



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Economic Development Division

m e m o r a n d u m

TO: Laurel Lunt Prussing, Mayor
CM

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

DATE: December 5, 2013

SUBJECT: AN ORDINANCE DISSOLVING THE SPECIAL TAX ALLOCATION FUND AND TERMINATING THE DESIGNATION OF THE NORTH CAMPUS AND KING PARK REDEVELOPMENT PROJECT AREA WITHIN THE CITY OF URBANA, CHAMPAIGN COUNTY, ILLINOIS

Introduction and Background

On December 18, 1989, the Urbana City Council approved Ordinance # 8990-59, creating the North Campus and King Park Redevelopment Project Area, or Tax Increment Finance District Three (TIF 3). The Illinois Tax Increment Allocation Redevelopment Act, which is the part of Illinois Statute that governs TIF districts, sets the life of a TIF District at 23 years. Attached is an ordinance terminating the designation of TIF 3 as of December 31, 2013 (Exhibit A) and a map showing the boundaries of TIF 3 (Exhibit B).

The purpose of TIF 3 was to eliminate blighting factors and promote the infusion of private investment in the area. During its 23-year life, TIF 3 has successfully supported a number of private development projects and funded public infrastructure, School District projects and Park District projects. These projects have resulted in dramatically increased equalized assessed value (EAV), removal of blight, and a diverse range of quality commercial and housing developments.

Discussion

The North Campus and King Park Neighborhood Redevelopment Plan, adopted in 1990, established the need for TIF 3. The plan analyzed such factors as age of structures, deterioration of buildings/site improvements, functional/economic obsolescence, code deficiencies, vacancies, abandonment, lack of/deficiencies in infrastructure, and other factors within the project area. The results of this analysis indicated that the TIF district was necessary to reduce/eliminate blighting factors and to enhance the tax base by encouraging private investment in the area. Some of the objectives outlined in the plan call for facilitating the construction of new commercial and residential buildings, construction of a hotel facility, investment in infrastructure, and construction/improvement of public facilities, including King School and King Park.

Over the life of the district, TIF 3 funds have supported extensive improvements in the form of private development projects, public infrastructure, Urbana Park District projects, Urbana School District projects, and various other efforts. Some notable private development projects made possible through the TIF district include the Hampton Inn (76,000 square feet/130 guest rooms and suites), Perkins Restaurant (4,500 square feet), the Durst Cycle building (9,000 square feet), the One South apartment complex (240 residential units), and the Provena medical office building (45,000 square feet).

Some of the major School District and Park District projects supported by TIF 3 include air conditioning at King School, the new community room at King School, support for vocational training, expansions to and improvements to King Park, and the new sculpture honoring Dr. Martin Luther King Jr. at King Park.

Some of the notable infrastructure projects funded through TIF 3 include reconstruction of Goodwin Avenue, reconstruction of Park Street from brick to concrete, reconstruction of Church Street, reconstruction of Mathews Avenue, improvements to sidewalks throughout the district, improvements to lighting throughout the district, improvements to the intersection of Lincoln Avenue and Church Street, and the local match for the UC2B Big Broadband project. The road reconstruction projects listed above generally included new pavement, curbs, and gutters.

The new development projects coupled with the public facilities and infrastructure improvements have had a significant positive impact on the neighborhood. There is now a wide range of quality residential options and employment opportunities in the neighborhood. Upgraded streets, sidewalks, lighting, and public facilities have also benefited the neighborhood.

All of the positive activity over the life of the TIF, including the projects listed above, has led to substantial tax base growth within the district. Even when separating out values for Provena/Presence hospital, the EAV for the district grew from \$2,371,876 in the base year of 1989 to \$12,303,591 in 2012. This is an increase of 518%. Over that same time, the EAV for the entire City increased by 276%. This demonstrates that property values in TIF 3 grew at a substantially higher rate than values in the rest of the City over the last 23 years due to TIF 3. As previously requested, a more comprehensive analysis of all four Urbana TIF districts will be presented to City Council in early 2014.

State law requires that any unspent or unobligated funds must be surplused back to the various taxing districts upon the termination of a TIF. As Provena/Presence hospital is in TIF 3, the City has been placing in escrow tax payments and interest related to Provena/Presence properties due to the hospital's claims toward tax exemption. The City will hold that money in escrow until the tax status of the hospital for prior tax years is resolved. The City is also holding payments on the Hampton Inn/Perkins Restaurant redevelopment agreement while the various private parties involved in the agreement resolve the breakdown of payments. The funds related to these two items will need to be held in a non-TIF escrow account until the various legal issues are resolved.

