

SYCAMORE CITY COUNCIL

AGENDA

August 2, 2004

City Council Committee Meetings

No Meetings Are Scheduled

Regular City Council Meeting

At the Sycamore Center

7:00 P.M.

1. **CALL TO ORDER**
2. **INVOCATION**
3. **PLEDGE OF ALLEGIANCE**
4. **APPROVAL OF AGENDA**
5. **AUDIENCE TO VISITORS**
6. **CONSENT AGENDA**
 - A. Approval of the Minutes for the City Council Meeting of July 19, 2004;
 - B. Payment of the Bills for August 2, 2004.
7. **PRESENTATION OF PETITIONS, COMMUNICATIONS, AND BILLS.**
 - A. Consideration of a Presentation by the Sycamore Economic Development Commission.
Sycamore Economic Development Commission member Bill Nicklas will introduce Joel Barczak of Blumen Gardens who will give a brief overview of his firm's products and services.
8. **REPORTS OF OFFICERS**
9. **REPORTS OF STANDING COMMITTEES**
10. **PUBLIC HEARINGS--None**

11. ORDINANCES

A. Ordinance No. 2004.26—An Ordinance of the City Council of the City of Sycamore, Illinois Adopting an Appointed Treasurer’s Position to Replace the Elected Treasurer’s Position. Second Reading.

This ordinance was heard on first reading at the July 19 City Council meeting. The attached ordinance would make the Treasurer position an appointed rather than an elected position. Such a change was recommended by the Council’s Ordinance Committee on July 6 by a vote of 3-0.

As explained at the City Council meeting of July 19, the office of Treasurer can be made an appointed position by an ordinance enacted by the Council. The Ordinance is not effective, however, until the end of the then-current term of the elected Treasurer. Upon the approval of such an ordinance, the Council may, by a 2/3 vote of the Corporate Authorities, enact a resolution or ordinance that merges the duties of the Treasurer with “any other municipal officer.” Such enactment would not take effect until the end of the then-current fiscal year.

In other words, the elected Treasurer serves until the end of his term in April 2005. Several weeks would follow in which the Treasurer duties could be assumed by the City Manager or a designee appointed by the Mayor with the consent of the Council. On a permanent basis, the Council would formally transfer the duties of the Treasurer to another appointive officer—the Assistant to the Manager for instance--during the Council’s annual consideration of the existing appointive offices and their respective compensation at the second Council meeting in April. If, by a two-thirds vote, the Council chose to make such a transfer of duties to a newly-titled appointive position (e.g. Comptroller), the transfer would go into effect on May 1, 2005.

City Council approval is recommended.

B. Ordinance No. 2003.30—An Ordinance Prohibiting the Use of Compression Release Engine Brakes Within the Corporate Limits of the City of Sycamore, Illinois. First and Second Reading.

This ordinance has been drafted in response to Council direction. The concern is “engine breaking” and the noise it creates, particularly in the vicinity of residential neighborhoods. The attached draft mirrors the language of similar provisions adopted by other Illinois communities.

City Council approval is recommended.

12. RESOLUTIONS—None

13. CONSIDERATIONS

A. Consideration of an Administration Request for Clarification Regarding the Council’s Position on Residential Growth Management.

At the last regular City Council meeting of July 19, the Council considered a number of options with respect to the City's current growth management policies. The options under consideration included the following:

Option #1: Stay the Course.

- Retain the Comp Plan's Land Use Map of 2003.
- Consider new annexation requests on their merits, and negotiate annexation agreements that establish a break-even point for school and city services in terms of voluntary contributions and impact fees. This could involve significantly higher contributions.
- Continue to use Ordinance 2003.65 and the "Timeline" of projected annual permits to weigh the fiscal impact of new residential development.

Option #2: Feather the Throttle.

