



IGA and Tax Incentive Proposal

January 12, 2015

A presentation to the Board of Education

An IGA and Tax Incentive Proposal:

City of Batavia

Geneva CUSD 304

Northern Builders, Inc.

AJR Filtration



Intergovernmental Agreement

Batavia, a home rule community, approached the District in late October about partnering in a tax incentive focused intergovernmental agreement.

The agreement, once in full force, would include the City of Batavia, Geneva CUSD 304, Northern Builders Inc., and AJR Filtration.



Why a Tax Incentive and IGA?

The City's home rule authority and the use of property tax rebates allow governmental bodies to incentivize development for the short or long term.

Debt service is excluded.

Allows a government entity to negotiate terms and conditions.

Selecting the best "tool" for the development.



Tax Increment Financing

The 1977 Tax Increment Allocation Redevelopment Act (TIF Act) granted municipalities the power and authority to address economic challenges of blighted and conservation areas through redevelopment.

TIF creates a “district” of all taxing bodies and establishes a base year. Any increases in EAV from the base year create revenues used to make improvements to the TIF district for up to 23 years, unless extended by the legislature.



TIF

Taxing bodies continue to receive real estate taxes from the base assessed valuation.

Qualifying Conditions: Blighted (dilapidation, obsolescence, deterioration); Conservation (>50% of structures are >35 years of age); Industrial Park (based on high unemployment).

A municipality, subject to public comment, creates a Redevelopment Plan for the TIF district.

Maximum life of a district is 23 years but can end early if completed or extended by the legislature.



IGA Key Points

- Term/Duration: Set Per Agreement
- Incentive Cap, PTAB Base Year
- Taxing Body Specific
- Debt Service Not Included
- Created in Weeks
- Costs: Administrative and Legal



TIF Key Points

- Maximum 23 Years
- Redevelopment Plan Required
- All Taxing Bodies
- GSA Factor
- Created in 6-8 months
- Eligible Costs Throughout Life of the Project:
Administration, Acquisition, Construction,
Financing, Professional Services, Demolition/Site
Preparation.



Site and Proposal Details

Location: City of Batavia and Geneva
CUSD 304 municipal and school
boundaries

Address: 1252 Pierson Drive, Batavia

Zoning: G-I or General Industrial

Property Size: 11.92 acres

Current Land Use: Vacant



Location:

South of
Fabyan
Pkwy

and

East of Kirk
Road

Courtesy of City of Batavia and
Google Maps



AJR Filtration

Courtesy of www.ajrfiltration.com

AJR FILTRATION
Manufacturing and Development of Filtration Solutions

30 Years Serving
The Filtration Industry

More Capability, More
Experience, Better
Filtration Solutions.

www.AJRFILTRATION.com

The advertisement features a collection of various filtration products including cylindrical filters, pleated filters, and bags, set against a background of water droplets and a blurred industrial scene at night.



AJR Filtration

National leader in the design and manufacture of airborne and liquid filtration systems and products, including custom engineered fiber bags and cartridges.

Employment is estimated between 250 F.T.E. at occupancy and projected to 400 F.T.E. within 24 months.

263,000 Sq. Ft. Manufacturing Facility
(\$9,090,000)



Equalized Assessed Values (EAVs)

Vacant Land (2 parcels)

2013 Value Assessments

EAV Land	\$702,615
EAV Building	+ <u> 0</u>
Total EAV	\$702,615

2016 (Est.) Developed/
Occupied Value Assessments

EAV Land	\$ 745,621
EAV Building	+ <u>\$3,030,000*</u>
Total EAV	\$3,775,621

* Estimated



Property Tax- Vacant Land

2014 Taxes Paid to City of Batavia \$ 5,142

2014 Taxes Paid to Geneva CUSD #304 \$ 45,284

2014 - 2025 Est. Cumulative Totals (2% Annual Inflation)

Taxes Paid to City of Batavia \$ 68,967

Taxes Paid to Geneva CUSD #304 \$ 607,355



PROPOSED AJR FILTRATION DEVELOPMENT

Improvements Upon the Land

Property Taxes Due

2017 Taxes Paid to City of Batavia \$ 27,632

2017 Taxes Paid to Geneva CUSD 304 \$ 243,343

2014 - 2025 Est. Cum. Totals (2% Annual Inflation)

Taxes Paid to City of Batavia \$ 285,277

Taxes Paid to Geneva CUSD 304 \$2,512,305

*2017 figure includes debt service and will not be part of the incentive. The taxpayer will pay debt service in full.



