# Agenda

# East Village Growth Cell TIF Advisory Committee

# August 18, 2020

# 6 PM

# Gateway Building – 2nd Floor

1. Roll Call
2. Approval of Minutes
3. Update on the East Village TIF finances
4. Update on the East Village Housing Program
5. Update on appointments to the Committee
6. Presentation by Councilman Kelly on a proposed modification to the TIF boundary
7. New Business
8. Citizens Opportunity to Address the Committee
9. Adjournment

**NOTE: Due to the COVID-19 Public Health Emergency, everyone attending the meeting will be required to wear a face covering when not speaking. Public attendance may be limited based on safe spacing requirements. Everyone attending the meeting will receive a temperature check when entering the building.**

TO: East Village Growth Cell TIF Advisory Committee

FROM: Ross Black, Community Development Director

DATE: August 6, 2020

SUBJECT: **UPDATE ON THE EAST VILLAGE TIF**

Please find following a summary of the current status of the East Village TIF.

1. The TIF continues to create increment. A total increment of $380,692 is projected for 2020.
2. Because of the general decrease in the assessed value of properties within the TIF, very few parcels are contributing to the TIF. For 2020, only 276 out of 2,500 parcels are paying into the TIF.
3. Of the contributing parcels, there are a small group that create significant increment. These parcels are listed below.

| PIN | Owner / Business | Estimated Increment |
|---|---|---|
| 18 04 256 045 | OSF | $54,000 |
| 18 04 478 004 | Obid & Issacs | $37,000 |
| 18 04 403 012 | OSF | $28,000 |
| 18 04 252 008 | Penn Terrace Apartments | $27,000 |
| 18 04 178 052 | Car Wash | $22,000 |
| 18 04 128 036 | Burger King | $21,000 |
| 18 04 428 016 | OSF | $18,000 |
| 18 04 281 019 | OSF | $15,000 |
| 18 04 260 023 | OSF | $12,000 |
| 14 33 332 035 | McDonalds | $12,000 |

4. The Starbucks that is currently under construction on Knoxville will create a positive increment stream when fully assessed.
5. Attached to this memo is the summary sheet for the TIF and details on the obligations carried over from 2019 into 2020.

**City of Peoria**
**East Village Growth Cell TIF (Fund 419)**
**(Originated - 2011; Expires - 2034)**

| | 2017 Actual | 2018 Actual | 2019 Actual | 2020 Budget | 2021 Projected | 2022 Projected | 2023 Projected | 2024 Projected | 2025 Projected | 2026 Projected | 2027 Projected | 2028 Projected |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Beginning Unrestricted Fund Balance** | 244,859 | 376,401 | 581,499 | 748,207 | 264,943 | 365,320 | 418,818 | 448,851 | 464,882 | 481,678 | 499,139 | 517,332 |
| Obligations at 12/31 | | | | (522,305) | | | | | | | | |
| **Available Fund Balance** | 244,859 | 376,401 | 581,499 | 225,902 | 264,943 | 365,320 | 418,818 | 448,851 | 464,882 | 481,678 | 499,139 | 517,332 |
| REVENUES: | | | | | | | | | | | | |
| East Village Growth Cell TIF Property Taxes | 330,940 | 349,457 | 366,157 | 380,692 | 376,885 | 382,538 | 388,276 | 401,866 | 415,931 | 430,489 | 445,556 | 461,151 |
| Interest (see Note 1) | 6,494 | 13,175 | 18,415 | 7,500 | 7,500 | 7,500 | 7,500 | | | | | |
| Other | - | 341 | 339 | - | - | - | - | - | - | - | - | - |
| TOTAL REVENUES | 337,434 | 362,973 | 384,911 | 388,192 | 384,385 | 390,038 | 395,776 | 401,866 | 415,931 | 430,489 | 445,556 | 461,151 |
| OTHER FINANCING SOURCES: | | | | | | | | | | | | |
| Bond Proceeds | - | - | - | - | - | - | - | - | - | - | - | - |
| TOTAL REVENUE & OTHER FINANCING SOURCES | 337,434 | 362,973 | 384,911 | 388,192 | 384,385 | 390,038 | 395,776 | 401,866 | 415,931 | 430,489 | 445,556 | 461,151 |
| EXPENDITURES: | | | | | | | | | | | | |
| Capital Expenditures: | - | | | | - | - | - | - | - | - | - | - |
| East Bluff Housing Program | 84,466 | | 48,400 | 112,951 | 132,471 | 182,660 | 209,409 | 224,425 | 232,441 | 240,839 | 249,570 | 258,666 |
| Obed & Issacs | | | | | | | | | | | | |
| East Village TIF Façade Imp Program | 5,000 | | | | | | | | | | | |
| Demoliton | | 24,480 | | 72,000 | | | | | | | | |
| Peoria Opportunities Foundation | | | | | | | | | | | | |
| Bond Issuance Costs | - | - | - | - | - | - | - | - | - | - | - | - |
| Reimbursement of TIF Eligible Costs | 115,927 | 123,116 | 154,057 | 126,900 | 128,800 | 130,700 | 132,700 | 137,300 | 142,100 | 147,100 | 152,200 | 157,500 |
| Audit & Continuing Disclosure Fees | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 513 | 525 | 538 | 552 | 566 |
| Disbursement to Other Taxing Bodies | - | - | - | - | - | - | - | - | - | - | - | - |
| Microloan and Financial Services Organization Start-up | | | | 5,000 | | | | | | | | |
| Other Contractual Costs | | | | 10,000 | | | | | | | | |
| Econcomic Development salaries | | 9,779 | 15,245 | 21,800 | 22,236 | 22,681 | 23,134 | 23,597 | 24,069 | 24,550 | 25,041 | 25,542 |
| TOTAL EXPENDITURES | 205,892 | 157,875 | 218,202 | 349,151 | 284,007 | 336,541 | 365,743 | 385,835 | 399,135 | 413,028 | 427,363 | 442,274 |
| DEBT | - | - | - | - | - | - | - | - | - | - | - | - |
| TRANSFER TO OTHER FUNDS | - | - | - | - | - | - | - | - | - | - | - | - |
| **ENDING FUND BALANCE** | 376,401 | 581,499 | 748,207 | 264,943 | 365,320 | 418,818 | 448,851 | 464,882 | 481,678 | 499,139 | 517,332 | 536,209 |

