

Village of Lombard
Proposed Butterfield Yorktown
TIF District



*Joint Review Board
August 11, 2017*

The Lilac Village

Overview



The Lilac Village

- I. Background of Proposed TIF District/Plan for Area
- II. Factors Qualifying Area as a TIF District
- III. Key Elements of TIF Plan
- IV. Next Steps



Kane, McKenna
and Associates, Inc.



I. Background

Butterfield Yorktown TIF District

- Primary focus – Area encompassing JC Penney and adjacent parking field, Westin Hotel and Conference Center, Yorktown Convenience Center property, the 747 Office building and the Northern Baptist Theological Seminary (NBTS) Property
- Currently commercial and institutional land uses, including an office building and theological campus facilities
- The larger area (Yorktown Mall and outlots with Fountain Square) serves as one of the top sales tax and property tax generators, as well as a significant source of jobs

TIF Plan

- Area identified as a key focus area
- Includes TIF budget and projected EAV
- Includes Eligibility Report



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I. Background

Why Now?

Village faces many challenges:

- Recent market trends have impacted enclosed regional malls, due to competition from internet shopping and non-mall retail uses
- Recession has impacted nearly all revenue sources

Challenges in real estate alternatives

- Repositioning properties in order to diversify uses, address competitive pressures and maintain value
- Improve area appearance and the Village's ability to compete in the marketplace



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I. Background

The TIF Plan complies with key legal provisions of the TIF Act, including but not limited to:

TIF Plan conforms to the Village's Comprehensive Plan

Area consists of contiguous parcels – exceeds 1 ½ acres

“But-for” requirement is met - Redevelopment is feasible only with the utilization of tax increment financing, as documented in the TIF Eligibility Report

I. Background



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01

Specific TIF Objectives,
Strategies & Measures



02

General Economic
Development Goals



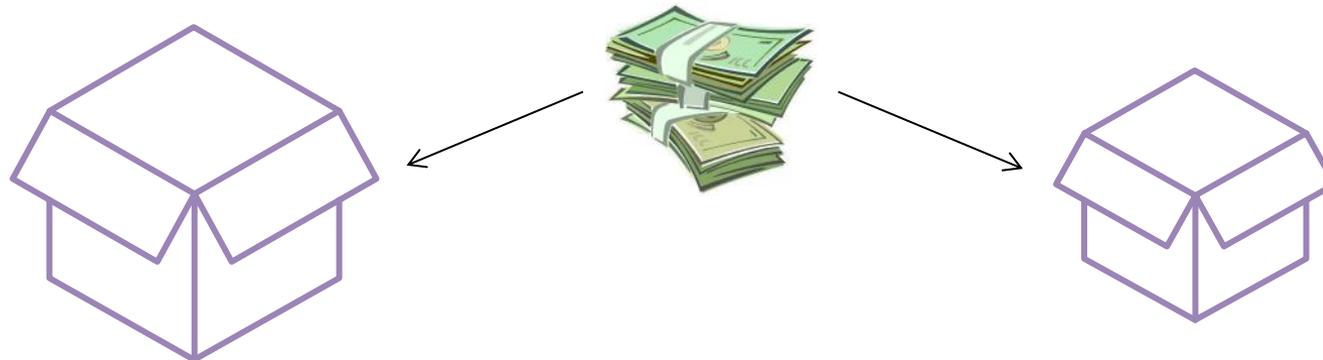
03

Comprehensive Land Use

I. Background

Review of Tax Increment Financing (TIF)

TIF involves splitting property tax revenue generated from properties within the TIF District into two components:



Base Revenues – For All Local Governments

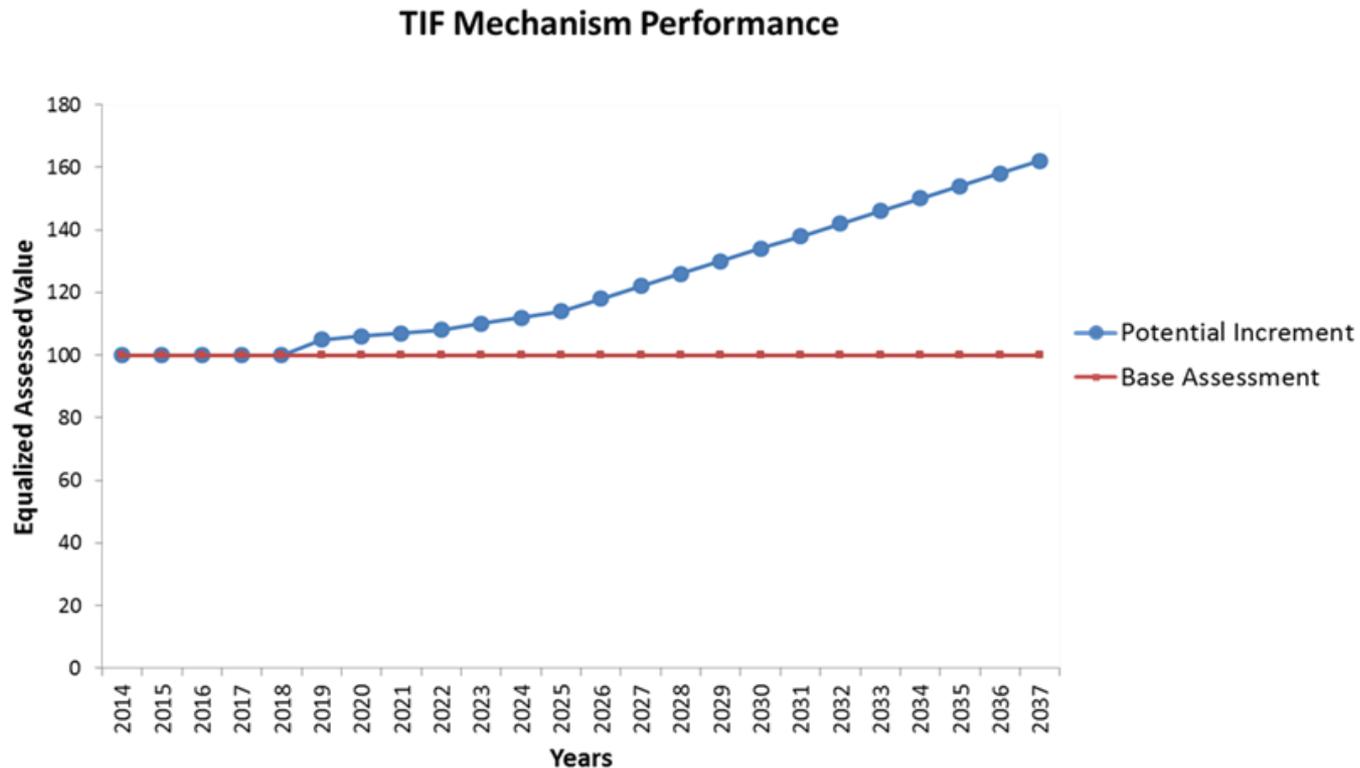
Incremental Revenues – For All Redevelopment within TIF District



I. Background

Review of Tax Increment Financing (TIF)

Ideally, a successful TIF District produces positive incremental revenue over time



