



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Economic Development Division

m e m o r a n d u m

TO: Laurel Lunt Prussing, Mayor

FROM: Ron Eldridge, City Comptroller *ACE*
Elizabeth H. Tyler, FAICP, Director, Community Development Services *ENT*

DATE: February 24, 2011

SUBJECT: TIF Budget Update

Introduction and Background

As part of the overall City financial update, this jointly prepared memorandum provides an update on the current and future status of the City's Tax Increment Finance (TIF) districts. Attached are the most recent financial projections for the four TIF districts. It should be noted that these cash flows are a financial planning tool only and do not represent budgeted commitments.

In preparing these cash flows, City staff have taken into consideration the multiple plans, programs, and projects that are underway and proposed for the future within the TIF areas. TIF expenditures must comply with the provisions of the State Redevelopment Act and with the City's adopted Redevelopment Plans. TIF reports are filed annually with the State Department of Revenue and reviewed by the City's Joint Review Board, which includes representatives from the affected taxing agencies.

In identifying TIF eligible projects, it is important to maintain a balance of revenue-generating redevelopment projects and redevelopment incentive programs along with the necessary capital improvements to create a business-conducive environment. In addition, TIF funds help to support City staff who are engaged in TIF related activities.

Existing and projected activities within each of the four tax increment districts are described as follows:

TIF One

TIF One expires on January 1, 2016 (last taxes received in CY2015). It is projected that TIF1 will have **\$879,223** at the end of this fiscal year. In addition to the annual recurring costs associated with downtown business incentive programs, the most significant non-recurring costs

planned in the future are:

- Main St. Improvement Project to cost \$810,000 in FY11 and FY12 (\$575,000 required to be transferred from TIF2 to pay for this project);
- Broadway Avenue Improvement to cost \$650,000 in FY12
- Historic Lincoln Hotel to cost \$650,000 in FY11 and \$200,000 in FY12 thru FY15 (entire amount required to be transferred from TIF2)

Some other items of note in TIF 1 include an annual reimbursement related to the Stratford project, public arts costs including public arts projects and Public Arts Coordinator salary, partial funding for UBA, and the business incentive programs that are available in the downtown (TIF RIP, gallery District Incentive Program, and New Business Incentive Program).

Additional guidance for prioritizing potential downtown improvement projects will be provided by the Downtown Market Study and Downtown Plan Update which are currently underway.

TIF Two

TIF Two expires on January 1, 2021 (last taxes received in CY2021). It is projected that TIF2 will have **\$2,062,810** at the end of this fiscal year. In addition to the annual recurring costs associated with downtown business incentive programs, the most significant non-recurring costs planned in the future are:

- Boneyard Creek Beautification Design \$670,000 in FY 11
- Springfield Avenue \$400,000 in FY 11 (budget amendment proposed as a separate item)
- Denny's Cleaners Demolition cost undetermined in FY 11 (budget amendment to be forthcoming following bid opening on March 8, 2011)
- Urbana Avenue Improvement \$800,000 in FY 12
- Boneyard Creek Improvement \$2.2 million in FY 12
- Race St. Improvement \$2.15 million in FY 12
- Broadway Avenue Improvement \$350,000 in FY 12
- Downtown to Carle pathway project \$330,000 in FY 12
- Second phase of Boneyard Improvement \$3.5 million in FY 15.
- Green Street Improvement (Birch to Race) \$600,000 in FY 20

It should be noted that in order to complete FY 12 projects according to this cash flow, TIF2 will be required to issue bonds and to borrow \$3.7 million (to be repaid from future TIF2 monies). Also, in order to complete the second phase of Boneyard Creek improvement projects, TIF2 will be required to issue additional bonds (repaid from future TIF2 monies).

Other items of note in TIF 2 include an annual reimbursement related to the Gateway Shoppes project, an annual reimbursement for the Patel Law Offices project, the recent acquisition and assembly of the parcels north of the City Hall building, and the ongoing downtown business incentive programs (i.e., TIF RIP, gallery District Incentive Program, and New Business

Incentive Program). In addition, it is to be anticipated that additional redevelopment project agreements will be forthcoming in the TIF 2 area for redevelopment sites such as those along Broadway Avenue, Race Street, and the southwest corner of Five Points.

