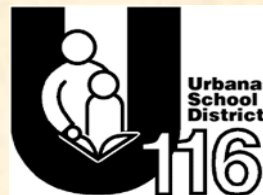


URBANA TAX BASE EROSION: 2005 UPDATE

(Draft)

**Tax & Equity Issues Resulting
from University of Illinois
Expansion**



University of Illinois Economic Powerhouse

- **State and Regional Economic Benefits:**
 1. **20,000 Jobs**
 2. **\$600,000,000.00 Payroll**
 3. **7,000 - 8000 Graduates per year**
 4. **\$1.2 Billion + Budget**
 5. **State Flagship Institution for Research & Technology**

Our Role

Urbana officials understand and appreciate that our future is inextricably linked to the University of Illinois and that we have an important role in promoting the University's success.

That role includes providing a strong public school system, safe and stable neighborhoods, and a quality of life for students, staff and faculty necessary to maintain the world class status of the University of Illinois.

So What is the Problem?

University of Illinois expansion has come at a cost to one host community. Urbana has lost millions of dollars in tax base to tax exempt University expansion with the following negative impacts on the community:

Negative Impacts:

- 1. Reduced resources for City, Park District and Township services negatively affecting residents' quality of life**
- 2. Increased pressure on remaining tax base to maintain services**
- 3. Reduced financial ability of School District to provide quality K-12 education to Urbana children**
- 4. Future Growth areas absorbed**

Why Raise This Issue Again:

- 1. Urbana taxing districts agreed to review this issue every 5 years**
- 2. Recent efforts to resolve tax base sharing for the research park have failed**
- 3. The University is now fully engaged in the development business**
- 4. The relative inequity to Urbana residents from University development is growing rapidly**

Why Raise This Issue Again...

- 5. There has been limited progress in addressing the issue**
- 6. The lack of success in addressing this issue limits Urbana's ability to play a supporting role to the University**
- 7. The growing inequity could become a wedge between the cities that may weaken community support for the University**

The Two “Public Purposes” for University Land Takings in Urbana

- 1. Academic non-taxable expansion**
- 2. To relocate the South Farms to permit the private taxable development of the research park on state land**

The Relative Impact Heightened

- 1. By ignoring political boundary realities the impacts of University expansion decisions have disproportionately harmed Urbana**
- 2. Urbana citizens seemed more willing in the past to give up tax base and absorb the costs of educating hundreds of married student housing children when the relative inequity was not so apparent**

Relative Inequity

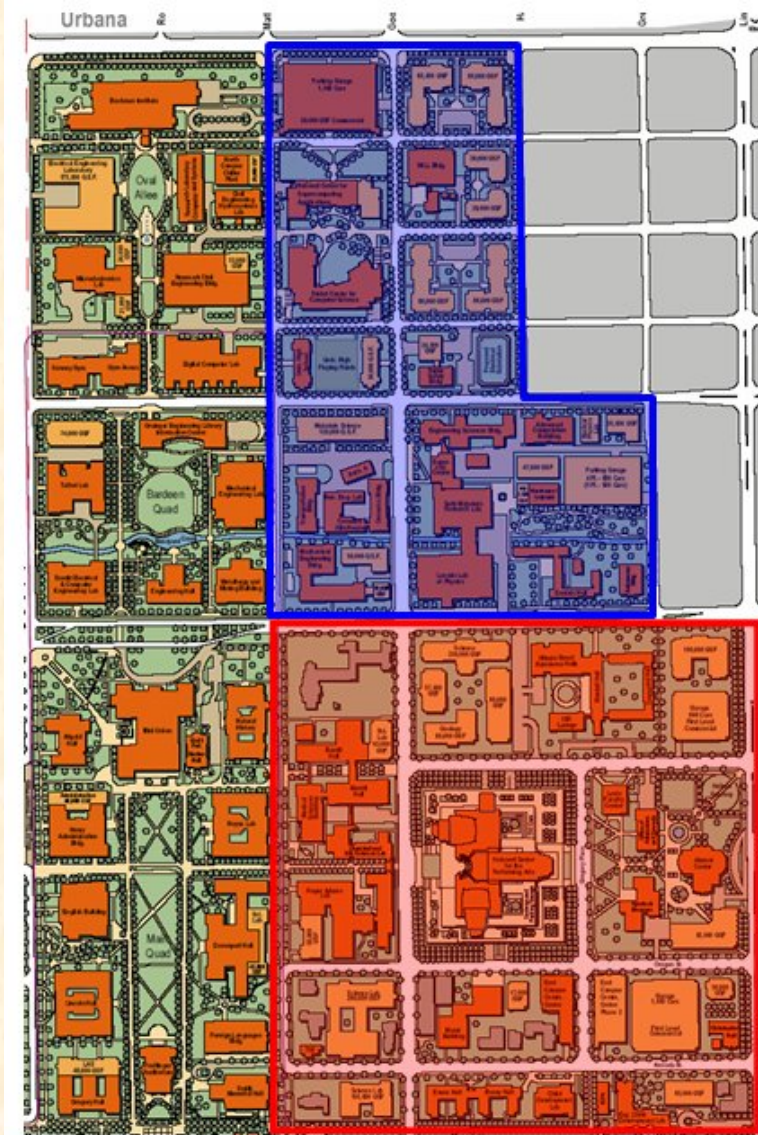
Gain/Loss of Campus EAV 1985-2005





A Review and Update of University Expansion in Urbana (the facts)

- North Campus
- Central Campus
- South Campus

University Expansion in Urbana



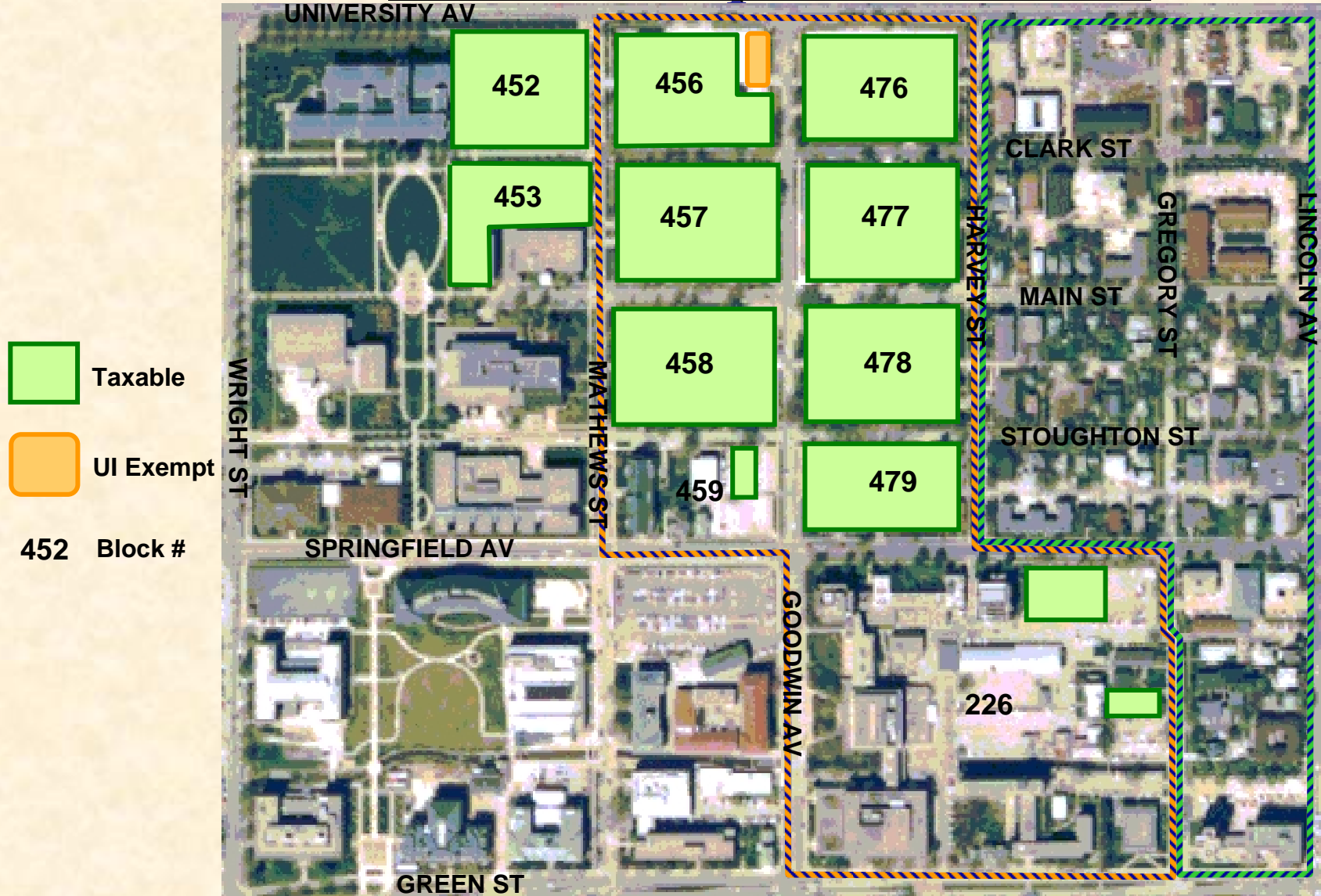
-  North Campus Boundary Area
-  Central Campus Boundary Area



