

# **Tax Increment Financing: *A Community Development Tool***

***May, 2016***



## ***TIF Concept***

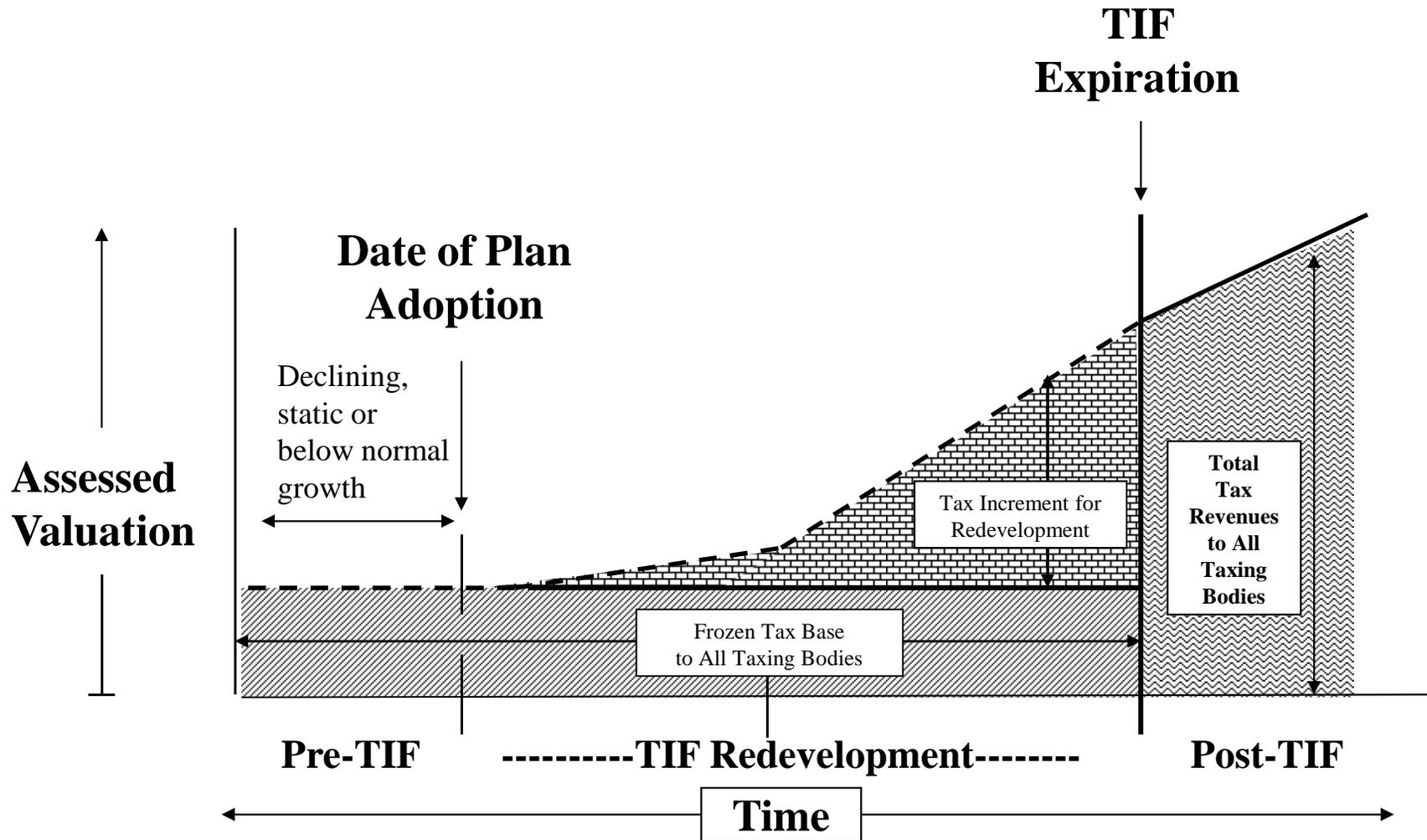
- TIF is a development vehicle that allows local taxing bodies to make a joint investment in the development or redevelopment of an area.
- TIF allows all EAV growth (increment) to be reinvested in the redevelopment area.
- This new EAV growth is generated from public and private investments made in areas that are currently underperforming or blighted.
- All taxing bodies receive the potential benefits of the increased EAV at the conclusion of the TIF
- Advantages for taxing bodies result from a higher EAV growth that would have not otherwise occurred **but for the TIF**.
- TIF districts are statutorily established for a period of 23 years, and can be terminated early or extended by statute.



## ***Tax disbursement upon creation***

- When a TIF is created, the current value of the property (EAV) is established as the “Frozen Base”.
- Taxes levied on the “Frozen Base” continue to go to all taxing bodies as they always had.
- The growth of the EAV above the Frozen Base generates the “increment”.
- This “increment” is collected in a special allocation fund used solely to make additional eligible investments in the TIF area.
- Reinvestment of the “increment” generates additional growth in EAV which typically results in even more “increment” creation for further reinvestment within the TIF area.

