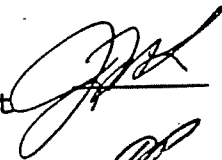
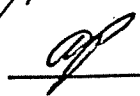


DATE: January 31, 1995

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TO: President Lawrence B. Christmas and the  
Board of Trustees

FROM: John W. Labaj, Director  
Community & Economic Development 

NOTED: Allen J. Parker, Village Manager 

SUBJECT: Ordinances Designating the Madison Street Corridor  
Tax Increment Financing District

Background

The Board of Trustees, sitting as the Committee of the Whole, approved in concept the study of a Madison Street Corridor Tax Increment Financing District (TIF) as part of the economic development agenda for the Village. A study concluding that the area would qualify as a conservation district was completed in October of 1994. A series of meetings and consultations were held with the Madison Street Business Association Board, as well as informational meetings for businesses within the affected proposed TIF boundaries. A formal public hearing was established by the Board of Trustees on November 17, 1994, and was conducted on January 9, 1995. In addition, the Joint Review Board (JRB) as required under TIF statutes, did meet on December 15, 1995 to review the public record, planning documents, and proposed ordinances as well as the eligibility of Madison Street as a TIF conservation district.

At the January 9, 1995 public hearing there were three testimonies made in regard to the establishment of the Madison Street Corridor TIF District. Following are responses to a number of the issues raised during the public testimony. The nature of the exact redevelopment plan for the Madison Street Corridor TIF District was discussed. In the Madison Street Business Corridor TIF Redevelopment Plan and Project, a number of goals and objectives and estimated overall redevelopment area costs were outlined. Any specificity as to development beyond the goals and objectives of the Plan would simply be conjecture on our part. The area is wanting for new development. Therefore, the strategy would be to secure a TIF designation and use that as an incentive to attract private development to the district. In this way a public/private planning effort would be conducted on an individualized actual project level. The builtout nature of the Madison Street Corridor TIF District will, by nature, direct our attraction efforts to a number of vacant or under-utilized sites within the corridor.

That, however, does not exclude a comprehensive approach to the

broader issues of parking and environmental abatement needed throughout the entire corridor. The establishment of the TIF can provide a useful income stream to "pay as we go" with incremental revenues for needed environmental, parking and planning studies.

The question of how much incremental revenue would be generated by the TIF, especially in light of potential property tax cap legislation, was addressed by a number of the respondents at the public hearing. There is no easy nor definitive answer to this question. The proposed Madison Street Corridor TIF District roughly contributes four percent to the Village's total equalized assessed value (EAV). The four percent EAV has been roughly constant over the last twelve years. The Madison Street Corridor TIF constitutes 17 percent of the total commercially assessed EAV within the Village. This amount has been declining over the past twelve years. It is anticipated that these ratios will remain constant, absent substantial project-based private investment.

The Madison Street Corridor TIF effect on the EAV will not be discernable until two to three years after the creation of the district. All other factors being constant, the tax cap currently anticipated under proposed State statutes would limit the amount levied to the consumer price index or five percent, whichever is less. Average annual EAV growth in the Village has been six percent. Average Village-wide EAV growth should be able to offset this increased levy amount. It is important to note that under current TIF statutes, EAV increases due to the State's multiplier for Cook County assessments are backed out of the calculation for TIF district increments. For example, if a TIF district's EAV is \$1 million and increases to \$1.2 million EAV due to an increase in the State's multiplier, that \$200,000 would be available to all taxing jurisdictions.

However, there are additional variables which will effect the TIF, given tax cap legislation. Staff has been in communication with a number of professional organizations and consulting firms who have State-wide TIF experience. They concur that tax caps will lead to a reduction of a community's tax rate, and this limiting factor will reduce the amount of incremental assessment generated in a TIF district. Much of the reduction is based on a number of variables specific to a given community. Those variables (county multiplier, levy amounts, tri-annual reassessments, the limiting rate, new growth) are unknown at this point. To further address this issue with any definitive analysis, a final form of tax cap legislation will be needed. In addition, we will need to retain a firm who has experience in TIF bond underwriting to run multiple analyses based on assumed variables, analyses we do not believe would be worthwhile at this time.

Questions were raised regarding provisions for including Oak Park Hospital into the Madison Street Corridor TIF District. We have received a request from Oak Park Hospital to be included in the boundaries of the TIF designation. However, staff recommended proceeding with the designation of the original TIF district boundaries as proposed prior to entertaining and/or acting on any amendments to the district.

The Joint Review Board (JRB) is continuing its work on crafting a surplus agreement with the affected taxing jurisdictions in the Madison Street Corridor TIF District. The only taxing body pursuing this agreement and offering public testimony during the public hearing is District 97. The district has agreed to continue working on the surplus language definition after a TIF designation is declared if the Board should so approve.

Other questions raised by testimony at the public hearing centered on community involvement and deliberations with other taxing jurisdictions. As has been noted to the Board, the Village has more than met the statutory requirements under State TIF legislation by consulting with the Madison Street Business Association as well as with property owners on Madison Street through public meetings and through individual staff presentations.

Regarding fiscal ramifications of the proposed TIF, we have fully involved the Madison Street business community in consultations on the benefits and meaning of the tax increment financing declarations. As was noted at the January 9 public hearing, the JRB required under TIF statute is chaired by Trustee John Troelstrup. The JRB is the major vehicle by which other taxing jurisdictions can participate in the Village's review of public records, planning documents and proposed ordinances respecting the eligibility of the area. The JRB is required under TIF statutes to meet annually to review progress in the TIF district on an annual basis. This establishes a mechanism whereby effected taxing jurisdictions (other than through the normal Village budgetary process) will be able to receive updated information on TIF budgets and expenditures.

### Fiscal Impact

Cost to date to the Village is a result of publishing legal notices and mailings as required under the TIF statutes. Those costs borne by the General Fund can be reimbursed through TIF dollars. There will be no TIF funds generated to the Village in FY1995. First TIF funds will be FY95 payable, received in FY96. It will, therefore, be during the 1996 budgetary process that Village staff will make an estimate of potential TIF revenues which will be received and budgeted accordingly.

### Recommendations

It is recommended that the Board approve the attached three ordinances. These ordinances approve the attached tax increment redevelopment plan and project, approve the designation of the Madison Street business corridor redevelopment project area, and adopt a tax increment allocation financing for the Madison Street Business Corridor.

JWL:bf

attachments