

CITY OF ROCHELLE TAX INCREMENT FINANCING ELIGIBILITY FINDINGS

Downtown / Southern Gateway TIF District



DRAFT REPORT

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Prepared by Teska Associates, Inc.



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INTRODUCTION

The City of Rochelle's location at the intersection of two major freight rail lines and two interstate highways has well positioned the City to experience significant growth in manufacturing, energy, warehousing and intermodal related business over the past several years. The City's investment in electric utility and fiber-optic broadband infrastructure has provided incentives for recent expansions of high-technology data storage facilities and related businesses. The City's goal to maintain a high quality-of-life for all residents and to provide a progressive business environment is dependent on its ability to create a community that is sustainable economically, ecologically, and socially. This requires a balanced economic base that ensures adequate services to all residents and employers.

In contrast to the growth of Rochelle's industrial base, many of the older commercial districts of the City have not experienced the same type of investment. While the City has experienced some new commercial projects in newer developments along Route 38, commercial sites along Route 251 (7th Street) and in the Downtown lack the kind of investment that has been experienced in the newer commercial areas. The market study prepared by the Buxton Company in 2006 revealed the potential for considerable growth in revenues within the commercial districts of Rochelle. The lack of significant new investment in the area being considered for tax increment financing (TIF) suggests these areas are underperforming, and that potential exists within the proposed Project Area to generate greater revenues. The financial incentives provided by the enactment of a proposed TIF District will serve to enhance the development potential of the downtown area, and as a result will contribute to attracting new business interests to Rochelle. New development as a result of financial incentives made available through TIF assistance creates synergies that encourage people and companies to visit and invest in Rochelle, and which leads to a stronger and more diversified economic base.

The Rochelle Comprehensive Plan recommends numerous public and private development activities to arrest and reverse trends that have resulted in disinvestment. Acknowledging the deteriorated condition of older commercial districts, and to encourage revitalization and development of strong commercial corridors to diversify the City's tax base, City officials determined that, without direct municipal involvement and financial assistance, planning objectives for this area could not be met. To encourage new investment in the Downtown/Southern Gateway TIF District (the Project Area), the Comprehensive Plan recommends the expansion of financial incentives, such as Tax Increment Financing, as a method to facilitate new investment and redevelopment.

Tax Increment Financing can be used to make the Project Area attractive for redevelopment by eliminating the conditions which inhibit private investment, weaken the City's tax base, affect the safety of community residents, and hinder the City's ability to promote a cohesive development of compatible land uses as articulated in Rochelle's Comprehensive Plan. In accordance with the TIF Act public improvements may be constructed and incentives provided to encourage the type of private investment that will allow the City to achieve its vision and goals.

Establishing the Downtown/Southern Gateway TIF District can help the City meet these goals by facilitating physical improvements, removing blighted conditions, and providing funding sources for improvement projects. These improvements will not only help improve the physical conditions and economic development of the Project Area, but also enhance the quality-of-life of adjacent neighborhoods and for all Rochelle residents.

TAX INCREMENT FINANCING OVERVIEW

The Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11 - 74.4 - 1, et seq., as amended (the “Act”), stipulates specific procedures which must be adhered to in determining the eligibility of a Project Area. A Redevelopment Project Area is defined as:

“..an area designated by the municipality, which is not less in the aggregate than 1 ½ acres and in respect to which the municipality has made a finding that there exist conditions which cause the area to be classified as an industrial park conservation area, or a blighted area or a conservation area, or a combination of both blighted areas and conservation areas” (65 ILCS 5/11-74.4-3(p)).

Section 5/11-74.4-3(a) defines a “blighted area” as:

“any improved or vacant area within the boundaries of a redevelopment project area located within the territorial limits of the municipality where: (1) If improved, industrial, commercial, and residential buildings or improvements are detrimental to the public safety, health, or welfare because of a combination of 5 or more of the following factors: dilapidation; obsolescence; deterioration; presence of structures below minimum code standards; illegal use of individual structures; excessive vacancies; lack of ventilation, light, or sanitary facilities; inadequate utilities; excessive land coverage and overcrowding of structures and community facilities; deleterious land use or layout; lack of community planning; need for environmental remediation; or declining total equalized assessed value.”

