



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Economic Development Division

m e m o r a n d u m

TO: Bruce K. Walden, Chief Administrative Officer

FROM: Elizabeth H. Tyler, AICP, Director

DATE: October 24, 2002

SUBJECT: Extension Proposal for Single-Family Home Tax Rebate Program

Description

Initiated in 2001, the City’s Single-Family Home Tax Rebate Program has provided incentives for builders, developers, and homeowners to construct new single-family housing in Urbana. Specifically, this program rebates the property tax difference between Urbana and Champaign to the homeowner, which equalizes the taxes on the new Urbana homes. As part of a larger effort to promote Urbana, the Tax Rebate Program is also an integral component of the Build Urbana program.

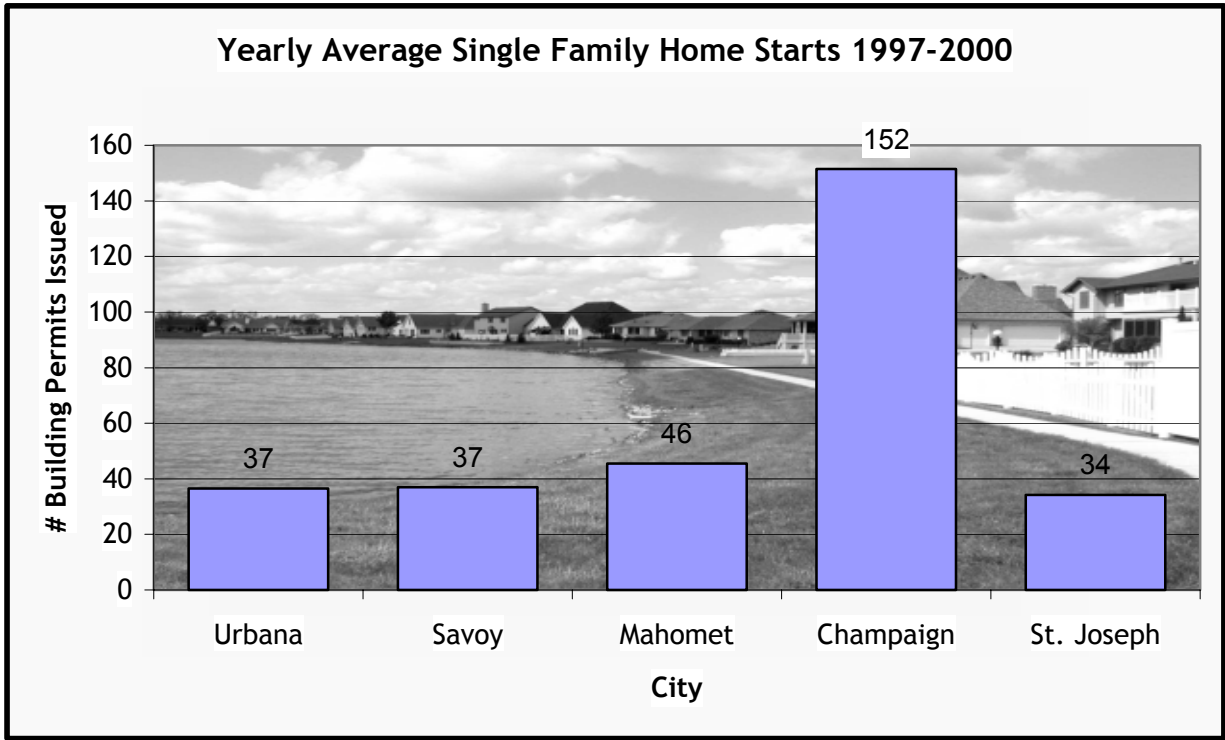
Issues

Due to the success of the Tax Rebate Program and hope for continued progress, staff has received numerous requests to pursue its extension over an additional period of time. In further support of the status report provided to Council in June, this proposal presents statistics and analysis to sustain such a proposal.

Background

In early 2001, discussion was initiated between builders, developers, and city staff concerning the desire to increase housing starts in Urbana, particularly among single-family homes. Recent patterns of single-family home starts in the area confirmed that Urbana had comparably lower rates of housing construction. (See Chart A.) During the 2001 analysis to initiate the Tax Rebate program, it was noted that homebuilders and realtors viewed Urbana’s higher tax rate to be the largest stumbling block for Urbana home construction relative to surrounding communities.

