

MINUTES
ST. CHARLES CITY COUNCIL WORKSHOP
LORA A. VITEK, MAYOR
MONDAY, DECEMBER 13, 2021 – 5:30 P.M.
CITY COUNCIL CHAMBERS
2 E. MAIN STREET

1. Call to Order.

The meeting was called to order by Mayor Vitek at 5:30 pm.

2. Roll Call.

Present: Ald. Silkaitis, Ald. Payleitner, Ald. Bongard, Ald. Lencioni, Ald. Pietryla, Ald. Wirball, Ald. Bessner, Ald. Weber

Absent: Ald. Balla, Ald. Bancroft

3. Tax Increment Financing (TIF) Presentation

At the request of several aldermen, City Administrator Heather McGuire has arranged for City Attorney Nick Peppers to provide an overview on TIF structuring and financing. The Council will likely encounter TIF requests for upcoming projects, and this session is intended to create a basic understanding of the vehicle and process. If additional nuances are raised during future TIF negotiations, those will be explained in detail at that time.

Nick Peppers covered the imbedded PowerPoint presentation which is an updated version of a presentation previously provided by Kane McKenna in 2018.



TIF presentation
12-13-2021.pdf

TIF is a mechanism that allows certain eligible redevelopment costs (not everything) to be funded by property tax revenues that are created from increases in real estate values. Commonly eligible project costs are related to property assembly, site preparation, and construction of public and certain private improvements. TIF is statutorily contrived by the State of Illinois. Blighted and/or vacant property typically qualifies. Property can be commercial, industrial, residential, or mixed-use. The property must be “qualified” for a TIF. Consultants like Kane McKenna can do an eligibility study, including review of property history and taxes. There must be a public hearing and joint review board, and the process to implement a TIF usually takes four to five months. TIF are valid for 23 years and it’s possible to extend that time period up to 12 years for a non-performing TIF. An extension requires the consent of the other taxing districts.

Eligible TIF expenses include consultant, engineering, and attorney fees, and other applicable soft costs. It can also be used to acquire property and provide for the cost of infrastructure.

While TIFs are often offered in the form of money, land can also be provided. Multi-phase multi-use projects can be difficult to determine how to incentivize.

TIF is not meant to be a windfall for developers. They are challenged to show their costs and expected rate of return, and demonstrate that the rate of return is not sufficient for them to undertake the project without a TIF.

The most frequent questions are around how a TIF gets reimbursed.

- **Pay-as-you-go** is a conservative approach, and the current norm. Attorney Peppers' estimate is that 90%+ are established this way. The payments start when the increased tax income is generated and received. It allows the City to review the actual project costs vs the estimated costs and "claw back" some of the incentive money, as appropriate. Since this approach pays out only realized tax base increases, it eliminates the risk for the City. This method aligns with the City's TIF policy, 2009-4 revised June 18, 2018.
 - Redevelopment agreement, or
 - "Promise to pay" notes provided to a developer who wants to capture the increment. He may not know what will be built or how it will look, and desires to control the site and benefit from the incremental tax base created. If any income results, the developer can get notes paid back at a predetermined percentage. The City can also hold back a percentage for other expenses to be paid by the City related to the project.
- **Up-front payment** is more unusual. The risk is that the project will not be completed as well as expected or the incremental tax revenue does not materialize. The City's general fund ultimately pays any shortfall in tax revenue results vs expectation.
 - Taxable or tax-exempt TIF bond is usually requested by a developer who wants to quickly get in and out of a project and monetize the up-front costs. They can pre-sell the note at a heavy discount and use the funds as equity infusion into the project. Up-front nonrecourse notes are also called "dirt bonds". The last two requests have been this type.
 - General obligation TIF bond, for which the money is borrowed with the hope that the income will be generated later. This type of TIF may be appropriate for a very attractive single project which needs roads and public infrastructure where the City is willing to take on the risk.

The property tax base is established by the assessor at the start of the TIF, and increased values/taxes during the TIF period are owned by the City and used to pay for the eligible and agreed upon development costs. Other taxing bodies do not share in this increased tax base during the TIF period, and they still receive the base tax amount and annual basis.

Other taxing bodies have no formal ability to object to a TIF agreement. If a majority do not agree, the TIF can be delayed, but not stopped. For residential property, the school district is able to establish pre-determined tax amounts to be set aside because of the impact and resulting costs of number of kids in school. This set-aside will be paid to the school district based on the actual change in school attendance caused by the new development.

At the end of the TIF, the new property tax value is shared as usual between all the taxing bodies. If there are funds remaining in the TIF when it is closed, those are distributed between all involved taxing bodies.

As an alternative to a TIF, it's important to review and compare other available incentive programs, such as Special Service Areas.

During and after the presentation, aldermen asked questions which Nick Peppers answered.

4. Motion by Ald. Bessner, second by Ald. Lencioni to adjourn to Executive Session for Personnel –5 ILCS 120/2(c)(1) at 6:04 pm.

Roll Call Vote: Ayes: Ald. Silkaitis, Ald. Payleitner, Ald. Bongard, Ald. Lencioni, Ald. Pietryla, Ald. Wirball, Ald. Bessner; Ald. Weber; Nays: None. Absent: Ald. Balla, Ald. Bancroft
Motion Carried

5. Adjournment

Motion by Ald. Lencioni, second by Ald. Pietryla to adjourn the meeting at 6:10 pm.

Roll Call Vote: Ayes: Ald. Silkaitis, Ald. Payleitner, Ald. Bongard, Ald. Lencioni, Ald. Pietryla, Ald. Wirball, Ald. Bessner; Ald. Weber; Nays: None. Absent: Ald. Balla, Ald. Bancroft
Motion Carried

Tracey Conti, Deputy City Clerk

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Tracey Conti, Deputy City Clerk