



**DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES**

*Economic Development Division*

**m e m o r a n d u m**

**TO:** Mayor Laurel Lunt Prussing

**FROM:** Elizabeth H. Tyler, FAICP, Director, Community Development Services

**DATE:** February 18, 2016

**SUBJECT:** **A RESOLUTION DECLARING AN INTENT TO REIMBURSE CERTAIN REDEVELOPMENT PROJECT COSTS (Urbana Central TIF District)**

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**Introduction**

In August of 2014, the Urbana City Council approved a contract with PGAV, Inc. to begin the process of establishing a new TIF District in Downtown Urbana (Res. No. 2014-07-042R). City staff delayed bringing forward this proposed boundary forward until such time that there was significant progress made on the developer recruitment for 200 Vine.

This proposed new TIF district is intended to:

- replace the expiring TIF 1,
- include underutilized properties currently within TIF 2,
- include publicly owned properties in need of reinvestment,
- release property that was successfully developed back onto the regular tax rolls, and
- set a new tax baseline that redeems over \$7.7 million in EAV back to all taxing districts.

After extensive study and discussion, PGAV and City staff has developed a near-final boundary for proposal to the City Council. The boundary also includes input from members of Urbana's TIF Joint Review Board representing Urbana's taxing partners. The attached resolution (**Attachment A: A RESOLUTION DECLARING AN INTENT TO REIMBURSE CERTAIN REDEVELOPMENT PROJECT COSTS (Urbana Central TIF District) including a Map of the Proposed Urbana Central Redevelopment Area**) would formally declare the intent of the City of Urbana to create a new TIF District in Urbana's Central Business District. Exhibit A to the proposed resolution defines the boundary of the proposed new Urbana Central Redevelopment Area. The Central TIF would provide a funding source for economic incentives for private development as well as a source of capital for catalyzing public infrastructure investments through the end of 2040.

The Central TIF would include core business properties currently within the expiring TIF 1 including many historic buildings. The Central TIF would also include those portions of TIF 2 that have not seen reinvestment and are adjacent to the core. While TIF 1 is set to expire at the end of this calendar year, the remaining properties in TIF 2 would continue to generate increment until the expiration of TIF 2 in 2022. This ongoing TIF 2 increment would be used to repay the City's debt obligation for the recent public improvements to the Boneyard Creek, Race Street and Broadway Avenue as well as for ongoing incentives under existing development agreements.

Lastly, the new TIF would include multiple properties owned by local taxing districts, thereby preserving the potential for TIF support toward reinvestment, renovation or redevelopment of these properties.

## **Overview of Tax Increment Financing (TIF)**

Tax Increment Financing is the premier economic development tool of municipalities in the State of Illinois. Tax Increment Financing (TIF) Districts provide municipalities with a mechanism to encourage local economic development where development would not occur without the use of incentives. TIF Districts operate by reinvesting incremental taxes generated through new development within a TIF District back into that TIF District. The incremental tax revenue value is determined using the tax rates of overlapping taxing bodies. Unless amended, reinvestment of incremental tax revenues within the TIF Districts is limited to a period of twenty three years.

While a TIF District is in effect, all overlapping taxing bodies forego tax revenues on the increase in EAV created by redevelopment projects within the TIF District. The EAV of a TIF District at the time TIF is established is termed the "base year" assessment. Overlapping taxing districts continue to receive tax revenues from parcels located within the TIF Boundaries based on the base value assessment, but any incremental revenues accrue to the TIF District to meet eligible obligations. Upon expiration of the TIF, surplus funds are redistributed to the overlapping taxing bodies.

