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Village Hall~~

***Village of Downs,
McLean County***

***Proposed
Tax Increment Finance District #1***

June, 1999

Prepared by:

Homer L. Chastain & Associates, LLP

VILLAGE OF DOWNS
PRELIMINARY TIF ELIGIBILITY REPORT
TIF DISTRICT #1

Introduction

The Village of Downs is located in central Illinois approximately 10 miles southeast of Bloomington-Normal with direct transportation access to Interstate 74 and U. S. Route 150. The Village of Downs has attracted limited development despite its proximity to major transportation facilities. According to property records, the majority of this development occurred between 1870 and 1910. In the past ten to fifteen years, the Village has seen comparatively little commercial/industrial growth in spite of its favorable location. This situation is especially troubling in light of the fact that Downs' existing interstate development is aging with limited prospect for improvement.

While interstate highways are commonly recognized as one of the most important factors in stimulating economic growth, the Village of Downs has received virtually no new economic development resulting from the interstate highway and interchange. The Village is convinced that the reason for this lack of development can be attributed to several key factors. Those are:

1. **Age of structures in the area.** Over 70% of the structures in the district were built between 1870 and 1910. (See Appendix A)
2. **The lack of infrastructure and public utilities in the Village.** Currently, the Village has no sanitary sewer system. Washington Street, which runs along the park and school, is a major road which connects to Routes 27, 36, and 150, all of which connect to I-74. The sidewalks along Washington Street are inadequate and in some areas, non-existent. (See Appendix A).

3. **Presence of structures below minimum code standards.** Over half of the buildings in the district are 80 years old and are deteriorating. Structures are below code standards due to loose siding, sagging roofs, collapsing walls, and broken window frames. (See Appendix A)
4. **The existence of vacant and deteriorated structures on property near the I-74 interchange.** There are abandoned railroad tracks near the interchange which are in poor condition and not maintained. (See Appendix A).
5. **Access and safety issues.** Because Washington Street is a main thoroughfare through Downs and runs adjacent to the school and park, there are safety concerns due to vehicular and pedestrian conflicts. Parking is permitted along this road. In addition, there is a hill just east of the school which poses vision problems to vehicles backing onto Washington Street and safety concerns to children crossing the street. (See Appendix A).

In an effort to address these problems, the Village of Downs proposes to create a Tax Increment Finance Authority (TIF) district. The district would include: (1) the interchange of I-74/Seminary Street and (2) the area along and around Seminary Street through downtown Downs then east along and around Washington Street to U.S. Route 150. (See Appendix B). The Village's overall goal for this project is to promote high-quality development surrounding the interchange and to provide aesthetic, infrastructure access and other improvements in this district that can: (1) enhance the image of Downs and McClean County, (2) provide additional employment opportunities within the region, (3) augment the Village's existing commercial/industrial/residential/institutional properties, and (4) promote and expand the real property tax base, address safety issues, and improve the use of public facilities.

Tax Increment Financing Redevelopment

Tax Increment Financing is a method of funding public investments in an area slated for (re)development, by capturing, for a time, all or a portion of the increased tax revenue that results when public (re)development efforts stimulate private investment. After a blighted and/or conservation area is designated as a Redevelopment Project Area and Tax Increment Financing is adopted, all taxing jurisdictions continue to receive the property tax revenue that they received prior to the redevelopment effort. New property tax revenues generated by increased development are referred to as tax increment revenues. These new tax revenues are utilized to fund the public redevelopment effort within the TIF district. As soon as the redevelopment project costs are paid, or adequate provisions for such payments are made, the surplus tax increment revenues are distributed to the various taxing jurisdictions. All taxing bodies are, therefore, the beneficiaries of the redevelopment.

Qualifying Conditions Existing in the Redevelopment Area

The legislative body of a municipality is authorized under the *Tax Increment Allocation Redevelopment Act* (65 ILCS 5/11-74.4) to create a Tax Increment Finance district and to utilize the powers and authority granted in the act to increase development, address the obstacles to full development, or to eliminate those items causing blight or generally known to cause blight. (65 ILCS 5/11- 74.4-2 (a, b, c)). In order to utilize TIF, a municipality must first establish the eligibility of the proposed TIF district.

The above-cited legislation spells out specific criteria for formulating the eligibility of a proposed TIF district. Of particular interest to the Village of Downs' proposed district are the following definitions from the legislation:

"Blighted area" means any improved or vacant area within the boundaries of a redevelopment project area located within the territorial limits of the municipality where, if improved, industrial, commercial and residential buildings or improvements, because of a combination of 5 or more of the following factors: age; dilapidation; obsolescence; deterioration; illegal use of individual structures; presence of structures below minimum code standards; excessive vacancies; overcrowding of structures and community facilities; inadequate utilities; excessive land coverage; deleterious land use or layout; depreciation of physical maintenance; lack of community planning, is detrimental to the public safety, health, morals or welfare, or if vacant, the sound growth of the taxing districts is impaired by, (1) a combination of 2 or more of the following factors: obsolete platting of vacant land; diversity of ownership of such land; tax and special assessment delinquencies on such land; flooding on all or part of such vacant land; deterioration of structures or site improvements in neighboring areas adjacent to the vacant land, or (2) the area immediately prior to becoming vacant qualified as a blighted improved area, or (3) the area consists of an unused quarry or unused quarries, or (4) the area consists of unused railyards, rail tracks or railroad rights-of-way, or (5) the area, prior to its designation, is subject to chronic flooding . . .

"Conservation area" means any improved area within the boundaries of the redevelopment project area located within the territorial limits of the municipality in which 50% or more of the structures in the area have an age of 35 years or more. Such area is not yet a blighted area but because of a combination of 3 or more of the following factors: dilapidation; obsolescence; deterioration; illegal use of individual structures; presence of structures below minimum code standards; abandonment; excessive vacancies; overcrowding of structures and community facilities; lack of ventilation, light or sanitary facilities, inadequate utilities; excessive land coverage;

deleterious land use or layout; depreciation of physical maintenance; lack of community planning, is detrimental to the public safety, health, morals or welfare and such an area may become a blighted area. (65 ILCS 5/11-74.4-3 (a,b))

In order to establish a TIF district the study area must qualify as a blighted area or a conservation area. The proposed area within the boundaries outlined in the following map (See Appendix B) clearly meet the criteria legislated by the State of Illinois. Within the study boundaries are numerous areas that meet one or more of the above-referenced conditions; however, there are within the proposed boundaries a few parcels that do not by themselves meet the strict definitions set forth by the State. These parcels are contiguous to and/or surrounded by properties which do meet the State guidelines and they are, therefore related and must necessarily be included in order to allow for the orderly planning and development of the area. Furthermore, there is no requirement in the legislation that every single parcel of property within the redevelopment area strictly qualify utilizing the above-referenced standards. Indeed, language in the legislation specifying that only "... 50% or more of the structures in the area...", and that allow a TIF to include "... 'blighted area' or 'conservation area' or combination thereof..." clearly indicates that the State of Illinois realized that not every parcel within a TIF boundary would qualify on its own under strict application of the standards. The intent of the legislation is to allow the municipality to create a district that is related in its need for special attention, and within the language of the legislation, to provide guidance on the types of conditions that the State feels justify the use of TIF.