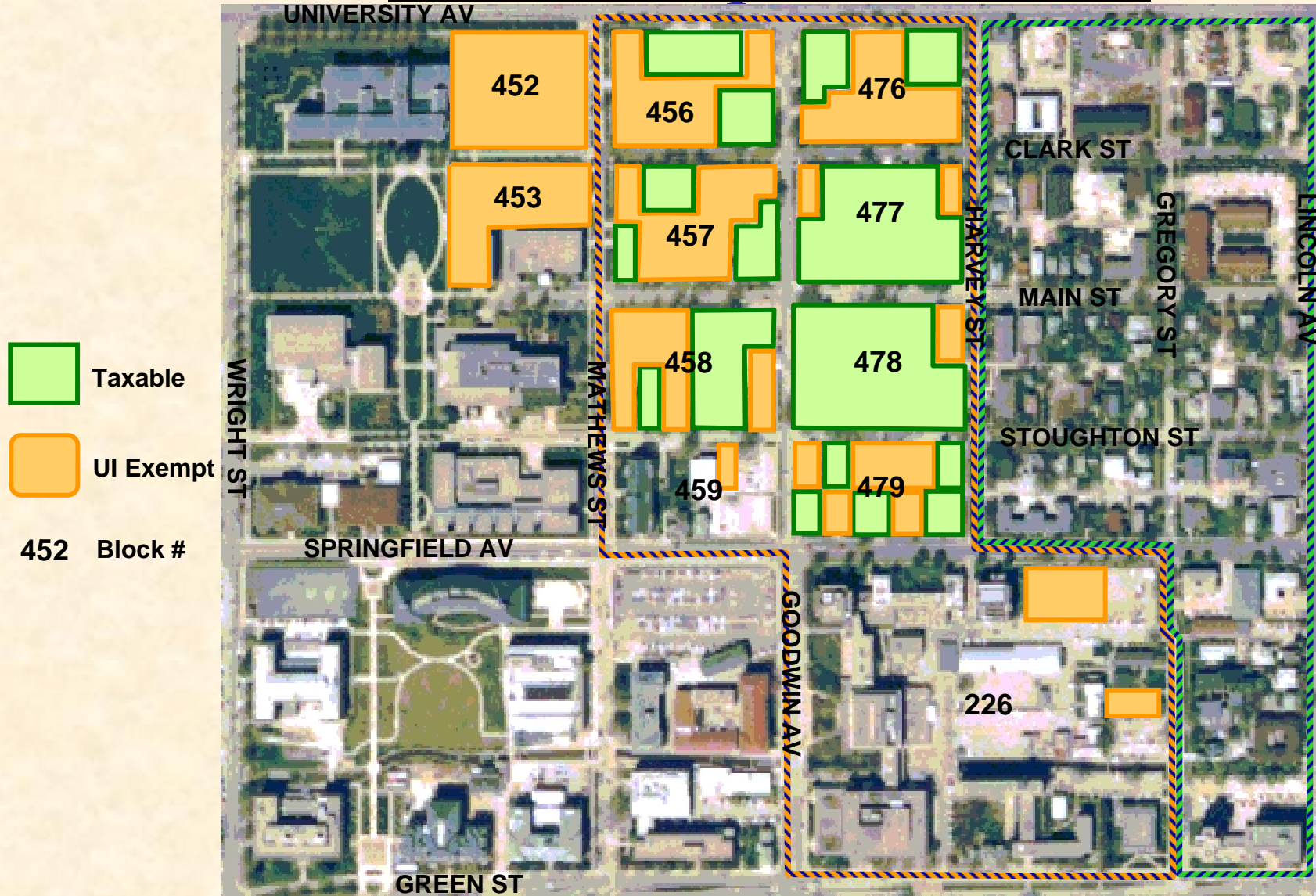
University Expansion in Urbana



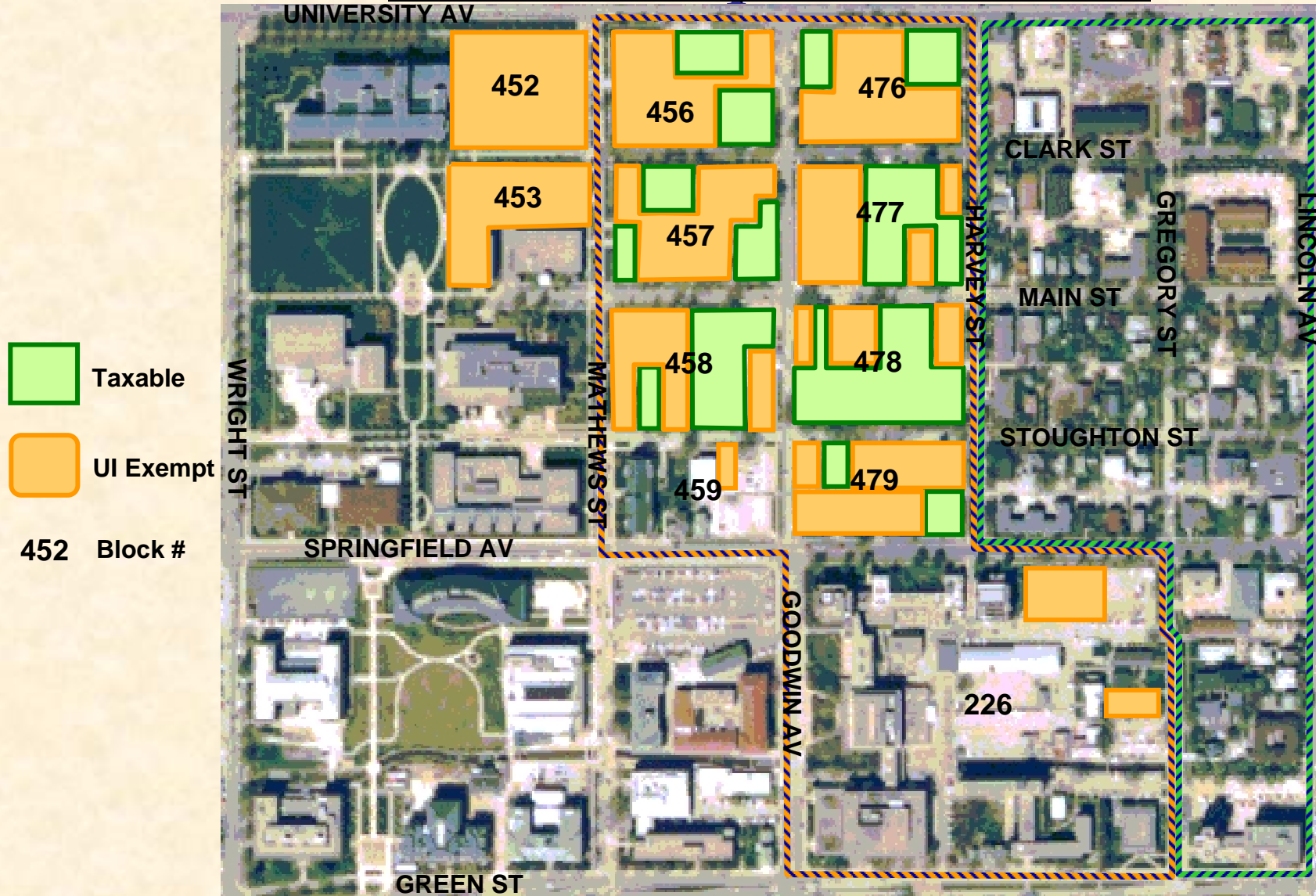
North Campus Area 1985



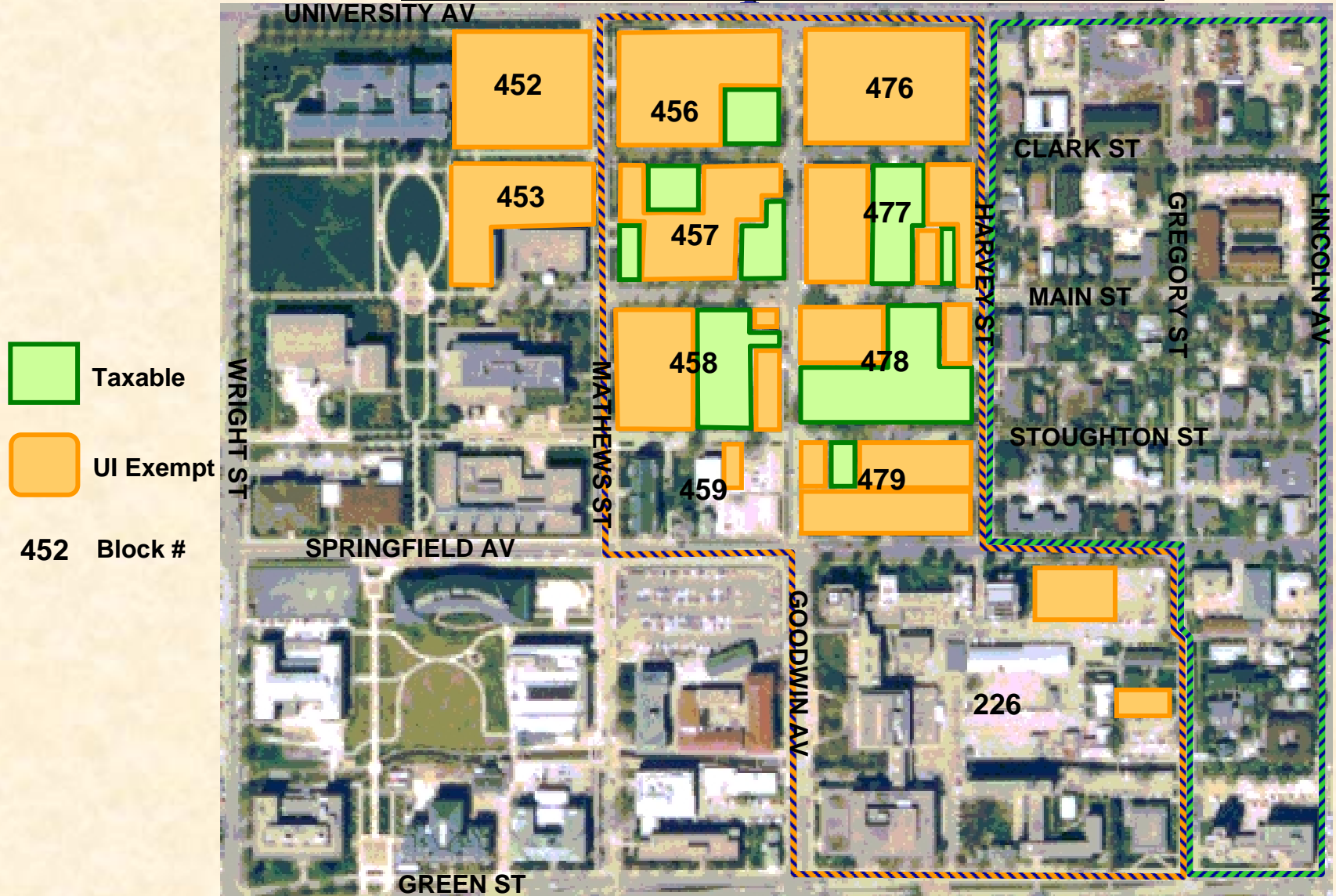
North Campus Area 1990



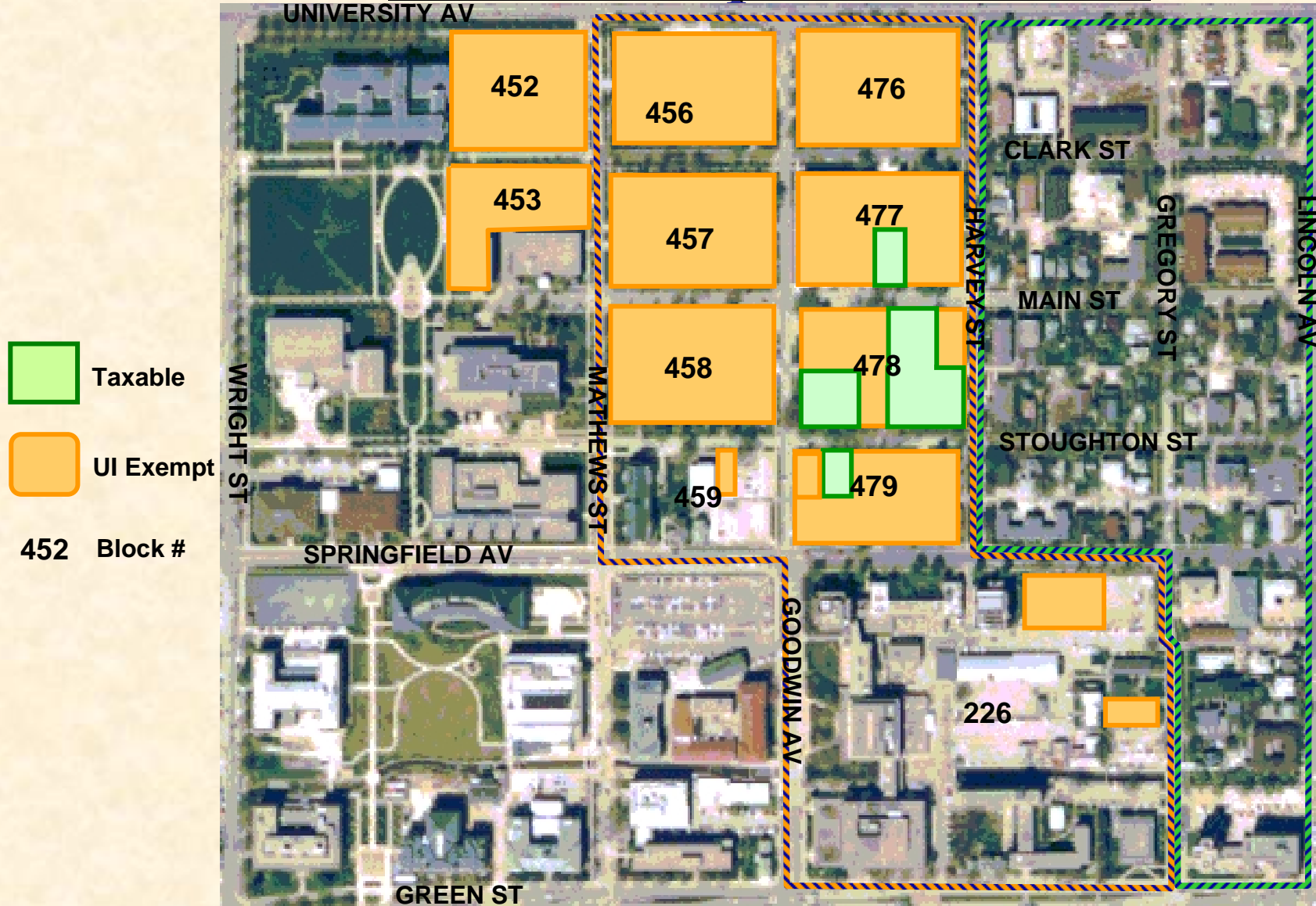
North Campus Area 1995





North Campus Area 2000

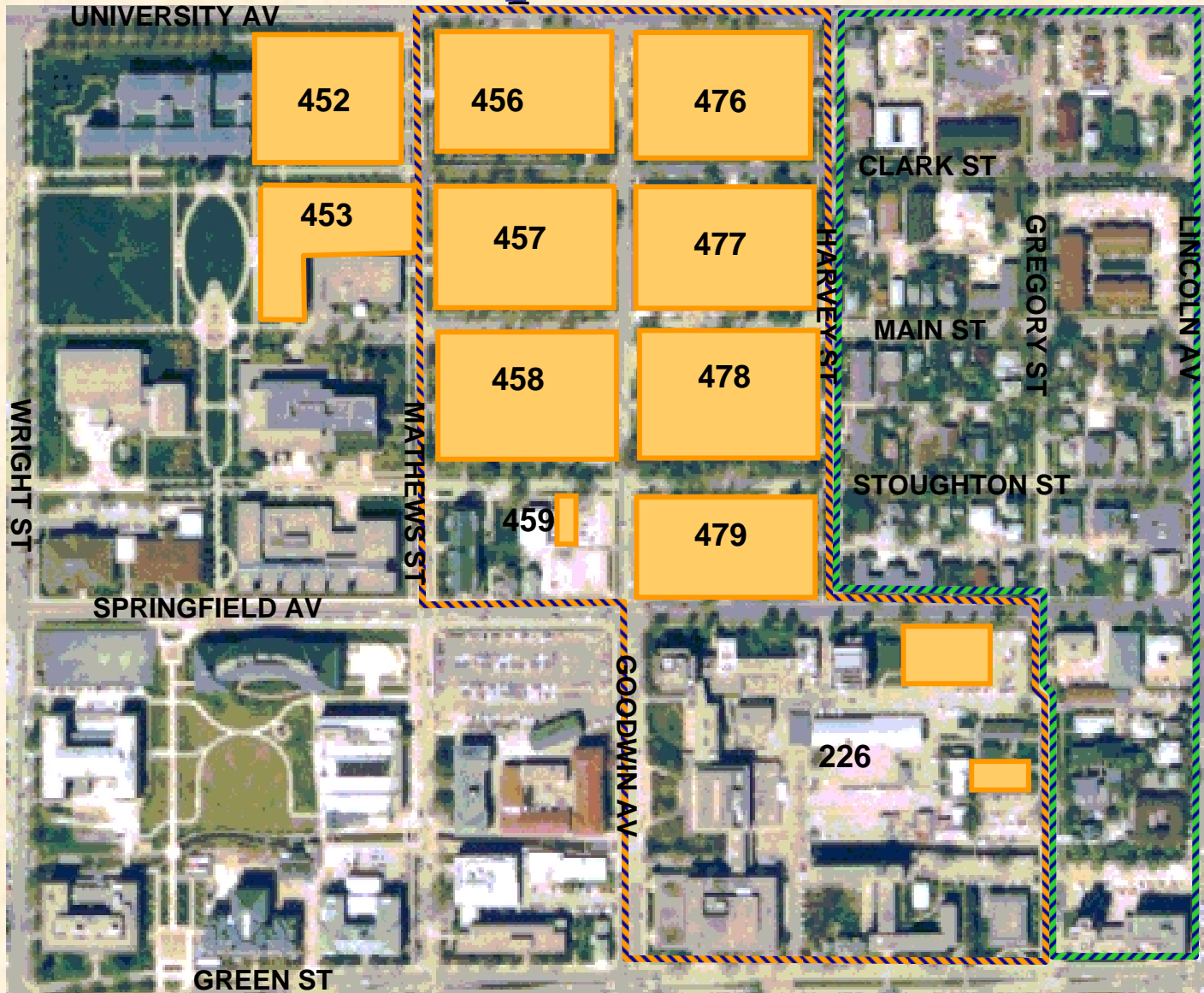


North Campus Area 2005



North Campus Area 2010

-  Taxable
-  UI Exempt
- 452 Block #



North Campus Loss

