



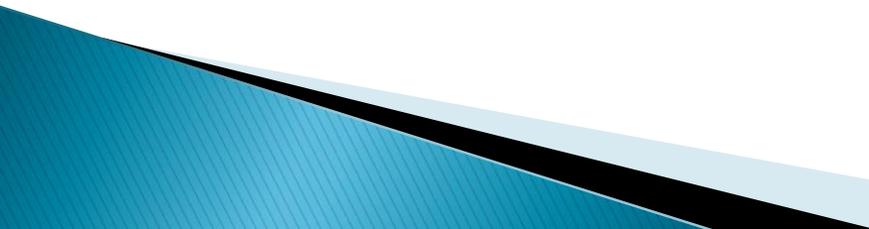
HISTORIC DOWNTOWN LONG GROVE BUSINESS DISTRICT

**PROPOSED SSA FOR PUBLIC WATER
PROPERTY OWNER “WATER” WORKSHOP**

UPDATE: SEPTEMBER 6, 2015

PRIOR REVISIONS: AUGUST 31 & AUGUST 26, 2015 (ORIGINAL)

Topics

- ▶ Current Tax Increment Financing (TIF)
 - ▶ Other Revenue Sources
 - ▶ Water Cost Overview
 - ▶ SSA Water Tap-In Fee Financing
 - ▶ Water Service Costs
 - ▶ Financing Overview
 - ▶ Bond
 - ▶ Discussion, Q&A, Next Steps
- 

Tax Increment Financing (TIF)

HISTORY

- ▶ Started 2008
- ▶ Ends 2031
- ▶ Purpose – financial tool used to fund improvements in “blighted” areas
- ▶ How It Works
 - Increases in property tax values during the TIF timeframe are collected for improvements in the TIF district instead of going to county and other taxing districts

Tax Increment Financing (TIF)

VILLAGE INVESTMENTS TO DATE

- ▶ 4.5 MM
 - ▶ Development of public space (Archer parking lot & road etc.)
 - ▶ Bonds collateralized with general funds and open space funds
 - ▶ These bonds impact bonding future Capital Expenditures.
- 

Tax Increment Financing (TIF)

PROJECTED USE OF TIF FUNDS (\$5.5MM)

- ▶ \$3MM – Water System Design and Installation
 - ▶ \$2MM – Streetscape (Old McHenry)
 - ▶ Bridge repair/replacement
 - ▶ Lighting (Old McHenry)
 - ▶ Path Extension – Rt. 53 to Fire Station
 - ▶ Future underground utilities prep (sleeving)
- 

Tax Increment Financing (TIF)

UNFUNDED FUTURE IMPROVEMENTS (\$5MM)

- ▶ \$2MM+ Burying of utility lines
 - ▶ \$TBD – Brick accents at intersection/sidewalks
 - ▶ \$TBD – Lighting RPC Rd.
 - ▶ \$TBD – Extension of pathways to downtown
 - ▶ \$TBD – Stemple Lot
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Tax Increment Financing (TIF)

PROJECTED REVENUES 2031

- ▶ Conservative: \$5MM (Harbor Chase)
 - ▶ Moderate: \$8.5MM (Harbor Chase & Archer)
 - ▶ Aggressive: \$19MM (Harbor Chase, Archer, +)
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Other Revenue Sources

- ▶ Grants
 - ▶ General fund balances in 2031 are positive
 - ▶ What are projected impact fees/contributions from new developments for water (Harbor Chase paid \$250K)
 - ▶ If TIF generates funds better than forecast is there a possible opportunity to lessen financial burden of SSA to property owners.
- 

Water Cost Overview

Capital

- \$3.0MM – Water System Design and Installation
- \$1.7MM – TIF Contribution (Anticipated)
- \$1.3MM – GAP (41%)**

–Plus–

Expense

Monthly Usage Expense

How do we close the gap in time to integrate the water project into major street renovations funded by the county?

