

Memorandum

To: Councilmember Bobby Burns

From: Paul Zalmezak, Economic Development Manager

Subject: Five Fifths TIF Supplemental Information

Date: August 20, 2021

Summary:

This memo provides answers to a number of questions you have asked staff and consultant Kane McKenna Associates since the Five-Fifths TIF public hearing held July 12, 2021.

1. Eminent Domain relationship to TIF

The Illinois Compiled Statutes 735 ILCS 30 - Eminent Domain Act defines the conditions in which a governmental body can use eminent domain to acquire private property. The establishment of a Tax Increment Financing district is not required in order for a municipality to use its eminent domain authority, nor does the TIF act supersede the act. The Five Fifths TIF will not be used to fund any Eminent Domain acquisition of properties within the proposed TIF boundaries. Staff will recommend that language precluding the use of TIF funds for eminent domain for property acquisition within the TIF boundaries be included in the TIF adoption ordinances.

2. Annual TIF Reports

Economic Development and Finance staff reviewed an annual report with you. We agreed to create on the City's website a new "TIF dashboard" report that is easier to read and more easily accessible at a date to be determined.

3. Summary of Evanston TIF Past Performance

Consultant Kane McKenna analyzed the performance of the City's four completed/terminated TIFs by comparing each TIF's total EAV growth over the term of each TIF, with the growth rate in the CPI over the same period. As seen below, the EAV growth rate over the term of these four TIFs exceeded growth in CPI over the respective periods.

TIF	Years	EAV Growth Rate	Average CPI Growth Rate
TIF #1 (Downtown)	1985 to 2009	19.69%	2.95%
TIF #2 (Southwest)	1990 to 2014	8.56%	2.63%
TIF #3 (Howard Hartrey)	1992 to 2016	3.73%	2.95%
TIF #4 (Washington National)	1994 to 2018	5.36%	2.24%

4. Please provide photos of examples of qualifying factors

Attached are examples of Kane McKenna's photographs of qualifying factors.

5. Some community members have expressed concern about gentrification resulting from TIF and generally in the Fifth Ward.

Staff suggests there has been limited new development in the central area of the Fifth Ward during the last expansion period, (*define "expansion period"*) with the exception of the non-profit donor-financed Y.O.U. headquarters, TIF financed 1817 Church Street building, and the City-financed renovation of Gibbs Morrison. Private investment in the proposed TIF area has been minimal, having occurred primarily along the periphery and in the Hill Arts District. Most recently, the Double Clutch Brewery on Jackson and the Soul and Smoke / Feast & Imbibe property acquisition and expansion occurred in Hill Arts District portion of the proposed TIF. In addition, in recent years, development was proposed on both sides of Emerson at Jackson and Ashland but has not moved forward. The only significant housing constructed in the area in the last 10 years is Emerson Square. Finally, the West Evanston TIF, immediately south of the proposed Five-Fifths TIF has experienced EAV growth of less than 1%.

6. The TIF ordinances and staff report accompanying them should incorporate the following six target activities:

1. TIF will be invested to offset the cost of home repairs

To assist long-time homeowners, senior homeowners, and disadvantaged homeowners, staff recommends that TIF funds be used for home repairs, such as including HVAC, plumbing, electrical, roofing, doors, windows, fire protection, chimneys, etc., along with energy efficient / climate resilient retrofitting of residential building components.

2. TIF will assist in the cost of delivering Workforce Development/Job Training for residents and businesses within the TIF district.

The TIF act allows for "job training and retraining projects." Staff recommends that TIF funds be used to train residents for, among other things, the construction of infrastructure improvements that are undertaken within the TIF pursuant to the TIF Plan, including water, sewer, sidewalks, alleys, lighting, electric vehicle charging, etc. This would help create a "built here by us" mindset that could enhance opportunities for Evanston community members.

3. TIF will fund public infrastructure planning and construction.

As a public financing tool, TIF is commonly used to plan and construct public infrastructure improvements projects including water, sewer, electric, alleys, streets, streetscape, etc. Staff recommends that Five-Fifths TIF funds be used for delayed infrastructure projects or infrastructure suffering from deferred maintenance. Additional infrastructure improvements can include parking and new pedestrian paths and/or bike trails, including at the vacated Mayfair rail right of way, and other mobility systems. .

