



Subject: Intergovernmental Agreement with the Village of Villa Park Regarding Union Development

Date: October 15, 2024

The Village of Villa Park recently provided district administration with a request for an Intergovernmental Agreement regarding an upcoming residential and commercial development within the newly created St. Charles Road Commercial Corridor TIF #7. The Village provided two documents that are attached to this write up. The first is a memo from Matt Harline, Village Manager, which summarizes the background of the project as well as the IGA request made to School District 45. The second document is a DRAFT Intergovernmental Agreement which outlines the proposed reduction of incremental taxes received from the Village should any students residing in the residential component of the project attend District 45 schools.

Pursuant to the TIF Act, the Village is mandated to make Student Tuition Payments for students residing in housing units within the TIF District each school year. The maximum amount of Student Tuition Payments to be made from Incremental Taxes to District 45 by the Village, no matter the number of students residing in the development, is equal to 27% of Incremental Taxes generated. This proposed IGA reduces the maximum amount of Student Tuition Payments to 9% of the Incremental Taxes generated by the development for years 2028 through 2037 and 10% for years 2038 through 2045 or until the year the Alternative Revenue Source General Obligation Bond (ARS GO Bonds) for this property are paid off, whichever comes first.

Per the chart on page 2 of the Memo, the 9% payment of estimated Incremental Taxes to District 45 would generate approximately \$150,339 the first year of this agreement (2028). Based on the district's estimated Per Capita Tuition Charge of \$17,469, this payment would cover the cost of approximately 8.6 students for that school year. In other words, this IGA would pay for 8 students to attend our schools for that school year. If we receive any students beyond the first 8, the entire cost of education would be subsidized by the non-TIF properties in the district. If the district were not to enter into this agreement and operate under the terms of the TIF Act, the 27% of Incremental Taxes would generate approximately \$451,017 and would be able to cover the costs of 25.8 students for that year.

The financial exposure to the capped tuition of 9% versus the TIF Act allowance of 27% is not easily estimated as it would require the district to estimate the number of concurrent elementary school aged students. Also, this formula would require annual updating to determine the tuition amount net of State funding from our annual audit. The developer has estimated that District 45 would receive approximately 8 students from this development based on industry practices for making these types of estimates. Based on the number of proposed units when compared to the Ovaltine development (2008-2024), we estimate the average number of students to be approximately 8 per year as well.

The Village of Villa Park also proposed a similar Intergovernmental Agreement to District 88 as well but the details are not known at this time. The Village is looking for feedback as soon as possible to keep the financing and construction timelines on schedule.