SSA (Water Tap-In Fee Financing)

COST BASIS OF SSA (Tap in fee)

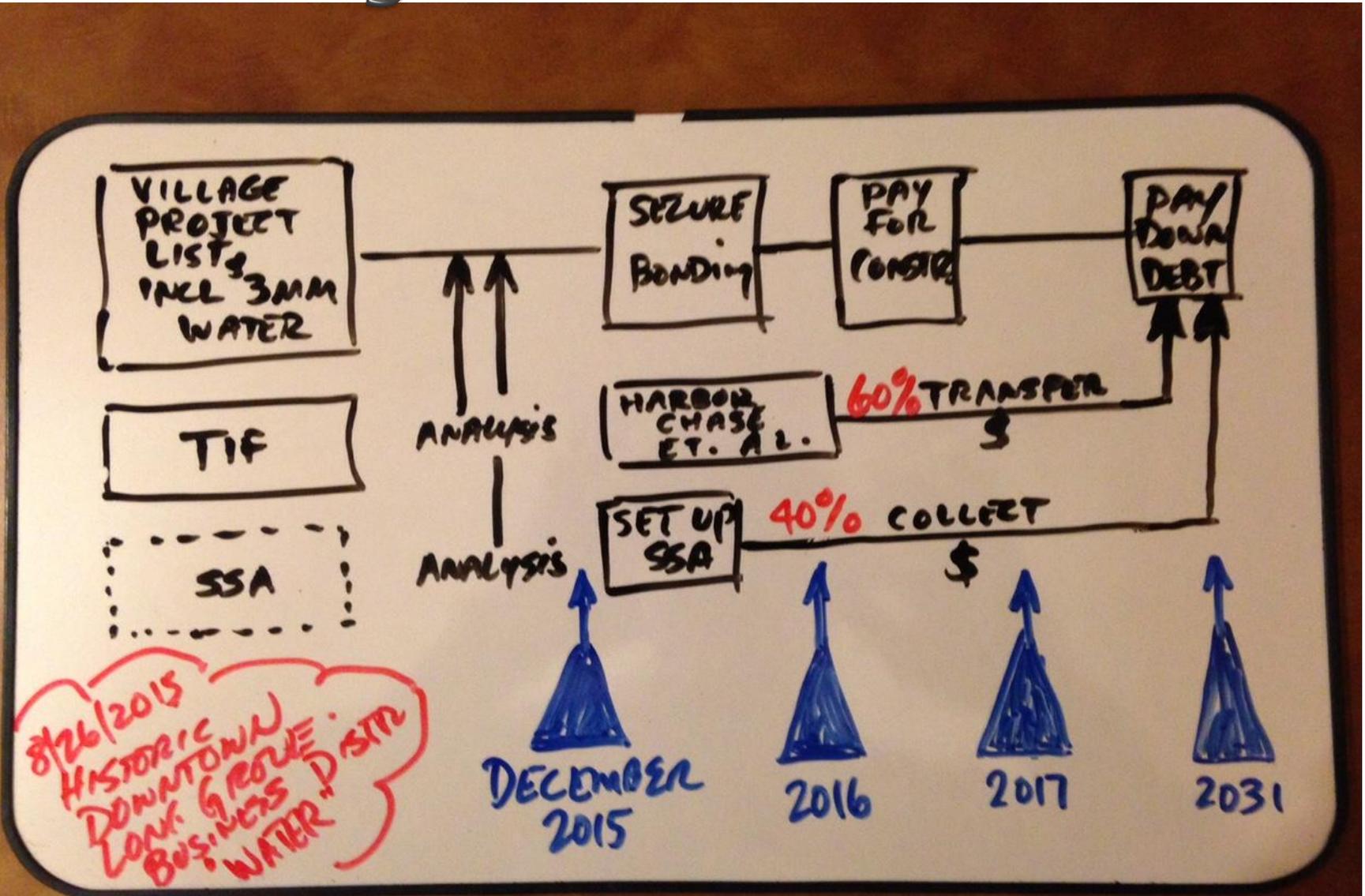
- ▶ Village allocates financing for 59% of cost (\$1,747,000)
- ▶ SSA is intended to finance 41% of cost (\$1,253,000)
- ▶ Tap in fees based on either existing sewer costs or engineers projections for new businesses: \$7,000 per Residential Equivalent (see chart with pin numbers & fees)
- ▶ If adjacent subdivisions tap-in, there will not be any recapture fee to current users due to new infrastructure costs
- ▶ Assumption currently is that only those in TIF area would have access to water as extending system to adjacent residential areas would increase overall cost of water system.
- ▶ One-Time Connection fees range from \$7K to \$119K
- ▶ Paid Over 20 Years: (Annually \$531 to \$9,035 / Monthly \$44 to \$753)
- ▶ Paid Over 30 Years: (Annually \$426 to \$7,236 / Monthly \$36 to \$603)
- ▶ If the TIF over-performs, a recapture may be available and/or reinvest
- ▶ **NOTE** these fees are based on the assumption that Harbor Chase, Archer lots and Brewery will be using water. If those properties don't come to fruition the Village assumes the risk and will incur more cost.

