopment project area is designated, or is increasing at an annual rate that is less than the balance of the municipality for three (3) of the last five (5) calendar years, for which information is available, or is increasing at an annual rate that is less than the Consumer Price Index for All Urban Consumers published by the United States Department of Labor or successor agency for three (3) of the last five (5) calendar years prior to the year in which the redevelopment project area is designated.

III. THE RPA

The RPA consists of approximately sixteen (16) tax parcels and eleven (11) structures. The land uses within the RPA are primarily for retail, office and institutional uses. One (1) of the parcels within the south portion of the RPA remains residential. Six (6) parcels within the RPA are vacant lots or are lots with minor site improvements (parking lots).

The tax year 2006 Equalized Assessed Valuation (EAV) for the RPA is \$2,940,800¹. The 2006 EAV of the RPA is a percentage of the 2006 EAV of the following taxing districts is as follows:

<u>Taxing District</u>	<u>2006 EAV</u> ²	RPA 2006 EAV <u>% of Total EAV</u>
DuPage County	\$37,557,063,692	0.0078%
Naperville Township	3,736,256,674	0.0787
Naperville School District #203	4,315,697,761	0.0681
Naperville Park District	6,281,195,485	0.0468
College of DuPage	41,589,987,372	0.0071
City of Naperville	6,122,396,965	0.0480

¹ Source: DuPage County Assessor

² Source: DuPage County Clerk and Will County Clerk

IV. METHODOLOGY OF EVALUATION

In evaluating the RPA's potential qualification as a redevelopment project area pursuant to the Act, KMA reviewed the area in its entirety and utilized the following methodology:

- 1) Site surveys of the RPA were undertaken by representatives from KMA. Site surveys were completed for each tract of land (based upon tax plat parcels) within the RPA.
- 2) An exterior evaluation of structures, noting such conditions as lack of community planning, obsolescence was completed. Additionally, the parcel maps, site photographs, site data, local history (discussions with City Staff), review with City engineers and an evaluation of area-wide factors that have affected the RPA's development (see Section V herein). City redevelopment goals and objectives for the RPA were also reviewed with City staff.
- 3) Existing site conditions were initially surveyed only in the context of checking, to the best and most reasonable extent available, criteria factors of specific structures and site conditions on the parcels. The area was studied in relation to review of available economic development planning reports, City ordinances, tax levy year 2001 through 2006 equalized assessed valuation information from the DuPage County Clerk's Office and City records, tax parcel maps, site photos, site data, local history (discussions with City staff), flood maps, and an evaluation of area-wide factors that have affected the area's development. KMA reviewed the area in its entirety.
- 4) The RPA was examined to assess the applicability for qualification for designation as a redevelopment project area under the Act. Evaluation was made by reviewing the information and determining how each measured when evaluated against the relevant factors. Improved land within the RPA was examined to determine the applicability of the conservation factors for qualification as a Redevelopment Project Area under the Act.

V. QUALIFICATION OF RPA/FINDINGS OF ELIGIBILITY

As a result of KMA's evaluation of each parcel in the RPA, and analysis of each of the eligibility factors summarized in Section II, hereof, the following factors are presented to support qualification of the RPA as a "conservation area".

CONSERVATION AREA THRESHOLD FACTOR

1) Age

"Conservation area" means any improved area within the boundaries of a redevelopment project area located within the territorial limits of the municipality in which 50% or more of the structures in the area have an age of 35 years or more. Such an area is not yet a blighted area but because of a combination of 3 or more of the following factors may be considered as a "conservation area":

Based upon site surveys, aerial photographs, information provided by the Naperville Township Assessor and City data, eight (8) of the eleven (11) structures were found to be thirty-five years of age or greater. As a result, seventy-two percent (72%) of the structures are found to be 35 years of age or older.

OTHER CONSERVATION AREA FACTORS

2) Inadequate Utilities

Inadequate utilities can be defined as underground and overhead utilities such as storm sewers, storm drainage, sanitary sewers, water lines and gas, telephone and electrical services that are shown to be inadequate. Inadequate utilities are those that are of insufficient capacity to serve the uses in the RPA, deteriorated, antiquated, obsolete or in disrepair, or are lacking within the RPA.

Review of City infrastructure by City engineers have identified deficiencies in the water system, the sewer system, stormwater detention and electrical system.

Based upon City data and KMA review, the following improvements to the utilities in the RPA will be required for redevelopment in a contemporary fashion:

- a) replacement of water mains throughout the RPA in order to provide proper service for any redevelopment of the RPA and to provide the requisite fire flows;
- b) rehabilitation of sanitary sewer lines within the RPA;
- c) development of additional stormwater detention relating to the redevelopment of the RPA due to the fact that a significant portion of the RPA is either in a floodway or floodplain; and
- d) installation of additional underground electrical conduit to provide electric service for any redevelopment project constructed in the RPA.