Chart A



In March of 2001, the Tax Rebate Program was approved by City Council (by Resolution No. 2001-02-007R) with the following characteristics and guidelines:

- Goal to increase new home construction in Urbana
- Rebates the difference between the total property tax rate in Urbana and Champaign
- Allows the property owner of a newly constructed single family home a tax rebate for up to 5 years
- The home must be within Urbana city limits
- The home's building permit must have been issued between March 1, 2001 and December 1, 2002
- The rebate is transferable to subsequent owners within the 5-year time frame

City staff soon after developed a Tax Rebate Brochure, which outlined the program guidelines and provided a map and listing of Urbana subdivisions with new housing start opportunities. The subdivisions included Beringer Commons, Eagle Ridge, Fairway Estates, Landis Farm, Lincolnwood, South Ridge, and Stone Creek, with a later year addendum of Savannah Green, Urbana's newest subdivision (See Attachments 1 & 2.) A clause to the program for Beringer Commons specifies that their rebates fall under different requirements due to a previous legal agreement. In July 2001, the Tax Rebate Program was extended by Council to include Zero Lot Line Townhouses, Condominiums, and Duplexes (by Resolution No. 2001-07-022R) . This extension was intended to promote a variety of housing types and price ranges, as well as provide more equitable availability of purchase to homebuyers.

Throughout 2001 and 2002, a wide array of efforts promoting Urbana have occurred amongst many community members and organizations, including tours, 'Parade of Homes' each year, cooperative

forums, presentations, realtor breakfasts, and the usage of billboard, website, radio, television, newspaper, mailings, flyers, brochures, yard signs, press releases, and interviews in order to promote the Tax Rebate Program, as a part of the outreach for Build Urbana. (See Attachment 3 for an example of material from a realtor breakfast presentation.)

In June 2002, staff prepared a status report to Council on the results of the Build Urbana and tax rebate program. This status report was also presented by City staff to the Urbana School District Board and the Urbana Park District Board, who represent our major partners in the program. Since initiation of the Build Urbana program, Urbana's share of single-family housing development has dramatically increased, while Savoy, St. Joseph, and Champaign has seen either a decrease in home starts, or a stable rate. As reported to Council in the status report, single-family housing permits issued during 2001 totaled 83, which is over three times the yearly average of 26 since 1988. (See Chart B below and Attachment 4.) Eighty-one of these homes were started after the initiation of the Tax Rebate Program. The year 2002 has shown an even more dramatic increase in housing starts under the program. As of October 22, 2002, single-family housing permits issued during this year total 167, which is over six times the yearly average between 1988 and 2000, and over twice the number of homes for 2001.

Chart B

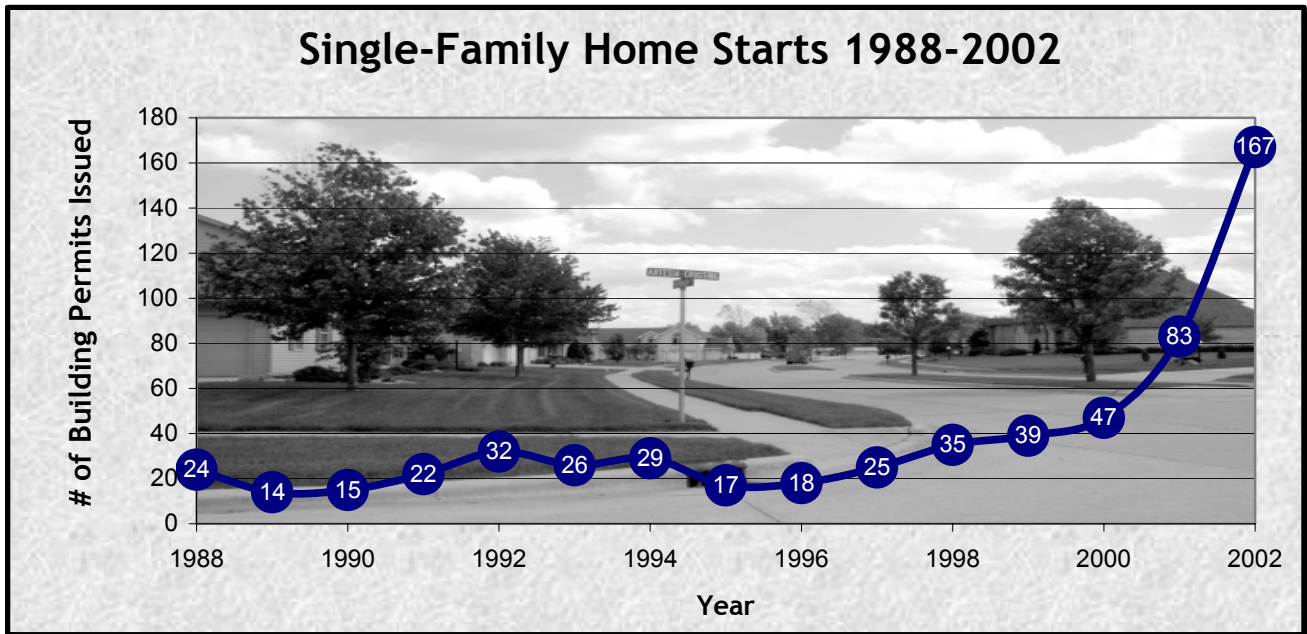


Chart C breaks down Urbana's home starts by month for 2001:

Chart C

Urbana Home Starts

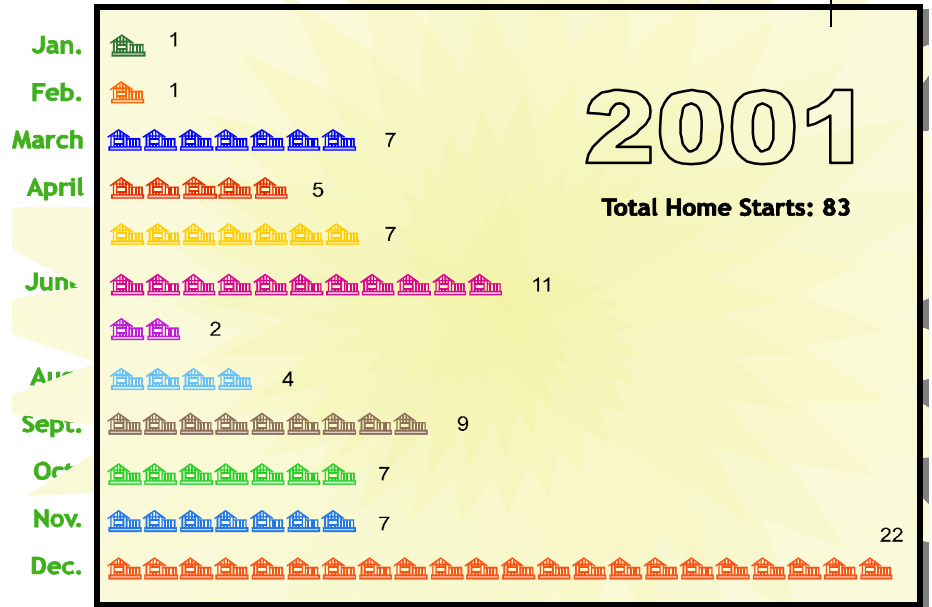
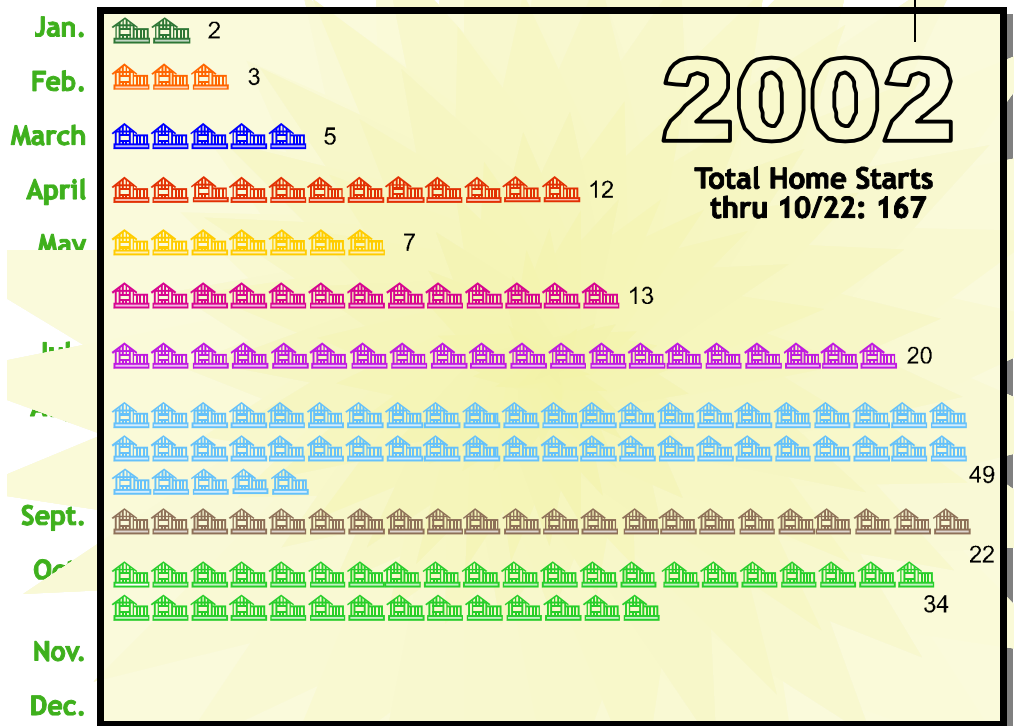


Chart D shows the break down Urbana's home starts by month for 2002 thus far:

Chart D

Urbana Home Starts



The housing starts total for 2002 is now closer in comparison to housing totals of a nearby community such as Champaign. For instance, Champaign's 2001 total for one- and two-family units was 138 permits for 142 units. So far in 2002, Champaign's total is 168 permits for 170 units, which is approximately equal to Urbana, even though Urbana's population is only half that of Champaign's.

