



ST. CHARLES
SINCE 1834

AGENDA ITEM EXECUTIVE SUMMARY

Title:	Consider Approving Proposal from SB Friedman to Complete TIF Eligibility Study and Redevelopment Plan and Carry Out Full TIF Designation Process (former Applied Composites Property)
Presenter:	Chris Aiston

Please check appropriate box:

<input checked="" type="checkbox"/>	Government Operations (7/18/11)		Government Services
<input type="checkbox"/>	Planning & Development		City Council
<input type="checkbox"/>	Public Hearing		

Estimated Cost:		Budgeted:	YES	<input checked="" type="checkbox"/> X	NO	
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If NO, please explain how item will be funded:

Although the subject contractual services can be accommodated within the Economic Development Department's professional services budget, and the contract will be between the City and SB Friedman (SBF) directly, the developer has agreed to and will be responsible for paying for all services set forth in the subject proposal (attached).

Executive Summary:

Serious consideration for the redevelopment of the former Applied Composites site goes back to 2005. This 27-acre (+/-) property is generally located north of Dean and State Streets, South of the UPRR right-of-way, west of North Sixth Street and east of North Twelfth Street.

Though still zoned manufacturing, an amendment to the Comprehensive Plan in 2008 depicts the planned use for the site to be medium density, residential. In 2008, SBF completed a preliminary study of then-extant property conditions (including "blighted prior to becoming vacant") and found that the property would very likely be eligible for formal Tax Increment Financing (TIF) district designation. However, State statute requires a very detailed, comprehensive study for such findings of eligibility and, thereafter, for the City to complete a Project Redevelopment Plan, proceed with the public hearing and joint tax district review board consideration in preparation for formal TIF district designation as appropriate. These activities make up the principal scope of professional services outlined in the SB Friedman contract proposal.

Attachments: *(please list)*

SB Friedman Proposal for Professional Services

Recommendation / Suggested Action *(briefly explain):*

Recommend for approval the proposal from SB Friedman and direct Economic Development Director to execute contract on behalf of the City of St. Charles.

For office use only:	Agenda Item Number: 4a
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July 1, 2011

Mr. Christopher Aiston
Director, Economic Development
City of St. Charles
2 East Main Street
St. Charles, IL 60174

Dear Mr. Aiston:

Pursuant to our discussions, *S. B. Friedman & Company* ("*SB Friedman*") is pleased to present this proposal to complete a TIF Eligibility Study and Redevelopment Plan, and carry out the full TIF designation process, for the potential 9th and Dean TIF District that *SB Friedman* previously examined on your behalf.

Project Understanding

The 9th and Dean area ("the Study Area") is located west of the Fox River and includes the former Applied Composites site. It is generally bounded by 12th Street to the west, 6th Street to the east, and the railroad tracks to the north. The southern boundary is just north of Dean Street, excluding residential properties fronting the roadway. It is our understanding that no TIF districts currently exist adjacent to the proposed Study Area.

In September of 2008, *SB Friedman* completed a TIF Eligibility Reconnaissance Study of the Applied Composites site. While the buildings located on this site were subsequently demolished, our documentation and preliminary findings suggested that the Study Area would likely qualify as a "blighted area" TIF district. We anticipate this qualification could still be met through the "blighted prior to becoming vacant" provision of the Act, but we also intend to explore other designation options under the Act, as appropriate. The work included in this scope of services will build on our prior research and analysis.

Under this proposed scope of services, *SB Friedman* will work with you and the City's legal counsel to conduct a full TIF designation process for the proposed 9th and Dean TIF District. It is our understanding that Lexington Homes ("the Developer") is interested in redeveloping the former Applied Composites site, and due in part to the unique challenges of the site, the project is likely to be infeasible without the use of Tax Increment Financing (TIF). We will also work with the Developer to obtain relevant data in preparing the TIF Eligibility Study and Redevelopment Plan document.

Approach

We have separated our proposed scope of services for this assignment into three primary tasks:

- 1) Complete Formal TIF Eligibility Study
- 2) Prepare Redevelopment Project Area (RPA) Plan and Project Document
- 3) Complete Noticing and Public Approval Process

Prior to beginning work, we will conduct a kick-off call with you to confirm the project timeline and Study Area boundary. At this time, we will also seek to gather initial City data for the analysis.

