

# Memo

**To:** Mark Franz, Village Manager, Village of Glen Ellyn  
**From:** Maureen Barry, Financial Advisor  
**Date:** November 16, 2011  
**Subject:** Updated Glen Ellyn TIF Projections

---

Per your request, Ehlers has updated the tax increment projections first provided to the Village in the *Tax Increment Finance Feasibility Report* issued by Ehlers in March, 2011. The projections include: 1) Equalized Assessed Values (EAV) from tax year 2010, which were not yet available for the March report; and 2) EAVs from a group of parcels in the southeast corner of the proposed Redevelopment Project Area (RPA) that were not being considered for inclusion in the RPA at that time. The following modifies language used in the Feasibility Study to describe the analysis and incorporates the updates to the projections as described above.

## **CENTRAL BUSINESS DISTRICT TIF PROPERTY TAX REVENUE ANALYSIS**

Ehlers has completed preliminary incremental property tax revenue estimates for the potential development projects in the proposed Central Business District TIF District as outlined in the Village of Glen Ellyn's *Downtown Strategic Plan*. Our estimates are based on research of tax assessment data, and discussions with the DuPage County Assessor and Clerk's Offices, and the Milton Township Assessor's Office.

The *Downtown Strategic Plan* (in Table 3) identified five potential redevelopment projects that may be initiated within the RPA within the next 20 years. These projects are listed below:

### **Potential Redevelopment Projects**

<b>Project #</b>	<b>Development</b>
14	Main Street South Mixed-Use Development
15	Residential Redevelopment on Existing Church and Parking Lots
18a	Glenwood-Crescent Residential and Mixed-Use Redevelopment - Phase 1
18b	Glenwood-Crescent Residential and Mixed-Use Redevelopment - Phase 2
18c	Glenwood-Crescent Residential and Mixed-Use Redevelopment - Phase 3

Using the development costs stated for these projects in the *Downtown Strategic Plan* (in 2009 dollars), Ehlers developed several estimated tax increment projections. The projections consist of three different development scenarios that calculate the estimated incremental revenue that

could be generated within the proposed TIF district. Further detail regarding these scenarios can be found in the attached **Tables 3, 4, and 5**. (Tables 1 and 2 are used within the Feasibility Report for other items.) The scenarios can be summarized as follows:

***Estimated TIF Increment Projections***

<b>Table &amp; Description</b>	<b>Base (Frozen) EAV</b>	<b>Estimated New Projects EAV</b>	<b>Estimated Residential Units</b>	<b>Total Increment</b>	<b>Net Present Value</b>
Table 3 Inflationary Growth Only	53,618,031	0	0	\$7,044,555	\$2,327,845
Table 4 Projects 14, 15 & 18a,b,c (15 Year Buildout)	53,618,031	30,385,958	362	\$37,411,428	\$13,231,726
Table 5 Projects 14 & 15 only (15 Year Buildout)	53,618,031	10,804,565	110	\$17,833,796	\$6,202,410

The assumptions regarding new project values, timing and number of units are based on information within the *Downtown Strategic Plan*.

**Table 3** shows the estimated increment that would be generated if there were **no development** in the RPA and the only growth was to occur from inflationary increases in EAV. In this scenario, an estimated total increment of \$7,044,555 is projected for all parcels within the RPA.

**Table 4** shows the estimated increment that would be generated if the development of **all five of the potential redevelopment projects** listed above (14, 15, 18a, 18b and 18c) were to occur over a **15 year build-out** period. In this scenario, an estimated total increment of \$37,411,428 is projected for all parcels within the RPA.

In the interest of taking a more conservative approach, factoring in the current slow pace of development, **Table 5** shows the estimated increment if **only projects 14 and 15 were developed over a 15 year period**. In this scenario, an estimated total of \$17,833,796 is projected for all parcels within the RPA.

The **Table 5** scenario may be the most realistic scenario currently given today’s development market and the status of redevelopment plans within the Village at this time. However, the 15 year estimate with all projects (**Table 4**) has been included to show the impact that higher EAV values would produce. The **Table 4** scenario is also consistent with timeframes suggested in the *Downtown Strategic Plan*.

These scenarios could be modified in any number of ways; however, these estimates should provide a general understanding of the type of tax increment that may be generated by TIF in this RPA.

Highlights of the assumptions used in these scenarios include:

1. Although the TIF District would likely be established in early 2012, the projections assume that the County Assessor will use information from tax year 2010/collection year 2011 for the TIF’s initial year. The projections also assume the TIF will collect 23 years of increment.

