



**VILLAGE OF MUNDELEIN TIF ELIGIBILITY
REPORT PROPOSED FIRST AMENDMENT TO
THE DOWNTOWN TIF I**

**A study to determine whether an area in the Village of Mundelein qualifies as a
“Conservation Area” as set forth in the Tax Increment Allocation Redevelopment
Act, 65 ILCS 5/11-74.4-3, et seq., as amended.**

Prepared for: Village of Mundelein, Illinois

Prepared by: Kane, McKenna and Associates, Inc.

JULY 11, 2016

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EXECUTIVE SUMMARY

In January 2005, the Village of Mundelein (the “Village”) approved a redevelopment project area known as “Village of Mundelein Downtown TIF I” (“TIF I”) pursuant to the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1 et seq (the “TIF Act”). Redevelopment project areas created under the TIF Act are also known as “TIF districts.” The Village designated TIF I as a TIF district because it satisfied the definition of “conservation area” under the TIF Act. The Village is considering whether to approve amendments to the boundaries of TIF I and amendments to the redevelopment project and plan (the “Plan”) for TIF I (the “First Amendment”). Pursuant to the First Amendment, the Village would add to the boundaries of TIF I the real property located at 133 East Maple Avenue, Mundelein, Illinois, and generally depicted on **Exhibit 1** (the “Additional Area”). The Additional Area is improved with a multi-unit residential structure (the “Multi-Unit Structure”).

Kane, McKenna and Associates, Inc. (“KMA”) has been retained by the Village to conduct an analysis of the qualification of the Additional Area to be included within TIF I. The Village is pursuing the First Amendment to promote the revitalization of key under-utilized properties (including the Additional Area) located within the Village. Properties located within the Village have been adversely impacted by the recent economic downturn. The Additional Area evidences conditions that, unless addressed, could result in sustained decreases in valuations and underutilization.

Based upon the analysis completed to date, KMA has reached the following conclusions regarding the potential qualification of the Additional Area to be added to TIF I:

- 1) *TIF Eligibility* – The Additional Area qualifies as a “Conservation Area” as defined under the TIF Act.
- 2) *Current conditions impede redevelopment* – The existence of certain conditions found within the Additional Area presents a serious barrier to the Additional Area’s successful redevelopment. This is because the factors negatively impact coordinated and substantial private sector investment in the Additional Area. . Without the use of Village planning and economic development resources to mitigate such factors, potential redevelopment projects (along with other activities that require private sector investment) are not likely to be economically feasible.
- 3) *Viable redevelopment could produce incremental revenue* – If the Additional Area were included within TIF I, the Additional Area could potentially be redeveloped in conjunction with other properties, and thereby produce incremental property tax revenue. Such revenue, used in combination with other Village resources for redevelopment incentives or public improvements, would likely stimulate private investment and reinvestment in these sites and ultimately throughout TIF I.

- 4) *TIF designation recommended* – To mitigate the effect of the conditions negatively affecting the Additional Area, promote private sector investment, and foster the economic viability of TIF I, KMA recommends that the Village proceed with the formal process for the First Amendment, including adding the Additional Area to TIF I.

Because the Village will certify in the First Amendment that the Plan will not displace residents from ten (10) or more inhabited residential units, the Village is not obligated to conduct a feasibility study or housing impact study pursuant to the TIF Act.

I. INTRODUCTION AND BACKGROUND

The purpose of this Eligibility Report is to determine whether the Additional Area (like TIF I) satisfies the criteria for a “conservation area” as defined by the TIF Act.

The TIF Act was established based on findings that “to promote and protect the health, safety, morals, and welfare of the public, that blighted conditions need to be eradicated and conservation measures instituted, and that redevelopment of such areas be undertaken; that to remove and alleviate adverse conditions it is necessary to encourage private investment and restore and enhance the tax base of the taxing districts in such areas by the development or redevelopment of project areas.” 65 ILCS 5/11-74.4-2(b).

The TIF Act identifies factors that, if present, qualify property as a “conservation area” (the “Qualification Factors”). The Qualification Factors discussed within this Report qualify the Additional Area as a “conservation area”, as defined in the TIF Act.

Objectives. The Village’s general economic development objective is to enhance mixed use redevelopment including retail, residential and commercial opportunities within the Village, and within TIF I.