The area within the study boundaries meets qualifications of the Tax Increment Allocation Redevelopment Act as a blighted or conservation area. It is important to note that the terms "blighted" and "conservation" are utilized in the Act under their planning definition, as defined by the United States Department of Housing and Urban Development, Title I of the Federal code, and the State of Illinois' TIF legislation. The definition of blight varies from its more common everyday use in that it does not require what would normally be characterized as "slum" conditions, but is meant

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to indicate an area that is lacking in some basic infrastructure, common urban layout, and planning. Under the conservation definition an area is not yet considered blighted; however, because of a variety of factors the area may be expected to become blighted.

The following discussion provides a description of the study area and of the factors found within the study area that qualify it. In order to provide a complete picture of conditions within the study, individual blighting factors are also noted; however, because the Village of Downs is a small community and the study area is an even smaller subsection of this community, discussion has been limited to the necessary details to qualify the area. Great effort has been taken to remain general enough as to not identify individual property owners.

As shown on Map One, the south end of the study area generally includes the land surrounding the interchange and land along Seminary Street. Uses of this land include commercial businesses (not all existing structures are in use), personal residences, and abandoned railroad. The north end of the study area generally includes and a cluster of personal residences, a church, park, and school on or just off of Washington Street.

In order to qualify as a conservation area 50% of structures within the study area must be at least 35 years in age. Eighty percent of structures in the area are 35 five years in age or older. This calculation was based on the age of the main structure as recorded in property tax records. Mobile homes were counted as the main structure on the lot and in each case the unit was counted as less than 35 years in age.

Other factors which contribute to the area's status include dilapidation, deterioration, and depreciation of physical maintenance. The study area includes main structures both occupied and vacant that can be qualified as dilapidated. Dilapidation here is being defined as having serious flaw(s) within a major building component that if not immediately repaired threaten the future

integrity of the building for its designed use. As well, the large majority of the buildings in the study area are at least 35 years old and display signs of depreciation of physical maintenance and/or deterioration. These conditions range from minor concerns such as dated appearance, which can lower assessed valuation on an otherwise sound property, to major concerns such as the need to repair or replace roofing or other building components in order to extend the life of the building. The condition of outbuildings, garages, and outdoor cellar entrances also contribute to qualifying the study area as a conservation area. Within the study area are instances in which accessory building(s) have been allowed to deteriorate. Depreciation of maintenance of sites surrounding commercial properties is also a concern.

Additional contributing factors include deleterious land use or layout and excessive land coverage. Lack of land use planning and land use control has resulted in conditions which constitute deleterious land use or layout and/or excessive land coverage. In the case of properties in close vicinity to the interstate interchange, multiple alleyways off of Seminary Street create numerous points for potential traffic conflict. Also, mixed residential and commercial land use occurs in proximity to the interchange. Mixed land use in what should be prime commercial locations could be restricted to protect the land for its highest and best possible use. Cases also exist where the lack of land use control has lead to overcrowding. Common occurrences within the study area include cases where house and accessory building combinations cover the majority of the lot, cases where buildings have been placed on or very near the property line, and cases where lots have been sized to only accommodate the main structure and minium side yards. This development pattern has resulted in crowding on individual lots as well as on groups of lots. As well, a lack of parking standards has resulted in overcrowded lots for certain uses.

Also lack of sanitary facilities or adequate utilities exists in the study area. Land in the Village also lacks public wastewater utilities. As well, the study area generally lacks adequate storm sewers and most development has occurred without consideration for storm water detention. Cases exist within

the study area where long-standing development has disrupted drainage and/or created additional impervious surfaces that have resulted in runoff that becomes standing water on neighboring property. While flooding due to man-made improvements is not strictly a conservation area criteria, it is a blighted area factor. This is especially true in and around the area's parking lots and alleyways.

This study area also includes property that is former railroad. Railroad properties, while not a conservation area criteria, do qualify as blighted.

TIF Boundaries

It is clear that the study area meets the definition for being eligible to utilize TIF. Indeed many of the areas qualify under several different criteria. While it would be possible for the Village to qualify a significant area surrounding the I-74/Seminary Street interchange, the Village of Downs has decided to create as compact a district as possible. The rationale behind this approach is to minimize the TIF to only those projects and areas most likely to yield rapid benefit as a result of the redevelopment, and to allow the various taxing jurisdictions to more immediately benefit from development occurring outside of the TIF district, but still caused by the TIF projects. In this manner, the Village feels that both it and the County as whole will reap the greatest returns from this project.

The Redevelopment Project Area is shown in the map set forth in Appendix B.

Evidence of Current Non-development

Based on County property tax records, development within the Redevelopment Project Area has been minimal in the last 50 years. Other than institutional construction/redevelopment, and the inclusion

within the district of several mobile homes as residential units, no significant development/redevelopment has occurred since the 1930s.

Some developers have expressed an interest in the project area "if and only if" a TIF district is created. Based on this history, and with consideration of the lack of public utilities in much of the project area, planning, access and land use considerations previously noted, and the completion of the projects included herein, investment by private enterprise could not reasonably be anticipated.

Redevelopment Projects

The Redevelopment Area is proposed to be developed for commercial, residential and institutional uses. The intent of this development is not to adversely impact other commercial businesses in the Village, but to compliment them and to attract more motorists to exit the highway at Downs, thereby increasing the potential for all commercial enterprises within the Village of Downs. To accomplish this goal, the Village proposes to make roadway access improvements in this area, as well as extend all public utilities and address the overall aesthetics.

Estimated Redevelopment Project Costs

The estimated costs for the above-noted improvements as well as the anticipated sources of the funds are detailed in Table 1. The estimates are meant to include the sum-total of all reasonable or necessary costs incurred or estimated to be incurred, and any such costs incidental to redevelopment of this area.

A list of redevelopment activities for which public costs may be incurred, may include the following:

1. Making and entering into all contracts necessary or incidental to the implementation and furtherance of the redevelopment plan and project;
2. Acquiring by purchase, donation, lease or eminent domain; owning, conveying, leasing, mortgaging or disposing of land and other property, real or personal, or rights or interests therein, and granting or acquiring licenses, easements and options with respect thereto, all in the manner and at such price the municipality determines is reasonably necessary to achieve the objectives of the redevelopment plan and project. No conveyance, lease, mortgage, disposition of land or other property, or agreement relating to the development of the property shall be made except upon the adoption of an ordinance by the corporate authorities of the municipality. Furthermore, no conveyance, lease, or other disposition of land or agreement relating to the development of the property shall be made without making public disclosure of the terms of the disposition and all bids and proposals made in response to the municipality's request. The procedures for obtaining such bids and proposals shall provide reasonable opportunity for any person to submit alternative proposals or bids;
3. Clearing any area by demolition or removal of any existing buildings and structures;
4. Renovating, rehabilitating or constructing any structure or building;
5. Installing, repairing, constructing, reconstructing, or relocating streets, utilities and site improvements essential to the preparation of the redevelopment area in accordance with a redevelopment plan;

6. Fixing, charging and collecting fees, rents and charges for the use of any building or property owned or leased by it or any other part thereof or facility therein;
7. Accepting grants, guarantees and donations of property, labor or other things of value from a public or private source;
8. Acquiring and constructing public facilities;
9. Incurring project redevelopment costs; and
10. Exercising any and all other powers necessary to effectuate the purposes of the Tax Increment Allocation Redevelopment Act.

