

**Minutes**

**Continued Joint Review Board Meeting**

**Proposed Prospect Pointe/Muir Park Tax Increment Financing District**

**February 2, 2021, 2pm**

**Prospect Heights City Hall, 8 N. Elmhurst, Prospect Heights, IL**

**Call to Order** – At 2 PM, JRB Chairman and Prospect Heights City Administrator Wade called the Continued Joint Review Board Meeting Proposed Prospect Pointe/Muir Park Tax Increment Financing District.

**Introduction of Representatives and Roll Call** – Deputy Clerk Schultheis called roll.

**REPRESENTATIVES PRESENT** – Prospect Heights City Administrator (JRB Chairman) Wade; Assistant Superintendent District 23 McPartlin; Associate Superintendent of Finance District 214 Johnson; Executive Vice President Harper College Galick; Executive Director Prospect Heights Park District Ferraro; Cook County Deputy Director Bureau of Economic Development Elahi; Fire Chief Prospect Heights Fire District Smith; Prospect Heights Resident Representative Kearns.

**INVITED BUT NOT PRESENT**– CFO Cook County and Consolidated Elections Rizki; Comptroller Cook County Forest Preserve Howell; Financial Director Wheeling Township Stapleton; Executive Director Prospect Heights Public Library Todd; Treasurer Metropolitan Water Reclamation District Boyle; and Director Northwest Mosquito Abatement District Thennisch.

**OTHER OFFICIALS PRESENT** – City of Prospect Heights Attorney Hess; Attorney for District 214 and District 23 Dalianis; Assistant City Administrator Falcone; Vice President Lexington Homes Wynsma; Lexington Homes Attorney Burney; City of Prospect Heights Attorney O’Driscoll; City of Prospect Heights Deputy Clerk Schultheis; Prospect Heights Park District Superintendent of Finance and Planning Curtis; City of Prospect Heights Director of Building and Development Peterson, President of Johnson Research Group Moroney; Senior Financial Analyst of Johnson Research Group Kinser.

**Approve Minutes from January 19, 2021 Meeting** – Representative Ferraro asked that Prospect Heights Park District Superintendent of Finance and Planning Annette Curtis be included as present in the meeting.

**Representative Kearns moved to approve the January 19, 2021 Meeting Minutes as amended; seconded by Representative Johnson.**

**ROLL CALL VOTE:**     AYES -     McPartlin, Wade, Johnson, Smith, Kearns, Galick, Ferraro  
                              NAYS -     None  
                              ABSENT - Elahi

Motion carries 7 – 0, one absent

Representative Elahi entered the Meeting at 2:04 PM.

**Approve Agenda – Representative Johnson moved to Approve the Agenda as presented; seconded by Representative McPartlin.**

**ROLL CALL VOTE:** AYES - Wade, Johnson, Smith, Kearns, Galick, Ferraro, Elahi, McPartlin  
NAYS - None  
ABSENT - None

Motion carries 8 – 0

**Follow-up to Questions from January 19, 2021 JRB Meeting Regarding Proposed TIF District –**

Chairman Wade noted that there were two items to update from the January 19 meeting. The City Council has approved contracting with an independent, third party vendor – Laube and Companies for an independent review of the TIF.

Also, from the last meeting, Johnson Research Group was asked to give an analysis on the impact of the TIF on the school districts and the fire district; and the revenue stream.

Representative Elahi asked that, in the future, all documentation be sent as a single .pdf so that it would be easier to read during the meeting to follow along. Chairman Wade said that sometimes the information does not all come together at once.

SVP Kinser gave a presentation. He showed the cash flows from closing sales to when the unit is built. The units are assumed to be built in 2021, and built in 2022. It was assumed that all units would be built by 2024. The base sale amount is approximately \$318,000 per unit; upgrades about \$25,000 per unit. Included is all of the building of the townhomes and the park land improvement, fire district fees; but no TIF and no impact fees.

COSTS = \$26.4 million; with TOTAL sales = \$23.7 million. So the project without the TIF would be at a loss. It would not be a viable project.

