ANALYSIS SUMMARY OF THE UPTOWN TIF DISTRICT

The following summarizes the key findings of a detailed analysis of the Uptown Tax Increment Financing ("TIF") district (formerly known as the Downtown TIF). This analysis was presented to the Town Council on September 3, 2019. A slideshow of this analysis is available for review and includes additional details on how TIF works, its perceived impact on taxing districts/taxpayers, tax computations, and tax rate trends. This summary includes some additional information not presented in the detailed analysis that are based on questions received by the members of the Town Council.

Downtown Normal was not unlike other old, midwestern downtowns

- The area was distressed
- It looked ragged
- Plenty of vacant & obsolete building space
- Some buildings worthy of restoration
- Aged infrastructure in poor condition
The Vision and the Plan...

In 1999, the Town Council decided to do something about Downtown. The town hired Farr & Associates of Chicago to help formulate the vision and the Plan. It was a very ambitious plan that proposed a considerable amount of redevelopment. The big question was how would the Town and the private sector pay for its implementation?

The Town spent over a year with extensive public engagement to help formulate the overall vision and the Plan. It was completed in July 2000.

The Town leadership was committed to making the Plan a reality. Various sources of funding would be tapped, including debt financing. This included setting up a tax increment financing (“TIF”) district to generate a portion of the needed funds for infrastructure improvements and to induce private investment.

Progress to date...

Downtown (now referred to as Uptown) is experiencing a renaissance. Not all things have gone as planned or without setbacks. Actual redevelopment projects evolved based on property assembly and market opportunities. Nonetheless, the redevelopment projects have been consistent with the vision and the Plan goals and objectives.
The revival of Uptown is becoming a reality:

- Approx. 594,512 sq. ft. of new building space has been constructed, including 203 residential units and the Children’s Discovery Museum
- 342 hotel rooms have been added
- Many existing buildings have been renovated
- 700 public parking spaces have been added

Notable Private Projects:

- Marriott Hotel & Conference Center and parking deck
- Uptown Crossings (mixed use - CVS 1st floor anchor tenant)
- Hyatt Hotel
- Uptown One (mixed use on Uptown Circle)
- Medici restaurant
- Heartland Bank
- Beaufort Commons (mixed use)
- Many building renovations

Notable Public Projects:

- Uptown Station (new City Hall and Amtrak station/intermodal transportation facilities)
- Children’s Discovery Museum
- ISU Art Gallery
- Beaufort St. parking deck
- College Ave. parking deck
- Street and infrastructure improvements
Private Investment Leveraged

- $96.2 million in Town investment has leveraged $169.4 million in private investment and $37.5 million in grants resulting in a leverage of $2.15 of private investment (plus grant investment) for every $1.00 of Town investment (see Exhibit A)

Exhibit A

Growth in Equalized Assessed Value (EAV) in Uptown TIF

- Increase of nearly $28 million (or 202%) from 2003 to 2018 tax years (see Exhibit B)
- It took significant private investment to cause this to happen

Exhibit B
Spinoff Town tax revenues from Uptown TIF Area (2002 – 2018)

- Since the inception of the Uptown TIF, the Town has collected over $14.2 million in various sales taxes that would not have otherwise been collected if the TIF had not been established.

<table>
<thead>
<tr>
<th></th>
<th>With Uptown TIF</th>
<th>Without Uptown TIF*</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax</td>
<td>$6,348,267</td>
<td>$4,359,586</td>
<td>$1,988,681</td>
</tr>
<tr>
<td>Local Tax</td>
<td>$9,991,436</td>
<td>$5,622,525</td>
<td>$4,368,912</td>
</tr>
<tr>
<td>Food &amp; Beverage Tax</td>
<td>$4,895,347</td>
<td>$1,998,597</td>
<td>$2,896,750</td>
</tr>
<tr>
<td>Hotel Tax</td>
<td>$4,454,571</td>
<td>$0</td>
<td>$4,454,571</td>
</tr>
<tr>
<td>Packaged Liquor Tax</td>
<td>$1,712,222</td>
<td>$1,217,776</td>
<td>$494,446</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$27,401,843</strong></td>
<td><strong>$13,198,483</strong></td>
<td><strong>$14,203,360</strong></td>
</tr>
</tbody>
</table>

* Estimates by Normal Finance Department.

- One may think that much of this is simply Town residents spending money at Uptown restaurants and other businesses instead of other restaurants and businesses in the Town. To some extent, this is true. However, Uptown Normal is becoming more of an economic activity magnet in the region. Uptown hosts out-of-town visitors attending conferences and ISU events. Also, there are more residents in Uptown occupying the 203 new residential units added since 2003. And, since the Children’s Discovery Museum opened its doors in November 2004, it has welcomed over 2 million visitors (averaging over 130,000 visitors annually).