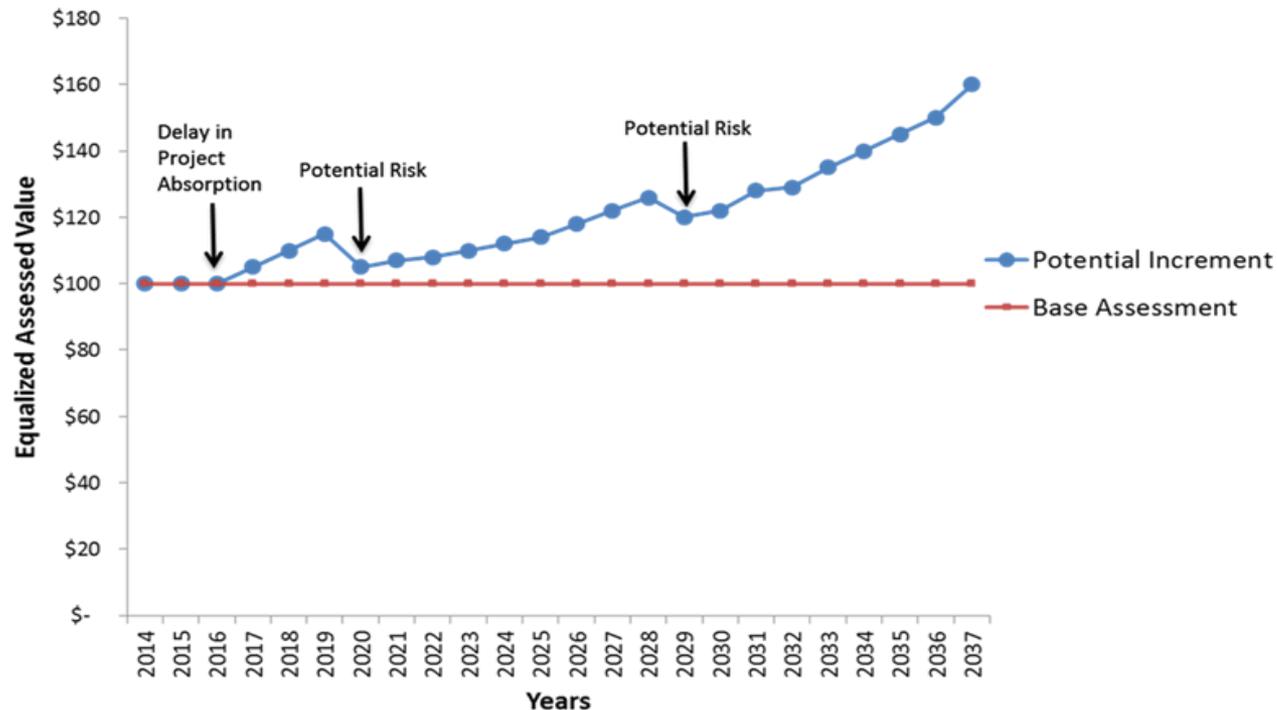


I. Background

Review of Tax Increment Financing (TIF)

In practice, a successful TIF District faces certain challenges generating positive increment

Potential TIF Performance Adjusted for Project-Related Risks





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I. Background

TIF Plan components:

TIF Budget – will not fund all private development costs – limited to certain types of capital items, including public improvements, property assembly, rehabilitation or site preparation. Does not pay for general municipal personnel or operating costs, or the construction of a new privately owned building.

