



DeKalb Municipal Building  
Council Chambers, Second Floor  
200 South Fourth Street  
DeKalb, Illinois 60115

## **AGENDA**

Meeting of the DeKalb TIF Joint Review Board  
February 15, 2019  
2:00 p.m.

- A. Call to Order.
- B. Roll Call: City of DeKalb - Bill Nicklas  
DeKalb Community Unit School District #428 - Jamie Craven  
DeKalb County - Gary Hanson  
DeKalb County Forest Preserve - Terry Hannan  
DeKalb Park District - Amy Doll  
DeKalb Public Library - Emily Faulkner  
DeKalb Township - Jennifer Jeep Johnson  
DeKalb Township Road and Bridge District - Craig Smith  
Kishwaukee Community College #523 - Bob Johnson  
Kishwaukee Water Reclamation District - Mark Eddington  
Public Member - Tim Hays
- C. Public Participation.
- D. Continued Discussion of Joint Review Board Composition.
- E. Continued Discussion of TIF-Surplus Options Involving TIF 1 and TIF 3.
- F. Next Meeting.
- G. Adjournment.



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TO: DeKalb Community Unit School District #428--Jamie Craven  
DeKalb County--Gary Hanson  
DeKalb County Forest Preserve--Terry Hannan  
DeKalb Park District--Amy Doll  
DeKalb Public Library--Emily Faulkner  
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DeKalb Township Road and Bridge District--Craig Smith  
Kishwaukee College--Bob Johnson  
Kishwaukee Water Reclamation District--Mark Eddington  
Public Member--Tim Hayes

FROM: Bill Nicklas  
City Manager

DATE: February 13, 2019

RE: Background Notes for February 15, 2019 Agenda

**Council Action on February 11, 2019**

At the City Council meeting of February 11, the Council approved the following items related to recent JRB discussions:

1. Second Reading: Ordinance No. 2018-070, "Adopting Tax Increment Financing for the DeKalb Central Business District Redevelopment Project Area" and four companion ordinances to establish TIF 3. Technically, TIF 3 is effective 10 days after the ordinance is passed and signed. Taxes will be withheld from the revenues payable in 2019 and the City will begin to receive increment in 2019.
2. Second Reading: Ordinance No. 2018-085, "Adopting Chapter 37, Tax Increment Financing Regulations" (see attached).

## Continued Discussion of Joint Review Board Composition

With regard to the JRB, under 65 ILCS 5/11-74.4-5 the composition is defined as follows in state law:

“The board shall consist of a representative selected by each community college district, local elementary school district and high school district or each local community unit school district, park district, library district, township, fire protection district, and county that will have the authority to directly levy taxes on the property within the proposed redevelopment project area at the time that the proposed redevelopment project area is approved, a representative selected by the municipality and a public member.”

In the case of TIF 3, there is no fire protection district, so ***the JRB officially includes Kishwaukee College, DeKalb Community Unit School District No. 428, the DeKalb Park District, the DeKalb Township, the County of DeKalb, the City of DeKalb, and a public member.*** The DeKalb Public Library is not an independent library district, but rather is organized under the Local Library Act. It technically would not be included because it is not a library district.

How shall we sustain a broad and inclusive conversation about DeKalb’s TIF program while clearly delineating the participants that have statutory voting authority? Our colleagues have suggested several options in recent days:

Option 1: Have the official JRB meet annually as required by state statute on one of the quarterly meeting dates (presumably in January when fiscal year-end numbers are available). A “TIF Working Group” representing all the local taxing bodies could meet for status discussion on the three other quarterly dates. Members of the Working Group who are not official JRB members would be invited to the annual JRB meeting and would receive board packets, but would not have any voting authority. Based on the last discussion on February 1, it is assumed the Working Group would not be a clearinghouse for proposed TIF projects, but would receive any available reports regarding the financial impact of such projects.

Option 2: Convene only the official JRB quarterly.

There are possibly variants of both options worth discussing on Friday. I believe we can arrive at a practical resolution consistent with state law.