Water Service Costs

COST BASIS OF WATER SERVICE

- ▶ Residential Equivalents (RE's) 1RE = 250 gallons of water per day
- ▶ Cost of water to be \$14 per 1,000 gallons of water (financial breakeven at current consumption)
- ▶ After 10,000 gallons the rate drops to \$7 per 1,000 gallons (Village engineer study shows as acceptable rate for large users)
- ▶ Rate needs to cover future maintenance of infrastructure
- ▶ In 2013, the Water Fund had a negative balance of (\$25,016) with a 2014 projected negative balance of (\$14,687) after including costs for future repairs and replacements of the system
- ▶ The Village will update the water rate analysis to evaluate if the water rate per 1,000 gallons and/or minimum water bill (\$500) can be reduced based on growth and timing of consumption (schedule to be developed)... the business model is non-profit!

Financing Overview



BOND

- ▶ Bond financing is used to secure money now for large infrastructure projects such as water
- ▶ The money is used to fund projects in advance of revenues being collected
- ▶ Village has capacity to issue \$5M in bonds based on Harbor Chase development alone.
- ▶ Bonds require collateral such as monies from the village General fund... *or the backing of an SSA*

Question 1

Will any of the proceeds from the Archer Lot sale be used toward the TIF in helping to pay off debt?

Under the bond authorization ordinance, a minimum of 50% of the proceeds from the sale are required to be paid back to the Open Space Fund. These funds are restricted for the purchase of property and cannot be used for infrastructure.

Question 2

Do we have a detailed list of the initial \$4.5MM expenditures?

- ▶ Due to lack of payment as a result of the TIF not generating sufficient revenues, the initial \$4.5M has accrued an additional \$500,000 in interest for a total in excess of \$5.0M.

Please refer to attachment:

"2 – \$4.5M TIF Projects & Expenditures".

Question 3

How is the original \$4.5MM debt tied (if at all) to the new \$5MM debt both of which will be paid down by common TIF proceeds and does the Sun Chase TIF have any impact on this financing scheme?

- ▶ **Sunset Grove TIF takes precedent for all bond payments but Sunset Grove has been self-supportive and actually ahead of projections so it has not had, and is not projected to have, a negative impact on the rest of the TIF.**
- ▶ **The existing \$4.5M bonds were financed entirely through the then village reserves in the Open Space Fund (\$1.5M) and General Fund (\$3.0M). As these bonds exist today, any positive increment above and beyond the funds necessary to pay the Sunset Grove bonds would flow back to pay off this debt.**
- ▶ **If the Village proceeds with the new \$5M debt, the existing bonds would be subordinate to the new bonds and the payment back to the Village would be pushed back until after the new debt was retired.**
- ▶ **Despite projections made at the time of the expenditure of payback from the TIF, no money has been returned nor debt service paid to the Village.**

Question 4

Do we have a master calendar showing timelines for the various projects, when anticipated incremental revenues would be seen and the financing mechanisms we see going forward?