The Village of Downs' Redevelopment Project costs will include the sum-total of all reasonable and necessary costs incurred, or estimated to be incurred, and any such costs incidental to the Redevelopment Plan. The estimated costs for the Redevelopment Plan are \$10,725,000 (not including any interest on bond obligations).

**TABLE 1
VILLAGE OF DOWNS
TIF FUNDING/PROJECTS**

<u>TIF PROJECTS</u>	
Water System Improvements	\$1,850,000
Aesthetic/Signage/Pedestrian Improvements	\$750,000
Roadway/Transportation Improvements	\$2,275,000
Entrance/Access Improvements	\$1,275,000
Property Acquisition/Site Grading/Preparation	\$775,000
School Property Improvements Relating to the TIF	\$1,850,000
Loan Interest Subsidies	\$850,000
Public Service Costs	\$450,000
Economic Development Revolving Loan Fund	\$650,000
Total TIF Projects	\$10,725,000
<u>REVENUE SOURCES</u>	
Projected TIF Revenues	\$1,918,438
Total TIF Revenues	\$1,918,438

Revenues

The Village of Downs proposes to pay for the projects in the Redevelopment Plan through a combination of tax increment revenues, existing water and sewer fund monies, DCCA and EPA sewer and water grants. It is felt that by utilizing this multiple funding approach, as compared to only using tax increment financing, the Redevelopment Plan can be completed in a manner that maximizes the overall benefits of the program for all taxing jurisdictions while not placing an excessive burden on the Village of Downs' residents.

Issuance of Obligations

The Village of Downs may issue obligations or otherwise borrow funds, repayment of which will be secured by the tax increment revenues. Any such obligations shall be retired not more than twenty-three (23) years from the adoption of the ordinance approving the Redevelopment Project Area. Revenues shall be used for the scheduled and/or early retirement of obligations, and for reserves, sinking funds and redevelopment project costs, and to the extent not used for such purposes, may be declared surplus and shall then become available for distribution annually to the taxing districts in the Redevelopment Area in the manner provided by the Act.

Current Equalized Assessed Valuation of Property within the TIF District

The last equalized assessed valuation of real property in the Redevelopment Project Area for 1998 is \$452,090.

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ESTIMATE OF TAX INCREMENT REVENUES VILLAGE OF DOWNS TIF DISTRICT						
Year	(1) Equalized Value	(2) New Development	(3) Inflation	(4) Total	(5) Captured Increment	(6) TIF Revenues
1	\$452,090	\$500,000	\$9,042	\$961,132	\$509,042	\$38,884
2	\$961,132	\$150,000	\$19,223	\$1,130,354	\$678,264	\$51,810
3	\$1,130,354	\$25,000	\$22,607	\$1,177,962	\$725,872	\$55,447
4	\$1,177,962		\$23,559	\$1,201,521	\$749,431	\$57,246
5	\$1,201,521	\$25,000	\$24,030	\$1,250,551	\$798,461	\$60,992
6	\$1,250,551		\$25,011	\$1,275,562	\$823,472	\$92,902
7	\$1,275,562	\$25,000	\$25,511	\$1,326,073	\$873,983	\$66,761
8	\$1,326,073		\$26,521	\$1,352,595	\$900,505	\$68,787
9	\$1,352,595	\$25,000	\$27,052	\$1,404,647	\$952,557	\$72,763
10	\$1,404,647		\$28,093	\$1,432,740	\$980,650	\$74,908
11	\$1,432,740		\$28,655	\$1,461,395	\$1,009,305	\$77,097
12	\$1,461,395	\$25,000	\$29,228	\$1,515,622	\$1,063,532	\$81,240
13	\$1,515,622		\$30,312	\$1,545,935	\$1,093,845	\$83,555
14	\$1,545,935	\$25,000	\$30,919	\$1,601,854	\$1,149,764	\$87,827
15	\$1,601,854		\$32,037	\$1,633,891	\$1,181,801	\$90,274
16	\$1,633,891	\$25,000	\$32,678	\$1,691,568	\$1,239,478	\$94,680
17	\$1,691,568		\$33,831	\$1,725,400	\$1,273,310	\$97,264
18	\$1,725,400		\$34,508	\$1,759,908	\$1,307,818	\$99,900
19	\$1,759,908	\$100,000	\$35,198	\$1,895,106	\$1,443,016	\$110,227
20	\$1,895,106		\$37,902	\$1,933,008	\$1,480,918	\$113,122
21	\$1,933,008		\$38,660	\$1,971,668	\$1,519,578	\$116,075
22	\$1,971,668	\$100,000	\$39,433	\$2,111,102	\$1,659,012	\$126,726
23	\$2,111,102		\$42,222	\$2,153,324	\$10,701,234	\$129,951
TOTAL						\$1,918,438

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*Compiled by Homer L. Chastain & Associates, LLP, June 1999.

- (1) Equalized Value of the total district
- (2) Equalized Value of new construction or renovation of existing structures.
- (3) Inflation factor of 2 percent applied to the Equalized Value for respective years.
- (4) Figure represents the sum of columns 1-3
- (5) Figure represents the difference between column 4 values and original Base Equalized Value of \$452,090.
- (6) Total revenues generated from captured increment assuming total tax rate of 7.63866.

*Tax Increment Finance District Development and Finance Plan
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**TABLE 2
VILLAGE OF DOWNS
ESTIMATE OF TAX INCREMENT REVENUES**