East Village Growth Cell TIF
Obligations
December 31, 2019

| Project Number | Description | Obligation 12/31/2019 | | Balance 12/31/2018 | 2019 Increase BA Needed | 2019 Expenditures | Balance 12/31/2019 |
|---|---|---|---|---|---|---|---|
| M1607 | E. Village Housing Program | $ 187,305.46 | E. Village Housing Program | $216,810.22 | $ 18,895.00 | $ 48,399.76 | $187,305.46 |
| D1703 | East Village Façade Improvement | $ 15,000.00 | | | | | |
| D1803 | East Village Façade Improvement | $ 10,000.00 | | | | | |
| D1813 | East Village TIF Peoria Opp RDA | $ 300,000.00 | | | | | |
| D1906 | East Village Façade Improvement | $ 10,000.00 | | | | | |

## EAST VILLAGE TIF PROPERT TAX INCREMENT

| Parcel Number | COLLECTED IN 2020 TIF Base Value | 2019 | 2019 Increment | | |
|---|---|---|---|---|---|
| Column1 | Column29 | Column30 | Column31 | Column32 | Column33 |
| 18-04-256-045 | $ 1,428,980 | $ 1,979,020 | $ 550,040 | OSF | $ 53,904 |
| 18-04-478-004 | $ 183,840 | $ 555,710 | $ 371,870 | Obid | $ 36,443 |
| 18-04-403-012 | $ - | $ 285,670 | $ 285,670 | OSF | $ 27,996 |
| 18-04-252-008 | $ 528,330 | $ 806,960 | $ 278,630 | Penn Terr | $ 27,306 |
| 18-04-178-052 | $ 96,200 | $ 323,940 | $ 227,740 | Car Wash | $ 22,319 |
| 18-04-128-036 | $ 90,700 | $ 303,210 | $ 212,510 | Burger King | $ 20,826 |
| 18-04-428-016 | $ 6,880 | $ 186,220 | $ 179,340 | OSF | $ 17,575 |
| 18-04-281-019 | $ 154,840 | $ 308,400 | $ 153,560 | OSF | $ 15,049 |
| 18-04-260-023 | $ 287,000 | $ 414,500 | $ 127,500 | OSF | $ 12,495 |
| 14-33-332-035 | $ 189,200 | $ 312,180 | $ 122,980 | McDonalds | $ 12,052 |
| 18-09-228-001 | $ 260,100 | $ 335,140 | $ 75,040 | | $ 7,354 |
| 18-04-178-039 | $ - | $ 47,410 | $ 47,410 | | $ 4,646 |
| 18-04-403-011 | $ - | $ 47,100 | $ 47,100 | | $ 4,616 |
| 18-04-401-008 | $ - | $ 44,540 | $ 44,540 | | $ 4,365 |
| 18-04-178-029 | $ 73,850 | $ 117,270 | $ 43,420 | | $ 4,255 |
| 18-03-107-017 | $ 116,580 | $ 155,660 | $ 39,080 | | $ 3,830 |
| 14-33-483-032 | $ - | $ 38,140 | $ 38,140 | | $ 3,738 |
| 18-04-401-009 | $ - | $ 36,870 | $ 36,870 | | $ 3,613 |
| 18-04-403-010 | $ 25,530 | $ 61,830 | $ 36,300 | | $ 3,557 |
| 18-03-353-009 | $ - | $ 34,950 | $ 34,950 | | $ 3,425 |
| 18-03-351-001 | $ 523,150 | $ 556,640 | $ 33,490 | | $ 3,282 |
| 18-04-282-002 | $ 297,510 | $ 328,480 | $ 30,970 | | $ 3,035 |
| 14-34-378-004 | $ - | $ 29,590 | $ 29,590 | | $ 2,900 |
| 18-04-202-033 | $ - | $ 28,470 | $ 28,470 | | $ 2,790 |
| 14-33-453-032 | $ 2,520 | $ 30,960 | $ 28,440 | | $ 2,787 |
| 18-04-277-021 | $ 740 | $ 28,530 | $ 27,790 | | $ 2,723 |
| 18-04-231-025 | $ 2,240 | $ 28,810 | $ 26,570 | | $ 2,604 |
| 18-04-232-016 | $ 2,340 | $ 28,870 | $ 26,530 | | $ 2,600 |
| 18-04-227-031 | $ 2,500 | $ 28,990 | $ 26,490 | | $ 2,596 |
| 18-04-227-033 | $ 3,660 | $ 28,820 | $ 25,160 | | $ 2,466 |
| 18-04-278-025 | $ 4,510 | $ 28,740 | $ 24,230 | | $ 2,375 |
| 14-33-328-003 | $ 26,760 | $ 48,310 | $ 21,550 | | $ 2,112 |
| 18-03-104-034 | $ 3,060 | $ 24,520 | $ 21,460 | | $ 2,103 |
| 18-04-210-032 | $ 8,000 | $ 28,990 | $ 20,990 | | $ 2,057 |
| 18-03-101-018 | $ 3,040 | $ 24,020 | $ 20,980 | | $ 2,056 |
| 18-03-101-021 | $ 3,040 | $ 24,020 | $ 20,980 | | $ 2,056 |
| 18-03-101-020 | $ 3,040 | $ 23,080 | $ 20,040 | | $ 1,964 |
| 18-03-104-051 | $ 3,270 | $ 23,000 | $ 19,730 | | $ 1,934 |
| 18-03-104-033 | $ 10,630 | $ 30,120 | $ 19,490 | | $ 1,910 |
| 18-03-104-056 | $ 4,100 | $ 23,390 | $ 19,290 | | $ 1,890 |
| 14-34-357-010 | $ - | $ 18,670 | $ 18,670 | | $ 1,830 |
| 14-34-358-009 | $ 2,970 | $ 21,050 | $ 18,080 | | $ 1,772 |
| 18-04-260-022 | $ - | $ 16,790 | $ 16,790 | | $ 1,645 |
| 14-33-406-035 | $ 2,150 | $ 18,630 | $ 16,480 | | $ 1,615 |
| 18-03-101-019 | $ 3,040 | $ 19,020 | $ 15,980 | | $ 1,566 |