4. Business District Improvements will benefit from TIF investment

Staff recommends that TIF be invested in small businesses within the Five-Fifths TIF for such improvements as exterior facade improvements, and interior building components, such as HVAC, plumbing, electrical, flooring, etc. Staff also recommends that Five-Fifths TIF funds be used to beautify the public improvements in the commercial areas of the TIF, including such things as benches, sidewalk improvements, bicycle racks, planters and other similar improvements.

5. Fleetwood Jourdain Center Improvements could be funded with TIF

Since community members have asked for improvements to the Fleetwood Jourdain Center, staff recommends that Five-Fifths TIF funds be used for improvements to the Fleetwood Jourdain Center. This will to modernize the facility and provide expanded opportunities for neighborhood recreation and community gatherings. . Specific improvements to the Fleetwood Jourdain Center could include improvements for roller skating, a pool, basketball court improvements, and workout facility/gym. TIF could be one of several sources of funds for improvements.

6. TIF to be used to fund the rehabilitation and creation of affordable housing units with a focus on larger family units.

The TIF statute allows for the rehabilitation, reconstruction or repair or remodeling of existing public or private buildings. Therefore, staff recommends that Five-Fifths TIF funding be used to assist with the cost of renovating existing residential single -family or multi-family residential housing units, including existing apartment buildings and two- and three-flats.

The act also states that the municipality may pay from tax increment revenues up to 50% of the cost of construction of new housing units to be occupied by low-income households and very low-income households as defined in Section 3 of the Illinois Affordable Housing Act. The act defines “low-income” as a single person, family or unrelated persons living together whose adjusted income is more than 50% but less than 80% of the median area income adjusted for family size. “Very low-income” households are defined as those earning no more than 50% of the area median income.

Staff will research the viability of engaging community land trusts and other means of maintaining affordability for the long term.

7. TIF Budgeting by Categories

Pursuant to the TIF Act, the total TIF budget cannot be exceeded without City Council approval; however, individual budget line items *within* the budget can be adjusted, as long as the total budget is not increased. For example, if we learn in later years that more funding is needed for job training and less needed for infrastructure than what is shown in the budget, funds can be “moved” from infrastructure to job training. .

8. What are the projected revenues for the next 5 years?

PKane, McKenna’s tax revenue projections are derived from a set of assumed projects provide by City staff that could potentially occur in the area subject to community/city council review and approval. Based on these specific project assumptions, Kane McKenna estimates the following

ranges of TIF revenues over the first five years of the TIF. To the extent that actual future projects deviate from these assumptions, the projections will change, as well.

Estimated TIF Revenues - First Five Years	
Year 1 (2022)	\$0 to \$120,000
Year 2 (2023)	\$120,000 to \$130,000
Year 3 (2024)	\$490,000 to \$500,000
Year 4 (2025)	\$850,000 to \$900,000
Year 5 (2026)	\$1.8 to \$2 million
Note: These are projections based on early assumptions and will need to be updated once projects are determined and assessed valuations are certified by the assessor	

10. What would property tax revenues be without the TIF

It is assumed that without establishment of the Five-Fifths TIF, tax revenue growth would be primarily limited to that associated only with organic growth, that is, growth related only to inflation, with little growth related to any significant improvements in the area. It is anticipated that with the establishment of the TIF, tax revenues would grow a greater rate, due to improvements resulting from the TIF. Kane, McKenna estimated tax revenue growth in the absence of establishment of the the Five Fifths TIF (see attached)

11. Provide the language from the comprehensive plan referenced in the TIF Redevelopment Plan document.

- The Comprehensive Plan adopted in May 2000 (“the Comprehensive Plan”) states: *“Evanston must allow growth to occur while enhancing the community’s special character,*
- *“Evanston’s distinct character is derived from its physical and cultural strengths”*
- *“Development within low- and moderate-income neighborhoods especially Evanston’s west side, should be a priority for private and public investment to enhance the investments of current residents.”*
- *“Public buildings should be modernized, cost efficient, and easily accessible places.”*
- *“Additions to the housing stock should continue to offer a broad range of styles and prices. Shopping centers and business districts-should be places of convenience to residents as well as destinations for shoppers from outside the community. Existing businesses should be retained and new firms established through the implementation of an effective economic development strategy. That strategy should recognize Evanston’s relative desirability as a location for companies working in the fast growing high-technology sector. It should promote locally-based businesses as well as regional and national business.”*