# How Does TIF Work?





## ***History of TIF in Elmhurst***

### **Redevelopment Project Areas:**

#### **TIF I: Central Business District (created 1986; expires 2021)**

Frozen Base \$13,528,005

Current EAV \$35,403,983

Released Frozen Base \$2,605,740

Released EAV \$34,440,681

#### **TIF II: Lake Street (created 1993; expires 2016)**

Frozen Base \$4,459,809

Current EAV \$13,164,440

#### **TIF III: Illinois Route 83/St. Charles Rd. (created 1996; expires 2019)**

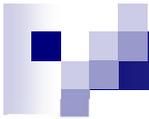
Frozen Base \$4,159,380

Current EAV \$10,565,040

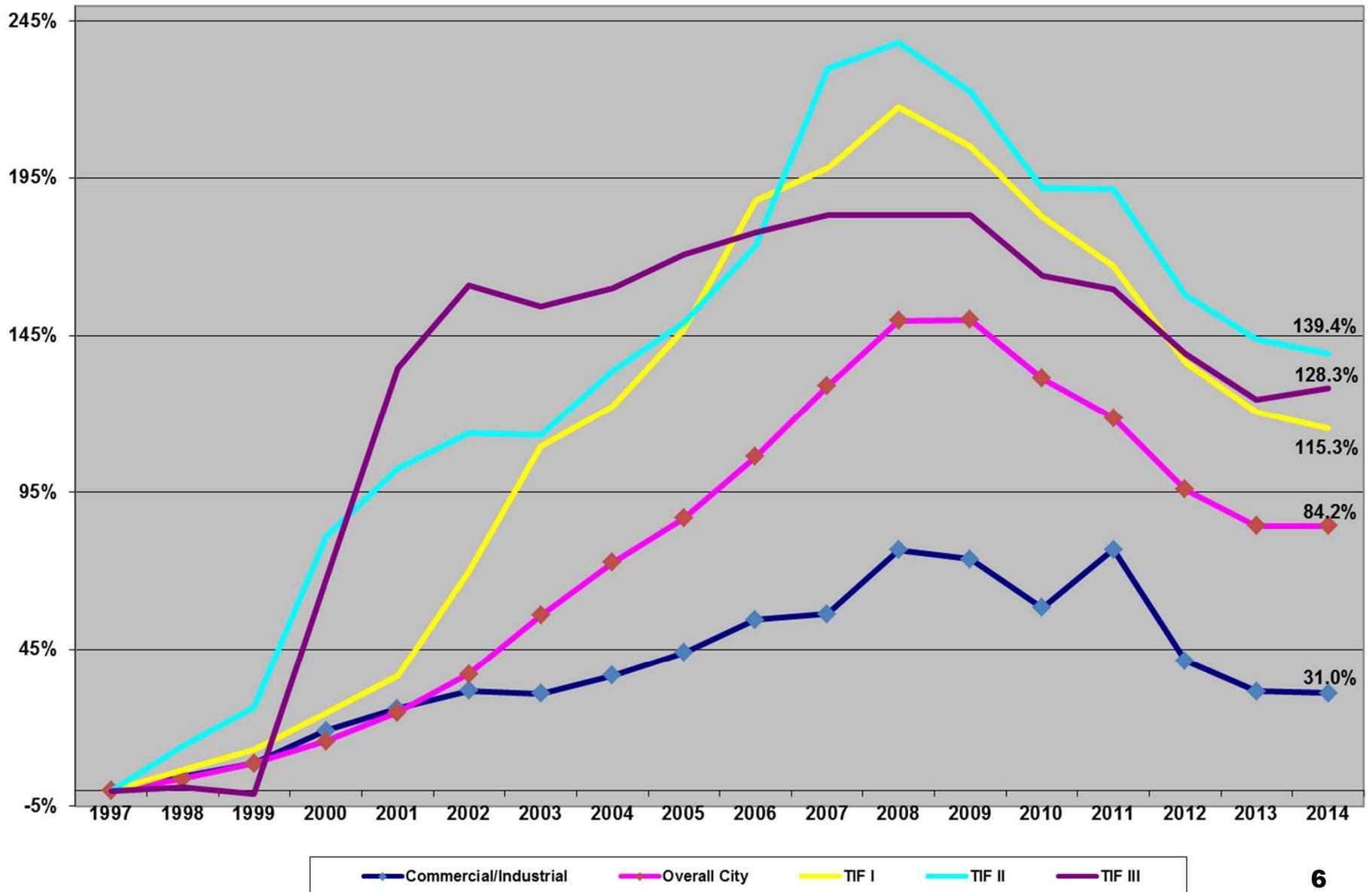
#### **TIF IV: North York Street (created 2012; expires 2035)**