2. The projects begin construction in 2012. (This may be aggressive, but it is also likely that projects will not require a full 15 years for build-out.)
3. A Homeowner's exemption has been factored in for residential units. There may be other types of exemptions, such as those that may be used by senior citizens, veterans, etc., that may also apply which have not been included in these calculations.
4. A 7% present value discount rate is used.
5. The Special Service Area currently in effect stays in existence at its current rate throughout the life of the TIF.

It should also be noted that new development value in **Tables 4 and 5** is limited to the projects described above as proposed in the *Downtown Strategic Plan* (and using 2009 dollar values). There will likely be other projects and improvements that will increase the assessed value of the parcels within the Central Business District that have not been included in these estimates.

*These estimates are for illustrative and discussion purposes only and should not be used for the purposes of structuring any obligations of the Village without additional due diligence.*

**Impact of TIF on Proposed Public Works Projects**

Glen Ellyn's *Downtown Strategic Plan* describes various public infrastructure projects as shown below (also found in the *Downtown Strategic Plan* and in 2009 dollars):

**Potential Public Infrastructure Projects**

Project #	Description (source: <i>Downtown Strategic Plan</i> )	Total Development Costs
5	Downtown Traffic Circulation Analysis	\$35,000
6a	Public Signage, Wayfinding, Streetscaping - Five Corners & Roosevelt	\$1,000,000
6b	Public Signage, Wayfinding, Streetscaping - Oak, Hawthorne, etc.	\$1,000,000
6c	Public Signage, Wayfinding, Streetscaping - Main St. Parkway	\$1,500,000
6d	Public Signage, Wayfinding, Streetscaping - Burial of Overhead Utilities	\$8,450,000
7	Main St & Crescent Blvd Streetscape, North Downtown Greenway	\$3,450,000
8	Recreational and Multi-Use Paths	\$1,888,000
9	Mixed-Use Forest Ave North Parking Structure	\$15,315,000
10	New Train Station Facilities and Pedestrian Underpass	\$21,250,000
11	Mixed-Use Forest Ave South Parking Structure	\$18,275,000
12a	South Downtown Glen Construction	\$2,500,000
12b	Burial of Overhead Utilities - South Downtown Greenway Construction	\$1,593,000
<b>Total</b>		<b>\$76,256,000</b>

  

Estimated TIF Increment Projections	Total	Net Present Value
Table 3 Inflationary Growth Only	\$7,044,555	\$2,327,845
Table 4 Projects 14, 15 & 18a,b,c (15 Year Buildout)	\$37,411,428	\$13,231,726
Table 5 Projects 14 & 15 only (15 Year Buildout)	\$17,833,796	\$6,202,410

As the TIF increment scenarios show, TIF funds alone may not be sufficient to pay for all of the costs of the public infrastructure projects that the Village would like to undertake, but it would cover a considerable portion of these costs, assuming the development of the five projects anticipated in the scenarios (or other similarly valued development) happens in a timely fashion.

Although this TIF is not expected to generate all of the funds that the Village will need to pay for these public projects, Ehlers advises the Village to set the “Redevelopment Project Costs” dollar figures high enough to allow the Village maximum flexibility should more redevelopment than expected occur within the TIF over the 23 years it will be in effect. These numbers should be viewed as maximum spending limits as opposed to planned and budgeted expenditures. As such, the figures within the proposed Redevelopment Plan have been purposely overstated, such that an amendment to the Plan should not be necessary at any point within the next 23 years. Ultimately, any Village expenditures from the TIF Fund will be limited by the amount that is actually generated by property tax increment from the property within the TIF. This will require the Village to “live within its means” with respect to TIF funds.

### ***POTENTIAL IMPACT OF TIF DEVELOPMENT TO TAXING BODIES***

In introducing a discussion of potential impacts of a TIF to the effected taxing bodies, including the Village, it is important to review how TIF dollars are collected. Tax increment is the difference between the amount of property tax revenue generated before TIF district designation and the amount of property tax revenue generated after TIF designation. Establishment of a TIF does not reduce property tax revenues available to the overlapping taxing bodies. Property taxes collected on properties included in the TIF at the time of its designation continue to be distributed to the school districts, county, community college and all other taxing districts in the same manner as if the TIF did not exist. Only property taxes generated by the incremental increase in the value of these properties after that time are available for use by the TIF.

There are provisions within the Act that address how schools and libraries may be compensated for increases to their student and patron numbers as a result of development related to TIF funded projects within the RPA. The law also allows municipalities to use TIF dollars for capital costs resulting from the redevelopment project, including improvements to parks and schools within the TIF. (TIF dollars can only be used for projects within the TIF boundaries, except in some cases involving the extension of water/sewer lines that support the TIF area.)





