

THIS IS NOT ABOUT OPPOSING DOWNTOWN ECONOMIC DEVELOPMENT

RATHER, it is simply asking whether tax increment financing is the proper, best and only way to subsidize downtown economic development.

AND, as stewards of school district property tax dollars, how should the Board of Education respond to this multi-million dollar TIF proposal on behalf of both the taxpayers whose dollars support the school district and future boards who will be financially impacted for years.

THE CITY'S CASE

THEORY: When TIFs were created in 1977 they were justified in “theory” at the time to be a panacea and win-win for everyone: business, city government, and eventually local taxing bodies. There would be no losers only happy winners because taxing bodies will also benefit from enhanced EAV growth. This “theory” has not held true for downtown Urbana.

Reality Check: False, it will take many of the local taxing bodies decades to recapture their lost property tax dollars.

NEED: Without TIF the city will have “no” financial tools to subsidize downtown development; and as a result, loose potential development projects.

*Reality Check: Half-truth, and feels like a scare tactic! **There are definitely alternatives to TIF.***

CITY GOALS & PLANS: Without TIF the city will not be able to implement elements of its 2008 Boneyard Creek Plan, 2012 Downtown Plan, Signage Plan, and Intergovernmental Agreements.

Reality Check: Half-truth and a sign of poor financial planning if various city goals were solely contingent upon funding from a yet to be approved and publicly discussed new TIF district.

HISTORICAL PERFORMANCE OF TIF IN DOWNTOWN URBANA?

1. \$34,495,429 TIF 1 & 2 dollars collected by the city (pg. 4)
2. \$18,213,429 of those dollars were USD #116 property tax dollars (pg. 4)
3. \$2,651,696 (est.) has been returned to the school district in the form of surplus payments, vocational training, and miscellaneous other qualifying TIF school projects (pgs. 8 & 10)
4. The last six years 70% of TIF dollars were spent on non-direct economic development expenditures and 30% on subsidies to businesses (pg. 7)
5. EAV growth resulting from new downtown business development has been disappointing (pg. 5)
6. It will take decades for local taxing bodies, including the school district to recapture their property tax dollars (pgs. 4, 9 & 11)
7. Thousands of TIF dollars are no longer used to directly address “blight”, but rather for a variety of city purposes and marginal needs. (Art, festivals, several staff salaries, public building renovations, marketing, studies, etc.)

HOW SHOULD THIS PERFORMANCE HISTORY INFORM THE USD #116 BOARD'S POSITION REGARDING A NEW CENTRAL TIF?

- ❖ Downtown business development generated by thirty-five years of TIF has been disappointing and meager. **Why would a new TIF as implemented by the city perform any differently?**
- ❖ There is very little USD #116 property and no schools located in the new central TIF. The ability to access some portion of TIF dollars to benefit children and schools will be difficult if not impossible. **Should this be a key consideration of the Board?**
- ❖ TIFs are long-term commitments with no out-clause for the school district. **Isn't this a bit lopsided in favor of the city? Is this really a fair and reasonable request on the part of the city? Why would this Board support a such lengthy commitment of 23 or 35 years?**
- ❖ TIFs divert millions of property tax dollars from the school district. **As stewards of these tax dollars, knowing what you know, would the taxpaying public actually support diverting school district dollars once again to a new downtown TIF?**

AN ALTERNATIVE CITY FUNDED ECONOMIC DEVELOPMENT FUND

- ✓ By creating an economic development fund, the city would self-fund its own economic development activities through the recapturing of its own property tax dollars that have or would have been allocated to TIF districts located throughout the city.
- ✓ The funds would be used exclusively as a financial tool for subsidizing economic development.
- ✓ This would have minimum impact on city revenue generated dollars. The city's TIF contributions would simply now be earmarked "*economic development fund dollars*" rather than TIF dollars.
- ✓ The fund would provide the city with several hundred thousand dollars each year and up \$13,000,000 over 23 years for economic development and infrastructure needs.
- ✓ There would be many ancillary benefits to taxing bodies and the community as a whole.

ADVANTAGES OF CITY FUNDED ECONOMIC DEVELOPMENT

1. Provides an adequate pool of money for the city to use for economic subsidies.
2. Places the responsibility for economic development where it legally and logically belongs - the city, not schools, parks, or health districts.
3. Restores the intent and stability of the local property tax structure and process.
4. No longer diverts vital property taxes needed by local taxing bodies to provide their important programs and services to the community.
5. Eliminates the high risk to local taxing bodies of losing their property tax dollars if inadequate EAV growth occurs upon TIF termination.
6. Benefits to local taxing bodies will be *immediate and long-term*. They will not have wait 25 years to access their property taxes.
7. Eliminates the entire bureaucracy of TIF administration, bookkeeping, regulatory rules, and annual reporting.

ADVANTAGES CONTINUED:

8. Is extremely focused – targets only subsidizing downtown economic development.
9. Provides greater flexibility to the city to work with a variety of developers and tailoring subsidies.
10. Puts in place a process of economic development that is more understandable and transparent to the public.
11. Provides for easier tracking of investment performance over time.
12. Holds the city more accountable – public can clearly see what the city is doing with their tax dollars.
13. Eliminates future questionable and marginal TIF allocations that do not increase EAV or match the original intent of TIF to reduce blight.
14. Eliminates the unfairness, inequities and the discretionary nature of how some taxing bodies gain access to their TIF property tax dollars and others do not.

A FINAL OBSERVATION & CONCERN

The city is promoting a new downtown TIF in part as a need to subsidize the new TWG apartment development on Vine Street. This is city owned property in a highly desirable area for business. The project is estimated to be valued at \$30 million dollars. If the project proceeds as planned, it could become a reality by 2019.

If a new downtown TIF is approved this year local taxing bodies would not benefit from the EAV growth of this single project until 2040 or if extended to 2053.

WHAT ARE THE FINANCIAL IMPLICATIONS OF THIS SINGLE PROJECT IF TIF FUNDED?

Using 2014 tax rates:

$1/3 \text{ of } \$30,000,000 = \$10,000,000 \times .106011 = \$1,060,110 \text{ new annual city revenue}$

$\$1,060,110 \times 21 \text{ remaining TIF years (2040)} = \$22,260,000 \text{ total monies collected by city}$

DIVERTED LOCAL PROPERTY TAX DOLLARS

	Annually	Life of TIF
USD #116	\$586,370	\$12,313,770
Park District	\$120,130	\$ 2,522,730
Champaign County	\$ 86,360	\$ 1,813,560
Parkland College	\$ 52,590	\$ 1,104,390
CUMTD	\$ 32,820	\$ 689,220
Cunningham Town..	\$ 24,880	\$ 552,480
C-U Public Health	\$ 12,900	\$ 270,900
Forest Preserve	\$ 9,440	\$ 198,240
City of Urbana	\$134,620	\$ 2,827,020

CAN THE CITY AFFORD TO SELF-FUND THIS PROJECT? – ABSOLUTELY YES!

There are many ways. The city, as an example, could negotiate the purchase of the property and abate city property taxes for ten years (\$1,346,200) without imposing upon the revenue benefit DUE other taxing bodies by the tax code.