

**East/West Elm Street
Tax Increment Financing (TIF) District
August, 2017**

Background & Process

- During the March, 2017 Village Council meeting, after reviewing Downtown Master Plan implementation, the Village Council directed staff to seek professional consulting assistance to determine if TIF was a feasible consideration for the Elm Street commercial business district.
- Thereafter, staff sought proposals from qualified consultants to evaluate TIF for the Elm Street business district.
- During the April 18, 2017 Village Council meeting, the Council approved an agreement with Ehlers and Associates to perform this analysis.
- The agreement with Ehlers and Associates was structured into three phases so that at the conclusion of each phase, the Council would evaluate the results and determine whether to continue with subsequent phases. The three phases include:
 - Phase I, Feasibility Analysis – determine whether the area would qualify statutorily and prepare a feasibility report to the Village. The Feasibility Analysis was presented to the Village Council on July 11, 2017. The Council concurred with the results and directed staff and the consultant to proceed with the next phase. On August 8, 2017 the Village Council authorized Ehlers and Associates to proceed with Phase II of the consulting agreement.
 - Phase II, Preparation of the Redevelopment Plan – prepare the redevelopment plan as required by statute, legal descriptions, project revenues and costs, and required certifications. This phase will also include a presentation to the Village Council, and an ensuing Council discussion to identify goals and objections, intergovernmental considerations, and guiding principles for the project. This project work is ongoing as of August, 2017.
 - Phase III, Adoption Process of TIF Project – The TIF act outlines a specific adoption process including a public information meeting, Joint Review Board, public hearings, ordinance development and presentations to Village Council. This phase is not yet proceeding until Phase II is concluded and agreed upon. It is anticipated that Phase III could commence during the end of 2017 and continue into 2018.

Feasibility Findings

- The proposed Elm St. commercial area is recommended to be designated as a “conservation area” under the TIF Act.
- Under the TIF Act, a conservation area can be established when 50 percent or more of the structures in the designated area have an age of 35 years or more. This, along with a combination of three or more of the 13 eligibility criteria being met would qualify as a “conservation area.”
- The Feasibility study area found that more than 50 percent of the structures were 35 years old or older and met 5 of the 13 conservation area criteria including:
 - Deterioration
 - Inadequate Utilities
 - Excessive Land Coverage
 - Lack of Community Planning
 - Lagging Equalized Assessed Valuation (EAV)

Village Council Goals

- The Village is seeking to establish a TIF District for the east and west Elm St. commercial business area to fund needed infrastructure improvements.
- The Village Council has expressed that it does not want to capture all of the increment that is expected to be generated from the TIF District. The goal is to only fund the needed projects relating to infrastructure.
- Once project goals are achieved, the Village is amenable to ending the TIF early or declaring a surplus that would allow revenue sharing with the taxing districts.
- These considerations could be achieved by intergovernmental agreement between the governmental entities. Any surplus would be distributed on a pro-rata basis to all of the effected taxing bodies

Rationale & Competing Resources

- The rationale for the TIF is to capture the anticipated increases in equalized assessed commercial property value from new development and inflation.
- Allocate the increment revenue towards funding critical infrastructure needs within the district; without increasing other taxes.

- The Village's stormwater and overall infrastructure needs are significant. The stormwater improvement plan for western and southwestern Winnetka is estimated at \$57 million in current dollars.
- Given the substantial investment required to alleviate flooding in Winnetka, the Village will be evaluating various funding mechanisms, including use of reserve funds towards meeting this priority.
- Understanding that stormwater improvements will require significant funding, alternative sources of revenue are being evaluated to support badly needed downtown improvements.

TIF Considerations

- If a TIF is established, all taxing districts would continue to receive base EAV property tax revenue from the designated TIF area.
- Prior to Tax Year 2016, EAV from the Elm St. commercial business area had significantly lagged compared to the overall community.
- Public and private reinvestment is required in this area of the tax base in order to grow the EAV, which will benefit all impacted taxing districts.
- Targeted TIF investment will improve long term EAV growth in the district.
- Any TIF funds declared as surplus and returned to the impacted taxing districts is not subject to PTELL restrictions. There are no restrictions on how those funds may be used once distributed from the TIF fund.
- Overall Winnetka EAV growth has primarily resulted from residential redevelopment (teardowns, additions, etc.) outside of the commercial districts. Typical EAV growth exclusive of the proposed TIF area would not be impacted.
- The TIF Act stipulates that while the TIF is in place, if students are generated from housing redevelopment within the TIF district, a portion of the costs per student can be reimbursed from the TIF fund according to the TIF Act's parameters.

One Winnetka Development

- The One Winnetka mixed used development is the primary driver of the projected property value increase in the TIF study area.
- One Winnetka is proposing approximately 36 residential apartments, 5 townhomes, and 15 condominiums.

- One Winnetka is providing significant public benefit enhancements including new above and below grade parking structure on the east public lot, underground parking on Lincoln Avenue, new water main on Elm St, and streetscape improvements along both sides of Elm and Lincoln adjacent to the development.
- One Winnetka is a mixed used development proposing approximately 33,000 square feet of retail space on the first floor.
- One Winnetka has not yet received final approval, although the Village anticipates Council consideration of this development later this fall.
- A number of outstanding issues are being finalized including easements, final plats, infrastructure and project financing.