Incremental Increases in Property Taxes Due (Projected Cumulative)

2014-2025

	City of Batavia	CUSD #304	TOTAL
Developed	\$ 285,277	\$2,512,305	\$2,797,582
Less Vacant Land	<u>\$ 68,967</u>	<u>\$ 607,355</u>	<u>\$ 676,322</u>
	\$216,310	\$1,904,950	\$2,121,260

**Development-Vacant Land=Incremental Increase
(Based on Value from AJR Filtration Project)**



Proposed Property Tax Increase-Based Recruiting Incentive: AJR Filtration Development

2014-2025

	<u>COB</u>	<u>CUSD</u>	<u>TOTALS</u>
AJR Filtration Development Projected Tax Increases	\$216,310	\$1,904,950	\$2,121,260
Nine-Year Recruiting Incentive Payment Totals	<u>\$107,300</u>	<u>\$ 817,700</u>	<u>\$ 925,000</u>
Retained Tax Increase Totals	\$109,010	\$1,087,250	\$1,196,260
 Incentive Payment as a Percent Of Projected Tax Increase	 49.60	 42.93	 43.61
 Taxing Body Percent Allocation of Incentive	 11.60	 88.40	 100.00

Geneva CUSD 304



January 5, 2015 DRAFT

TAX PAYMENT YEAR

	2014 (Current Tax Bill)	2015 (Base Year)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	TOTAL	
Estimated EAV for PINs 12-13-252-001; 12-13-228-014 (Includes 2% Annual Inflation To EAV Beginning Tax Payment Year 2015)	\$702,615	\$716,667	\$731,001	\$745,621	\$760,533	\$775,744	\$791,259	\$807,084	\$823,225	\$839,690	\$856,484	\$873,613		
Property Tax Paid (Operating Tax Rate) to City Hold 0.68002 Rate Constant	\$4,778	\$4,873	\$4,971	\$5,070	\$5,172	\$5,275	\$5,381	\$5,488	\$5,598	\$5,710	\$5,824	\$5,941	\$64,082	
Property Tax Paid (Operating Tax Rate) to School Dist. Hold 5.18436 Rate Constant	\$36,426	\$37,155	\$37,898	\$38,656	\$39,429	\$40,217	\$41,022	\$41,842	\$42,679	\$43,533	\$44,403	\$45,291	\$488,550	
													TOTALS	
Estimated EAV for PINs 12-13-252-001; 12-13-228-014 Building Improvement Assessment Only (Includes 2% Annual Inflation To EAV Beginning Tax Payment Year 2018)	\$0	\$0	\$0	\$3,030,000	\$3,090,600	#####	#####	\$3,279,769	\$3,345,365	\$3,412,272	\$3,480,518	\$3,550,128		
REBATE SCHEDULE (Approximate Percentages)	NA	NA	NA	75%	75%	75%	53%	50%	48%	43%	36%	33%	487%	
City Rebate Scenario	Property Tax Paid to City Hold 0.68002 Operating Rate Constant	\$0	\$0	\$0	\$20,605	\$21,017	\$21,437	\$21,864	\$22,303	\$22,749	\$23,204	\$23,668	\$24,142	\$200,996
	City Tax Rebate Amount to Property Owner	\$0	\$0	\$0	\$15,450	\$15,775	\$16,000	\$11,500	\$11,200	\$11,000	\$10,000	\$8,500	\$7,875	\$107,300
	City Retained Property Tax	\$0	\$0	\$0	\$5,155	\$5,242	\$5,437	\$10,366	\$11,103	\$11,749	\$13,204	\$15,168	\$16,267	\$93,690
REBATE SCHEDULE (Approximate Percentages)	NA	NA	NA	75%	75%	75%	60%	51%	46%	45%	33%	28%		
School District Rebate Scenario (Assuming Approved Schedule)	Property Tax Paid to School Dist. Hold 5.18436 Operating Rate Constant	\$0	\$0	\$0	\$157,086	\$160,228	\$163,432	\$166,701	\$170,035	\$173,436	\$176,904	\$180,443	\$184,051	\$1,532,317
	School Dist. Tax Rebate Amount to Property Owner	\$0	\$0	\$0	\$118,000	\$120,000	\$122,000	\$100,000	\$86,000	\$80,000	\$80,000	\$60,000	\$51,700	\$817,700
	School Dist. Retained Property Tax	\$0	\$0	\$0	\$39,086	\$40,228	\$41,432	\$66,701	\$84,035	\$93,436	\$96,904	\$120,443	\$132,351	\$714,617

No Development
(Prop. Remains Vacant)

Property Developed As Proposed:
265,000 SF Building @ \$9,000/000 Construction Cost