Frozen Base \$24,733,740

Current EAV \$28,564,410



## Percentage Change in EAV from 1997 Value





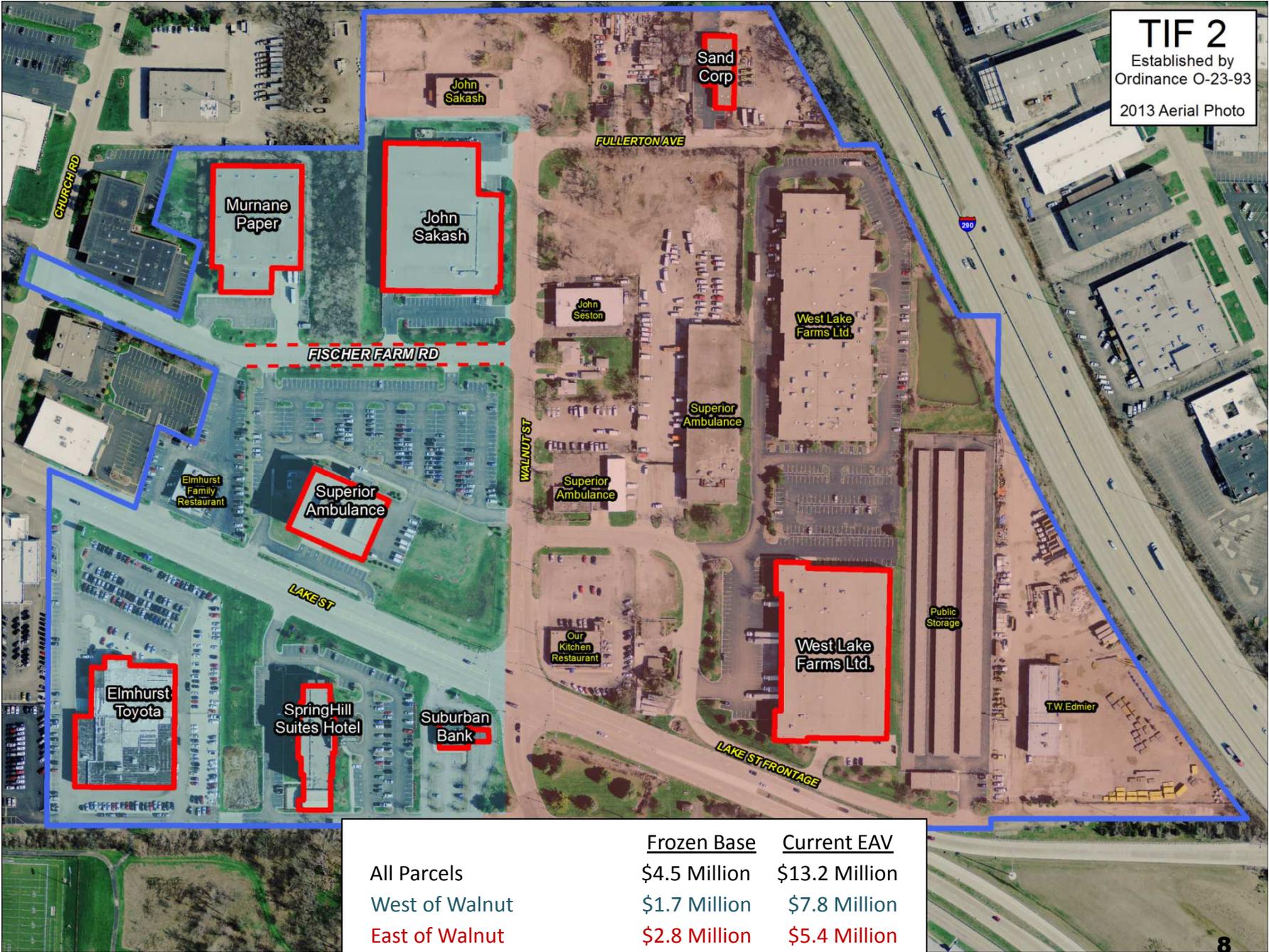
# TIF 2

Established by  
Ordinance O-23-93  
1986 Aerial Photos

*Building footprints within TIF District  
have been updated to show buildings  
constructed between date of photo  
and establishment of TIF.*

 0 100 200 300 Feet

**TIF 2**  
 Established by  
 Ordinance O-23-93  
 2013 Aerial Photo





# *Equalized Assessed Value*

## TIF II

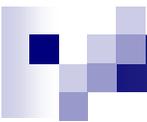
	<u>Frozen Base</u>	<u>Current EAV</u>
Parcels West of Walnut (11)	\$1,700,000	\$7,800,000
<u>Parcels East of Walnut (26)</u>	<u>\$2,800,000</u>	<u>\$5,400,000</u>
All Parcels (37)	\$4,500,000	\$13,200,000

2014 Property Tax Increment = \$678,000

West of Walnut (11 parcels) = \$471,000 (70% of increment)

East of Walnut (26 parcels) = \$207,000 (30% of increment)

Projected funds for projects/land assembly through 2016 (last collection 2017) = \$3,600,000



# ***Conditions for Qualifying a Redevelopment Area***

**There are two threshold qualifications for TIF eligibility**

**Blight** - The area must meet at least 5 of the qualifying factors listed below.

**OR**

**Conservation** - At least 50% of the structures in the proposed TIF area must be at least 35 years old and the area must meet at least three of the qualifying factors.