An extension of the time frame for the Tax Rebate Program would provide incentive for the increase in home starts to continue, with tax assessments finalizing out to equal surrounding communities. In addition, the extension would allow more time for the build out of existing lots in our active subdivisions. This program has been tremendously popular among residents and business interests. Many community members and groups have expressed support for the Tax Rebate Program and for the current proposal to extend it's time frame by an additional 24 months. Included in Attachment 5 are letters of support from the Urbana Business Association, Stone Creek Realty, Tatman Horve LLC, Ramshaw Real Estate Representative Alex Ruggieri.

City staff requested input from the Urbana School District and Urbana Park District regarding the concept of extending the program. Given the positive fiscal analysis and positive effects on their tax base, both board's indicated their unanimous support for continuance of the program. Copies of the staff request and draft meeting minutes are attached.

Fiscal Impacts

Table 1 (below) illustrates the projections for the 2002 financial impact of the Tax Rebate program. With the suggested total number of homes being 154 over the previous yearly average since 1988, the net gains are a high amount for each sector and the paybacks are even greater.

Table 1

SUMMARY OF RESULTS OF PROP. TAX REBATE PROGRAM, CY 2002								
	# homes	estimated ave. cost	total value	prop tax school	prop tax parks	prop tax township	prop tax city	total
total homes built	180	\$ 123,389	\$ 22,210,020	\$ 351,274	\$ 58,775	\$ 15,184	\$ 98,568	\$ 523,801
cost of rebates				\$ 47,011	\$ 9,713	\$ 13,385	\$ 2,103	\$ 72,212
net gain, each year 1st 5 years				\$ 304,262	\$ 49,062	\$ 1,799	\$ 96,466	\$ 451,589
payback, 1st 5 years				6 to 1	5 to 1	n/a	n/a	
pv of prop. Tax next 45 years				\$ 6,243,538	\$ 1,044,669	\$ 269,885	\$ 1,751,949	\$ 9,310,041
total net gain 50 years				\$ 7,764,851	\$ 1,289,979	\$ 278,880	\$ 2,234,276	\$ 11,567,986
payback, 50 years				33 to 1	26 to 1	20 to 1	212 to 1	
tax rate Urbana				4.7448	0.7939	0.2051	1.3314	7.0752
tax rate Champaign				4.1098	0.6627	0.0243	1.3030	6.0998
# above prev. average	154	\$ 123,389	\$ 19,001,906	\$ 300,534	\$ 50,285	\$ 12,991	\$ 84,330	\$ 448,141

cost of rebates	\$ 47,011	\$ 9,713	\$ 13,385	\$ 2,103	\$ 72,212
net gain	\$ 253,523	\$ 40,572	\$ (394)	\$ 82,228	\$ 375,929
Payback	4 to 1	3 to 1	n/a	35 to 1	3.75 to 1
note: payback is function of % difference in tax rates, higher difference, less return these costs do not include costs city incurred in promotion, marketing, meeting with realtors, contractors etc.					

Recommendations

Given the beneficial fiscal impacts and positive endorsements summarized above, staff recommends that Council extend the Tax Rebate Program for an additional two years, so that it is effective through December 2004. A Draft Resolution is attached for Council consideration.

Attachments:

- Resolution
- Tax Rebate Brochure
- Tax Rebate Program Card
- Build Urbana Presentation Notes from Realtor Breakfast
- City of Urbana Housing Permits 1988-2002
- Letters of Support
- Park District Board Minutes (Draft)
- School District Board Minutes (Synopsis)

Prepared by:

Kathy A. Larson, Economic Development Specialist

C: Laurie Bonnett
Paul Tatman

RESOLUTION NO. 2002-10-02R

**A RESOLUTION EXTENDING THE SINGLE-FAMILY HOME TAX REBATE PROGRAM FOR TWO
ADDITIONAL YEARS (TO DECEMBER 1, 2004)**

WHEREAS, on March 5, 2001, the City Council of the City of Urbana adopted Resolution No. 2001-02-007R authorizing a single-family home construction incentive program as a means of promoting new single family home construction in the City; and

WHEREAS, on July 16, 2001, the City Council of the City of Urbana adopted Resolution No. 2001-07-022R extending the single-family home construction incentive program to owner occupied zero lot-line townhomes, condominiums, cooperatives, and duplexes; and

WHEREAS, the single-family home construction incentive program involves the payment of the difference between the property taxes incurred by new homes in the City of Urbana and the taxes those homes would incur in the City of Champaign for a period of time, on behalf of property owners who build new homes within the City; and

WHEREAS, the program has been successful in promoting new home starts in Urbana and has contributed to an increase in new housing starts from a previous average since 1988 of 29 new single-family homes to 83 new homes in 2001 and over 167 new homes in 2002; and

WHEREAS, analysis of the costs of the program compared with the benefits of increased tax assessments is positive with an overall rate of return on investment of over three times; and

WHEREAS, extension of the single-family home construction incentive program to continue for an additional two years so that is applicable to building permits issued between March 1, 2001 and December 1, 2004 will assist in the build-out of currently active subdivisions in Urbana; and

WHEREAS, the Urbana City Council, having duly considered all matters pertaining thereto, finds and determines that the proposed time extension of the single-family home construction incentive program is in the best interest of the City of Urbana.