TO: East Village Growth Cell TIF Advisory Committee

FROM: Ross Black, Community Development Director

DATE: August 6, 2020

SUBJECT: **UPDATE ON THE EAST VILLAGE TIF HOUSING PROGRAM**

Please find following a summary of the current status of the East Village TIF Housing Program.

1. Projects that started in 2019 and been recently completed.
    a. 117 E Frye (driveway & garage work)
    b. 617 E Thursh (driveway)
    c. 202 E Arcadia (roof)
    d. 809 E Behrends (fencing)
    e. 1512 N indiana (roof)
2. Project that started in 2020 and was recently completed.
    a. 1808 N Delaware (roof)
3. Project currently underway.
    a. 411 E Archer (roof)
4. Project approved to start.
    a. 1011 NE Glen Oak (gutters)
5. Applications under review.
    a. Eleven (11) owner-occupied applications are waiting for additional documentation.
    b. Nine (9) non-owner-occupied applications are waiting for additional documentation.

TO: East Village Growth Cell TIF Advisory Committee

FROM: Ross Black, Community Development Director

DATE: August 6, 2020

SUBJECT: **UPDATE ON THE EAST VILLAGE TIF MEMBERSHIP**

The East Village Growth Cell Advisory Committee was created on November 23, 2010. The membership was established as follows.

- Two (2) members appointed by the City of Peoria.
- One (1) member appointed by Peoria County.
- One (1) member appointed by School District 150.
- Two (2) members appointed by OSF.
- Three (3) members at large as follows; one (1) resident or business owner from each of the three council districts within the TIF. These members shall be appointed by the mayor.

The committee members serve until replaced. However, the terms of all the current members have expired. As such, the recommendation from City staff is for all of the appointing bodies to reappoint or appoint new committee members with an effective date of January 1, 2021.

Attached to this memo is the charter for the committee. The current committee members and any potential future members should review this charter with a focus on the Purpose of the committee.

# East Village Growth Cell Committee Project Charter November 23, 2010

Exhibit A

## I. Title and Authority

This Committee shall hereby be referred to as the "East Village Growth Cell Committee" and is established by the Mayor and Council of the City of Peoria, Illinois, ("City") as a Tax Increment Economic Development Advisory Committee as such term is defined in and in accordance with the Tax Increment Allocation Financing Act, 65 ILCS 5/11-74.4-1, *et. seq.* ("Act"). The Committee shall only serve in an advisory capacity to the City Council.

## II. Purpose

The Committee has been formed for the purpose of:

- Facilitating the orderly growth and development of the East Village Growth Cell ("EVGC") as depicted in the attached map;
- Promoting consistent land uses among property owners within the EVGC;
- Identify and help provide needed services to residents and visitors to the EVGC;
- Promote job creation within the EVGC;
- Increase the property tax base within the EVGC;
- Promote and publicize development or redevelopment opportunities in the EVGC through marketing and other promotion activities; and
- Review any requests for financial assistance from private property owners to determine eligibility for any financial assistance from the sources available in the EVGC.

