



## Agenda Item Executive Summary

**Title:** Tax Increment Financing (Policy Direction)

**Presenter:** Robert M. Bahan, Village Manager & Megan E. Pierce, Assistant Village Manager

**Agenda Date:** 04/18/2017

**Consent:**  YES  NO

<input type="checkbox"/>	Ordinance
<input type="checkbox"/>	Resolution
<input type="checkbox"/>	Bid Authorization/Award
<input checked="" type="checkbox"/>	Policy Direction
<input type="checkbox"/>	Informational Only

### Item History:

March 7, 2017- Financing Strategies for Public Entities (part of Downtown Master Plan Implementation Agenda Item)

### Executive Summary:

Following the March 7 Council meeting and direction to seek Tax Increment Financing (TIF) advisory services, Staff interviewed and sought proposals from qualified firms. We recommend Ehlers & Associates, a firm with extensive municipal advisory experience.

The enclosed agenda report includes a summary of TIF implementation, and the Ehlers proposal provides an outline of required tasks broken into three phases. To determine if the project under consideration is feasible, Staff recommends engaging in Phase 1 only at this time, under the Village Manager's purchasing authority. If the Council wishes to proceed after Phase 1 completion, the other required work to establish a TIF could be formally authorized this summer.

### Recommendation:

Staff recommends Ehlers & Associates to perform TIF Consulting Services and seeks Council concurrence to engage them for Phase 1, Feasibility Study, work.

### Attachments:

- Agenda Report
- Attachment 1: Elm Business District Map
- Attachment 2: Ehlers & Associates Proposal for Tax Increment Financing Consulting Services

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**VILLAGE OF WINNETKA  
AGENDA REPORT**

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TO: Village Council

FROM: Robert M. Bahan, Village Manager  
Megan E. Pierce, Assistant Village Manager

CC: Michael D’Onofrio, Director of Community Development

DATE: April 12, 2017

SUBJECT: Tax Increment Financing (Policy Direction)

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**Meeting Objectives:**

Based on Council direction at the March 7, 2017 Regular Meeting, Staff sought qualified firms to consider in evaluating a Tax Increment Financing (TIF) District for our Elm Business District. On April 18, we seek Council concurrence to engage Ehlers & Associates, Inc. to conduct a TIF Feasibility Analysis under the Village Manager’s purchasing authority.

**Tax Increment Financing (TIF):**

On March 7, Staff presented several types of financing strategies available to public entities that are interested in making public improvements and encouraging development/redevelopment. The Council expressed an interest to explore the applicability of TIF in our Elm Business District, especially in light of the Preliminary Planned Development Application approval for the One Winnetka Development in East Elm. Please see *Attachment #1* for a visual depiction of the project area under consideration for TIF feasibility.

To revisit some of what we discussed, below is a summary of TIF concepts.

TIF is a program that allocates future increases in property taxes from a designated area, or TIF district, to pay for improvements within that area. In Illinois, the TIF district can remain in place for up to 23 years after its creation, but an act of State legislature can extend the district an additional 12 years.

Normally, property is taxed by several different governmental jurisdictions: the municipality, School District, County, Park District, Water Reclamation District, etc. The taxes levied are allocated to each district in accordance with its tax rate. Under TIF, the property taxes resulting from increased value due to new development, rehabilitation or improvement, property appreciation, equalization, or rate changes are all allocated to the municipal TIF fund. Other jurisdictions continue to receive the property taxes generated by the base value of properties in the district prior to the TIF development. All properties in the district are assessed in the same manner as all other properties and taxed at the

same rate, so a TIF is not an increase in taxes. It is only a re-allocation of the increase in tax revenues. Increases in property taxes experienced by property owners are due to reassessment and rate increases, not TIF.

Illinois law specifies a number of requirements that must be satisfied for an area to qualify as a TIF, beginning with identifying the project area and the physical and economic deficiencies that need to be cured. A Feasibility Analysis is required to be performed to meet the statutory requirements. The municipality must also demonstrate that these conditions will not be addressed without some local action, such as the TIF district. Ultimately, TIF establishment also requires the preparation and approval of a Project Area Redevelopment Plan, which includes an assessment of the area in need of economic assistance, and demonstrates why the area needs redevelopment and how the municipality plans to revitalize it. Illinois law requires review by the major overlapping taxing bodies and a public hearing on the plan prior to TIF designation. The plan must be made available for public review and inspection at least 45 days prior to the public hearing.

