

Village of Clarendon Hills

Fiscal Overview

&

Answers to Questions Regarding
The Ogden Avenue Redevelopment
Study Area

**Village of Clarendon Hills
Fiscal Condition**

Why is the Village Pursuing Economic Development Initiatives Along Ogden Avenue?

The Village of Clarendon Hills is pursuing economic development initiatives along Ogden Avenue and the Central Business District to improve the Village’s annual receipt of sales tax revenue. For the last five years, annual sales tax receipts have been flat only increasing 1.4% and are currently trending downward due to the economy and the overall tax base being primarily residential and too reliant upon property taxes. By diversifying and enhancing our commercial tax base, the Village will be less reliant on property taxes to meet future forecasted expenditures. The Village has very limited commercial opportunities at each of these locations and needs to maximize opportunities whenever possible.

Why Should the Village Increase its Sales Tax Receipts?

There are several regional and local districts that rely upon property taxes in addition to the Village of Clarendon Hills. Some residents find it difficult to pay the total property tax burden each year. If the Village is less reliant upon property taxes, it will not have to compete for the same property tax dollar that the schools, parks and library rely upon. Sales taxes are paid by a combination of residents and non-residents. Therefore, local purchases by non-residents help generate the needed revenue for Village services.

Municipalities seek to balance their revenue sources so they are not overly reliant upon any one source. For example, communities that are completely reliant upon sales taxes are impacted by swings in the economy, and those that are heavily reliant upon property taxes, over time, may be subject to statutory limitations and stagnant assessed valuation growth. While Clarendon Hills has experienced growth in residential redevelopment, this trend will end at some point in the future. Clarendon Hills is seeking to improve its future balance of revenue sources in a fiscally responsible manner.

When reviewing the various revenue sources that fund the Village, we find that, sales tax growth has been flat and is trending downward, while expenses have tracked significantly higher. A review of sales receipts of the last five years reflects the following trend activity:

1999	2000	2001	2002	2003	2004
539,624	556,518	572,077	583,535	565,831	547,208
	16,894	15,559	11,458	(17,704)	(18,623)
	+3.0%	+2.8%	+2.0%	-3.1%	-3.3%

Improving the sales tax position of the Village will directly benefit property owners in Clarendon Hills by reducing reliance on property taxes, and will assist with meeting existing and forecasted expenditures. Comparatively, Clarendon Hills per capita sales tax revenue is among the lowest of DuPage County. Attached, please find a spreadsheet that compares Clarendon Hills' sales tax receipts and use of TIF as an economic development tool to other DuPage County municipalities.

General Fund Revenues and Expenditures

The General Fund of the Village pays for the core services that are delivered to Village residents. These services include Police, Fire Protection & Ambulance, Public Works, Building & Zoning, Finance and Administration of the Village. Attached, please find a spreadsheet summarizing General Fund Revenues and Expenditures over the last five years. This is discussed further below.

Revenue Source as a Percentage of Overall General Fund Revenue

<u>Revenue Source</u>	<u>Percentage</u>	<u>2005 Budget Total Dollars</u>
Property Tax	51%	\$2,300,265
Sales Tax	12.5%	\$ 565,750
Intergovernmental (Income/Use)	12.5%	\$ 559,335
Fees/Permits/Interest	24%	\$1,071,016

Revenue Breakdown

- ÿ 51% of General Fund Revenues for the Village come from local property taxes.
- ÿ 25% of revenues for the Village come primarily from the State of Illinois; this includes sale taxes, use tax and income taxes.
- ÿ Sales tax receipts represent 12.5% of total revenues for the General Fund.
- ÿ 24% of revenues come from local fees such as permits, fines and interest generated from investments.
- ÿ For a typical homeowner, approximately 14% of your overall property tax bill is paid to the Village for Police, Fire, Public Works, Building & Zoning, etc. Based on the average sale price of a home in Clarendon Hills of \$553,127, the taxes paid for Village services in 2004 were \$1,267.

General Fund Expenditures 5-Year History

During the past five years, General Fund expenditure increases have averaged approximately 7.6% each year. The cost increases are directly related to following:

- ÿ Health insurance premiums have increased an average of 15% each year for the last five years. The Village purchases health insurance through a consortium of over 42 municipalities in an attempt to leverage lower rates. The Village also charges employees for a portion of health coverage.

- ÿ Approximately 44% of General Fund expenditures are for providing Police and Fire protection. Increased Fire Service calls, labor contracts for Police personnel and mandated pension benefit increases by the State of Illinois have increased overall operating costs each year.

- ÿ Public Safety and General Government costs have averaged between 5.5% and 8% increases for the last five years.

- ÿ Elimination of Federal public safety grants which had funded two full time Police Officers.

Attached, please find a spreadsheet illustrating General Fund expenditures over the last five years, and Police and Fire as a percentage of General Fund expenditures.

General Fund Revenues 5-Year History

During the past five years, General Fund revenue increases have averaged 3.25%. As noted previously, expenditures have averaged 7.6% each year, which is 57% higher than revenues received. There are several reasons for this situation.

First, Clarendon Hills is a tax-capped municipality. In 1991, the Illinois State legislature approved the property tax limitation act, which capped property tax increases in non-home rule municipalities (and other taxing bodies, such as school and park districts) to the rate of inflation or 5% whichever is less. For the last five years, the property tax cap has yielded the following rate increases for property owners in Clarendon Hills:

<u>Tax Year</u>	<u>Rate Increase</u>
2000	2.7%
2001	3.4%
2002	1.6%
2003	2.4%
2004	1.9%

Average Increase: 2.4%

Fortunately the Village's assessed value has increased each year due to new construction. This has allowed tax revenues to increase greater than the tax cap over the last five years. In the first tax year, new construction is exempt from the tax cap. New construction is defined as new dwelling units, "teardowns" or annexations. Without the increase provided by new construction the Village's tax revenue would have increased an average of 2.4%, further reducing available revenue to operate the Village. With residential redevelopment, this has yielded approximately 3% per year in additional property tax receipts. Generally, new construction has contributed 54% more property taxes than would have been received without redevelopment. Even with this activity, expenditures still have outpaced revenues.

