



TAX INCREMENT FINANCING ASSISTANCE APPLICATION

OVERVIEW

The Finance and Community Development Departments review all applications for Tax Increment Financing (TIF) assistance. This application process is to assist decision makers in ensuring that all necessary information is available. All applications will be reviewed promptly.

INTRODUCTORY MEETING PRIOR TO FORMAL SUBMISSION OF APPLICATION

Prior to the submission of a formal TIF application, the prospective applicant should request a meeting with the TIF Review Committee and City Manager to discuss the merits of the potential project and demonstration of the need for the City's assistance.

SUBMISSION AND REVIEW OF APPLICATION

The City of Rochelle requires submission of a formal application for TIF assistance to consider an applicant's request. TIF assistance may only be used to pay for eligible costs in accordance with applicable Illinois Statutes. An application must include all items referenced in the TIF Application Instructions. Applicants are required to demonstrate a financial need for the assistance as well as benefit to the public.

PRESENT PROPOSED PLAN TO TIF REVIEW COMMITTEE

DRAFT AND NEGOTIATE DEVELOPMENT AGREEMENT WITH THE CITY

This agreement does not guarantee any entitlements or plan approvals.

PRESENT AGREEMENT TO CITY COUNCIL

The agreement will not be considered valid until executed.

IMPLEMENT PROJECT AND PAYOUT FUNDS

TIF ASSISTANCE APPLICATION INSTRUCTIONS

The TIF Review Committee will evaluate all applications for TIF assistance. The group will solicit input from other city staff and consultants during the review process, as necessary. To effectively evaluate a request for TIF assistance, the applicant must:

- Provide all applicable items in a single submission,
- Organize the submission and present the required information in the manner indicated below, and
- Provide an electronic and five hard copies to: The City of Rochelle, Community Development, 333 Lincoln Highway, Rochelle, Illinois 61068 Attention: Michelle Pease.

Failure to provide all required information in a complete and accurate manner could delay processing of the application. The City reserves the right to return applications that lack all required items.

General Project Information

1. Summary Letter

Provide a summary of the project in the form of a letter addressed to the City of Rochelle. The letter should include the following essential information about the project:

- Description of the site or building, including the address and TIF District,
- Amount of TIF assistance,
- Current and proposed uses,
- Statement regarding why the TIF is necessary,
- Description of end users,
- Provide a summary of increment projections,
- Project timeline,
- Name and contact information of developer and owner,
- List of Parcel Index Numbers (PIN) included in the proposal,
- Total development costs,
- Profitability,
- Overview of private-sector financing, and
- Description of public benefits, including job creation and infrastructure upgrades.

2. Project Narrative

Provide an in-depth overview of the project in narrative format. The narrative must include a description of the following:

- Current condition of the site and historical overview that includes the size and condition of any existing structures, environmental conditions, and past uses of the site.
- Proposed use(s) of project (e.g. industrial, commercial, retail, office, or mixed-use).
- Construction information about the project including: size of any existing structure to be demolished or rehabbed; size of any new construction, types of construction materials (structural and finish); delineation of square foot allocation by use; total square footage; number and type of parking spaces; and construction phasing.

- Confirm that this project is consistent with the goals and objectives identified in the applicable Tax Increment Financing (TIF) Policy Statement available on the City’s website www.cityofrochelle.net
- A summary of the proposed “green” features to be included in the project. Projects that receive TIF assistance are strongly encouraged but not required to include environmentally friendly features. However, when appropriate, include details regarding the type and extent of green roof or other environmental elements that will be provided and the degree of LEED certification, or equivalency.
- Provide preliminary architectural elevations, plans, and renderings for the project.
- Submit documents to verify that the developer has control of the project site or that the Applicant has or will have control of the property. Acceptable documentation may include deeds, title policies, leases, options, and real estate contracts. If the property has yet to be acquired, provide a statement regarding the method of acquisition, status, and next steps of the process.

Detailed Project Information

3. Project Timeline

A comprehensive project timeline is required. Include anticipated dates for site acquisition or lease, project start and completion, as well as other project milestones. Multi-phase projects must include details for each phase. The timeline should also identify any critical or time-sensitive dates as well as any time constraints.