There is not a schedule for each of the projects but the anticipated time-line for the water system extension is as follows:

- (1) Bids Jan/Feb
- (2) Awards Feb/March
- (3) Construction March – October
- (4) Old McHenry Rd Lake County Improvements + “Streetscape” – 2017
- (5) Robert Parker Coffin Road & Covered Bridge coordinated before or after Old McHenry Road improvements in 2017 to keep access to the downtown open as much as possible.

Please refer to attachment "*4 – Downtown Infrastructure Improvements*" which lists all of the potential capital infrastructure projects with costs and identifies those that have been included in the proposed \$5.3M improvements to the downtown.

Question 5

Can we provide information/assumptions related to the basis for projected TIF revenue (i.e. conservative, moderate and aggressive) and rationale for assuming “conservative” in our modeling?

- ▶ The Village has prepared various projections for potential future development and TIF revenues.
- ▶ Proposed \$5.3M downtown infrastructure improvements (\$3.0 M Water Extension and \$2.3M Streetscape Improvements), revenues based on projected property tax revenues – Harbor Chase alone
- ▶ The projections show a negative \$3.6M balance with no development and a positive \$5.9M balance with Harbor Chase
- ▶ Neither projections include annual property tax increases after 2016 due to concerns of the State passing a property tax freeze.
- ▶ The current planning basis IS CONSIDERED AGGRESSIVE: Village will be holding nearly \$7 million of debt for TIF improvements that in half a decade has yet to pay anything towards the debt. And the \$7 million number does NOT include what may be further expenses on Robert Parker Coffin. For the water project, recipients are paying 40% of the cost... a decrease is unlikely.

Please refer to the attached "*5 – Projected Summary Of TIF Calculations*" for details.

Question 6

Can we provide information regarding algorithms/assumptions/rationale for the \$7,000 allocation by PIN?

- ▶ The \$7,000 per RE is a one-time connection or tap-on fee... many ways to calculate... rationale: based on water usage
- ▶ Draft connection fees by PIN based on projected water usage – existing and anticipated uses
- ▶ Sanitary sewer usage (Lake County Public Works) – existing buildings
- ▶ Property development/ redevelopment based on anticipated development type and size
- ▶ Finch Brewery (former Red Oaks building) projected usage provided by Finch
- ▶ \$7,000/RE connection fee viewed more reasonable than a fee based on 100% watermain extension cost recapture
- ▶ \$7,000 connection fee results in 62% recapture of watermain cost IF all (Harbor Chase, Downtown and Triangle) properties connect and the area develops with the anticipated users
- ▶ Village assumes additional cost risk IF the developments/uses don't occur as projected
- ▶ Neighboring residential properties were NOT included in calculations; no cost estimates/plans to extend and no plans to require them to connect
- ▶ ***Please Note***: connection fee for 100% recapture of full planned watermain extension cost into the downtown would increase from \$7,000 to \$11,250 (\$4,250 or 38% of the costs absorbed by the Village for the public benefits of improved fire protection, etc.
- ▶ Please refer to the attached "***6 – Watermain Connection Fee Analysis***" for details.

Question 7

Can we explain what, if any, fire-fighting capacity demand was assumed and impact to fee structure?

DRAFT: NEED INFO FROM GHA...

The Village Engineer calculated the public water system would provide XXXX at XXXXX for fire-fighting purposes. Although this is less than the XXXXXX, it is the equivalent of XXXX tanker trucks and would be a significant improvement over the existing conditions.

Please see attached "7 - XXXXXXXX".

Question 8

Can we provide the basis and assumptions for the estimated \$14/1000gal estimated cost for water?

The \$14/1,000 gallon water rate is the current water rate. For further explanation of the revenues vs. expenses for the current water system please refer to following question #9

Question 9

Is the \$14/1000gal suggested fee a financial breakeven point or market rate based?

- ▶ The \$14.00/1,000 gallon water rate is the existing water rate, not a suggested fee
- ▶ Currently, limited number of users (Sunset Grove, Executive House, Chase Bank)
- ▶ Water system is slightly below the financial breakeven point
- ▶ 2013 – negative balance of (\$25,016)
- ▶ 2014 – projection of a negative balance of (\$14,687) when including costs for future repairs and replacements of the system including amortization of the existing system for funding future repairs and replacement at the end of the projected useful life
- ▶ The Village will update the water rate analysis to evaluate if the water rate per 1,000 gallons and/or minimum water bill (\$500) can be reduced
- ▶ For further details please refer to attachment "*9 – Water Rate Analysis – Revenue Requirement*".