Second, the State of Illinois has reduced the revenue that it shares with municipalities. Over the years, the State has reduced the local share of income tax distribution, eliminated the photo finishing tax received by local governments, and imposed various fees upon local governments while implementing the tax cap at the same time. It is expected that the State will continue to redirect municipal revenue to meet the State's revenue needs. During the last legislative cycle, reducing the proportional share of the State income taxes to municipalities was again explored.

Third, revenue received from the State of Illinois has been down due to the State's fiscal condition and the economy. This includes income tax, sales and use tax receipts. Even though the economy may improve or is improving, the severe fiscal condition of the State of Illinois may result in additional diverted revenue from our Village.

What are the significant expenditures that the Village will be facing?

While the Village of Clarendon Hills operates a very efficient operation with one of the lowest per capita expenditure rates for Village services, the Village will need to generate more revenue to meet the following expenditures:

- ÿ Ambulance and Fire calls for service have increased 60% over the last five years, while local volunteers have left the department due to retirements, primary work conflicts and relocation. The enhanced calls for service have resulted in an annual increase in costs of 6.5%
- ÿ The Fire Department is primarily a part-time and volunteer department. As a result, the Fire Department has one of the lowest per capita expenditures for Village services in DuPage County. The annual department expenditure is approximately \$595,000. If the department had to hire more part-time or full time employees this number could double or triple in order to meet the service needs of the community, without an identified funding source.
- ÿ During the last three years, the State Legislature has granted significant pension benefits for Fire and Police personnel that must be paid by the Village taxpayers. State Statute stipulates the pension liability that must be funded locally and it has mandated a permanent cost for the Village to bear.

- ÿ Health insurance expenses continue to escalate and have averaged 15% increases for the last five years. Industry trends indicate that similar cost increases will continue. Employees contribute towards this cost and have done so for many years.
- ÿ As the Village facilities continues to age, our infrastructure (roads, sewers, sidewalks, etc) will need to be continually maintained and replaced.
- ÿ Current and anticipated service enhancements initiated in response to changing service demands and resident requests include: code enforcement and inspection services, Village beautification efforts, Special Events, Central Business District maintenance, community security and parking demands.

Five-Year Forecast – General Fund Revenues and Expenditures

Attached is a five-year forecast of the General Fund revenues and expenditures. These assumptions follow the past trends experienced by the Village. The projections are conservative with revenue increases averaging 3.6%, while expenditures averaging 6%. A small increase in revenues is anticipated next fiscal year in the License and Permit category due to an adjustment in building permit fees.

Expenditures were forecasted based on previous department history. Fire protection is projected to increase 5% per year and does not incorporate any additional personnel as previously discussed.

During the next five years projections show that our General Fund balance will decrease \$1,069,374 reducing our reserves to less than 20% of our operating budget. The Village has an established Fund Balance Policy of 40% of the operating budget. This policy was developed with the advice of the Village's financial advisor and independent auditor. It provides the Village with approximately 4 months of operating funds should revenues fall short. If reserves dip to the 20% level the Village would be left with only 2 months of operating funds, which may impact the Village's credit rating. Given that the Village is the primary provider of public safety services, it would be irresponsible to ignore our obligation to maintain the fiscal integrity of the Village. Maintaining the fiscal integrity of the Village and providing quality public services is directly reflected in the property values of all residents.

The circumstances described above explain why the Village needs to pursue economic development, while at the same time controlling costs wherever possible.

**2002 DuPage County
Municipal Sales Tax Comparison**

Community	Population	2002 Sales Taxes		Per Capita
Addison	35,914	\$	5,459,654	\$ 152.02
Aurora	142,990	\$	16,242,527	\$ 113.59
Bartlett	36,706	\$	1,640,779	\$ 44.70
Bensenville	20,703	\$	3,835,282	\$ 185.25
Bloomington	21,675	\$	8,086,809	\$ 373.09
Burr Ridge	10,408	\$	1,976,928	\$ 189.94
Carol Stream	40,438	\$	5,448,091	\$ 134.73
Clarendon Hills	7,610	\$	578,491	\$ 76.02
Darien	22,860	\$	2,566,655	\$ 112.28
Downers Grove	48,724	\$	12,211,023	\$ 250.62
Elmhurst	42,762	\$	10,545,131	\$ 246.60
Glen Ellyn	26,999	\$	2,824,712	\$ 104.62
Glendale Heights	32,837	\$	4,579,530	\$ 139.46
Hanover Park	38,278	\$	2,349,626	\$ 61.38
Hinsdale	17,349	\$	1,923,938	\$ 110.90
Itasca	8,302	\$	4,034,095	\$ 485.92
Lemont	14,020	\$	1,676,742	\$ 119.60
Lisle	24,182	\$	6,651,725	\$ 275.07
Lombard	42,322	\$	10,724,421	\$ 253.40
Naperville	128,358	\$	20,876,690	\$ 162.64
Oak Brook	8,702	\$	9,410,096	\$ 1,081.37
Oakbrook Terrace	2,300	\$	1,098,932	\$ 477.80
Roselle	23,115	\$	1,940,636	\$ 83.96
Schaumburg	74,713	\$	30,004,725	\$ 401.60
St. Charles	30,986	\$	8,130,808	\$ 262.40
Villa Park	22,075	\$	4,554,651	\$ 206.33
Warrenville	13,363	\$	973,968	\$ 72.89
West Chicago	23,469	\$	2,692,280	\$ 114.72
Westmont	24,554	\$	7,745,306	\$ 315.44
Wheaton	55,416	\$	6,192,503	\$ 111.75
Willowbrook	8,967	\$	2,050,066	\$ 228.62
Winfield	8,718	\$	258,576	\$ 29.66
Wood Dale	13,535	\$	3,351,015	\$ 247.58
Woodridge	33,610	\$	4,011,848	\$ 119.36