- Retain the Comp Plan's Land Use Map of 2003.
- Consider new annexation requests on their merits, and negotiate annexation agreements that establish a break-even point for school and city services in terms of voluntary contributions and impact fees. This could involve significantly higher contributions.
- Continue to use Ordinance 2003.65 and the "Timeline" of projected annual permits to weigh the fiscal impact of new residential development. However, defer any new permits for land annexed after July 1, 2004 until 2010.
- Investigate the feasibility and wisdom of real estate transfer fees.

Option #3: A Moratorium on New Growth, Except in Name.

- Retain the Comp Plan's Land Use Map of 2003.
- Consider new annexation requests on their merits, but for residential annexations approved after July 1, 2004 defer any new permits until 2014. Rescind Ordinance 2003.65 and create a new "pacing" regulation that conforms to this approach.

Option #4: Mayor Swedberg's Suggestion of July 19.

- Retain the Comp Plan's Land Use Map of 2003.
- Consider new annexation requests on their merits, but for residential annexations approved after July 1, 2004 defer any new permits until 2012. Rescind or Revise Ordinance 2003.65 and create a new "pacing" regulation that conforms to this approach.

Option #5: Alderman Maness's Suggestion of July 19:

- Retain the Comp Plan's Land Use Map of 2003.
- Consider new annexation requests on their merits, and negotiate annexation agreements that establish a break-even point for school and city services in terms of voluntary contributions and impact fees. This could involve significantly higher contributions.
- Continue to use Ordinance 2003.65 and the "Timeline" of projected annual permits to weigh the fiscal impact of new residential development.
- Investigate the feasibility and wisdom of real estate transfer fees.

Each of these options has been the subject of further public debate during the past two weeks, and each has its supporters. All of the options are rooted in concern about how we, as a community, will change in the next ten years and whether we will remain economically competitive over the same period.

This anxiety is not new. Some history will serve to illustrate this point.

A. Sycamore's Recent History of Community Planning.

Ten years ago, in 1994, the City Council was very concerned that Sycamore's economic vitality was in jeopardy for the following reasons:

- a) Housing starts of all types (apartments, condos, townhouses, detached single family) totaled 79, indicating a slight housing recovery from the recession of the early 1990s (there were 64 housing units permitted in 1993).
- b) While the trend in housing starts was flat, industrial valuation was declining relatively and absolutely (this trend preceded the closing of Duplex Products in 1996).
- c) Commercial valuation had declined in 1993 and had rebounded only slightly in 1994, because of the competition of DeKalb's new commercial developments, slow population growth (an average of about 2.3% per year from 1990), and a continuing decline in the variety and number of downtown retail businesses.
- d) As a result of (a), (b) and (c), Sycamore's property tax distribution in 1994 was 72.61% residential; 20.23% commercial, and 7% industrial (in 2003 the proportions were 74.3%/21.14%/4.56%, respectively).

Other issues identified by the Council in 1994 included the lack of professional city management; the lack of home rule status and the flexibility such status provided in raising financial resources aside from property taxes; the lack of a comprehensive plan and community vision; and neglected infrastructure in established neighborhoods. To address these related issues, the Council engaged Northern Illinois University's Center for Governmental Studies in the fall of 1994 to examine the City's recent development and to begin a strategic planning process. As a result of the community discussion that followed in 1995, the Council identified the need to manage the City's future growth in a manner that broadened the tax base while retaining the city's "family-friendly" ambience. Toward these ends, in April 1996 the Council adopted a transitional land use plan and in September 1996 the City Council hired its first administrator. In November 1996 the community passed a referendum to become a home rule unit of government. However, a comprehensive plan for future growth with associated ordinance revisions and detailed mapping remained unwritten.