Question 10

Can we provide a suggested schedule showing some likely scenarios for capacity utilization growth and corresponding potential price reduction impacts?

- ▶ Staff is working with the auditor and village engineer to update the water rate analysis based upon existing and potential growth
- ▶ Evaluation anticipated completion – next 30 days
- ▶ Village Board to consider results to determine if the minimum water bill (\$500/quarter) and/or water rate (\$14/1,000 gallons) are possible

Question 11

Does Sun Chase factor into usage rates and if so, is there a potential of recapture?

- ▶ Sunset Grove factors into the water rates in that they are currently the largest users on the system
- ▶ Property owners for Sunset Grove, the Executive House, the South 15 and the former Midwest Bank (Harbor Grove) paid a combined \$3.0M of the \$3.9M total cost of the current/existing IL 83 deep well water system through the IL 83 Water SSA
- ▶ In addition, the property owners also pay for their on-site (looping, hydrant, water services, meters, etc.) water system
- ▶ The Village contributed roughly \$900K (23%) toward the IL 83 water system as part of the public benefit of having this system since it was anticipated to be extended into the downtown and the neighboring residential subdivisions along with providing fire protection.

Question 12

Is Harbor Chase still on the hook for \$170K after paying \$250K of their allocated \$420K fee?

- ▶ The Village Board has discussed this issue but has not come to a conclusion as to whether or not Harbor Chase should be responsible for paying the \$170,000
- ▶ If not paid by Harbor Chase, the Village could decide to absorb this expense
- ▶ The projected increment generated by Harbor Chase alone is the basis for the proposed \$5.3 M improvements for the downtown
- ▶ The IL 83 SSA capped the cost for the property owners at \$3.2M
- ▶ The property owners contributed \$850,000 (26.5%) to the IL 83 Water SSA to bring public water to their property
- ▶ Harbor Chase has agreed to extend this existing water main from their southern property line, north up Old McHenry Road to their northern property line plus contributing \$250K toward extending this watermain further North up Old McHenry Road as part of the planned extension of public water into the downtown for a total direct investment in the public water system of \$1.1M.

Question 13

Do we intend to solicit interest in participating from adjacent neighbors/residents and if so, when?

- ▶ This was discussed at the Aug 25 meeting
- ▶ Neighboring residents have not contacted the Village inquiring about/requesting public water
- ▶ While the Village will inform the adjacent neighbors/residents of the proposed project, including them within the proposed SSA would only increase the costs for all the properties in the downtown since the homes are located on 2-acre lots and the number of customers per lineal foot of watermain would be very low
- ▶ For reference, the Herons Landing (2-acre zoning) connection fee (which included the service line) was \$23,000 per residence compared to the proposed \$7,000 per RE for the downtown
- ▶ Adding the residential properties would further complicate the proposed SSA for the downtown and would increase the difficulty of establishing the SSA prior to the end of the year

Question 14

Would be good to have additional cost information for onsite routing (i.e. from ROW to building, multiple meters, etc.) and potential to “group buy” services.

- ▶ Proposed SSA Scope
 - Public Watermain: Old McHenry Road and Robert Parker Coffin Road ROW
 - Service Connections: watermain to buffalo-box/shut-off valve (b-box) outside ROW

- ▶ Private property owner connection plus internal plumbing estimated costs: \$5,000 to \$9,600 per building, as follows:
 - Service line (1.5" service line) Each building connection from water meter to b-box
 - Short service (15' or less from b-box to water meter) = Budget \$2,000–\$3,500
 - Long service (15'–50' from b-box to water meter) = Budget \$3,500 – \$5,500
 - Water meter & RPZ (Reduced Pressure Principle Assemblies – backflow preventer)
 - 1.0" meter = Budget \$900 each
 - 1.5" meter = Budget \$1,500 each
 - RPZ = Budget \$1,500–\$2,000 each
 - Village permit fees = Budget \$600 (\$1,500 refundable security deposit required)
 - Application fee = \$50; Plan review fee=\$100; 3 inspections=\$435 (\$145 each)
 - (1) water tap, (2) water service, and (3) water meter/final.