12. Explain why TIFs are better than issuing GO bonds

TIF revenue bonds and GO bonds are not mutually exclusive tools. Their use depends on the circumstances of their application.. The City does not, as a practice, borrow money to lend to private developers for development projects. . Interest is paid on both GO bonds and TIF revenue bonds; however, GO bonds require the City's pledge (guarantee) if TIF revenues are not available for pledge, thus impacting the City's credit rating. TIF revenue bonds are appropriate for private redevelopment projects because they are performance based and shift risk of repayment of the bonds to the TIF and developer, rather than the City's general tax pledge

Photographs of Qualifying Factors













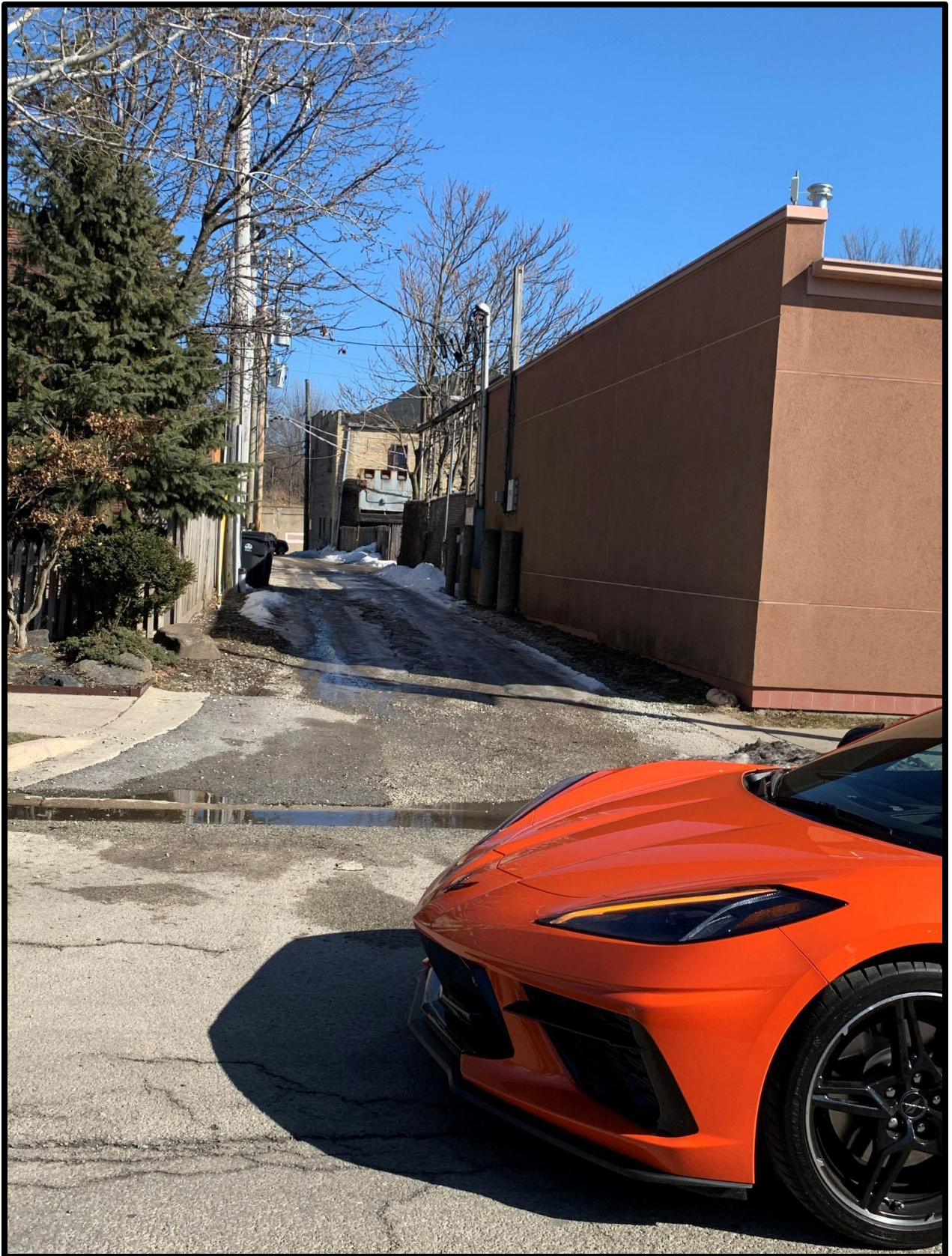






































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