Year	(1) Equalized Value	(2) New Development	(3) Inflation	(4) Total	(5) Captured Increment	(6) TIF Revenues
1	\$452,090	\$350,000	\$9,042	\$811,132	\$359,042	\$27,426
2	\$811,132		\$16,223	\$827,354	\$375,264	\$28,665
3	\$827,354		\$16,547	\$843,902	\$391,812	\$29,929
4	\$843,902		\$16,878	\$860,780	\$408,690	\$31,218
5	\$860,780	\$25,000	\$17,216	\$902,995	\$450,905	\$34,443
6	\$902,995		\$18,060	\$921,055	\$468,965	\$35,823
7	\$921,055		\$18,421	\$939,476	\$487,386	\$37,230
8	\$939,476		\$18,790	\$958,266	\$506,176	\$38,665
9	\$958,266	\$25,000	\$19,165	\$1,002,431	\$550,341	\$42,039
10	\$1,002,431		\$20,049	\$1,022,480	\$570,390	\$43,570
11	\$1,022,480		\$20,450	\$1,042,929	\$590,839	\$45,132
12	\$1,042,929	\$25,000	\$20,859	\$1,088,788	\$636,698	\$48,635
13	\$1,088,788		\$21,776	\$1,110,564	\$658,474	\$50,299
14	\$1,110,564	\$25,000	\$22,211	\$1,157,775	\$705,685	\$53,905
15	\$1,157,775		\$23,155	\$1,180,930	\$728,840	\$55,674
16	\$1,180,930	\$25,000	\$23,619	\$1,229,549	\$777,459	\$59,387
17	\$1,229,549		\$24,591	\$1,254,140	\$802,050	\$61,266
18	\$1,254,140		\$25,083	\$1,279,223	\$827,133	\$63,182
19	\$1,279,223	\$100,000	\$25,584	\$1,404,807	\$952,717	\$72,775
20	\$1,404,807		\$28,096	\$1,432,903	\$980,813	\$74,921
21	\$1,432,903		\$28,658	\$1,461,561	\$1,009,471	\$77,110
22	\$1,461,561	\$100,000	\$29,231	\$1,590,793	\$1,138,703	\$86,982
23	\$1,590,793		\$31,816	\$1,622,608	\$1,170,518	\$89,412
Total						\$1,187,687

NO USE

*Compiled by Homer L. Chastain & Associates, LLP, June 1999.

- (1) Equalized Value of the total district.
- (2) Equalized Value of new construction or renovation of existing structures.
- (3) Inflation factor of 2 percent applied to the Equalized Value for respective years.
- (4) Figure represents the sum of columns 1-3.
- (5) Figure represents the difference between column 4 values and estimated original Base Equalized Value of \$452,090.
- (6) Total revenues generated from captured increment assuming total tax rate of 7.83566 (1998).

Anticipated Equalized Assessed Valuation

It is estimated that all projects in the Redevelopment Area will be completed and assessed within 23 years. At that time the estimated future equalized assessed valuation of real property within the Redevelopment Project Area should exceed \$1,622,608.

Termination of the Redevelopment Plan

The expected date for completion of the Redevelopment Plan is December 31, 2020, and is expected to be completed sooner, depending on commencement of redevelopment and the incremental tax yield. (See Table 2) Pursuant to the Act, this Redevelopment Plan may be terminated at any time by the Village, provided that no contractual obligations of the Village are impaired by such termination. This Plan, in and of itself, does not constitute any contractual obligation for anyone to issue municipal obligations.

Commitment to Fair Employment Practices and Affirmative Action

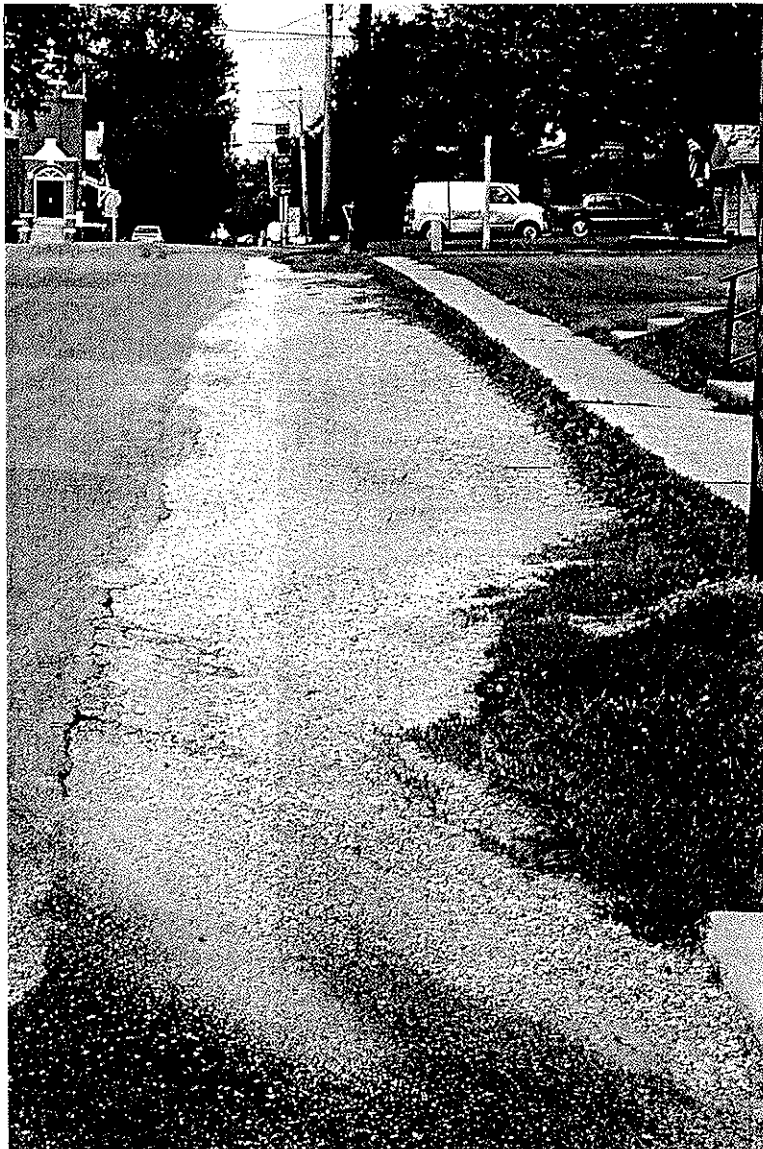
The Village of Downs is committed to and will employ its Fair Employment and Affirmative Action policies to all issues, actions and contracts related to this Plan.