## III. Membership

The Committee shall consist of members selected as follows:

Two (2) Members of the City of Peoria

One (1) Member of the County of Peoria

One (1) Representative of School District 150

Two (2) Members of OSF St. Francis Medical Center

Three (3) Members at large, one resident or business owner from each Council District within the EVGC

## IV. Membership Governance

A. Term
B. Each member shall serve until reappointment by their appointing body. Selection of members

Each member shall be selected by the body s/he represents in any manner deemed appropriate by such body. Should a vacancy occur for any position, the governing board of the applicable body shall determine the manner of replacement.

The members at large shall be appointed by the Mayor of the City.

Once established, the members shall vote to determine a Chairperson who shall preside until replaced by a majority vote of all members.

C. Removal of members

By a majority vote, the Committee may remove any member for cause, including but not limited to: absence from meetings; failure to carry out the purposes of the Committee; breach of confidentiality; conflict of interest or other reasonable cause.

## V. Responsibilities of Members

A. Ordinary Meetings

Ordinary Meetings of the Committee shall be held at least bi-monthly with a minimum of six meetings per annum.

B. Special Meetings

At least two (2) members from different membership body of the Committee may call special Meetings at any time.

C. Notice of meetings

A notice of the meeting is to be provided to each Committee member in writing or via e-mail, setting out the date, time and place of the meeting; and be accompanied by an agenda for the meeting.

The Committee shall resolve by majority the date, time and place of meetings.

The agenda for Ordinary Meetings and Special Meetings of the Committee shall be forwarded to members of the Committee at least three (3) business days prior to meetings.

A copy of the notice of meeting, agenda and accompanying reports shall be placed on public exhibition at City Hall as soon as practicable after the time that the notice of the meeting is given to members of the Committee.

D. Minutes

Minutes shall be kept of all meetings of the Committee by such person as designated by the Chairperson, and such minutes shall be provided to the City. Each Committee member shall receive a copy of the minutes within five (5) days of the meeting of the Committee. The minutes shall be confirmed at the next regular meeting with or without amendments. One (1) copy of all minutes shall be supplied to the Council before its next meeting following that of the Committee. A copy of the minutes shall be placed on public exhibition at City Hall within five (5) days of the meeting of the Committee.

E. **Presiding Member**

The Chairman shall preside at all meetings of the Committee at which he/she is present and in his/her absence a member of the Committee, elected by the members present, shall preside.

F. **Quorum**

A quorum for the Committee shall constitute half the membership, ignoring any fraction from the division, plus one (1).

G. **Meeting Procedure**

The procedures and protocols to be observed at the Committee meetings shall be as provided in Robert's Rules of Order for small committees unless inconsistent with this Charter, in which chase this Charter shall control.

## VI. <u>Voting</u>

A. A question arising for decision at a meeting of the Committee will be decided by a majority of the votes cast by the members present at the meeting and entitled to vote on the question. Present shall be defined as by proxy or telephonically.

B. Each member of the Committee present at any meeting shall have one vote on any matter.

C. Each member present at a meeting of the Committee must vote on all questions arising for a decision at that meeting.

D. Voting by Proxy is allowed provided such proxy nomination is submitted to the Chairman in writing prior to the meeting.

## VII. <u>Miscellaneous</u>

A. **Budget**

The Committee shall create an annual budget and submit same to the City for approval prior to the end of any calendar year for the following year. Such budget shall include the reasonable expenses of the Committee for operating expenses, marketing and other activities in conjunction with the fulfillment of the purpose of the Committee.

B. **Liability**

No civil liability attaches to a member of the Committee for an honest act or omission in the exercise, performance or discharge, or purported exercise, performance or discharge, of the member's or Committee's powers, functions or duties.

C. **Dissolution/Alteration**

The Committee may voluntarily dissolve at any time with City Council approval or may be dissolved at any time upon vote of the City Council.

The Council may, at any time, either on its own initiative or at the request of the Committee, alter, delete, or add to any provisions of this charter.

## VIII. Adoption

These are the functions and rules of the East Village Growth Cell Committee and have been approved by the Council, by resolution passed on ________________.

TO: East Village Growth Cell TIF Advisory Committee

FROM: Ross Black, Community Development Director

DATE: August 6, 2020

SUBJECT: **UPDATE ON THE EAST VILLAGE TIF PROPOSED BOUNDARY CHANGE**

This memo will provide some background on the proposal from Councilman Kelly to modify the boundary of the East Village TIF.

- The State allows for the creation of areas of "Urban Decay" for the purpose of allowing property tax abatement in specific situations.
- The tax abatement would be for a period of ten (10) years on all property taxes from all taxing bodies on newly constructed owner-occupied single family and duplex structures.
- Attached to this memo is a communication from the City Legal Department that provides more background on the State law.
- There are difficulties with overlapping TIF and Urban Decay areas. As such, the proposal from Councilman Kelly is to remove a portion of the East Village TIF in order to add it into an Urban Decay area. The proposed area is entirely within the Near Northside neighborhood. A map is attached to this memo showing the outline of the proposed area.