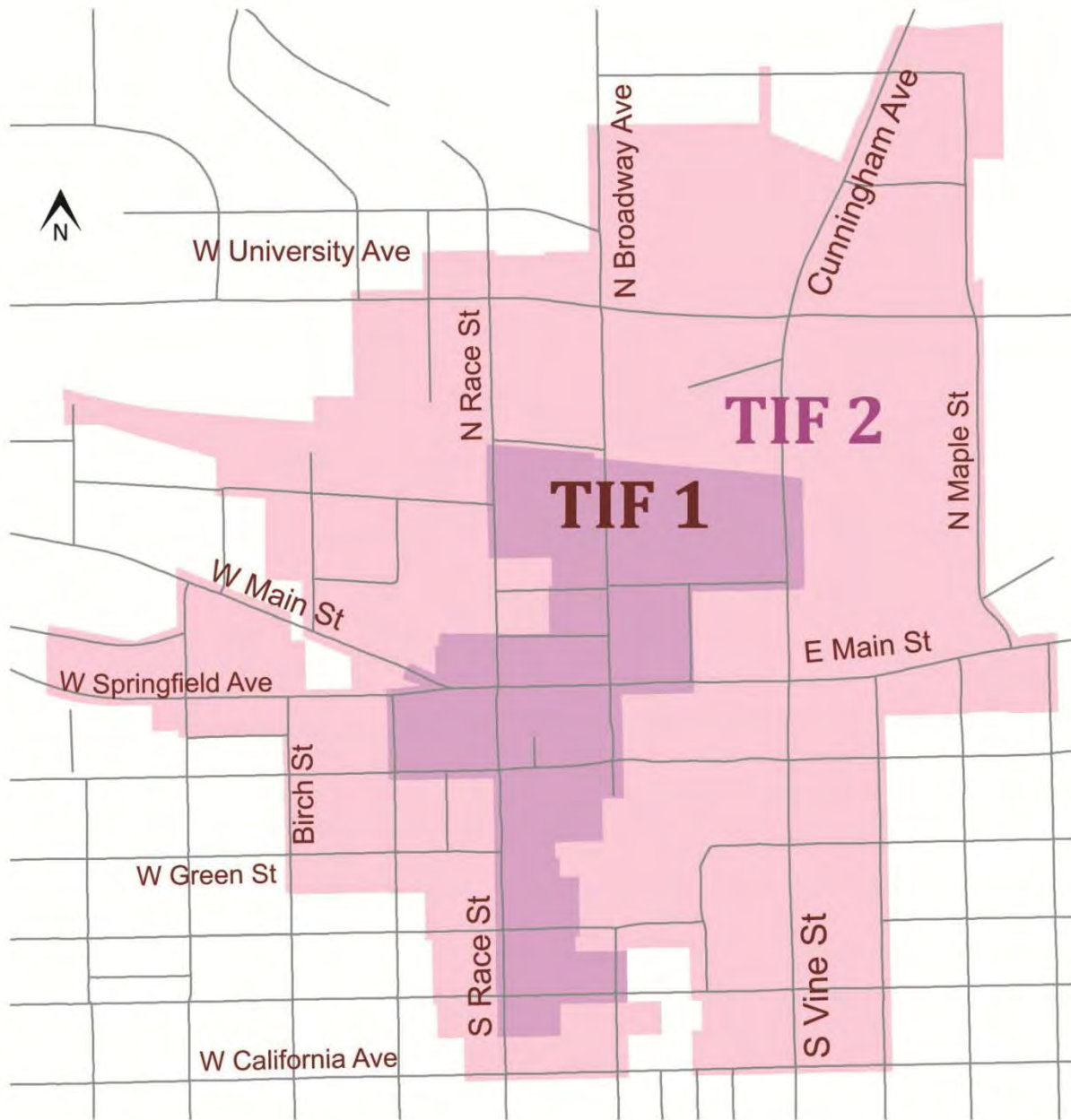
## **Urbana's Existing TIF Districts**

The City of Urbana currently has three active TIF Districts: TIF 1, TIF 2, and TIF 4. As planned, upon creation of the Urbana Central Redevelopment Area, Urbana would still have three active TIF Districts; TIF 2, TIF 4, and the Central TIF. The Central TIF and TIF 2 would remain the primary instruments to incentivize redevelopment in the Downtown Core.

Tax Increment Finance District #1 is located in the core of Downtown Urbana and is set to expire at the end of 2016. This original Urbana TIF District took effect in 1981 and was amended in 2004 to revise the area development goals and to extend the life of TIF 1 an additional 12 years.

