VILLAGE OF BARTLETT
COMMITTEE MINUTES

December 2, 2014

President Wallace called the Committee of the Whole meeting to order at 7:33 p.m.

Present: Trustee Arends (via webcam), Camerer, Carbonaro, Martin, Reinke, and Shipman

Also Present: Village Clerk Lorna Giless, Village Administrator Valerie L. Salmons, Assistant Village Administrator Paula Schumacher, Assistant to the Village Administrator Scott Skrycki, Finance Director Jeff Martynowicz, Information Technology Coordinator Chris Hostetler, Community Development Director Jim Plonczynski, Economic Development Coordinator Tony Fradin, Building Director Brian Goralski, Public Works Director Dan Dinges, Public Works Engineer Bob Allen, Chief Kent Williams, Deputy Chief Patrick Ullrich, Commander Steve Winterstein, Food & Beverage Manager Paul Petersen, and Attorney Bryan Mraz

PLANNING & ZONING COMMITTEE

Downtown TIF Redevelopment Plan & Eligibility Report

Chairman Camerer asked Community Development Director Jim Plonczynski to review the Downtown TIF Redevelopment Plan & Eligibility Report.

J. Plonczynski stated that the consultants for the project Bob Rychlicki and Chuck Durham, are present this evening. The project, as you know, came out of the Village's Strategic Plan of attracting and retaining a diverse business population. In addition, the Economic Development Commission, in their recommendations for improving the downtown area, listed creating a TIF District as one of their recommended goals. The consultants have provided a redevelopment plan, which if the TIF is created, will guide the development, disbursement of funds, and what projects we would spend the TIF revenues on. There is also an attachment to the redevelopment plan of an eligibility report to determine if the TIF area in question was eligible. Their findings were that it was under a conservation TIF. The map (referring to exhibit) shows the proposed area that was studied. It's larger than the original TIF District. The original TIF District was primarily in the area, centered by Main Street and Railroad Avenue and going south on Main and north on Oak. We've included an area expanded eastward to include the Flexonics property as well as the commercial area along Prospect or Wilmington Drive on both sides. There are over one hundred properties in the area and the consultants studied all of the properties and created the report. The redevelopment plan has seven goals: 1) sustain and enhance the downtown area; 2) improve and augment the area's overall land use mix; 3) attract new shopping and service business opportunities; 4) improve the overall physical conditions of the area; 5) maintain an attractive pedestrian environment; 6) improve pedestrian, bicycle, and vehicular circulation; and 7) create a cooperative partnership between Village and prospective business owners and developers. There is an estimated project cost list over a 23-year period. If the TIF is created, of $17.5 million, they include land assembly and costs of approximately $2 million, site preparation and environmental remediation of approximately $2 million, utility improvements of approximately $6 million, rehab tax district costs of approximately $5 million, interest costs of $1 million, planning, legal, administrative, and professional services of $1 million, job training of $250,000, and statutory school and library district payments of $250,000. That totals the estimated project cost list at $17.5 million. He explained that the redevelopment project can include the following activities: land assembly; site preparation; landscaping/buffering/streetscaping; rehabilitation/taxing district costs; water, sanitary sewer, storm sewer, and other utility improvements; roadway/street/parking improvements; public improvements; traffic control/signalization; public safety related infrastructure; interest costs coverage; professional services; and school and library district costs. Those are pretty standard and typical type of TIF redevelopment projects. They are pretty generic in that it allows the Village flexibility to go through and determine and prioritize projects in the TIF District. The TIF qualification report, which was one of their initial analyses, was 13 possible statutory factors to determine if a TIF is eligible. In previous TIFs, some areas have been declared blighted. That is a statutory requirement. In the downtown area, the conservation TIF qualifies for six factors and you need a minimum of three factors to qualify for a TIF. The six factors that the downtown proposed TIF area were found present are: 1) lag in the EAV growth; 2) inadequate utilities; 3) excessive vacancies; 4) lack of community planning; 5) deterioration of structures and site improvements; and 6) obsolescence. The summary of findings for the eligibility report show that 1) the area is contiguous and is greater than 1-1/2 acres in size; 2) it qualifies as a “conservation area”; 3) all property would substantially benefit; 4) the sound growth of taxing districts, including the Village, has been impaired by the factors found present; and 5) the area would not be subject to redevelopment without the investment of public funds, including property tax increments.

Trustee Martin commented that there was some discussion about going further east to Ontarioville Road/Devon Avenue. There are a couple blank parcels there.