- **Actual EAV Loss to Date*:**
\$4,100,000 EAV

- **EAV Loss Projected 2010*:**
\$6,540,000 EAV

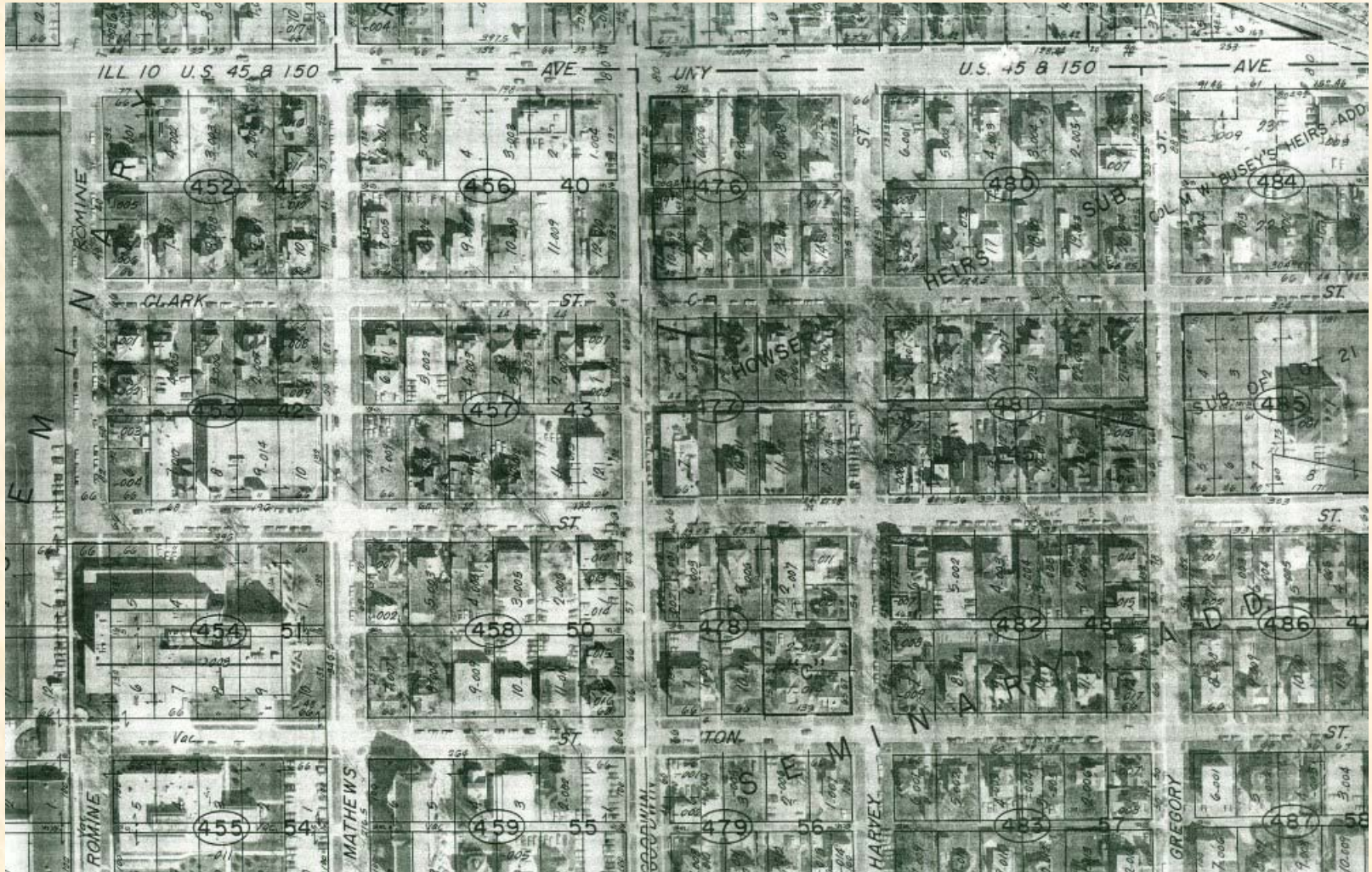
* Assumes 3.5% annual increase due to inflation, disregarding opportunity costs

North Campus Loss Opportunity Cost

Defined:

The difference between existing tax exempt uses and the private development that likely would have occurred based on economic forces and the highest and best uses permitted by zoning.