In the spring and summer of 1998, a further step in developing a community vision for responsible growth was taken through Sycamore's involvement in the Competitive Communities Initiative (CCI). The Illinois Department of Commerce and Community Affairs sponsored this state-wide program that pulls together community leaders to define problems, identify solutions, and prioritize actions that would help a municipality become more economically competitive while maintaining a desirable quality of life. The conclusions drawn from Sycamore's involvement in CCI were

remarkably similar to those derived from the preliminary planning process in 1995-1996. Specifically, the CCI committees recommended

- a) The development of a comprehensive plan that promoted balanced growth or a broader tax base with a strong mix of commercial and industrial uses.
- b) Preservation of the unique character of the city as a place of choice for families, involving a greater focus on amenities such as attractive signage, building facades, landscaping, and bike paths.
- c) Preservation of sufficient land to sustain the community's reputation for park and outdoor recreation facilities.
- d) Aggressive infrastructure repairs according to a multi-year capital plan.
- e) Downtown redevelopment including the implementation of a streetscape design to accent historic facades and invite greater commercial activity.
- f) Intergovernmental agreements to better manage growth at common jurisdictional boundaries.
- g) Upgrading dated zoning and development ordinances.

In the spring of 1999 the City Council announced its intention to prepare a comprehensive plan for community review during the winter of 1999. The last Plan had been adopted in 1969! After a series of public open houses in neighborhood elementary schools and a series of open meetings of the Plan Commission, Board of Zoning Appeals, the Sycamore Economic Development Commission, and the City Council, the 2000 Comp Plan was adopted in May 2000. In August 2000 the Council approved a permanent boundary agreement with the Town of Cortland and in January 2001 the City's zoning codes were thoroughly revised for the first time since 1984 to implement key Comp Plan recommendations. A sub-area plan for the City's southeast side—the area of most interest to residential developers from 1998 through 2001—was implemented in April 2001 and the City's first set of urban design guidelines was approved in October 2001.

In 2001 Sycamore's annual housing starts remained at approximately the same level as in 1998. The City kept to an aggressive capital program formulated in the late 1990s to rejuvenate existing residential and commercial neighborhoods, featuring the completion of the downtown streetscape project in the summer of 2001, the completion of the Rt. 23/Rt. 64 project; and the completion of the Bethany Road Detention Pond. These projects totaled about \$6 million in City funds. As 2002 opened, the Council committed another \$7 million in major public works projects to be completed by the end of 2004, including the reconstruction of Home Street, the reconstruction of three downtown streets, the completion of the Public Works building, and the installation of Well #9. But 2002 was a watershed year in terms of Sycamore's pace of growth. By the end of 2002, housing starts had increased from a five-year average of 129 units per year to 193 units of all types. To address this upward trend, the City, School District, and Park District collaborated to raise impact fees by an average of 44% (School fees increased by 97.5%; Park fees by 50%; and the City's water and sewer fees increased by 19% and 21%, respectively). The City also embarked on a Comp Plan revision in the summer of 2002 that led to the adoption of a new and unique Plan in June 2003 that featured a

“green belt” around the City’s northeast planning area beyond which no new development could occur.

Notwithstanding these steady growth management efforts, Sycamore’s appealing quality of life, competitive land prices (relative to Kane County communities); and general economic vitality invited a degree of residential development interest that no local observer could have predicted. The imposition of another general increase in impact fees in 2003 did not materially affect this interest (City water and sewer fees were raised 13% and 18% respectively, while School fees were raised 75%). This prompted the City Council to adopt a unique set of regulations in November 2003, subsumed under Ordinance 2003.65. A copy of the ordinance is attached. This enactment limits the number of building permits that can be issued per year from each new residential annexation and also dictates a time lag following annexation before any new building permits can be approved. However, this regulation, which affects all annexations after November 2003, cannot legally apply retroactively to annexations approved prior to the fall of 2003.

B. What is the Problem?

As local business owner David Juday reasoned in a letter to Mayor Swedberg on July 19 (see attached), the problem may lie in how we have framed the debate about growth during the past year. The most constructive questions may not be: Shall we grow? or Shall we limit annexations? or How long should we delay permits for any new annexations? The key questions may be less technical and more fundamental:

- What is our vision for Sycamore?
- How do we sustain that vision?