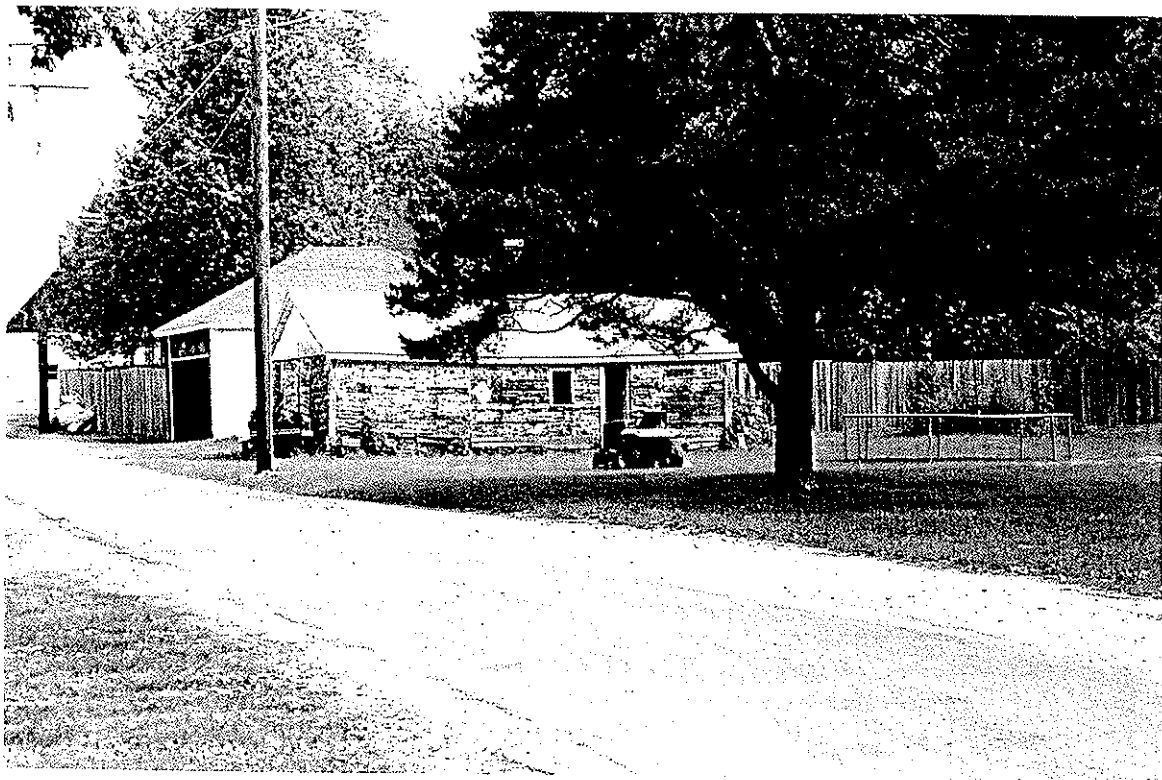
Amendment of the Plan

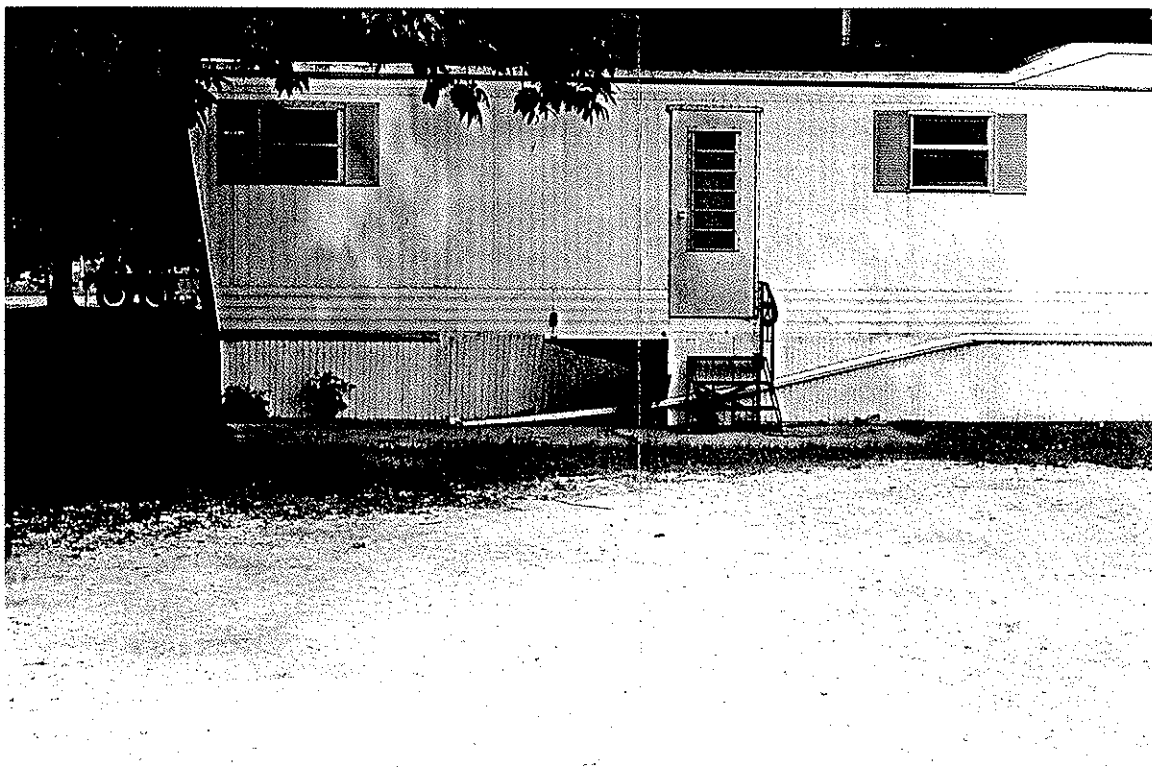
The Redevelopment Plan and projects may be amended pursuant to the provisions of the Act, as amended.