3) Lack of the Community Planning

Under the Act, Lack of Community Planning refers to “the proposed redevelopment project were developed prior to or without the benefit or guidance of a comprehensive or community plan. This means that the development occurred prior to the adoption by the municipality of a comprehensive or other community plan or that the plan was not followed at the time of the area’s development. This factor must be documented by evidence of adverse or incompatible land-use relationships, incompatible street layout, lack of parking, improper subdivision, parcels of inadequate shape and size to meet contemporary development standards, or other evidence demonstrating an absence of effective community planning.

The lack of a comprehensive or community planning document during the period when the RPA was primarily developed has contributed to inadequate utilities and parcels of inadequate shape and size to meet contemporary development standards. Eight (8) of the eleven (11) structures, or seventy-two percent (72%) in the RPA were found to be 35 years old or greater. Furthermore six (6) of the eleven (11) structures, or fifty-four (54%), in the RPA were developed prior to the adoption of the City’s Comprehensive Plan in 1961.

The RPA suffers from a lack of community planning due to the following:

- 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.
- The area’s utilities were not designed to support significant contemporary commercial development within the RPA.
- 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.

Also lacking until recent years has been effective and sustained economic development plans and strategies intended to address the coordinated redevelopment of the entire RPA. This is not to necessarily say that improvements did not take place over the years, but that they were implemented without the guidance of a coordinated plan directed toward long-term benefit for the RPA.

According to the City’s Downtown Plan (2000), the City sought to create a Transitional Use District to accommodate uses that would serve as a transition between the intense development of the downtown area and the residential neighborhood, to the south of the RPA. Furthermore, the Downtown Plan is further designed to accommodate and facilitate the implementation of the northern portion of the RPA as a gateway area to the downtown whereby additional commercial and residential uses would be encouraged. Therefore, the Downtown Plan would serve to address the deficiencies associated with deleterious land uses.

Parking conditions vary throughout the RPA. Many lots are privately owned. As stated above, coordination of parking will need to be undertaken by the City as part of the redevelopment activities.

Having been initially developed without the benefits of a comprehensive plan has resulted in failure of the RPA to be developed to its fullest potential. The area has a lower tax base than would be expected if the area was developed in a cohesive, consolidated manner.

4) Obsolescence

Obsolescence is defined as the condition or process of falling into disuse. This can also be defined as a structure(s) that has become ill-suited for its original use. The area contains several structures which are ill-suited for their original use.

The majority of the site improvements in the RPA have exhibited signs of functional and economic obsolescence due to age and other area wide factors.

Functional obsolescence is present due to the RPA's older design layout and building orientation. Many of the buildings and the sites themselves contain characteristics which limit the usefulness and marketability of the RPA. Eight (8) of the eleven (11), or seventy-two percent (72%) of the structures in the RPA are 35 years or older. Six (6) structures, or fifty-four percent (54%) are forty-nine (49) to one hundred thirty-five (135) years old of which four, or sixty-six percent (66%), of such structures were originally designed primarily for single-family uses. Furthermore, certain residential structures which have been converted to commercial use are functionally obsolete due to their lack of contemporary parking facilities and access to their sites. Also, certain structures located along Aurora Avenue do not have the benefit of street parking.

Commercial buildings in the RPA, in particular, exhibit characteristics that reflect earlier development patterns, including lack of coordinated parking, older design features, and older buildings construction features (e.g. need for ADA compliance).

A number of the commercial structures within the area exhibit poor layout and orientation as it relates to the proximity to Water Street and the location along the DuPage River. Furthermore, certain of the commercial users along Water Street rely on parking located across from their facilities or upon a closed portion of Webster Street thereby lacking the benefit of contemporary parking facilities.

Although older buildings often add to the character of the community, the lack of continuity of appealing older structures in this area disrupts the ambiance found in other older areas of the City. Since there are a number of empty spaces between structures and since some of the structures are not being used for purposes for which they were initially designed, the older nature of this area does not contribute to the charm of other older areas in the City.

As a whole, the area suffers from poor design and layout which is manifested in several instances, one of which being a lack of available and coordinated parking (or positioning of parking in relation to street traffic). Many of the area's buildings lack adequate loading and buffering provisions. Because of these factors, the area's overall usefulness and desirability for redevelopment is significantly limited for modern day redevelopment.

OTHER RELEVANT QUALIFICATION FACTORS

These factors are present in various locations within the RPA, but are not present for the whole area.