Tax Increment Finance District #2 is located on the periphery of TIF 1 in the greater Downtown area. TIF 2 originally took effect in 1986 and was amended in 2005 to extend the TIF expiration

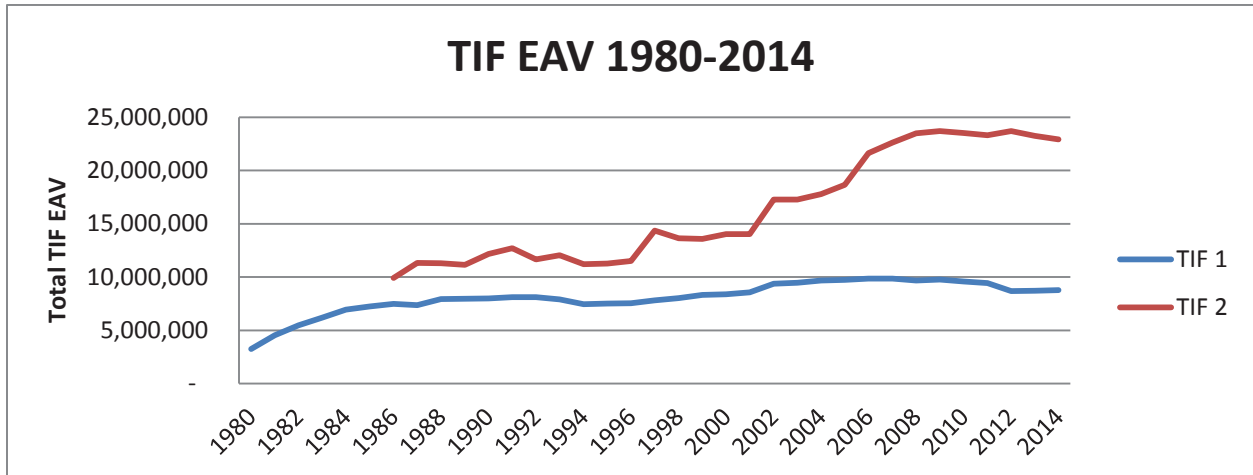
date to the end of 2022.



### Current TIF Performance

Both of Downtown Urbana’s TIF districts have had a demonstratively positive benefit on Downtown as well as a catalytic effect on development and business attraction in Urbana as a whole over the past several years. Redevelopment incentives aided the rehabilitation of buildings, supported major public works projects, and promoted new businesses. While each TIF has seen growth in EAV, TIF 2 has seen more pronounced growth than has TIF 1. This is due to

the fact that TIF 1 contains many of Urbana’s historic commercial properties which have already been developed, but may be in need of restoration. Major projects within TIF 1 have generally renovated or rehabilitated existing buildings and as such tend to yielded lower EAV increases than similarly priced new construction projects would. On the other hand, TIF 2 enabled multiple new construction projects over its life which yielded much larger EAV growth—predominantly through the Urbana Crossing and Gateway Shoppes redevelopments. This difference in EAV growth also highlights the need for ongoing development incentives in Urbana’s core, both to encourage context-appropriate infill and also to provide incentives for the continued reuse of existing buildings.



## Recent Downtown TIF Projects

### TIF District #1

In the last ten years, the City has entered into agreements to enable five major private redevelopment projects in TIF 1:

- **Stratford Residences Apartments New Construction**, 202 N Race Street
  - The Stratford Apartment building resulted in a substantive contribution to market-rate housing options in the Downtown area which remain in high demand.
- **Cafeteria & Company / [co][lab] / Tech Office Redevelopment**, 206-210 W Main Street
  - Two existing buildings were renovated to establish modern tenant space for a pizza restaurant and bar, coffee shop, creative industry co-working offices, two second-story tech offices, and a loft apartment.
- **SIPYARD Redevelopment**, 204 West Main Street
  - Major work has been completed for the demolition of a dilapidated building and the establishment of an outdoor beer garden and market.
- **Urbana Landmark Hotel Redevelopment**, 210 S Race Street
  - Major physical improvements were made to preserve and enhance the former Lincoln Hotel including the construction of a new porte-cochere and bringing all of the hotel

rooms up to code. The City was reimbursed over \$1 million in incentives paid after the developer failed to also activate the bar, restaurant and conference center. The hotel is currently being marketed for sale.