Qualifying factors:

- Dilapidation
- Obsolescence
- Deterioration
- Illegal use of individual structures
- Structures below minimum code standards
- Excessive land coverage and overcrowding of structures and community facilities
- Lack of ventilation, light or sanitary facilities
- Inadequate utilities
- Excessive land coverage
- Deleterious land use or layout
- Environmental clean-up
- Declining equalized assessed value
- Lack of community planning



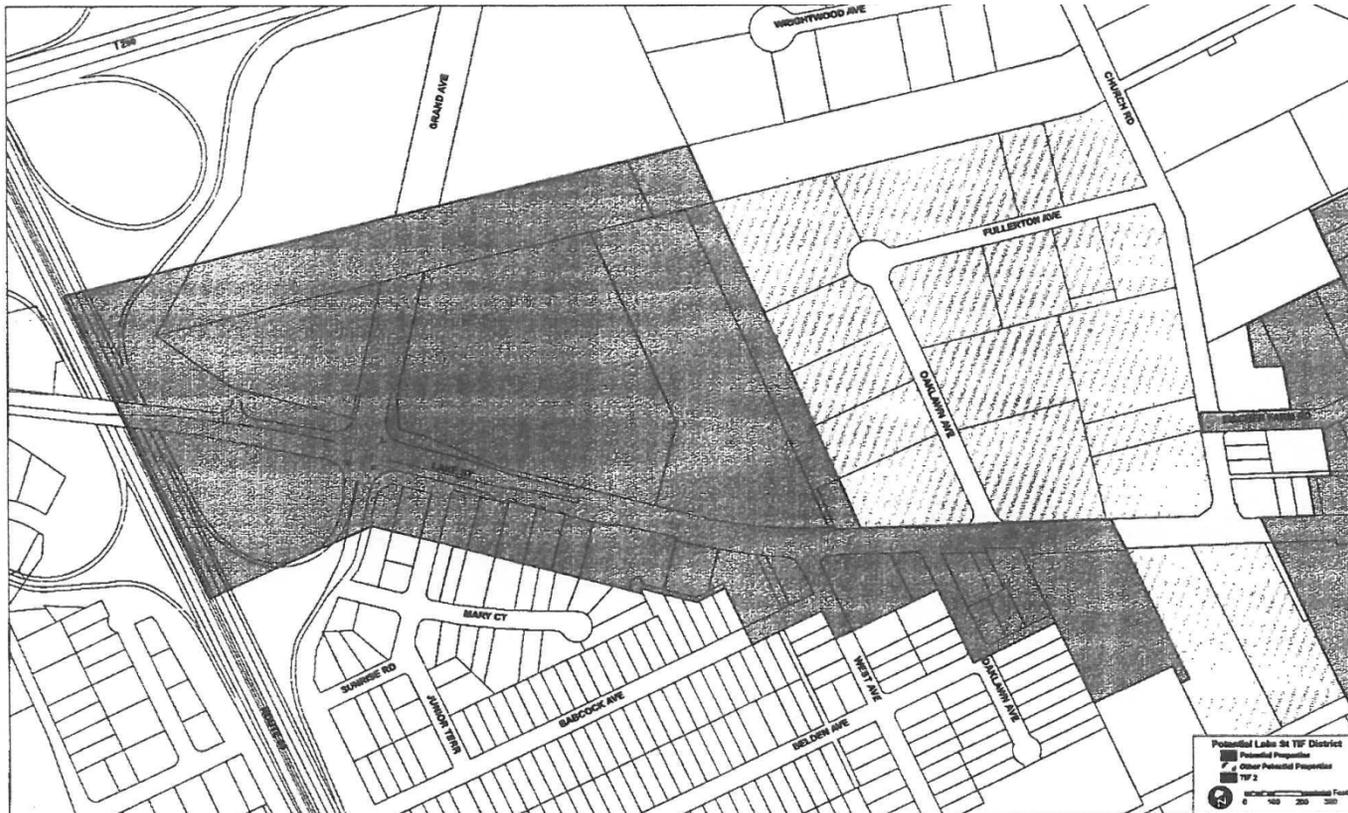
## ***Lake and Grand Study Area***

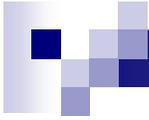
The City with assistance from the Economic Development Commission identified 9 sub areas for review and evaluation

In June of 2011 the Economic Development Commission recommended that Kane McKenna evaluate 5 study areas to determine the benefit of economic development tools to encourage public and private redevelopment in the study areas.

