

# CITY OF BATAVIA

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**DATE:** August 11, 2016  
**TO:** Committee of the Whole  
**FROM:** Chris Aiston, Economic Development Consultant  
**SUBJECT:** Presenting the Washington-Wilson Tax Increment Financing (TIF) District  
Redevelopment Plan and Program

## Summary

Attached please find the completed Washington-Wilson Tax Increment Financing District Redevelopment Plan and Program. Pursuant to Chapter 65 The Illinois Compiled Statutes at Section 5/11-74.4-1. This Plan and Program this document is required to be completed and made public for consideration prior to designating the proposed Washington-Wilson TIF District. Among other venues for review, this document will be subject to State consideration through its Department of Commerce, a formal meeting of the TIF Joint Review Board and a Public Hearing before the City Council, the latter two events tentatively scheduled for September 27<sup>th</sup> and November 11<sup>th</sup>, respectively.

## Background

**The Prospects of a Redevelopment Interest.** Wanting to step-up developer recruiting efforts for the redevelopment of the City's former First Baptist Church and surrounding properties, in the fall of 2013, the City sent a Request for Qualifications (RFQ) packet to some twenty-five development firms with direct experience and proven success in developing mixed-use, urban infill projects. With the exception of few and limited conversations, there were no substantive responses to the RFQ. In the winter of 2014-2015, however, then-City Administrator Bill McGrath and the City's the economic development consultant personally presented the redevelopment opportunity to David Patzelt, representing local developer Shodeen, Inc., and, although Shodeen had received the original RFQ and did not respond to it, according to Mr. Patzelt, the company was reconsidering its position. Discussions between staff and Mr. Patzelt ramped-up quickly and by February, 2015, the parties had exchanged terms. These "Terms Sheet" were to serve as the backbone of a possible Redevelopment Agreement (RDA).

**Consideration to Establish a New Tax Increment Financing District for the "Washington-Wilson District".** As a potential redevelopment project began to take shape, and having presented proposals to purchase and develop the City's properties to the Council in executive session, it became evident to both the developer and city staff that a TIF subsidy was going to be required to make the project economically viable, particularly as the city from the beginning indicated its firm position that the project must include considerable public parking as a key land use component. The subject parcels (the redevelopment site is comprised of eight parcels, six of which are owned by the City and two others are currently under private ownership) are currently located within one of two existing TIF Districts, TIF 1 and TIF 3. TIF 1 is due to expire in 2023 and TIF 3 is to expire in 2038. In considering what would likely be the necessary amount of TIF subsidy to make the project economically viable (the developer to realize an appropriate return on its investment within the context of the existing commercial/residential real estate market) and recognizing that the timeS remaining on TIFs 1 and 3 were insufficient to accumulate the required property tax increment to fully reimburse the developer and/or the City for its investment with respect to TIF cost-eligible expenses, both staff and the developer understood that in order for the redevelopment to proceed as planned, the redevelopment site would need to be part of a new TIF District altogether.

**Completing a TIF Eligibility Report, Adopting a Resolution of Intent and Proceeding Further with Exploring West Town TIF Designation.** In July, the City Council took the following actions:

- a. Approved a report (“Eligibility Study”) finding that the proposed Washington-Wilson District redevelopment project area met certain criteria making it eligible for designation as a conservation TIF district;
- b. Adopted a formal resolution, declaring its intent to utilize TIF authority to help finance certain redevelopment activities presented in a future Redevelopment Plan and Project/Program document;
- c. Directed staff to notify all affected taxing districts of the above Washington-Wilson TIF initiatives; and
- d. Directed staff to proceed with completing a Redevelopment Plan and Program for the proposed Washington-Wilson District redevelopment project area, as required under the State TIF Act.