## MEMORANDUM

TO: PATRICK URICH, CITY MANAGER

CC: JOHN KELLY, COUNCIL MEMBER

FROM: CHRISSIE PETERSON, SENIOR ATTORNEY

RE: TAX ABATEMENT PROCEDURE

DATE: January 21, 2020

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**Summary of Statute:**

- Urban Decay Housing Abatement—Home rule municipalities can abate any percentage of property taxes in an area of urban decay for up to 10 years for newly constructed single-family or duplex residential dwellings. The abatement applies only if the owner of the residence or duplex lives in the property (applies to subsequent owners if sold). During the last four years of the abatement period, the abatement is phased out by 20 percent annually. The abatement applies to the taxes levied by all taxing districts, but the taxing districts have a right to be represented on a board that reports to the municipality before the ordinance is adopted. All eligible property receives the same percentage abatement. The total annual abatement for all properties cannot exceed 2 percent of the total tax levies of all taxing districts on residential property of six units or less. (35 ILCS 200/18-180)

**Length of Abatement:**

- A home-rule municipality can adopt the ordinance requiring the county clerk to abate, for up to 10 years, any percentage of the real property taxes by all taxing districts on newly constructed homes and duplexes.
  - This gives the City the ability to abate taxes from other taxing districts.
  - The 10 year period is the ***maximum***, but the City can set otherwise.

- Councilman Kelly suggested that the 10 year period was a rolling period that begins when each property applies. I believe a more accurate reading of the statute is a 10 year period from the time the ordinance is adopted.
  - The statute is specifically limited to home-rule communities. It is a grant of power and would detail a rolling deadline if it intended to allow it.
  - Read in conjunction with other tax abatement/rebate statutes, the time periods are a maximum for the districts/areas certified, not individually applied.
  - Alton, IL adopted an Urban decay tax abatement and specifically limited it to a 10 year maximum from the date the ordinance was adopted.(Alton Municipal Code Section 1-15-3).

## Amount of Abatement:

- The City can determine the percentage of taxes to be abated, it does not have to abate 100%.
- The percentage of abatement must be uniformly applied to all properties.
- Any abatement granted shall be reduced in 20% increments annually during the last 4 years of the abatement period of the property.
    - If the abatement were adopted at 100% in 2020, an example abatement could look as follows over the course of 10 years:
        - 2020: 100%
        - 2021: 100%
        - 2022: 100%
        - 2023: 100%
        - 2024: 100%
        - 2025: 100%
        - 2026: 80%
        - 2027: 60%
        - 2028: 40%
        - 2029: 20%
        - 2030: 0%

## Defining the Area:

- The tax abatement only applies to an area of urban decay. Urban decay is specifically defined as an area that meets the definition of blighted area under the TIF.
    - If Improved, 5 or more of the following must be present and reasonably distributed:
        - Dilapidation
        - Obsolescence
        - Deteriroiation
        - Presence of structures below code
        - Illegal use of structures
        - Excessive vacancies
        - Lack of ventilation, light of sanitary facilities
        - Inadequate utilities
        - Excessive land coverage and overcrowding
        - Deleterious land use or layout
        - Environmental cleanup
        - Lack of Community planning
        - EAV declined for 3/5 years
    - If vacant, 2 or more present and reasonably distributed:
        - Obsolete platting
        - Diversity of ownership
        - Tax and special assessment delinquencies
        - Deterioriation

- Environmental clean up
- EAV declined for 3/5 years

**Review Board:**

- The City must notify the other taxing districts before they can adopt the abatement ordinance.
- The City must convene an abatement review board to review the terms and conditions of the ordinance, with a member of each taxing district represented. Could convene and designate the existing Joint Review Board.
- The board must report its findings to the council not later than 30 days after its convened.
- The ordinance cannot be adopted less than 45 days after the review board is convened.

**Next Steps:**

- Define area/map.
  - Detailed listing of all parcels with EAV.
  - Review all parcels/area for TIF criteria
  - City staff will have to render opinions on whether criteria are met.
- If criteria are met, draft ordinance designating outlined area as an Urban Decay Abatement area.
  - First reading at council.
  - Notice to all taxing bodies.
  - Convene meeting of the joint review board.
- Review Board reports findings to council within 30 days of meeting.
- Council can adopt ordinance 45 days from review board meeting.

(35 ILCS 200/18-180)

Sec. 18-180. Abatement; urban decay.

(a) Except as provided below, a home rule municipality upon adoption of an ordinance by majority vote of its governing authority, may order the county clerk to abate, for a period not to exceed 10 years, any percentage of the taxes levied by the municipality and any other taxing district on each parcel of property located in an area of urban decay within the corporate limits of the municipality and upon which a newly constructed single-family or duplex residential dwelling unit is located, except that the total abatement for any levy year shall not be in an amount in excess of 2% of the taxes extended by all taxing districts on all parcels located within the township that contain residential dwelling units of 6 units or less. An abatement adopted under this Section shall be extended to all subsequent owners of an eligible property during the abatement period. The ordinance shall provide that the same percentage abatement of taxes shall apply to all eligible property subject to the abatement ordinance, except that any abatement granted for any parcel that is within a redevelopment area created under Division 74.4 of Article 11 of the Illinois Municipal Code at the time the ordinance is adopted shall not exceed the amount of taxes allocable to taxing districts. No abatement adopted under this Section shall apply to a parcel of property if the owner does not live in the single-family or one of the duplex residential units. Before final adoption of an abatement ordinance under this Section, the governing authority of the home rule municipality shall notify by mail each affected taxing district of the pending ordinance. This Section does not apply to property annexed by a municipality after January 1, 1989.