The Internal Rate of Return (IRR) – annualizes the return over four years would be **-55.06%**.

The simplified return would be **-10.35%**

With the TIF, and assuming the same sales and costs, and impact fees, the Fire District impact fees would be \$688,000. School fees per unit are approximately \$3000; so the fees would be at \$207,000 approximately. The Library fee is \$12 per person or \$2347. The Total Cost under this scenario would be \$27.3 million. The total sales would be \$23.7 million. TIF proceeds would note sale and annual payments would be \$4.8 million (note sales) and annual payments \$2.6 million).

This net IRR to 10.7% - this would be considered a low rate of return for a developer.

The TIF Revenue summary

Total TIF Revenue - \$18,995,000 from the townhomes

The remainder of the PINS within the TIF generate \$2,084,000 over the lifetime of the TIF

Or, a TOTAL of about \$21,000,000

Distribution - \$7.598 million to the school districts, based upon the assumption of 40% of all TIF revenue goes to the school districts.

The Library District would receive \$379,000 (2%)  
\$2.084 million would be for the TIF improvements.

There is almost a 50-50 split between the amount of the TIF revenue going to the public expenditures and to Lexington.

President Moroney added that the idea of the presentation was to highlight the onus onto the JRB to determine whether the analysis that the City has done not only show that the area qualifies as a TIF but also meets the “BUT FOR” intervention by the City this would generate a negative IRR. This presentation also shows the negative impact of the requests by the districts and current Ordinance on the project return. She noted that “no developer” would do a project for a return of 10.7%.

Attorney Dalianis commented that if a development needed so much public assistance is it worth the effort for 69, modestly-priced townhomes? He thought it to be excessive municipal involvement. Attorney Burney replied that Prospect Heights has a vision to add housing and it does not have a water system. No money for the project is coming from the City. Without this development, this land will continue producing no tax revenue. It is currently vacant land with no water system.

President Moroney reiterated that the City is not paying for the development. The TIF is paying for the development. The request is for reasonable approach to distribution.

Attorney Dalianis stated that the revenue would be raised through Districts 23 and 214. Their rates will be artificially higher in Arlington Heights, Mount Prospect, Elk Grove, and Des Plaines so that Lexington will be able to build 69 townhomes in Prospect Heights. Attorney Burney asked Attorney Dalianis how these other taxing bodies will have their taxes rise as a result of the development? He added that TIF laws would be followed strictly.

Representative Johnson said that the properties under the TIF are paid for by inflated rates of other districts.

Johnson Research Group President Moroney replied that the TIF Act of 1999 accommodated impact on the school districts by a calculation regarding the new students. The revenue will come from the State and the TIF. It is not the same as the full cost of each new child. Capital costs incurred are accommodated by the TIF. The Johnson Research Group analysis added benefit of the students generated by the school is a net positive for the school districts as long as capital costs are not incurred.

Representative Johnson asked if President Moroney was saying that it was “net neutral to have additional students?” She provided information to the contrary stating that general state aid funding for District 214 is effectively flat – last year District 214 received \$1.18 more per child, which was not near inflation increases. She said that there is no way to be made whole with the increase in students. She added that every twenty students require a new teacher.

Representative Elahi agreed with Representative Johnson. He said that the TIF Act needs amending because they did not anticipate residential TIF’s with additional children in the school districts. It is a net loss to the school to have new students. There are two ways to resolve the issue – the legislators can make changes to the TIF Act or the City can make a good faith contribution to schools that are experiencing the additional costs.

Attorney Burney noted that Lexington had been looking for enrollment information in the schools. Representative Johnson responded that D214 is stable and not at capacity. No additions will be added for the 69 townhomes students.

Attorney Burney said that the cost per pupil will go down if you add an additional student. More teachers and classrooms may not be needed, especially if the school is not at capacity. Representative Johnson said that she still needs to see how this TIF will be for the greater good. She gave the example that if she puts out a levy, and the tax bill goes up 2%; the tax bill will go up higher than the 2% to accommodate the TIF. She said that is created a misconception. She said that the increase is from the TIF and the school will only get what it levies, but they will be receiving the phone calls regarding why their bill went up so high. She said that the District already has 17 other TIF properties already in place. She needs to be able to show how this TIF going to make the District a better place.