DuPage County Communities Ranked by 2002 Per Capita Sales Tax Revenues

Community	Population	Sales Taxes	Per Capita	vs. Avg.	TIF Status
Above County Average - First Tier					
Oak Brook	8,702	\$ 9,410,096	\$ 1,081.37	579%	Possible
Itasca	8,302	\$ 4,034,095	\$ 485.92	260%	No
Oakbrook Terrace	2,300	\$ 1,098,932	\$ 477.80	256%	No
Schaumburg	74,713	\$ 30,004,725	\$ 401.60	215%	Yes - 1
Bloomingtondale	21,675	\$ 8,086,809	\$ 373.09	200%	Yes - 3
Westmont	24,554	\$ 7,745,306	\$ 315.44	169%	No
Lisle	24,182	\$ 6,651,725	\$ 275.07	147%	No
St. Charles	30,986	\$ 8,130,808	\$ 262.40	141%	Yes - 5
Lombard	42,322	\$ 10,724,421	\$ 253.40	136%	Yes - 3
Downers Grove	48,724	\$ 12,211,023	\$ 250.62	134%	Yes - 2
Wood Dale	13,535	\$ 3,351,015	\$ 247.58	133%	No
Elmhurst	42,762	\$ 10,545,131	\$ 246.60	132%	Yes - 3
Willowbrook	8,967	\$ 2,050,066	\$ 228.62	122%	Yes - 1
Villa Park	22,075	\$ 4,554,651	\$ 206.33	111%	Yes - 2
Burr Ridge	10,408	\$ 1,976,928	\$ 189.94	102%	No
Bensenville	20,703	\$ 3,835,282	\$ 185.25	99%	Yes - 7
Below County Avg. - Second Tier					
Naperville	128,358	\$ 20,876,690	\$ 162.64	87%	No
Addison	35,914	\$ 5,459,654	\$ 152.02	81%	Yes - 2
Glendale Heights	32,837	\$ 4,579,530	\$ 139.46	75%	Yes - 3
Carol Stream	40,438	\$ 5,448,091	\$ 134.73	72%	Yes - 1
Lemont	14,020	\$ 1,676,742	\$ 119.60	64%	Yes - 1
Woodridge	33,610	\$ 4,011,848	\$ 119.36	64%	Yes - 1
West Chicago	23,469	\$ 2,692,280	\$ 114.72	61%	Yes - 2
Aurora	142,990	\$ 16,242,527	\$ 113.59	61%	Yes - 3
Darien	22,860	\$ 2,566,655	\$ 112.28	60%	No
Wheaton	55,416	\$ 6,192,503	\$ 111.75	60%	Yes - 2
Hinsdale	17,349	\$ 1,923,938	\$ 110.90	59%	No
Glen Ellyn	26,999	\$ 2,824,712	\$ 104.62	56%	No
50% of County Avg. or less - Third Tier					
Roselle	23,115	\$ 1,940,636	\$ 83.96	45%	Yes - 1
Clarendon Hills	7,610	\$ 578,491	\$ 76.02	41%	(Possible)
Warrenville	13,363	\$ 973,968	\$ 72.89	39%	Yes - 2
Hanover Park	38,278	\$ 2,349,626	\$ 61.38	33%	Yes - 3
Bartlett	36,706	\$ 1,640,779	\$ 44.70	24%	Yes - 3
Winfield	8,718	\$ 258,576	\$ 29.66	16%	Yes - 1
<u>Total Above</u>		<u>Total Above</u>	<u>Per Capita</u>		
1,106,960		\$ 206,648,259	\$ 186.68	100%	

VILLAGE OF CLARENDON HILLS										
REVENUE/EXPENDITURE COMPARISON										
		Increase	Percent			Increase	Percent			
		(Decrease)	of Increase			(Decrease)	of Increase			
General Fund Revenues		Revenues	From prior year	(Decrease)	General Fund Expenditures	Expenditures	From prior year	(Decrease)		
FY 1999 4/30/1999	\$	3,819,016			FY 1999 4/30/1999	\$	3,284,528			
FY 2000 4/30/2000		4,180,018	361,002	9.45%	FY 2000 4/30/2000		3,586,150	301,622	9.18%	
FY 2001 4/30/2001		4,360,188	180,170	4.31%	FY 2001 4/30/2001		3,973,933	387,783	10.81%	
FY 2002 4/30/2002		4,323,217	(36,971)	-0.85%	FY 2002 4/30/2002		4,114,024	140,091	3.53%	
FY 2003 4/30/2003		4,686,758	363,541	8.41%	FY 2003 4/30/2003		4,414,612	300,588	7.31%	
FY 2004 4/30/2004		4,447,363	(239,395)	-5.11%	FY 2004 4/30/2004		4,751,281	336,669	7.63%	
5 year average increase				3.24%	5 year average increase				7.69%	
		Increase	Percent			Police as	Fire as	Total	Police/Fire as	
		(Decrease)	of Increase			% of total	% of total	Police/Fire	% of total	
General Fund Expenditures		Expenditures	From prior year	(Decrease)	Police Expenditures	Expenditures	Expenditures	Expenditures	Expenditures	
FY 1999 4/30/1999		3,284,528			1,038,772	31.63%	476,932	14.52%	1,515,704	46.15%
FY 2000 4/30/2000		3,586,150	301,622	9.18%	1,074,095	29.95%	505,999	14.11%	1,580,094	44.06%
FY 2001 4/30/2001		3,973,933	387,783	10.81%	1,180,668	29.71%	520,229	13.09%	1,700,897	42.80%
FY 2002 4/30/2002		4,114,024	140,091	3.53%	1,322,014	32.13%	524,140	12.74%	1,846,154	44.87%
FY 2003 4/30/2003		4,414,612	300,588	7.31%	1,368,920	31.01%	555,130	12.57%	1,924,050	43.58%
FY 2004 4/30/2004		4,751,281	336,669	7.63%	1,447,257	30.46%	595,767	12.54%	2,043,024	43.00%