### **Continued Discussion of TIF-Surplus Options Involving TIF 1 and TIF 3**

Some boards have discussed the proposed alternative to a TIF 3 surplus IGA since the February 1 meeting. We can share the information gained from those discussions. For reference sake, the following background is excerpted from the February 1 meeting:

*In lieu of a surplus agreement, the City could agree to ending TIF 1 in FY2021 instead of FY2022. This would result in all taxing districts being able to capture the incremental EAV of TIF 1 a year early.*

*The incremental revenue that is projected for TIF 1 in FY2022 is \$7.3 million, assuming the City approves TIF 3. Under the 2007 IGA, the City would have declared one half of that amount as surplus. However, if the City were to terminate TIF 1 early, the taxing districts could capture the other half as property tax revenue in FY2022. As a comparison, the table below shows the amount that each taxing district would receive under the proposed TIF 3 surplus terms, and what each taxing district could capture in addition to the surplus out of TIF 1 in FY2022.*

Taxing District	TIF 3 Total Surplus	FY2022 Revenue
DeKalb County	\$ 388,509.90	\$ 330,598.11
DeKalb Forest Preserve	\$ 27,160.92	\$ 23,112.28
DeKalb Township	\$ 58,060.78	\$ 49,406.16
DeKalb Road & Bridge	\$ 68,049.18	\$ 57,905.68
City of DeKalb	\$ 408,640.93	\$ 347,728.39
DeKalb Library	\$ 155,075.58	\$ 131,959.81
District 428	\$ 2,655,977.41	\$ 2,260,073.97
Kishwaukee College	\$ 227,750.58	\$ 193,801.79
DeKalb Park District	\$ 254,296.92	\$ 216,391.09
KWRD	\$ 47,427.64	\$ 40,358.02

*It should be noted that the FY2022 revenues for each taxing district will depend on each taxing districts levy that is set in the initial year after the incremental EAV goes back onto the tax rolls. For the purpose of making a projection, the FY2022 revenue was calculated as one half of FY2022 revenue split pro rata by each taxing districts share of the total property tax bill.*

Further discussion is needed to arrive at a common purpose.

### **Future JRB Meetings**

If the JRB wishes to transition to quarterly meetings, they would presumably be scheduled near the end of the month following the close of a fiscal quarter. For example, the City's fiscal year runs with the calendar year, so the first quarter will

close on March 31. The First Quarter's TIF expenses and revenues should be compiled by the fourth week of April.

If this is a pattern the JRB finds acceptable, the other quarterly meetings would fall during the fourth weeks of July, October, and January. The preferred day of the week and time of day for a standing quarterly meeting should also be determined.

**ADOPTING CHAPTER 37 "TAX INCREMENT FINANCING REGULATIONS" TO THE MUNICIPAL CODE OF THE CITY OF DEKALB, ILLINOIS.**

**WHEREAS**, the City of DeKalb is a home rule municipality with the power and authority conferred thereupon by virtue of the Illinois Municipal Code, the Illinois Constitution, the Illinois Liquor Control Act and the City Code of the City of DeKalb; and

**WHEREAS**, the City Council has determined that it is necessary and advantageous to adopt certain regulations pertaining to the use and conduct of business relating to Tax Increment Financing Districts ("TIF Districts") within the City of DeKalb; and

**WHEREAS**, the City Council wishes to adopt a progressive, transparent and proactive policy to improve the utilization and effectiveness of TIF Districts within the City;

**THEREFORE, BE IT ORDAINED** by the Mayor and City Council of the City of DeKalb, DeKalb County, Illinois, as follows:

**SECTION 1.** Chapter 37 "Tax Increment Financing Regulations" shall be adopted as follows:

**37.01 Tax Increment Financing Regulations:** The contents of this Chapter 37 shall govern the use and operation of any tax increment financing districts ("TIF Districts") which the City of DeKalb may from time to time establish or maintain pursuant to the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1, *et. seq.*, ("the TIF Act"). The regulations contained herein shall be applicable to TIF Districts within the City of DeKalb in addition to the regulations contained in the TIF Act.