Chairman Wade noted that the City does not have lake water, and is non-home rule. There will be no bond or note. This will be a pay as you go structure that greatly reduces risk to the City. This may not be a big revenue generator but it is important to the City. There is nothing there now. He added that the City is in the economic development business.

Director Peterson said that the challenge is that this 5.5 vacant, unusable acres. It cannot be developed as single family, and there has been no interest in single family home development. We can bring in diverse housing as per our City plan, and the residents can benefit stormwater maintenance. All districts will reap the benefits. Chairman Wade said that the City improvements will be at the end of the TIF.

Representative Kearns asked the cost per student? President Moroney said \$13,400 per elementary student and \$12,722 per high school student. Representative Kearns said that \$150,000 will be generated for the estimated 12 students to schools having to hire ½ teacher per school. So ½ teacher will cost much less than \$150,000. This TIF would give the districts a much higher rate of return over the zero that they are getting now from this area. Prospect Heights does not have money for these types of infrastructure improvements without this TIF.

### **Review of Proposed Ordinances Adopting the Redevelopment Plan, Designating the Redevelopment Project Area and Adopting Tax Increment Financing - DEFERRED**

**Public Comments** - None

**Deliberations** - None

**Motion to Approve / Disapprove Interim Report of the Joint Review Board** – City Attorney Hess said that there had been concern with moving forward past the thirty-day deadline. He said that he and the School Districts attorney Dalianis had crafted the Report that, if approved, will allow the City to continue the JRB beyond the 30 days without the assumption that the TIF was accepted. The JRB will have the additional time to hear from Laube consultants. The City has agreed that it will not invoke any presumption that the JRB has approved the Project until no earlier than April 1, 2021.

Attorney Dalianis said that the further goal is to continue discussion between City and districts.  
– **Representative Johnson moved to approve the Interim Report of the Joint Review Board; seconded by Representative Kearns.**

**ROLL CALL VOTE:** AYES - Smith, Ferraro, Wade, Johnson, Kearns, Galick, Elahi, McPartlin  
NAYS - None  
ABSENT - None

Motion carries 8 – 0

**Scheduling, Additional Meetings –**

- a. If additional meetings are not necessary a motion to direct staff to prepare a report approving or disapproving the redevelopment plan or any amendment thereto based upon the eligibility criteria defined in Section 65 ILCS 5/11-74.4-3 and the overall objectives of the TIF Act; OR continue meeting to future date for the submission of the staff report recommending approval or disapproval of the proposed plan and district.
- b. In the event the City approves the subject TIF District, the Joint Review Board is to meet annually 180 days after the close of the municipal fiscal year or as soon as the redevelopment project audit for that fiscal year becomes available to review the effectiveness and status of the redevelopment project area up to that date. 65 ILCS 5/11-74.4-5(e).

Director Peterson said that the City would firm up a date with Laube for the completion of the report. Attorney Dalianis said that he wanted to set a date, which could be changed if necessary. Attorney Burney said that he wanted the date to be as soon as possible. There was a consensus to set two dates, and one date could be canceled if not needed.

**Representative Johnson moved to March 2 and March 9 as the next two meeting dates for the Continuation of the Joint Review Board Meeting; seconded by Representative McPartlin.**

**ROLL CALL VOTE:** AYES - Elahi, Galick, Smith, Ferraro, Wade, Johnson, Kearns, McPartlin  
NAYS - None  
ABSENT - None

Motion carries 8 – 0

**Other Business – None**

**Adjourn – At 3:05 PM, Representative Johnson moved to Adjourn; seconded by Representative McPartlin.**

**ROLL CALL VOTE:** AYES - Johnson, Elahi, Galick, Smith, Ferraro, Wade, Kearns, McPartlin  
NAYS - None  
ABSENT - None

Motion carries 8 – 0

Approved by the Joint Review Board on this the 2<sup>nd</sup> day of March, 2021.