- **Lake Street**
- **Riverside Drive**
- **North York Street**
- **York and Vallette**
- **York and Butterfield**

# Lake St Study Area 2011



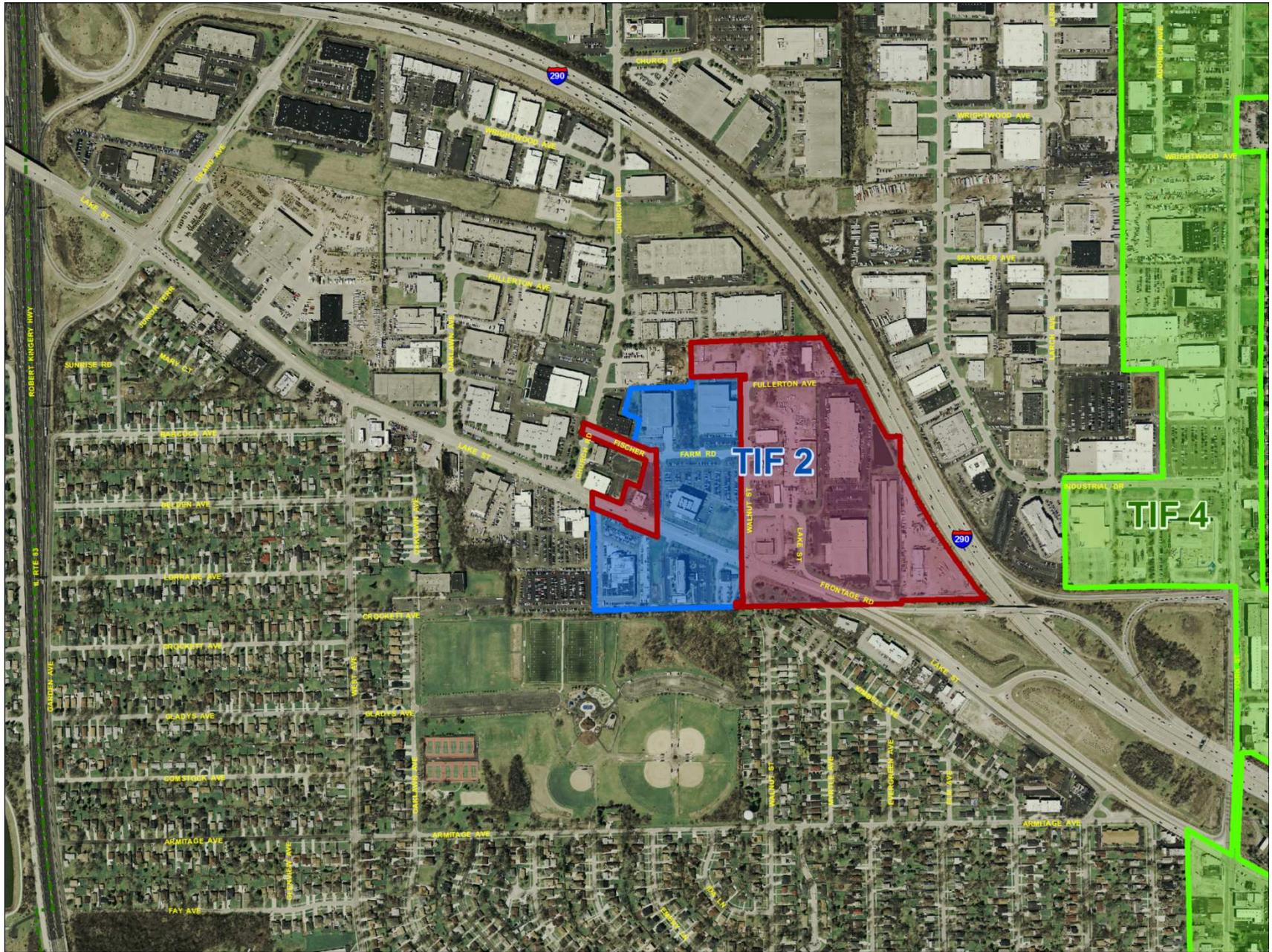


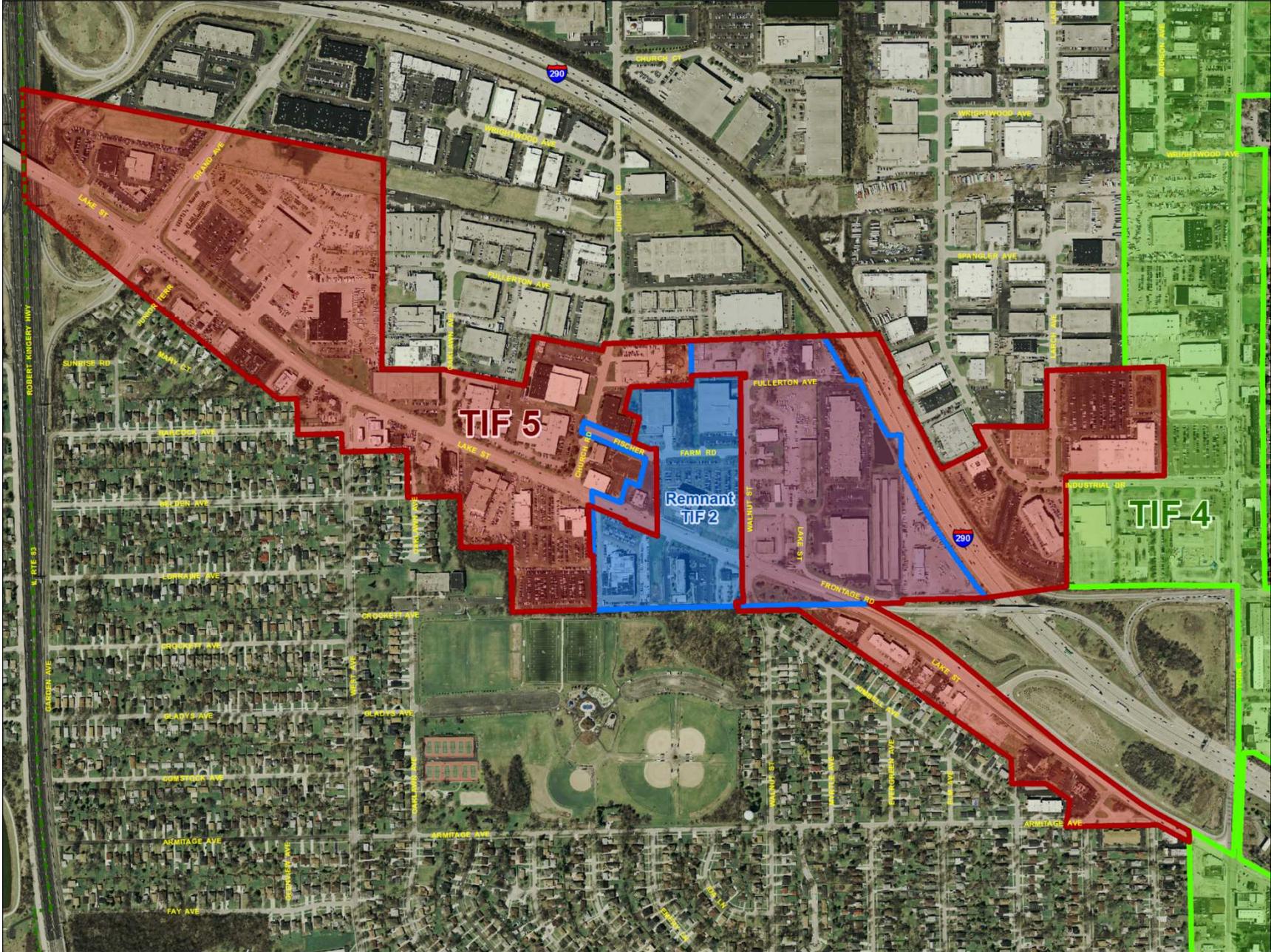
# Proposed Redevelopment Area

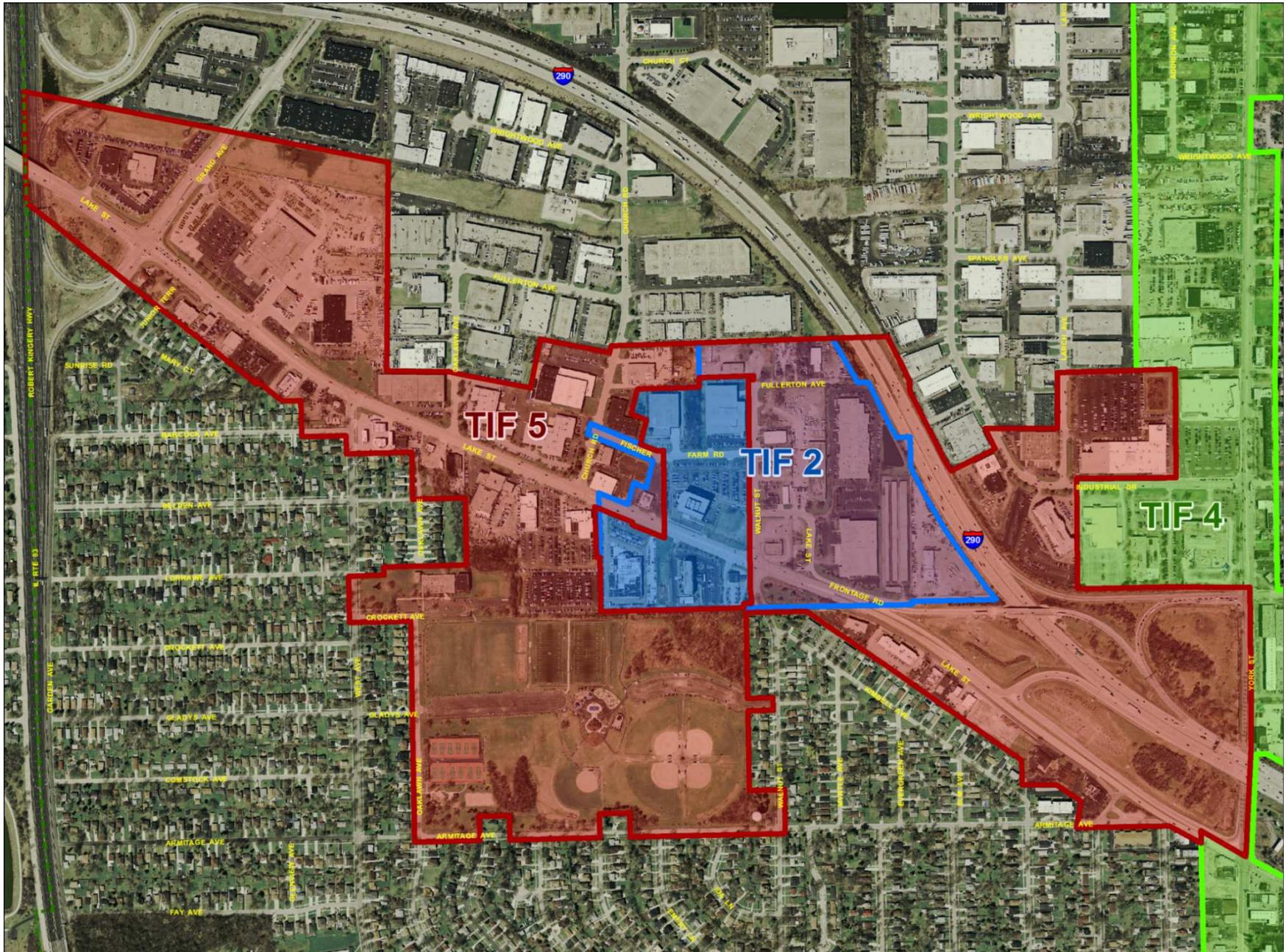


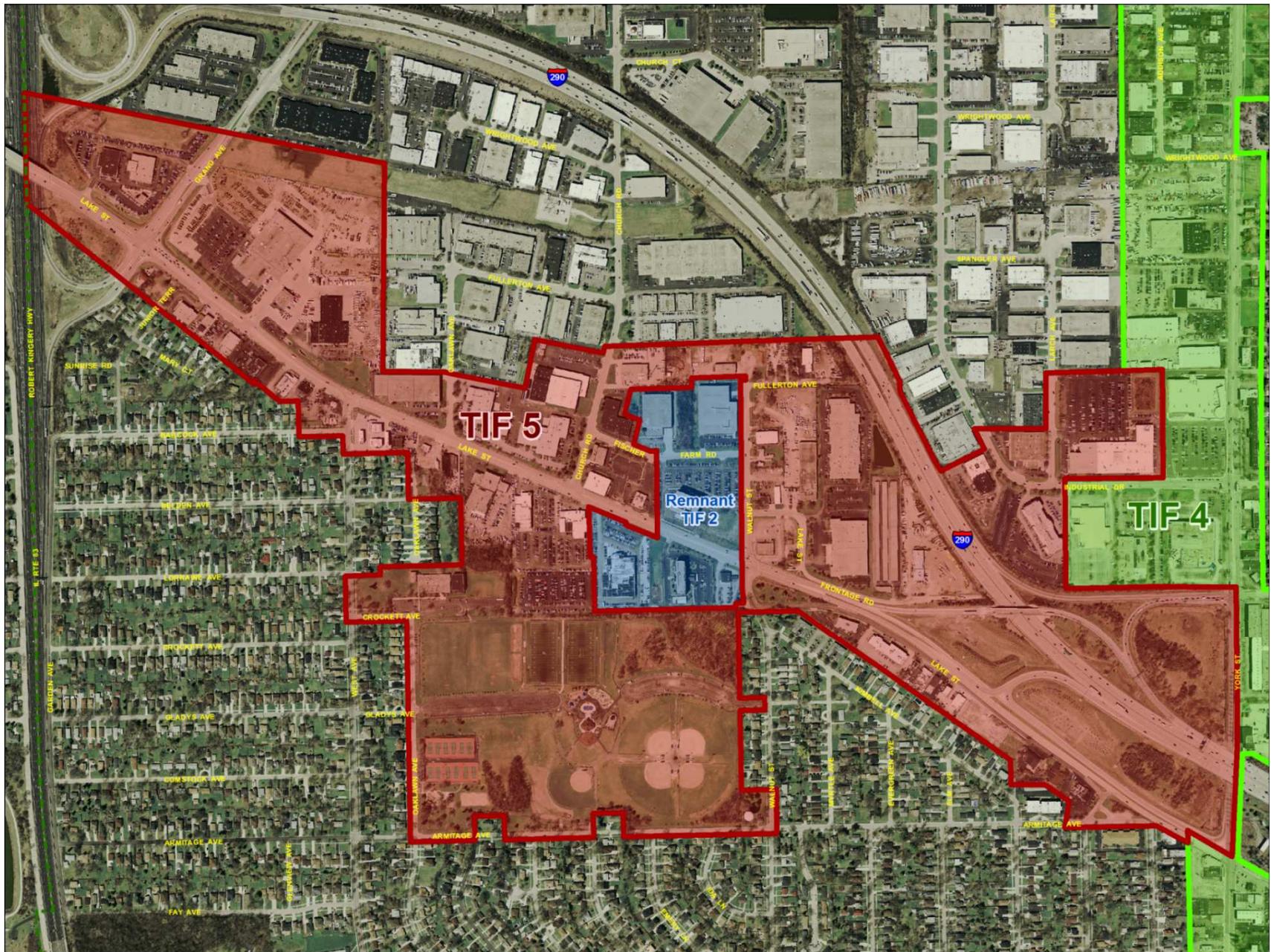
TIF 2

TIF 4











In the proposed redevelopment area 63% of all structures were found to be 35 years of age or older (meeting the requirement for a conservation area) and met the following 6 qualifying factors:

- Obsolescence
- Deterioration
- Inadequate Utilities
- Deleterious Land Use and Layout
- Lack of Community Planning
- Decline or Lag in EAV

For reference, TIF IV (North York TIF) was designated a conservation area and met the following 6 qualifying factors:

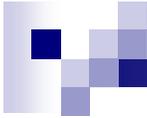
- Obsolescence
- Deterioration
- Excessive Vacancies
- Deleterious Land Use and Layout
- Lack of Community Planning
- Decline or Lag in EAV



## ***Elmhurst Auto Group (BMW – Toyota – Jaguar)***

### **Elmhurst BMW**

- Had agreement with BMW North America for franchise required renovation to occur in 2016.