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

Section 1. The City Council finds and determines that the facts contained in the above recitations are true.

Section 2. The Urbana City Council hereby resolves that the City of Urbana does hereby amend Resolution No. 2001-02-007R, as amended by Resolution No. 2001-07-022R, to extend the provisions of that resolution to building permits issued between March 1, 2001 and December 1, 2004.

Section 3. All other provisions of Resolution No. 2001-02-007R and Resolution NO. 2001-07-022R, shall apply and shall otherwise remain in force.

PASSED by the City Council this _____ day of _____,
_____.

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this _____ day of _____,
_____.

Tod Satterthwaite, Mayor

What Is The Single Family Home Tax Rebate Program?

The Single Family Home Tax Rebate Program allows property owners of newly constructed single family homes to obtain a tax rebate for five years.

The new home must be within Urbana City limits.

This rebate is available for single family homes issued building permits between March 1, 2001 and December 1, 2002.

For each qualified home, the City of Urbana will reimburse the property owner the differential amount in real estate taxes between the City of Champaign and the City of Urbana, for a period of five years.

The rebate is transferable to subsequent owners within the five-year time frame of the program.

For more information, contact:

Craig Grant
(217) 384-2431

cpgrant@city.urbana.il.us

Single Family Home NEW! TAX REBATE PROGRAM



www.city.urbana.il.us

City of Urbana
Community Development
400 S. Vine Street
Urbana, IL 61801

NEW URBANA SUBDIVISIONS

LANDIS FARM

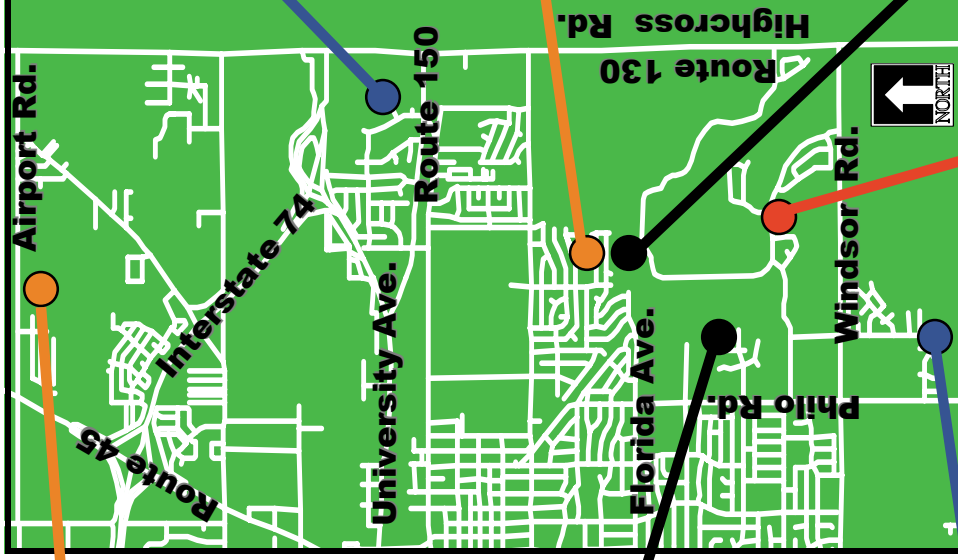
Location: Airport Rd. east of Cunningham Ave.
Status: Lots Available
Lots Available: 20
Lot Sizes: 7,500 to 10,000 sq. ft.
Lot Price: \$24,950 to \$31,950
School: Yankee Ridge
Amenities: Interstate Access, Lakeside Lots
Contact: Alex Ruggieri of Ramshaw-Smith;
 359-6400

EAGLE RIDGE

Location: Mumford Drive east of Philo Road
Status: Under Construction / Lots Available
Lots Available: 13 in Phase II
Lot Sizes: 11,190 to 16,130 sq. ft.
Lot Price: Approximately \$48,000
School: Thomas Paine
Amenities: Near Sunnycrest Shopping area,
 Golf Course views, Bikepath
Contact: Carl Webber; 367-1126