**Village of Clarendon Hills
General Fund Five Year Revenue - Expenditure Projection**

Revenues	Fiscal Year 2005		Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009		Fiscal Year 2010						
Property Taxes	\$	2,314,790	\$	2,430,530	5%	\$	2,552,056	5%	\$	2,679,659	5%	\$	2,813,642	5%	\$	2,954,324	5%
Intergovernmental	\$	1,164,425	\$	1,176,069	1%	\$	1,187,830	1%	\$	1,199,708	1%	\$	1,211,705	1%	\$	1,223,822	1%
Licenses and Permits	\$	409,375	\$	556,000	36%	\$	567,120	2%	\$	578,462	2%	\$	584,247	1%	\$	590,089	1%
Service Charges	\$	250,491	\$	249,500	0%	\$	241,500	-3%	\$	241,500	0%	\$	241,500	0%	\$	241,500	0%
Fines	\$	155,500	\$	151,650	-2%	\$	151,650	0%	\$	151,650	0%	\$	151,650	0%	\$	151,650	0%
Investment Income	\$	49,000	\$	52,000	6%	\$	65,000	25%	\$	78,000	20%	\$	78,000	0%	\$	78,000	0%
Miscellaneous	\$	186,340	\$	190,067	2%	\$	194,818	2%	\$	198,715	2%	\$	202,689	2%	\$	206,743	2%
Total	\$	4,529,921	\$	4,805,816	6%	\$	4,959,974	3%	\$	5,127,694	3%	\$	5,283,433	3%	\$	5,446,129	3%
Expenditures																	
General Legislative	\$	220,030	\$	226,631	3%	\$	233,430	3%	\$	240,433	3%	\$	247,646	3%	\$	255,075	3%
General Government	\$	630,283	\$	661,797	5%	\$	694,887	5%	\$	729,631	5%	\$	766,113	5%	\$	804,419	5%
Police Protection	\$	1,478,125	\$	1,581,594	7%	\$	1,692,305	7%	\$	1,810,767	7%	\$	1,937,520	7%	\$	2,073,147	7%
Fire Protection	\$	629,190	\$	660,650	5%	\$	693,682	5%	\$	728,366	5%	\$	764,784	5%	\$	803,024	5%
Public Works	\$	511,197	\$	539,313	5.5%	\$	568,975	5.5%	\$	600,269	5.5%	\$	633,283	5.5%	\$	668,114	5.5%
Community Development	\$	329,273	\$	355,615	8%	\$	384,064	8%	\$	414,789	8%	\$	447,972	8%	\$	483,810	8%
Insurance	\$	355,154	\$	380,993	7%	\$	412,320	8%	\$	446,575	8%	\$	484,047	8%	\$	520,050	7%
Personnel Retirement	\$	493,106	\$	520,175	5%	\$	548,753	5%	\$	578,929	5%	\$	610,790	6%	\$	644,435	6%
Total	\$	4,646,358	\$	4,926,767	6%	\$	5,228,416	6%	\$	5,549,759	6%	\$	5,892,156	6%	\$	6,252,073	6%
Excess (Deficiency) of Revenues/Expenditures	\$	(116,437)	\$	(120,951)		\$	(268,442)		\$	(422,064)		\$	(608,723)		\$	(805,945)	
Other Financing Sources (Uses)	\$	343,655	\$	258,950		\$	258,950		\$	258,950		\$	258,950		\$	258,950	
Excess (Deficiency) of Revenues and other Financing Sources over Expenditures and other Financing Uses	\$	227,218	\$	137,999		\$	(9,492)		\$	(163,114)		\$	(349,773)		\$	(546,995)	
Ending Fund Balance	\$	2,191,742	\$	2,329,741		\$	2,320,249		\$	2,157,134		\$	1,807,361		\$	1,260,367	

TIF Structure

a. What are the proposed boundaries of the TIF?

The area proposed for designation is bounded on the north by Ogden Avenue, Oxford Avenue on the east and Richmond Avenue on the west. It runs 300 feet south of Ogden Avenue, including the businesses that front on Ogden, as well as three multi-family buildings that front on the side streets.

b. Why/how does this area qualify as a TIF?

The area consists of a number of older buildings which have seen limited reinvestment, limited growth in property values, and have a number of physical characteristics that impede their potential for future development which could lead to further decline of the area. It qualifies as a “conservation area” under the definitions of the Illinois TIF act. Please refer to the TIF Eligibility Study for a detailed list of the eligibility factors that are present within the study area.

c. What is the minimum land area needed to establish a TIF?

At least a 1.5 acre area is required to create a TIF district. The area being studied contains eight acres.

d. Does the Village need to create a Joint Review Board, and what is this board’s role?

The state law establishing the TIF procedure requires that a Joint Review Board (JRB) be constituted to review any proposed TIF district. The JRB contains a mandated list of representatives from local taxing bodies and a public member. The JRB reviews the proposed TIF and makes a non-binding recommendation to the Village on whether it feels the TIF should be established. The JRB is also authorized to review the progress of the TIF on an annual basis and suggest changes to the Village.

e. Who ultimately has responsibility to create a TIF?

The Village Board is the only agency that has the authority to establish a TIF district in the area.

f. What are the criteria for TIF creation eligibility?

Under the state TIF act, there are two primary avenues to establish eligibility of an area to permit the use of TIF for redevelopment: declaring an area as a “blighted area” or a “conservation area”, or a combination of both. “Blighted areas” are those improved or vacant areas with blighting influences that impact the public safety, health, morals, or welfare of the community and substantially impair the growth of the tax base in the area. “Conservation areas” are those improved areas which are deteriorating and declining and soon may become blighted if the deterioration is not abated.

A number of factors, including age of structures, dilapidation, obsolescence, deterioration, code violations, illegal use, excessive vacancies, lack of ventilation, light or sanitary facilities, inadequate utilities, excessive land coverage, deleterious land use or lay-out, environmental clean-up, lack of community planning, and lack of growth in equalized assessed value, are considered in determining whether an area qualifies as a blighted or conservation area.

g. What is the length of time that a TIF District can remain active?

A TIF district is permitted by state law to run for a length of 23 years. The municipality creating the TIF can terminate it earlier, if its purposes have been fulfilled or it is no longer deemed necessary.

h. What statutory authority is granted to a municipality once a TIF is created?

With a TIF designation, the municipality may undertake a number of steps to encourage redevelopment. These include soliciting redevelopment plans, negotiating with developers, businesses and property owners, acquiring property, clearing sites, providing relocation assistance, and installing utility and street improvements.

The TIF district also provides a source of funding for these efforts, by allowing property taxes from increases in value in the area to be collected for the TIF. The theory is that the redevelopment actions create increased value within the TIF district and that value can be used to pay for the costs needed to spur the redevelopment. All taxing bodies continue to receive the property taxes from the EAV that existed in the district prior to the date of its creation. At its completion, the taxing bodies receive the property taxes based on the then current, increased values of the properties in the TIF district.

TIF as Public Policy

How prevalent is TIF in DuPage County?