Section 5/11-74.4-3(a) defines a “conservation area” as:

“...any improved area within the boundaries of a Redevelopment Project Area located within the territorial limits of the municipality in which 50% or more of the structures in the area have an age of 35 years or more. Such an area is not yet a blighted area, but because of a combination of three or more of the following factors is detrimental to the public safety, health, morals, or welfare and such an area may become a blighted area: dilapidation; obsolescence; deterioration; presence of structures below minimum code standards; illegal use of individual structures; excessive vacancies; lack of ventilation, light, or sanitary facilities; inadequate utilities; excessive land coverage and overcrowding of structures and community facilities; deleterious land use or layout; lack of community planning; need for environmental remediation; or declining total equalized assessed value.”

Determination of eligibility of the proposed TIF Project Area is based on a comparison of data gathered through field observations by Teska Associates, Inc. (Teska), document and archival research, and information provided by the City of Rochelle and Ogle County against the eligibility criteria set forth in the Act.

This report summarizes the analyses and findings of Teska’s work, and has prepared this report with the understanding that the City would rely on: (1) the findings and conclusions of this report in proceeding with the designation of one or more of the study areas as a ‘Redevelopment Project Area’ under the Act; and (2) the fact that Teska has obtained the necessary information to conclude that each of the study areas can be designated as a Redevelopment Project Area in compliance with the Act.

DESCRIPTION OF THE REDEVELOPMENT PROJECT AREA

The Downtown/Southern Gateway TIF Redevelopment Project Area consists of those properties generally located within the downtown area of Rochelle, and south along 7th Street to Veteran's Parkway. The Redevelopment Project Area contains a mixture of industrial, commercial, residential and municipal/institutional uses, including two-hundred and ninety (290) buildings on four-hundred and fifty-seven (457) parcels. The total area of the Redevelopment Project Area is approximately three-hundred and thirty-seven (337) acres more or less.

