

George Koczwara

From: Keith Pekau
Sent: Saturday, December 3, 2022 2:48 PM
To: schoolboard@d230.org; schoolboard@orland135.org
Cc: George Koczwara
Subject: School Districts 135 and 230 TIF IGA
Attachments: Orland Park DOP TIF Plan_2022-11-2_clean.pdf; IGA Impact Fees Between Village and Taxing Bodies 21-1116.doc; Orland Park Ordinance Impact Fees GS 21-1112.docx; Intergovernmental Agreement - DR - SBF - 09-29-22.docx

District 135 and 230 School Board Members:

As I am sure you are aware, Village staff have been working with staff from D135 and D230 (including Attorney Ares Dalianis) on an Intergovernmental Agreement for the Downtown Orland Park (DOP) TIF District. The Village previously drafted an IGA and provided it to D230 and D135 when it appeared that objections from the school districts had been overcome relative to student reimbursement. The most recent correspondence from the Village on November 4th highlighted the Village's continued good faith efforts in resolving any looming objections. However, to date, the Village has not received a response, and this is putting in jeopardy the ability of the respective taxing bodies to capture realized non-tax cap revenue.

As you are aware, the Village currently has only one Tax Increment Financing (TIF) District, the Main Street Triangle (MST) District. While the Village has been pursuing redevelopment of this site for two decades, a viable plan to develop the site is just now taking shape. In order to proceed with this development, the Village previously proposed an extension of the existing TIF District. Having met with the school districts, the Village heard the expressed concerns and prepared an alternate proposal designed to better suit each district's needs.

Instead of extending the MST TIF, a new Downtown Orland Park (DOP) TIF would be created and the existing MST TIF boundaries would be decreased through an amendment. Under the initial iteration of this plan, the 9750 On The Park Apartments were not going to be part of either the DOP TIF nor the MST TIF. This would result in all taxing bodies, especially the school districts, capturing the MST TIF increment five years earlier than if the current TIF district remained in place for its full life. Since the 9750 On The Park Apartments are currently the only property tax generator in the entire MST TIF, the original plan of excluding 9750 from either the MST TIF or the DOP TIF would have resulted in \$4.3 million in new tax revenue to School Districts 135 and 230 over five years. However, now that this plan is being further delayed, it now appears that the soonest any amendment to the MST TIF boundaries can occur would be in 2023, which means that instead of five years of new, non-tax cap revenue, the respective taxing bodies can only realize four years of new, non-tax cap revenue. Additionally, with development costs and interest rates rising, it is becoming ever more difficult to continue to exclude 9750 On The Park Apartments from the amended MST TIF.

Since 2021, the Village has engaged and negotiated with the school districts in good faith. This has included dropping the TIF extension plan, removing 9750 from any of the TIF boundaries, expediting new, non-tax cap revenue, agreeing to an IGA relative to student reimbursement, and providing the school districts with all requested information, including the Eligibility Report and Redevelopment Plan and Project for the Downtown Orland Park Redevelopment Project Area which confirms that the area is TIF eligible.

As I am sure you can appreciate, the magnitude of redeveloping a parcel similar to the proposed Downtown Orland Park is no small task. As a matter of fact, since 2004 when the original TIF District was established, only a few parcels were redeveloped. Two of those parcels developed under the last administration are non-taxpaying which was a disservice to everyone in the Village to do this in a TIF District. In the last few years, we have made incredible progress on fulfilling the Downtown Orland Park vision that was established in 2004. Having waited this long, we want to make sure that

everything is done correctly, including minimizing the impact to all of the respective taxing bodies. This is why the Village has engaged in good faith negotiations with the taxing bodies.

Prior to the recent delays, Districts 135 and 230 would have received \$4.3 million in new tax revenue over next five years. Additionally, other impacted taxing bodies would have also received new revenue, including the Orland Fire Protection District, Moraine Valley Community College, and Orland Township. In total, all impacted taxing bodies would have received \$6.92 million in new tax revenue. Now that this plan is being further delayed, it now appears that the soonest any amendment to the MST TIF boundaries can occur would be in 2023 which means that instead of five years of new, non-tax cap revenue, the respective taxing bodies can only realize four years of new, non-tax cap revenue. This translates to an approximate loss of \$1.3 million in new revenue as a result of the delay.

On a related matter, Village staff has also been engaged with the school districts in updating the current impact fee ordinance since the current numbers used to calculate impact fees are more than 10 years old. Updated numbers will ensure that the collection of fees is based on legally required and up-to-date data. As you are aware, the Village of Orland Park collects and distributes school impact fees for all new subdivisions in the Village. The fees are based on the number of new lots created, projected population densities, land values, and land area required to serve the projected population of a new subdivision. In the normal course of business, Village staff reviews its various codes and recommends updates to said codes. Periodic review of codes helps ensure data is up to date, policies and procedures reflect current trends and that regulations remain legally enforceable as well as ensuring that the local school districts capture the appropriate compensation to offset impacts placed on them by new development.

A year ago, the Village provided the school districts with an updated draft Impact Fee Ordinance and related IGA in compliance with all of the latest regulations and recent legal challenges. As part of our collaborative effort to update this ordinance, School Districts 135 and 230 engaged RSP & Associates to complete a school demographics study. My understanding is that the demographic study has been completed which is one of the remaining steps in order to complete the impact fee ordinance update.

In conclusion, as negotiations with Edwards Realty on an eventual Master Development Agreement (MDA) continue to progress, and concrete steps are being taken to create the Downtown Orland Park TIF, the Village has to make important decisions in the coming weeks.

Given the economy and interest rates the development is also making the project more costly. Further delays will continue to drive up costs that we will need to account for. For this reason, we need approved IGAs by the end of the year. If this does not happen, we will need to take a different path and pursue a TIF change that will reduce the existing TIF, keeping 9750 in the TIF which will use the associated increment to pay for these additional costs.

Everything that the Village has proposed, in my opinion, just makes sense. As an elected official, I am hoping that your intervention in these matters can expedite these win-win solutions for all parties involved, especially our mutual tax payers.

Respectfully,

Keith Pekau