4. Public Benefits

Fully describe the public benefits that can be realized by the completion of this project. Projects with a high degree of public benefit are typically more likely to receive TIF assistance. Examples of public benefits include, but are not limited to:

- Attraction and or expansion of retail, restaurant, or other uses that enhance the vitality and character of Downtown Rochelle,
- Creation of new downtown housing (owner occupied/rental,
- Historic revitalization,
- Projects consistent with approved City development policies and strategic plans,
- Development compatible with other redeveloped properties in terms of land use, capital improvements, and pedestrian/vehicular traffic patterns,
- Sustainable development, and
- Stormwater management and best practices for onsite storage or runoff.

This statement should include qualitative examples of public benefits as well as quantifiable and measurable outcomes of the short-term and long-term benefits to the neighborhood and to the City of Rochelle. Support documentation for the estimates of public benefits must be included.

5. Job Creation or Retention Activities

Document and report on job creation and/or retention activity as per the terms and conditions of the TIF redevelopment agreement. The form, content, and scheduled reporting dates of the

employment information that is to be supplied by the developer will be determined by the TIF Review Committee.

Demonstration of Need

6. Sources and Uses of Funds

Identify the sources of funds used to finance the project. Typical sources include equity, lender financing, mezzanine financing, other anticipated types of public assistance, and any other types or methods of financing. Describe the sources of equity. Include term sheet for lender financing, if available. The project budget must identify the up-front sources intended to finance the development costs of the project. If determined, specify the line items of the project budget that each source will finance. Summarize the use of funds. General categories to be included: acquisition and related site costs, hard construction costs, and a breakdown of soft costs.

All projects must include for the construction phase a monthly or quarterly cash flow (i.e., sources or “cash in” by source, and uses of “cash out” by use.) For-sale housing developments must show income from the rental or sale of commercial space, the sale or rental of parking spaces, and unit upgrades must be identified. Clearly identify all assumptions (such as absorption, sales prices, taxes, etc.). Identify the profit expected at the completion of the project.

Applicants are advised that to the extent possible, sales contracts for land acquisition should not be executed until TIF Review Committee and the Applicant have agreed on an amount of TIF assistance to be provided. This is because purchase price of the development site to be acquired or recently acquired will be reviewed to determine whether that price exceeds the property’s current market value. Market value sets the upper limit of acquisition costs that will be considered in the estimation of TIF assistance. TIF Review Committee will review any market value appraisal submitted in support of an acquisition, and the department may obtain its own appraisal or review appraisal.

7. Request for Assistance

Specifically state the amount of TIF assistance that is necessary to make this project possible. Also specify the terms of payment (e.g. pay-as-you-go, developer note, etc.) Explain how the developer will fund project costs that will be reimbursed with TIF increment after those project costs have been incurred. For example, will the developer provide additional equity or borrow additional funds to “front-end” the TIF assistance?

8. Development Budget/Budget of TIF Eligible Expenses

Provide an accurate and detailed development budget for the project that includes a detailed breakdown of significant line item costs. The budget should be arranged to identify acquisition and site related, hard, and soft costs. Also, identify all line items that are performed by the developer, owner, or related entities. Identify which of the development budget costs are eligible for reimbursement as allowed by the Illinois TIF Act. The City may request further financial information as deemed appropriate.

9. Pro Forma Income and Expense Schedule

Applicants whose projects involve the rental of commercial, retail, industrial, and dwelling space must submit pro formas that identify income and expense projections on an annual basis for the remaining life of the TIF. A hypothetical property reversion is to be assumed. Clearly identify all assumptions (such as absorption, vacancies, debt service, operational costs, etc.) that serve as the basis for pro forma. Two sets of pro formas are to be submitted. The first set should show the project without TIF assistance and the second set with TIF assistance. For the owner-occupied industrial and commercial projects, detailed financial information must be presented that supports need for financial assistance (see below).

10. Analysis of Financial Need

Each application must include financial analyses that demonstrate the need for TIF assistance. Two analyses must be submitted: one without TIF assistance and one with TIF assistance. The Applicant must indicate the minimum return or profit the Applicant needs to proceed with the project and the rationale for this minimum return or profit. The analyses will necessarily differ according to the type of project that is being developed.