(b) The governing authority of each affected taxing district shall within 10 days appoint one member to serve on an Abatement Review Board to review the terms and conditions of the proposed abatement ordinance. The Board shall be convened by the mayor or village president of the municipality considering the abatement ordinance. The ordinance shall not be adopted less than 45 days after the Board is convened. Failure to appoint a member to the Board does not affect work of the Board. The Board shall report the findings and conclusions to the governing authority of the municipality not later than 30 days after it is convened.

(c) Any abatement granted under this Section shall be reduced in 20% increments annually during the last 4 years of the abatement period for the property.

(d) For purposes of this Section:

(1) "Area of urban decay" means an area demonstrating conditions of a "blighted area" or "conservation area" as defined by Section 11-74.4-3 of the Illinois Municipal Code, notwithstanding the minimum acreage requirement contained in the definition of a "redevelopment project area" under that Section. Qualifying factors of blight or conservation shall be defined as those present within the year prior to adoption of the ordinance designating the area of urban decay.

(2) "Duplex" means a 2 family residence that is not more than 2 stories plus a basement in height and is located on a single parcel of property.

(3) "Newly constructed" means constructed and ready for occupancy not earlier than one year before the date the municipality first orders the abatement for the parcel under this Section.

(Source: P.A. 87-1189; 88-455.)

# Tax Abatement

The tax abatement proposal that I've been advocating would be a great help in revitalizing, recapitalizing, and, most important, repopulating our city's more challenged neighborhoods. As the assessed value and the population of these neighborhoods continues to decline, crime, deterioration and hopelessness rise. Below you'll find answers to your questions about it. Unlike TIF, it truly changes the economics of these neighborhoods for the better. Please have a look.

## What is tax abatement?

Tax abatement is a program that rebuilds cities without any public money, and usually with little or no additional administration. Under such a program, if it is residential, when a person builds anything newly taxable, from a new house, to rehabbing an older one, that new improvement is not taxed, or is taxed less, for a specified number of years. What was there before the new investment occurred remains taxable, so there is no loss of tax revenue to taxing bodies during the abatement period, and usually there is an increase, the reasons for which are covered below. Only the new improvements enjoy the abatement.

Existing standard rules continue to apply in the tax abatement area, including zoning rules, building codes, permitting fees, etc. The only change is that the economics of the abatement area are improved significantly. Taxes on a newly constructed building or improvement will not be charged, that is, they will be abated, for a certain number of years.

Tax abatement can apply, depending on state statute, to residential property, as is being proposed in Peoria, and/or commercial and/or industrial property.

## What does the Illinois residential tax abatement statute allow?

Our state's statute is more restrictive than the above. Currently, it can apply only to a brand-new, owner-occupied, single-family home, although that home can be a townhouse/rowhouse type. No condos or rehabs are included, although our Springfield delegation has introduced bills that would allow rehabs to receive this benefit. The period of abatement for a given property can be no more than ten years, allowing a 100% abatement for the first six years, and over the next four years it would be reduced 20% per year, i.e.: 80% abatement in year 7, 60% in year 8, 40% in year 9, and 20% abatement in year 10. After ten years, the new house becomes fully taxable.

Furthermore, an abatement area must be an area that is showing economic distress, just as a TIF district must, in order to qualify.

There are also procedures that must be followed once a city decides to embark on the process. First, the city council must formally say that it is interested enough to begin. The areas to be included in the district must be defined and qualified. (This has already been done In Peoria.) Then a committee consisting of all the taxing bodies that tax the area must be convened and informed of the proposed plan. The committee's agreement is not necessary, but any of their comments or objections can eventually be taken into account by the city council. This required committee already exists in Peoria – the Joint Review Board (JRB) that came about through the TIF programs.

So, at this point, the only burden the staff would bear if our Council agreed that it is interested, would be to convene the JRB, which happens from time to time anyway, in accordance with a similar requirement in the TIF statute.

Then, at least 45 days after the JRB meeting, the city council may vote to bring the proposed real estate tax abatement program into existence. The County Clerk is informed and must adjust county taxing systems to accommodate the program.

### What is the result of tax abatement on declining areas?

The evidence for success, as far as our staff's and my own research show, is quite overwhelming. We have not been able to find an instance where general tax abatement has not resulted in significant growth in both the number of building permits issued and in those permits' dollar value.

Selective tax abatements, like those offered to a single company that is considering relocating to a given city, have a very mixed record. I am not in favor of such benefits. General tax abatement has been good policy in other cities, encouraging capital investment and repopulation. This seems to be especially true in more challenged neighborhoods. And as it takes hold, the locational value of that neighborhood begins to rise, oftentimes for the first time in decades.