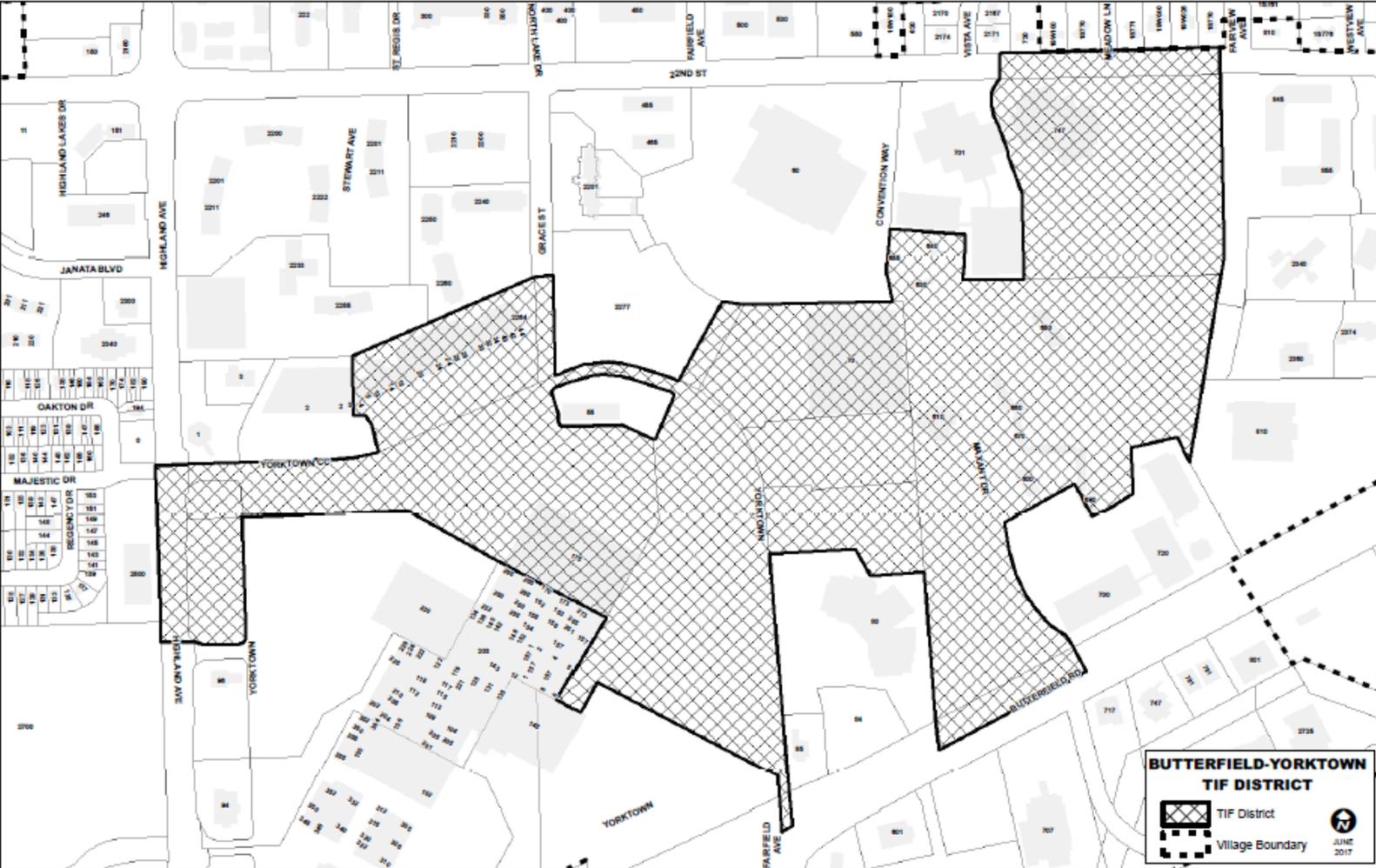
TIF District Term – cannot exceed 23 years without the approval of legislation at the State level.

TIF reporting – requires independent audit and review of annual redevelopment activities.

I. Background



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II. Qualification Factors



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The proposed TIF District is found to qualify under the following criteria:

as a “conservation area,” based upon the findings that 75% of structures are 35 years old or greater (50% is the threshold)

Additionally:

Six (6) eligibility factors have been identified

District is a contiguous area greater than 1 and ½ acres

Potential for redevelopment and improvement to tax base

II. Qualification Factors



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- 1) Dilapidation
- 2) **Obsolescence**
- 3) **Deterioration**
- 4) Presence of Structures Below Code
- 5) Illegal Uses
- 6) **Excessive Vacancies**
- 7) Lack of Ventilation and Sanitary Facilities
- 8) **Inadequate Utilities**
- 9) Excessive Land Coverage
- 10) Deleterious Land use/Layout
- 11) Environmental Clean-up
- 12) **Lack of Community Planning**
- 13) **Lagging/Declining EAV**

II. Qualification Factors



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Lagging/Declining EAV

The EAV of the proposed TIF Redevelopment Project Area (RPA) has declined in four (4) of the past five (5) years. Additionally, it has grown at a rate slower than the Consumer Price Index and less than the balance of Village EAV for four (4) of the last five (5) years.