5) Deterioration of Structures and Site Improvements

Pursuant to the Act, deterioration with respect to buildings can be evidenced in defects including, but not limited to, major defects in the secondary building components such as doors, windows, porches, gutters and downspouts, and fascia. With respect to surface improvements, that the condition of roadways, alleys, curbs, gutters, sidewalks, off-street parking and surface storage areas evidence deterioration, including but not limited to, surface cracking, crumbling, potholes, depressions, loose paving material, and weeds protruding through paved surfaces.

Various degrees of deterioration with respect to buildings were identified on seven (7) of the sixteen (16) parcels, or forty-four percent (44%) of the parcels within the RPA. According to on-site inspections performed by KMA and documented by site surveys and photographic analysis, some of the site improvements and structures contained the following signs of deterioration:

- Missing, damaged gutters
- Rusted, damaged siding
- Rotted wood frames and/or exterior siding or eaves
- Rotten wood porches or framing materials
- Cracked and damaged concrete steps and porches
- Cracked asphalt in parking lots

With respect to surface improvements, deterioration was found related to roadways, alleys, driveways, walkways and curbs. Off-street parking areas evidence deterioration, including, but not limited to, surface cracking, potholes, depressions and loose paving materials.

VI. SUMMARY OF FINDINGS AND OVERALL ASSESSMENT OF QUALIFICATION

The following is a summary of relevant qualification findings as it relates to potential designation of the RPA by the City as a Tax Increment Finance (TIF) District. The findings herein pertain to the RPA.

1. The RPA is contiguous and is greater than 1½ acres in size.
2. The RPA will qualify as a “conservation area”. Further, the factors present throughout the RPA as documented herein are present to a meaningful extent and are evenly distributed throughout the RPA. A more detailed analysis of the qualification findings is outlined in this report.
3. All property in the area would substantially benefit by redevelopment project improvements.
4. The sound growth of taxing districts applicable to the area, including the City, has been impaired by the factors found present in the area.
5. The area would not be subject to a comprehensive redevelopment employing modern planning practices without the investment of public funds, including property tax increments.

The area has not benefited from coordinated planning efforts by either the public or private sectors. There is a need to focus redevelopment efforts relating to business attraction as well as the coordination of redevelopment efforts for modern uses. These efforts will be important to the area’s continued improvement and preservation of tax base.

The eligibility findings indicate that the area is in need of revitalization and guided growth to ensure that it will contribute to the long-term physical, economic, and social well being of the City. Factors indicate the area has not been subject to sound growth and development through sufficient investment by private enterprise, and is not likely to be developed but for the assistance of tax increment financing through the establishment of the RPA.

These findings, in the judgment of KMA, provide the City with sufficient justification to consider designation of the RPA as a TIF District.