In Philadelphia, which has employed tax abatement citywide since 2000, 25% of new, tax-abated dwellings built are classified as Affordable Housing or Workforce Housing. Since the Peoria proposal only allows tax abatement in our challenged neighborhoods, we should expect a much higher percentage, at no cost to city taxpayers or taxpayers elsewhere. And, since the implementation of their tax abatement program, through March of 2017, overall homebuilding activity in Philadelphia had increased 376%, while in Philly's suburbs, which used to outperform the city, it declined by an average of 11.25%, a reversal sorely needed here. (The Philadelphia report was part of Ross Black's research, presented at last year's affordable housing policy session.)

In Peoria itself, the City Council passed an Enterprise Zone tax abatement in 1987. This was only for commercial/industrial properties, not residential, but it still strongly makes the case. As the program was undertaken, Peoria's Enterprise Zone consisted of the entire commercial/industrial riverfront, excepting most of downtown. The program was slowly killed, starting in 1991. But in the three and a half years it existed in full force, monthly building permits were up 42%, and the dollar value of those permits was up 1,008%, ten-fold! Again, with no public funding or administration. The amount of new, private investment in this formerly declining area amounted to $122 million. I wish there had been a job count, but you can imagine that the number of permanent jobs created was substantial and the wage rates high.

There are other examples, of course. And, as stated above, none of them are negative.

### Which residential areas of the city are proposed as tax abatement areas?

These areas are: The North Valley to Abington, Averyville and The South Side, west of Western Avenue. The northeastern part of the South Side, between MacArthur and Western could not be included because it is in the South Village TIF.

### What about gentrification?

People might be concerned about "rich people" displacing "poor people." But today, there is a severe shortage of people in these neighborhoods. For instance, the South Side, sixty years ago, was home to over fifty thousand people. Today, I'm told, only about fourteen thousand Peorians live there. So, if tax abatement attracted about thirty-six thousand new South Side residents, gentrification might become a problem. But the results of such a vibrant revitalization would not only be more people and enormous recapitalization, today's problems would no longer exist. I don't believe residents at that time would want to go back to the "good old days" of 2020. Tax abatement works, but I do not think it likely that it will bring us to the point that poor people are going to be pushed out of these neighborhoods. In fact, tax abatement tends to encourage mixed neighborhoods much more than current redevelopment policies, including TIFs, do.

### How does Tax Abatement create new revenue for taxing bodies while new construction is being abated?

One might think that real estate tax revenue coming from a tax abatement area would be frozen (or even decline, as is the case with many TIFs) during the abatement period. Typically, this does not happen. The reason is that the land value tends to rise, especially in challenged neighborhoods, as new construction takes hold, and that increasing value is taxable. Only the new construction has its taxes abated.

In Peoria, the land value in our valley neighborhoods is very low – less than a dollar per square foot, as opposed to $4 or $5 in our middle-class neighborhoods. (Downtown is $40 to $50/foot.) So, as more and more new construction hits these older neighborhoods, locational values begin to rise. And they rise not just under the new construction, but generally throughout the area. Again, this rise is taxable. So, for the first time in decades, these areas will produce more public revenue to the taxing bodies, even while tax abatement is going on.

### What is the state income tax feature of this plan?

The income tax feature is unique, and will lead, I believe, to greater repopulation growth and greater investment in the abatement area than would be the case with tax abatement alone. Our challenged neighborhoods could certainly benefit from it. Tax abatement alone brings new investment and new people into areas that need it. The income tax feature will increase both of these and encourage higher incomes as well. Here's how it works:

As the taxable land values in the abatement area rise, the new tax revenue from that rise will hit the local taxing bodies. The city and the county will take their share and put it aside in a fund to reinvest in the abatement areas. The reinvestment will take the form of a partial payment of the state income tax liability of the owner-occupiers of the homes enjoying abatement. So, if the total state tax liability of all of the people living in these new homes amounts to, say, $1 million, and the city and the county collect $100,000 from the increase in land values in the abatement areas, the fund will pay 10% of each owner-occupier's state tax liability. Local banks will handle the administration of this feature and will not charge City Hall or the County for doing so. This is because this service would fall under the umbrella of their obligations under the Community Reinvestment Act (CRA). So, City Hall would not need to add staff for this valuable benefit.

Such an added benefit would cause whatever is built under the tax abatement program to be of higher quality than with tax abatement alone. And once again, it will cost City Hall nothing.

**WHY SHOULD THE RESIDENTIAL PROPERTIES BETWEEN SPALDING AND WAYNE BE TAKEN OUT OF THE EAST VILLAGE TIF DISTRICT AND ADDED TO THE NORTH VALLEY AREA SLATED TO BE IN THE TAX ABATEMENT DISTRICT?**

First of all, this mini-neighborhood is not connected to, nor is it similar to the East Bluff, where the rest of, and certainly the largest part of the East Village TIF is located. Secondly, for the entire life of the East Village TIF, none of these properties have generated any increment for the TIF. So, the TIF has not encouraged any redevelopment for them.