North Campus Land Use Before



1973 Sidwell Aerial

North Campus Land Use After



2005 County Aerial w/ Sidwell Overlay

Opportunity Costs Can Be Quantified



Methodologies

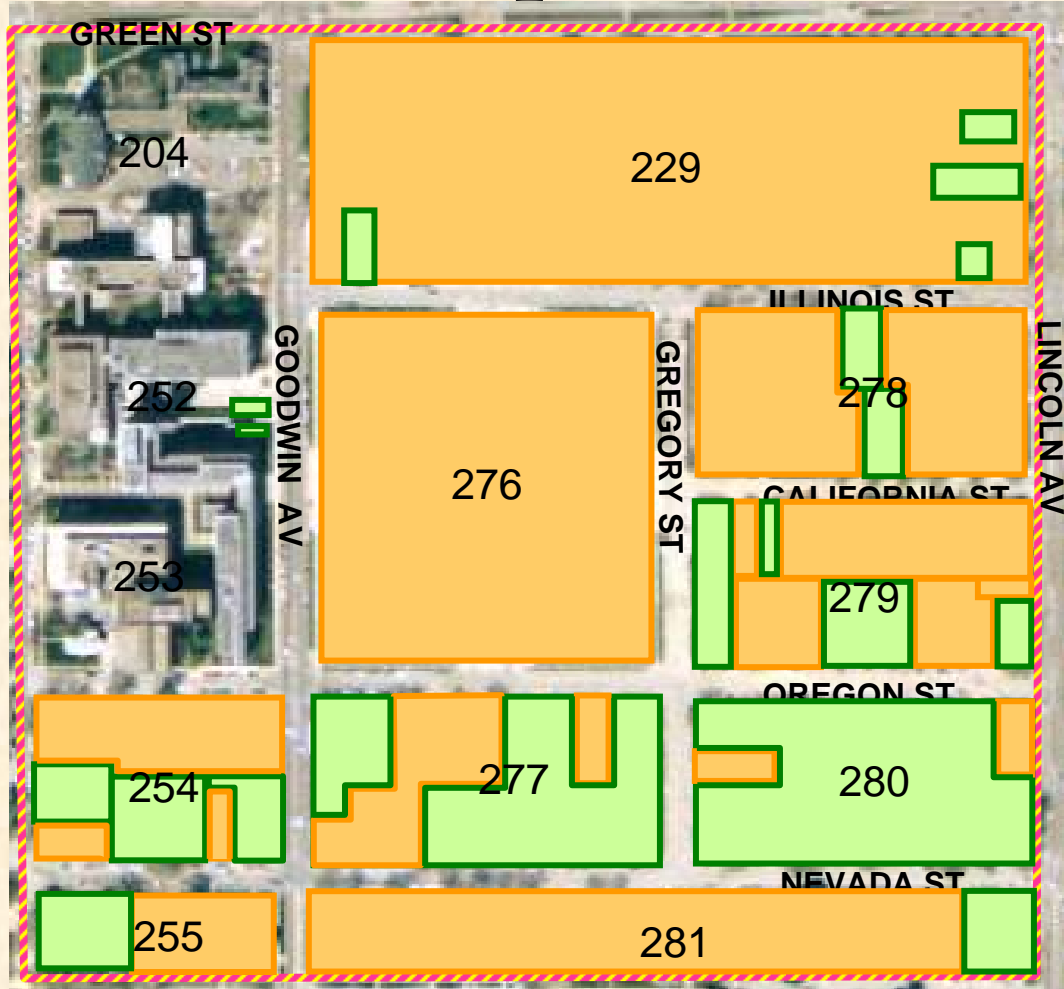
- 1. Review of before and after land uses. 103/127 lots in North Campus had either wood frame houses or were underutilized.**
- 2. Use average values of now developed land uses adjacent to University boundary.**

North Campus Opportunity Costs



- **Applying comparable now developed land EAV's and disregarding 20 year cumulative losses, the annual tax loss going forward is \$1,450,000**