Question 14 (Continued)

Would be good to have additional cost information for onsite routing (i.e. from ROW to building, multiple meters, etc.) and potential to “group buy” services.

- ▶ Property-specific construction: directionally drilled or open cut.
- ▶ Estimated cost based on a 1.5" service line.
- ▶ If parcel requires larger service (i.e. demand, fire suppression) cost would increase.
- ▶ Lowering Costs: consortium buying exterior pipe and interior plumbing.
- ▶ Anticipated water pressure: 45–55 PSI (OK for existing good condition plumbing)
- ▶ Evaluations encouraged: Interior plumbing and external routing (ROW to building entrance where meter to be installed)
- ▶ Proposed lines should not conflict with other existing utilities; however, no guarantees due to age of infrastructure, unforeseen conflicts (i.e. buried tanks)

Question 15

Would be good to see 2014 budget actuals for existing water system

- ▶ Village's fiscal year: May 1 to April 30th.
- ▶ 2014 Annual Audit Completion - October.
- ▶ 2014 Existing Water System "Actuals" to be provided as soon as available.

Question 16

See question 7 regarding fire-fighting capacity and potential subsidy.

- ▶ DRAFT: NEED INFO FROM GHA...
- ▶ The Village Engineer calculated the public water system would provide XXXX at XXXXX for fire-fighting purposes. Although this is less than the XXXXXX, it is the equivalent of XXXX tanker trucks and would be a significant improvement over the existing conditions.

Please see attached "7 - XXXXXXXXX".

Question 17

Would be good to see how deep well and potential Lake Michigan water interconnects would work

- ▶ Village Board approved \$150,000 water system extension design/ engineering (Village Engineer Gewalt Hamilton & Associates – GHA).
- ▶ Plans are underway but not yet available to view.
- ▶ Existing System: served by a deep well (approximately 1,300 feet’ deep).
- ▶ Extension of public water system can be served by existing deep well with additional pump–age and storage (necessary regardless of the water source – deep well or Lake Michigan).
- ▶ Proposed connection to Lake Michigan water through Northwest Water Commission (NWWC) would be through planned NWWC watermain on Arlington Heights Road to the existing well and pump building.
- ▶ If connection to Lake Michigan water is made, the planned system includes an additional supplemental connection to existing Buffalo Grove system located in The Crossings Subdivision (south of IL 53).
- ▶ Deep well would be required to be abandoned if the system is served by Lake Michigan Water.

Question 18

See question 10 regarding capacity utilization schedule (i.e. potential for Finch, Archer, etc.) and what is cash flow impact to businesses in 2016, 2017, etc.

- ▶ Approved \$7,000 per RE connection fee assumes Finch, Archer and the Triangle properties are developed with brewery, restaurant and residential uses respectively.
- ▶ Proposed SSA fees are based on \$7,000 per RE connection fee.
- ▶ Village assumes risk and... SSA amounts charged property owners would not vary depending upon whether these businesses and uses come to fruition.
- ▶ Larger “user” phase-in schedule information to be developed as soon as practical (i.e. tied to proposed project schedule) – an initial draft available early October

Question 19

Has the school been approached for connecting to the infrastructure?

- ▶ Yes
 - ▶ All costs would be paid for by the School.
 - ▶ Due to the distance involved, overall system cost would increase above \$7,000/RE connection basis... directly impacting SSA payment plan for downtown similar to residential neighborhood inclusion (See Question# 13).
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Question 20

Has grant funding been pursued?

- ▶ Per August 25 Village Board Meeting, the Village Engineer and Staff are investigating potential grant funding.
- ▶ Federal Grant Funding for the existing water system as a "shovel ready" project under "Build America" infrastructure grants was unsuccessful.
- ▶ IF grant funding success reducing overall project cost... Village Board can consider adjusting the \$7,000 per RE connection fee and/or the annual SSA property tax levy.