Attached, please find a survey conducted by the Village identifying communities in DuPage County that have used TIF as a tool to improve economic development. According to the survey 23 of 35 municipalities in DuPage County have used or are currently using TIF to assist with economic development objectives. These communities vary widely in socio-economic status but include upscale communities such as Wheaton, Warrenville, Winfield, Elmhurst and Downers Grove. There are other nearby communities recently referred to as having lower sales tax per capita than Clarendon Hills (LaGrange & Willow Springs) who are also using TIF to help improve their economic condition.

At the prior meeting in September a resident referred to a University of Illinois study that concluded that communities with TIF had an overall slower EAV rate of growth than those without TIF? What is the general consensus of this study?

The study published by the University of Illinois only controls for four variables: pre-Tif adoption growth rate, fiscal structure, municipality type and demographics (only related to population and income), and location (only related to the county the municipality is in). It does not account gain or losses in industry; more location specific factors (locations near major expressways and transportation, employment centers, etc.), or economic cycles.

The statistical results may also be explained by the possibility that the communities that adopted TIF were more likely to be experiencing decline in one or more areas (relatively if not absolutely). The TIFs may have in fact reduced declining growth rates or sub-par growth in these communities. That is, the communities may have lagged further had the TIFs not been created. Case study research would be needed to evaluate the circumstances surrounding the declines or lagging growth cited.

Case study research sponsored by the Civic Federation identified many successful uses of TIF. There are a number of successful suburban TIFs that have seen tremendous growth since their TIF adoptions. The case studies published by the Civic Federation in the mid-1990's found that TIFs in the Village of Franklin Park and the Village of Schaumburg experienced EAV growth of more than 200% within 6 years of its inception (as indicated in *Assessing the Impact of Tax Increment Financing in Illinois*). The balance of the communities, in spite of the TIF, experienced significant growth as well with EAV growth increases of 28% for Franklin Park and 35% for Schaumburg. If not for the TIF, the overall growth may not have occurred.

Is TIF bad policy for the Village of Clarendon Hills?

The Village of Clarendon Hills is a taxed capped municipality that faces the same challenges that many other cities and villages in Illinois are facing. Revenues have diminished while costs have increased due to unfunded mandates and the overall cost of providing services to their respective communities. The Village is pursuing economic development to bolster sales tax revenues and not rely as heavily upon property taxes.

This underpinning for pursuing economic development has focused the Village upon Ogden Avenue and the Central Business District. Based upon over 1.5 years of study and review, the Ogden Avenue study area has lagged significantly behind in assessed value growth and has a much higher potential for generating increased sales tax. Creating a TIF at this location will assist the Village by establishing the framework necessary to create improvements along this commercial corridor in the Village.

The Village of Clarendon Hills will not undertake development for development's sake. Each proposal must make positive fiscal sense before committing any public funds or granting public approval. The Village must also balance the needs of the adjoining residential properties so that property values are maintained and quality of life not diminished. Alternatives to economic development include property tax increases and the prospect of diminished services.

Based upon the Village's analysis, the size of the proposed TIF should not create a hardship for the other taxing bodies and over time may improve their overall property tax receipts from this area. Further, the Village is not seeking to change the commercial nature of this area, but enhance it for the betterment of the entire Village.

TIF DISTRICT SURVEY

<u>COMMUNITY</u>	<u>TIF YES/NO</u>	<u>County</u>	<u>COMMENTS</u>	<u>ESTABLISHED</u>	<u>ACTIVE?</u>
Addison	Yes - 2	DuPage	Res./commercial redevelopment- opposition lawsuit	1994	yes
		DuPage	Residential/commercial redevelopment	1994	yes
Aurora*	Yes - 3 / 2 pending	Kane - 3	Downtown redevelopment	1986	yes - trying to extend
		Kane - 2 (pending)	Shopping Center/Industrial condos/Commercial		
Bartlett*	Yes - 3	Cook	Downtown redevelopment	1986	yes
		DuPage/Cook	Industrial park development	1999	yes
		Cook	Vacant wetland commercial redevelopment	2004	yes
Bensenville*	Yes -7	DuPage - 6	Development	late 1980s	yes - all active
		DuPage/Cook - 1	Golf course development		yes
			Village Hall construction		yes
Bloomingtondale	Yes - 3	DuPage	Shopping center exterior remodeling	before 1999	yes
		DuPage	Industrial wetland remediation	before 1994	yes
		DuPage	Residential TIF	2002	yes
Bolingbrook* **	Yes -1	DuPage/Will			
Burr Ridge*	No	N/A	Only TIF attempt was challenged by school district		
Carol Stream*	Yes - 1	DuPage	Shopping center development	1995	no - project finished
Darien	No	N/A	Contemplating use for downtown creation		
Downers Grove	Yes -2	DuPage	Ogden Ave.	2001	yes
		DuPage	Central business district redevelopment	1997	yes
Elmhurst*	Yes - 3	DuPage	Downtown development	1986	yes - extended duration
		DuPage	Quasi commercial development	1996	yes
		DuPage	Commercial development	1998	yes
Glendale Heights	Yes - 3	DuPage	Retail development	1996	yes
		DuPage	Roadway development	2002	yes
		DuPage	Retail development	2004	yes
Glen Ellyn	No	N/A			
Hanover Park*	Yes - 3	Cook	Commercial shopping center development	late 1980s	yes
		Cook	Industrial park development	mid 1990s	yes
		DuPage/Cook	23 acre town center	2002	yes
Hinsdale*	No	N/A			
Itasca	No	N/A			
Lemont*	Yes - 1	Cook	Downtown redevelopment	1991	yes
Lisle	No	N/A	Failed attempt in 2004		
Lombard	Yes - 3	DuPage	Downtown	1988	yes
		DuPage	TIF 1 West	2003	yes
		DuPage	TIF 2 East	2004	yes
Naperville*	No	N/A			
Oak Brook*	Possible	N/A			
Oakbrook Terrace	No	N/A			
Roselle*	Yes - 1	DuPage	Town center - mixed purposes	1989	yes
Schaumburg*	Yes-1	Cook	Town center - mixed purposes - successful	1989	yes
St. Charles*	Yes - 5	Kane - 5	Hotel redevelopment	1997	yes
			Industrial redevelopment	1997	yes
			Industrial redevelopment for car dealership/offices	late 1990s	yes
			St. Charles Mall	2002	yes- but slow progress
Villa Park	Yes -2	DuPage	Target development	1994	yes
		DuPage	Rehab for industrial park	1998	yes
Warrenville	Yes - 2	DuPage	600 acre commercial development	1992	yes
		DuPage	Downtown redevelopment	1993	yes
Wayne*	No	N/A			
West Chicago	Yes - 2	DuPage	Downtown revitalization	1990	yes
		DuPage	North Avenue and Route 59	2004	yes
Westmont	No	N/A			
Wheaton	Yes - 2	DuPage	Downtown redevelopment	1999	yes
		DuPage	Commercial/residential development	1993	yes
Willowbrook*	Yes - 1	DuPage	Vacant land development for commercial use	1990	yes- but slow progress
Winfield	Yes - 1	DuPage	Downtown revitalization	2004	yes
Wood Dale	No	N/A			
Woodridge*	Yes -1	DuPage	Shopping center redevelopment	1995	yes- but no progress