J. Plonczynski explained that we couldn’t get that far because there is a contiguity requirement.

Trustee Shipman asked the consultants for a brief summary of how the boundaries were determined.

B. Rychlicki explained that they worked off a core area. They looked at the preliminary boundaries as reviewed by the Village staff and looked at some of the work that was done in 2013. We used that as the starting point. The idea was that there was also going to be some areas within that area that would potentially generate increment. We excluded some of the properties that were in the center area, as it related to either newer developments that had already started and some of the areas to the east in terms of more residential density. We tried to keep the area as more of the core downtown and focus more on the commercial properties. That is where most of the emphasis really went. Some of the residential was pulled in as it related to second floor, third floor residential and maybe some of the smaller units, but the primary focus was on more of the commercial/retail properties.

Trustee Shipman clarified that generally, with a TIF such as this, residential is not included.

B. Rychlicki responded that it can be, but from looking at some of the prior work done, those properties were excluded. This area was more weighted toward some of the commercial or vacant or under-utilized properties.

Trustee Shipman asked what impact it has on municipal facilities.

B. Rychlicki explained that it allows for rehabilitation of any municipal facilities or work as it relates to the improvement of existing facilities. Any new facilities, for example, are generally prohibited to be funded by TIF, with the exception of if you were to replace a public building or municipal facility with a private use, then the relocation or reconstruction of that use could be funded. Generally, with the exception of rehabilitation, any new facilities, village halls or public works facilities, are not allowed to be funded directly through TIF revenues.

Trustee Shipman asked if rehabilitating an old facility could be eligible.

B. Rychlicki responded that is an eligible cost; both private and public buildings are an eligible rehab cost under the TIF Act.

Trustee Reinke asked what Mr. Rychlicki's thoughts were regarding adding in the two residential areas that are excluded.

B. Rychlicki responded that at this time, subject to further discussion with staff, the review of the area tended more toward not only making the strongest case for qualification underneath the conservation area, but also in terms of keeping the base EAV at a manageable size to allow for as reconstruction or redevelopment occurred, there would be the ability to generate more increment.

B. Mraz added that there are also extra reporting and filing requirements for residential and also often those are what get the other taxing bodies more upset sometimes as it will change the components.

B. Rychlicki stated that there is also another meeting requirement. If you have 75 or more uninhabited residential units, that adds another two months to the process, along with the additional reporting requirements. Currently, with these boundaries, we are under the 75 unit threshold set forth in the TIF Act.

Trustee Reinke stated that there is an element of convenience to the proposed district.

B. Mraz responded that there is an element of that, but it's not that it can't be done. Its timing; its convenience, and it stemmed from the EDC and their comments and what they were looking for relative to redevelopment of the business area.

Trustee Shipman asked if there have ever been TIFs that are just residential.

B. Rychlicki responded that there are some. It's a smaller percentage, smaller proportion, but there are some TIFs that are purely residential. If they are going to include residential, most of them tend to be a mixed use with commercial or retail components that are part of the TIF District. That is more common.

President Wallace stated that one of the comments in the executive summary states, "without Village planning and use of economic development resources in eliminating such factors, potential redevelopment projects (along with other activities that require private sector investment) are not likely to be economically feasible". He asked if they are not economically feasible without public funds to help them, what is the probability of them becoming economically feasible when using public funds to help them.

B. Rychlicki explained that they have seen, especially for medium-sized projects, and some of the larger scale projects, TIF definitely makes a difference. In some cases, as lending standards have tightened, TIF is an important factor in terms of making projects go. This area, for the greater part, is within Cook County, which also has a differential as it relates to the tax structure, so the use of TIF or some other incentive, can help in terms of some of the property tax burden. That tends to be important.

President Wallace stated that he understands that it is somewhat a shot in the arm for an area that could somehow make a turn-around just with that shot in the arm. But, that statement is in the summary is a little far-fetched to think that we could throw money at it. He asked what the typical appreciation rate one would see from a commercial area, 3% a year?

C. Durham responded that typically it is 2-3%. In the good old days, it used to be 4%. In the last five to seven year, however, that has not been the case. In the last five to seven years, there has been a general overall decrease in EAV everywhere. Cook County is still more than other counties, so it is a situation now where you've hopefully hit a bottom and with the economy improving and proactive communities investing within areas like this, it will return back to normal of 2-3%.

President Wallace stated that he asked that question because in the statement it says that the value of the properties being considered now is $18,672,644. He stated that if we absolutely nothing at all to the area and it appreciated at 3%, in 23 years, it would actually be worth $36,852,000. So with the TIF, you're saying it's only going to go up to $30 to $35 million.