- **Stephens Building Redevelopment**, 218 W Main Street
  - Construction is underway for the establishment of four upper-story luxury apartments as well as a ground floor “vanilla box” commercial buildout.

In addition, TIF 1 also funded the recent reconstruction of Main Street including the upgrade of pedestrian infrastructure, the inclusion of bike lanes, and the inclusion of new signalization.

In previous years, TIF 1 played a principle role in the construction of the Downtown parking deck, the expansion of the then Jumers Caste Lodge, as well as major streetscape enhancements to the Downtown.

## **TIF District #2**

In the last ten years, the City entered into agreements to enable seven major private redevelopment projects in TIF 2:

- **Gateway Shoppes New Construction**, northwest corner of University and Cunningham
  - After the successful relocation of the auto mall to North Cunningham Avenue, the site has seen the construction of two commercial strips and three outlot buildings. A fourth outlot is in the early stages of planning.
- **Patel Law Office New Construction**, 108 W University Avenue
  - Resulted in the construction of a visible new law office on University Avenue
- **Broadway Market Redevelopment**, 401 N Broadway Avenue
  - The developer is expected to close on the property within 30 days and commence renovation of the underutilized space into an indoor marketplace.
- **Race Street Redevelopment**, 129 N Race Street
  - Cherry Tree Café has signed on as the first tenant for the redevelopment. Additional interior renovation and tenant occupation is expected by the end of the year.
- **James Burch Site Preparation**, at the southwest corner of Race and University Avenue
  - Resulted in the demolition of residential properties and additional site preparation for a future redevelopment.
- **Allen Strong Site Preparation**, at S Race Street north of the City parking lot
  - Resulted in the demolition of the former Helmick Lumber Yard and additional site preparation for a future redevelopment.

In addition, TIF 2 has additional funds committed to repay bonds for the Boneyard Creek Improvement Project as well as the repaving and pedestrian improvements conducted on North Race Street and North Broadway Avenue.

In previous years, TIF 2 was instrumental in the establishment of the Urbana Crossing / Schnuck’s shopping complex, construction of the Five Points Commerce Center / Walgreens, the

renovations for Lincoln Square Village, and the creation of major streetscape enhancements to the Downtown area.

## **Proposed Central TIF District Boundary**

As TIF 1 and TIF 2 approach their respective closure dates, the City is faced with the prospect of having no robust tools to incentivize economic development and entrepreneurship in its downtown, as well as no source of funds dedicated to the achievement of the planned goals for the Downtown area. The proposed Central Redevelopment Area is intended to create such an incentive and funding mechanism for Urbana's Downtown that will serve the community through 2040.

The proposed boundaries of the Urbana Central TIF (as shown in Exhibit A to the proposed resolution) are the result of research conducted by both City staff and PGAV consulting, and is also reflective of input received from the City's many taxing partners. The boundaries aim to include potential developable sites, while excluding residential and high performing sites. As advised by PGAV, staff has sought to minimize the inclusion of tenanted residential buildings within the proposed Central TIF boundary so as to widely avoid the need for a costly housing impact study.

The Urbana Central Redevelopment Area would include parcels from TIF 1, TIF 2, and additional parcels not currently in either existing TIF. The recent changes to draft boundary include a portion of Crystal Lake Park, the Park District's Event Parking Lot north of Gateway Shoppes, and the former Washington School. Each of these inclusions was requested by the taxing partners. The boundary also contains multiple other publicly owned sites and facilities including the County Sheriff's Office and Downtown Jail, the Urbana School District's Administration Building, Urbana City Hall, Leal Park, sites suitable for expansion of the Urbana Free Library campus, and multiple sites suitable for a Downtown Transit Facility.

The proposed boundary is also inclusive of the 200 Vine and North Crane Alley sites, both of which are the subjects of current calls by the City for redevelopment proposals. In addition, the proposed Central TIF boundary contains multiple potential redevelopment sites that could become active during the term of the new TIF including, but not limited to: the southwest corner of University and Vine, the 100 Block of South Vine, the City-owned Lincoln Square/Illinois Street parking lots/outlots, the James Burch redevelopment site at Race and University, the Allen Strong redevelopment site at Race Street, and sites located at the intersection of Race Street and Green Street.