EXHIBIT A

LEGAL DESCRIPTION

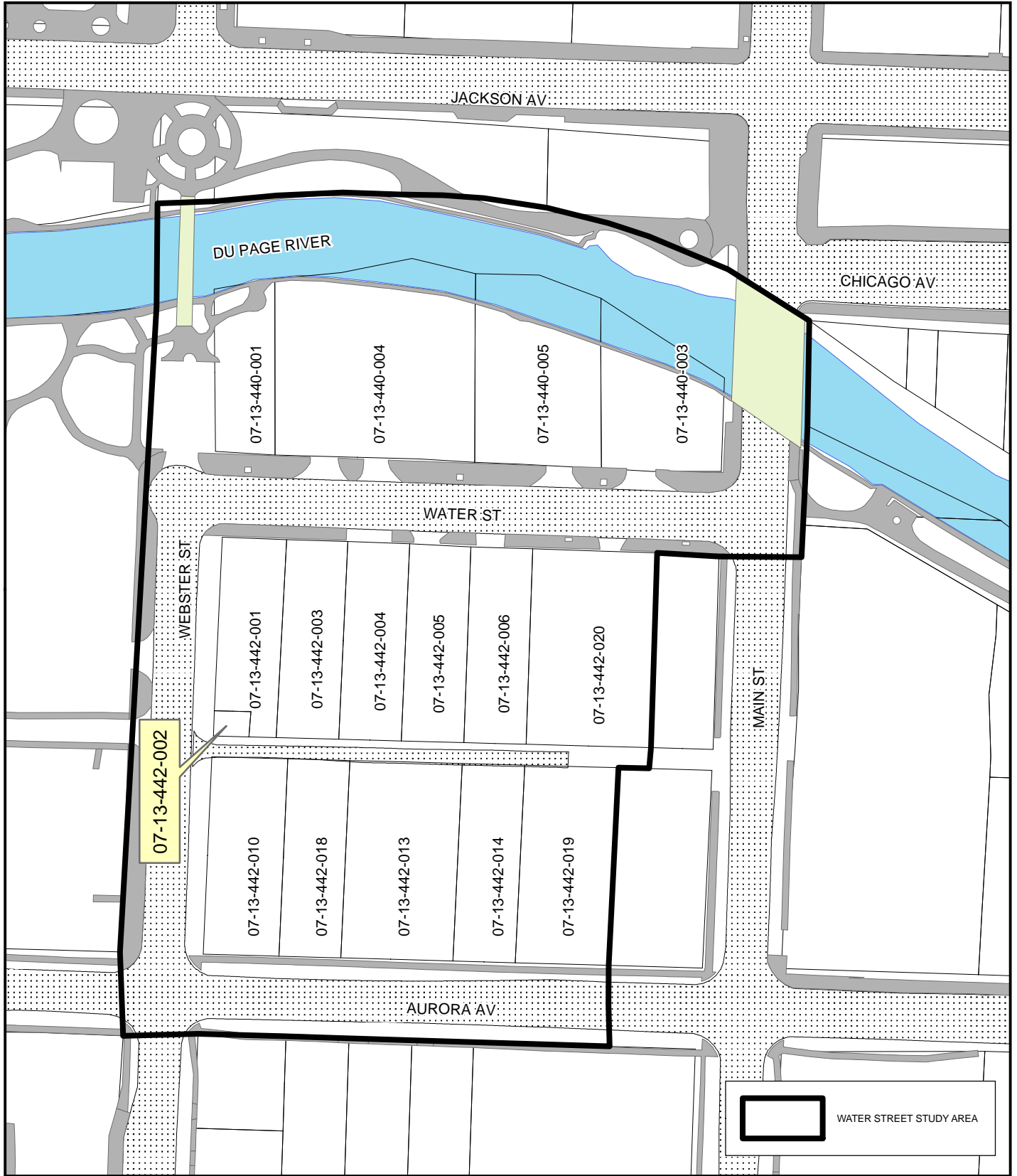
LOTS 1, 2, 3, 4, 5, 6, 7 AND 8 IN BLOCK 1, AND LOTS 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 AND THE WEST HALF OF LOT 15 IN BLOCK 4, ALL IN MARTIN'S ADDITION TO NAPERVILLE, BEING A SUBDIVISION OF PART OF THE SOUTHEAST QUARTER OF SECTION 13, TOWNSHIP 38 NORTH, RANGE 9 EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO THE PLAT THEREOF RECORDED FEBRUARY 6, 1847 AS DOCUMENT 2584, IN DUPAGE COUNTY, ILLINOIS

TOGETHER WITH ALL OF WATER STREET LYING NORTH OF THE NORTH LINE OF BLOCK 4 AFORESAID, AND ALL OF WEBSTER STREET LYING NORTH OF THE SOUTH RIGHT-OF-WAY LINE OF AURORA AVENUE AND LYING WEST OF BLOCKS 1 AND 4 AFORESAID, AND ALL OF AURORA AVENUE LYING SOUTH OF THE SOUTH LINE OF BLOCK 4 AFORESAID AND LYING WEST OF THE SOUTHERLY EXTENSION OF THE WEST LINE OF THE EAST HALF OF LOT 15 IN BLOCK 4 AFORESAID, AND ALL OF THE PUBLIC ALLEY (FORMERLY PLATTED AS SQUAW LAIN) LYING WITHIN BLOCK 4 AFORESAID LYING WEST OF THE SOUTHERLY EXTENSION OF THE WEST LINE OF LOT 1 IN SAID BLOCK 4, AND ALL OF MAIN STREET LYING NORTH OF THE EASTERLY EXTENSION OF THE NORTH LINE OF BLOCK 4 AFORESAID, AND ALL OF THE DUPAGE RIVER LYING EAST OF THE NORTHERLY EXTENSION OF THE WEST RIGHT-OF-WAY LINE OF SAID WEBSTER STREET AND LYING WEST OF THE NORTHERLY EXTENSION OF THE EAST RIGHT-OF-WAY LINE OF SAID MAIN STREET AND LYING NORTH OF THE NORTH LINE OF BLOCK 1 AFORESAID, ALL IN DUPAGE COUNTY, ILLINOIS.

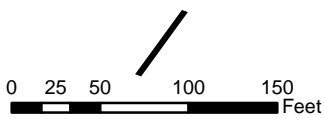
EXHIBIT B

RPA BOUNDARY MAP

City of Naperville
WATER STREET STUDY AREA BOUNDARY MAP



Transportation, Engineering and
 Development Business Group
 Questions Contact (630) 420-6694
 www.naperville.il.us
 May 2006



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