We propose beginning the designation process by updating and supplementing our prior reconnaissance work in order to complete a formal TIF Eligibility Study. This study will document the eligibility criteria across the entire Study Area as defined by the TIF Act, and will also take into account any recent private investment in the vicinity as part of the “but for...” test. Once the eligibility of the Study Area has been confirmed, we will proceed to preparing the Redevelopment Plan and taking the project through the public noticing and approval processes.

Since the Study Area does not include any existing residential property, we have not included a Housing Impact Study in our budget or scope of services.

It is our assumption that we will conduct fieldwork and provide a mailing company with all of the mailing lists required for noticing. In addition, we assume that the City attorney will be primarily responsible for drafting the required notices and ordinances. We will work with the City and its attorney to draft the timeline for notices and approvals.

Scope of Services

The proposed scopes of services and work steps for each task are as follows:

TASK 1: COMPLETE FORMAL TIF ELIGIBILITY STUDY

1) Kick-Off Meeting

We will conduct a call with you to confirm the project timeline and Study Area boundary, and gather City data for the analysis. During this call, we will also confirm the assumptions to be used in developing the TIF budget, goals and objectives, and projections of future incremental property taxes.

2) Update Fieldwork

We will conduct field research for the Study Area, as a whole, and the surrounding context, to update and expand on our prior reconnaissance survey.

3) Update/Complete Documentation of EAV

We will also update and expand our analyses of Equalized Assessed Value (EAV) information for all parcels to be included in the TIF district boundary, and for the City, as a whole.

4) Analyze Additional Eligibility Factors/Required Findings and Tests

In order to determine if the area meets the required “but for...” and “lack of growth through private investment” tests, we will use building permit data from the City and other sources to assess whether or not the Study Area, as a whole, has been subject to growth and development by the private sector.

We will also consider the properties immediately surrounding the Study Area as a basis for evaluating the “blighted prior to becoming vacant” provision of the Act. Based on our analysis, we will confirm whether the proposed Study Area meets the eligibility criteria for TIF designation through this provision, or through others, as defined by the Act. If in the course of our analyses we identify issues related to qualification, we will bring those issues to you in a timely fashion and develop a path going forward.

5) Prepare Eligibility Study Document

An Eligibility Study report documenting the findings of our eligibility research will be prepared. This report will represent the first half of the combined Eligibility Study and Redevelopment Plan document, and will be submitted in draft form concurrently with the Redevelopment Project Area (RPA) Plan and Project document in Task 2.

TASK 2: PREPARE RPA PLAN AND PROJECT DOCUMENT

The RPA Plan and Project document will represent the second half of the combined Eligibility Study and Redevelopment Plan document. As required by the Act, the complete Eligibility Study and Redevelopment Plan document will include:

- RPA Description
- Formal Legal Description of the RPA Boundary
- Summary of Blight Conditions and Analysis of Eligibility Factors
- Redevelopment Plan Goals and Project Objectives
- Redevelopment Strategies and Activities
- Existing and Proposed Land Use
- Most Recent EAV and Estimated Future EAV
- Estimated Redevelopment Project Costs (line item budget)
- Assessment of Impacts on Other Taxing Districts
- Affirmative Action Plan
- Statement of Conformance with Other Community Plans

Preliminary projections of incremental property taxes from the district will be prepared for the purpose of confirming the supportable budget for the RPA Plan and estimating the future EAV of the RPA, as required by the Act. A series of maps of the proposed TIF district will also be prepared and included in the report. These maps will include: the proposed boundary, eligibility factors, existing land use, future land use, and acquisition parcels (if applicable). We have already obtained the preliminary redevelopment program from the Developer, and will continue working with the Developer to obtain other relevant data in preparing the RPA Plan.

We will prepare a final Eligibility Study and Redevelopment Plan document, which combines the Eligibility Study, RPA Plan and budget, legal description, maps, and other required documentation. We anticipate preparing draft documents to be distributed to, and reviewed by, City staff and other

community/public agencies, as appropriate. Any revisions to the draft Plan documents will be incorporated into the final Redevelopment Plan document, which will be filed with the City Clerk ten days prior to introduction to the City Council.

TASK 3: COMPLETE NOTICING AND PUBLIC APPROVAL PROCESS

1) Create Mailing Lists for Noticing

The Act requires that municipalities make a good faith effort to provide notice of the availability of the Redevelopment Plan and Eligibility Study and how to obtain the report by mail to all residential addresses within 750 feet of the boundaries of any proposed TIF district. We will prepare a map identifying this buffer area and conduct fieldwork to gather these addresses. Additionally, we will prepare other mailing lists for noticing, as required by the Act.