Unlike many communities, the residents of Sycamore have expressed practically no disagreement about our community character since earnest community planning began in the mid-1990s. Our self-image is typified by the Courthouse square. No slide in the January 7, 2003 image preference survey got a higher rating. Moreover, no serious opposition to our self-image as a small town with a hometown charm has surfaced since then, and the 2003 Comp Plan is full of ideas and objectives to sustain this image.

Sustainability. How do we “sustain” this small-town image? “Sustainability” is a hot concept in the planning profession today and has generated a growing volume of monographic studies and books. Since a consensus exists in the Comp Plan and in the community at large for geographical limits to our outward growth, our definition of “sustainable” would logically be less about population and more about the vitality of our local economy, the balance of our local tax base, and the quality of the services that we desire to serve our population over our immediate horizon. If our community can define the services it desires, and reaches a consensus about the means to sustain those qualities, then the pace of our development is immaterial. So long as we agree about where we are going, the principal task is to cooperatively plan how we will get there. The growth ring identified in the 2003 Comp Plan--soon to be reinforced through a boundary agreement between Sycamore, Genoa, and DeKalb County--more or less defines our ultimate population by constraining our outward development to the northeast. Depending on the density of future residential developments and our political

will, the population of Sycamore in 2020 could be limited to about 25,000 (see Table A below). How long it takes us to reach that population plateau will depend on City policy, and how we want to “sustain” our quality of life.

When the Comp Plan was approved in June 2003, the estimate of Sycamore’s ultimate population was substantially higher at about 35,000 including some new housing to the west and southeast, as well as about 18,036 new “population equivalents” in the northeast quadrant based on the capacity of the new 27-inch interceptor sewer (3006 non-annexed residential acres in the northeast quadrant times two housing units per acre times 3 people per unit). Since June 2003, the Council has prescribed a more modest growth target in the northeast quadrant. In view of the very low density of Sycamore Creek II (about 1.5 units per acre) and lower-than-expected average household sizes (2.54 persons) in recent surveys, the City’s actual sewer capacity could accommodate another 1300 acres in the northeast quadrant. However, City policy will likely dictate a narrower range of acres to be developed, based on a population target of about 25,000.

A special census is planned for 2005 that will test our derivative population data. Until a special census is conducted, we can make some informed population projections:

Table A: Comparative Population Estimates*

City	1990 Population (Actual)	2000 Population (Actual)	2010 Population (Estimated)	2020 Population (Estimated)	2030 Population (Estimated)
Sycamore	9,708	12,020	20,381	25,000	25,000***
DeKalb	35,086	39,018	50,615	63,500	79,375
Genoa	3,083	4,169	9,500	14,500	21,500
Cortland	963	2,066	7,500	11,500	18,500
Geneva*	12,617	19,515	25,250**	25,480**	26,000**
St. Charles*	22,491	27,896	35,547**	40,591**	41,000**
Elburn*	1,275	2,756	8,879	15,002	21,126
Plainfield* (Will County only)	1,647	13,038	30,606	48,175	65,744
Sugar Grove*	2,005	3,909	23,520	43,131	62,742

*Based on data from the Northeastern Illinois Planning Commission.

**Geneva and St. Charles are essentially built out in terms of land within their planning areas that is slated for residential development. The Geneva special census of 2004 (to be published) will establish a population of 21,900; the St. Charles special census of 2003 established a population of 31,834.