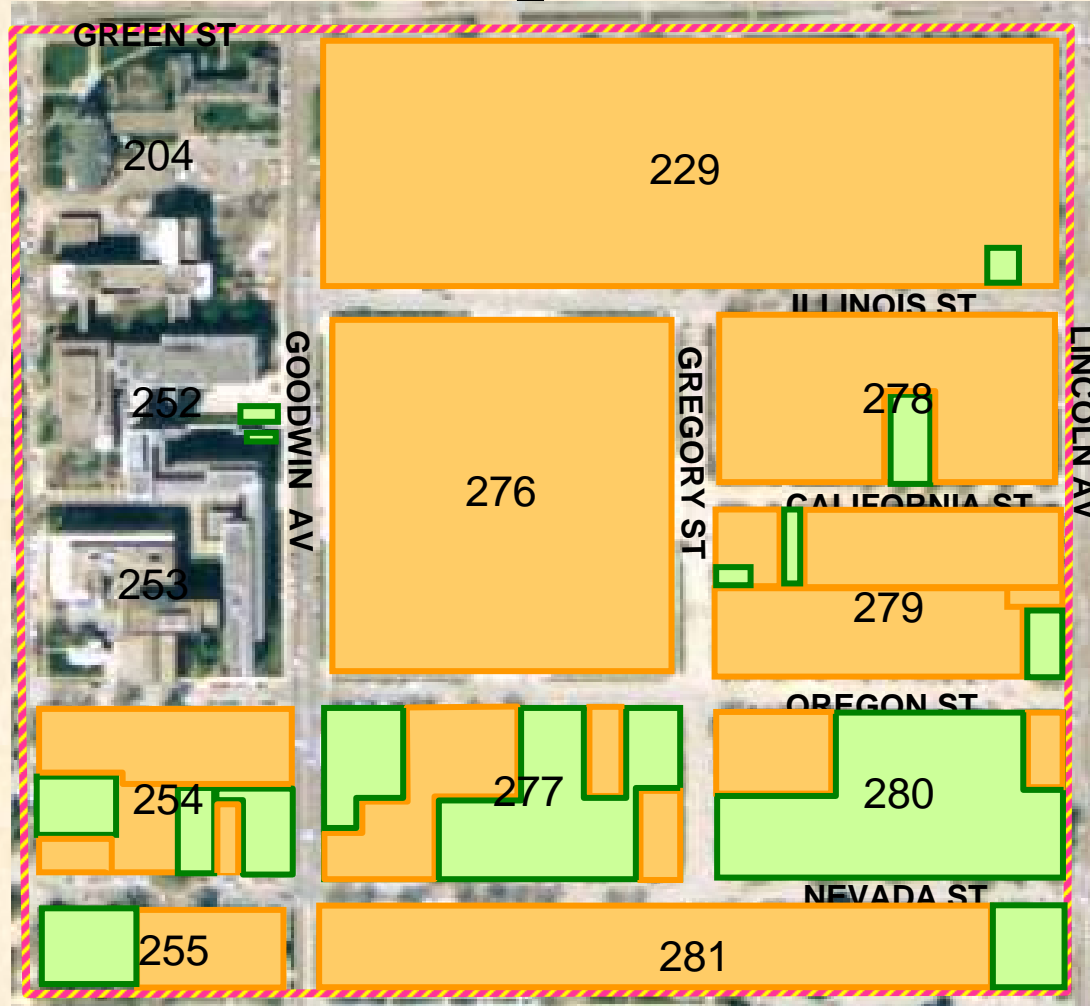
Central Campus Area 1985

-  Taxable
-  UI Exempt
- 452 Block #





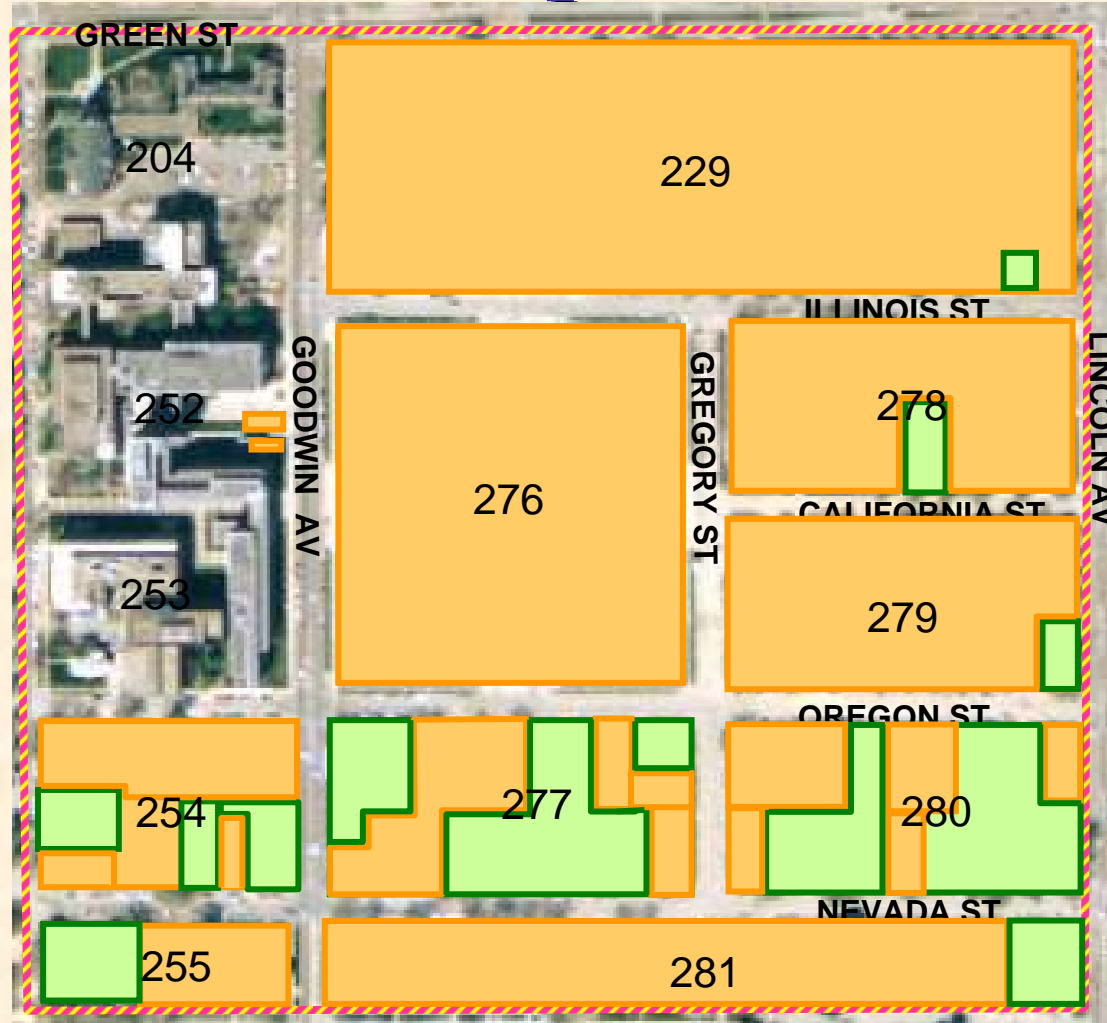
Central Campus Area 1990

-  Taxable
-  UI Exempt
- 452 Block #





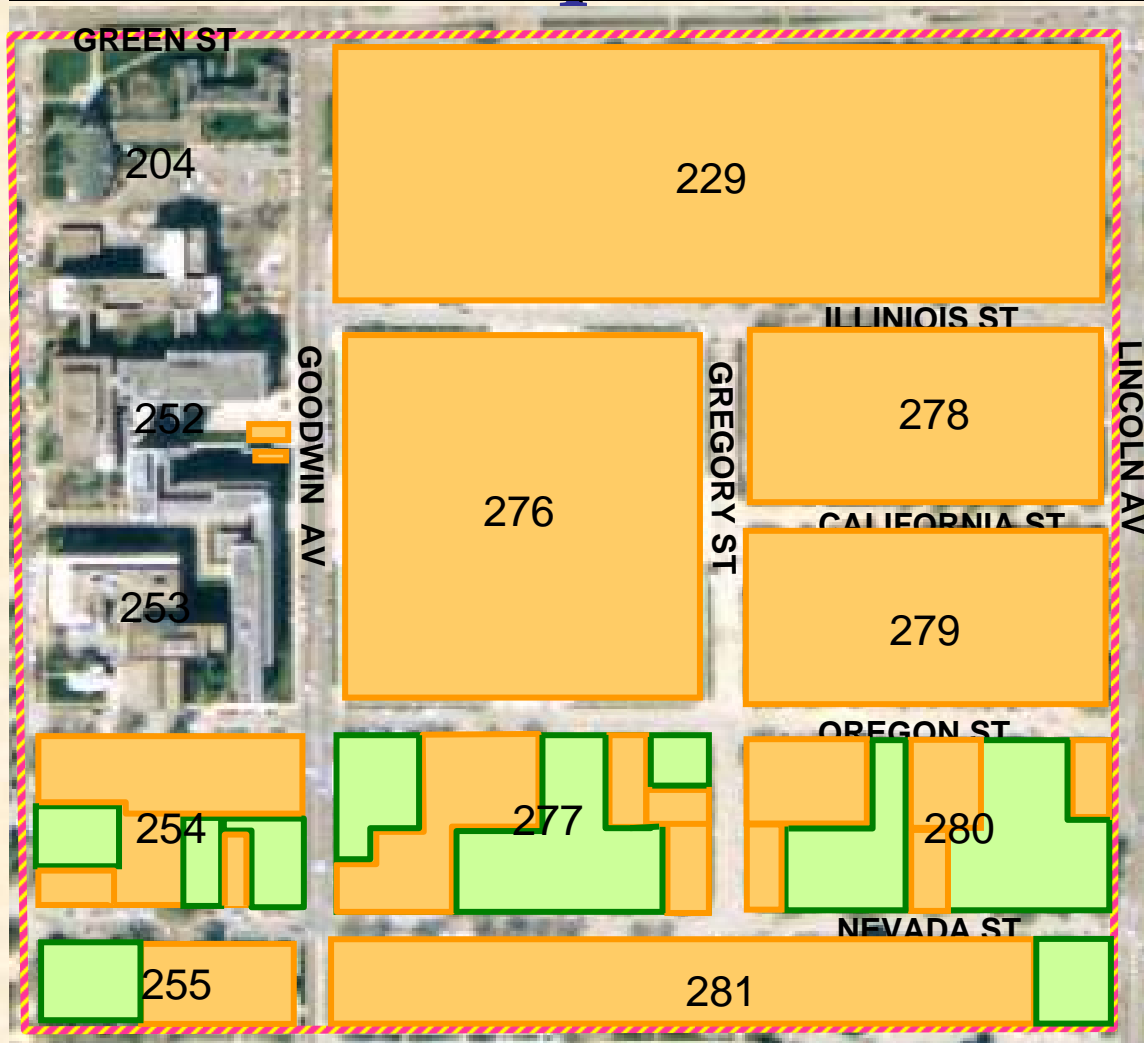
Central Campus Area 1995

-  Taxable
-  UI Exempt
- 452 Block #





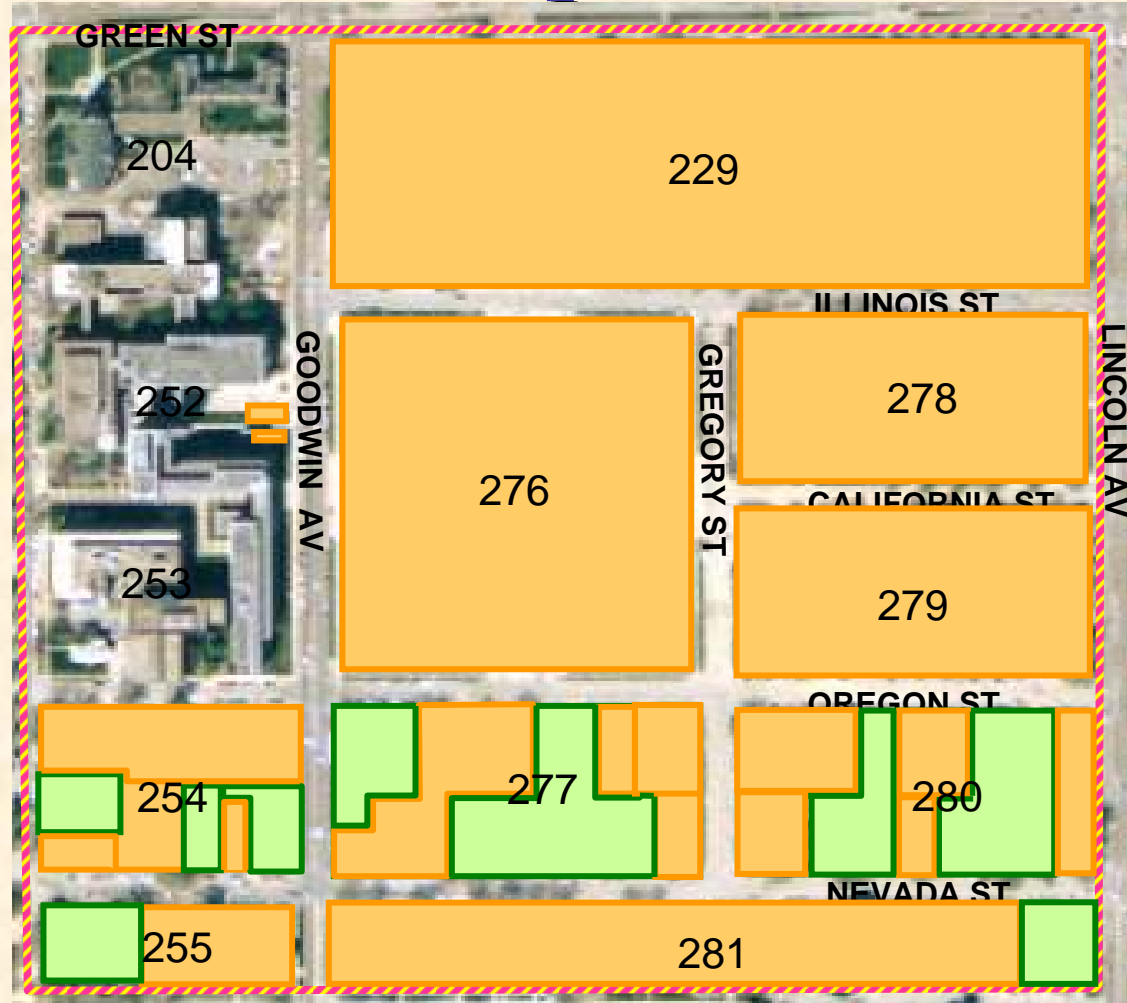
Central Campus Area 2000

-  Taxable
-  UI Exempt
- 452 Block #





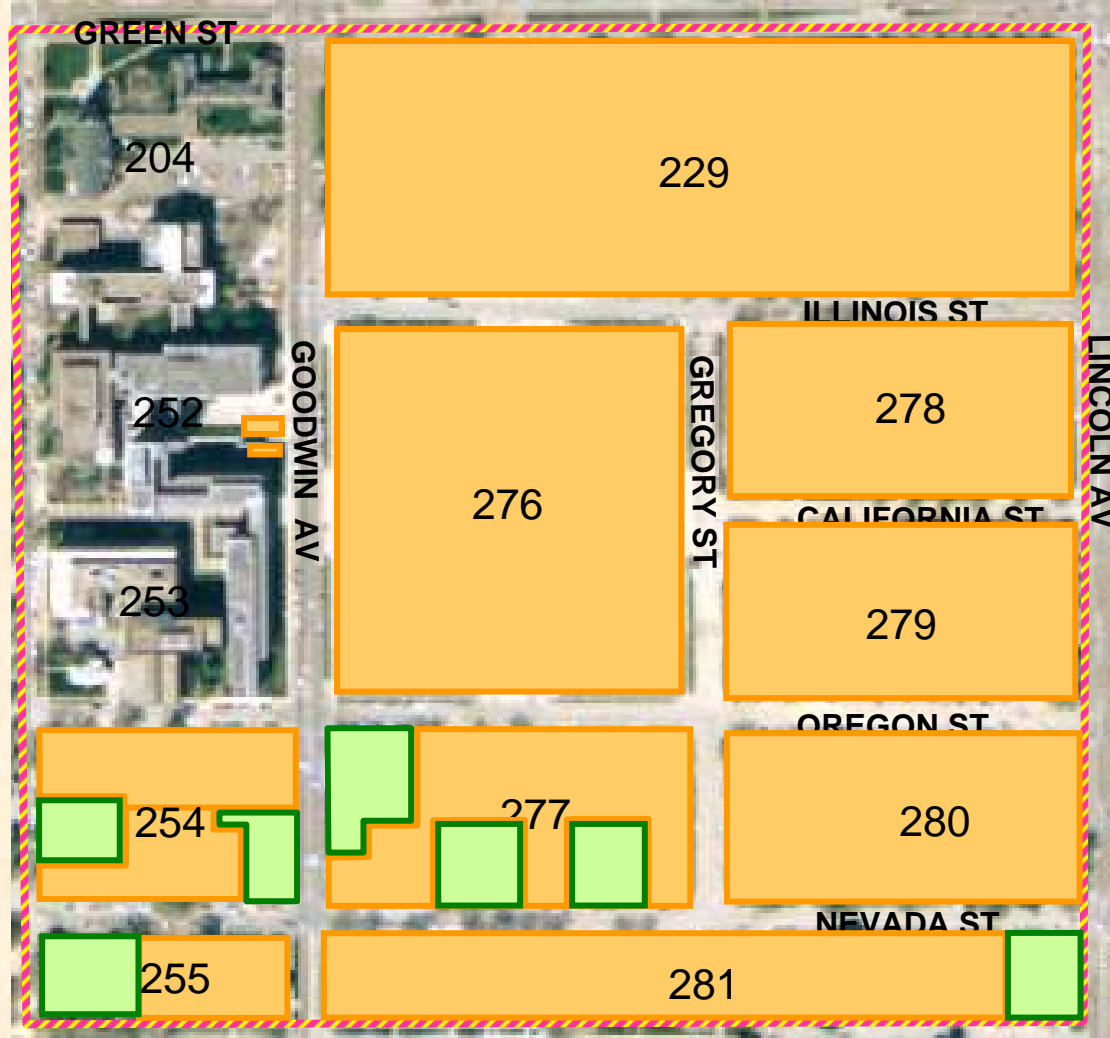
Central Campus Area 2005

-  Taxable
-  UI Exempt
- 452 Block #



Central Campus Area 2010

-  Taxable
-  UI Exempt
- 452 Block #



Central Campus Loss

- **Actual EAV Loss to Date*:**

\$2,600,000 EAV

- **EAV Loss Projected 2010*:**

\$4,350,000 EAV

* Assumes 3.5% annual increase due to inflation, disregarding opportunity costs

Central Campus Land Use After

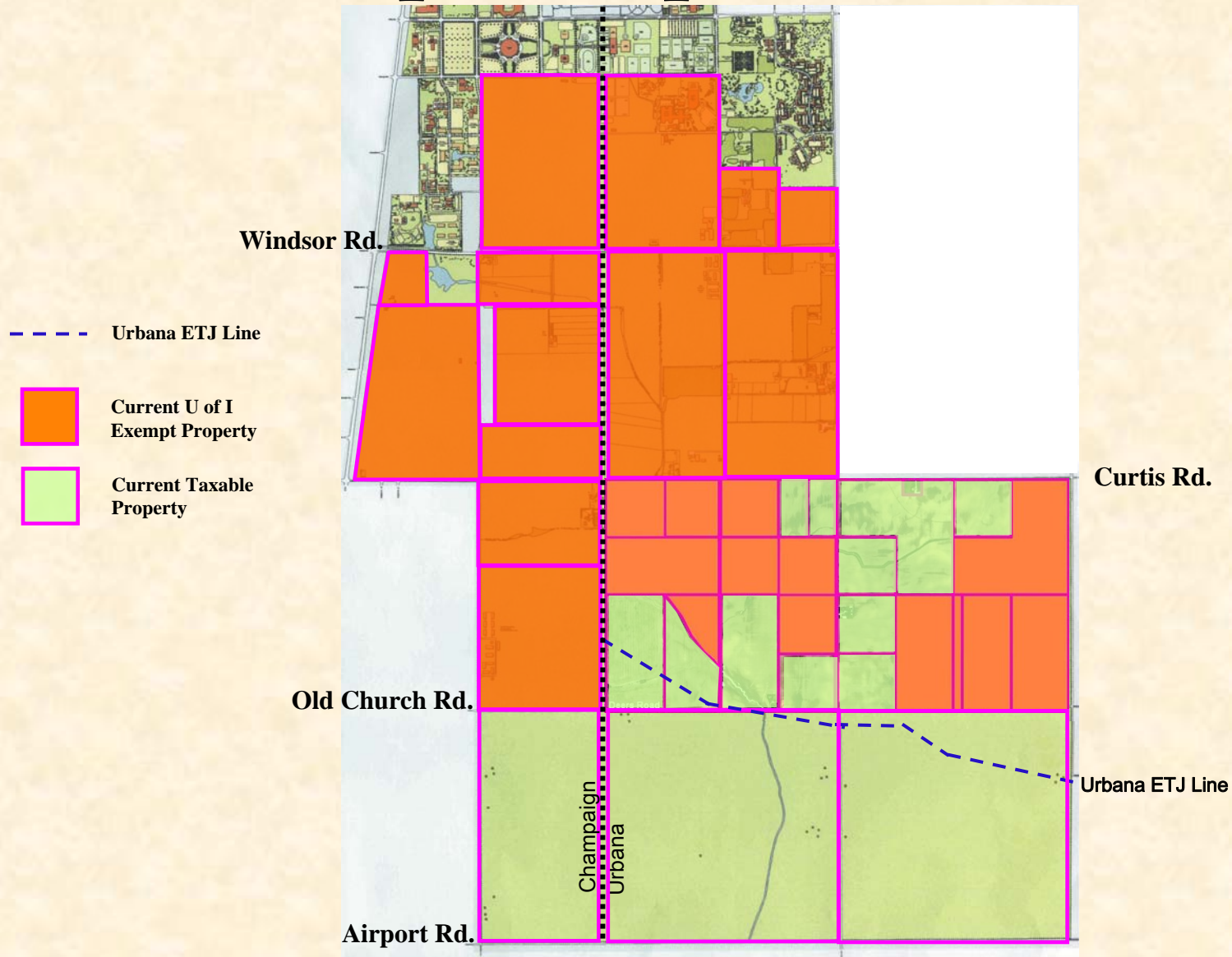


2005 County Aerial w/ Sidwell Overlay

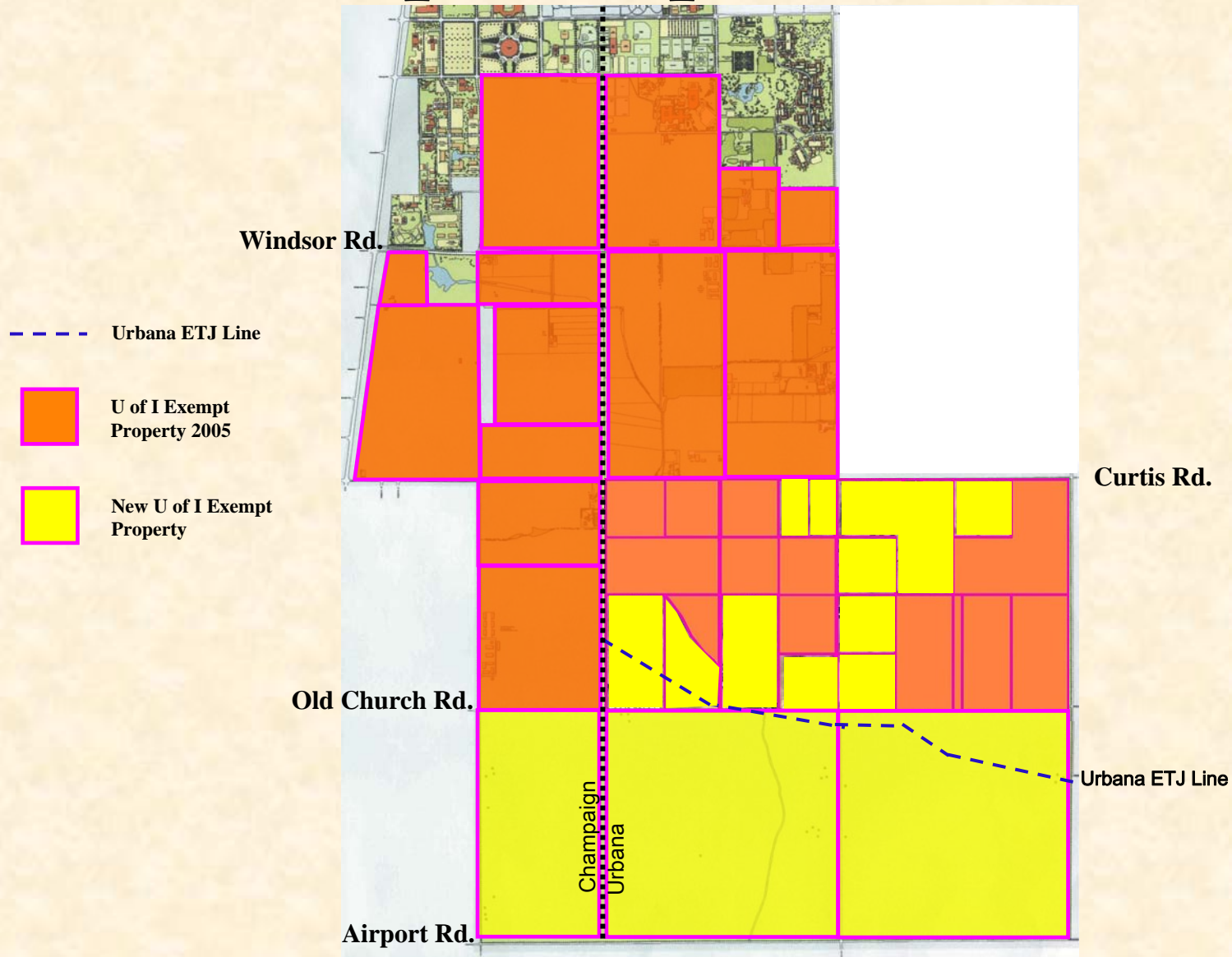
Central Campus Opportunity Costs

- **Same methodology as North Campus**
- **Average annual loss going forward is \$580,000**
- **University sponsored development of Gregory Place offset losses substantially**

South Campus Expansion Area 2005



South Campus Expansion Area 2010



South Farms Expansion in Urbana Growth Area

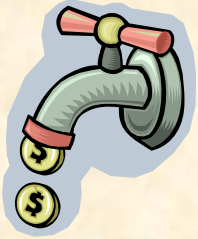
-  Agriculture
-  Airport
-  Conservation
-  Commercial
-  Professional Office
-  Mixed Use
-  High Density Residential
-  Medium Density Residential
-  Low Density Residential
-  UI-Residential
-  Residential (ETJ)
-  Institutional Public
-  Institutional Private
-  Cemetery
-  Recreation
-  Heavy Industry (ETJ)
-  Industry
-  Light Industry (ETJ)
-  Utilities
-  Parks General Location
-  Wooded Areas
-  ETJ Boundary