As with TIF One, additional guidance for prioritizing potential downtown improvement projects will be provided by the Downtown Market Study and Downtown Plan Update which are currently underway

TIF Three

TIF Three expires on December 31, 2013 (last taxes received CY2013). It is projected that TIF3 will have **\$1,694,051** at the end of this fiscal year. Due to the pending expiration of this TIF District, City staff have programmed out expenditures in a detailed manner, working closely with Alderman Robert Lewis, the Urbana School District (with respect to King School), and the Urbana Park District (with respect to King Park). These proposals were presented to City Council for review and support in 2010. Consistent with this recent effort, in addition to the annual recurring costs, the most significant non-recurring costs planned in the future are:

- King School HVAC \$400,000 in FY11
- Big Broadband \$580,000 in FY11 and FY12
- King School Community Room \$500,000 in FY12
- King School/Park Sidewalks \$300,000 in FY12
- King School Courtyard Environmental Education Space \$20,000 in FY12
- King Park Martin Luther King Jr. Sculpture Plaza \$50,000 in FY12
- King Neighborhood Lighting \$500,000 in FY12
- Mathews & Church Improvement \$800,000 in FY13

Other items of note in TIF 3 include an annual reimbursement related to the Hampton Inn/Medical Office Building project and vocational payments to the school district.

TIF Four

TIF Four expires on December 31, 2024 (last taxes received FY2025). It is projected that TIF4 will have **\$766,517** at the end of this fiscal year. In addition to the annual recurring costs, the most significant non-recurring costs planned in the future (up to 2016) are:

- Airport Rd. Improvement \$175,000 in FY11
- Willow Rd. Improvement \$250,000 in FY12
- Cunningham Bikeway \$1.15 million in FY14 (1/2 paid by grant)
- Airport Rd. Improvement \$1.8 million in FY15 and FY16

Other items of note in TIF 4 include an annual reimbursement related to the O'Brien Auto Park project, upcoming payments related to the Creative Thermal Solutions project, and the ongoing business incentive (TIF RIP) program. Additional redevelopment agreements anticipated for TIF 4 in the near term include those for development at Frasca, an indoor soccer facility, and potential redevelopment of the Hanford Inn site.

Recommendation

City Council should review the provided material and offer input regarding the continued implementation of the City's Redevelopment Plans. As noted above, additional assistance for prioritizing projects within TIF One and TIF Two will be provided by the Downtown Market Study and Downtown Plan Update. A proposed budget amendment to address the Springfield Avenue project will be presented as a separate item. A budget amendment for the demolition of the Denny's building will be provided as a separate item in March 2011.

Prepared by:



Ron Eldridge, City Comptroller
Tom Carrino, Economic Development Manager

Attachments: TIF Cash Flows

TIF ONE FUND PROJECTIONS

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Cash Bal., Beg. Year	\$1,107,773	\$879,233	\$24,632	(\$21,002)	\$68,730	\$158,883
Revenues:						
Property Tax-Current	\$616,500	\$622,600	\$638,165	\$654,119	\$670,472	\$343,617
Transfer from TIF2 (Hotel)	650,000	200,000	200,000	200,000	200,000	0
Transfer from TIF2 (Main St)	0	575,000	0	0	0	0
Add'l Tax, Historic Lincoln	0	50,000	104,000	108,160	112,500	58,500
Interest	24,000	24,000	5,000	3,000	3,000	1,500
Total Revenues	\$1,290,500	\$1,471,600	\$947,165	\$965,279	\$985,972	\$403,617
Expenses:						
Surplus Payments to Govt.	\$256,510	\$262,920	\$273,437	\$284,374	\$298,593	\$156,761
Arts Intern/Costs	42,870	45,014	47,264	49,627	52,109	54,714
ED Mgr./Costs	26,160	27,468	28,841	30,283	31,798	33,388
Public Arts Project	44,000	44,000	44,000	44,000	44,000	44,000
Marketing, Dues	20,000	20,000	20,000	20,000	20,000	20,000
U.B.A. Downtown Marketing	23,000	23,000	23,000	23,000	23,000	23,000
U.B.A. Festival Marketing	5,000	5,000	0	0	0	0
U.B.A. Main St. Activities	20,000	20,000	20,000	20,000	20,000	20,000
Main St. Org. Grants	5,000	5,000	5,000	5,000	5,000	5,000
U.B.A. .5 Contribution	27,000	27,000	27,000	27,000	27,000	27,000
Downtown Loan Subsidies	60,000	60,000	60,000	60,000	60,000	60,000
Downtown Rent Subsidies	30,000	30,000	30,000	30,000	30,000	30,000
Debt Service	126,000	130,000	134,000	0	0	0
Marketing Consultant	0	0	0	0	0	0
Stratford Reimb.	73,500	76,800	80,256	82,262	84,319	86,427
Downtown S.S., Phase 7	0	0	0	0	0	0
Main St. Improvement	110,000	700,000	0	0	0	0
Historic Lincoln Incentives	650,000	200,000	200,000	200,000	200,000	0
Prel. Eng., Race/Brdwy, Boneyar	0	0	0	0	0	0
Broadway Ave. Impr.	0	650,000	0	0	0	0
Total Expenses	\$1,519,040	\$2,326,202	\$992,798	\$875,548	\$895,818	\$560,290
Cash Bal., End Year:						
Reserved Future Debt Service	\$263,970	\$134,000	\$0	\$0	\$0	\$0
Reserved Future Projects	\$615,263	(\$109,369)	(\$21,002)	\$68,730	\$158,883	\$2,210
Prop. Tax Increase Factor	1.025					