***Assumes a self-imposed cap on population growth despite additional sewer capacity.

Table B: City of Sycamore
Building Permit and Population Projections

Please Note: Shaded Area Indicates Time Period in Which Unregulated Subdivisions Are Building Out

Year (as of 12/31)	New Housing Units of All Types	Estimated New Population	Estimated Total Population	Census (Actual)
1990	106			9,708
1991	62			
1992	77			
1993	64			
1994	79			

1995	70			
1996	112			
1997	88			
1998	140			
1999	143			
2000	128	260	12,280	12,020
2001	144	337	12,617	
2002	193	451	13,068	
2003	257	586	13,654**	
2004	362	848*	14,502	
2005	481	1,091*	15,593	
2006	589	1,338*	16,931	
2007	542	1,243*	18,174	
2008	442	1,016*	19,190	
2009	260	590*	19,780	
2010	249***	601*	20,381	
2011	235***	569*	20,950	
2012	201***	502*	21,452	
2013	201***	502*	21,954	
2014	202***	505*	22,459	
2015	185***	462*	22,921	
2016	170***	432*	23,353	
2017	170***	432*	23,785****	

*Estimates assume 2.54 persons per SF detached home; 2 persons per attached SF or condo/apartment.

**Revised

***Assumes some residential annexation activity aimed at a ceiling of about 200-225 permits of all types per year based on Ordinance 2003.65. To better illustrate this scenario, the “Timeline” has been revised for discussion purposes (see attached).

****Figure represents estimated total City population if annexation continues at a reduced pace in the northeast quadrant and no significant new residential annexations are approved on the west or southeast sides of the City.

C. How Do We Preserve Our Vision?

At the City Council meeting of July 19, it was suggested that the City undertake a “detailed analysis of the fiscal impact of the currently approved subdivisions” along with a review of municipal, school, park, and library services and the funding need to pay for such services into the future. This can certainly be accomplished for \$10,000-\$15,000. However, a strategic community plan was completed in June 2003, and each of the local taxing bodies annually projects its service needs and associated costs in their public budget process. Moreover, for the past three years, each new residential subdivision proposal has passed through a fiscal impact analysis based on current revenues and costs and projected financial impacts over the build-out of the project. An independent analysis of the type conducted in 1994-1995 by NIU’s Center for Governmental Studies when the City had no professional management would begin with this background of data and the broad range of information already shared by the professional administrations of our local taxing bodies. Before embarking on a consultant study, the Council may wish to consider the conventional approach that is in place as well as the trend data that is near-at-hand.

Here are some objectives toward sustainability that can be derived from what we already know:

1. Track the Fiscal Impact of Growth. The City's model is based on the court-tested Naperville model and focuses on City and School District impacts. A variety of variables are assessed to determine whether a proposed development "pays for itself" in a given year and over time. On an annual basis, the model is revised to incorporate the most current tax rates as well as budgeted revenues and costs on a per capita and per student basis. A copy of the Sycamore Creek Phase II fiscal impact study was appended to the background packet for the joint Plan Commission/City Council meeting of July 12 and is attached for reference. This useful tool helps the Plan Commission and Council compare varying development proposals and suggests "break-even" points in terms of house price, tax generation, and operating and capital costs for the School District and City. The "constants" (e.g. operating and capital costs per student; operating costs per capita; state aid per student; and state income tax per capita) are revised with each budget year.

Some supplementary tables were presented to the Council on July 12 and July 19 showing a provisional capital cost analysis for the School District using examples of three-bedroom and four-bedroom homes, and different bond and interest rates. These tables are again attached and can be tweaked to incorporate different assumptions.

The fiscal analysis for Sycamore Creek II suggests some interesting conclusions. First, when houses are priced in the high \$200,000s, the City more than breaks even in terms of its per capita operating costs, with or without "voluntary" contributions from the developer. It is different with the School District. From an operating standpoint, the School District does not break even in terms of its per student operating costs unless, again, the individual houses are priced at the top of the local market and a very substantial "voluntary" contribution that can be used for operating needs is included. The threshold for such a voluntary contribution may be as high as \$3,000 per unit, depending on the District's costs. The taxpaying public will want to review such costs, as they should also review the City's annual operating costs.

