



*The City Newsletter*

# Elmhurst

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Issue 2

## Creative Intergovernmental Agreement Benefits Community

The City of Elmhurst's long tradition of intergovernmental cooperation with other taxing bodies has resulted in a mutually beneficial solution to a potentially serious problem.

During the summer of 2003, Elmhurst Community Unit School District 205 officials disclosed the existence of a serious budget deficit. A number of factors contributed to the school district's financial crisis, including increased enrollment, rising operating and staffing costs, unpredictable state funding, unfunded state and federal mandates, and the property tax cap. School district officials carefully scrutinized budget line items for opportunities to reduce expenditures without increasing class size or cutting essential programs, both of which would adversely impact the quality of education for School District 205 students. Although expenditure reductions of nearly \$1 million were made in areas such as supplies and staff development, it was estimated that the school district would still experience deficits of approximately \$1.2 million per year over the next few years.

*"School District 205 formally requested assistance from the city in reviewing possible sources of additional revenue."*

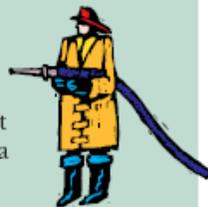
After all reasonable expenditure reductions were implemented, School District 205 formally requested assistance from the city in reviewing possible sources of additional revenue. Passage of a property tax levy referendum seemed unlikely so soon after two referenda were approved by Elmhurst voters – the first for improvements to York Community High School and other District 205 schools, and the second for construction of a new Elmhurst Public Library. (It is important to understand that, per Illinois law, the additional property tax revenue resulting from the school and library referenda approved by voters in 2000 can be used only for the purposes stated in the referenda.) While other options were considered,

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## Restoring a Piece of Elmhurst History

Early in 1921, the City of Elmhurst purchased one of its first gasoline-powered fire apparatus, a 1921 Seagrave pumper, for \$9,750. Elmhurst Press articles in January and February that year marveled at "...the monster engine..." that could not only draw water from the hydrant but could also "... lift water from the stone quarry or creek at 325 gallons per minute." The little fire truck served the city until the 1950s when it was sold and put on display at a private fire apparatus museum in Wisconsin. In 1995, it was purchased by a private collector in St. Louis and eight years later was returned to the City of Elmhurst. In a cooperative effort, Elmhurst Firefighters Local 3541 and the city are attempting to restore this piece of Elmhurst history, so that it can be shared with the community. For more information or to contribute to the effort, please call the Fire Department administrative office at 530-3090.



# Creative Intergovernmental Agreement *continued*

ultimately, the best solution appeared to be the early release of properties from the Central Business District Tax Increment Financing District (TIF I), which would increase the property tax base for all taxing bodies. Although School District 205 receives approximately 67% of property tax revenues collected, the following taxing bodies will also benefit from the agreement: DuPage County, DuPage Airport Authority, DuPage County Forest Preserve District, Junior College 502, Elmhurst Park District, Elmhurst Public Library, York Township and the City of Elmhurst.

This issue has generated considerable press coverage and numerous questions from city and district officials, concerned business people, parents and residents. The following question and answer section is intended to shed light on this rather complex issue.

## 1) What is Tax Increment Financing or TIF?

Tax Increment Financing is a tool used by local governments to revitalize underdeveloped areas without raising taxes or using general funds needed for police, fire protection and public works. The revitalization effort is funded from the growth in property tax revenues – the “tax increment” within the redevelopment district. The tax increment (the difference between the property tax revenue generated before and after TIF designation) is used to improve infrastructure, attract viable businesses and private investment, and thereby convert a deteriorating area into a safe, attractive and economically thriving area. Tax Increment Financing is used in communities of all sizes, both urban and rural, in all but three states in the United States. As of January 31, 2004, a total of 874 TIF Districts had been created in 353 Illinois municipalities, including three in Elmhurst. Elmhurst’s first Tax Increment Financing District, TIF I, was created in 1986 in the Central Business District.

## 2) What were the reasons for creating TIF I?

TIF I was created to revitalize an economically stagnant, outdated and uninviting downtown business district with numerous vacancies and low shopping activity. The redevelopment plan goals included creating an attractive and interesting blend of retail, residential, restaurant and office space; providing adequate parking and good traffic flow; improving infrastructure; providing quality streetscape; developing an attractive architectural design while maintaining traditional aesthetics; and bringing all properties into compliance with fire and building safety codes.