EAV MATRIX	2016	2015	2014	2013	2012	2011
Total:	\$10,342,515	\$8,847,620	\$8,885,380	\$9,058,861	\$9,871,357	\$11,307,103
Annual % Change:	16.90%	-0.42%	-1.92%	-8.23%	-12.70%	
Village Total EAV:	\$1,389,616,358	\$1,314,206,889	\$1,268,127,652	\$1,285,659,157	\$1,374,238,004	\$1,501,088,367
Balance of Village EAV:	\$1,379,273,843	\$1,305,359,269	\$1,259,242,272	\$1,276,600,296	\$1,364,366,647	\$1,489,781,264
Annual % of Change:	5.66%	3.66%	-1.36%	-6.43%	-8.42%	
CPI - All Urban Consumers:	1.30%	0.10%	1.60%	1.50%	2.10%	

II. Qualification Factors



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Excessive Vacancies

The Yorktown Convenience Center just east of the Carson's store has experienced excessive vacancies for some time. Currently the convenience center is 66% vacant (44,932 sq ft. of vacant space out of 68,290 sq. ft.). Additionally, it has been represented by management that the existing tenants have short term leases, which may lead to an increase in vacancies in the future and illustrates the convenience center is not in a stable condition.

The 747 E. 22nd Street office building also has excessive vacancies. The building was sold on July 28, 2015. Around that time the building was substantially vacant as reported to the Township Assessor in 2015 and vacancies continue into 2017. Valuation has declined considerably over the last five (5) years due to vacancies.

The Northern Baptist Theological Seminary (NBTS) campus also includes excessive vacancies. Currently there are two vacant buildings on campus. 670 Butterfield Road and 660 Butterfield Road were decommissioned approximately eight (8) years ago. 650 Butterfield Road is also partially occupied, and thus is not at full occupancy. The age of the structures, the costs to remedy existing conditions, and changes in operational emphasis by the seminary (less reliance on campus residency and increase in commuter related enrollment) may also have adverse impacts on several other campus buildings as well.

II. Qualification Factors



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Obsolescence

Certain properties – notably the NBTS properties, the convenience center at 4-44 Yorktown Shopping Center, and the JC Penney store are all single use properties designed for specific and unique uses that are not easily adapted to alternative uses– e.g., department store/anchor, retail strip center, and college campus/dormitory/institutional uses.

Several of the structures are currently underutilized or have fallen into disuse (for example, the convenience center and two NBTS buildings). The Westin Lombard Yorktown Center Hotel (Westin), although relatively new (commencing operations in 2007) has experienced substantial market challenges – both in the suburban hotel market as well as in utilization of restaurant and conference spaces. The facility’s economic performance is significantly below initial projections.

Potential restructuring options for the Westin property must include local resources, such as TIF, to address ongoing capital requirements. The hotel’s continued operation – due to its size and location – is an important part of the Yorktown market area. As a result, the special use function and design could prohibit an economical reuse of the property, which is a significant detriment to the surrounding properties in terms of market perception and valuation.