Total Taxes (Operating Tax Rate Only) from Land and Occupied Improvement		Total Taxes (Operating Tax Rate Only) from Occupied Improvement Only		Allocation Percentages City and School District	
				Amount	% of Total
Total of Taxes paid to City	\$265,072	Total of Taxes paid to City	\$200,996	City Operating Tax Rate	0.68002 11.60
Total of Taxes paid to School District	#####	Total of Taxes paid to School District	\$1,532,317	District Operating Tax Rate	5.18436 88.40
Total of Taxes paid to both City and District	#####	Total of Taxes paid to both City and District	\$1,733,307	Total of Operating Tax Rates	5.86438 100.00
Total of Rebate Amounts paid to Property Owner	\$925,000	Total of Rebate Amounts paid to Property Owner	\$925,000	City Total Rebate	\$107,300 11.60
Total of City Rebate Amount paid to Property Owner as a Percent of Total of Taxes Paid to City	40.48	Total of City Rebate Amount paid to Property Owner as a Percent of Total of Taxes Paid to City	53.39	District Total Rebate	\$817,700 88.40
Total District Rebate Amount paid to Property Owner as a Percent of Total of Taxes Paid to District	40.46	Total District Rebate Amount paid to Property Owner as a Percent of Total of Taxes Paid to District	53.36	Total Rebate	\$925,000 100.00
Total of Rebate Amounts paid to Property Owner as a Percent of Total of Taxes Paid to both City and District	40.46	Total of Rebate Amounts paid to Property Owner as a Percent of Total of Taxes Paid to both City and District	53.37		

Geneva CUSD 304



Base Year

No Development
(Prop. Remains Vacant)

	2014 (Current Tax Bill)	2015 (Base Year)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
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Geneva CUSD 304



Rebate Schedule

Property Developed As Proposed: 263,000 SF Building @ \$9,090,000 Construction Cost	Estimated EAV for PINs 12-13-252-001; 12-13-228-014 <u>Building Improvement Assessment Only</u> (includes 2% Annual Inflation To EAV Beginning Tax Payment Year 2018)													TOTALS	
	REBATE SCHEDULE (Approximate Percentages)														
	City Rebate Scenario	Property Tax Paid to City													
		Hold 0.068002 Operating Rate Constant	\$0	\$0	\$0	\$20,605	\$21,017	\$21,437	\$21,866	\$22,303	\$22,749	\$23,204	\$23,668	\$24,142	\$200,990
		City Tax Rebate Amount to Property Owner	\$0	\$0	\$0	\$15,450	\$15,775	\$16,000	\$11,500	\$11,200	\$11,000	\$10,000	\$8,500	\$7,875	\$107,300
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	REBATE SCHEDULE (Approximate Percentages)														
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		Hold 5.18436 Operating Rate Constant	\$0	\$0	\$0	\$157,086	\$160,228	\$163,432	\$166,701	\$170,035	\$173,436	\$176,904	\$180,443	\$184,051	\$1,532,317
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		School Dist. Retained Property Tax	\$0	\$0	\$0	\$39,086	\$40,228	\$41,432	\$66,701	\$84,035	\$93,436	\$96,904	\$120,443	\$132,351	\$714,617



Tax and Rebate Summaries

Total Taxes (Operating Tax Rate Only) from Land and Occupied Improvement		Total Taxes (Operating Tax Rate Only) from Occupied Improvement Only	
Total of Taxes paid to City	\$265,072	Total of Taxes paid to City	\$200,990
Total of Taxes paid to School District	\$2,020,867	Total of Taxes paid to School District	\$1,532,317
Total of Taxes paid to both City and District	\$2,285,939	Total of Taxes paid to both City and District	\$1,733,307
Total of Rebate Amounts paid to Property Owner	\$925,000	Total of Rebate Amounts paid to Property Owner	\$925,000
Total of City Rebate Amount paid to Property Owner as a Percent of Total of Taxes Paid to City	40.48	Total of City Rebate Amount paid to Property Owner as a Percent of Total of Taxes Paid to City	53.39
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Allocation Percentages City and School District		
	Amount	% of Total
City Operating Tax Rate	0.68002	11.60
District Operating Tax Rate	5.18436	88.40
Total of Operating Tax Rates	5.86438	100.00
City Total Rebate	\$107,300	11.60
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Total Rebate	\$925,000	100.00



Protection From Future Assessment Challenges

The IGA will have an exhibit of anticipated equalized assessed values for the 9-year term of the rebate and beyond through tax year 2036 and the taxpayer will not be able to reduce the EAV below those anticipated levels.



Process & Timeline

The following is an anticipated time line on how the incentive/IGA might proceed.

Jan. 6 Batavia COTW

Jan. 12 G304 BOE

NBI & AJR-MOU & Developer Agreement

Jan. 20 Batavia COTW

Jan. 26 G304 BOE

Feb. 2 Batavia CC



Questions

Home Rule

IGA

TIF

Tax Incentive

Rebate Process

PTAB