

Development Opportunities



September 30, 2019

Land Cash Ordinance



CITY OF
ST. CHARLES

∞ ILLINOIS • SINCE 1834 ∞



Land Cash Ordinance

- Dedication of land, or cash in lieu of land, where contributions are *uniquely attributable* and *fairly proportioned* to the need for new school and park facilities created by developments
- Initial case law from Naperville in the 1970s

Statutory Authority

- Cities can adopt Comprehensive Plans; implement plans through Subdivision Code standards
- Standards require a school site “dedication” within a subdivision
- “Dedication” may be land or cash equivalent of land
- Used for school land, site improvements, buildings or other infrastructure, including technological infrastructure

How St. Charles Ordinance Works

- City Code requirement for all Residential Subdivisions
 - Any division of land to create new residential lots requiring City plat approval
 - Applies to unincorporated areas within 1.5 miles of City limits
- Based on two formulas:
 - Population Estimates for residential unit type and bedroom count (data based on regional demographic studies dating from 1990s)
 - Per student acreage requirements for school sites- elementary, middle, high (partially based on actual CUSD 303 data)
- Formulas generate a total school land acreage requirement attributable to a subdivision

In Practice

- Historically some school land sites “dedicated”; cash-in-lieu is more typical today (due to smaller developments and school district needs)
- Acreage is converted to cash value based on a *Per Acre Value of Improved Land* set by the City ordinance
 - Improved land is a buildable lot within a subdivision, not raw land
 - Current value is \$240,500 per acre
- City forwards Plan Commission project information and land cash “worksheets” to CUSD 303 during development review process
- Cash is paid directly from developer to CUSD 303
- City requires receipt before issuing building permits

2018 Land Cash Ordinance Update

- Reassessment of Per Acre Land Value
 - Unchanged since 2008
 - 2017 appraisal found value of \$292,500 (limited sales data)
 - \$240,500 reaffirmed (\$175,000 for 1.5 miles outside City limits)
 - Campton Hills- \$195k; South Elgin- \$118k; West Chicago- \$150k; Geneva- \$275k
 - Reassessment every 3 to 5 years
- Criteria for districts to refuse a land donation
- 90 day timeline for review of developer appeals of Per Acre Land Values or Population Estimates
 - Based on a developer appraisal or demographic study
- Credit for subdivisions with existing lots or residential units

2018-19 Land Cash Revenue Summary (unaudited)

Revenue Source	FY19 Amount	10-year average
St. Charles	\$135,294	\$161,129
South Elgin	\$0	\$21,590
Campton Hills	\$21,624	\$5,136
West Chicago	\$0	\$0
Kane County	\$17,095	\$15,372
TOTAL	\$174,013	\$203,227

NOTE: St. Charles is the most steady source of land cash revenue on an annual basis

CUSD 303 Use of Land Cash Contributions

- Use for enhancing existing schools, expansion of existing schools, improvement to land or grounds.
- Recent uses
 - Davis Elementary School Mobile Classrooms (2009-10) - \$228,595
 - Secure Entrances (2018) - \$762,612
 - East & North High Schools Mechanical Upgrades (2019) - \$439,799

Tax Increment Financing

What is TIF?

How have we applied it in St. Charles?



Tax Increment Financing (TIF)

- TIF is a municipal financial incentive tool created by the Illinois State Legislature in 1978 to assist communities in the implementation of economic development activities.
 - TIF can be used to acquire property
 - TIF can provide infrastructure
 - TIF can pay for consultant, engineering, attorney and other applicable soft costs

Tax Increment Financing (TIF)

Maximum 23 year life (unless extended by State Legislature)

- EAV generated from re-development provides funding for TIF improvements (or related debt)
- EAV from before TIF Designation (Base) distributed to taxing districts as though no TIF
- TIF does not raise taxes
 - Different method of distributing property tax revenue that already exists

Tax Increment Financing (TIF)

How is TIF Implemented

- Determine the Area to be Studied
- Qualify the Redevelopment Area
 - Specific conditions related to obsolete land use, planning, declines in EAV, etc.
 - “But for” finding
- Impact to other Districts?
- Joint Review Board (impacted taxing districts) meets and makes a recommendation on proposed TIF

Base Year (Before TIF Designation)