Our scope includes preparation of the following mailing lists:

- Taxing agencies, taxpayers and residents within the proposed TIF area
- Taxpayers of properties within the proposed TIF area where taxes were not paid in the prior year
- Residential addresses within 750 feet of the TIF boundary

Our budget estimate assumes that we will provide these lists to a mailing company for preparation and distribution of the mailings. We have also assumed that the City attorney will draft required notices for these mailings and that the City will publish required notices in the newspaper.

2) Attend Joint Review Board, Public Hearing and One Additional City Council Meeting

We will attend and, as appropriate, make presentations at the various meetings that are part of the review process as provided in the Act. This proposal assumes that we will attend the Joint Review Board Meeting, the Public Hearing and one additional City Council Meeting.

Time Frame and Fees

On the basis of the scope of the work outlined herein and our experience with similar projects, we estimate it will take approximately 60 days to complete the Formal TIF Eligibility Study and Redevelopment Plan and 90 to 120 days to complete the public approval process. However, we will work with you to meet any specific deadlines, where possible.

Professional fees for this service will be based on time required at the billing rates of the *S. B. Friedman & Company* personnel assigned to the project. The scope of the engagement and our experience with similar services indicate that our professional fees and expenses, including a five percent contingency, are estimated as follows and detailed in the budget chart attached to this letter:

Task 1: Formal TIF Eligibility Study	\$6,600
Task 2: RPA Redevelopment Plan and Project Document	\$10,200
Task 3: Noticing and Public Approval Process	\$5,200
Total Professional Fees	\$22,050
General Expenses (3%)	\$660
Boundary Legal Description – Allowance	\$3,000
Contingency (5%)	\$1,100
TOTAL ESTIMATED COSTS	\$26,800

This fee estimate is based upon the detailed work steps and time budget, attached at the end of this letter. Actual billings will be based on time expended at the special project rates that are currently as follows:

President	\$250
Practice Leader	\$210
Senior Project Manager	\$180
Project Manager	\$165
Associate Project Manager	\$140
Associate	\$115
Research Associate	\$105
Intern/Data Entry/Support	\$75

Travel, publications, maps, outside data, report reproduction, and other out-of-pocket expenses will be billed as incurred without mark up. We anticipate that the City will publish notices in the local paper and have not included an allowance for these costs.

This fee estimate is subject to revision if the engagement entails more time than estimated due to problems that are encountered that could not reasonably have been foreseen at the commencement of the engagement or if the scope is changed. In this event, we will discuss the matter with you so that a mutually acceptable revision may be made. If the time spent on this engagement is substantially less than we have estimated, we will bill you a lesser amount.

This estimate contemplates our attendance at the following meetings:

- Joint Review Board
- Public Hearing
- Allowance for one additional meeting

Additional meeting time and additional services, beyond what has been included in the budget, will be billed at the project rates outlined above.

Payment Schedule

Invoices will be rendered monthly as our work progresses for services and costs incurred. These invoices are payable within 30 days. We estimate that Tasks 1 and 2 will be completed and fully invoiced

approximately two months after our initial engagement. Task 3 will be completed approximately 90 to 120 days after the completion of Task 2.

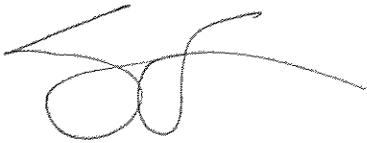
If at any point the decision is made to discontinue our services, our fee will be based upon the actual time expended and out-of-pocket costs incurred to that date.

The attached "Limitations of Our Engagement" applies to this assignment.

Acceptance Procedures

We appreciate the opportunity to present this proposal to you. To indicate your acceptance of this proposal, please sign and return it to us, as authorization to proceed.

Sincerely,



Tony Smith, AICP
Practice Leader/Executive Vice President



Geoffrey Dickinson, AICP
Senior Project Manager

Accepted:

Signature

Date

Name

Title

LIMITATIONS OF OUR ENGAGEMENT

Our report will be based on estimates, assumptions and other information developed from research of the market, knowledge of the industry, and meetings during which we will obtain certain information. The sources of information and bases of the estimates and assumptions will be stated in the report. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the period covered by our analysis will necessarily vary from those described in our report, and the variations may be material.