-  City Boundary

 Parcels Planned To Be Acquired by University

 UI Expansion Area within Urbana ETJ



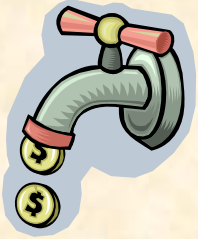
From City of Urbana Future Land Use Map, 2002 Comprehensive Plan



South Campus



- 1. Acquired to make way for private development in Champaign research park**
- 2. Absorbed Urbana residential growth area within 1.5 mile planning boundary**
- 3. Impacts transportation system i.e. Curtis Road/Isolates Urbana from I-57 and job centers**



South Campus



- 4. \$808,000 EAV lost as of 2005, \$1.23 million by 2010**
- 5. 560 acres to be acquired for South Farms relocation within Urbana's ETJ by 2010**

South Campus Opportunity Costs

- **Two square miles projected to be tax exempt in ETJ (University Master Plan). Loss of ~\$90,000,000 in potential future EAV if developed according to Future Land Use Map.**
- **Of the 2,160 acres to be acquired to relocate South Farms for private development purposes 1,840, or 85%, is on Urbana's side of Wright Street**





South Campus Opportunity Costs

...continued

- **Over the long term, the area would be developed in Urbana per land use plans.**
- **Uncertain impact on Urbana residential growth due to relocation of livestock to Urbana**

Combined North, Central, South Campus Tax Loss Statement

Base EA V Loss*

		2005 Annualized Loss	2010 Projected Annualized Loss	Cumulative Loss 1985-2010
School Dist.		\$295,191	\$986,009	\$4,328,846
Park Dist.		\$49,221	\$146,610	\$721,790
Township		\$13,111	\$40,885	\$181,698
City of Urbana		\$86,530	\$251,000	\$1,299,135
Total Overlapping Taxing Dist. Loss:		\$559,272	\$1,424,504	\$8,243,008

*Property base values plus assumed 3.5% inflationary increases had properties not become tax exempt, not counting opportunity costs

