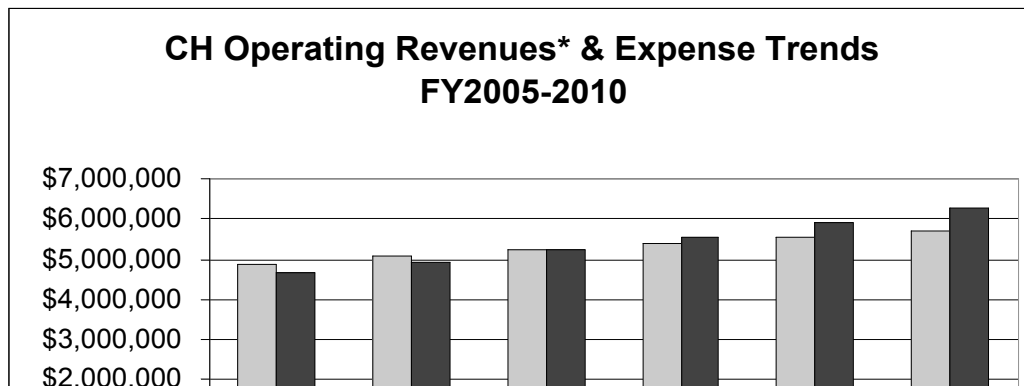


Why does Clarendon Hills Need Commercial Redevelopment?

Clarendon Hills Revenue/Expense Challenges

The Village of Clarendon Hills is facing the same well-publicized revenue/expense challenges facing the State of Illinois, the City of Chicago, DuPage County and many of our adjacent communities.... annual operating expenses are projected to grow (+6%) significantly faster than revenues (+3.5%), as seen in the following chart.



*Includes transfers from Village operating fund reserves.

Projected annual revenues must be increased by \$550,000 by 2010 to maintain Village financial viability and by more than \$800,000 to restore and maintain operating funds reserves at our historic and responsible level of four months of operating expenses.

Revenue Enhancement Needed, while controlling costs

Most of the factors driving increases in the cost of providing key Village services are inflation-driven and/or otherwise beyond the control of local governments. That's because the core element in these costs -- employee (both village and supplier) expense -- is primarily driven by a combination of market forces and state mandates. **Clarendon Hills' per-capita expenditures for key public services such as police and fire are already significantly below those of adjacent communities.** However, given our efficiency, the Village aggressively controls costs whenever possible. While we believe that our current per-capita expenditures for police services are adequate to meet our current public safety needs, our current funding level only provides for minimum staffing needs.

Our very low per-capita expenditures for fire services are a result of our having the only remaining paid on-call - volunteer fire department in the immediate area. It is clear from demographic trends in our community that this cannot continue indefinitely. Moving to the use of paid part-time and/or full-time fire department personnel will result in additional (unbudgeted) fire department costs of \$250,000 - \$500,000 per year.

Revenue enhancement alternatives:

The Village is examining ways to deal with the forecasted imbalance between revenues and expenses that is projected in the near future. Cutting expenses would necessarily mean reducing or eliminating services that the residents have come to expect, including road maintenance, special events, tree services, beautification and potentially public safety services. Instead the focus has been to increase revenue in a way that can be sustained in the future. Two options are available to the Village. First would be the generation of increased sales tax revenues through redevelopment of existing commercial areas. Second, and not the preference of the Village, would be the generation of greater property tax revenues, using referenda, which would either enable higher property taxes under “home rule” authority or would directly authorize property tax increases.

The encouragement of commercial development appears to be the preferred solution. This is the only solution, which does not increase taxes nor decrease services. Instead, it only seeks to recapture sales tax revenues that are currently flowing to surrounding communities. The Village receives 1% of the 6- % sales tax collected on all retail sales. By increasing the amount of sales taxes collected the Village benefits directly in the form of increased revenue. In 2002 the Village only received \$580,000 in sales tax revenue while Hinsdale received nearly \$2 million and Westmont collected \$7.5 million. One of the commercial redevelopment tools successfully used by more than two-thirds of DuPage County Communities is tax increment financing (TIF). This tool has been a factor in insuring development success because it enables the user community to create incentives and physical improvements that attract targeted developers and higher sales tax generating businesses. The more successful the development the greater the sales taxes and the greater the sales taxes the more revenue for the community in which it is located. The effect is that residents outside the community support services provided to the community and its residents through sales taxes, a win-win for all concerned.

Potential redevelopment opportunities:

The Village wishes to increase sales tax revenues from all its commercial areas...55th Street, the downtown CBD and the Ogden Avenue commercial corridor. We are seeking new businesses that attract customers from outside of Clarendon Hills to spend their sales tax dollars in our Village. Of the three areas, Ogden Avenue (because of the amount of traffic) offers the greatest potential for additional revenue. The Village’s effort would take the form of encouraging and assisting the redevelopment of part or all of the two-block stretch on the south side of Ogden Avenue between Oxford and Richmond by one or more private developers via incentives and cooperation.