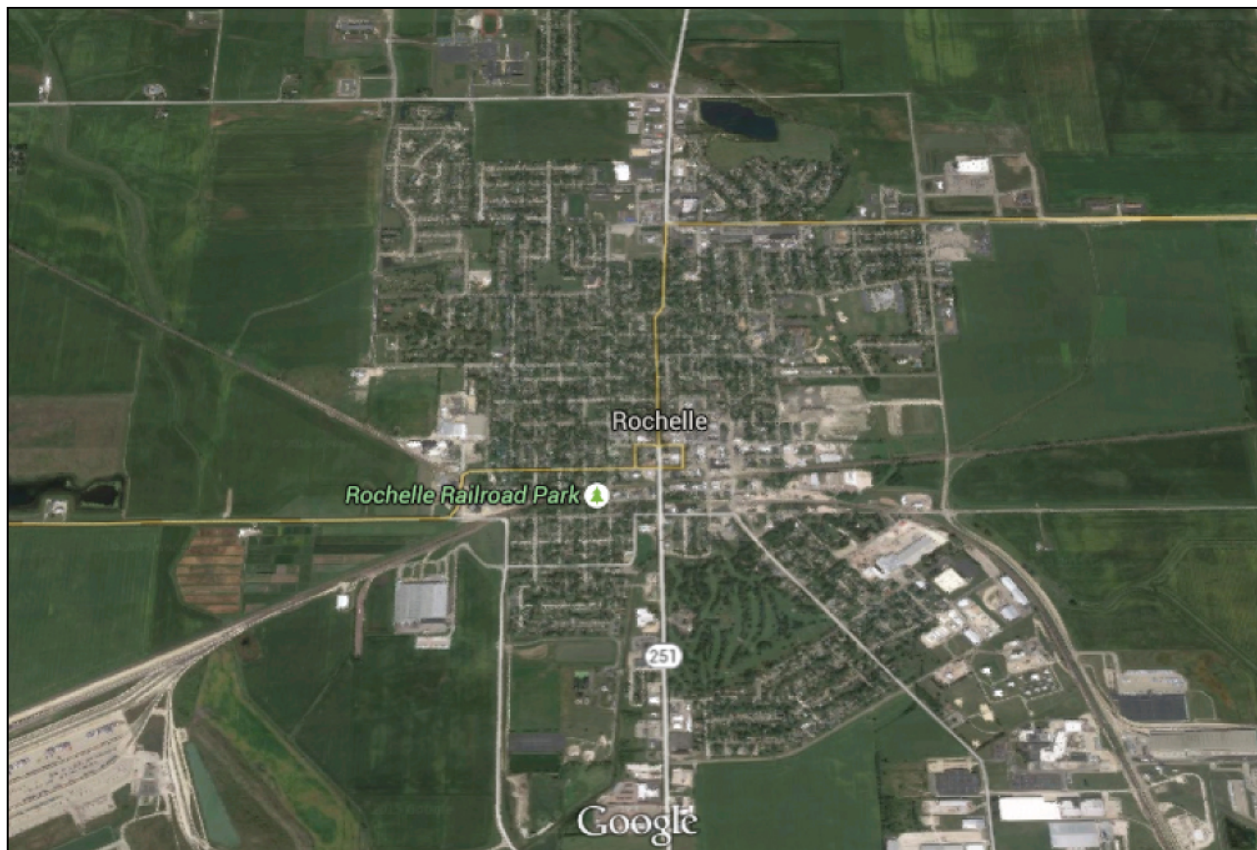


Exhibit 1 – Aerial Location Map



Exhibit 2 – TIF Boundary Map

ELIGIBILITY FINDINGS

Teska Associates, Inc. conducted a field survey of every property within the Redevelopment Project Area. Based on an inspection of the exteriors of buildings and grounds, field notes were taken to record the condition for each parcel. This survey occurred on **June 23, 2015**. Photographs further document the observed conditions. Field observations were supplemented with information provided by City and County officials.

In order to be designated as a 'blighted area', a combination of at least five (5) blighting factors must be present to a meaningful extent and reasonably distributed throughout the Study Area. In order to be designated as a 'conservation area', at least 50% of the structures must be 35 years or more in age, and a combination of at least three (3) of the other blighting factors must be present to a meaningful extent and reasonably distributed throughout the Project Area.

Age of Buildings

Based on field analysis and historical records provided by the City of Rochelle and the Ogle County Assessor's Office, an estimated 249 out of 290 total buildings (86%) within the Redevelopment Project Area are at least 35 years of age or older. **This exceeds the statutory requirement that at least 50% of the buildings in a conservation area be 35 years of age or older.**

Dilapidation

Dilapidation refers to an advanced state of disrepair of buildings or improvements or the neglect of necessary repairs, causing the building or improvement to fall into a state of decay. At a minimum, dilapidated buildings should be those with critical defects in primary structural components (roof, bearing walls, floor structure, and foundation), building systems (heating, ventilation, lighting, and plumbing), and secondary structural components in such combination and extent that (i) major repair is required or, (ii) the defects are so serious and so extensive that the buildings must be removed.

There are a number of dilapidated structures within the Project Area, particularly in the downtown area as well as accessory buildings (sheds, garages, etc.) throughout the Project Area. However, instances of dilapidation are widespread or evenly distributed throughout the entire Project Area to a degree as to be a qualifying factor towards eligibility of the Project Area as a "conservation area."



