

NORTHWEST HERALD

McHenry County TIF districts used for Three Oaks Recreation Area, road improvements, developer agreements

Published: Monday, March 2, 2015 6:34 p.m. CDT
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It was the mid-1980s, and heavy snow collapsed the roof of the downtown Crystal Lake Jewel grocery store. Vacancies were common across the area.



Crystal Lake created a TIF district to help build the Three Oaks Recreation Area, which is being paid for using home rule sales tax dollars, not TIF-generated property taxes. (Northwest Herald file photo)

financing district, commonly shortened to TIF district, would continue to be split up among the taxing entities like normal, but any taxes collected on new value would be diverted to a special fund to be used on projects and initiatives within the districts.

Crystal Lake gave it a try.

They added public parking, improved the streetscape to make it more pedestrian friendly and worked with a developer to transform the former Jewel grocery store into the Brink Street Market, which houses multiple small businesses at the corner of Williams and Brink streets.

And a brand-new economic development tool called a tax increment financing district had just been created by the Illinois Legislature.

The tool worked by distributing property taxes differently in certain areas set up by their local municipalities after a public hearing process and a joint review board with other affected taxing entities, including school districts, park districts, townships, community colleges and the county.

The taxable property value that existed before the creation of the tax increment

"Without the downtown merchants and the city working together to be proactive and fighting to reverse the trend in 1985, the downtown would not be as beautiful and vibrant as it is today," said Michelle Rentzsch, Crystal Lake's director of community development.

The city went on to create three more TIF districts at Crystal Lake Avenue and Main Street, the former Vulcan Lakes quarries south of Route 14, and along a section of Virginia Street, using them to finance streetscape and intersection improvements and help build the Three Oaks Recreation Area, which is being paid for using home rule sales tax dollars, not TIF-generated property taxes.

The districts are among the 17 active districts created between 1993 and 2013 by McHenry County communities.

And the tool isn't being put back in the box.

The village of Lakemoor just approved the creation of a district at the intersection of Routes 120 and 12 last week, and the village of Lakewood gave final approval to a TIF district at the intersection of Routes 47 and 176 at a January meeting.

The village of Algonquin finalized a new downtown district this past fall, and the village of Fox River Grove hired a firm to conduct a study whether it should expand or recreate its 3-year-old downtown district to cover a larger area.

Because the downtown TIF is so new, the village hasn't done very much in the district yet, Fox River Grove Village Administrator Derek Soderholm said.

The only thing the village has done so far is purchase an irregularly shaped vacant lot at 301 Opatrny Drive, originally intending to put a parking lot and possibly expanding the Village Hall there, according to reports submitted with the Illinois Comptroller's Office.

That plan is on hold now as the village looks into expanding the TIF as part of an agreement with a developer, Soderholm said. The developer is footing the \$26,000 needed to carry out the study, and that parcel might be incorporated as part of the downtown development.

Fox River Grove's other TIF district, which dates back to 1998, has seen a lot more activity.

To encourage growth, the village offered reimbursement agreements, paying developers back for certain eligible costs, Soderholm said. The reimbursement was contingent upon that particular parcel growing in value, so the developer could recoup only what its parcels created in new property taxes.

That means that while the agreements could pay out another \$2.3 million – the amount developers have logged in eligible costs under already established agreements – the village only has to pay that money if the value of the parcels in the TIF district grow enough to cover it.

The village of Huntley also used one of its TIF districts to fund reimbursement agreements, but it was aimed at reimbursing a developer for infrastructure costs, something municipalities often do themselves.

The village took out three loans shortly after the district was created in 1993, which would pay the development firm for improving roads, extending water and sewer to the area and other infrastructure improvements designed to make vacant land ready for development, said Jennifer Chernak, Huntley's director of finance and human resources.

Only four more payments are left on the loans, which are being paid back using local sales tax generated in the district plus the added property tax collected by the TIF, Chernak said. If those district didn't generated enough with those two revenue streams, the village wouldn't wouldn't be on the hook to make up the difference.

That never happened, but it came close during the recession, Chernak said.

That wasn't the case in Harvard where payments on the loan taken out to do streetscaping and curb, gutter and sidewalk improvements in the downtown district had to be supplemented with \$95,000 from the village's general fund, Harvard City Administrator Dave Nelson said.

The general fund could get that money back if the TIF district generates enough, but city officials aren't counting on it, Nelson said.

This was the city's "worst-case scenario" coming true, he said, adding that while the City Council probably wouldn't create the TIF district today with the numbers it has now, the improvements needed to be done.

"Streetlights were 50 years old and rusty," Nelson said. "Curbs were falling down. Concrete was broken."

It was either use the financing tool made available by the TIF district or figure out another way to pay for it, he said.

The city's two other TIF districts, the one at the Arrowhead Industrial Park and the other on the south end of town at Route 14 and Airport Road, also were used for infrastructure improvements, extending water and sewer to both and improving the roads, Nelson said.

And because the city made those improvements and not the developer, the developer agreed to lower the cost of the land, passing along the benefits to the buyer while selling land he wouldn't have otherwise been able to sell, Nelson said.

"It's been successful," he said. "It's been slow lately, but I think everything's been slow lately. The whole project was kind of stalled because of pure economics. The cost of building is the cost of building. That's not going to vary very much from town to town. What will vary is the cost of land."

And most municipal officials are positive about their districts.

"[We're satisfied] 100 percent in our case with the original TIF," said Soderholm, Fox River Grove's village administrator. "It accomplished what it intended to accomplish, commercial development along Route 14 and 22. The downtown is still too new to tell, but it appears to be heading that way."