Following some final expenses in the month of December, any remaining funds available upon the termination of the TIF on December 31, 2013, will be distributed to the various taxing districts as surplus payments.

Fiscal Impact

The City is currently reconciling final revenues and expenses in TIF 3. Following the processing of any final TIF 3 expenses in the month of December, the finalization of the amount of funds to be escrowed for Provena/Presence, and the amount of funds to be escrowed for the Hampton Inn/Perkins agreement, the City will determine if there are any funds remaining to be surplused to all taxing districts, including the City of Urbana. It is too early to tell if there will be a surplus, but the payment to the City would be approximately 14.5% of the total amount surplused as that is the City's portion of the total property tax rate.

Options

1. Approve the ordinance as presented
2. Approve the ordinance with changes
3. Not approve the ordinance

Recommendation

Staff recommends that the City Council approve the attached ordinance.

Prepared by:



Tom Carrino, Economic Development Manager

Attachments:

- Exhibit A: Draft Ordinance
- Exhibit B: Location Map

Exhibit A

ORDINANCE NO. 2013-12-105

AN ORDINANCE DISSOLVING THE SPECIAL TAX ALLOCATION FUND AND TERMINATING THE DESIGNATION OF THE NORTH CAMPUS AND KING PARK REDEVELOPMENT PROJECT AREA WITHIN THE CITY OF URBANA, CHAMPAIGN COUNTY, ILLINOIS

WHEREAS, the City Council (the “**Corporate Authorities**”) of the City of Urbana, Champaign County, Illinois (the “**Municipality**”), on December 18, 1989, adopted Ordinance Number 8990-59, which adopted tax increment financing, established a special tax allocation fund (the “**Fund**”) and approved and adopted a redevelopment plan and project for the North Campus and King Park Redevelopment Project Area (the “**Redevelopment Project Area**”); and

WHEREAS, the Municipality has notified affected taxing districts of the proposed termination of the Redevelopment Project Area, as a redevelopment project area, in accordance with the provisions of the Tax Increment Allocation Redevelopment Act (65 ILCS 5/11-74.4-1 et seq.), as supplemented and amended (the “**Act**”); and

WHEREAS, with respect to the Redevelopment Project Area, provisions have been made or will be made prior to December 31, 2013 to create an escrow account (the “**Escrow Account**”) and to transfer certain amounts from the Fund to the Escrow Account for the purposes of:

(i) holding such applicable amounts pending the final resolution of any claim that University Hotel LLC (the “**LLC**”), its successors and assigns, may have in connection with any amounts due and payable by the City to any one or more of those entities under that certain Redevelopment Agreement, Third Amended and Restated, dated as of January 1, 2002, by and between the Municipality and the LLC;

(ii) holding such applicable amounts pending the final resolution of any claim that Provena Covenant Medical Center (now Presence Covenant Medical Center, the “**Medical Center**”) may have in connection with real property taxes paid by the Medical Center during the tax years 2003 to 2012 inclusive, which were deposited into the Fund; and

(iii) paying any annual administrative costs incurred by the Municipality for staff and professional services related to the administration of the redevelopment plan, the Redevelopment Project Area and the Fund prior to December 31, 2013; and

WHEREAS, except for such transfers to the Escrow Account as described above, all redevelopment project costs have been or will be paid, all obligations relating thereto have been or will be paid and retired and all excess monies, if any, have been or will be distributed as of December 31, 2013; and

WHEREAS, in accordance with the provisions of Section 8(b) of the Act, the Municipality desires to dissolve the special tax allocation fund relating to the Redevelopment Project Area and to terminate the designation of the Redevelopment Project Area as a redevelopment project area.

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

Section 1. The Fund established in regard to the Redevelopment Project Area is hereby dissolved as of December 31, 2013.

Exhibit A

Section 2. The designation of the Redevelopment Project Area as a redevelopment project area is hereby terminated as of December 31, 2013.

Section 3. Amounts remaining in the Escrow Account, if any, once the claims of the LLC and the Medical Center are resolved, shall be paid to the County Collector who shall distribute such amounts to the respective taxing districts in the Redevelopment Project Area in the same manner and proportion as the applicable distribution by the County Collector to the affected taxing districts of real property taxes from the Redevelopment Project Area in each of the applicable years prior to December 31, 2013.

Section 4. This Ordinance shall be in full force and effect upon its passage and approval in the manner provided by law.