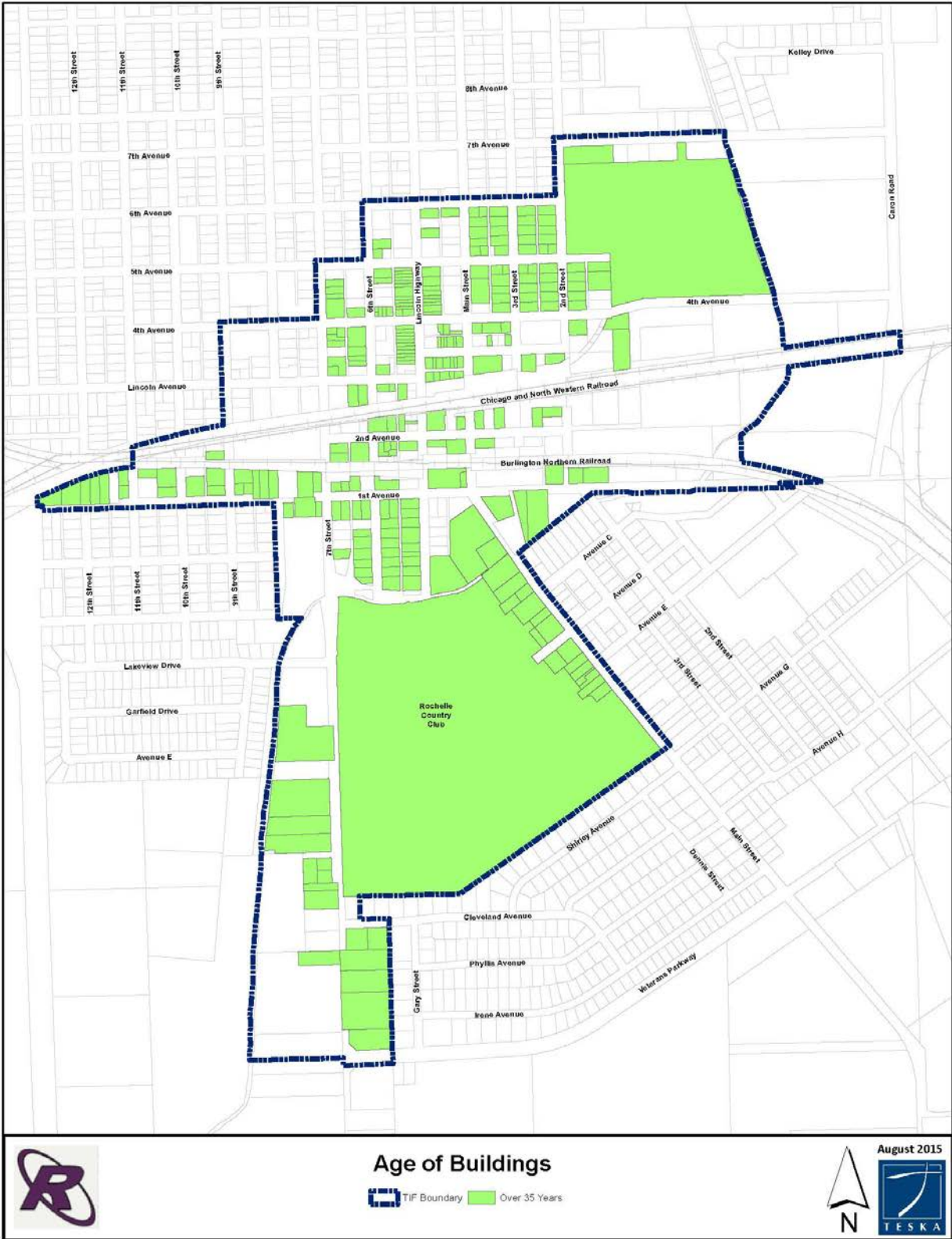


Exhibit 3 – Age of Buildings

Obsolescence

Structures are typically built for specific uses or purposes with design, location, height and space arrangement each intended for a specific occupancy at a given time. Buildings are obsolete when they contain characteristics or deficiencies, which limit the re-use and marketability of such buildings. The characteristics may include loss in value to a property resulting from an inherent deficiency existing from poor or outdated design or layout, improper orientation of building on site, etc., which detracts from the overall usefulness or desirability of a property. Obsolescence in such buildings is typically difficult and expensive to correct. Generally, functional obsolescence relates to the physical utility of a property or structure, and economic obsolescence relates to the ability of a property or building to compete in the market place.

Commercial buildings within the downtown area have been modified and adapted throughout the years, including the addition of residential units. Industrial buildings may be suited for their original and/or current users but may not meet current standards for future reuse. As noted previously in this report, a large percentage of buildings within the Project Area were constructed more than 35 years ago, and modern building practices and amenities that contemporary users require are not present (high ceilings, loading areas, adequate parking, etc.).

While obsolescence is present to some degree and reasonably distributed throughout the Project Area, the extent of this factor is primarily limited to obsolescence of use due to lack of modern building practices and amenities, and is not considered to be a qualifying factor towards eligibility of the Project Area as a “conservation area.”