Beyond that, TIF districts cannot offer tax abatement. TIFs rely on high taxes that generate increments that benefit the district. Tax abatement changes the economics of an area by significantly *reducing* taxes on people who undertake and occupy new construction. So, the two programs cannot exist in the same area. They use opposite incentives.

If the tax abatement program was extended into that mini-neighborhood, it could be a real catalyst for the whole North Valley. With its closer proximity to downtown and downtown's many middle-class jobs, and the new OSF headquarters, and with the hospitals on the nearby bluffs, this great location would come closer to its real potential: a very desirable rebuilt neighborhood, spurring the further development of the North Valley.

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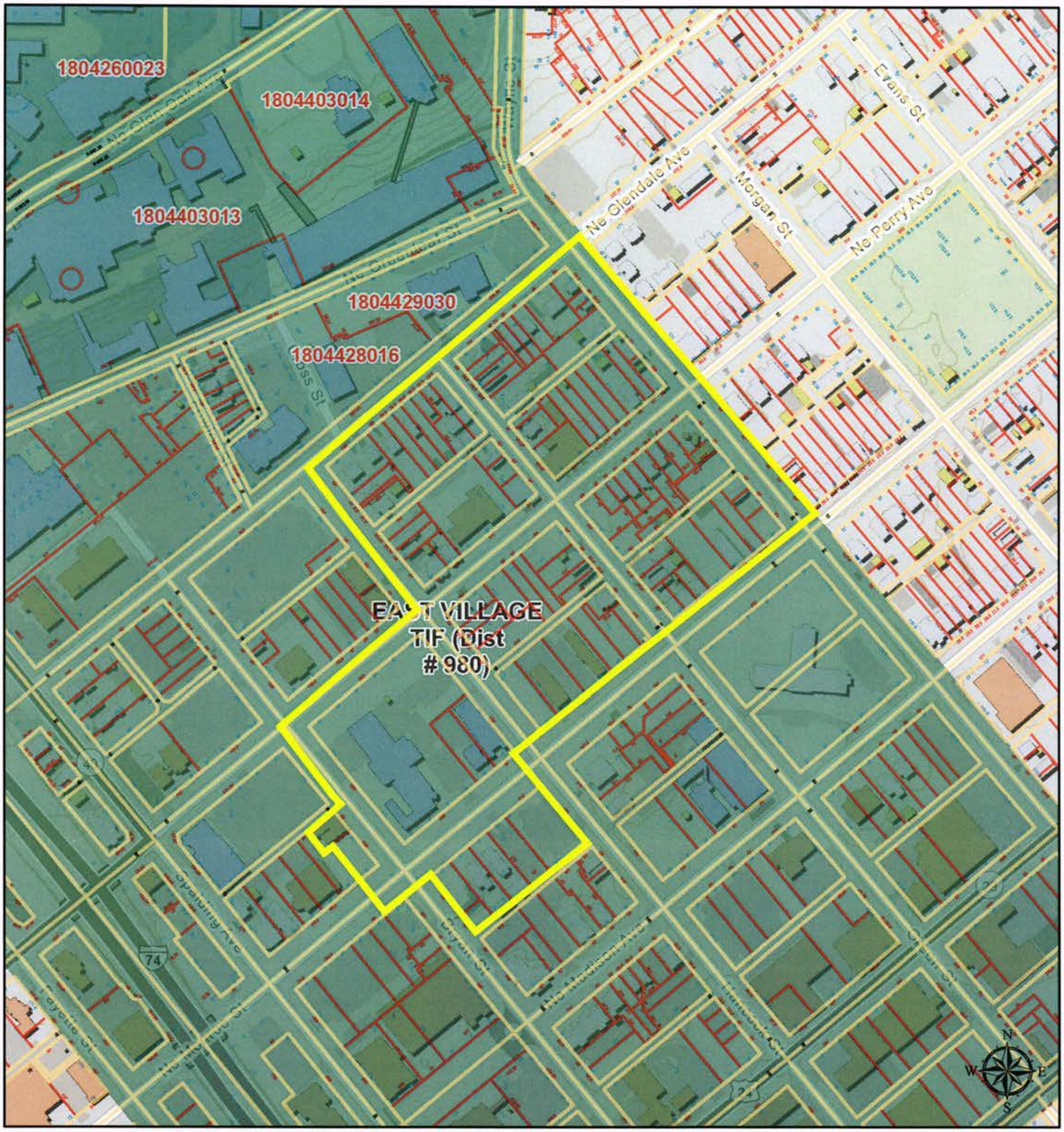
Our more challenged neighborhoods need reinvestment and repopulation. In a few decades, these once vibrant, mixed, but mostly middle-class neighborhoods have undergone a flight of people, capital, and an increase in crime and deterioration that policy to date has not been able to arrest. Adopting this cost-free alternative will help turn that around. Here is a growth proposal that will work for our city.

Thank you for taking the time to consider this proposal. If you have questions or comments, please contact me.

John L. Kelly
Council Member At-Large
City of Peoria
(309) 401-5929

May 11, 2020

# Peoria County, IL




1 inch = 333 feet

0 135 270 540 810 1,080 ft

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