## 3) Have the objectives of TIF I been accomplished and, if not, how much longer is required?

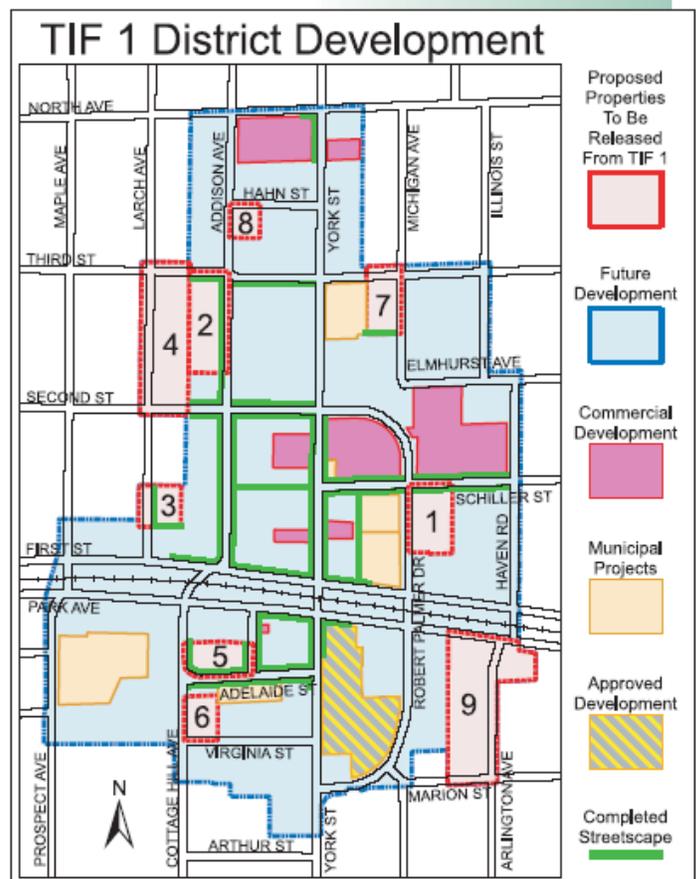
Elmhurst’s Central Business District has become a lively and attractive destination with new vitality and greatly increased pedestrian traffic. The revitalized downtown has

attracted new businesses and private investment. Property values and sales tax revenue have both increased dramatically. Mr. Don Eslick, Director of the Illinois Tax Increment Association (ITIA) has referred to Elmhurst’s TIF I as a “. . . model for other communities – an outstanding example of the use of Tax Increment Financing as a redevelopment tool.”

It is no accident that Elmhurst has been noticed well beyond its borders. Last year *Chicago* magazine ranked 192 suburban communities based on five quality-of-life categories: health and safety, housing, transportation, leisure and schools. Communities were broken down into five groups based on average 2002 house sales. Elmhurst, described as “. . . the quintessential Chicago suburb,” outscored the closest competitor in its group by 13 points. The accomplishments that led to this and other recognitions are the result of foresight and planning, intergovernmental cooperation, and community members who work together to maintain strong housing values, quality schools, safe neighborhoods and a thriving economy.

While significant improvements have been made in the downtown TIF District, the original redevelopment plan is not complete (see exhibit below). Infrastructure

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## Creative Intergovernmental Agreement *continued*

improvements and further development are still necessary to enable the entire area to meet its fullest and best use. Additional tax increment revenues are needed for the city to achieve its objectives for the downtown and fulfill its commitment to the business and property owners in TIF I,

as well as to the entire community. TIF I is scheduled to end in 2009, 23 years after its creation. The tax increment generated by all TIF I properties over the next five years is crucial to the completion of the redevelopment plan. Future projects include additional streetscape, cultural campus improvements and linkage to downtown, utility improvements, upgrades to parking lots and decks, and land acquisition.

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### 4) Who drafted the agreement between School District 205 and the City of Elmhurst, and

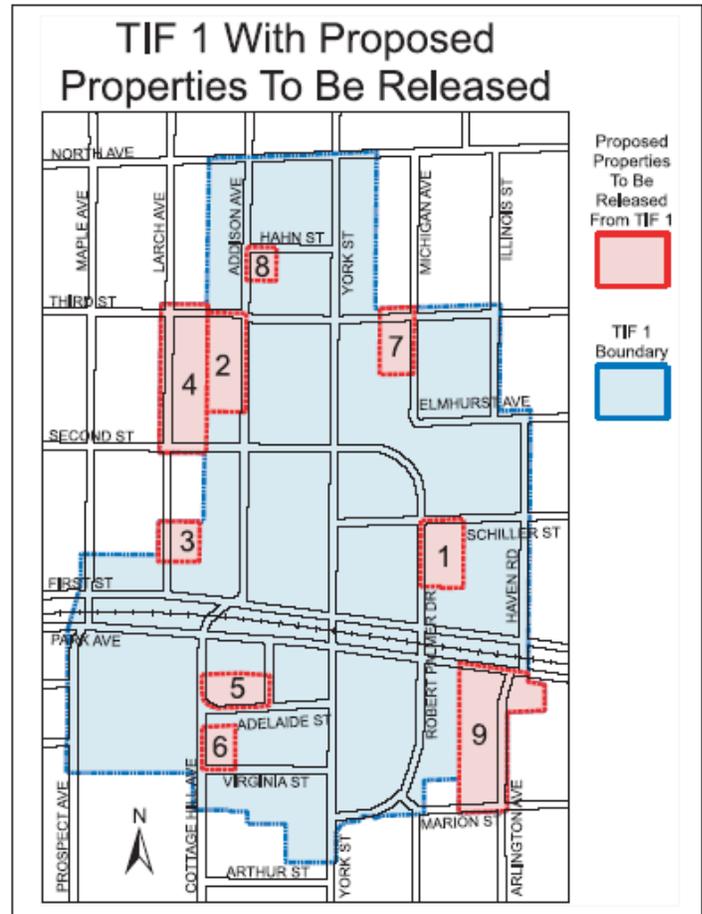
have agreements of this kind been implemented in other communities?