Deterioration

Buildings in a state of deterioration exhibit defects, which are not easily correctable in the course of normal maintenance. Such buildings may be classified as deteriorating or in an advanced stage of deterioration, depending upon the degree or extent of defects. This would include buildings with major defects in the secondary building components (e.g., doors, windows, porches, gutters and downspouts, fascia materials, etc.), and major defects in primary building components (e.g., foundations, frames, roofs, etc.), respectively.

Deterioration of buildings and site improvements is widespread and evenly distributed throughout the entire Project Area. Common building issues include deteriorating doors and windows, roofs, gutters and downspouts, porches and patios, and crumbling masonry. Common issues relating to surface improvements include deterioration of paved parking areas, potholes in roadways, cracks in curbs, and fencing. Out of 457 total parcels within the Project Area, a total of 352 parcels (77%) exhibit some type of building and/or site deterioration.

The extent and widespread distribution of deterioration, both of buildings and surface improvements, has a powerful negative effect upon neighboring properties. When buildings or improvements on adjacent properties are in a declining state, a property owner has less incentive to maintain or improve his or her own property. Deterioration has the potential to spread, which could lead the entire Project Area to a blighted condition. **Deterioration is therefore a significant primary contributing factor towards designation of the Project Area as a “conservation area.”**



Examples of Building Deterioration



Examples of Site Deterioration

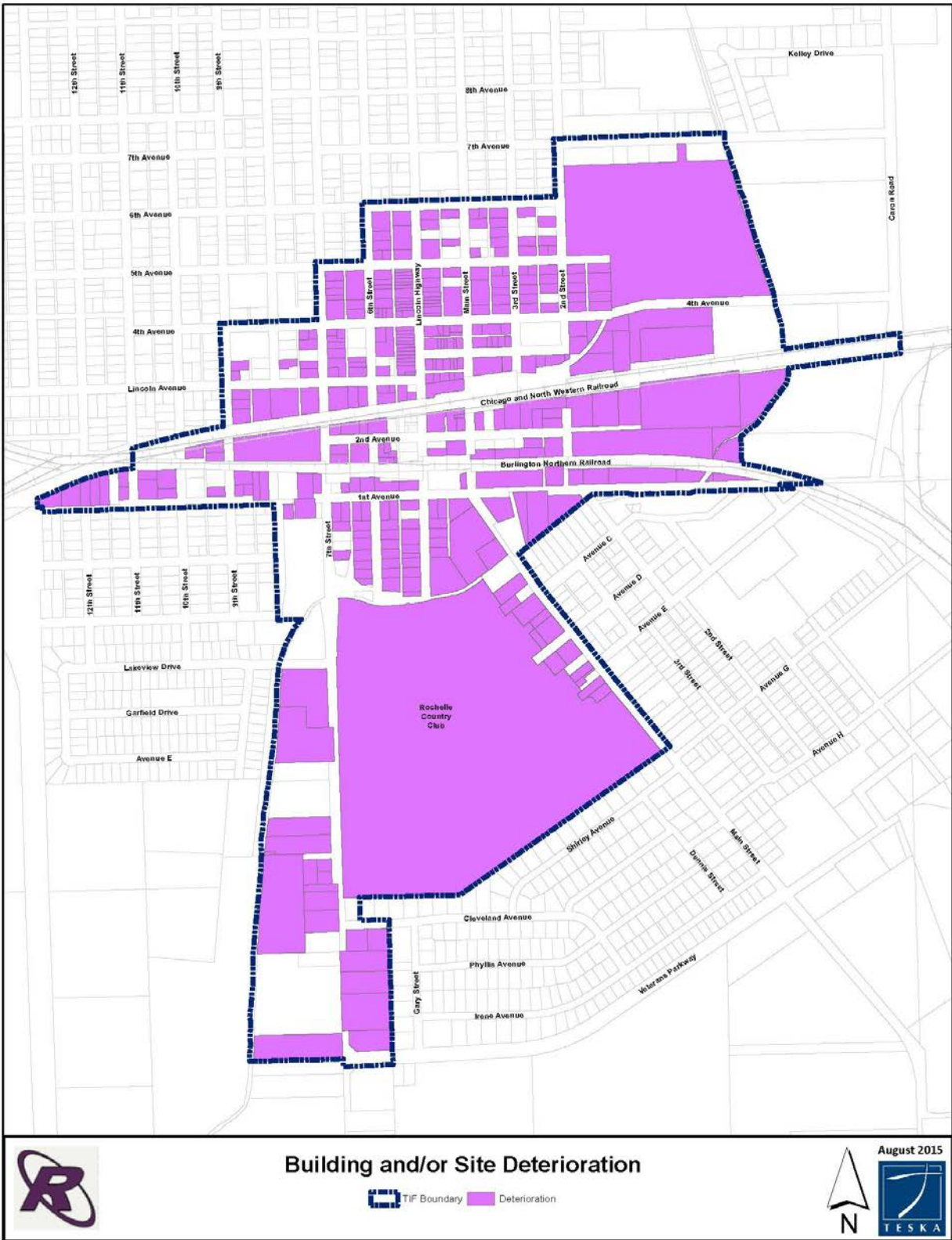


Exhibit 4 – Building and/or Site Deterioration

Illegal Use of Individual Structures

This factor applies to the use of structures in violation of applicable national, state, or local laws, and not to legal, nonconforming uses. Examples of illegal uses may include, but not be limited to the following:

- Illegal home occupations;
- Conduct of any illegal vice activities such as gambling, drug manufacture or dealing, prostitution, sale and/or consumption of alcohol by minors;
- Uses not in conformance with local zoning codes and not previously grandfathered in as legal nonconforming uses;
- Uses in violation of national, state or local environmental and occupational safety and health regulations;
- Uses involving manufacture, sale, storage or use of dangerous explosives and firearms.