Given the Village's objective as well as the conditions of the Additional Area described in this Report, the Village is considering whether to include the Additional Area in TIF I. Absent such inclusion, Village officials are concerned that the adverse conditions of the Additional Area will worsen. The Village is considering whether including the Additional Area in TIF I and in the Plan will restore, stabilize, and increase the economic base associated with TIF I, which would not only benefit the community as a whole but also generate additional tax revenues to support municipal services.

General Economic Development Goals

- Maximize retail sales tax-generating uses, where appropriate, by concentrating retailers in Downtown Mundelein and the Village’s commercial corridor.
- Seek an appropriate mix of commercial retail, commercial service, office and industrial uses.
- Promote the addition of new office and retail development in the Village, particularly in the commercial corridors and the Downtown area.
- Work cooperatively with the Economic Development Commission, Mundelein Community Connection to help promote, coordinate, and undertake downtown focused economic development initiatives.
- Manage business mix and vacancies to enhance the market position and visibility of the downtown core.
- Evaluate the opportunity for a dining cluster in the downtown core.

Because of the Qualification Factors observed in the Additional Area, and the required coordination for future land uses of the Additional Area and the rest of TIF I, the Village is considering the benefits of redeveloping the Additional Area with the benefit and guidance of comprehensive economic planning by the Village. Through this coordinated effort, it is expected that TIF I, as a whole, will improve and development barriers will be eliminated.

The Village has further determined that redevelopment currently planned for TIF I is feasible only with public finance assistance. The creation and utilization of the Plan is intended by the Village to help provide the assistance required to eliminate conditions detrimental to successful redevelopment of TIF I.

The use of tax increment financing (“TIF”) relies upon induced private redevelopment in a TIF district to create higher real estate values that would otherwise decline without such investment. By so doing, it would result in increased property taxes compared to the previous land use (and/or lack of use). In this way, the existing tax base for all taxing districts would be protected and a portion of future increased taxes may be pledged to attract the requisite private investment.

Current Land Use. Including the Additional Area within TIF I would provide the Village with the possibility of bringing appropriate development to the Additional Area and to other areas of TIF I that are underutilized.

The Additional Area suffers from economic development impediments, as identified in the TIF Act. For example, the Additional Area suffers from deleterious land-use and deterioration. Section V of this report identifies other impediments to redevelopment.

Refer to amended **Exhibit 1** to the First Amendment for a map of the proposed TIF I as amended to include the Additional Area.

General Scope and Methodology. KMA formally began its analysis by conducting a series of meetings and discussions with Village staff, starting March, 2016, and continuing periodically up to the date of this Report’s issuance. The purpose of the meetings was to identify the Additional Area and to gather data related to the Qualification Factors (if any) for the Additional Area. These meetings were complemented by field surveys to evaluate the condition of the Additional Area. The field surveys and data collected have been utilized to assess whether the Additional Area would qualify for designation as a “conservation area.”

For the purpose of this Report, the Additional Area was examined in the context of the Qualification Factors under the TIF Act that apply to improved (as opposed to vacant) areas. The Qualification Factors discussed in this Report qualify the Additional Area as a “conservation area” pursuant to the TIF Act.

During the course of its work, KMA reported to Village staff its findings regarding qualification for the Additional Area.

For additional information about KMA's data collection and evaluation methods, refer to Section IV of this Report.

II. QUALIFICATION FACTORS

With the assistance of the Village, KMA assessed the Additional Area to determine the presence or absence of qualifying factors listed in the TIF Act. The relevant sections of the TIF Act are found below.

The TIF Act sets out specific procedures which must be adhered to in designating a TIF District/Redevelopment Project Area. By definition, a Redevelopment Project Area is:

“An area designated by the municipality, which is not less in the aggregate than 1½ acres and in respect to which the municipality has made a finding that there exist conditions which cause the area to be classified as a blighted area or a conservation area, or a combination of both blighted area and conservation area.”

Under the TIF Act, “conservation area” means 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 and which is not yet a blighted area, but because of a combination of 3 or more Qualification Factors, is detrimental to the public safety, health, morals or welfare and may become a blighted area.