TIF THREE FUND CASH FLOW

	2010-11	2011-12	2012-13	2013-14
Bal., Beg. Year	\$3,282,761	\$1,694,051	\$498,255	\$48,750
Revenues:				
Property Tax	\$991,140	\$1,001,000	\$1,046,045	\$546,559
Add'l Prop. Tax, Tram./Crowe	0	0	0	0
Project Reimbursements	0	0	0	0
Interest	65,000	55,000	14,948	1,463
Total Revenues	\$1,056,140	\$1,056,000	\$1,060,993	\$548,021
Expenses:				
TIF Redevelopment Specialist	60,930	60,930	65,195	34,879
Marketing, Dues, Eng/Apprais.	40,000	40,000	40,000	40,000
Vocational Payment to School	218,020	226,741	235,810	122,621
Park District Projects	0	113,880	118,435	123,173
M.O.B. Incentives	229,900	240,246	251,057	131,177
King School Comm. Room	0	500,000	0	0
King School/Park Sidewalks	0	300,000	0	0
King School Courtyard	0	20,000	0	0
King Park MLK Sculpture Plaza	0	50,000	0	0
King Neighborhood Lighting	0	500,000	0	0
Big Broadband Grant Match	380,000	200,000	0	0
Site Preparation	56,000	0	0	0
King School HVAC Impr.	400,000	0	0	0
Goodwin/Park/Univ. Impr.	1,260,000	0	0	0
Mathews/Church St. Impr.	0	0	800,000	0
	0	0	0	
Total Expenses	\$2,644,850	\$2,251,796	\$1,510,497	\$451,851
Bal., End Year	\$1,694,051	\$498,255	\$48,750	\$144,920

Factors:
 Property Tax Increase
 Interest Rate

TIF FOUR FUND CASH FLOW	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Bal., Beg. Year	\$772,117	\$766,517	\$798,117	\$1,313,428	\$1,420,384	\$1,208,996
Revenues:						
Property Tax	\$654,900	\$661,500	\$691,268	\$722,375	\$754,881	\$788,851
Add'l Tax, Creative Thermal	0	90,000	191,000	199,595	208,577	217,963
State Grant, Bikepath	0	0	0	575,000	0	0
Interest	18,000	4,000	23,944	39,403	42,612	36,270
Total Revenues	\$672,900	\$755,500	\$906,211	\$1,536,372	\$1,006,070	\$1,043,084
Expenses:						
Marketing, Dues, Eng. Studies	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Loan Subsidy Program	20,000	20,000	20,000	20,000	20,000	20,000
Creative Thermal Incentives	0	63,000	133,700	139,717	146,004	152,574
Site Preparation/Beautification	40,000	40,000	0	0	0	200,000
O'Brien's Dev. Incentives	286,500	308,900	205,200	87,700	89,454	91,243
Kerr/Cunningham Signals	45,000	0	0	0	0	0
Cunn. Ave. Bikepath/Sidewalk	0	0	0	1,150,000	0	0
Cunningham Ave. State ROW	70,000	0	0	0	0	0
Cunn. Ave. Curbcuts	30,000	30,000	20,000	20,000	0	0
Willow Rd. Impr.	0	250,000	0	0	0	0
Airport Road Improvement	175,000	0	0	0	950,000	950,000
Total Expenses	\$678,500	\$723,900	\$390,900	\$1,429,417	\$1,217,458	\$1,425,817
Bal., End Year	\$766,517	\$798,117	\$1,313,428	\$1,420,384	\$1,208,996	\$826,262