C. Durham responded that it is a point well taken. First, one of the things about Kane, McKenna & Associates, is that we are known for being very conservative when it comes to making those kinds of projections. We like to create projections that are based on what we think is reality. Usually that means we scale back our assumptions on what's going to happen both in terms of potential development and how fast that appreciation is going to take off. We also factored into that, with the recession, the TIFs are around for around 20-23 years, based on the Board's final decision. But coming out of the recession, we don't think we will see that turn-around and appreciation growth for another few years. So, the baseline for that growth is going to take place over a shorter period than the 23 years of the plan. You are going to want to just stabilize it and stop the decline. Once the base is established, then you go up from there.

President Wallace responded that it makes sense, however, the value is extremely conservative.

Trustee Reinke questioned the estimated project costs. The total estimated TIF budget is $17,500,000. He asked what that actually means for the Village of Bartlett. What are the line items getting the Village; what's the plan? He stated that his big concern with the TIF is if we have a pie in the sky thought that we are going to turn downtown Bartlett into downtown Naperville. He stated that he would like to get a sense of exactly what we are talking about; how is the $17,500,000 going to be spent.

B. Rychlicki explained that it is a 23-year plan and the general intent of the TIF statute is to basically identify general line items, general categories, that would be utilized by the Village Board as it relates to applying those dollars for projects. The TIF Act contemplates that things could change over that 23 years; that's why there is a footnote that says you can reallocate or move items between the various line items, as the case may be, depending upon circumstances. We've had cases where just through time, depending on the focus, that environmental remediation may have been a small number at the start of the TIF process, but due to further engineering review, that number might have doubled or tripled based on actual data. We try to identify, partly based on experience we've had on other downtown areas, partly based on work done previously in Bartlett, those amounts for certain items that the TIF Act allows. You can't have the construction of private buildings, for example; there's no operating costs in there. The idea was, at least, on a preliminary basis, to identify the allocation of those dollars for things like public infrastructure, for land assembly, site preparation, things that you would normally see as part of any development within the downtown area. The devil will be in the details as projects are identified and brought to the Board. What this plan doesn't do is subvert your entitlement processing or any other planning; it's really more of a financing plan. The TIF Act identifies what your basic items are, what the geographic boundaries of the area are, and what kind of land uses you'd generally have. It's not like some other plans you may have – your comprehensive plan or your corridor area plans. Again, it is more of a financing program and identifies, for the other districts and the general public, the policy umbrella of things that you can do within that area. As to the actual implementation, the TIF plan that you see before you, sets up the basic framework. That's all it can do. It won't tell you, in this plan, that you will have an 18" water main down Oak or North Avenue. They'll be implemented as projects are identified in the future.

Trustee Reinke responded that the estimated project costs chart is not indicating that Bartlett has $2 million worth of environmental remediation. The chart is indicating that we are allocating $2 million for site plan remediation.

B. Rychlicki responded yes, that is correct. As life changes and market conditions change, it could be land acquisition because you have a larger site footprint for a user. A larger user may come in and want eight lots and use two of them for detention facilities. So more resources may have to be allocated for acquisition. The estimated project costs are partly due to conforming to the TIF Act where it requires a budget, but also allows for reallocation. The Board will continue to make the decisions as it relates to the implementation of the projects, but the plan is a framework; a policy umbrella.

Trustee Reinke stated that at some point, you must have done some research of Bartlett's existing infrastructure.

B. Rychlicki explained that they did do research.

C. Durham added that part of the process, early on, is to work with Bartlett's staff. We asked them to provide us with some analysis with regard to the overall condition, not necessarily specific details, but overall condition of the infrastructure in the particular area. Through that process, the Public Works Director was able to do a good analysis of some of the vulnerabilities in the infrastructure that could occur within a period of time. Based on that assessment and the identification of some problems, we were able to incorporate that into our plan.

B. Rychlicki commented that actual engineering estimates or actual project could dictate a different course and the Board would have the ability to reallocate items. He stated that they had to start somewhere, so it's just a starting point. But, over the course of implementation, it is expected that those amounts would be refined.

B. Mraz explained that when the issue of the TIF was brought up, one of the questions and focus was how Bartlett can spend money to help businesses or to bring businesses to town. You can't spend public dollars for private benefit except for certain statutory exceptions; one of those is the TIF Act. This would be not your General Corporate fund, but Tax Increment fund that could be used for those TIF eligible expenses to help bring in businesses – relocation is one of those, with some limits; moving costs; interest costs to a developer, but without this vehicle, we don't have some of those opportunities. TIF is one of the few exceptions where you can spend public monies for private benefit.