## **Fiscal & Community Impacts**

TIF 1 would be closed in coordination with the creation of the Urbana Central Redevelopment Area resulting in the return of at least \$6.4 million in EAV to the general tax base for the City and all taxing partners. In addition the removal of many parcels from TIF 2 for the purpose of bringing them into the Central TIF will return approximately \$1.3 million in additional EAV to



the general tax base. This combined tax base increase of approximately \$7.7 million would be expected to financially benefit the general fund of the City of Urbana as well as that of the overlapping taxing bodies. Parcels not removed from TIF 2 would continue to generate incremental revenues through 2022. Those TIF 2 revenues would be used to meet all ongoing incentive obligations as well as to pay the City's annual \$930,000 debt service obligation through 2022 for the bond-funded Boneyard Creek, Race Street and Broadway Avenue improvements.

The Central TIF would also provide a necessary tool to allow the City to incentivize large new construction projects. Presently, TWG Development out of Indianapolis has been selected to redevelop the 200 Block of South Vine Street. This is expected to be a catalytic project of a scale not seen in the downtown area for some time. While still in preliminary planning stages, the anticipated \$30 million mixed-use project would be expected to create approximately 190 market-rate apartments at the eastern edge of Downtown Urbana. The creation of the Central TIF district would be an essential ingredient in any proposed incentive package for this project and also for other potential new construction projects that are still in early conceptual stages. Potential future improvements to the Urbana Landmark Hotel, Lincoln Square, Post Office and other iconic downtown buildings could also be benefited by the Central TIF district.

A new TIF District is expected to be vital in the implementation of elements of the 2012 Downtown Plan, the 2008 Boneyard Creek Master Plan, the 2010 Signage and Wayfinding Study, the 2014 Intergovernmental Agreement with the Champaign-Urbana Mass Transit District for a new Downtown Transit Facility, and the 2014 – 2017 City Council and Mayor Goals. All of these documents pertaining to the revitalization of Downtown Urbana were created after the most recent downtown TIF extensions and redevelopment plan amendments in 2004 and 2005. Therefore, each of the City's relevant plans would be newly considered in the process of formulating a prospective redevelopment plan for the Central TIF District. The new TIF redevelopment plan would also be kept in alignment with the 2005 Comprehensive Plan.

## **Options**

The City Council has the following options with respect to this agreement:

1. The City Council may approve the resolutions as presented.
2. The City Council may approve the resolution with changes.
3. The City Council may deny the resolution.

## **Recommendation**

The proposed Urbana Central Redevelopment Area would become an essential tool in the advancement of multiple planned City goals in the Downtown Area and would create the basis

for any major incentive for private redevelopment through 2040. Specifically, the new Central TIF would provide the City with the means to enter into redevelopment agreements for its current high priority redevelopment sites. The proposed Central TIF also stands to be beneficial for the future activities of the City's taxing partners in the Downtown area. The attached resolution would declare the intent of the City of Urbana to create a new TIF District located in the Downtown of Urbana. Staff recommends that the City Council approve the attached resolution.

Prepared By:



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Brandon S. Boys  
Economic Development Manager

Attachment A: A RESOLUTION DECLARING AN INTENT TO REIMBURSE CERTAIN REDEVELOPMENT PROJECT COSTS (Urbana Central TIF District) *including a Map of the Proposed Urbana Central Redevelopment Area*

CC: Members of the Urbana Tax Increment Finance Joint Review Board



# “Attachment A”

## RESOLUTION NO. 2016-02-008R

### **A RESOLUTION DECLARING AN INTENT TO REIMBURSE CERTAIN REDEVELOPMENT PROJECT COSTS**

**WHEREAS**, the City Council (the “**Corporate Authorities**”) of the City of Urbana, Champaign County, Illinois (the “**Municipality**”) desires to encourage private investment and to restore and enhance the tax base by the development or redevelopment of certain territory depicted on the Exhibit A attached hereto and hereby incorporated by this reference thereto (the “**Territory**”); and