Section 5. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Ordinance.

Section 6. All ordinances, resolutions or orders, or parts thereof, in conflict with the provisions of this Ordinance are, to the extent of such conflict, hereby superseded.

Section 7. The City Clerk shall immediately file a certified copy of this Ordinance with the County Clerk of Champaign County, Illinois.

PASSED by the Corporate Authorities on December ____, 2013.

APPROVED: December ____, 2013.

Mayor

AYES: _____

NAYS: _____

ABSENT: _____

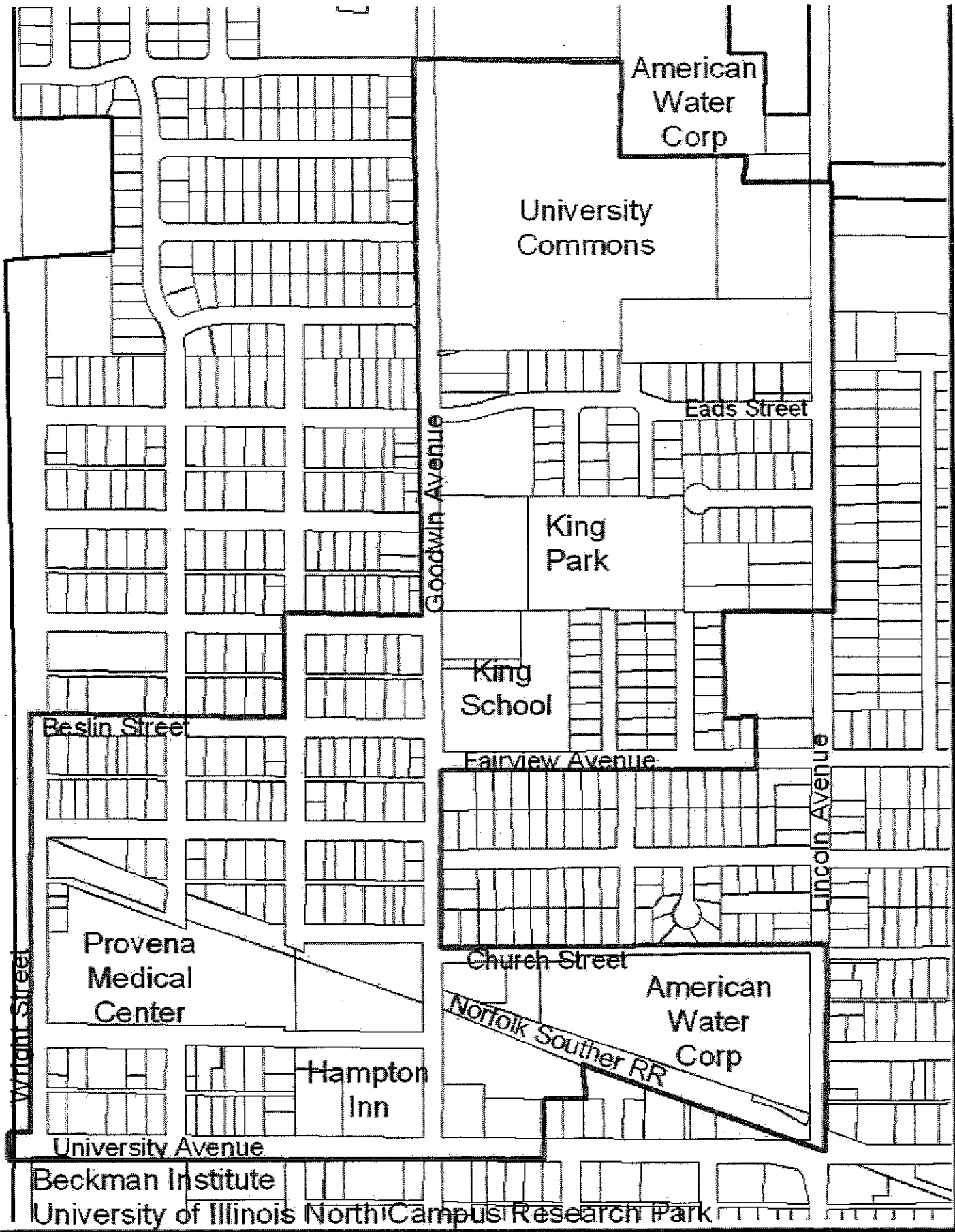
Attest:

City Clerk

(SEAL)

[File with Champaign County Clerk]

City of Champaign



Tax Increment Finance District 3