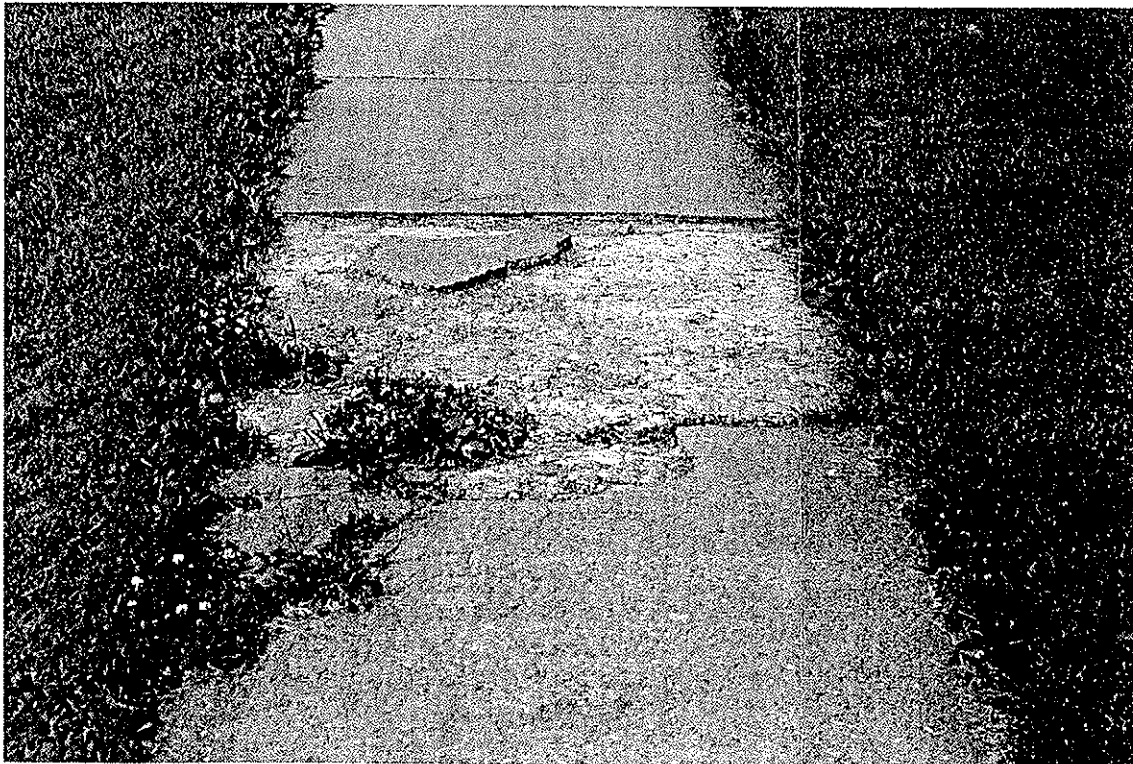
APPENDIX A

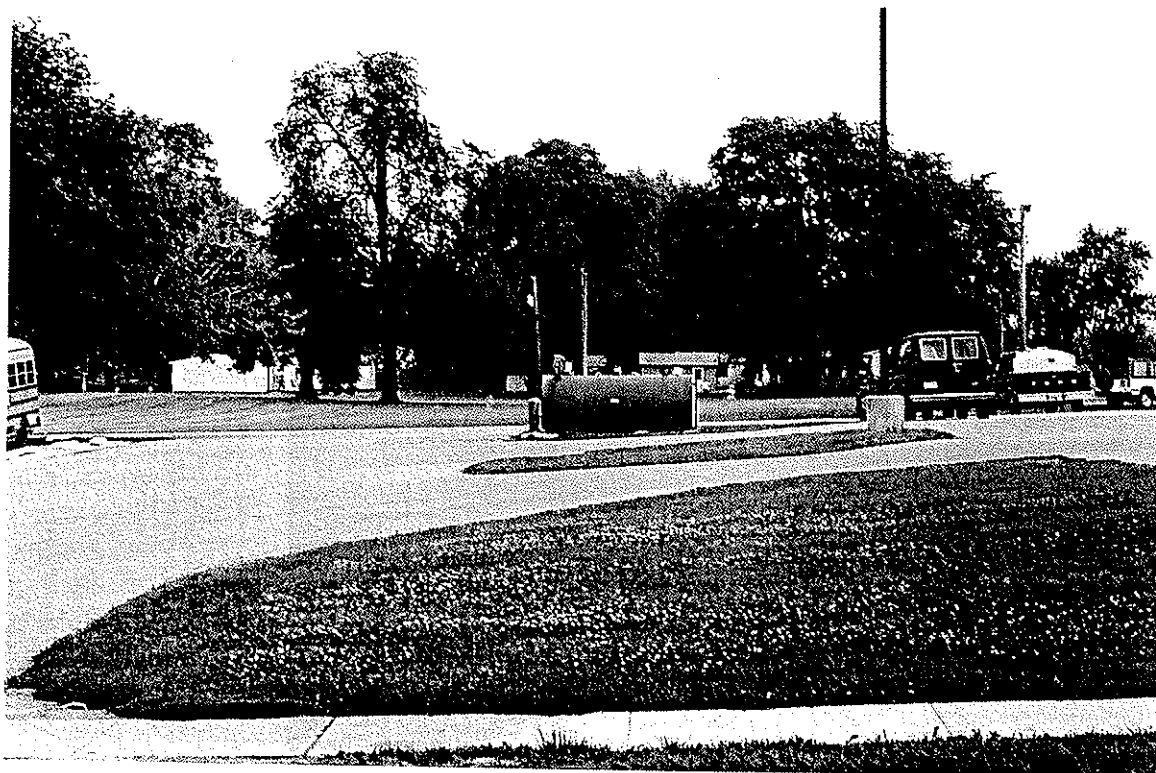
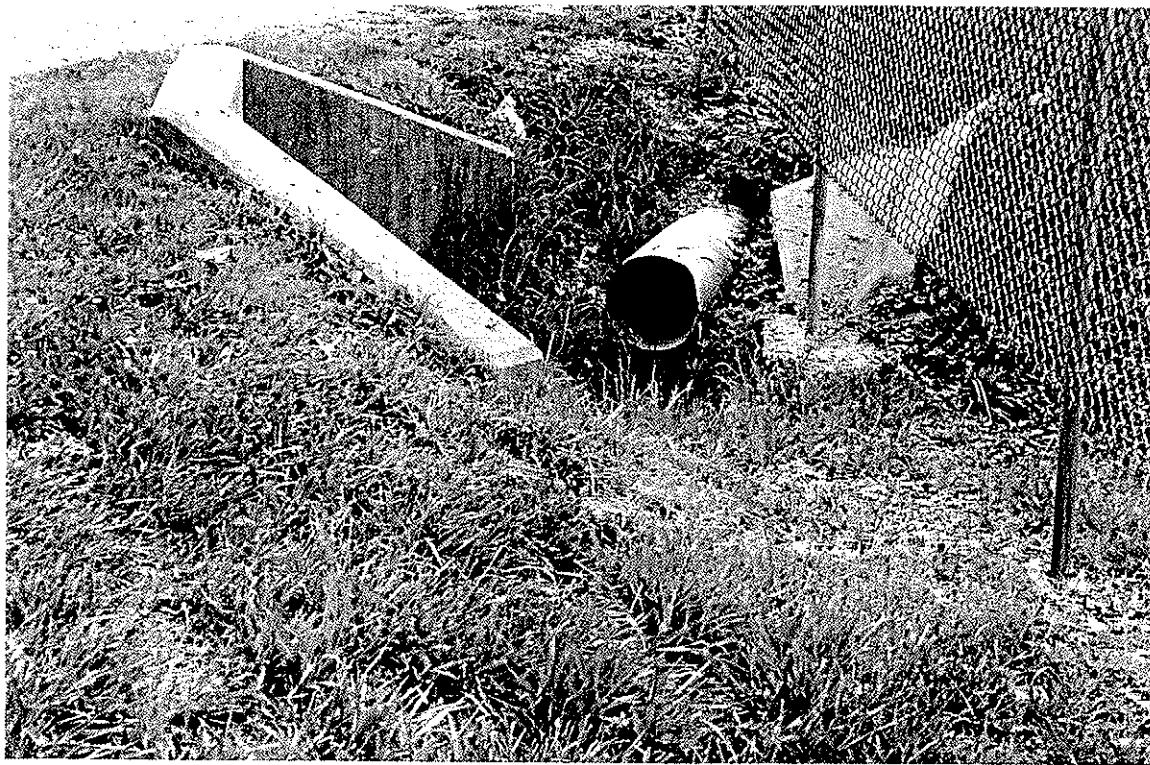