**WHEREAS**, it is hereby found and determined that the Territory cannot reasonably be developed or redeveloped without the adoption by the Municipality of tax increment financing under and pursuant to the Tax Increment Allocation Redevelopment Act (65 ILCS 5/11-74.4-1 et seq.), as supplemented and amended (the “**TIF Act**”); and

**WHEREAS**, none of the purposes of the proposed redevelopment plan or the proposed redevelopment project area under the TIF Act is reasonably expected to result in the displacement of residents from ten (10) or more inhabited residential units within the Territory; and

**WHEREAS**, Peckham Guyton Albers & Viets, Inc., Urban Consulting, of St. Louis, Missouri (the “**Consultant**”) has agreed to provide certain professional services in connection with the preparation of the draft of a Tax Increment Financing Redevelopment Plan & Project to determine whether all or some part of the Territory qualifies as a redevelopment project area under the TIF Act and to provide for a comprehensive plan for the development or redevelopment of the Territory in accordance with the TIF Act (the “**Draft Redevelopment Plan**”); and

**WHEREAS**, the Municipality has and will continue to incur certain planning and other eligible costs under the TIF Act in connection with the Draft Redevelopment Plan and the actual approval, if any, of a redevelopment plan under the TIF Act for all or any part of the Territory, including, but not limited to, costs of studies, surveys, development of plans and specifications, and the implementation and administration of any redevelopment plan under the TIF Act, including staff and professional service costs for architectural, engineering, legal, financial, planning or other services (collectively, the “**Eligible Costs**”).

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF URBANA, CHAMPAIGN COUNTY, ILLINOIS**, as follows:

**Section 1.** The Corporate Authorities hereby find, determine and declare that the matters hereinabove set forth in the preambles and recitals to this Resolution are true, correct and complete and hereby incorporate such matters herein by this reference thereto.

**Section 2.** The purpose or purposes of the proposed redevelopment plan and projects to be approved under the TIF Act in connection with the Territory, include, but are not limited to, the promotion and protection of the health, safety, morals and welfare of the public, the encouragement of

private investment, the restoration and enhancement of the tax base and the eradication or reduction of blight and/or those conditions that lead to blight.

**Section 3.** Under the TIF Act, tax increment financing is a redevelopment mechanism or tool that permits any increase in the ad valorem taxes arising from the levies of all taxing districts upon real property within a redevelopment project area (the “**Tax Increment Revenues**”) to be used for the payment or reimbursement of certain redevelopment project costs described in the TIF Act.

**Section 4.** The Corporate Authorities hereby declare the official intent of the Municipality to finance any Eligible Costs with Tax Increment Revenues to be derived from the adoption of tax increment financing for all or some part of the Territory under the TIF Act, if any, including from the issuance of bonds or other obligations up to an amount not in excess of twenty percent (20%) of the aggregate issue price of the issue or issues reasonably expected by the Municipality to finance any redevelopment project costs under the TIF Act, and to reimburse any such Eligible Costs incurred by the Municipality or incurred by any developer to the extent authorized by a redevelopment agreement from such Tax Increment Revenues or from such proceeds of such bonds or other obligations. This official intent is made under and pursuant to Section 1.150-2 of the Income Tax Regulations of the Internal Revenue Code of 1986, as amended, and shall be applicable, if at all, if, as and when any such Tax Increment Revenues or bond proceeds become available.

**Section 5.** From and after the passage and approval of this Resolution, the proper officers, employees and agents of the Municipality are hereby authorized, empowered and directed to do all such acts and things as may be necessary or required to carry out the intent and accomplish the purposes of this Resolution in accordance with the TIF Act.

**Section 6.** This Resolution is merely an expression of the intent of the Corporate Authorities of the Municipality to pursue the possible adoption of tax increment financing for all or some part of the Territory and nothing contained herein shall be interpreted or construed to create any obligation on the part of the Municipality to adopt tax increment financing for all or some part of the Territory or to create any rights or benefits in any other party.

This Resolution is hereby passed, the “ayes” and “nays” being called, by the concurrence of a majority of the members of the Corporate Authorities then holding office at a regular meeting on the date set forth below.

