



TO: Members of the Joint Review Board
Redevelopment Project Area 1: Triangle Area

FROM: Chris Miller, Director of Building, Planning & Zoning

DATE: October 9, 2013

RE: Responses to Sep. 25th JRB Meeting Questions

The following are summary answers to questions raised at the Joint Review Board meeting of September 25, 2013. Village staff and consultants will be present at the October 9, 2013 continued Joint Review Board Meeting to discuss and review any further comments and questions.

Question 1: Will the TIF District have an effect on the funding of Lake Michigan Water extension (i.e. Will the TIF District take away funds from the Lake Michigan Water Program and if so, to what extent?)

The short answer to the question presented is that the designation of the Triangle Area as a TIF District will have no effect on the funding of the Lake Michigan Water extension to the Village. The related answer is that the planned bond funding for both the internal and external water system improvements are unaffected by the formation of the TIF district.

I have spoken with both the Village's Bond Counsel from Chapman and Cutler and Mr. Kip Wilson from the Tax Extension Department of the Lake County Clerk's Office in order to verify the information reported in the paragraph below.

The debt service tax extensions for the issued and outstanding Lake Michigan Water General Obligation Referendum Bonds ("GO Bonds") and any future GO Bonds which are anticipated to be issued must be levied at a tax rate sufficient to meet the debt service requirements of each of those bonds. In the Tiff district a "Base EAV" will be established as the EAV existing on the day that the TIF District is designated by ordinance. The tax rate set by the County Clerk to meet the debt service obligation for the GO Bonds will be extended over the Base EAV to assure sufficient property tax revenue to cover the TIF District's proportionate tax liability in relation to the remaining parts of the Village which are also subject to the rate of the tax levy.

Question 2: To what extent can the Village accommodate new development with its current utility capacity, and generally, how quickly can the Village accommodate new development (i.e. What's the average time from proposal of an idea to seeing it built?)

The firm capacity of the existing well water supply with the largest well out of service is 4.00 MGD (million gallons/day). This exceeds the projected year 2040 peak day demand of 2.80 MGD. Therefore, the Village currently has adequate water supply capacity to accommodate new development. The planned conversion to a Lake Michigan water supply will be designed for the 2040 peak day demand.

The Village's wastewater treatment plant has a rated capacity of 1.90 MGD. Using the Illinois EPA's rating criteria, the current utilized average daily capacity is 1.15 MGD, which represents approximately 61% of the rated capacity. Therefore, the Village currently has adequate wastewater treatment capacity to accommodate new development.

Public infrastructure required for new developments is typically designed and constructed by developers with review and approval by the Village. The timeline for implementation of such improvements will depend on the size of a development, its complexity and any special permitting requirements such as wetland or floodplain impacts. Therefore, there really is no average timeline from idea to construction. However, a general range of timelines is probably 9 to 24 months.

Question 3: The section of the Redevelopment Plan covering the impact on the Village's services should be tweaked to include possible information concerning the maintenance of new utility lines, etc.

Proposed revised text for review as stated below
(~~Strikethrough~~ = Deletion; Underline: Addition):

- **Village of Wauconda**: The Village provides the municipal services to the area the RPA including sanitary sewer, public water, police, public works, and other such services. The proposed redevelopment of the RPA is ~~not~~ anticipated to increase the demand for these services in the RPA to the extent necessary to service new development above existing levels. Any improvements, capital expenditures, and personnel to provide for expanded or improved services directly related to the development of the RPA may be provided from collected incremental tax funds as described in Section V of this Plan. The redevelopment of the RPA is projected to increase significantly the EAV of the RPA which will significantly increase the property tax revenue base, which will produce a positive impact on the Village as a whole. The resultant increase in property tax revenues after the end the RPA will provide for the additional demands for routine municipal services (e.g. infrastructure maintenance, police services, etc.) required at that time.

Question 4: What effect does the TIF District have on a Taxing Districts overall property tax limits and rates (i.e. does the Taxing District get to include the total EAV of the TIF District in the consideration of their total EAV for tax rates as well as the EAV increases of the TIF District)?

Per the Property Tax Extension Limitation Law (PTELL) Technical Manual (IL. Dept. of Revenue),

PTELL and tax increment financing districts (TIFs)

The TIF is not directly limited by the PTELL. The amount the TIF will receive is equal to the tax rate times the incremental increase in the EAV. The limitation may result in a lower tax rate than would otherwise have been extended. If so, the TIF will receive less than it would have without the limitation.

The TIF increment is excluded in calculating the limiting rate for a district. Section 18-235 of the Property Tax Code provides that the portion of the taxes that go to the TIF are not included in the district's extension base when computing the numerator of the limiting rate. Likewise, the value of the increment is not included in the current year EAV in the denominator of the limiting rate.

When a TIF is dissolved, the taxing district is allowed to reclaim the recovered tax increment value. The county clerk will calculate the increment one more year and remove it from the denominator of the limiting rate in the same manner as new property is removed. This will give the taxing district an increase in its aggregate extension base in proportion to the TIF increment for the dissolved TIF.

Per the Property Tax Extension Limitation Law (PTELL) Technical Manual (IL. Dept. of Revenue), the following formula outlines how to determine the limiting cap rate for PTELL Districts ("TIF" represents the incremental increase in TIF EAV over the Base EAV):

Limiting rate

The limiting rate is the district's maximum aggregate tax rate for funds under the PTELL. The sum of all tax rates for funds subject to the PTELL cannot exceed the limiting rate.

The limiting rate formula is below.

$$\text{Limiting rate} = [A \times (1 + I)] / (CEAV - NP - AX - \text{TIF} + \text{DIS})$$

Where:

A = aggregate extension base (prior year total taxes billed for funds subject to the PTELL)

I = inflationary increase (CPI or 5 percent, whichever is less; or other amount approved by voters for the levy year)

CEAV = current EAV of district used in setting preliminary rates

NP = new property

AX = current EAV of any annexations

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TIF = recovered tax increment value (after the TIF expires)

DIS = current EAV of any disconnections

The limiting rate formula allows a taxing district to receive additional taxes in proportion to the value of property annexed, new property construction, and the TIF increment the year that the TIF expires

In simple terms, both the TIF incremental EAV and the property tax dollars paid on that incremental revenue are removed from calculating a PTELL taxing district's tax rate. The Base EAV and its resulting property tax revenue remain as part of the whole taxing district and any decrease in EAV for the entire TIF District below the Base EAV is attributable only to that base amount (i.e. if the total EAV of the TIF District value drops below the Base EAV, only the decrease below the Base EAV affects the taxing district's tax rate). Decreases in the incremental EAV, but still with a total TIF District EAV greater than the Base EAV, will not affect the tax district's rate since the incremental value cannot drop below zero.

Question 5: Review Draft Ordinance for language concerning relocation of housing units?

Proposed revised text for review as stated below
(Strikethrough = Deletion; Underline: Addition):

WHEREAS, ~~no residents within the Area will be displaced under the Redevelopment Plan~~ the Village has produced a Housing Impact Study pursuant to the requirements of the Act and is committed to providing housing relocation assistance as may be deemed necessary under the Act since the Redevelopment Plan and Project may possibly result in the displacement of residents from ten (10) or more inhabited units; and