The agreement was drafted by staff and attorneys representing the school district and the city. The joint effort was necessary to protect the interests of those most affected by the agreement. Agreements to extend the life of a TIF District have been implemented in 32 other Illinois communities in the past. In 2003, the Village of Oak Park approved an agreement with Oak Park school districts to put seven improved parcels back on the tax rolls and extend their downtown TIF District by 12 years to allow development to continue.

### 5) What is in the agreement between School District 205 and the City of Elmhurst?

The agreement includes two major components. The first is to release nine fully developed parcels (see illustration and table below) back onto the tax rolls to enable significant property tax revenue to begin flowing to taxing bodies in June of 2005. For example, the parcel where Museum

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### Central Business District TIF I Property Tax Revenue - Proposed To Be Released From TIF I Comparison - 1986 Actual to Projected 2004

Proposed Properties To Be Released From TIF I	Property Tax Revenue	
	Frozen Actual 1986 Levy	Projected 2004 Levy
1) Elmhurst Place	\$ —	\$ 180,489
2) Market Square	15,546	351,491
3) 111 Larch (Park Elm)	4,812	117,874
4) Larch Avenue (2nd and 3rd)	12,291	155,473
5) Museum Square	—	333,113
6) 137-145 Cottage Hill	2,966	42,498
7) 200 Michigan	5,289	25,413
8) 231-241 Addison	3,870	40,329
9) Arlington/Park/Marion	40,257	177,506
Total (Properties 1-9)	\$ 85,041	\$ 1,424,186

# Creative Intergovernmental Agreement *continued*

Square now stands (parcel #5) was a city-owned parking lot in 2000, generating no property tax revenue. The town home development now on the site has an EAV (equalized assessed value) of over \$6 million and will generate approximately \$333,000 annually in property tax revenue. Property taxes were declining in the downtown prior to the creation of TIF I. The TIF and other city initiatives have attracted significant private investment and resulted in a dramatic increase in the value of the nine developed properties and the property tax they generate.

The second major component of the agreement arises from the city's commitment to complete the TIF I redevelopment plan. The early release of parcels from the TIF District will reduce the tax increment revenue by 62% (based on 2004 values) and make it impossible for the city to develop the remainder of TIF I by 2009. The only way for the city to achieve that objective is to extend the life of TIF I. In return for the early release of the nine parcels from TIF I, the school district has agreed to support the city in its request to extend the TIF District until 2021. The nine parcels were selected for removal from the TIF because those project areas are basically completed and they provide the needed revenue of over \$1 million per year to District 205. This additional revenue significantly addresses the school district's budget problem. Mr. Eslick of ITIA has praised the intergovernmental cooperation within the Elmhurst community and the agreement between the city and School District 205 that "... takes a community development tool and leverages it into much needed school financial relief while allowing the TIF development tools to continue serving the community."

## 6) Why was the timing of the agreement between School District 205 and the City of Elmhurst critical?

It was essential for the Illinois General Assembly to consider the extension of TIF I during the spring 2004 legislative session. This timetable will allow the nine properties to be released from TIF I this fall and the increased tax revenues to begin flowing to the taxing bodies in June of 2005. House Bill 6691, sponsored by Representatives Lee Daniels

and Bob Biggins, was passed by the Illinois House in March. The bill was sponsored in the Illinois Senate by Senators Dan Cronin and Ray Soden and was approved on May 11, 2004. When the legislation has been signed by Governor Blagojevich, the city will take the action necessary to release the nine properties from TIF I and extend the life of TIF I by 12 years.

## 7) What assurances are there that the taxing bodies will not be harmed by the early release of properties and the extension of TIF I?

The agreement between School District 205 and the City of Elmhurst includes a provision that all taxing bodies will receive tax revenues at least equivalent to the funds they would have received had the TIF District ended on its original schedule (see exhibit below). The provision essentially states that if the tax dollars are received by the city, they must be distributed to School District 205, as specified in the agreement and illustrated in the exhibit below. Although the city may enter into other public/private partnerships that include incentives for additional growth in the area, those agreements must not adversely affect the tax revenue distributed to the taxing bodies. The school district and the city will meet annually to review the status of the agreement and its implementation.

Elected officials and staff of the City of Elmhurst and School District 205 are pleased that this creative agreement has provided a viable solution to the revenue needs of School District 205 and the city's commitment to complete improvements in the Central Business District.