- The Bloomington-Normal region’s household income has been growing as well. From 2013 to 2017, aggregate annual household income in the region increased by approximately $518 million.¹ This growth in income enables expansion of sale of goods and services.

- Furthermore, the Town of Normal’s citywide food & beverage tax collections for fiscal years 2011 through 2019 show that food & beverage sales increased by $38.8 million (or nearly 41%). This translates to an annual compounded rate of 4.3%

TIF has played a key role in revitalizing Uptown Normal, but...

- Are taxing districts taking a hit on property tax revenue because of the Uptown TIF?

**Response:**

Taxing districts don’t realize any tax revenue from the increased property values within the TIF district. Taxing districts only receive tax revenue from the property values that existed when the TIF was established (known as the “base EAV”). So, are taxing districts losing tax revenue because of this TIF district?

1. Taxing district do experience unrealized property tax revenue, if private investment in redevelopment projects and building improvement projects take place and property values increase. However, the Uptown redevelopment projects and other private investment would not have happened anywhere near the levels that have taken place “BUT FOR” the establishment of the TIF district. Prior to the establishment of the TIF, property values were stagnant as was illustrated on Exhibit B.

2. Increases in property values in areas outside of the Uptown TIF and other TIF districts has significantly outpaced the valuation growth inside the Uptown TIF. Exhibit C illustrates this with respect to the rate setting EAV of McLean County CUSD #5. Thus, the growth in property taxes generated on the “rate setting EAV” far exceeds the unrealized taxing district revenue generated on the TIF EAV.

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**Exhibit C**

Comparison of Rate Setting & Uptown TIF EAV

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2 Rate setting EAV is “taxable value” upon which tax rates are calculated to yield a taxing district’s levy request. Rate setting EAV excludes incremental TIF EAV.
• What affect does the Town’s acquisition of private property in the Uptown TIF have on the base EAV? When the Town acquires real property doesn’t it become tax exempt and, thus, has zero EAV?

Response:

1. Since the establishment of the Uptown TIF, the Town has acquired multiple properties to assist with property assembly for redevelopment projects. Some of those acquired have since been resold to private parties and are now back on the tax rolls. Others remain owned by the City. According to the Tax Computation Reports from McLean County for tax years 2003 and 2018, the TIF base EAV has gone from approximately $13.7 million in 2003 down to approximately $12.7 million in 2018. The taxing districts have a lower base EAV upon which to levy taxes in the TIF district since it was created, thus lower property tax revenue from inside the Uptown TIF.

2. While a reduction in the base EAV of the Uptown TIF yields a reduction of taxes to the affected taxing districts, this reduction of TIF base EAV is reflected in the rate setting EAV. Comparing 2003 and 2018 tax year EAV data and assuming a tax rate of $5.00 per $100 EAV, the School District experienced a decline of about $50,000 in property tax revenue from the Uptown TIF area compared to the 2003 tax year. However, over the same period, the School District experienced an increase of approximately $40.4 million in its total property tax revenue (net of the $50,000 decline from the TIF area).

• Property tax rates have been going up since the Uptown TIF was established. Would tax rates be lower if the Uptown TIF went away?

Response:

1. Since the Uptown TIF has been in place, the total tax rate has been gradually increasing (see Exhibit D).

Exhibit D

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3 Based on an increase of $808 million in rate setting EAV (see Exhibit C) and a tax rate of $5.00 per $100 EAV.
2. If taxing districts don’t realize any property tax revenue from the Uptown incremental TIF EAV, it stands to reason that the TIF is a contributing factor to these tax rate increases. In other words, the tax rate is being computed on a smaller amount of rate setting EAV because of TIF.

3. Theoretically, this conclusion has merit. A larger tax base would result in more tax revenue or lower tax rates needed to meet the levy requests or a combination of both.

4. This can be calculated for any given tax year. However, in order to draw any conclusion on the results of any such calculations, one must make certain key assumptions. With respect to calculating tax rate impact, the following assumptions must be made:

   o That the Uptown private investment would have occurred absent the creation of the TIF.

   o That the taxing districts would KEEP their levy requests the same.

   o That the Town will continue to not levy for taxes on bond issues that are currently being partially paid for with Uptown TIF revenue.

5. Exhibit E shows the impact on the tax rates for properties with a Tax Code of 3007. Exhibit F shows the impact on the total property tax bill for a median value home that would be subject to the same taxing districts.

