



CITY OF WASHINGTON, ILLINOIS

City Council Agenda Communication

Meeting Date: April 18, 2022

Prepared By: Jon Oliphant, AICP, Planning & Development Director

Agenda Item: Resolution – Approval of Revised TIF Guidelines and TIF Scoring Matrix

Explanation: There has been prior discussions on the revision of the TIF program guidelines and the establishment of a scoring matrix to be used to quantify the utilization of TIF (or other) funds towards incentivizing private redevelopment projects. Attached is a final draft of the TIF guidelines and scoring matrix. As previously indicated, the goal of revising the guidelines and using a scoring model is to articulate the prioritized building uses, renovations, and their impact on the city and to eliminate as much subjectivity as possible in the deployment of City funds. Please note that the only change from what was presented at the April 11 Committee of the Whole meeting is to include roof replacements among the list of eligible projects within the guidelines. This was mistakenly left off, though it was included in the possible scoring matrix components.

Fiscal Impact: The matrix would establish a sliding scale TIF assistance cap of 40% for eligible exterior improvements and 20% for qualified interior modifications. The point total would establish a recommended not-to-exceed TIF contribution. A separate Major Catalyst category would be created for larger projects with a minimum private investment of \$500,000. The scoring model does not have to solely be limited to the use of TIF funds and can be deployed should general funds be considered for financial assistance. A scale for TIF assistance would be as follows:

- 70-100 points: 40% exterior, 20% interior (with a TIF-subsidy cap of \$50,000 for any non-Major Catalyst project over a five-year period)
- 50-69 points: 30% exterior, 15% interior
- 35-49 points: 20% exterior, 10% interior
- Less than 35 points: Not eligible for TIF assistance

Action Requested: Approval of the revised TIF program guidelines and corresponding scoring matrix for the use in providing a recommended not-to-exceed TIF contribution for future projects. There was consensus to proceed with this approval at the April 11 Committee of the Whole meeting.

RESOLUTION NO. _____

(Adoption of this resolution would adopt revised guidelines and a scoring matrix for the use in determining a recommended not-to-exceed TIF contribution for private redevelopment projects.)

A RESOLUTION ADOPTING REVISED TIF REDEVELOPMENT INCENTIVE PROGRAM GUIDELINES AND A TIF SCORING MATRIX

WHEREAS, the City of Washington in 1986 established and adopted the Downtown Square Redevelopment Plan and Project Area (the "Area") and established tax increment allocation financing for the Area pursuant to Ordinance Nos. 1511-1514 to provide financial assistance for eligible projects on and near the downtown Square ("Downtown Square TIF"); and

WHEREAS, the Downtown Square TIF is currently set to expire on December 21, 2033; and

WHEREAS, the City Council seeks to revise the guidelines used to clearly identify the types of financial assistance, eligible expenses, and the procedure for applying for financial assistance; and

WHEREAS, the City Council seeks to establish a scoring matrix to provide objective criteria to estimate the impact of a Downtown Square TIF project and provide a recommended not-to-exceed TIF contribution.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WASHINGTON, TAZEWELL COUNTY, ILLINOIS, a home-rule municipality, that the City adopts the TIF Redevelopment Incentive Program Guidelines and a TIF scoring matrix.

PASSED AND APPROVED THIS _____ day of _____, 2022.

AYES _____

NAYS _____

Mayor

ATTEST:

City Clerk

Tax Increment Financing Redevelopment Incentive Program Guidelines

Adopted [Month Day], 2022

BACKGROUND AND CONCEPT

Tax increment financing ("TIF") is a method for financing economic development and redevelopment in Illinois municipalities. The primary purpose of TIF is to eliminate economic and physical decline by designating certain redevelopment districts.

When a TIF district is established, the most recent total equalized assessed valuation ("EAV") for the district is determined. This is known as the "base EAV." As the TIF district is developed, its total EAV will grow. That portion attributable to the increase in EAV, known as the "tax increment," is placed in a special fund (a "TIF Fund") and is spent for redevelopment purposes as outlined in the TIF district's respective redevelopment plan, as adopted by the municipality's corporate authorities.

The success of a TIF district is dependent upon increasing the EAV over the base EAV through redevelopment. Establishing a TIF district does not decrease tax revenues collected by any taxing district; nor does TIF impose special assessments or raise the overall tax rate in the district. Taxes collected on the base EAV continue to be distributed to the municipalities, schools, libraries, and other authorities in the same manner as prior to the establishment of the TIF district. Only taxes generated above the base EAV are available for TIF projects.

Overall, the purpose of a TIF district is to provide a funding mechanism to assist with business redevelopment projects and public infrastructure improvements, which help the municipality as a whole.