Summary:

23 of 35 municipalities in DuPage County have used or are currently using a TIF

52 active TIFs in these municipalities

34 TIFs are located in DuPage County

3 TIFs are located in DuPage and Cook County

1 TIF is located in DuPage and Will County

6 TIFs are located in Cook County

8 TIFs are located in Kane County

1 inactive Tif is located in DuPage County

* Municipality is located in DuPage and other counties

** Information obtained from www.illinois-tif.com updated January 8, 2004

TIF Impact

The proposed Ogden Avenue Redevelopment Project Area (RPA) consists of 11 tax parcels and 11 buildings located on the northern edge of Clarendon Hills. The area covers approximately 8.7 acres. The RPA is generally bounded on the east by the east side of Oxford Avenue, on the north by the center line of Ogden Avenue, on the west by the center line of Richmond Avenue, and on the south by the southern parcel line extension measuring 300 feet from Ogden Avenue. The area is completely within Clarendon Hills.

The analysis conducted by the Village of Clarendon Hills concluded that the Ogden Avenue RPA is eligible for TIF designation as a “conservation area” because 50% or more of the structures in the area are 35 years old or older, and because at least three other eligibility factors are present. The following five eligibility factors for improved land have been found to be present to a major extent: Deterioration; Deleterious Land Use or Layout; Inadequate Utilities; Lack of Growth in EAV (compared to the balance of the municipality); and Lack of Community Planning.

If a TIF is created will there be a displaced tax burden distributed across the community?

Once a TIF has been established, property continues to be taxed by several different governmental jurisdictions including the Village, school districts, park district, county, etc. The taxes levied are allocated to each district in accordance with its established tax rate. Under TIF, the various districts receive taxes from the frozen base EAV and as the TIF matures taxes from the increases in EAV from new development, increases in assessment due to improvements, or increases due to equalization or reassessment are allocated to the Village to assist with redevelopment of the TIF area. The other taxing districts continue to receive the taxes generated from the base EAV prior to the creation of the district. All the properties in the TIF district are assessed in the same manner as all other properties and are taxed at the same rate. However, the increment is captured to assist with development initiatives. TIF is not an increase in taxes, but rather a re-allocation of how they are used. Increases in property taxes in the community are due to reassessment and rate increases, not the TIF District, which constitutes a very small portion of the tax base of the Village and the other taxing bodies.

What is the impact upon the schools, and the other units of government from the proposed TIF?

As noted above, the proposed TIF district is relatively small being 8.7 acres. Currently, the proposed TIF area represents just less than one percent of the overall levy for the Park District (.96%) and Library (.96%), and less than one-fifth of a percent for School District 181 (.19%) and School District 86 (.08%).

If the TIF area was redeveloped, and the housing removed (net reduction in housing units) each of the above referenced taxing districts would have a net reduction in households requiring government services.

If the TIF area was developed as a general retail/office scenario as described in the TIF eligibility study, the EAV could more than triple and each taxing district would benefit from a substantially higher tax base with less service required from each of the districts (less service cost to the district with higher revenues). However, if one or more car dealerships located to the area, the EAV would not increase as dramatically, but the service provision required by the districts would still be reduced. Initial discussions with the taxing districts impacted by the TIF proposal are ongoing, and the Village will continue to provide them with data in order to evaluate their position. Each taxing district has requested that if the TIF is established, and the Village's redevelopment goals are achieved prior to the 23-year term of the TIF, that the Village consider retiring the TIF early. The Village understands this request and would commit to reviewing the progress of the TIF annually and would be receptive to early retirement if the goals of the Village were met.

The Eligibility Study illustrated a total project cost of redevelopment in the proposed TIF. How will the Village absorb all this cost and ultimately pay for it?

The Eligibility study identified an estimated development cost of the TIF area as required by statute. The total budget was based on the general retail/office scenario, which generates a significant potential increase in EAV. The total budget amount was based upon a pay as you go approach. Actual development costs may change as proposals are brought forward for review.

The Village of Clarendon Hills has limited resources and will evaluate each proposal on its financial merits. It is likely that the project area will not develop at once and projects will most likely be presented in smaller packages. Each project will be scrutinized with regard to likely EAV and other benefits to the Village, for example increased sales tax revenue. The benefits of each project will need to be sufficient to justify Village expenditures, which are expected to be only a portion of the project cost.

The Village will only enter into incentives that will improve the financial condition of the Village. Highly speculative projects or those that pose too high a risk for the Village will not be pursued. It is the Village's intent that the private market will absorb most of the redevelopment cost with incentives only being offered as justified by the developer and thoroughly analyzed by the Village.

Will TIF depress the value of the land within the proposed TIF district once created?

In Clarendon Hills' case, the value of the land in the TIF area has not increased as much as the rest of the Village, Township and County (see TIF Eligibility Study). Therefore, the growth in the overall value of the property in the proposed TIF has substantially lagged behind other areas of the Village. Creating TIF status for property where the EAV has not kept pace, could improve the value of the land, making it more attractive to developers since a financing mechanism would be available. TIF status can also help to market the properties collectively, potentially attracting the best price for the properties in question. TIF status is not expected to depress property values.

Did the Eligibility Study factor in all costs associated with the project?