<table>
<thead>
<tr>
<th>Taxing Jurisdiction</th>
<th>2018 Tax Rate (Actual)</th>
<th>If Uptown TIF Dissolved*</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>McLean County</td>
<td>0.92082</td>
<td>0.91413</td>
<td>-0.7%</td>
</tr>
<tr>
<td>Town of Normal</td>
<td>1.02714</td>
<td>0.99473</td>
<td>-3.2%</td>
</tr>
<tr>
<td>McLean Co. CUSD 5</td>
<td>5.39197</td>
<td>5.32354</td>
<td>-1.3%</td>
</tr>
<tr>
<td>Normal Twp</td>
<td>0.23007</td>
<td>0.22261</td>
<td>-3.2%</td>
</tr>
<tr>
<td>Normal Twp Road Dist</td>
<td>0.09177</td>
<td>0.08879</td>
<td>-3.2%</td>
</tr>
<tr>
<td>Heartland Community College</td>
<td>0.58150</td>
<td>0.57783</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Normal Public Library</td>
<td>0.44349</td>
<td>0.42948</td>
<td>-3.2%</td>
</tr>
<tr>
<td>Bloomington-Normal Water Reclamation</td>
<td>0.18651</td>
<td>0.18458</td>
<td>-1.0%</td>
</tr>
<tr>
<td>BLM-NRM Airport Authority</td>
<td>0.09943</td>
<td>0.09838</td>
<td>-1.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8.97270</strong></td>
<td><strong>8.83407</strong></td>
<td><strong>-1.5%</strong></td>
</tr>
</tbody>
</table>

*Assumes Uptown TIF was dissolved in 2017. Also, assumes 2018 levy extension stays the same and Uptown TIF EAV increment added to rate setting EAV.

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4 Tax Code 3007 includes the tally of tax rates of taxing districts that overlap the Uptown TIF.
• **What other factors could be causing upward pressure on tax rates?**

The School District and the Town make up most of the total tax rate (60% and 11% respectively) Tax Code 3007. PGAV Planners thought that examination of levy and rate trends for the various property tax funds for these two taxing districts may reveal some clues. This revealed the following factors that are likely having a significant influence on tax rates.

1. Nearly 78% of the increase in the CUSD #5 tax rate from the 2003 to 2018 tax years was attributable to capital investments in new and existing school facilities, funded by bond issues approved by the voters.

   a. For the 2003 tax year, the bonds & interest levy represented 14.2% of the District’s total levy.

   b. For the 2018 tax year, the bonds & interest levy represented 25% of the District’s total levy.

2. The Town’s total levy increased by 84% and its total tax rate increased by 22% since 2003. One reason the percentage of tax rate increase was substantially less than the levy increase was the healthy growth in the rate setting EAV. Nonetheless, the preferred scenario would have been levy increases without any increase in the tax rate. Much of Town tax rate increase was associated the levy for police and fire pension benefits. The Town has no control in setting the funding levels for such pensions. As of the 2018 tax year, pay 2019, the levy for police and fire pensions accounted for 52% of the total levy.

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### Exhibit F

**Estimated Effect of Uptown TIF Termination on a Median Value Home**

*(Tax Code 3007)*

<table>
<thead>
<tr>
<th>Actual 2018 Total Tax Rate (per $100 of EAV)*</th>
<th>8.97270</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Value Home</td>
<td>$165,400</td>
</tr>
<tr>
<td>Assessed Value (1/3rd)</td>
<td>$55,133</td>
</tr>
<tr>
<td>Less Homestead Exemption</td>
<td>($6,000)</td>
</tr>
<tr>
<td>Net Taxable Assessed Value</td>
<td>$49,133</td>
</tr>
<tr>
<td>Total Property Tax</td>
<td>$4,409</td>
</tr>
</tbody>
</table>

**Tax Rate Uptown TIF Dissolved**

<table>
<thead>
<tr>
<th>% Change from Actual 2018 Rate</th>
<th>-1.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Property Tax (if TIF dissolved)</td>
<td>$4,340</td>
</tr>
</tbody>
</table>

| Increase (Decrease) | $ (68) |

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Summary & Conclusions

• In summary, the success to date with the Town’s Uptown revitalization program is self-evident. It has transformed a stagnant and dilapidated area into a vibrant and growing core economy known as “Uptown Normal”. This success continues and has significantly enhanced the quality of life for all the community’s residents and those that visit Uptown.

• The Uptown TIF was a key component of this revitalization program. TIF, along with other public funding sources has leveraged large amounts of private investment in transforming Uptown Normal. **Without TIF and other sources of public funding, none or very little of this private redevelopment/renovation investment would have occurred.**

• The Uptown TIF, while the largest in McLean County, is relatively small (in terms of EAV) and, therefore, has minimized any taxing district (taxpayer) impact.

• **Other factors are having a much greater influence on increasing tax rates.**

• **All “TIF impact” metrics in the analysis are valid ONLY IF ALL the revitalization investment happened ABSENT TIF.**