SOUTH RIDGE

Location: Philo Road south of Windsor Road
Status: Section 4 & 5 Under Construction
Lots Available: 60
Lot Sizes: 7,000 to 12,000 sq. ft.
Lot Price: \$29,800 to \$42,500
School: Thomas Paine
Amenities: Close to Meadowbrook & South-
 ridge Parks, Sunnycrest Shopping Area, Bikepath
 System
Contact: Hillshire Realty; 352-6400



BERINGER COMMONS

Location: University Avenue & Beringer Circle
Status: Phase 3 Lots Available Summer 2001
Lots Available: 25
Lot Sizes: 12,000 sq. ft. (avg.)
Lot Price: Starting at \$50,000
School: Thomas Paine
Amenities: Close to Interstate, Water Features,
 Offers Alternative Rebate Incentives
Contact: Beringer Realty; 328-2525

LINCOLNWOOD

Location: Kinch Street & Michigan Avenue
Status: Lots Available Summer 2001
Lots Available: 28
Lot Sizes: 6,800 to 7,200 sq. ft.
Lot Price: \$28,500
School: Thomas Paine
Amenities: Close to Sunnycrest Shopping,
 Near Prairie & Lohmann Parks
Contact: Community Homes; 356-8346

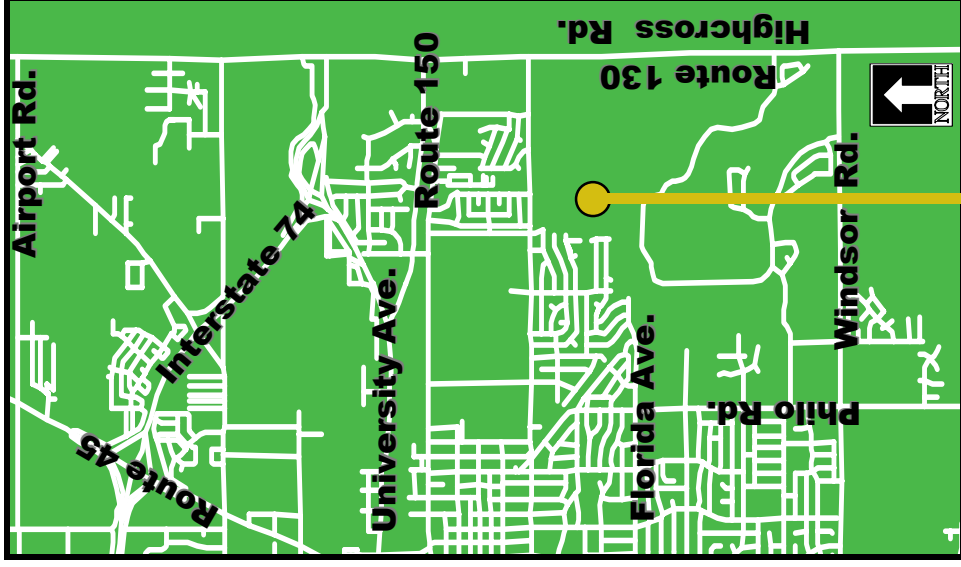
FAIRWAY ESTATES

Location: Florida Avenue & Kinch Street
Status: Under Construction / Lots Available
Lots Available: 50
Lot Sizes: 6,700 to 14,200 sq. ft.
Lot Price: \$29,500
School: Thomas Paine
Amenities: Near Sunnycrest Shopping, Future
 Bikepath on Florida Avenue, Golf Course views
Contact: Alex Ruggieri of Ramshaw-Smith;
 359-6400

STONE CREEK

Location: Windsor Rd. & Stone Creek Boulevard
Status: Phase 1 Lots Currently Available
Lots Available: 156 (50 on Golf Course)
Lot Sizes: 11,000 to 26,000 sq. ft.
Lot Prices: \$40,000 to \$190,000
School: Thomas Paine
Amenities: Premier Golf Course, Club House,
 Bikepath System, Sunnycrest Shopping nearby
Contact: Susan Atkins of Stone Creek Realty, Inc.;
 384-5440

Newest Subdivision



SAVANNAH GREEN

Location: North side of Florida Ave., East of Greenridge Dr.

Status: Lots Available

Lots Available: 296

Lot Sizes: 5,040 to 7,200 sq. ft.