Combined North and Central Campus Tax Loss Statement

Opportunity Costs 2005 (Annualized)*

School District



\$1,071,400

Park District



\$178,700

Cunningham Township



\$47,600

City of Urbana



\$239,400

Total Overlapping

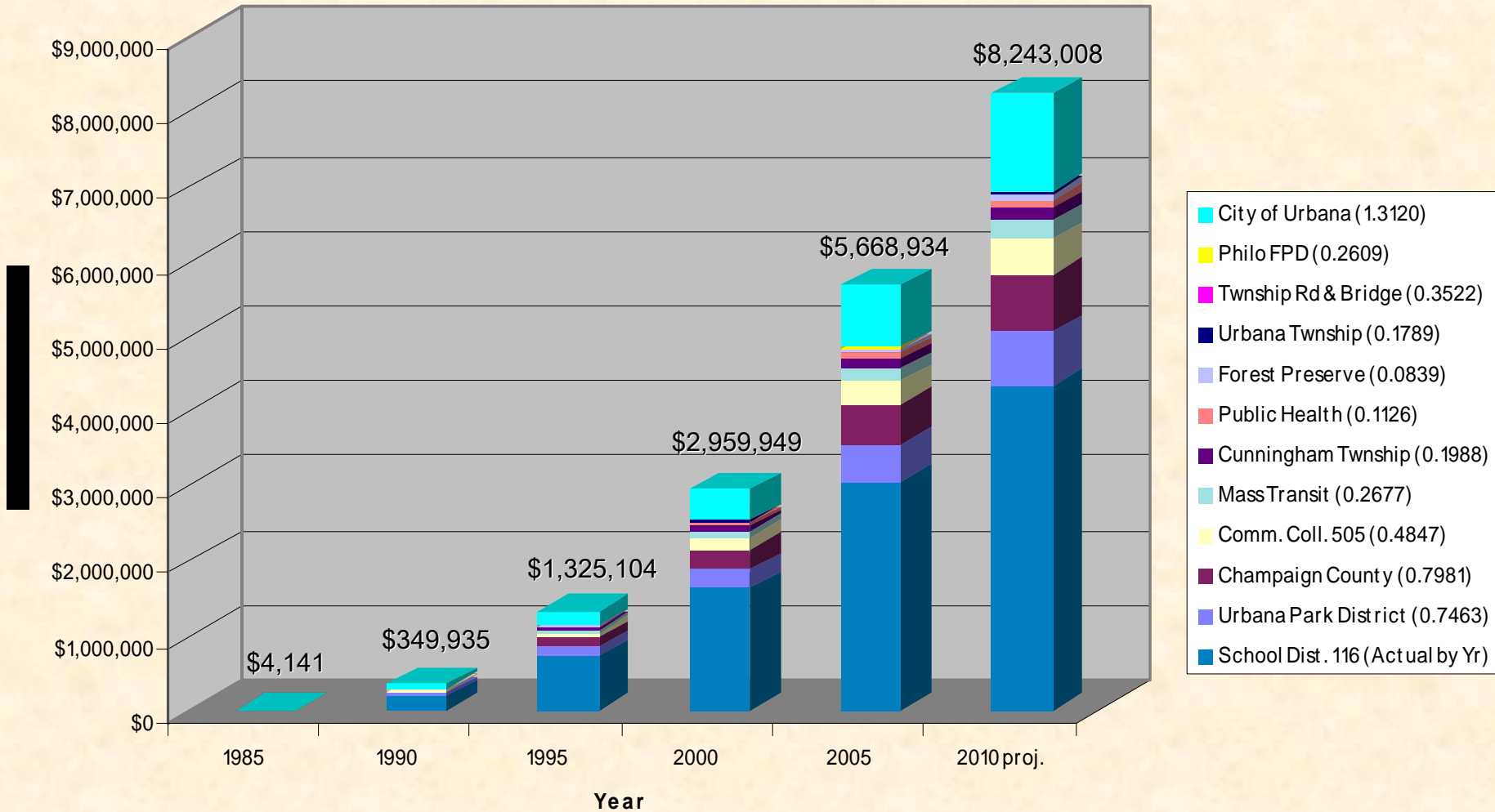
Taxing Dist. Loss:

\$2,030,000

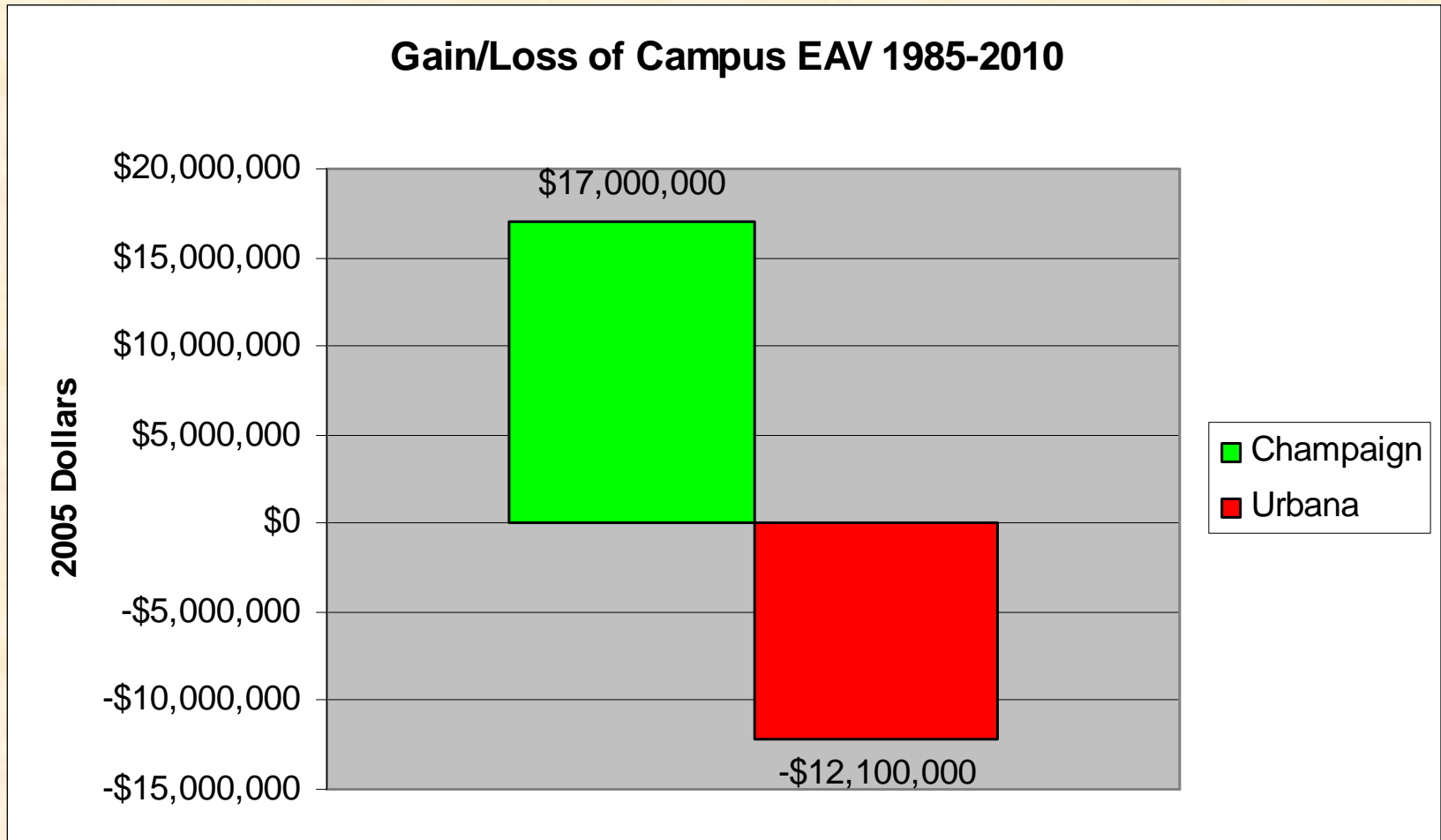
*Excludes opportunity cost of South Farms

Cumulative Net Property Tax Revenue Loss To Urbana Taxing Districts

1985-2010 *Base EAV



Champaign Research Park vs. Urbana Tax Base Loss (Projected 2010)



*Research Park EAV doubles in next 5 years

Utility Tax Loss

- **University of Illinois switched from Ameren IP to the Abbot plant distribution system for most of North Campus in Urbana in late 2004**
- **This was detected by the City in 2005**
- **University agreed to a short term adjustment period of two years as part of a right-of-way license agreement**
- **The utility tax loss to the City of Urbana is \$250,000 annually going forward from 2007**

*These figures are not included in any tax loss charts

The University Has Attempted to Mitigate Impacts with the Following Actions to Date:

- 1. Married Student Housing Agreement (All MSH students in Urbana schools)**
- 2. University purchase of City streets**
- 3. East Campus Commercial Project to replace business lost (JSM)**
- 4. Fire Service contract with City improves services to citizens & campus**
- 5. One-time payment for loss of utility tax revenue**

Urbana Taxing Districts greatly benefited from these actions. We must better communicate our appreciation for these efforts to University leaders.



Alternatives Previously Considered By Urbana Taxing Districts

- 1. Voluntary payments in lieu of taxes by University for tax base taken**
- 2. State legislation requiring payments in lieu of taxes for acquisitions by University**
- 3. Urbana taxing district purchase of key border properties to prevent use of eminent domain by University**
- 4. Litigation on various theories**
- 5. Joint TIF legislation to pool research park revenues with Champaign**

Alternatives Previously Considered

- 6. University initiated school district boundary changes to equalize research park revenues to schools**
- 7. Second research park in North Campus**
- 8. Legislation limiting use of eminent domain by University for relocation necessary for private development on State land**
- 9. Encourage development in Urbana**

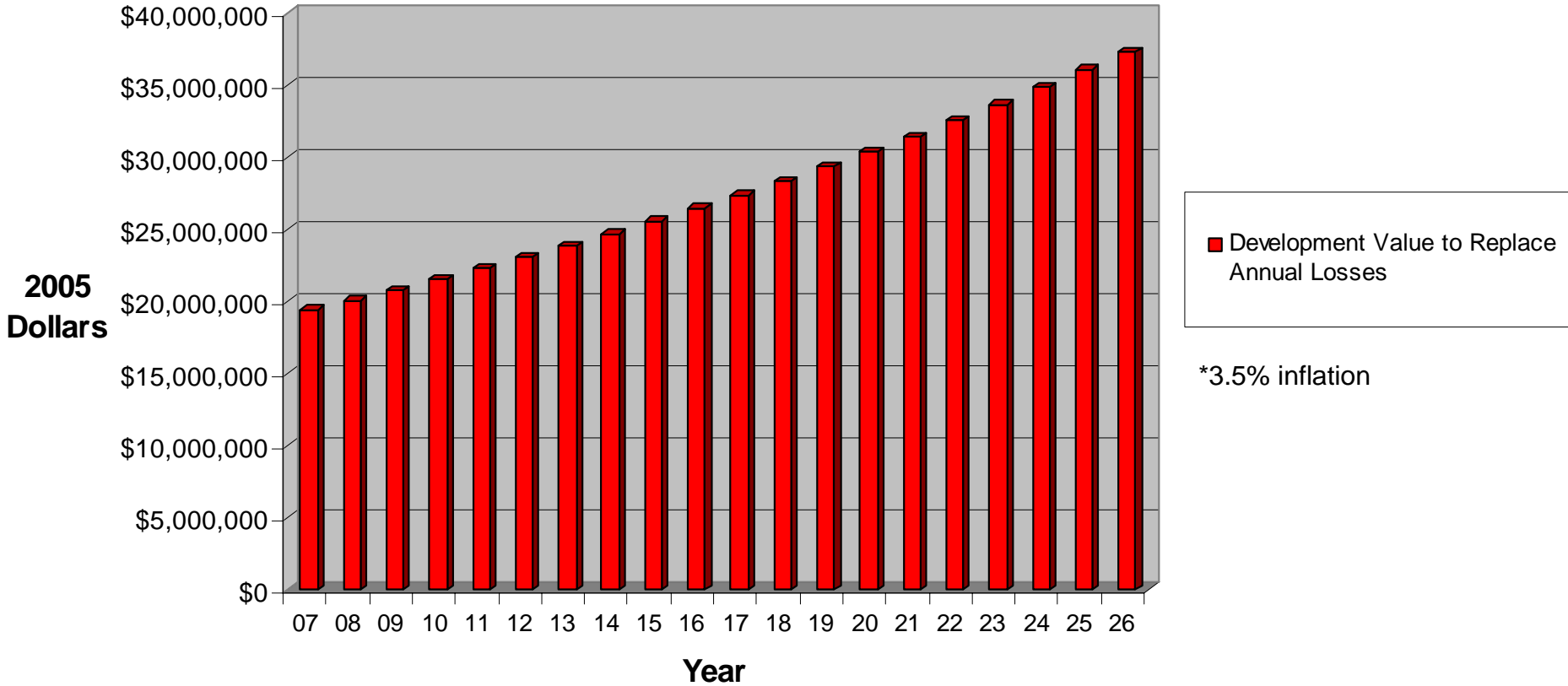
Tax Base Replacement Alternative **Holds Much Promise**