**37.02 Amendment of Chapter 37:** Notwithstanding any contrary provision of City Code, the provisions of this Chapter 37 may only be amended with an affirmative, 2/3 supermajority vote of the City Council members then holding office, and second reading of any such ordinance amending this Chapter 37 may not be waived. Any such amendment shall only be presented for consideration after submittal of the proposed amendment to the Joint Review Board(s) ("JRB") which are then-presently in existence.

**37.03 Joint Review Board:**

- a) The City shall maintain a JRB for each TIF District within the City pursuant to the requirements of the TIF Act. In addition to the requirements contained therein, the City shall convene meetings of each JRB (which meetings may be conducted in sequence at the same date/location or may be conducted as joint meetings of all JRBs), on a not less than quarterly basis.
- b) The members of each JRB shall be provided with a detailed financial report for each of the City's then-existing TIF Districts in the form and content described in Section 37.04 ("the TIF Report") not less than ten days in advance of the scheduled meeting, providing financial reporting for a preceding quarter. Financial reporting shall be completed in the TIF Report one quarter in arrears (i.e. the first quarter of the year

shall be reported at the third quarter JRB meeting, and so on). The JRB shall also be provided with a copy of the annual report required under the TIF Act. The TIF Report and the annual report shall also be posted on the City's website not later than the date of posting of the JRB meeting agenda for the meeting at which they are presented, and shall be included in the City Council meeting agenda packet for the first or second regular City Council meeting occurring after circulation of the TIF Report to the JRB.

- c) The City shall engage the JRB to make a recommendation prior to adopting any revisions to this Chapter 37.
- d) The City may convene one or more special meetings of the JRB as may be required from time to time in order to fulfill the requirements of the TIF Act or this Chapter 37.
- e) Meetings of the JRB shall be public meetings conducted in accordance with the Open Meetings Act.
- f) The City shall give notice of JRB meetings to all taxing districts levying property taxes against property within a given TIF District, regardless of whether said taxing district is formally recognized as a member of the JRB under the TIF Act. Each such taxing district shall have the right to participate in JRB meetings as a non-voting, *ex-officio* member. Such members shall not be counted towards a quorum or any applicable vote requirement, but shall be recorded in the JRB meeting minutes.
- g) The City shall utilize its best efforts to record and televise meetings of the JRB in accordance with then-current practices.
- h) Minutes of any JRB meeting shall be included within the City Council agenda packet for the first or second regular City Council meeting occurring after their approval by the JRB, for purposes of ensuring that the City Council is aware of present JRB discussions.

**37.04 TIF Report:** The City shall prepare a quarterly TIF Report which shall provide updated and detailed reporting on TIF revenue projections, TIF expenditures, and encumbered TIF funds which have been approved for expenditure but not yet expended. Such reports shall provide adequate detail so as to demonstrate compliance with the TIF Act, and also the requirements of this Chapter 37. Each expenditure identified in the TIF Report shall include an explanation of the statutory citation authorizing the expenditure as a TIF-eligible expense under the TIF Act. This report shall be made publicly available and circulated to the JRB and City Council as provided in Section 37.03.

**37.05 Project Performance Reporting:** The City shall prepare an annual report of all private development projects funded by TIF that are within the term of their development agreement. Such report shall include for each project:

- a) Reference to the Resolution or Ordinance approving the development agreement.

- b) Terms of the development agreement in regards to repayment of any forgivable loans or grants (e.g. property tax or sales tax increment, maintenance of improvements funded by agreement, employment, etc.).
- c) Expiration date of the term of the agreement.
- d) Additional terms or requirements related to the development agreement (e.g. annual affidavit of employment).
- e) Status of whether the project is compliant with the terms of the agreement. In instances where the repayment of a forgivable loan is tied to incremental property tax generation, the report shall provide exact dollar amounts of the incremental property tax that has been generated by the property within the terms of the agreement. Projects that are also required to generate incremental sales tax shall be prohibited from publicly providing any data that would violate the City's reciprocal agreement with the Illinois Department of Revenue. An annual report shall still be prepared that indicates the sales tax performance of any required project(s), but that portion of the report shall only be shared with City staff or elected officials that are included on the reciprocal agreement and have the authority to view sales tax information.