On the capital side, the picture is more positive for the School District. At the current level of impact fees, and with no increase in the District's bond or debt service rate (currently around \$.85 per \$100 EAV), a 4-bedroom home priced above \$275,000 would break even (see the attached capital cost analysis). The key public policy question regarding the School District's capital side is: how does the community pay for a new school or school additions without a significant rise in the District's debt service rate? A related question is: in what year does the annual debt service for the last referendum decline so that new debt could be absorbed without leading to an increase in the tax rate? The Board of Education has stated that even if no new annexations are approved for the next few years, the large inventory of unregulated residential lots that will be eligible for permitting will generate sufficient students to prompt a facility expansion program. Further analysis of the Board's financial challenges should begin with a full disclosure of all relevant financial data, debt service schedules, etc.

2. Plan for Capital Projects in Advance

a. School District. The Board of Education recently released a position paper that suggests the need for one elementary school in the northeast quadrant, most likely in the Sycamore Creek Phase I subdivision at Lindgren and Plank Roads, that would be open by 2009. Whether additional elementary school space will be needed beyond the new school in the northeast quadrant will depend upon future annexation decisions. What the District may need on the southeast side is more dependent on Cortland's growth than Sycamore's. The District's assessment of need is ongoing, but a binding, negotiated agreement between the District and Cortland regarding the pace of future residential growth has merit.

Can we sustain the quality of our schools and the declining rate of property taxation while embarking on a school building program? The answer might be "yes," if we can conjure a developer or consortium of developers who would consider financing a new elementary school on the northeast side to deal with unregulated housing starts.

b. City of Sycamore. The City put a three-year capital plan in place in 1999 and has annually updated it. For growth-related capital improvements such as treatment plant improvements, a water tower, and a new fire station, a combination of impact fees and borrowed funds will provide the necessary financing.

aa) Water. The City will have five deep wells in service by the end of this fiscal year, and can comfortably serve a projected population of 25,000 with such capacity. However, the City will need a new water tower on the north side to achieve storage that is roughly equivalent to an average day's pumping. The City currently has one elevated tank with a 750,000 gallon capacity. The proposed new tank on the north side will have a 2 million gallon capacity and a price tag of about \$3.2 million (\$1.60 per gallon).

The City has two dedicated sites for the new water tower. One is in the Heron Creek subdivision near the intersection of Peace Road and Frantum Road, and the other is in the Sycamore Creek Phase II subdivision off Whipple Road. Along with user fees, the City can dedicate water impact fees toward the cost of such an investment. The City's Water Impact Fee Fund (Fund 3) had an estimated balance of \$1,232,971 at the end of FY04 (April 30, 2004). In FY04, an estimated \$272,000 was received in water impact fee revenue.

bb) Sewer Treatment. In terms of sewer treatment, the expansion and updating of the sewer treatment facility on North Cross Street is the principal focus of long-term capital planning. The City assumes the cost of such improvements to be about \$500 per new resident (\$5 per gallon times an average per capita daily use of 100 gallons). The Council approved the funding for a feasibility study during this fiscal year. We expect the findings will confirm the staff assumption that we need to (a) move toward a mechanical dewatering system in place of the sludge drying beds and (2) install new capacity for future

growth. Currently, the treatment plant has a design capacity of 2.97 million gallons per day. The capacity in use is estimated to be about 65%. If the City's growth threshold is a population of about 25,000, the plant will need to have a design capacity to serve about 10,000 households (we currently have about 5,500 households). At that level of population, the design capacity will be about 5 million gallons to accommodate household users (at least 2.5 million gallons), our commercial and industrial users, and the infiltration that affects older sanitary mains. The estimated cost of new capacity and new methods to de-water sewage inflow is about \$6 million to 7 million. Aside from user fees, the local source of funding for such improvements is the Sewer Impact Fee Fund (Fund 5) which had an estimated balance on April 30 of \$1,977,903. The fund received about \$400,000 in impact fee revenues in FY04. Another source of funding for treatment plant improvements that the City used in 1994 and 1995 is a low-interest loan program sponsored by the Illinois EPA for qualified projects. The City could potentially pay down a major portion of its cost with impact fees, then borrow the balance and pay the outstanding loan with user fees. The preliminary engineering for the treatment plant improvements is budgeted in FY06; final engineering and actual construction should occur in FY07 with completion in FY08.