**Draft Redevelopment Plan and Program.** As stated in the “Summary” paragraph above, the Draft Washington-Wilson District Redevelopment Plan and Program document has been completed, it is attached and will be presented to the COW during its August 16<sup>th</sup> regularly scheduled meeting. A brief synopsis of the report results is as follows:

- a. Restating Eligibility of Proposed District – Section I.C. affirms Eligibility Study findings indicating that the subject area meets statutory requirements for designation as a conservation tax increment financing district. The Eligibility study itself has been incorporated into the Plan document as an Appendix.
- b. Redevelopment Plan and Program – Section IV sets forth a comprehensive program, including specific objectives and a general land use plan, for the development or redevelopment of the project area with the intent of reducing or eliminating blighting conditions and enhancing the area’s tax base.
- c. Findings of Need for Tax Increment Financing – Section V. asserts the following: “On the basis of the Washington-Wilson District TIF Eligibility Study and this Redevelopment Plan and Program, the City Council of the City of Batavia, Illinois, can adopt the following findings pursuant to section 11-74.4-3(n) of the Act [to wit:]  
The Redevelopment Project Area is not subject to growth; and  
The Redevelopment Plan and Program conforms to the City’s Comprehensive Plan”.
- d. Financial Impact of Redevelopment – Section VI. makes the argument that:
  - i. In the absence of City-sponsored redevelopment, it can be reasonably surmised that the factors qualifying this area as a conservation area will continue to exist and to spread, and that the redevelopment project area along with adjacent properties will become less attractive for maintaining and improving existing buildings and sites. Erosion of the assessed valuation of property in and outside of the redevelopment project area has already occurred, and could lead to further reductions of real estate tax revenue to all taxing districts.
  - ii. The implementation of the Redevelopment Plan and Program is expected to have significant short and long-term positive financial impacts on all taxing districts affected by the Plan. In the short term, the City’s use of tax increment financing can be

expected to arrest the ongoing decline of existing assessed values in the redevelopment project area, thereby stabilizing the existing tax base for local taxing agencies. In the long term, after the completion of all redevelopment improvements and activities, redevelopment projects, and the payment of all redevelopment project costs and municipal obligations, all taxing districts will benefit from the enhanced tax base which results from the increase in equalized assessed valuation caused by the implementation of this instant Redevelopment Plan and Program.

- iii. The section further speaks to the projected financial impact to all eight local taxing districts that would be affected in designating the proposed new TIF District.

### **Alternatives:**

- a. COW may take the draft Redevelopment Plan and Program under advisement and do nothing further at this time.
- b. COW may consider the merits of and direction set forth in the draft Redevelopment Plan and Program and proceed further in accordance with state statute, adopting ordinances establishing:
  - i. The date/time/place for a public hearing, including the intention to convene a Joint Review Board to consider TIF designation prior to said Hearing; and
  - ii. An Interested Party Registry

**Pros:** Proceeding further with the Washington-Wilson TIF district designation process by adopting the aforesaid ordinances will enable the City to fully vet the proposed TIF district designation initiative, allowing for extensive input from all affected taxing bodies, property owners within and outside of the project area and the public generally.

Continue the momentum that this initiative has gained over the past several months, stimulating current and future, near-term redevelopment interests.

City will utilize the instant Redevelopment Plan and Program, including the Eligibility Study, while it is current (and completed within budget). Any significant delay may cause the information, findings and proposed program objectives to become out of date and future TIF designation may not be possible without having to start the process over from the beginning.

**Cons:** There will be some additional staff resources and funds required to complete the TIF designation process (e.g., city staff time, city attorney time, public notice costs). These costs would be avoided (at least at present) if the COW were to decide not to move ahead with the designation process as outlined above.

### **Budget Impact**

There are existing funds in the City Economic Development, Administration and/or TIF budgets to meet anticipated costs in moving forward with the Washington-Wilson District TIF designation process pursuant to state statutes.

### **Staffing Impact**

There are available staff resources in the Economic and Community Development Departments, as well as other less-affected departments that may become necessary or tangentially involved (Administration,

Finance, Public Works), to meet the ongoing review, study and shepherding necessary in proceeding with TIF designation.

**Timeline for Actions**

COW may presently consider and, if it chooses to do so, make a recommendation to full City Council to place the Draft Redevelopment Plan and Program before a Joint Review Board and a Public Hearing, as well as to establish an Interested Party Registry, in the further consideration of Washington-Wilson TIF District designation.

**Staff Recommendation**

Staff recommends the Committee of the Whole consider and recommend that the Council make available for formal consideration the Draft Redevelopment Plan and Program before a Joint Review Board and formal Public Hearing, in accordance with state statutes, directing staff to prepare the required Ordinance allowing such consideration to take place. Staff further recommends that the COW direct staff to prepare a separate Ordinance establishing an Interested Party Registry for Council consideration.

Attachments:

Draft Redevelopment Plan and Program

CC: Mayor Schielke  
Laura Newman  
Department Heads  
City Attorney