- 1. University now more comfortable creating private development with Developers**
- 2. Orchard Downs and Pomology tracts are now on the table**
- 3. Appropriate University related private development is of mutual benefit**
- 4. Results can be obtained in the relative short term**

How much development is necessary to replace the annual property taxes lost to taxing districts in Urbana?



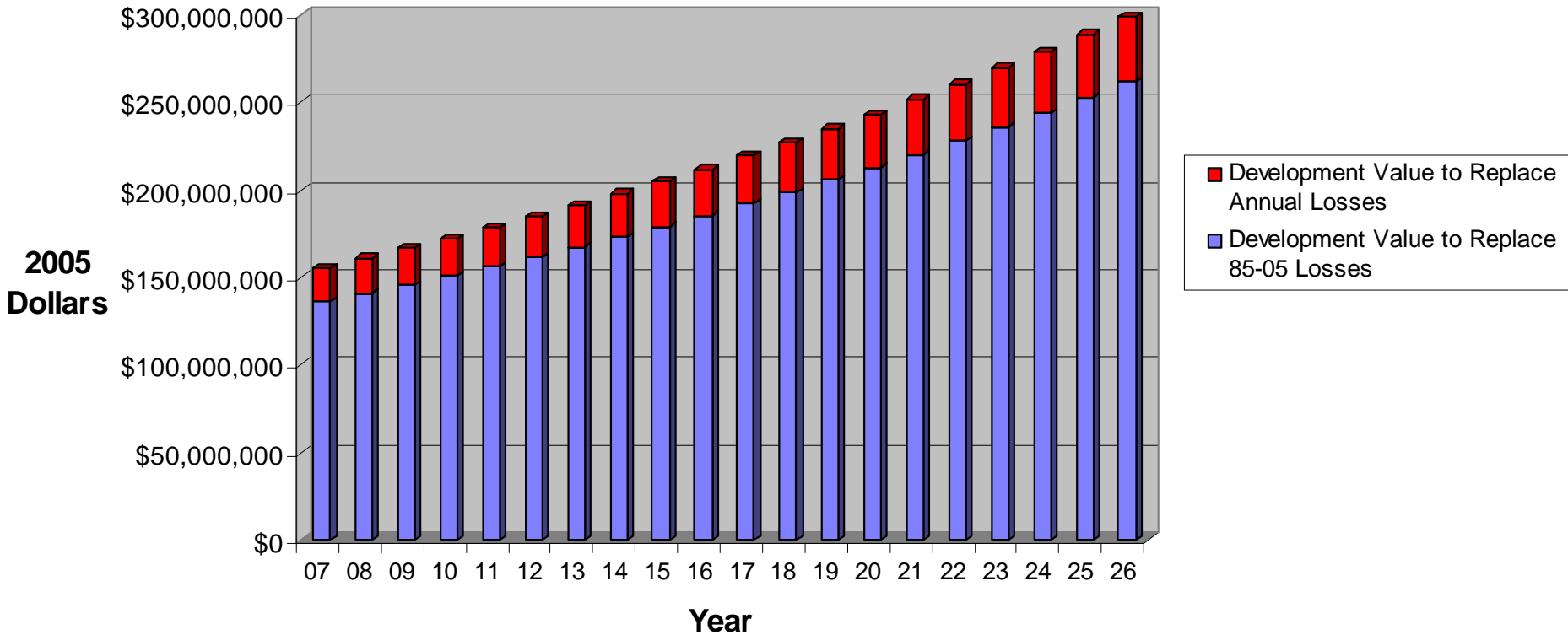
Market Value of University Private Development Required to Replace Annual Property Tax Losses for All Urbana Taxing Districts



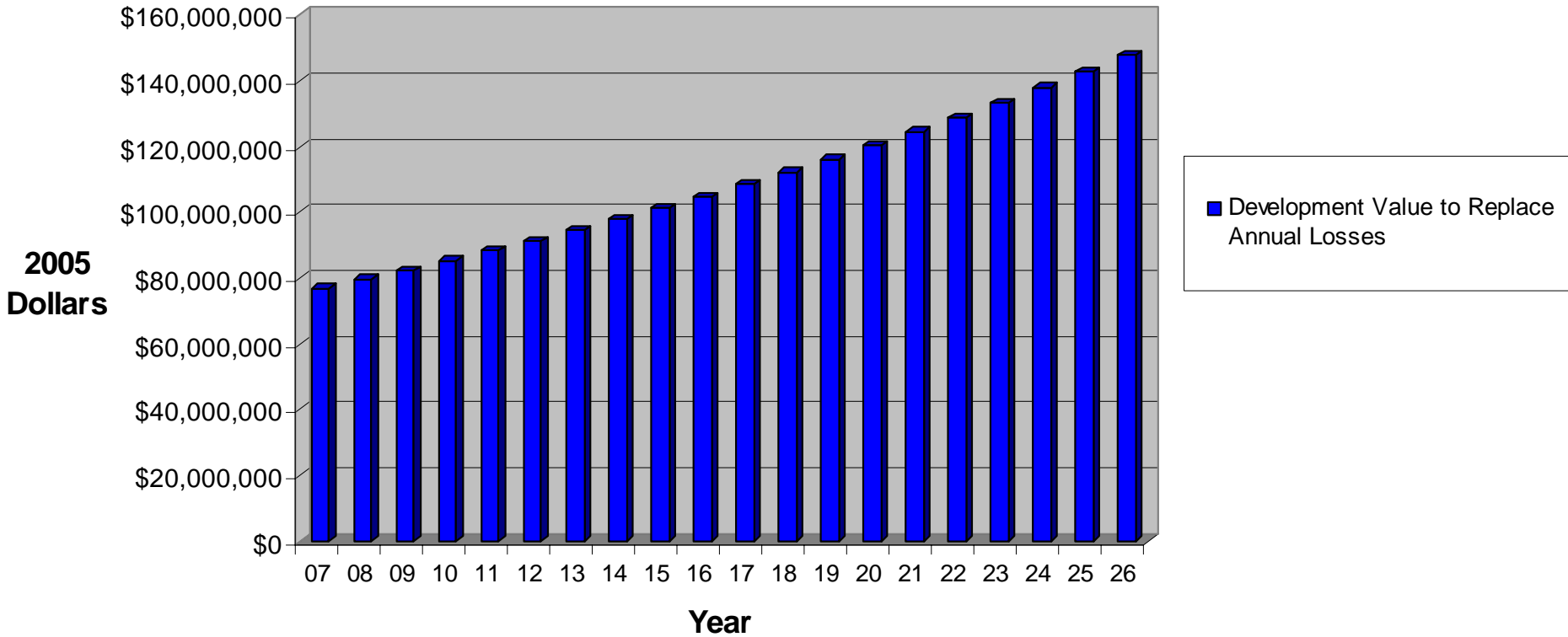
How much development by the University is required to make up for total tax losses from the past 20 years, over the next 20 years, including future annual losses?



Market Value of University Private Development Required to Replace Annual and Cumulative Property Tax Losses for All Urbana Taxing Districts



Market Value of University Private Development Required to Replace Annual Opportunity Cost Losses for All Urbana Taxing Districts North & Central Campus



**A reasonable University
development goal in
Urbana to replace lost
revenues is \$150,000,000**



**Is it feasible for the
University to substantially
off-set Urbana tax losses
via development?**

YES!

HOW?

1. Orchard Downs Development

- **Married student housing replacement: \$50,000,000**
- **Other residential: \$50,000,000**

2. JSM Phase II: \$10,000,000

3. Pomology

- **Residential/Commercial: \$40,000,000**

Why Isn't This Happening Now at the University?

- 1. Not all University officials fully appreciate the disparate consequences of their decision making regarding development, land takings, and planning in a multi-jurisdictional local environment**
- 2. It is not a high priority for the University to address this inequity**
- 3. There is limited staff capacity in this area**

What Can We Do in 2006?

- 1. The community and University are fortunate to now have 2 strong and energetic leaders in President White and Chancellor Herman. We must better explain the mutual benefits of resolving this problem and capitalize on their leadership to do so.**
- 2. This “2005 Update” can be used as an educational tool to brief University Board of Trustees and legislators in an effort to build support for University leaders to resolve this issue. (Legislation may be required to develop University excess land)**

What Can We Do (continued)?

- 3. Request the University Administration to:**
 - A. Make tax base replacement in Urbana a priority and allocate staff resources to do so**
 - B. Hold campus planning, operations and maintenance, and others accountable for implementing this goal**
 - C. Make married student housing payments until private development occurs on the site equal to the cost of educating such students**
 - D. Consider tax base replacement in Urbana first over yet more development in Champaign (i.e. recent RFP's in Champaign to replace Urbana's grad housing)**

What Can We Do (continued)?

- E. Request that the University incorporate this planning consideration in its master planning and decision making and communicate its activities to Urbana**
- F. Set a reasonable timetable for the development of Orchard Downs and Pomology. Set a development goal of \$150,000,000**
- G. Agree to jointly plan these areas with the City of Urbana**
- H. Request examination of school border relocation and other approaches that would share revenues of the research park**
- 4. Request that the Chancellor meet twice a year with Urbana CAO, Mayor, Park Director, and School Superintendent to coordinate on resolving this problem**

What Can We Do (continued)?

- 5. Explore a formal boundary agreement with the University.**
- 6. Begin to build Developer advocacy for the development of Orchard Downs and Pomology (worked for research park!)**

**This presentation is based
on a “draft” report. Your
input is requested.**

**Bruce Walden
CAO, City of Urbana**