Qualification Factors for an Area with Improvements

In accordance with the TIF Act, KMA performed a two-step assessment to determine if the Additional Area would qualify as a Conservation Area. First, KMA analyzed the threshold factor of age to determine if the Multi-Unit Structure is 35 years of age or older. KMA determined that the Multi-Unit Structure is 35 years of age or older.

If a proposed Conservation Area meets this age threshold, then the following Qualification Factors are examined to determine “conservation area” qualification:

If a *Conservation Area*, industrial, commercial and residential buildings or improvements are detrimental to the public safety, health or welfare because of a combination of three (3) or more of the following Qualification Factors, each of which is (i) present, with that presence documented to a meaningful extent so that a municipality may reasonably find that the factor is clearly present within the intent of the TIF Act and (ii) reasonably distributed throughout the improved part of the proposed Redevelopment Project Area:

- 1) **Dilapidation**: An advanced state of disrepair or neglect of necessary repairs to the primary structural components of buildings or improvements in such a combination that a documented building condition analysis determines that major repair is required or the defects are so serious and so extensive that the buildings must be removed.

- 2) Obsolescence: The condition or process of falling into disuse. Structures become ill-suited for the original use.
- 3) Deterioration: With respect to buildings, defects including but not limited to major defects in the secondary building components such as doors, windows, porches, gutters and downspouts and fascia. With respect to surface improvements, that the condition of roadways, alleys, curbs, gutters, sidewalks, off-street parking and surface storage areas evidence deterioration, including but not limited to surface cracking, crumbling, potholes, depressions, loose paving material and weeds protruding through paved surfaces.
- 4) Presence of Structures Below Minimum Code Standards: All structures that do not meet the standards of zoning, subdivision, building, fire and other governmental codes applicable to property, but not including housing and property maintenance codes.
- 5) Illegal Use of Individual Structures: The use of structures in violation of applicable federal, State, or local laws, exclusive of those applicable to the presence of structures below minimum code standards.
- 6) Excessive Vacancies: The presence of buildings that are unoccupied or under-utilized and that represent an adverse influence on the area because of the frequency, extent, or duration of the vacancies.
- 7) Lack of Ventilation, Light, or Sanitary Facilities: The absence of adequate ventilation for light or air circulation in spaces or rooms without windows, or that require the removal of dust, odor, gas, smoke or other noxious airborne materials. Inadequate natural light and ventilation means the absence of skylights or windows for interior spaces or rooms and improper window sizes and amounts by room area to window area ratios. Inadequate sanitary facilities refer to the absence or inadequacy of garbage storage and enclosure, bathroom facilities, hot water and kitchens, and structural inadequacies preventing ingress and egress to and from all rooms and units within a building.
- 8) Inadequate Utilities: Underground and overhead utilities such as storm sewers and storm drainage, sanitary sewers, water lines and gas, telephone, and electrical services that are shown to be inadequate. Inadequate utilities are those that are: (i) of insufficient capacity to serve the uses in the redevelopment project area; (ii) deteriorated, antiquated, obsolete or in disrepair; or (iii) lacking within the redevelopment project area.

Excessive Land Coverage and Overcrowding of Structures and Community Facilities: The over-intensive use of property and the crowding of buildings and accessory facilities onto a site. Examples of problem conditions warranting the designation of an area as one exhibiting excessive land coverage are: (i) the presence of buildings either improperly situated on parcels or located on parcels of inadequate size and shape in relation to present-day standards of development for health and safety; and (ii) the presence of multiple buildings on a single parcel. For there to be a finding of excessive land coverage, these parcels must exhibit one or more of the following conditions: insufficient provision for light and air within or around buildings; increased threat of spread of fire due to the close proximity of buildings; lack of adequate or proper access to a public right-of-way; lack of reasonably required off-street parking; or inadequate provision for loading and service.