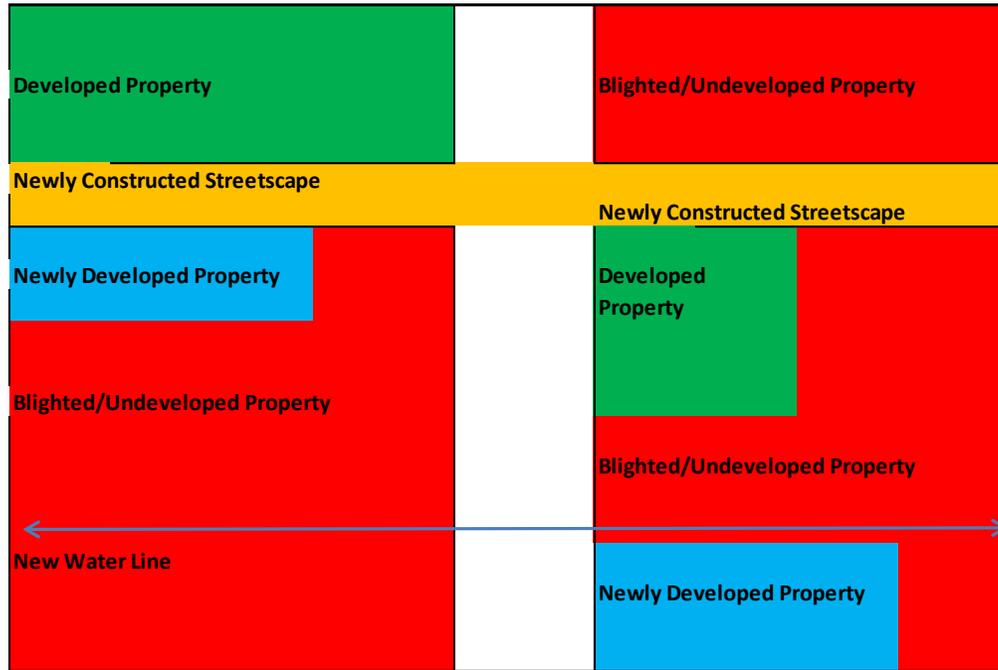
*Before the designation of the TIF District, all taxing bodies share in the property taxes generated by "base" property contained in the district. Property Tax revenue = EAV * tax rate.*

EAV of Total District	\$ 100,000
Base District EAV	\$ 100,000
Increment EAV	\$ -
Tax Rate	\$ 1.00
Taxes Generated	\$ 100,000

Property Tax Distribution

School District	60%	\$ 60,000
City	10%	\$ 10,000
County	12%	\$ 12,000
Park District	11%	\$ 11,000
Library District	7%	\$ 7,000
TIF District		\$ -
Taxes Distributed		<u><u>\$ 100,000</u></u>

Year 1 After TIF Designation



After Designation of the TIF, The property tax revenue from Base EAV (\$100,000) is distributed to taxing districts as before. Property tax from increased EAV (\$35,000) flows to TIF District (City administered) to fund infrastructure improvements or related debt.

Year 1 EAV of Total District	\$ 135,000
Base District EAV	\$ 100,000
Increment EAV	\$ 35,000
Tax Rate	\$ 1.00
Taxes Generated	\$ 135,000

Property Tax Distribution

School District	60%	\$ 60,000
City	10%	\$ 10,000
County	12%	\$ 12,000
Park District	11%	\$ 11,000
Library District	7%	\$ 7,000
TIF District		\$ 35,000
Taxes Distributed		<u>\$ 135,000</u>

How is the TIF Funded?

“PAY AS YOU GO”

- Developer Note
- Redevelopment Agreement

“UP FRONT”

- GO TIF Bond
- Taxable Revenue Bond

St Charles TIFs

Currently 7 Districts active:

		<u>Designated</u>	<u>Expires</u>
1	Hotel Baker TIF	1/6/1997	12/31/2020
2	Moline Foundry TIF	7/6/1998	12/31/2021
3	STC Mall TIF (West Side)	6/19/2000	12/31/2024
4	First Street TIF	3/18/2002	12/31/2025
5	St Charles Mfg TIF	5/5/2003	12/31/2027
6	Lexington Club TIF	1/7/2013	12/31/2037
7	Central Downtown TIF	2/17/2015	12/31/2038

St Charles TIFs

Currently 7 Districts active:

- Commercial, Residential and Mixed Use developments
- Debt issued for 6 districts – 2 bond series have been retired (Hotel Baker TIF, Moline TIF)
- Backed by City's General Obligation Bond Pledge
 - City pays if incremental revenue not sufficient for debt service payments
- City has advanced funds for debt service for all 6 bond issues (2 essentially paid back-Hotel Baker (almost) and Moline TIF (fully paid back))

St Charles TIFs

Future Considerations in STC:

- Future Districts = “Pay as you go”
- Developer Note only paid to the extent increment provides revenue.
 - Strong incentive to developer to perform
 - Developer has the repayment risk
- Lexington Club = “Pay as you go”
 - Currently dormant – no development activity
- Two TIFs expiring in next two years
 - Hotel Baker, Moline

Summary

STC has utilized TIFs for effective economic development

City is likely to continue use of TIF when advantageous

- Conservative “pay as you go” approach
- Impacts to other taxing bodies will continue to be a key consideration