Chairman Camerer clarified that the last TIF, in the same area, far exceeded the expectations.

J. Plonczynski responded yes, we started out with an estimate of $9 million and it ended up getting to where this TIF will be at the end of their projection of approximately $35 million. It went from $35 million down to the current $18 million since the time the previous TIF ended. He stated that having implemented the four TIF Districts that the Village has and budgeted for every year, these numbers change but you have to have a beginning point. We regularly, over the course of time of the previous TIF, shifted the dollar amounts. When we did the last TIF, we didn't have site remediation and environmental costs. As you are aware, across the street, that was one of the identified projects and we spent a lot of TIF money on environmental remediation; not only the grant money that we received from the IEPA, but we also balanced it with TIF money. We were able to do the Railroad Avenue extension which wasn't in the original TIF but it's an infrastructure item. We got a grant for Railroad Avenue and leveraged with the TIF and were able to also put in a new train station with that. You have to generalize a budget and as projects come in, the numbers can be reallocated. He stated that Tony Fradin hears almost every day of someone interested in the certain properties, asking if there is a TIF. Staff lets them know that we are working on it. There are people interested in the downtown as Mr. Rychlicki and Mr. Durham have stated.

Chairman Camerer stated that having many people inquire about the downtown seems to be very favorable.

Trustee Shipman asked the consultants if they can recall any other situations where a TIF ended and within a short period of time, another TIF came right on the heels of the previous one.

B. Rychlicki responded that has been happening a lot. There have been instances where, because of the change in the Cook County classification system and huge drops in valuation, we've got about a dozen that we are working on where the old TIF hasn't even terminated, communities are looking to dissolve it and make a fresh start by trying to recalibrate it as it relates to either new market conditions or slightly different boundaries. So, the answer is yes.

Trustee Martin asked the age of the residential buildings at Prospect and Devon.

J. Plonczynski responded that he thinks there were built in the early 1970's.

Trustee Martin stated that he would be in favor of including those residential buildings as well.

J. Plonczynski responded that if the Board wants to include those housing units, you can, but as the consultants and Bryan Mraz have stated, we have the additional reporting requirements and that threshold. If it's for replacement of that housing, we would then have relocation costs as well as housing assistance plans, etc. He stated that even though those units are old, they are very well maintained. Those units are not deteriorated and they provide residences to the downtown area. It's not like it is a deteriorating residential area. That is staff's judgment on that area, but it can be included if the Board desires.

B. Rychlicki added that there is a certain set of criteria that the TIF Act identifies. When looking at the boundaries and the qualification factors, the numbers were good. He stated that they would have to check the age of the units because if they are 35 years old or greater, not just 30 years old, that it doesn't impair the Village on a conservation area TIF, in addition to the valuation trends. He explained that they would have to look at it as it relates to where the Village is currently with the boundaries and what would happen if those properties were added.

Trustee Martin stated that he is just thinking about the future. Including those buildings would help if someone wanted to update things 15 years from now.

B. Rychlicki added that there is also the possibility of amending it at any time; you could exclude properties from the TIF or add properties; you have that flexibility as you go forward, but the properties have to be contiguous.

J. Plonczynski stated that the creation of a TIF District also requires a Joint Review Board.

Chairman Camerer asked how that board is comprised.

J. Plonczynski explained that the board is made up of all the taxing districts that are in the TIF area. There are annual Joint Review Board meetings and a representative from each taxing district attend the meetings.

There being no further comments or questions, Chairman Camerer forwarded the item to the Economic Development Commission for further review.

FINANCE & GOLF COMMITTEE

2014-2015 Six-Month Budget Review

Chairman Reinke asked Finance Director Jeff Martynowicz to review the agenda item.

J. Martynowicz explained that October 31, 2014 marked the six month completion of the current fiscal year. The six-month budget review highlights include:

General Fund
Overall, the General Fund is now projected to have an operating surplus at year-end of $50,679 compared with a deficit budget of $357,737. The budget included a large request for tree purchases and tree trimming in the amount of $447,500. We used a portion of our General Fund reserve to do the ash borer tree replacement program.