cc) Fire Station #2. A third and important capital priority relating to the City's managed growth approach is a second fire station to reduce emergency response times to the north side of the City. The Heron Creek annexation agreement approved in February 1999 donates 3.32 acres at the northeast corner of Frantum Road and Peace Road to the City for a water tower or fire station or other uses. Sanitary and water extensions to the site have been completed by the developer, B&B Development, at the developer's expense. In addition, access to the site has been provided. The City in turn has an obligation to complete any facilities it chooses within ten years of the B&B conveyance, or by 2009.

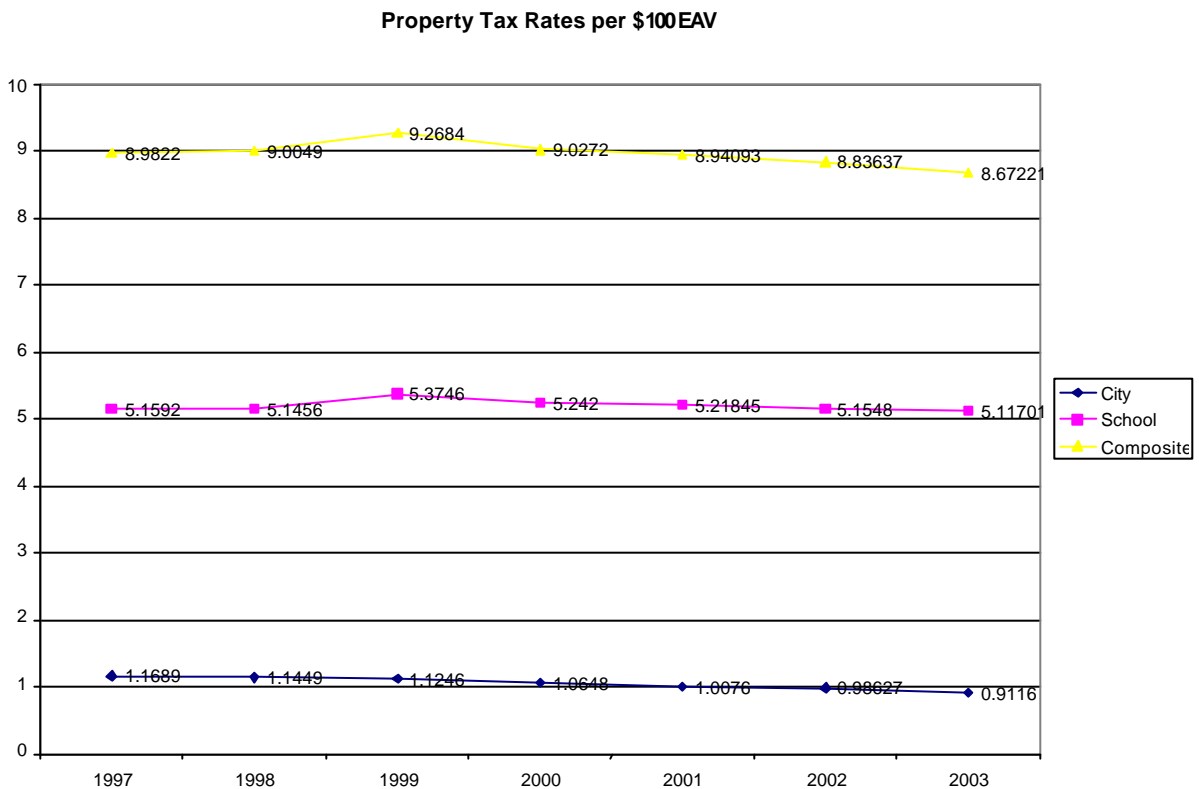
A feasibility study will be conducted this calendar year to test Fire department assumptions about the need for a second fire station. If staff assumptions are correct, the FY05 Budget contains an allocation for a conceptual design study for such a facility (Fund 6: #8540; \$20,000). What would such a facility cost? It is premature to judge, but some projections can be made on the basis of expenditures for neighborhood fire stations in comparable northern Illinois cities. For a modest station with two apparatus bays that will sleep up to 6 firefighters, a building of 8,000 to 10,000 square feet is needed and would cost anywhere from \$165 to \$180 per square foot at 2004 prices, depending on the desired finishes (\$1,485,000 to \$1,620,000).