Although already zoned for this type of business and this type of redevelopment, the likelihood of a significant land assemblage and development without municipal assistance is low. The potential tax increment-financing district under discussion is a tool to encourage redevelopment. By creating this district, the Village is accorded the means to finance the incentives necessary to encourage the types of high sales volume businesses it is seeking. These incentives are paid by the increases in real estate or sales taxes generated by those new projects within the district itself.

The Village is looking for attractive, easily accessed development that increases sales tax revenues and unifies the properties along this stretch of Ogden, to be home to businesses that complement each other. By being involved with the development process, the Village can more carefully influence the quality of the development and the impact on neighboring property owners. By offering incentives, the Village can first attract and then work hand in hand with potential developers to assure the type of new development that will be a positive addition to our community from both a physical and fiscal standpoint.

Redevelopment Opportunities Q & A

- 1. What area is the Village considering for redevelopment?** The initial focus for redevelopment is bounded by Oxford Avenue on the east, Richmond Avenue on the west and extends 300 feet south along the entire length of Ogden Avenue. However, the Village is also looking for redevelopment opportunities in both the downtown district and along 55th Street.
- 2. Why does the Village need additional sources of sales tax revenue?** As is demonstrated above, the Village's operating expenses are projected to grow at a much higher rate than the revenues, assuming no change. Expenditures could be reduced however that would mean a reduction in services including police, fire, and public works. Increased sales tax revenue is one of the options to increase revenues.
- 3. Is the Village in sound financial condition?** Yes. At this point in time the Village is meeting and maintaining all of its financial obligations. However, projections based upon previous history and current trends indicate revenues increasing 3.5% with expenditures averaging a 6% increase over the next five years. These forecasts underscore the Village's need to pursue economic development while at the same time controlling costs wherever possible.
- 4. What type of development does the Village wish to encourage?** In all commercially zoned areas the Village would like to encourage redevelopment for retail/sales tax producing business. Obviously, along Ogden Avenue is where we have the most potential for the higher volume businesses such as automobile dealers, drug, food and home furnishing stores, etc.
- 5. What is the timetable for the redevelopment of the Ogden Avenue corridor?** The Village will not promote development for development's sake. In reality, it may take years before the most attractive and productive development can be completed. Any proposed redevelopment must make positive fiscal sense for the community. The Village will also balance the needs of the adjoining residential properties so that property values and the quality of life are not diminished. The Village is not seeking to change the commercial aspect of this area, but to enhance it for the betterment of the entire community.
- 6. Why is the Village proposing a TIF designation for the Ogden Avenue area?** With the TIF designation the Village has a voice in determining the nature and scope of redevelopment that might occur. The Village can then actively negotiate with developers, businesses and property owners to ensure that redevelopment is appropriate for the community and in the best interest of all the involved parties, including the neighboring residential community. The experience of other communities demonstrates that the TIF tool attracts desirable developers and businesses that would not otherwise have considered the designated area.

7. **Does the Ogden Avenue corridor qualify as a TIF?** The review and analysis conducted by the S.B. Friedman Company indicates that the property in question does meet State of Illinois requirements for the TIF designation as a “conservation area”. This is detailed at length in materials available on the Village website.
8. **Is TIF a bad policy for the Village of Clarendon Hills?** As noted earlier, over two-thirds of DuPage County communities have chosen to use TIF designation as part of their successful economic development programs and more communities are doing so every day. The proposed Ogden Avenue TIF district will not result in any reduction in property tax revenues for either our area schools or the Village, nor will it create any additional property tax burden for Village property owners.
9. **Will TIF depress the value of the land within the proposed TIF district?** In Clarendon Hills’ case the value of the land in the potential TIF area has not increased as much as the rest of the Village, Township, and County. Creating TIF status for the property could improve the value of the land by making it more attractive to potential developers. TIF can also help market properties collectively, potentially attracting the best price for the properties in question.
10. **Will redevelopment negatively affect neighboring homes?** Neighbors currently live next to B-3 zoned land and are subject to the conditions imposed by legal uses falling within that zoning classification. Planned redevelopment, with Village incentives attached, must incorporate the buffers, restrictions and conditions desired by the Village in order to qualify for those incentives. Planned redevelopment, therefore, is much more controlled than allowed currently, should any parcel be redeveloped piecemeal. Redevelopment should not harm the neighbors’ current value, which have already been impacted by proximity to Ogden Avenue, and may enhance value due to better buffers and quality controls.
11. **Need more information?** Please visit the village’s website at <http://www.clarendon-hills.il.us> to find more information about TIF designation, Village studies and reports, and more questions/answers regarding this important matter.

In conclusion, the Village needs to proactively plan for its financial future by investigating redevelopment opportunities where they may exist. This includes requiring businesses to provide specific buffers between their properties and adjacent residential properties to a degree that would not be possible without Village involvement. The Village is committed to addressing the concerns of the neighboring homes and the businesses that may be affected by redevelopment, and we feel it would be in everyone’s best interest for all to work together to enhance both the value and revenue generating opportunities for the Village as a whole.

Clarendon Hills Economic Development Committee

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