Maturing TIFs will provide additional resources over next few years

Property Tax Appeals

Intergovernmental Agreement
Assessed Valuation Appeal Defense



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Intergovernmental Agreement

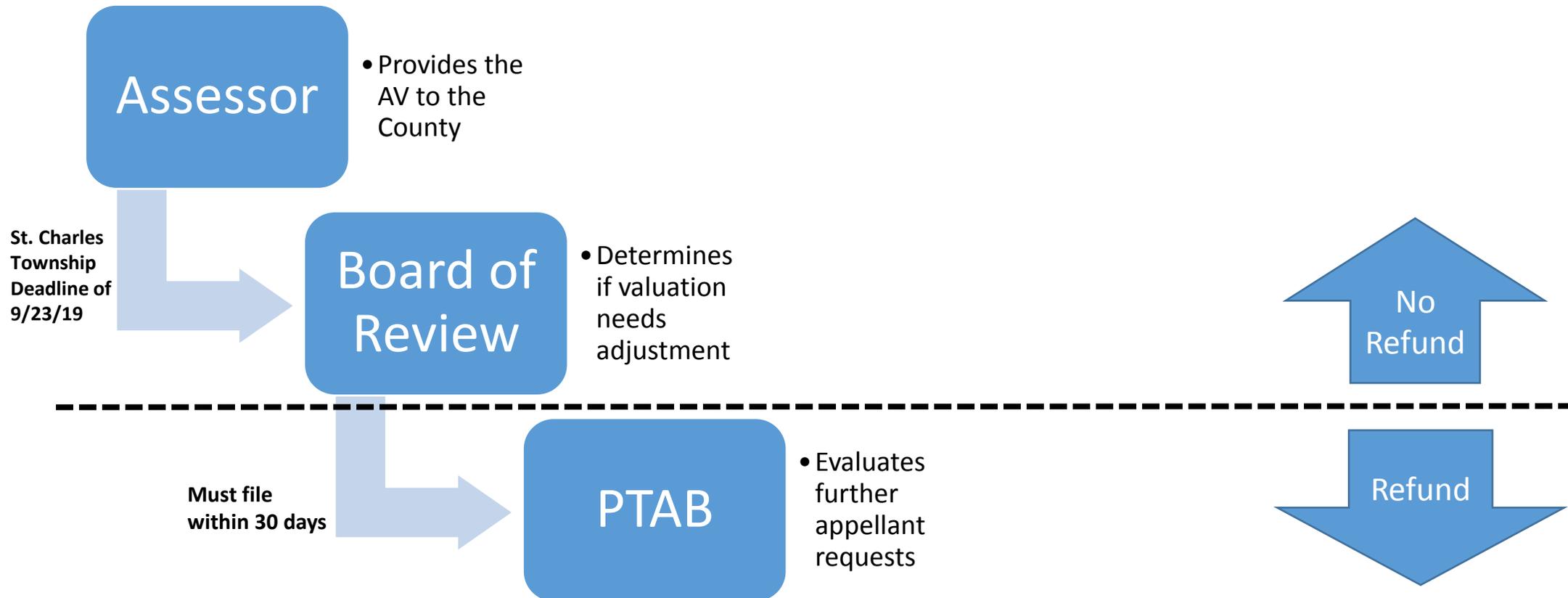
History

- Illinois Constitution (1970) allows for units of local government to share services. The Intergovernmental Cooperation Act provides the authority.
- St. Charles Township Agreement was enacted in 2009

Parties Involved

- CUSD 303, City of St. Charles, Township, Road District, Cemetery, Park District, Library, and Elgin Community College

Property Tax Appeals Process



City / School District Involvement

Notification Process

- County Board of Review
 - Right to Intervene
 - Pre-Tax Extension Settlements
- PTAB
 - Notice at \$100,000 EAV change
 - Refunds to taxpayer from current collections
 - 60 days to intervene

Additional Supports

- Request to intervene required to be filed by attorney on our behalf
- Appraisals are optional – only done if financially viable

Intergovernmental Agreement

Key Provisions

- School District acts as liaison. Communicates specific taxpayer challenges and notifies when intervening is recommended.
- Costs are allocated among taxing bodies at their proportion of tax rate.
 - D303 is approximately 60% share of taxing bodies. City of St. Charles is 10%.

Recent Changes

- Lowered the amount required to intervene (jointly) to complaints with a change of \$100,000 of EAV or more (previously \$333,000).
- Kane County removed from the IGA due to concerns from State's Attorney office

Impact of Intervening vs. Doing Nothing

Actual Scenario

- Township Assessed - \$4.7M
- Taxpayer Request - \$3.3M (appraisal submitted as evidence)
- St. Charles IGA Appraisal - \$5.0M
 - Settlement Year 1 - \$4.7M (PTAB)
 - Settlement Year 2 - \$4.5M (Board of Review)

Actual Scenario

- School District Impact
 - Year 1 – Saved \$82,385 (PTAB)
 - Year 2 – Saved \$70,616 (settlement)
- City Impact
 - Year 1 – Saved \$12,656 (PTAB)
 - Year 2 – Saved \$10,848 (settlement)
- Resident Impact
 - Avoid \$1.2M of reallocated EAV

Tax Abatements – Commercial Incentives

City – School District Collaboration

AJR Enterprises (Rukel Management)

- Constructed new manufacturing facility in 2016 on 15.1 acres of vacant land
- CUSD303 agreed to abate taxes for three years (90%, 80%, 70%) from 2018-2020

Doran Scales (D&M)

- Constructed new manufacturing facility in 2017 on 2.67 acres of vacant land
- CUSD303 agreed to abate taxes for three years (60%, 50%, 40%) from 2019-2021