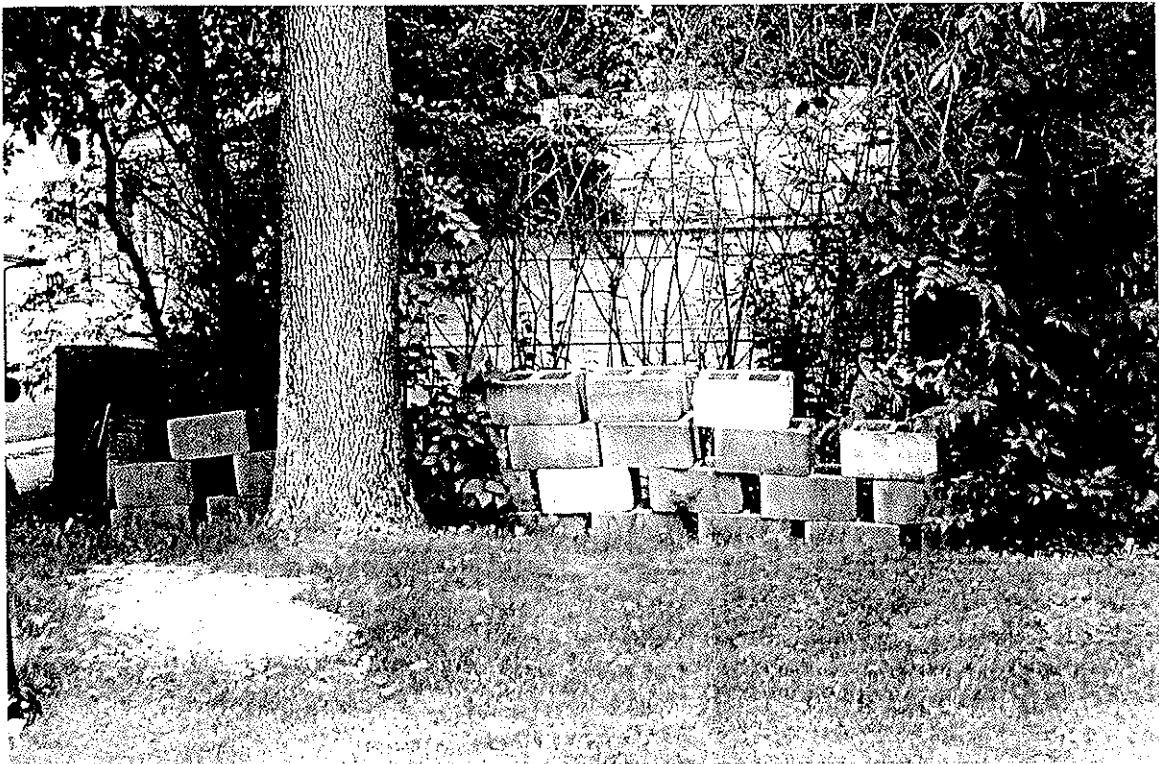




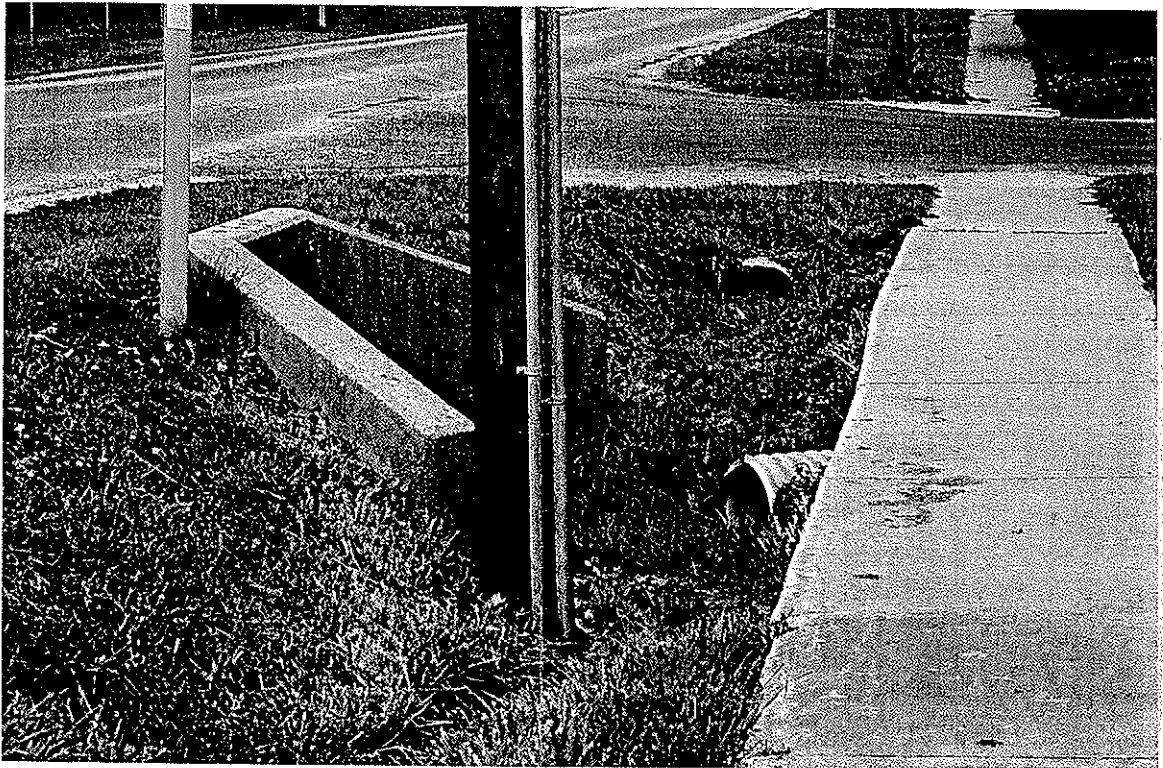
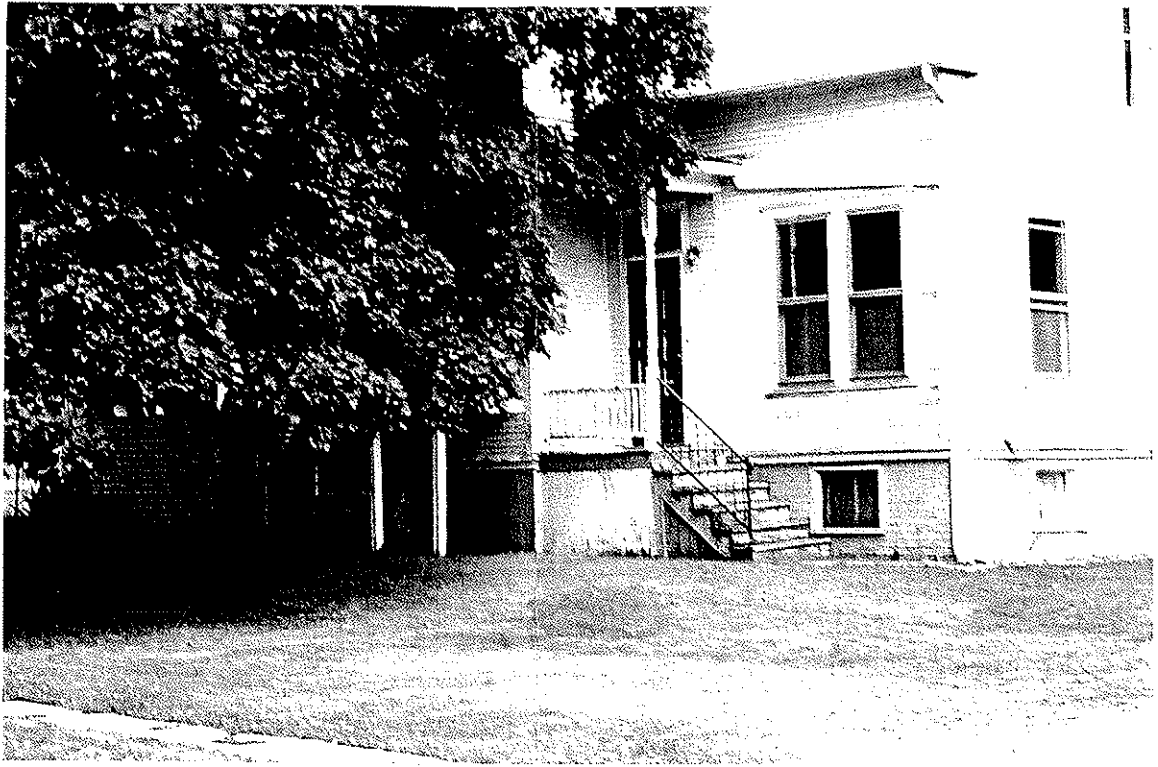


