



## 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:** June 9, 2016

**SUBJECT:** **Downtown Urbana TIF Districts Retrospective Review**

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### **Introduction**

Over the past several months, City staff has been working closely with the firm of PGAV Planners and with members of the TIF Joint Review Board to review the potential for a new and revised Tax Increment Finance (TIF) district within Downtown Urbana. As a related effort, City Council has asked staff to conduct an analysis and to provide information on the history and performance of the existing and previously adopted TIF Districts, particularly within the downtown area. In accordance with this request, the attached report presents a comprehensive retrospective analysis of the Downtown TIF activities since their inception in the early 1980s.

### **Summary of Report**

The report provides a detailed pictorial view and analysis of the two downtown TIF Districts, and their achievements to date. It identifies the development projects, renovations, business grants, activities, and public infrastructure improvements that have been completed in the TIF districts; the projects that are underway or yet to be completed; the policy goals that were established in the TIF Plans and the success to date in fulfillment of these goals; and an assessment of the impacts on equalized assessed value (EAV) as well as other measurements of TIF success, such as job creation and occupancy levels.

The report concludes that the improvements and projects completed with TIF assistance have strengthened the tax base of the city and have made the downtown the vibrant and interesting place that it is today. Altogether, TIF has contributed to 18 new construction and redevelopment projects in the downtown, assisted with over 100 business renovations, and helped to support over 75 new businesses. All of the private redevelopment projects identified in the TIF 1 Plan have been completed and those identified in the TIF 2 Plan are well underway.

The TIF also provided essential public amenities that have benefitted the entire community, including the parking deck; new and improved roadways along Main Street, Broadway Avenue, and Race Street; a unified streetscaping treatment, including decorative lighting, street furniture, and brick banding along widened sidewalks; several installations of public art; three downtown mini-parks and the recent Boneyard Creek Improvement Project.

The TIF areas showed increased equalized assessed valuation where it had previously been declining, totaling \$4.8 million in TIF 1 and \$11.4 million in TIF 2, with the increases in TIF 1 being more limited due to the presence of few unbuilt parcels. Increases in EAV were also significantly higher for projects where TIF was provided than where TIF was not utilized. TIF was also used successfully to incentivize targeted business uses in the downtown area. While professional and legal offices have long thrived on Main Street, the community has repeatedly expressed a preference for a mix of retail, restaurants, and housing. Today, the presence of this dynamic mix of business uses has strengthened the economic diversity and overall vibrancy of Downtown Urbana. Also, though not detailed in the report, the TIF helped to increase occupancies, available jobs, sales tax, and food and beverage tax within the downtown.

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

Tax Increment Financing is the premier economic development tool of municipalities in the State of Illinois. TIF Districts provide municipalities with a mechanism to encourage local economic development where such 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 otherwise, reinvestment of incremental tax revenues within the TIF Districts is limited to a period of 23 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 fund 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 new 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 the TIF 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 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 over the past several years on development and business attraction in Urbana as a whole. Redevelopment incentives aided the rehabilitation of buildings, supported major public infrastructure 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. Because these buildings have already been constructed, they are not able to generate substantial new property tax increment. However, reactivation of these spaces has added significantly to the number of downtown jobs, sales and food and beverage tax, and overall activity levels in the downtown.