- 9) Deleterious Land-Use or Layout: The existence of incompatible land-use relationships, buildings occupied by inappropriate mixed-uses, or uses considered to be noxious, offensive, or unsuitable for the surrounding area.
- 10) Environmental Clean-Up: The Proposed redevelopment project area has incurred Illinois Environmental Protection Agency or United States Environmental Protection Agency remediation costs for – or a study conducted by an independent consultant recognized as having expertise in environmental remediation has determined a need for – the clean-up of hazardous waste, hazardous substances or underground storage tanks required by State or federal law, provided that the remediation costs constitute a material impediment to the development or redevelopment of the redevelopment project area.
- 11) Lack of Community Planning: The Proposed redevelopment project area was developed prior to or without the benefit or guidance of a community plan. This means that the development occurred prior to the adoption by the municipality of a comprehensive or other community plan or that the plan was not followed at the time of the area’s development. This factor must be documented by evidence of adverse or incompatible land-use relationships, inadequate street layout, improper subdivision, parcels of inadequate shape and size to meet contemporary development standards, or other evidence demonstrating an absence of effective community planning.
- 12) Stagnant EAV: The total equalized assessed value (“EAV”) of the proposed redevelopment project area has declined for three (3) of the last five (5) calendar years prior to the year in which the redevelopment project area is designated, or is increasing at an annual rate that is less than the balance of the municipality for three (3) of the last five (5) calendar years, for which information is available or 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 three (3)

of the last five (5) calendar years prior to the year in which the redevelopment project area is designated.

III. METHODOLOGY OF EVALUATION

In evaluating the Additional Area's qualification to be part of TIF I, the following methodology was utilized:

- 1) Site surveys of the Additional Area were undertaken by representatives from Kane, McKenna and Associates, Inc., supplemented with photographic analysis of the sites.
- 2) KMA performed EAV trend analysis to ascertain EAV growth (or lack thereof) of the Additional Area over the last five years.
- 3) KMA conducted evaluations of the Multi-Unit Structure, noting such conditions as deterioration, and obsolescence. Additionally, KMA reviewed the following data: 2009–2014 tax information from Lake County, parcel tax maps, site data, local history (discussions with Village staff), and an evaluation of factors that have affected the area's development.
- 4) Existing site conditions were initially surveyed only in the context of checking against statutory criteria detailed in the TIF Act and as applied to the Multi-Unit Structure and site conditions within the Additional Area.
- 5) The Additional Area was examined to assess the applicability of the Qualification Factors.

IV. FINDINGS FOR PROPOSED FIRST AMENDMENT TO TIF I

Based upon KMA’s evaluation of the Additional Area and analysis of the Qualification Factors summarized in Section II, the following Qualification Factors are presented to support qualification of the Additional Area as a “Conservation Area”, as such term is defined in the TIF Act.

Summary of Conservation Area Findings: TIF I

Maximum Possible Qualification Factors per Statute	Minimum Qualification Factors Needed to Qualify per Statute	Qualification Factors Present in Proposed TIF District
13	3	<p>4</p> <ul style="list-style-type: none"> • Deleterious Layout • Deterioration • Lack of Community Planning • Lagging or Declining EAV

Note: In addition to 4 Qualification Factors above, the Multi-Unit Structure meets the statutory age threshold of 35 years or greater.

Finding as a Conservation Area. The Additional Area is found to qualify as a Conservation Area under the Qualification Factors. As indicated in Section II, KMA performed a two-step assessment, first finding that the Multi-Unit Structure is over 35 years of age, based upon County Assessor and site survey data.

Qualification Factors. As a second step, KMA determined that the following Qualification Factors were present:

- 1) Deleterious Layout. As noted in Section II, a municipality has a finding of deleterious layout or land use when there are (a) incompatible land-use relationships, (b) buildings occupied by inappropriate mixed-uses or uses considered to be noxious, or (c) uses offensive or unsuitable for the surrounding area. Most of the problems in the Additional Area reflect incompatible uses which are caused by a combination of factors – in particular, inadequate buffering and inappropriate mixed uses.

The Additional Area also suffers from incompatible land-use relationships. The current residential use of the Multi-Unit Structure is adjacent to an auto repair facility to the north and a small residence and industrial facility on the west. There is little to no buffering between uses. Circulation is another challenge to coordinating future land-use and

promoting redevelopment, particularly for the uses located along Morris Avenue and adjacent to the commercial/industrial areas.

In addition to the absence of adequate buffering between current residential uses and commercial/industrial areas, coordinated provisions for loading and unloading and traffic are also insufficient. Other issues relating to access/egress (such as the number of curb cuts on major arterials) also require coordination by the Village as part of redevelopment efforts.

