



*Community Planning + Site Design + Development Economics + Landscape Architecture*

To: Rich Young  
From: Mike Hoffman and Pete Iosue  
Date: December 15, 2011  
Re: Sugar Grove Industrial TIF

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In response to issues raised at the Joint Review Board, we offer the following:

**1. The proposed TIF does not meet the "but for" test.**

We feel the 'but for' test is met due to:

- a. Most of this area has been zoned for industrial development for over 20 years, and still has not fully developed.
- b. The area lacks sanitary sewer service, which is critical for many types of industrial activities. This lack of infrastructure has severely hampered growth in the area.
- c. As noted in the JRB minutes, this area has only limited water service capacities. Again, this lack of infrastructure has severely hampered growth.
- d. When an industry is looking to locate in a community, they want to be able to move quickly and they generally only examine sites where the needed infrastructure is in place. In the proposed TIF area, the infrastructure is simply inadequate to support many otherwise appropriate industrial uses.

**2. The reduction in EAV criteria is not met.**

Again, we are confident the criteria is met.

The following language is taken directly from the TIF Act:

"The total equalized assessed value of the proposed redevelopment project area has declined for 3 of the last 5 calendar years in which information is available or **is increasing at an annual rate that is less than the balance of the municipality for 3 of the last 5 calendar years** for which information is available or is increasing at an annual rate that is less than the Consumer Price Index for All Urban Consumers published by the United States Department of Labor or successor agency for 3 of the last 5 calendar years for which information is available."

The underlined portion of the statute is a fact for the subject area. However, we did make a minor mistake in the original eligibility report – we compared the TIF area to the entire Village *as a whole* when we should have compared the TIF area to the Village *minus the TIF area*. However it doesn't make any difference as far as the results go – it still qualifies under the same criteria for the same years, but the numbers are slightly adjusted. We will make this adjustment in the eligibility study and resubmit.

Original Table:  
**EAV COMPARISON WITH VILLAGE**

YEAR	VILLAGE EAV	CHANGE	% CHANGE	AREA
2005	\$236,918,456			
2006	\$292,370,621	\$55,452,165	23.41%	2.74%
2007	\$322,044,958	\$29,674,337	10.15%	6.61%
2008	\$335,624,116	\$13,579,158	4.22%	13.06%
2009	\$334,574,131	-\$1,049,985	-0.31%	-11.39%
2010	\$314,692,543	-\$19,881,588	-5.94%	2.64%

Adjusted Table:  
**EAV COMPARISON WITH REMAINDER OF VILLAGE**

YEAR	VILLAGE EAV (minus TIF area)	CHANGE	% CHANGE	PROJECT AREA % CHANGE
2005	\$236,500,385			
2006	\$291,920,585	\$55,420,200	23.43%	2.74%
2007	\$321,574,113	\$29,653,528	10.16%	6.61%
2008	\$335,095,253	\$13,521,140	4.20%	13.06%
2009	\$334,115,957	-\$979,296	-0.29%	-11.39%
2010	\$314,254,347	-\$19,861,610	-5.94%	2.64%

*Note: Yellow highlight indicates qualifying year.*

**3. Deterioration is not correct where improvements were being made (roof repair).**

As for eligibility, there were 4 parcels in the "conservation area" and we determined that 2 of them had building deterioration (50%), and there were deteriorated site improvements (mostly parking lots) on all four parcels. There is no minimum number or percent required. We noted that the restaurant was doing some repairs when we did our field work, but at the time of the study it was still deteriorated. Even if you exclude that, the deteriorated surface improvements quality the area in our opinion.

**4. The 12 Acre Conservation Area is too small of an area to qualify.**

The purpose of an Industrial Park Conservation Area TIF is different than a traditional Blighted or Conservation Area TIF, and has different criteria identified in statute. The focus of an Industrial Park Conservation Area TIF is to promote development of vacant industrial land – which is the case here in Sugar Grove. As such, this type of TIF is less

focused on redevelopment of blighted areas and just requires that the conservation or blighted area be adjacent to vacant industrial area, rather than evident throughout the TIF area as required by a traditional conservation area or blighted area TIF. As noted in our previous testimony, we have found no minimum size requirement for the conservation component of an Industrial Park Conservation Area TIF other than the minimum size of any TIF, which is 1.5 acres.

**5. EAV Calculation of Airport Property**

We have stated that airport property is generally tax exempt, but that buildings within the airport property are used by private corporations and those buildings are subject to property taxes and thus can contribute to the TIF. We calculated projected EAV growth from developable airport (City of Aurora) property based on comparables from within the study area.

**Airport Leasehold Comparables**

PIN #	Property Taxes Paid in 2011	Tax Bill Sent to:
14-17-300-023	\$5,804	BNB Limited LLC
14-17-400-010	\$5,896	David Rosebraugh

**Leasehold EAV**

PIN #	2005	2006	2007	2008	2009	2010
14-17-300-023	\$76,356	\$82,205	\$69,318	\$78,371	\$79,711	\$76,236
14-17-400-010	\$78,948	\$84,995	\$69,330	\$78,384	\$79,724	\$76,248

**Leasehold EAV Trends**

PIN #	2005-06	2006-07	2007-08	2008-09	2009-10
14-17-300-023	7%	-19%	12%	2%	-5%
14-17-400-010	7%	-23%	13%	2%	-5%

To project future EAV, we calculated a per square foot value based on the above comparables using the most recent year (2010). We then used this value in projecting additional growth in the tax base based on available developable land under airport control and within the TIF. We also included a slight inflationary growth in the EAV (1% annually).

As you can see from the table above, there has not been a clear trend in EAV values for these parcels – they have gone up in some years and down in others. As such, our original estimates assumed a 1% inflationary growth rate in EAV. We have since learned that, while it

is definitely not evident in the above trends, the assessor does apply a formula to leasehold improvements which essentially reduces the value based on the length of the lease. In theory, when the lease expires, the assessed value is zero. However, if after the end of the lease term a new lease occurs the assessed value would then go back up based on the value of the building and the lease. As such, we are comfortable with our original EAV estimates for this area based on actual trends over the past 5 years. However, we would suggest that:

- a. The Village should take into consideration the length of lease for any TIF incentive offered, and talk with the assessor about how any specific improvement would be assessed prior to entering a redevelopment agreement for any potential leasehold improvement.
- b. The Village should also work closely with the City of Aurora and the airport to ensure that any TIF incentive related to improvements on airport property would not impact any potential federal funding (particularly provisions of Part 16, Rules of Practice for Federally Assisted Airport Proceeding – Title 14).