LOCAL OBJECTIVES

In 1986, the City of Washington (the "City"), acting pursuant to the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1 *et seq.*, as amended from time to time (the "TIF Act"), established and adopted the Downtown Square Redevelopment Plan and Project (the "Plan") for the Downtown Square Redevelopment Project Area (the "Area") and established tax increment allocation financing for the Area pursuant to Ordinance Nos. 1511-1514 (the "Downtown Square TIF"). The Downtown Square TIF is set to expire on December 21, 2033. The Downtown Square TIF is generally located around the City's downtown square, as set forth in its newly established boundaries. Some of the goals and objectives as specified in the Plan, as amended, are summarized as follows:

1. An improved quality of life in the Area and the City.
2. An environment within the Area that will contribute more positively to the health, safety and general welfare of the City and preserve or enhance the value of properties in and adjacent to the Area.
3. An increased sales tax base for the City and an increased property tax base for other local governments having jurisdiction overlapping the Area.
4. A strengthened economy of the City and the larger community.
5. An improved physical condition of the Area and the City.
6. Arrest the spread of blighting factors and to preserve and enhance the value of properties adjacent to the Area as well as the value of existing and proposed development within the Area.
7. Encourage a high-quality appearance of buildings, rights-of-way, and open spaces and further encourage high standards of design.
8. Strengthen the economic well-being of the Area and the City by increasing business activity, the tax base, and job opportunities.

TYPES OF ASSISTANCE

TIF assistance is often in the form of a grant or subsidy, typically paid in multiple reimbursements of at least 10 percent of the TIF-eligible expenses. Other project components can increase the share of the TIF-eligible expenses. Assistance may also be given in the form of a loan, interest write-down or reimbursement, or tax sharing.

TIF ELIGIBLE EXPENSES

TIF assistance requests must be for eligible expenses:

- Funding is provided solely for eligible expenses, as set forth in the TIF Act, incurred after approval of a private redevelopment agreement by the City Council.
- Eligible expenses for development projects can include relocation, demolition, site preparation, property assembly, and reconstruction.
- Eligible expenses for redevelopment projects can include rehabilitation and restoration.

Examples of ELIGIBLE expenses:

- Structural renovations
- Americans with Disabilities Act upgrades
- Major heating, ventilation, and air conditioning ("HVAC"), plumbing, and electrical improvements
- Historic preservation/period façade improvements
- Door and window replacements
- Awning replacements
- Roof replacements
- Major flooring improvements
- Interior painting and finishing if it is part of new drywall or brick installation

Examples of INELIGIBLE expenses:

- Routine maintenance
- Minor repairs
- Minor HVAC, plumbing, and electrical improvements
- Limited remodeling
- Dividing walls and doorways
- Business supplies and equipment
- Signage
- Fixtures and furnishings
- Interior painting and finishing if it is not part of drywall or brick installation

The eligible expenses listed above can directly influence the property's EAV, which creates TIF funding for other projects, and makes the buildings more inviting to visitors to the Area. The ineligible expenses are considered general property upkeep or business components that typically do not affect the EAV.

OTHER TIF GUIDELINES

The City has established the following additional guidelines when considering TIF assistance requests:

- Adequate funds must be available in the Area's TIF Fund.
- All projects must be consistent with the goals and objectives set forth in the Plan.
- The applicant/developer must pay all applicable real estate taxes and other taxes, as applicable.
- The estimated eligible project expenses must total at least \$5,000.
- Reimbursements will generally be given over a period of two (2) years or more as set forth in the redevelopment agreement.
- The applicant/developer must be an equal opportunity employer and contractor.
- The applicant/developer may be required to pay prevailing wage as part of a redevelopment agreement.
- Applicants/developers must submit at least two quotes for all TIF-eligible project components.
- The City's TIF scoring matrix, a copy of which is attached hereto as Exhibit A, is used to provide objective criteria for City staff and the City Council to estimate the impact of TIF project and provide a recommended not-to-exceed TIF contribution.

- A redevelopment project where the developer's investment exceeds \$500,000 is a "Major Catalyst Project." For a non-Major Catalyst Project for any individual building or property, the maximum TIF contribution is \$50,000 within a five-year period.

PROCEDURE FOR APPLYING FOR TIF ASSISTANCE

1. Submit a completed application with all necessary attachments and documentation to the City's Planning and Development Department.
2. The applicant/developer's request will be considered at a subsequent Finance and Personnel Committee (the "Committee") meeting, which typically meets the third Monday of every month at 5:00 pm at Five Points Washington. The applicant/developer's attendance is encouraged and more than one meeting may be necessary, as determined by the Committee.
3. The Committee will review the proposal by applying the above guidelines and Plan. The Committee will vote whether to recommend to the City Council a specific level of TIF assistance.
4. The City Attorney will prepare a draft redevelopment agreement for the applicant/developer's review and approval. Additional information or documentation may be necessary for the agreement.
5. Once the agreement is finalized, City staff will prepare an ordinance for adoption, which requires two readings by the City Council for approval, unless the second meeting is waived by the City Council. The City Council typically meets the first and third Monday of every month. The applicant/developer's attendance at the City Council meetings is encouraged.