- 2) Deterioration. The TIF Act defines deterioration as the physical decline of surface improvements, primary building components, and secondary buildings components such as doors, windows, porches or gutters. With respect to surface improvements, deterioration is determined by the condition of roadways, alleys, curbs, gutters, sidewalks, off-street parking and surface storage areas (including but not limited to surface cracking, crumbling, potholes, depressions, loose paving material and weeds protruding through paved surfaces).

Deterioration is primarily observed among the surface improvements and certain building components of the Multi-Unit Structure, including the stairs. Side lots within the Additional Area adjacent to the Multi-Unit Structure evidence deterioration with cracking as well as depressions.

- 3) Lack of Community Planning. The TIF Act states that if an area was developed prior to or without the benefit or guidance of a community plan this Qualification Factor is present. This factor must be documented by evidence of adverse or incompatible land-use relationships, inadequate street layout, improper subdivision, parcels of inadequate shape and size to meet contemporary development standards or other evidence demonstrating an absence of effective community planning.

Morris Avenue includes multiple land uses; including single family homes interspersed with commercial and industrial uses. Buffering between uses is limited. As an example, an auto repair facility is adjacent to the Multi-Unit Structure with little to no buffering.

As stated above, buffering to adjacent commercial/industrial uses is limited, and loading/unloading functions are also varied from use to use. Existing uses reflect piece meal or uncoordinated development patterns.

The development that occurred within the Additional Area (and much of the development within TIF I) took place in an era prior to modern community planning techniques, and/or occurred under a lack of comprehensive and coordinated planning.

Lacking until recently has been effective and sustained economic development plans and strategies intended to address the coordinated redevelopment of TIF I and the Additional

Area. This is not to say that improvements did not take place over the years, but that they were implemented without the guidance of a master plan directed toward long-term benefit for TIF I and the Additional Area.

The lack of coordinated development has left parcels that are inadequate in size and shape for contemporary development. This is evidenced by the narrow streets and right-of-ways, the lack of adequate exterior access and the lack of buffering between uses.

- 4) Lagging EAV. The EAV of the TIF District has lagged the Consumer Price Index (“CPI”) for four (4) of the past five (5) years.

EAV Trends

	2015	2014	2013	2012	2011
Total EAV of Additional Area	\$51,581	\$50,889	\$51,330	\$51,345	\$50,854
EAV Change of Additional Area over Prior Year (%)	1.36%	-0.86%	-0.03%	0.97%	0.80%
Village of Mundelein EAV	\$754,877,076	\$734,020,134	\$755,958,958	\$803,316,908	\$855,720,411
Balance of Village EAV	\$754,825,495	\$733,969,245	\$755,907,628	\$803,265,563	\$855,669,557
EAV Change of Balance of Village (%)	2.84%	-2.90%	-5.90%	-6.12%	-8.30%
CPI	0.10%	1.60%	1.50%	2.10%	3.20%

Declining/Lagging EAV is noted in **bold**.

Source: Lake County Clerk’s Office

V. SUMMARY OF FINDINGS / GENERAL ASSESSMENT OF QUALIFICATION FACTORS

The following is a summary of relevant qualification findings as it relates to the Additional Area.