While several Winnetka Staff have experience in TIF development and implementation, professional outside assistance is required, including a TIF Consultant and TIF Attorney. Staff believes Village Attorney Holland & Knight has the requisite firm experience to perform the required legal work, and it would eliminate the need to seek out a separate firm. Attorney Friedman has confirmed the work related to this work is not included in the Village's retainer, but would be performed by the appropriate experts from their firm and at the Village's special project rate.

**Ehlers & Associates:**

Following Council direction, Staff began to gather more detailed parcel data about the Elm Business District and then spoke to four firms that are reputable for performing TIF studies for municipalities. We interviewed and sought proposals from two of those four firms. After reviewing these proposals in great detail, we feel that both firms are qualified to perform the initial Feasibility Analysis, as well as any further TIF Redevelopment Plan or Approval the Village would decide to pursue. However, given a much lower overall project cost and the clarity of the approach, Staff recommends Ehlers & Associates, Inc. to the Council.

Their proposal for Tax Increment Financing Consulting Services is included as *Attachment #2*. Ehlers is an independent municipal advisory firm that has been working with Illinois municipalities on TIF Districts and Business Development Districts for over 17 years. The proposed project personnel have a combined 55 years plus experience in TIF Districts. Their interview, proposal, and references demonstrate their ability to provide the appropriate advisory services to the Village as well as to engage Staff, the Council, and the community in the information gathering, planning, and development work involved. Below is a summary of the key project work outlined in the Ehlers proposal.

- *Phase 1, Feasibility Analysis:* Before the Village can decide whether to pursue a TIF District, the project must first be deemed statutorily and economically sound. Ehlers will assist the Village in identifying project objectives, establishing proposed district

boundaries, determining eligibility criteria, and researching/confirming parcel data. Ehlers, with Village Staff, will also meet with the other impacted taxing districts to explain the process and feasibility summary. At the end of Phase 1, Ehlers will prepare a Feasibility report that will be presented to the Council; this report will also outline the next steps in the Village wishes to proceed.

- *Phase 2, Preparation of the Redevelopment Plan:* If the Project Area criteria qualify for TIF designation and the Village decides to proceed, Ehlers would then be engaged to prepare the Redevelopment Plan, which is much more focused on the statutory requirements. Other work in this phase would involve developing the legal description, reviewing revenue estimates and redevelopment project costs, and making certifications required by the TIF Act. The outcome of Phase 2 is the Redevelopment Plan.
- *Phase 3, Adoption of the Project:* The TIF Act also outlines a specific adoption process, which Ehlers would then guide the Village in completing. The largest components are the Joint Review Board meeting (composed of representatives from certain impacted taxing districts) and a public hearing. Based on the number of residential units Staff has estimated exist in the proposed Project Area, a public hearing is required. Ehlers would prepare the process for this and assist the Village in conducting the meeting. They will also attend and make presentations at Joint Review Board meetings. The phase would complete with adoption of the necessary ordinances.

In the Ehlers proposal you will note a “Phase 4, Prepare Housing Impact Statement/Study.” While the Village estimates there are more than 75 occupied residential units within the Elm Business District, and therefore we are required to conduct a public hearing, we do not believe 10 or more occupied residential units will be displaced. Therefore, as long as this is confirmed through the process, the Village would not need to pay for a Housing Impact Study. The proposal outlines the task and cost of Phase 4, but this would only be performed if legally required.

As noted, Staff recommends Ehlers & Associates to conduct this work, and to initiate that with the Phase 1, Feasibility Study, which we would engage them for under the Village Manager’s purchasing authority. If after the Phase 1 report, the project is feasible and the Council wishes to proceed, we would bring the remaining Phase 2 and 3 work to the Council for formal approval.

#### **Next Steps:**

We seek Council concurrence on pursuing TIF Project Feasibility for the Elm Business District, as reflected in *Attachment #1*. Phase 1 work would then begin later this month, with an estimated completion in five to eight weeks—meaning a report and recommendation to Council early this summer. Staff and representatives from Ehlers will be available Tuesday to summarize this information and answer questions.

#### **Attachments:**

- *Attachment #1: Elm Business District Map*
- *Attachment #2: Ehlers & Associates Proposal for Tax Increment Financing Consulting Services*