Rental Property – For projects involving the rental of space by the developer to tenants (tenants include offices, retail stores, industrial companies, and households), an internal rate of return and equity must be computed with and without TIF assistance based on the pro forma of income and expense prepared showing the reversion at the end of the life of the TIF. State all assumptions in the analyses.

For Sale Residential – Show profit as a percent of projects cost (minus developer fee and overhead minus sales commissions and closing costs, which should be subtracted from gross sales revenue). Other measures of profitability may be submitted, such as profit as a percent of sales revenue.

Mixed Use Commercial/For-Sale Residential – Provide either separate analyses for each component of the project or include in the revenue sources for the for-sale portion, the sale value of the commercial component based on the net operating income of the commercial space at stabilization. Indicate how the sale value was derived.

Owner-Occupied Commercial – For projects such as “big-box” retail projects, provide copies of the analyses that the company used to determine the amount of assistance that would be needed to allow the company to meet or exceed the company’s minimum investment threshold(s) for proceeding with the project.

Competitive Projects – In instances where the City is competing with other jurisdictions for the project (e.g., corporate headquarters, new manufacturing plant), present detailed analyses that demonstrate the capital and operating cost differential between the proposed location(s) in Rochelle and locations outside the City that are being seriously considered by the Applicant.

11. Increment Projections

Include projections of the incremental taxes that will be generated by the project for the remaining life of the TIF District. Clearly identify all assumptions considered in these projections.

- Base EAV as certified by Township or County Assessor,
- Full reassessment of project occurs at least one-year after project completion,
- Tax reassessment increase,
- Most recent tax rate used for all future years.

12. Financial Commitments

Submit commitment letters and/or term sheets from all lenders for the proposed debt (such as construction, mezzanine, permanent, and government financing) and all other financial sources the project (such as grants and tax credits). commitment letters must clearly specify the nature and terms of the obligations.

13. Other Subsidies

Identify all other forms of public assistance that are provided by the City of Rochelle or any other agency. Examples include: grants, permit fee waivers, etc.

Professional Studies

14. Market Studies

Applications for commercial and mixed-use projects must include a comprehensive market study. The market study must identify target markets, analysis of competition, demographics, market rents, letters of intent/interest from prospective tenants, or for residential mixed-use, sale process or rental rates of comparable properties.

15. Appraisal

All projects that involve the transfer of land must include a recent appraisal. Projects that include land as a form of equity or collateral must also submit a recent appraisal. The appraisal must value the property “as is”, and the impact on value must be considered for such items as demolition, environmental remediation, relocation of utilities, lease buy-outs, and other work necessary to make the site developable. The property must be valued assuming that the highest and best use is the proposed use.

All appraisals must be performed by a designated MAI or bank-approved appraiser. The initial appraisal may need to be updated or amended at the request of the TIF Review Committee. Also, the TIF Review Committee may obtain its own appraisal or review appraisal at the expense of the Applicant.

16. Environmental Studies and Reports

When required by the City, submit a copy of the Phase I environmental report/study performed on the property. If there is a probable or potential contamination on the project site, then a Phase II report/study or evidence that the site has been, or is being enrolled in an IEPA, a No Further Remediation (NFR) Program must also be included.

17. Other Studies and Reports

Include, as appropriate, other reports in support of information that is presented in the application.

Developer Information**18. Ownership Structure**

Submit a narrative description of the ownership structure of the development and ownership entities, which includes information on individuals involved in each. The financial relationship of each entity must be clearly and accurately described. Where applicable, also identify the relationship between the developer/owner and the operating entity. Indicate the entities that will serve as construction manager and general contractor for the project.

19. Principal Profile Information

Submit the requested information for each of the principals and business entities involved in this project. The information will be used to verify that the applicants and related associates do not have any outstanding debts to the City.

20. Financial Statements

Provide year-end historical (prior 3 years) and interim financial statements of the Applicant and owning and/or operating entity if different from the Applicant. Financial Statements should include accountant audited or compiled Balance Sheet, Income Statement, and Statement of Cash Flows.

21. Prevailing Wage Requirements

The owner/developer must declare knowledge and acceptance of the Illinois Prevailing Wage requirements to the extent required by state law or the City.

22-26. Project Contacts