Although instances of uses not in conformance with local zoning codes are present within the Project Area, these nonconforming uses are isolated and not widespread nor evenly distributed throughout the entire Project Area. Therefore, illegal use of individual structures is not considered as a qualifying factor towards designation of the Project Area as a “conservation area.”

Presence of Structures Below Minimum Code Standards

Structures below minimum code standards include all structures, which do not meet the standards of zoning, subdivision, building, housing, property maintenance, fire, or other governmental codes applicable to the property. The principal purposes of such codes are to require buildings to be constructed in such a way as to sustain safety of loads expected from this type of occupancy, to be safe for occupancy against fire and similar hazards, and/or establish minimum standards essential for safe and sanitary habitation. Structures below minimum code are characterized by defects or deficiencies, which presume to threaten health and safety.

Data provided by the City of Rochelle indicates that 165 out of 457 parcels (36%) have been documented to exhibit some type of code violation. The vast majority of these violations involve ADA and/or electrical issues, likely resulting from the age of the structures. Scattered instances of condemned and nonconforming structures are also present within the Project Area. Due to the high percentage of parcels exhibiting documented code violations, the presence of structures below minimal code standards is considered a qualifying factor towards designation of the Project Area as a ‘conservation area.’

Excessive Vacancies

Establishing the presence of this factor requires the identification, documentation, and mapping of the presence of vacant buildings and vacant portions of buildings. Excessive vacancy refers to the presence of buildings which are unoccupied or underutilized and which represent an adverse influence on the area because of the frequency, extent, or duration of such vacancies. It includes properties which evidence no apparent effort directed toward their occupancy or utilization and vacancies within buildings.

Instances of vacant or partially vacant structures are present throughout the Project Area. Vacancies primarily consist of commercial buildings within the downtown area, as well as isolated industrial and residential buildings. Observations during the field study indicate that accessory residential uses (apartments) may also exhibit high levels of vacancy. However, verification of residential occupancy rates is difficult to verify and unavailable at the time of this report.

Although vacancies are present throughout the Project Area, they are not present to such a high degree or so widely distributed as to be considered a qualifying factor towards designation of the Project Area as a “conservation area.”