**37.06 Additional TIF Funding Restrictions:** In addition to the funding restrictions contemplated in the TIF Act, the City shall further restrict expenditures from any City TIF District in accordance with the following requirements:

- a) **Administrative Expenses:** The City may incur and pay administrative expenses as may be eligible for reimbursement under subsection 11-74.4-3(q)(1) of the TIF Act (or any amendment thereto). The City expressly notes the limitation on administrative expenses set forth in subsection 11-74.4-3(q)(1.5) of the TIF Act. Where the City is required to perform a task that constitutes an administrative expense under the TIF Act, the costs of such task shall not be disqualified from reimbursement simply because the task is performed by City staff (in lieu of utilizing and incurring costs of a third-party consultant). However, any such costs reimbursed shall be based on the actual costs incurred by the City, as reflected in the TIF Report. The City may satisfy this determination by allocating a percentage of certain expenses to a TIF District where the City has reasonably determined that the expenditure is equivalent to or lesser than the actual TIF-eligible expense, and provided that the City provides an accounting of the percentage allocation(s), if any. The City shall not complete general, unallocated transfers of funds from any TIF District Special Tax Allocation Fund ("STAF") to the City's general fund or any other City fund (other than a legally permissible transfer from one STAF to another STAF for the purpose of paying TIF-eligible expenses in accordance with the TIF Act.
- b) **Infrastructure Expenses:** The City has, in the past, utilized TIF funds to provide for the construction of infrastructure projects within TIF Districts, such as road resurfacing and related projects that are not tied directly to a redevelopment project. While such projects are TIF eligible expenses, the City shall not approve of the use of TIF District incremental revenues for the payment of costs relating to standalone maintenance projects for City Infrastructure (defined herein as including roadway replacement or



resurfacing, water main replacement or storm sewer replacement, and excluding projects at DeKalb Taylor Municipal Airport) unless such costs are directly related to a discrete TIF eligible redevelopment project that is approved by the City (e.g. roadway resurfacing relating to a TIF-eligible construction project adjacent to and utilizing the roadway in question). In the event that the City believes a standalone City Infrastructure project is merited and should be funded, in whole or in part, by TIF incremental revenues, the City may present such project to the JRB for the affected TIF District. If a majority of the members of a properly convened JRB meeting support the utilization of TIF funds for all or some portion of a project which purely involves City Infrastructure, the City may proceed to utilize TIF funds for such purpose, within the amounts recommended by the JRB and within the then-current expense eligibility standards applicable under the TIF Act.

- c) Return on Investment: Prior to approving any project-based TIF expenditure, the City shall evaluate the return on investment for such project, and shall provide public disclosure of such analysis. While individual projects may be appropriate based upon their support of placemaking or other concepts that do not include a directly calculable return on investment, the City Council shall prioritize projects that fulfill the general objectives of the TIF Act in encouraging redevelopment that expands the property tax base (and other forms of economic growth, job creation and elimination or prevention of blight).

**SECTION 2.** All ordinances or portions thereof in conflict with this ordinance, including the prior versions of the ordinances included above, are hereby repealed.

**SECTION 3.** Should any provision of this Ordinance be declared invalid by a court of competent jurisdiction, the remaining provisions will remain in full force and affect the same as if the invalid provision had not been a part of this Ordinance.

**SECTION 4.** This Ordinance shall be in full force and effect after passage and publication pursuant to law. Publication date: February 12, 2019. Effective date: February 21, 2019.

**ADOPTED BY THE CITY COUNCIL** of the City of DeKalb, Illinois, at a Regular meeting thereof held on the 11<sup>th</sup> day of February 2019 and approved by me as Mayor on the same day. First Reading passed by a 6-1-1 roll call vote on November 26, 2018. Aye: Finucane, Marquardt, Fagan, Noreiko, Faivre, Smith. Nay: Verbic. Absent: Jacobson. Second Reading passed by an 8-0 roll call vote on February 11, 2019. Aye: Jacobson, Finucane, Stuepegia, Fagan, Noreiko, Verbic, Faivre, Smith. Nay: None.

**ATTEST:**

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**LYNN A. FAZEKAS**, City Clerk

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**JERRY SMITH**, Mayor