Home Price: \$100,000 to \$150,000

School: Prairie

Amenities: Unique Neighborhood Design, Central Mini Park, Near Sunnycrest Shopping, Golf Course views

Contact: Ed Armstrong; (217) 202-6767



Tax Rebate Program

- Increases new home construction in Urbana
- Rebates the difference between the total property tax rate in Urbana and Champaign
- Allows property owner of a **newly** constructed single family home a tax rebate for up to 5 years
- Also applies to **newly** constructed condominiums, duplexes, zero lot line town homes, and co-ops
- The home must be within Urbana city limits
- The home's building permit must have been issued between March 1, 2001 and December 1, 2002
- The rebate is transferable to subsequent owners within the 5-year time frame
- Each Spring, the City of Urbana Finance Department will issue letters to all eligible homeowners for the tax rebate
- The homeowner will still need to pay the complete amount of taxes assessed by the County before receiving a tax rebate from Urbana
- The homeowner will be issued their "reimbursement" portion (the rebate) according to the schedule outlined by the Finance Department
- Alternative incentives are available to owners of eligible homes in Beringer Commons; contact Beringer Realty for more information

Here's an example:

Assume a new home with a sale price of \$150,000. The tax rebate program will rebate the difference in the tax bill for the home purchased in Urbana with that of a home of the same price in Champaign.

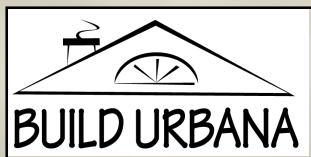
In our assumed example, we would divide the home's value of \$150,000 by 3, to determine the assessed value, then divide by 100, and multiply by 8.59 (Urbana's tax rate), which equals \$4295. By doing the same with a factor of 7.65 (Champaign's tax rate), we have \$3825. The difference of \$470 will be the approximate rebate, which could total \$2350 over 5 years.

For more information, contact:
Kathy Larson
City of Urbana
Community Development
400 S. Vine Street
Urbana, IL 61801
Phone: (217) 384-2444
Fax: (217) 384-0200
Email: kalarson@city.urbana.il.us
Website: www.city.urbana.il.us

BUILD URBANA

A FIRST YEAR REPORT

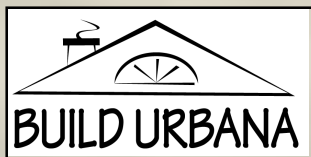
Developers' Roundtable Luncheon
February 19, 2002



BUILD URBANA

A FIRST YEAR REPORT

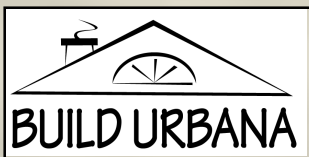
UBA Realtor Breakfast
February 20, 2002



BUILD URBANA

A FIRST YEAR REPORT

2002



BUILD URBANA

A Public/Private Partnership

Why “Build Urbana”?

- § Response to historic low new home sales relative to other communities
- § Helps to “level the playing field” for taxes

Tax Rebate Program

Customer/Contractor Service Guarantees

Home Parade Event

Joint Marketing Efforts

Encourage New Subdivisions/Home Choices

Cooperative Forums

BUILD URBANA

Tax Rebate Program

Effective March 1, 2001 to December 1, 2002

Rebates difference in overall tax rate between Urbana and Champaign to the homeowner for a period of five years (e.g., 7.6463 vs. 8.5936)

Extended to apply to zero lot line town homes, condominiums, duplexes, and co-ops on July 16, 2002 (“smart growth” amendment)

City of Urbana portion of tax rate now reduced to match that of the Champaign’s



BUILD URBANA



Service Guarantees

Obtain your Single Family Home Permit Review by the end of the next working day or your permit is FREE

Call before Noon and get your inspection the same day

Call after Noon and get your inspection before Noon the next day or your next permit is FREE

BUILD URBANA

Urbana Home Parade

First Ever Build Urbana Home Parade

July 14-15 and 21-22, 2001

Seven participating subdivisions

8 of 12 available homes sold

23 lots sold (plus 7 potential sales)

Survey reveals that participants were unanimous about success of event

Planning for 2002 Home Parade is Underway



BUILD URBANA

Joint Marketing Efforts

City contributed \$5,000 plus staff time;
UDBA contributed over \$8,000

Billboard Campaign

Video/UP TV

Advertising - radio and newspaper

Websites (UDBA and City)

Posters/flyers/yard signs

Tax Rebate Brochure

Direct Mail Campaign



BUILD URBANA

New Residential Subdivisions

Eight Active Subdivisions:

Beringer Commons

Eagle Ridge

Fairway Estates

Landis Farm

Lincolnwood

Savannah Green

South Ridge

Stone Creek



A variety of locations, housing styles, and price ranges

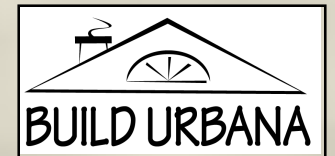
City role in creating new subdivisions:

Development agreements, annexation agreements, public improvements, “neotraditional” regulations

BUILD URBANA

Cooperative Forums

UBA/UDBA Involvement



Developer's Quarterly Roundtable



Downtown Plan Steering Committee

Comprehensive Plan Focus Groups

BUILD URBANA

First Year Results

- 83 New Housing Starts in 2001
 - Over 3 times yearly average of 26 since 1988
- Hundreds of new lots/homes under construction
- Tax base strengthened
- Home Parade a Unanimous Success
- 2002 Events Underway



BUILD URBANA

Be A Part of the Success!