Lack of Ventilation, Light, or Sanitary Facilities

Many older structures fail to provide adequate ventilation, light or sanitary facilities as required by local building or housing codes. This is also a characteristic often found in illegal or improper building conversions. The criteria used for determining the presence of this factor can be found in local codes and ordinances, or in locally adopted national codes such as the Uniform Building Code, Building Officials Code of America (BOCA), and the Model Housing Code of the American Public Health Association (APHA). Lack of ventilation, light, or sanitary facilities is presumed to adversely affect the health and building occupants, e.g., residents, employees, or visitors.

None of the buildings in the Project Area are known to exhibit this characteristic of lack of ventilation, light or sanitary facilities. Therefore, a lack of ventilation, light, or sanitary facilities is not widely distributed and does not contribute to the designation of the Project Area as a conservation area.

Inadequate Utilities

This factor relates to all underground and overhead utilities, including, but not limited to, storm sewers and storm drainage, sanitary sewers, water lines, and gas, telephone and electric service, which may be shown to be inadequate. Inadequate utilities would include those which are (i) of insufficient capacity to serve the uses in the redevelopment project and surrounding areas, (ii) deteriorated, antiquated, obsolete, or in disrepair or are lacking.

The Project Area contains widespread instances of inadequate utilities. Based on information provided by the City, significant roadway improvements are necessary throughout the Project Area. Water mains are undersized and in need of replacement. Sanitary sewer lines are over 100 years old and need to be replaced as roadway improvements are completed. The current low voltage electric service is also inadequate throughout the RFP. **Due to the amount of infrastructure upgrades required and widespread distribution of such upgrades, inadequate utilities is a significant contributing factor towards designation of the Project Area as a “conservation area.”**



Excessive Land Coverage and Overcrowding of Structures and Community Facilities

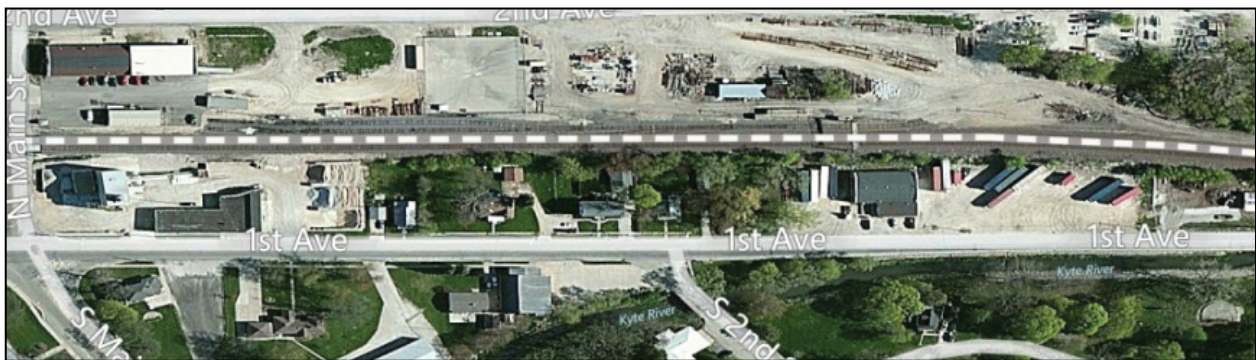
This factor may be documented by showing all instances where building coverage is excessive. Excessive land coverage refers to the over-intensive use of property and the crowding of buildings and accessory facilities onto a site. Problem conditions include buildings either improperly situated on the parcel or located on parcels of inadequate size and shape in relation to present-day standards of development for health and safety, and multiple buildings on a single parcel. The resulting inadequate conditions include such factors as insufficient provision for light and air, increased threat of spread of fires due to close proximity to nearby buildings, lack of adequate or proper access to a public right-of-way, lack of required off-street parking, and inadequate provision for loading and service. Excessive land coverage conditions are presumed to have an adverse or blighting effect on nearby development. This characteristic is viewed relative to its urban context, common practice, and contemporary development standards.

Although there are isolated instances of buildings that are improperly situated on a parcel, and multiple buildings on a single parcel, these instances are not widely distributed throughout the Project Area and therefore do not significantly contribute towards designation of the Project Area as a “conservation area.”

Deleterious Land Use or Layout

Deleterious land uses include all instances of incompatible land-use relationships, buildings occupied by inappropriate mixed-uses, or uses which may be considered noxious, offensive or environmentally unsuitable.