IMPORTANT NOTE

These guidelines are solely intended to provide a summary of the City's administration of the Downtown Square TIF. The guidelines are not binding on the City and the City enjoys discretion in the administration of the TIF, as permitted by the TIF Act and the Plan. The implementation of these guidelines may vary from time to time. Any questions regarding the guidelines shall be directed to Jon Oliphant, Planning & Development Director at (309) 444-1135 or via email correspondence at joliphant@ci.washington.il.us.

This Guideline System will be used by City employees in drafting a development agreement for a specific project. It will also allow citizens to look at the decision-making process transparently.

The City's TIF scoring matrix is used to provide objective criteria for City staff and the City Council to estimate the impact of the TIF project and provide a recommended not-to-exceed TIF contribution.

Following outlines the categories for which a project is scored:

Eligibility

Is the developer contributing at least 60% of the required capital to complete the project?

Would this project continue without TIF assistance?

Is the applicant in good standing with the City/State/IRS?

Is there a commitment to occupy for at least two years?

Economic Impact – Category is 35% of the overall score

Exterior Improvements:

- New/Restored Façade or Structural Improvements - Scoring Weight: 100%
- ADA Accessibility - Scoring Weight: 50%
- Awnings or Signage - Scoring Weight: 20%
- Windows/Doors - Scoring Weight: 20%
- Roof Replacement - Scoring Weight: 15%
- Painting - Scoring Weight: 10%

How many new jobs will be created as a result of the investment?

- 0 - 1 FTE - Scoring Weight: 0%
- 2 - 3 FTE - Scoring Weight: 25%
- 4 - 5 FTE - Scoring Weight: 50%
- 6+ FTE - Scoring Weight: 100%

Interior Improvements:

- Plumbing/Electrical/HVAC - Scoring Weight: 100%
- Floor Plan Restoration & Buildout - Scoring Weight: 100%
- Flooring - Scoring Weight: 10%

How many existing competitors are there to this business within the city limits?

- No Competitors - Scoring Weight: 100%
- 1-3 Competitors - Scoring Weight: 50%
- 4+ Competitors - Scoring Weight: 0%

Is the applicant subject to the payment of property tax?

- Yes - Scoring Weight: 100%
- No - Scoring Weight: 0%

Fiscal Impact - Category is 35% of the overall score

How much new or additional annual sales tax revenue could be collected as a result of this project? Please submit a business plan showing projected revenue and/or reports from other owned or operated establishments.

- Answer Option (<\$5k) - Scoring Weight: 0%
- Answer Option (\$5k - \$20k) - Scoring Weight: 25%
- Answer Option (\$21k - \$50k) - Scoring Weight: 50%
- Answer Option (\$50k+) - Scoring Weight: 100%

Total investment % pledged from the developer's private funding sources

- Answer Option (65%) - Scoring Weight: 100%
- Answer Option (51% - 65%) - Scoring Weight: 50%
- Answer Option (<50%) - Scoring Weight: 0%

Total investment dollars invested by the developer

- Answer Option (\$100k +) - Scoring Weight: 100%
- Answer Option (\$50k - \$99k) - Scoring Weight: 70%
- Answer Option (\$25k - \$50k) - Scoring Weight: 40%
- Answer Option (<\$25k) - Scoring Weight: 10%

Total investment dollars invested by the developer - Major Catalyst Projects

- Answer Option (\$1M+) - Scoring Weight: 100%
- Answer Option (\$751k - \$999k) - Scoring Weight: 60%
- Answer Option (\$500k - \$750k) - Scoring Weight: 20%

Risk Safety Scoring - Category is 20% of the overall score

What is the anticipated return on investment of the proposed TIF subsidy amount compared to the projected annual property tax increment and sales tax generation?

- Answer Option (0 - 3 years) - Scoring Weight: 100%
- Answer Option (4 - 5 years) - Scoring Weight: 50%
- Answer Option (6 - 7 years) - Scoring Weight: 35%
- Answer Option (8 - 9 years) - Scoring Weight: 20%
- Answer Option (10+ years) - Scoring Weight: 0%

Social Impact – Category is 10% of the overall score

Will this proposed project offer more retail or restaurant opportunities on nights and weekends?

- Answer Option (Yes or N/A) - Scoring Weight: 100%
- Answer Option (No) - Scoring Weight: 0%

Is this business locally owned or operated by someone within the 61571 zip code?

- Answer Option (Yes) - Scoring Weight: 100%
- Answer Option (No) - Scoring Weight: 0%

These scores are weighted within each section, and then each section is weighted against the total score. Some questions are able to add additional weighted scoring from being able to address multiple options or factors.