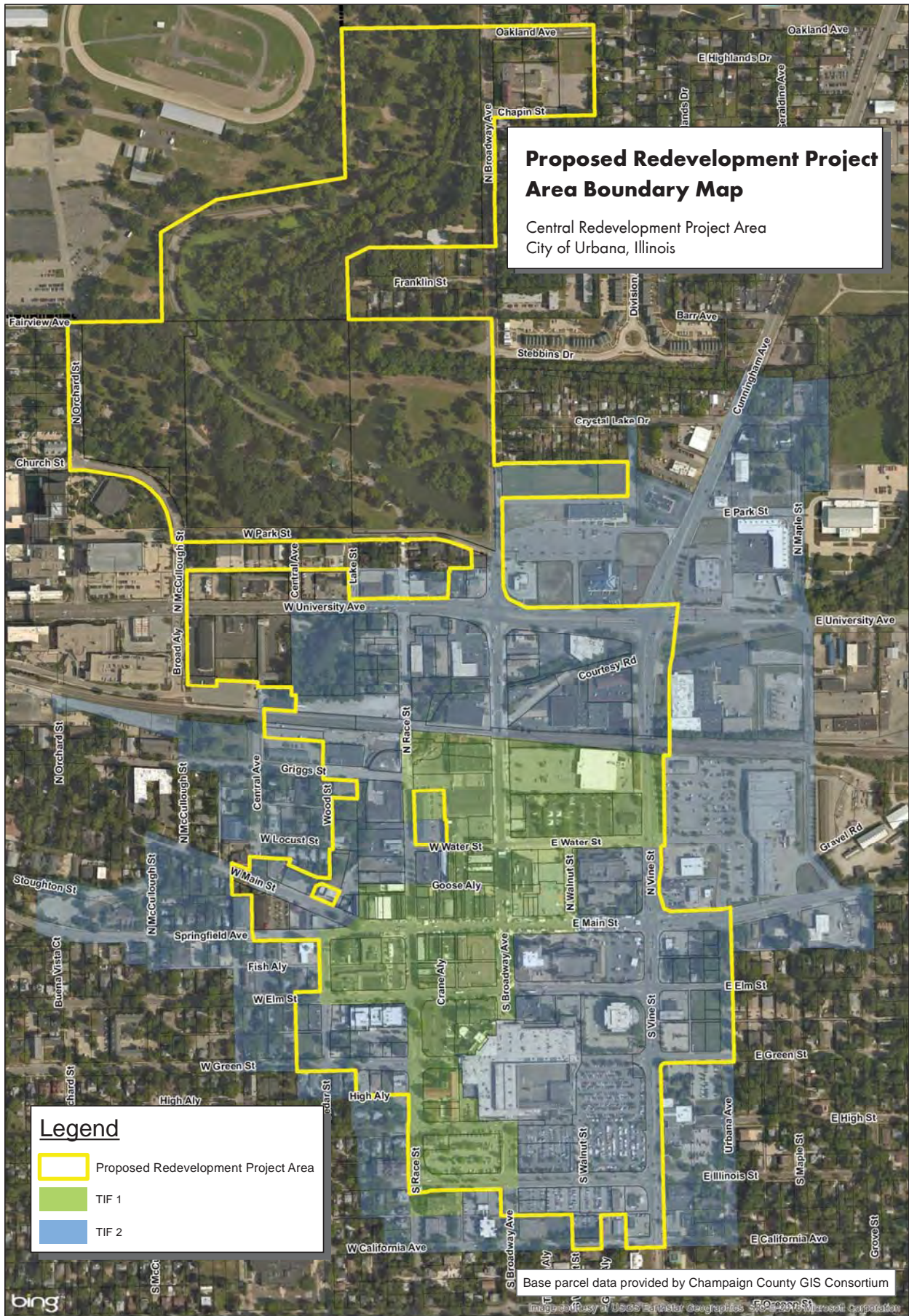
**PASSED** this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

\_\_\_\_\_  
City Clerk

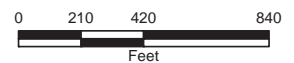
**APPROVED** this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

\_\_\_\_\_  
Mayor





"Exhibit A"



February 2016