

# Memo



**To:** Board of Education of School District 45, DuPage County (D45)

**From:** Matt Harline, Village Manager, Villa Park

**Date:** October 4, 2024

**Re:** Request for Intergovernmental Agreement

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**Summary:** The Village of Villa Park created a Tax Incremental Financing District (The St. Charles Road Commercial Corridor TIF #7) in February 2024, and we are currently engaged in first major project of that District. To make the project viable we will need to issue sufficient Alternative Revenue Source General Obligation Bonds (ARS G.O. Bonds) to generate \$13,000,000 in cash to invest in the project. Marquette Companies will simultaneously invest \$68,000,000. Without an Intergovernmental Agreement with both D88 and D45, the increment will not be sufficient to cover the bond payments and the maximum amount of legally required student tuition payments under Section 11-4.4-3(q)(7.5) of the TIF Act.

Therefore, the Village proposes to pay D45 up to 9.0% of the Gross Tax Increment from the first year when there could be students living in the building (2028) until 2038, when the proposed payment grows to 10.0% and then that percentage until the ARS G.O. Bond is paid off. The estimated "tuition payment" for one student in D45 would be \$17,469; the maximum payment would be \$108,578 which would cover 8.61 tuition payments in the first year. A chart explaining the economics of the IGA is found below.

**Background:** In September of 2023 the Village made a presentation to this Board explaining the purpose of establishing the St. Charles Road Commercial Corridor TIF #7 District. The TIF extends the full length of St. Charles Road in Villa Park where there are many old and out of date buildings. The area could be more attractive and vibrant financially with public and private cooperation to revitalize the area.

The project also includes an area south of St. Charles Road along Villa Avenue that includes the block where Eclipse Dog Grooming and Cherokee Rose Embroidery used to be. This block is owned by the Village but will be transferred to the Marquette Companies who will construct the Union, a 238 unit mixed-use, market rate apartment complex that will include 8,000 square feet of commercial space. The makeup of the building will include 19 studio apartments, 144 one-bedroom apartments (some with a den), 70 two-bedroom apartments, and 5 three-bedroom apartments. There will be sufficient parking for the residents plus 95+/- covered public parking spaces. Construction is scheduled to begin in the early spring of 2025 and continue for 21 months.

The Village currently owns the property and has no income from the land. Therefore, the property tax is nil so all improvements will contribute to the increment. The addition of a viable business (likely a restaurant), plus about 300 new residents will be a catalytic project for the area. However, the private investors will not be able to see the necessary margin to invest in this project without the contribution by the Village. For the Village ARS G.O. Bonds to be sufficient to cover the debt and obligations to the schools and library, an IGA limiting the risk to the projected number of students is very desirable.

Year	TIF Year	Total GROSS Incremental Revenue	TGIR, NET student & library set asides by IGA	TGIR, NET student & library set asides max	Bond Payment	Amount to D45	Tuition	#of Tuition Pmnts
2028	4	\$1,670,437	\$1,378,110	\$969,362	\$1,028,250	\$150,339	\$17,469	8.61
2029	5	\$1,670,437	\$1,378,110	\$969,362	\$1,018,000	\$150,339	\$18,030	8.34
2030	6	\$1,670,437	\$1,378,110	\$969,362	\$1,007,250	\$150,339	\$18,609	8.08
2031	7	\$1,670,437	\$1,378,110	\$969,362	\$1,001,000	\$150,339	\$19,206	7.83
2032	8	\$1,829,500	\$1,509,338	\$1,061,668	\$1,114,000	\$164,655	\$19,823	8.31
2033	9	\$1,829,500	\$1,509,338	\$1,061,668	\$1,105,250	\$164,655	\$20,459	8.05
2034	10	\$1,829,500	\$1,509,338	\$1,061,668	\$1,095,500	\$164,655	\$21,116	7.80
2035	11	\$1,829,500	\$1,509,338	\$1,061,668	\$1,084,750	\$164,655	\$21,793	7.56
2036	12	\$2,003,711	\$1,653,061	\$1,162,763	\$1,208,000	\$180,334	\$22,493	8.02
2037	13	\$2,003,711	\$1,653,061	\$1,162,763	\$1,198,500	\$180,334	\$23,215	7.77
2038	14	\$2,003,711	\$1,633,024	\$1,162,763	\$1,182,500	\$200,371	\$23,960	8.36
2039	15	\$2,003,711	\$1,633,024	\$1,162,763	\$1,170,250	\$200,371	\$24,729	8.10
2040	16	\$2,194,510	\$1,788,526	\$1,273,485	\$1,311,500	\$219,451	\$25,523	8.60
2041	17	\$2,194,510	\$1,788,526	\$1,273,485	\$1,293,500	\$219,451	\$26,342	8.33
2042	18	\$2,194,510	\$1,788,526	\$1,273,485	\$1,279,700	\$219,451	\$27,188	8.07
2043	19	\$2,194,510	\$1,788,526	\$1,273,485	\$1,266,888	\$219,451	\$28,060	7.82
2044	20	\$2,403,478	\$1,958,834	\$1,394,750	\$1,412,587	\$240,348	\$28,961	8.30
2045	21	\$2,403,478		\$1,394,750				
2046	22	\$2,403,478		\$1,394,750				
2047	23	\$2,403,478		\$1,394,750				

The chart above shows that if the maximum number of students arrive, and the Village is required to pay their tuition to both school districts, the Village will have to make annual contributions to the bond payments from some source outside the development until 2043. Moreover, there will be no additional revenue to pay for any other projects in the TIF District. However, with the IGA in place the Village will be able to make the bond payments, pay D45 between \$150,339 in 2028 and \$240,348 in 2044 the last year of the bond payments.

The Village also will pledge to spend up to 75% of the annual increment toward the bond payments. If there are few kids, and the tuition payments under the IGA, and bond payments are less than the agreed maximum possible the Village hopes to shave four to eight years off the life of the bond (designated by the shaded area), depending on the increases in property value of the project. At that point the schools would receive their full Tuition payments due.

The estimates of tuition increase (3.21%/per year), property valuation and increment generated are all estimated by SB Friedman. The estimations of the interest rates and the potential bond payment schedule was developed by Speer Financial.

**Requested Action:** The Village is requesting that the Board approve the IGA as written or with modifications as you feel is necessary.