The study did factor into the cost analysis a legal budget and lost revenue during development from property value and sales tax. Earlier projections identified in the Preliminary Economic Feasibility Analysis illustrated the impact on assessed value from an auto use and provided sales tax projections. The Eligibility Study projected assessed value if development resulted in a retail/office type mix, which increase assessed value more than an auto use, but with less sales tax generation.

Can residential property taxes generated outside of the TIF area be used for TIF costs?

Generally, no. The Village may advance funds to the TIF from the General Fund, which can then be reimbursed from the TIF. The costs of the preliminary studies may therefore be reimbursed to the General Fund. Sometimes General Funds are used as a financing vehicle to minimize interest costs to the TIF and stretch TIF dollars in which case they are repaid from TIF revenues. However, a municipality may continue to make other improvements and investments in a TIF area in accordance with capital improvement policies.

Can residential and commercial property taxes within the TIF area be used for TIF costs?

Property taxes from incremental EAV generated from all properties in the TIF are used for TIF costs.

If a TIF is created and is successful in generating sales tax revenue, can that revenue be shared with the schools?

Technically, the Village can share any revenue not pledged to existing debt owed by the Village. However, the Village is pursuing economic development initiatives to meet the forecasted expenses, and would not expect to share sales tax revenue with any taxing body until our primary financial obligations are satisfied. Further, by increasing our sales tax receipts, the Village would not be competing for additional property taxes that the school districts primarily rely upon for funding. However, if the TIF was ultimately more successful than anticipated, and significant property increment revenue existed in the TIF fund, the Village would consider requests for early disbursements if requested by the other taxing districts. If there are surplus funds in the TIF as defined by the law, those will be shared proportionately with each taxing body.

If a TIF is created will the Village condemn commercial property?

The Village does not want to condemn existing commercial property located along Ogden Avenue. There are several reasons for this. First, the Village has limited resources and would not want to spend those resources embroiled in litigation. Second, given the limited resources of the Village, it would not be feasible to publicly purchase property along Ogden given the existing demands to deliver quality services to the community. Third, the Village prefers to let the private market determine property sales and only provide incentives where needed to achieve economic development goals.

The Village would be receptive to entering into pre-development agreements with existing property owners along Ogden Avenue. Such an agreement would ensure the Village would not condemn property and that the respective parties would work together towards achieving our individual and collective goals.

Please explain the difference between the projected TIF values, e.g. \$6.2 million using inflation vs. \$25 million future EAV in the report.

Currently, the total EAV for the Study Area is \$3.4 million. If no redevelopment were to occur on the site, assuming a 2.5% inflation rate per year, the total EAV would amount to approximately \$6.2 million after 23 years. However, the TIF Eligibility report assumed that redevelopment on Ogden Avenue would occur and that the Study Area's development would be intensified over the next 23 years. The future EAV of \$25 million was based on the maximum development permitted by current zoning. The current zoning for the B-3 Highway Business District allows for retail/commercial use with a lot coverage of 50% and a maximum height of 40 feet. This permits a 3-story retail/office building to be developed on both blocks of the Study Area. Applying the current EAV per square foot of the properties of this type to the future and more intensive land use, the total EAV equals \$25 million at the end of the TIF. Future EAV is dependent on actual redevelopment. As the report states, it may be a lower amount than indicated.

Prior to approving a TIF, will the Village conduct an impact analysis of "like" situations where affluent residential areas have TIF built immediately adjacent?

The Village will continue to evaluate the impact of TIF upon residential areas. However, it should be noted, that a TIF is not "built", but established as a tool for economic development. Creating a TIF could result in improved uses along the Ogden Avenue area, actually improving access and buffers to the residential homes. Many communities have established TIF's in downtowns with adjacent residential properties with the result being improved downtown area property values and uses. The existing property values reflect the existing conditions today and their proximity to Ogden Avenue. The permitted land uses granted under the zoning ordinance will ultimately determine what uses are allowed on Ogden Avenue. Generally, reinvestment in commercial areas will improve property values within and outside of the commercial district as long as proper use controls are put into place.

Will an environmental impact study be conducted to determine the effects of drainage and toxins?

An environmental impact study would not be required for development that is permitted under the zoning ordinance and no use would be allowed that would require an environmental impact study be conducted. Countywide ordinance controls storm water and all developments must conform to this ordinance prior to approval of any plans.

Land Use & Impact Upon Adjacent Areas

a. ***Will properties near the proposed TIF see a decrease in value if the TIF is approved?***

There are many factors that affect property value. Nearby land use is only one of those factors. The existing values of property in the vicinity already account for the presence of B-3 zoned, highway commercial uses along Ogden Avenue. The basic uses permitted in that district would be unchanged by TIF designation. The Village would carefully monitor any redevelopment to land use minimize impacts on adjacent properties. Past experience generally indicates that redevelopment of older commercial areas increases, rather than decreases, property values in the vicinity.

b. ***Will traffic increase on adjoining streets if the TIF is approved for Ogden Avenue?***

Most through traffic on streets adjoining the study area is generated not so much by the uses at their intersection with Ogden Avenue, but by the entire mix of uses beyond the Village borders. Retailers are attracted to the Ogden Avenue corridor by the amount of traffic that passes by on Ogden, which can exceed 30,000 vehicles per day. They do not rely on traffic from the side streets, which each carry 1,000 to 1,300 vehicles per day, for significant access to their business. Those streets are important, however, in providing accessibility for local residents to the businesses and services along Ogden Avenue and beyond. In reviewing any special use permits for proposed new uses such as auto dealers, the Village can place conditions limiting their operations, such as to ban test-drives from these dealerships from using residential streets within the Village. Any incremental increase in traffic on the side streets from a different mix of uses, if it were to occur, would likely be minor, and within the capacities of the current street configurations, speed limits, and police enforcement to accommodate. Until an actual mix of uses is determined, it is impossible to quantify any increase or decrease in projected traffic levels.

c. ***What type of commercial development could occur along Ogden Avenue?***

The Ogden Avenue Redevelopment Strategy prepared by S. B. Friedman & Co. examined the market areas served by this two-block stretch of Ogden Avenue. It identified uses that were underrepresented in the market, as well as uses that could generate substantial amounts of retail sales tax for the Village of Clarendon Hills. Among these were: automobile dealerships, furniture/home furnishings, arts/crafts/fabrics, drugstores, gourmet grocery/specialty food stores, restaurants, and office supplies. Current B-3 zoning of the area permits all of these uses by right, with the exception of restaurants and auto dealerships, which are special uses.