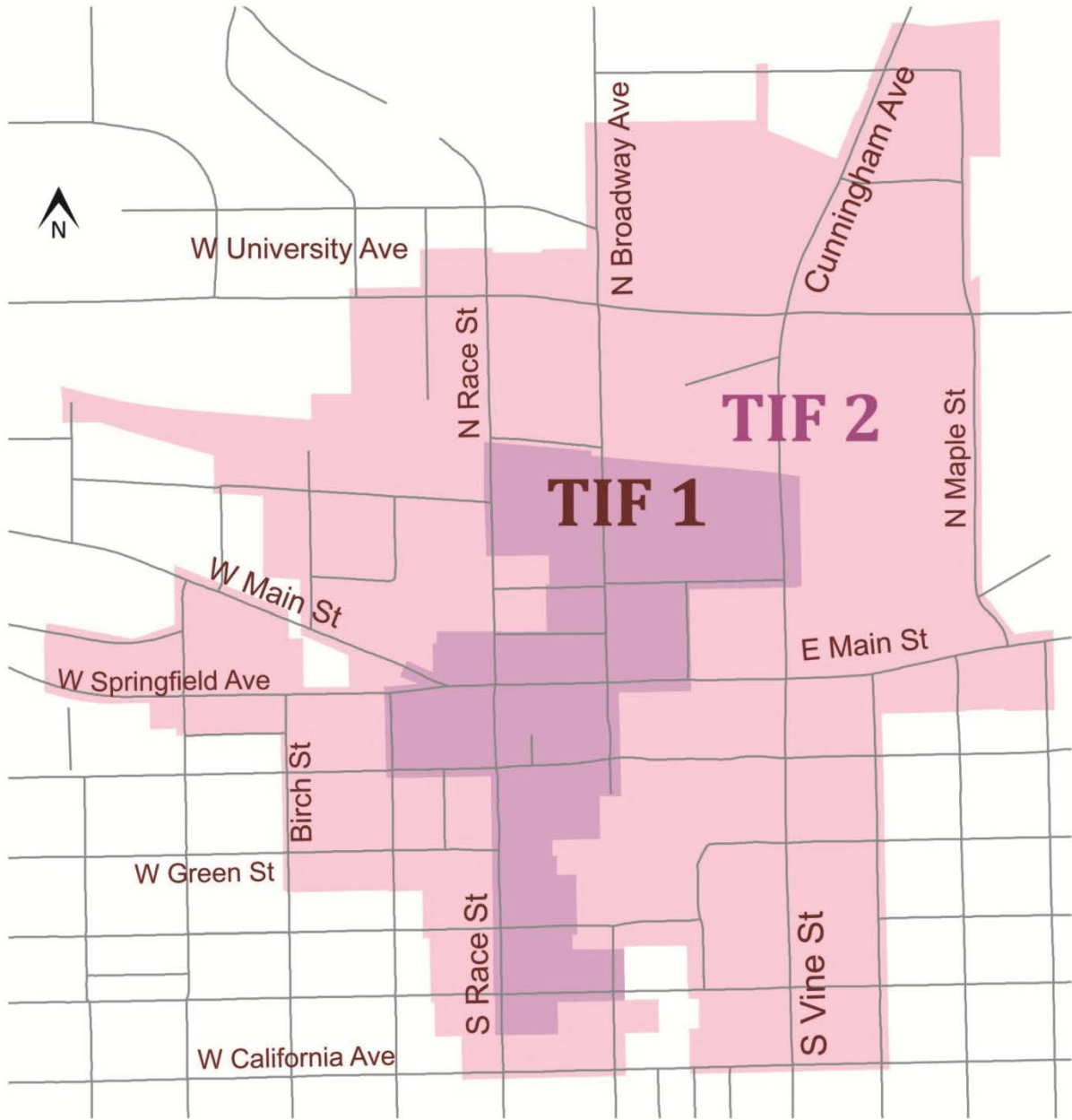
In addition to extensive renovation projects, TIF 2 has also enabled a number of new construction projects over its life which have yielded a much larger EAV growth—predominantly through the Urbana Crossing and Gateway Shoppes redevelopments. This difference in EAV growth highlights the need for ongoing 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 One**

In previous years, TIF 1 played a principal role in the construction of the Downtown parking deck, the expansion of the then Jumer's Caste Lodge, as well as major streetscape enhancements to the Downtown. 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 long-vacant or underutilized 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 long-vacant and 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, and the lobby, ballroom and library up to code. The City was reimbursed over \$1 million in incentives paid after the developer failed to also activate the 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 this long-vacant and distressed historic building.

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.

### **TIF District Two**

In its earlier years, TIF 2 was instrumental in the establishment of the Urbana Crossing/Schnuck’s shopping complex at Main and Vine Streets; construction of the Five Points Commerce Center/Walgreens at Cunningham and University; the renovations necessary to transform and modernize Lincoln Square Mall into the mixed-use Lincoln Square Village; and the creation of major streetscape enhancements to the Downtown area. Both the Urbana Crossing and Five Points sites were previously occupied by severely blighted and unsafe uses that were detrimental to growth of the downtown. In the last ten years, the City entered into agreements to enable a number of major private redevelopment projects in TIF 2, including:

- **Gateway Shoppes New Construction**, northwest corner of University and Cunningham
  - After the successful completion of an auto mall to North Cunningham Avenue which housed a former car dealership at this location along with several others, the site has seen the construction of two commercial strip shopping center buildings and three outlot buildings, including the University of Illinois Credit Union, Jimmie Johns/Pancheros, and a Wendy’s Restaurant. Plans have recently been submitted for additional restaurant space in the final outlot.
- **Patel Law Office New Construction**, 108 W University Avenue
  - Resulted in the construction of a highly visible new law office on University Avenue
- **Broadway Market Redevelopment**, 401 N Broadway Avenue
  - The developer has closed on the property and will commence renovation of this long underutilized former warehouse into an indoor marketplace within the coming weeks.
- **Race Street Redevelopment**, 129 N Race Street
  - Cherry Tree Café has signed on as the first tenant for the redevelopment of the former School of Cosmetology building. 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, which had become a severe nuisance and fire hazard, 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 along with the repaving and pedestrian improvements conducted on North Race Street and North Broadway Avenue.

## Future Projects

While the existing TIF Districts have been successful in meeting redevelopment goals, building the city's economic base, and reactivating and revitalizing the downtown area, there is still more work to be done to complete these plans and to place the downtown on firmer footing. Among the projects that remain to be completed are the following:

- **Block North Site, 200 S Vine Street**
  - Over the past several years, the City has worked diligently to purchase and consolidate a city block for mixed use redevelopment in the block immediately north of the City Building. The City has marketed the site and has retained developer TWG as a development partner for the property. Redevelopment assistance will be necessary to successfully redevelop the site with apartment and retail uses. The project is expected to commence in 2016 and will help to provide much needed rental housing in the downtown and to build a customer base for downtown businesses.
- **Urbana Landmark Hotel**
  - While substantial improvements have been completed by the current owner, there is still much work to be done to bring this historic property back on line as a full-service boutique hotel and conference center in the core of Downtown Urbana. Prospective purchasers will require redevelopment assistance to make the necessary improvements to the property.
- **North Crane Alley Site**
  - The City has worked with property owner Bob Venable to jointly market a redevelopment site spanning the block along North Crane Alley from Broadway to Race Street, to promote new mixed uses and replacement structured parking to complement and serve existing landmarks, such as Bunny's Tavern and Black Dog Smoke & Ale House.
- **Leal Park/Race Street Redevelopment Site**
  - Potential redevelopment sites exist along Race Street near Leal Park.
- **Downtown Transit Facility**
  - Under the terms of intergovernmental agreement with the C-U MTD, the City has

been working with the district to identify appropriate locations to construct a mixed use multi-modal transit facility near its current on-street location.

- **Blockbuster Site**
  - The key southwest corner of University and Vine Street has been vacant and is in long-need of revitalization and redevelopment as a retail center.
- **Main/Vine Street Sites**
  - Redevelopment potential also exists on the blocks at the southeast corner of Main and Vine Streets.
- **School District Administration Building**
  - The Urbana School District has expressed interest in relocating their administrative offices to a more appropriate location, allowing for redevelopment of this key site along the Boneyard on Race Street.

While there are still six years remaining in TIF 2, City staff has been working with our taxing partners to de-TIF the already developed portions of TIF 2 ahead of schedule and to establish a new Central Redevelopment Project TIF in the specific areas of the downtown that are still in need of redevelopment assistance. A Draft Redevelopment Plan has been prepared and is currently under review by the participating jurisdictions.

## **Conclusion**

It is hard to imagine what Downtown Urbana would look like and how it might now be functioning without the critical support of redevelopment funds. In any walk or drive around the downtown today, one cannot escape the many attributes, large and small, that the downtown TIF Districts have helped to support and which make the downtown the success it is today: from the new Sherwin Williams store, Schnuck's and Urbana Crossing Shopping Center, Common Ground Food Co-op, and Omni-Care Prosthetics building along Vine Street; to Lincoln Square Village, enhancements to the Market at the Square, and streetscape improvements along Illinois Street; to a new roadway and bridge, Boneyard Creek Improvement Project, Courier garden area, Stratford Apartment buildings; and Patel office building along Race Street; to revitalized historic buildings, outdoor seating, public art, a new multi-modal road surface, a public parking deck, and County Courthouse improvements along Main Street; to a new road surface and streetscaping, mini-park, Save-a-Lot grocery store and Timpone office building along Broadway. Everywhere you look downtown, you see evidence of successful redevelopment elements that together have helped to bring more jobs, more activity, and more occupancy to the core than ever before.

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