The terms of this engagement are such that we have no obligation to revise the report to reflect events or conditions which occur subsequent to the date of the report. These events or conditions include, without limitation, economic growth trends, governmental actions, additional competitive developments, interest rates, and other market factors. However, we will be available to discuss the necessity for revision in view of changes in the economic or market factors affecting the proposed project.

Our study will not ascertain the legal and regulatory requirements applicable to this project, including zoning, other State and local government regulations, permits, and licenses. No effort will be made to determine the possible effect on this project of present or future federal, State or local legislation, including any environmental or ecological matters.

Furthermore, we will neither evaluate management's effectiveness, nor will we be responsible for future marketing efforts and other management actions upon which actual results will depend.

Preliminary TIF projections are anticipated to be prepared under this engagement for the purpose of estimating the approximate level of increment that could be generated by proposed projects and other properties within the proposed TIF district boundary and from inflationary increases in value. These projections are intended to provide an estimate of the final Equalized Assessed Value (EAV) of the TIF district for inclusion in the final report and to provide a level of assurance that the increment to be generated would be sufficient to cover estimated project costs.

As such, our report and the preliminary projections prepared under this engagement are intended solely for your information, for the purpose of establishing a Tax Increment Financing (TIF) district and may be reviewed by private institutional lenders in support of potential debt obligations. These projections should not be relied upon by any other person, firm or corporation, or for any other purposes. Neither the report nor its contents, nor any reference to our firm, may be included or quoted in any offering circular or registration statement, appraisal, sales brochure, prospectus, loan, or other agreement or document intended for use in obtaining funds from individual investors, without prior approval.

City of St. Charles					
9th and Dean - TIF Designation					
	(TIF Project Rates)	<i>Person Rate</i>	Practice Leader	Senior Project Manager	Associate
TASK			\$ 210	\$ 180	\$ 115
TASK 1: Complete Formal TIF Eligibility Study					
Conduct Kick-Off Call with City				1	1
Complete Supplementary Fieldwork and Data Collection					16
Update Documentation of EAV Trends				2	6
Analyze Additional Eligibility Items				2	12
Finalize Eligibility Study Document (submitted combined w/Redevelopment Plan)				4	8
Subtotal Hours for TASK 1-Eligibility Study		52	0	9	43
Subtotal Dollars for TASK 1-Eligibility Study		\$ 6,565	\$ -	\$ 1,620	\$ 4,945
TASK 2: Prepare RPA Plan and Project Document					
Write First Draft of Plan & Project			2	8	24
Prepare Additional Maps: Existing & Future LU, Community Facilities				4	8
Prepare TIF Projections				2	4
Prepare/Confirm TIF Budget				1	2
Obtain and Proof Boundary Survey/Legal Description				2	3
Make Revisions/Finalize Report			2	4	8
Subtotal Hours for TASK 2-Preparing Redevelopment Plan		74	4	21	49
Subtotal Dollars for TASK 2-Preparing Redevelopment Plan		\$ 10,255	\$ 840	\$ 3,780	\$ 5,635
TASK 3: Noticing & Public Approval Process					
Comply with 750 Feet Requirement					
A. Prepare Buffer Map					1
B. Conduct Fieldwork and Collect Addresses					Included above in Task 1 under Supplementary Fieldwork
C. Enter Addresses/Obtain Postal Information					2
D. Compile/Proof List for Mailing				1	2
Coordinate/Compile Taxpayer, Delinquent Taxpayer & Residential Address Lists					8
Prepare/Package/Mail All Applicable Notices					Assume Completed By Attorney, City, and Mailing Company
Attend Joint Review Board Meeting				4	4
Attend Public Hearing				4	4
Attend One Additional Meeting (Allowance)				4	4
Subtotal Hours for TASK 3-Public Approval Process		38	0	13	25
Subtotal Dollars for TASK 3-Public Approval Process		\$ 5,215	\$ -	\$ 2,340	\$ 2,875
Total Hours		164	4	43	117
Total Dollars		\$ 22,035	\$ 840	\$ 7,740	\$ 13,455
Contingency	5%	\$ 1,102			
General Expenses	3%	\$ 661			
Boundary Survey/Legal Description (Estimate)		\$ 3,000			
TOTAL BUDGET FOR TASKS 1 Through 3		\$ 26,798			