II. Qualification Factors



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Deterioration

Northern Baptist Theological Seminary

- Crumbling Concrete
- Water damage
- Chipped paint and damaged panels on the garage door.
- Crumbling asphalt and pot holes.
- Eroding sidewalks
- In need of tuck pointing
- Parking lots in need of resurfacing

747 E 22nd Street Office Building

- Cracked surface pavement
- Potholes
- Parking lots in need of resurfacing

Yorktown Convenience Center and JC Penney Area

- Surface cracking and crumbling pavement
- Potholes
- Gates and garage doors in need of repair (one entry is completely boarded up)
- Parking lots in need resurfacing/restriping

II. Qualification Factors



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Inadequate Utilities

Existing stormwater detention facilities – primarily north of Butterfield Road and adjacent to Maxant Drive – should be reviewed as to improvement of both retaining walls and surface drainage. Water has been observed, pursuant to Village reports, exiting the retaining walls at high water levels from the Westin basin into the adjacent NBTS property. Coordination relating to potential redevelopment at the NBTS site could also be required in order to provide for a more efficient and effective detention system. Sewers may also need to be upsized in order to conform to current Village standards and to the DuPage County Stormwater Ordinance.

Village owned water and sanitary sewer mains have also experienced breaks due to age and condition. It is likely that significant repair or reconstruction could be needed in the future in order to support area wide redevelopment. The need for coordination between a separate sanitary district and a wastewater authority could also impose an additional cost on redevelopment, as well as any requirements for multi-jurisdictional review.

II. Qualification Factors



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Lack of Community Planning

The RPA was developed in piecemeal fashion in the period from the 1960s to 2007 and includes several different uses that will require new coordination of potential land use relationships, street layout, and other development standards. The Village Comprehensive Plan emphasizes that a Complete Streets approach should incorporate the needs for pedestrians, bicyclists, transit users, motorists, and property owners.

Factors that indicate the lack of community planning and coordination include:

- Private utilities for the NBTS property
- NBTS disconnection from Village street network
- The Yorktown Center Planned Development (1966) did not include provisions for capital improvements for future capacity
- Lack of internal circulation
- Limited visibility from main roads
- Inadequate and inefficient access configuration
- Lack of bicycle and pedestrian safety precautions
- Traffic operational problems and concerns

These factors contribute to the lack of community planning and are a detriment to future redevelopment.

III. Key Elements of TIF Plan



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Base EAV: \$10,342,515 (Assumes 2016 EAV and divisions of parcels)

Projected EAV: Upon completion of redevelopment activities, approximately \$110,000,000 to \$115,000,000

Proposed TIF Budget: \$125,800,000 (see next slide)

Proposed Land Uses: Commercial, residential, institutional and mixed uses

Key “but for” finding: Redevelopment will not go forward without the TIF assistance

III. Key Elements of TIF Plan



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<u>Program Actions/Improvements</u>	<u>Estimated Costs</u>
Studies, surveys, development of plans, and specifications, implementation and administration of the redevelopment plan	\$13,000,000
Marketing Costs	200,000
Property Assembly Costs	22,700,000
Rehabilitation, reconstruction or repair or remodeling of existing public or private buildings, fixtures, and leasehold improvements; and the cost of replacing an existing public building	10,000,000
Public works or improvements	20,100,000
Costs of job training and retraining projects	500,000
Financing costs	13,300,000
Taxing district's capital costs	100,000
Statutory school district payments	42,000,000
Statutory library district payments	800,000
Relocation costs	100,000
Payments in lieu of taxes	100,000
Job training	500,000
Interest cost	2,000,000
Transfers to contiguous TIF District(s)	100,000
TOTAL ESTIMATED TIF BUDGET	\$125,800,000

III. Key Elements of TIF Plan



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Budget Guidelines

Overall budget cannot be exceeded

Budget must be sized to cover gross expenditures, not net expenditure (e.g., gross purchase price of property)

Line-items in budget are flexible

Covers 23 years; difficult to estimate with precision

Budget expenditures subject to:

- Village approvals
- Determination of appropriateness of costs
- Special TIF audit and review

IV. Next Steps



The Lilac Village

Public Hearing – September 21, 2017, at 7:00 p.m.,
as part of the regular Village Board meeting.

Consideration of TIF Ordinances for final approval –
October 19, 2017 at 7:00 p.m., as part of the
regular Village Board meeting.