Revenues, in total, are expected to exceed budget by approximately $82,200. The improving economy is having a positive effect on some of our revenues attributable to the housing market rebound and new construction. Revenues that are doing particularly well in the General Fund include State Income Tax – 7.2% ahead of budget; Real Estate Transfer Tax – 38% ahead of budget; Building Permits – 16% ahead of budget; and Gaming Tax – 33% ahead of budget. Revenues that are slumping at this point include Telecommunication Tax – 5% below budget; Garbage Franchise Fees – 11% below budget; and Towing/Impound Fees – 15% below budget. Expenditures are projected to be $326,376 under budget. This is indicative of the careful monitoring of the budget that all departments undertake.

<u>Water Fund</u>
The Water Fund is projected to have an operating surplus of $99,165 based on the first six months of activity. Water sales are about 1% ahead of budget generating the necessary revenue at this point to cover operating expenses. Expenditures are projected to be under budget by $575,293. Elgin water purchases are coming under budget by 4% due to Elgin not increasing their rates again in 2015. Electricity costs are below budget by 36% as we are not running our well pumps to full capacity.

<u>Sewer Fund</u>
The Sewer Fund is projected to finish the year with an operating surplus of approximately $4,000. Expenses are trending under budget by $272,278 primarily due to lower utility costs.

<u>Parking Fund</u>
The Parking Fund is projected to be slightly ahead of budget, ending with an operating surplus of approximately $19,358. Capital outlay for the repaving of the parking lot from the Museum to Western Avenue came under budget.

<u>Golf Fund</u>
The Golf Fund is projected to end the year with an operating deficit of approximately $206,761. Revenues for the Golf Course and Banquet divisions continue to struggle. In an effort to decrease the deficit, the position of Golf Pro/Manager is being held open. In total, operating expenses for all divisions of the Golf Course are under budget by $83,390.

Chairman Reinke stated that there is a deficit in the Golf Fund of $206,000. He asked what is being done to help close that gap.

J. Martynowicz explained that, at this point, we can continue to cut operating expenses. We have gone through the major portion of our operations as far as the spring and summer operations at the course. The dollars right now are what they are. It’s hard to generate any additional revenue at this point. The only thing we can do is things like hold the Golf Pro/Manager position open and continue to monitor costs. Hopefully, we will have a better spring and generate additional revenue to help close that gap.

Chairman Reinke stated that the revenue enhancements that were put in place really didn't help close the gap.

Administrator Salmons explained that those enhancements were not implemented for a whole season. Those enhancements were worked on during the months of March and April during the budget. We then came back to the Board mid-golf season and had implemented approximately 10 to 15 enhancements. They were all a success to some degree, but not able to close the gap in one year. It isn't fair to say that the revenue enhancements implemented weren't successful. We are going to keep doing all of those items that we have improved and hopefully find some ways to improve on those as well. Staff is continuing to look at ways to bring in more people, keep the costs down, and we have an advantage now with the expansion of the clubhouse to look at some ways to bring in some new customers that we weren't able to attract before. We are continuing to try to improve that operation the way we did last year and find some new ways.

President Wallace commented that it is pretty hard to predict revenues for March and April. He asked, relative to the Real Estate Transfer Tax, if it is a larger percentage when you move out of Bartlett versus moving within Bartlett.

J. Martynowicz explained that when you move within Bartlett, there isn't a transfer tax; it's only when you move out of Bartlett.

Trustee Carbonaro commented that is the initiative not to move out of Bartlett.

J. Martynowicz stated that it is a good trend and is happy to see. It's been a long time since there has been growth in some of these areas.

Trustee Camerer asked, relative to the Parking Fund, what is involved in the operating expenses; how much operating expenses can there be?

J. Martynowicz explained that a lot of that was due to the construction or rehabbing of some of the parking lots over the past several years. There was $90,000 in this year's budget and that is classified as an operating expense. Those are one-time capital outlay projects, so without that in there, the Parking Fund is set up to have a surplus. There is also some personnel in that fund – Parking Meter Attendant and a Maintenance Worker is also budgeted.

Trustee Camerer asked if those positions aren't covered under Public Works or the Police Department.

J. Martynowicz explained that when an employee under Public Works or the Parking Meter Attendant works out of that division, typically, we should charge the Parking Fund for that service and time.

Trustee Carbonaro asked, relative to the Golf Fund, what "Midway" means.

J. Martynowicz explained that is where you can buy a hot dog or a drink “midway” on the golf course between the 1st and 10th hole.

Administrator Salmons added that the Midway is a revenue source for the golf course.

There being no further comments or questions, President Wallace entertained a motion to adjourn the Committee of the Whole meeting.

Moved by Trustee Camerer
Seconded by Trustee Reinke

Motion carried.

President Wallace adjourned the Committee of the Whole meeting at 8:28 p.m.