- October 2015 – BMW North America informed Elmhurst BMW planned renovations were no longer acceptable due to inadequate size of the existing site.
- BMW North America identified new sites outside of Elmhurst for relocation consideration for Elmhurst BMW.
- Elmhurst BMW investigated new sites locations, as well as, financial incentives from other municipalities.
- Elmhurst BMW also simultaneously investigated other possible Elmhurst locations.
- Due to relocation of Gerber North America corporate headquarters in Elmhurst the former Gerber location adjacent to the Elmhurst Auto Group became available (500 W. Lake St.).



- Early November 2015 - Due to the substantial land acquisition costs required, Elmhurst BMW approached the City for financial assistance to assist in purchase of key parcels which would allow BMW to stay in Elmhurst
- Elmhurst BMW inquired if Elmhurst would consider matching an incentive proposal from neighboring community (\$6 million).
- Mid-November 2015: Elmhurst BMW presented to BMW North America the option of staying in Elmhurst if key parcels could be controlled by Elmhurst BMW
- December 15, 2015: BMW North America notified Elmhurst BMW proposed option was acceptable as long as key parcels could be controlled by a date certain.
- January 2016: Elmhurst BMW signed a sales contract with intent to purchase 500 W. Lake St.
- May 2, 2016: Closing occurred for site at 500 W. Lake St.



## ***Financial Considerations***

**Elmhurst annual municipal 1% sales tax revenue (2015):           \$11,977,581**

**Auto dealer sales tax revenue (30% of total sales tax- \$3.6 million)**

- Elmhurst Auto Group is one of the highest sales tax producing business in Elmhurst. Together they sold \$107,773,000 in vehicles and parts yielding \$1,077,773 in sales tax to the City of Elmhurst.
- Loss of not only BMW but entire Elmhurst Auto Group.
- Loss of other dealerships.
- Loss of BMW would effect ability to attract other luxury auto dealerships.
- “Snowball effect” – potential catastrophic loss of sales tax revenue.
- Loss of number of employees and ancillary revenue benefits. (currently 166 employees)
- Loss of unique visits for sales and service and ancillary revenue benefits. (44,681 service visits and 32,594 sales visits)



# ***Financial Considerations***

## ***Auto Group Expansion***

- Elmhurst Auto Group expects a 50% increase in vehicle sales with additional showroom and inventory space.
- Elmhurst Auto Group will also increase service sales with additional mechanics space.
- Increased inventory translates into additional sales visits from customers.
- Increased service space translates to increased service visits and ancillary sales.
- Increased sales and services translates into additional jobs.



## ***Funding of \$6 million incentive request***

- Creation of TIF V
- Transfer Land Improvement/Acquisition funds from TIF II to TIF V for land acquisition (\$3.6 million, 2017).
- Issue G.O. Bond (revenue based) to be repaid by incremental increase of sales tax generated by Elmhurst Auto Group for remaining \$2.4 million of incentive over a projected 9 year life.



## ***Next Steps***

**DPZ Committee reviews establishing proposed TIF V and makes recommendation to City Council**

**Upon Positive recommendation for establishing TIF V, DPZ Committee begins negotiation of Redevelopment Agreement with Elmhurst Auto Group**