While the special uses would require zoning hearings before their approval or denial by the Village Board, the other uses mentioned could be established in the area with no zoning review required. A complete listing of permitted and special uses in the B-3 zoning district is available at Section 20.11 of the Zoning Ordinance, which is available on the Village website.

d. Is a car dealership use allowed for Ogden Avenue?

The B-3 zoning district requires that automotive dealerships obtain a special use permit. Any proposal would have to undergo a zoning hearing with the Zoning Board of Appeals/Plan Commission and approval by the Village Board. Neighboring property owners would be informed and could provide input on the proposed special use.

e. If a car dealership is approved for Ogden Avenue, how can the Village control the impact upon residential areas?

The special use permit process allows the Village to place conditions on a development to control its impacts. In the case of a car dealership, for example, these conditions could include requirements for buffering and landscaping, control of signs and exterior light and sound, and limiting test-drives to Ogden Avenue. The Village has already placed some of these conditions on the used car sales operation recently approved within the area.

f. In the future, with or without TIF, how will land use decisions be made with respect to Ogden Avenue?

As noted before, the commercial uses in the area are zoned B-3 Highway Business District. Any uses that are listed as permitted by right may use the property without any zoning hearing. If building permits were required, the new structures would have to comply with zoning requirements. If the businesses use existing buildings and parking lots, they generally would not be required to bring them into conformance with zoning codes. Any new proposed use that requires a special use permit would have to undergo the hearing and approval process described above. All redevelopment activity will be subject to the storm drainage provisions of the DuPage Countywide Stormwater Ordinance, unlike the original development of the area, which required no stormwater management plans.

Redevelopment Scenarios

a. What relocation assistance is available to businesses?

The TIF act permits the use of TIF funds for relocation purposes. If a scenario emerges where relocation occurs, that can be discussed with the affected businesses.

b. Can current property owners collaborate for development and how?

Owners of property could become partners with the Village in the development process. As every owner has slightly different goals and motivations, the details of those situations would have to be negotiated individually.

c. Are there pending developers once the TIF is created?

A number of potential developers have shown an interest in the study area. At this time, the Village is not actively negotiating with any particular developer.

d. Aren't car dealerships restricted in their ability to relocate?

In general, state laws restrict new dealers from locating within 10 miles of an existing dealer of the same brand. Existing dealers can move if the new location is more than 7 miles from the nearest dealer of the same line make. There are, however, provisions to these rules that permit the waiver of these locational requirements and the replacement of closed dealerships.

e. Aren't there sales tax loopholes that might affect sales tax receipts from retail facilities?

Local and state sales tax is not collected on products that are sold to and delivered to locations outside of Illinois. This typically affects mail order and Internet sales operations, which are not the types of businesses that would be attracted to an Ogden Avenue location.

f. What if sales tax projections come up short?

If meaningful sales tax improvement does not occur from Ogden Avenue, the Village will continue to explore options to maintain fiscal viability. This would include property tax increases and service cuts, as needed. However any development proposals will be analyzed carefully to ensure revenue projections are accurate.

g. Is the Village planning to pursue condemnation vs. partnerships?

The Village does not wish to condemn existing businesses that want to remain on Ogden Avenue. Over the last several months, the Village has reached out to business owners seeking to collaborate on future development opportunities. Discussions are ongoing and it would be the Village's intent to partner and collaborate wherever possible.

h. Is there a potential for redevelopment of the area without TIF designation?

The property within the study area has seen no substantial reinvestment in the last decade. This is despite the fact that the area has been designated a “business district”, which is a somewhat less effective economic development district designation. It appears that land costs in the area are high and government incentives and/or active direction of the redevelopment process are necessary to spur redevelopment that would provide meaningful economic relief to taxpayers of the Village. Therefore, while development could occur, past experience has shown little growth without TIF designation.

i. Is mixed use development preferable to retail/commercial only? Can another land use provide buffers between retail/commercial and residential properties?

Mixing land uses is seen as desirable by many city planners in order to develop a walkable, pedestrian-scaled community. An example of this type of development is the central business district of Clarendon Hills. Ogden Avenue, with its heavy vehicular orientation, is unlikely to change to a pedestrian-oriented development. The small parcels in the study area, even if combined, are not large enough to accommodate an effective mixed-use development pattern, particularly one that could place other uses between retail/commercial and residential uses. However, highly effective buffers can be created by means such as landscaping, screening, fencing, and building orientation through the redevelopment process. The Village would seek any or all of these measures to maintain the residential quality of life in the neighborhood.

j. Will bonds be used to pay for projects?

Many communities use various forms of debt to pay TIF costs. This may take the form of special revenue bonds, alternate revenue bonds, or short-term notes. At this time, no decision has been made on using any form of debt for TIF expenses. Such decisions would take into consideration the specific nature of the redevelopment being proposed at that time, the type of expenditures being made, the overall credit situation of the Village, market conditions, and financial capacity of the developer. In many situations, developer notes are used thereby shifting risk to the private sector.

Housing

a. Is relocation assistance available for tenants in residential units?

It has not been determined whether any units would be displaced at this time. Relocation assistance would be available for tenants in the multi-family units, if they were displaced.

b. Define the impact of lost housing units

In the 2000 Census, the Village of Clarendon Hills had 2,925 housing units. According to the State of Illinois, 13.3% of the housing in the Village meets affordability standards. The 56 rental units in the study area represent about 1.8% of the Village's housing stock. Their loss, if it were to occur, would not place the Village below the state threshold of 10% of its housing classified as affordable. Municipalities falling below that level are required to draft local plans to encourage provision of more affordable housing.

c. Define current affordability standards for Clarendon Hills

According to the state definition, affordable for-sale units in DuPage County are classified as those priced at \$122,381 or less. Affordable rental units have a rent of \$775 or less per month.

d. Is alternate housing available in the study area?

The Village's consultant, S.B. Friedman, reviewed available housing in the area and determined that there were vacant rental units well in excess of the entire number of units in the TIF study area. They limited their search to Clarendon Hills and adjacent communities. The Village would make a good faith effort to ensure that affordable replacement housing for any displaced households is located in or near the study area and would work with local housing agencies and organizations to ensure that any displaced residents find adequate housing.