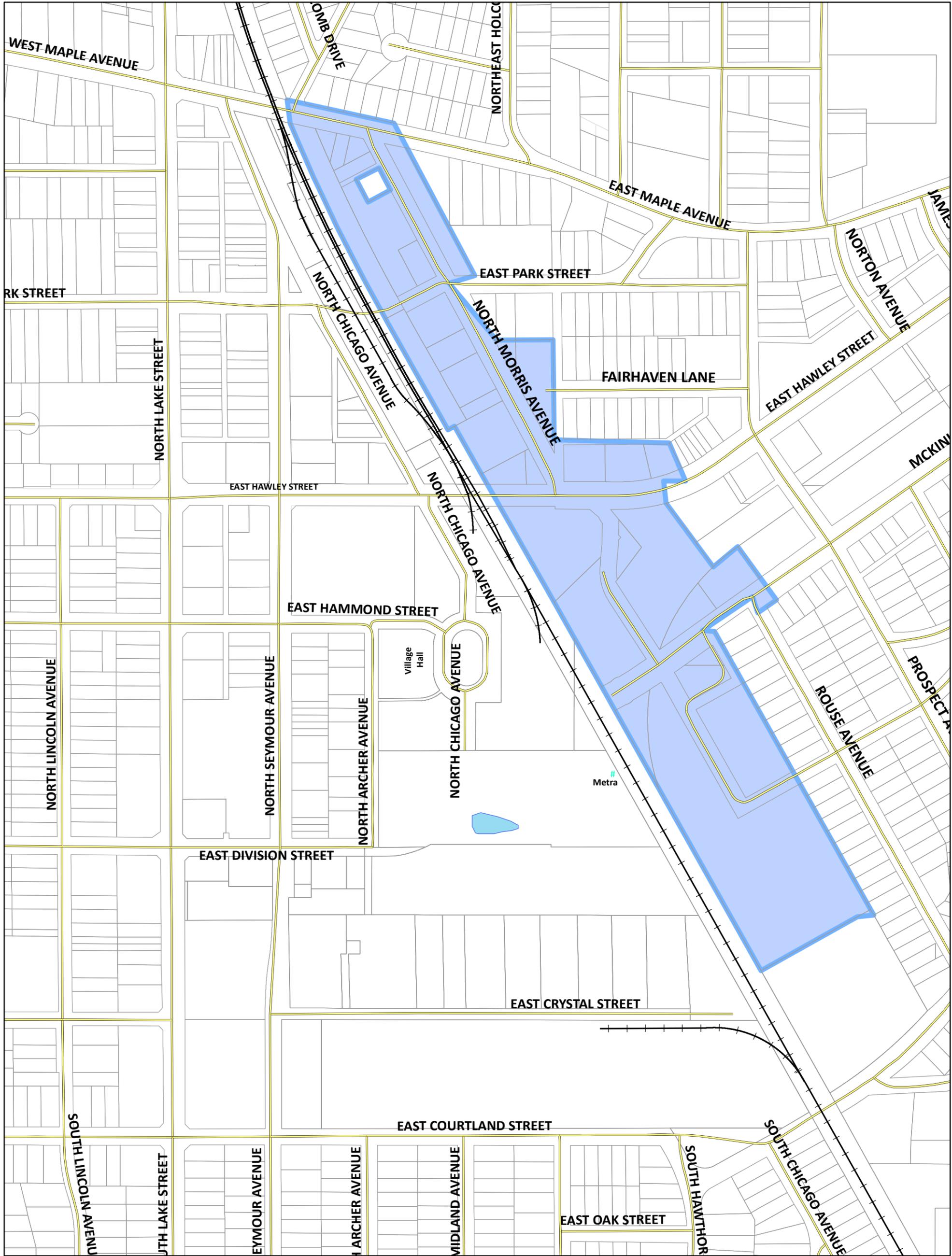
1. TIF I, as it currently exists and if amended to include the Additional Area, is contiguous and is greater than 1½ acres in size;
2. The Additional Area qualifies as a “Conservation Area” as such term is defined in the TIF Act. Further, the Qualification Factors found in the Additional Area are present to a meaningful extent and are distributed throughout the Additional Area. A more detailed analysis of the Qualification Factors is outlined in Section IV of this report;
3. The Additional Area would substantially benefit by the proposed redevelopment project improvements;
4. The sound growth of taxing districts with jurisdiction over the Additional Area, including the Village, has been impaired by the Qualification Factors found present in the Additional Area; and
5. The Additional Area would not be subject to redevelopment without the investment of public funds, including property tax increment.

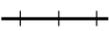
In the judgment of KMA, these findings provide the Village with sufficient justification to add the Additional Area to TIF I pursuant to the First Amendment.

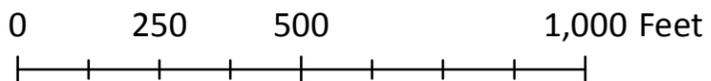
EXHIBIT 1

TIF I Boundary Map, As Amended

TIF I Boundary Map, As Amended Downtown Mundelein, Illinois



- Legend**
-  Railroads
 -  Street Centerline
 -  Mundelein Parcels
 -  Amended TIF I



Map Date: July 11, 2016