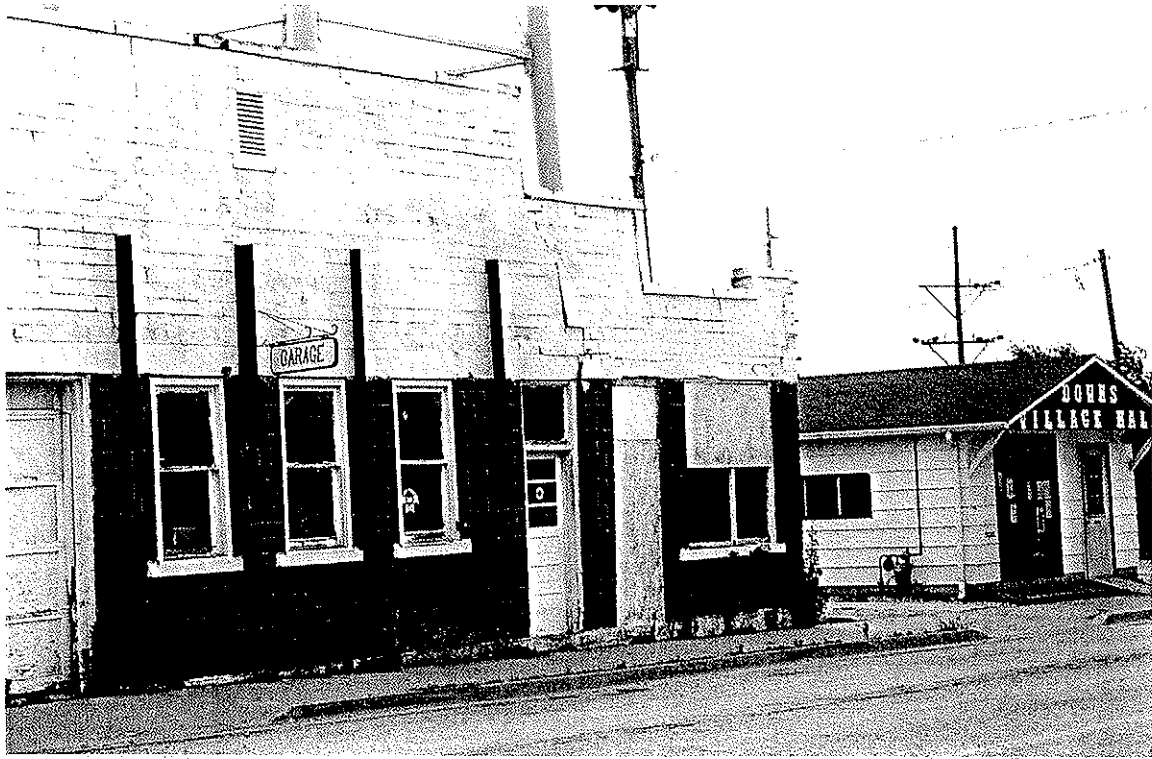




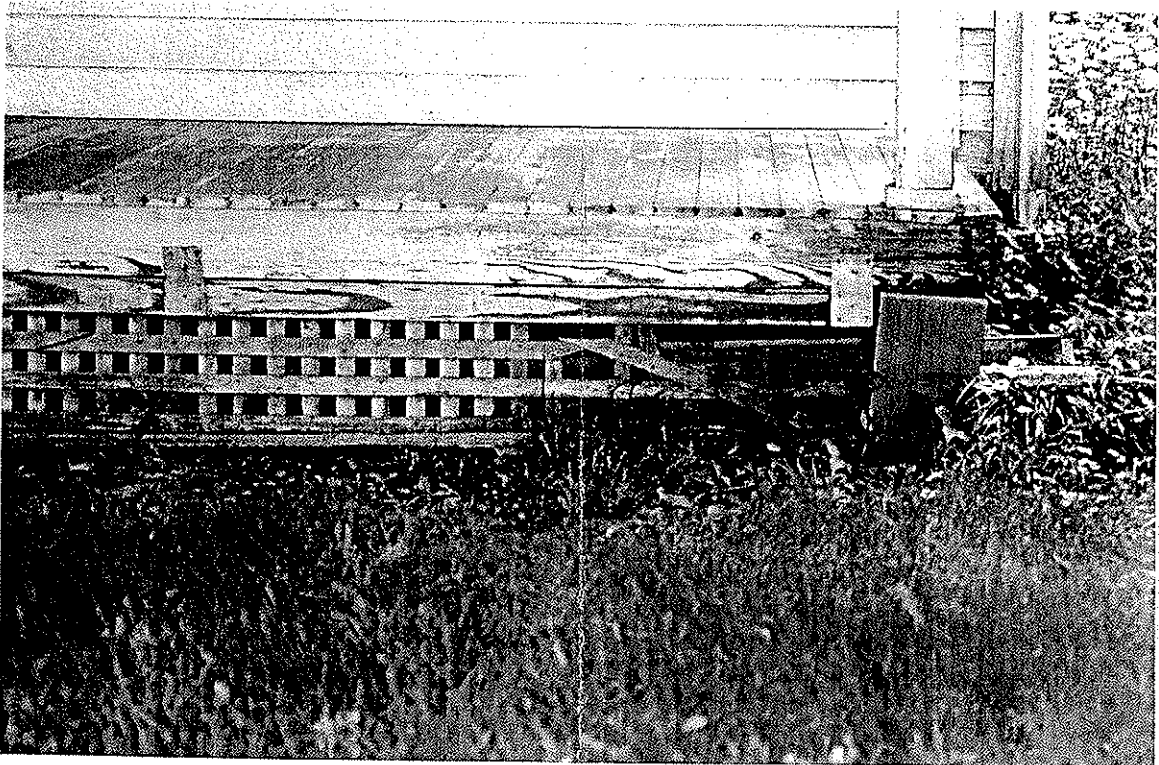












APPENDIX B