Question 21

In the existing water budget presented, what is the “replacement capital budget” line item and are there tax credits available to help lower overall cost for build-out/recapture?

- ▶ “Replacement capital budget” line item is the sinking fund for the eventual replacement of the existing system after its' project useful life (50 years).
- ▶ The Village is not aware of any potential tax credits for build-out/recapture but...
- ▶ Property owners may want to consult with their tax preparer/attorney for advice/counsel.

Question 22

Is a TIF over-performance abatement being considered in lieu of plowing additional money into additional projects (i.e. burying of electric lines, etc.)?

- ▶ Yes, Village Board has discussed abatement as a potential option for future consideration.
- ▶ Consideration: partial abatement vs. maintenance/repair of existing improvements and additional infrastructure improvements to the Historic Downtown (Robert Parker Coffin Road street lighting, benches, wayfinding signage, receptacles, etc.).
- ▶ Consideration based on being fully reimbursed for all current (4.5M, \$5.0M with interest) and proposed (\$4.3M) investments in the Historic Downtown TIF.
- ▶ Watermain extension is roughly \$3.0M with the Downtown Property Owners contributing \$1.25M (41%) toward the project cost. Of this \$9.3M (\$5MM+\$4.3MM) of investments, the Village would be covering \$8.0M (86%) and the Downtown Property Owners covering \$1.25M (14%) of the investment.

Question 23

Can the \$500 quarterly payment be eliminated?

- ▶ As noted in previous question #13, the water rate analysis will be completed by the end of September for the Village Board's consideration for potentially reducing the minimum quarterly bill (\$500) and/or water rate (\$14.00 per 1,000 gallons).

Question 24

Can we get a clear definition of how the 51% voting by PIN and voter works (i.e. one owner of 10 PINS has 10 votes on PIN-based vote but only one vote on Voter-based vote)?

- ▶ Please refer to the enclosed "2-Proposed SSA For Downtown Public Water" from Village Counsel that was included in the August 25, 2015 Village Board Meeting materials which summarizes the process for establishing a Special Service Area (SSA).

Question 25

Have we considered a two-phase implementation including associated financing through tax levy?

- ▶ Current estimated costs for watermain extension installation into the historic downtown are based on executing a single project.
- ▶ Goals:
 - Install watermain loop prior to Harbor Chase planned opening in early 2017.
 - Install system prior to Lake County reconstructing Old McHenry Road in 2017
 - As part of the reconstruction of Old McHenry Road, the Village has made commitments to Lake County to include improved sidewalks, lighting, etc. (streetscape) as part of their project.

Question 25 (Continued)

Have we considered a two-phase implementation including associated financing through tax levy?

- ▶ The project could be broken out to install Historic Downtown portions as a second phase.
- ▶ Current timing requires providing a loop water system for Harbor Chase and the Archer Lots which in a two phase approach would likely result in the water system design changing to loop the lines on Old McHenry Road and Robert Parker Coffin Road via Archer Road.
- ▶ An Archer Road loop design would be expected to significantly increase the costs for the overall project (and therefore the Downtown property owners) for the following reasons:
 - ▶
 1. as currently designed, the projected costs for the water system in the Historic Downtown are expected to be higher than the rest of the system due to having to design and work around the existing improvements (including buildings) within the ROW;
 2. the current system does not include the extension of public watermain down Archer Road;
 3. reducing the size of the overall project into two separate projects would likely result in increased unit costs; and
 4. increased borrowing costs by breaking the project out into two phases.

Post Meeting Commentary – Assumptions & Risks

- ▶ Continued economic growth and rising real estate values
 - ▶ Ability to secure new/appropriate tenants (i.e. Archer Lots)
 - ▶ Overall economic growth of the TIF
 - ▶ No changes in state law affecting TIFs
 - ▶ No changes in state law affecting real estate taxes
 - ▶ No impact of the Rt.53 expansion TIF
 - ▶ No escalation in costs over that currently projected
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Discussion, Q&A... Next Steps



Thank You!