The Project Area contains a mix of downtown commercial retail, residential, institutional and industrial uses. Residential uses adjacent to industrial uses are common and widely distributed throughout the Project Area. **Therefore, deleterious land use or layout is considered a significant contributing factor towards designation of the Project Area as a “conservation area.”**



Examples of Incompatible Land Use Relationships

Lack of Community Planning

Lack of community planning may be a significant factor if the proposed Project Area developed prior to or without the benefit or guidance of a community plan. This means that no community plan existed or it was considered inadequate, and/or was virtually ignored during the time of the area's development. Lack of planning may be documented by establishing the date of adoption of the Village's Comprehensive Plan (or other plans which may be relevant) and determining whether the area developed before or after that date. This finding may be amplified by other evidence which shows the deleterious results of the lack of community planning, including cross-referencing other factors cited in the blight finding.

The City of Rochelle adopted its first comprehensive plan in 1973. Based on information provided by the City and the County Assessor's office, 241 out of 290 buildings in the Project Area (83%) were constructed prior to the adoption of the first comprehensive plan. This has resulted in widespread planning issues including inappropriate land use relationships, oddly shaped parcels, parcels which extend into the right-of-way, and multiple structures on a single parcel. **Therefore, lack of community planning is a significant contributing factor towards designation of the Project Area as a "conservation area."**

Environmental Remediation Costs Impeding Development

This factor may be documented by determining if any requirements by the Illinois Environmental Protection Agency (IEPA), the United States Environmental Protection Agency (EPA), or any study conducted by a recognized independent expert consultant has resulted in the need to incur remediation costs for a site that have resulted in impeding further site redevelopment.

The presence of heavy industrial users within the Project Area, suggests that environmental issues may be present to some extent on parcels within the Project Area. A total of 14 parcels out of 457 total parcels (3%) are documented brownfield sites. However, these documented environmental issues are concentrated and not widely distributed throughout the entire Project Area. **Therefore, this factor is not considered to significantly contribute towards the designation of the Project Area as a "conservation area."**

Decline in Minimal Marginal Increase in the Equalized Assessed Value

This factor can be cited if the total equalized assessed value of the Amendment 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.

Exhibit 5 – Equalized Assessed Valuation

	2009	2010	2011	2102	2013	2014
Total EAV Project Area	\$11,514,888	\$11,506,887	\$11,241,725	\$10,615,735	\$10,221,669	\$9,735,777
% Change	-0.55%	-0.07%	-2.30%	-5.57%	-3.71%	-4.75%
Total EAV Rochelle (excluding Project Area)	\$197,070,472	\$190,379,965	\$203,260,789	\$203,549,070	\$205,460,395	\$201,704,194
% Change	3.35%	-3.39%	6.77%	0.14%	0.94%	-1.83%
Consumer Price Index (USA)	214.537	218.056	224.939	229.594	232.957	236.736
% Change	-0.36%	1.64%	3.16%	2.07%	1.46%	1.62%

As shown in Exhibit 5 above, the equalized assessed value of for all parcels within the Project Area has decreased in each of the previous 5 years (2010 - 2014). In addition, the equalized assessed value has increased at an annual rate that is less than the balance of the City of Rochelle in 4 of the previous 5 years (2011 – 2014), and less than the Consumer Price Index in each of the previous 5 years (2010 – 2014). Based on this evidence, the lag in growth of equalized assessed valuation is a contributing factor towards designation of the Project Area as a “conservation area.”

CONCLUSION

Based on the findings contained herein, the Project Area as a whole qualifies as a “conservation area” according to the criteria established by the Act, based on the predominance and extent of parcels exhibiting the following characteristics:

1. Age of Buildings;
2. Deterioration of Buildings and Surface Improvements;
3. Inadequate Utilities;
4. Presence of Structures Below Minimal Code Standards;
5. Deleterious Land Use or Layout;
6. Lack of Planning; and
7. Decline in Minimal Marginal Increase in the Equalized Assessed Value.

Each of these factors contributes significantly to the eligibility of the Project Area as a “conservation area.” All of these characteristics point to the need for designation of the Project Area as a “conservation area,” to be followed by public intervention in order that redevelopment might occur.