QUESTIONS/IDEAS?

bkwalden@city.urbana.il.us

WEBSITE UPDATES:

www.city.urbana.il.us

To Contact the Urbana
Business Association:

Laurie Bonnett

344-3872

www.buildurbana.com

CITY OF URBANA HOUSING PERMITS

YEAR	# OF BUILDINGS ADDED	# OF UNITS ADDED	USE	
1988	24	24	SFR	
	15	217	MFR	
	8	16	DUP	
1989	14	14	SFR	
	6	96	MFR	
	2	4	DUP	
1990	15	15	SFR	
	1	17	MFR	
	1	2	DUP	
1991	22	22	SFR	
	3	23	MFR	
	0	0	DUP	
1992	32	32	SFR	
	1	10	MFR	
	0	0	DUP	
1993	26	26	SFR	
	8	180	MFR	
	1	2	DUP	
1994	29	29	SFR	
	15	234	MFR	
	1	2	DUP	
1995	17	17	SFR	
	4	80	MFR	
	2	4	DUP	
1996	18	18	SFR	
	6	61	MFR	
	4	8	DUP	
1997	25	25	SFR	
	44	689	MFR	
	1	2	DUP	
1998	35	35	SFR	
	2	36	MFR	
	1	2	DUP	
1999	39	39	SFR	
	4	79	MFR	
	0	0	DUP	
2000	47	47	SFR	
	6	194	MFR	
	1	2	DUP	
2001	83	83	SFR	
	2	57	MFR	
	1	2	DUP	
2002	167	167	SFR	*** (Jan 1-October 22, 2002)
	2	22	MFR	
	1	2	DUP	

SFR = Single-Family Residence
MFR = Multi-Family Residence
DUP = Duplex Residence

(Updated 10/22/2002 Housing Units.doc)

October 1, 2002

Robin Hall
Executive Director
Urbana Park District
303 West University Avenue
Urbana, IL 61801

Dear Robin:

The tax rebate component of the Build Urbana initiative is set to expire on December 1, 2002. At the suggestion of local builders, developers, and realtors, the City of Urbana is investigating the potential of extending this program for an additional two years. To assist the City Council with this decision, we are interested in the viewpoints of our major tax district partners who are affected by this program.

I attended your Board meeting on September 10, 2002 to present our annual report on this program and to answer any questions and concerns of your Board. As set forth in this report and in data collected subsequent to this report, the tax rebate program appears to have been highly successful in encouraging new housing starts in Urbana. The fiscal impact of the program upon the affected taxing districts also appears to be beneficial with an average return on investment of four to one.

As we discussed, it would be helpful to the City in considering extension of this program to hear from your Board as part of an official action or vote. My understanding is that you will request this action at the Board meeting of October 8, 2002. Following action by the Park District Board and School District Board, the City Council can consider possible extension of the Tax Rebate program at its Committee of the Whole meeting on October 28, 2002.

Please let me know if you need any additional information on this program or on this request. I would be happy to attend your upcoming Board meeting to answer any questions your Board may have. Thank you for your assistance.

Sincerely,

Elizabeth H. Tyler, AICP, Director
Community Development Services

October 10, 2002

Gene Amberg
Superintendent
Urbana School District 116
205 North Race Street
Urbana, IL 61801

Dear Gene:

The tax rebate component of the Build Urbana initiative is set to expire on December 1, 2002. At the suggestion of local builders, developers, and realtors, the City of Urbana is investigating the potential of extending this program for an additional two years. To assist the City Council with this decision, we are interested in the viewpoints of our major tax district partners who are affected by this program.

Kathy Larson and I attended your Board meeting on August 13, 2002 to present our annual report on this program and to answer any questions and concerns of your Board. As set forth in this report and in data collected subsequent to this report, the tax rebate program appears to have been highly successful in encouraging new housing starts in Urbana. For example, as of today, we have 168 new housing starts so far this calendar year (see attached). This is over six times the annual average of 26 homes that was experienced between 1988 and 2001 when the Tax Rebate program was first implemented. The fiscal impact of the program upon the affected taxing districts also appears to be beneficial with an average return on investment of four to one.

As we discussed, it would be helpful to the City in considering extension of this program to hear from your Board as part of an official action or vote. My understanding is that you will request this action at the Board meeting of October 15, 2002. The Park District Board took a similar action at their meeting on October 8, 2002. Following the School Board action, the City Council can consider possible extension of the Tax Rebate program at its Committee of the Whole meeting on October 28, 2002.

Please let me know if you need any additional information on this program or on this request. I will be happy to attend your upcoming Board meeting to answer any questions your Board may have. Thank you for your assistance.

Sincerely,

Elizabeth H. Tyler, AICP, Director
Community Development Services