c. Sycamore Park District. The District is currently working on a long-range capital plan. On July 27, the Park Board met in special session to advise the City Council of its position on further residential growth. Park Board Resolution 3-04 reads as follows:

“The Sycamore Park District Board of Commissioners hereby resolve that the City should aggressively pursue commercial, retail and industrial growth. As for residential growth, it is in the Sycamore Park District’s best interest to allow growth even if limited. We will review each development on a case-by-case basis, and act in the very best interests of the Park District” (see attached).

3. Assess the Tax Impact of Growth

What is the relationship between property tax rates and new residential construction? The answer will vary with the community and the varying taxing strategies of its taxing bodies. In Sycamore, property tax rates have gone down as residential permit activity has increased in recent years, as shown below:



The reasons for the decline in the overall tax rate are political and economic. By the late 1990s, Sycamore’s taxing bodies had driven the combined or composite property tax rate for residences and businesses located in Sycamore Township to 9.2684 per \$100 EAV. This rate was 25-30% above that of competitive and larger communities to the east. To redress the City’s fall from competition for commercial and industrial business, the City Council purposely began to reduce its rate in the late 1980s and presently claims the lowest city rate since 1969. Other local taxing bodies were forced to do so when tax caps were instituted in 1999. However, it has taken more than political will to keep the composite rate falling. The substantial and consistent yearly increase in the base EAV for each taxing body has led to lower rates even as other taxing bodies levy at their maximum legal limit under PTELL. Residential construction

starts, more than commercial and industrial starts, have contributed most substantially to this increase in Sycamore's EAV (see table below). The increase in housing values has been remarkable and, for the most part, has benefited homeowners by building their equity which in turn has provided credit for purchases based on that equity ranging from new cars to bigger homes.

	City*	Combined**	School**
1997	1.1689	8.9822	5.1592
1998	1.1449	9.0049	5.1456
1999	1.1246	9.2684	5.3746
2000	1.0648	9.0272	5.242
2001	1.0076	8.94093	5.21845
2002	0.98627	8.83637	5.1548
2003	0.9116	8.67221	5.11701

*Sycamore Township

**Tax Caps effective in 2000

Property Valuations by Type

	1997	1998	1999	2000	2001	2002	2003
Residential	\$113,919,725	\$121,062,651	\$125,807,701	\$133,347,925	\$145,587,271	\$158,174,733	\$178,686,341
Commercial	\$32,539,839	\$34,757,630	\$36,151,933	\$41,632,294	\$45,120,863	\$46,370,926	\$50,839,131
Industrial	\$9,099,118	\$9,532,682	\$9,322,894	\$9,958,375	\$10,322,861	\$11,092,209	\$10,964,876
Total:	\$155,558,682	\$165,352,963	\$171,282,528	\$184,938,594	\$201,030,995	\$215,637,868	\$240,490,348
Residential %	73.23%	73.21%	73.45%	72.10%	72.42%	73.35%	74.30%
Commercial %	20.92%	21.02%	21.11%	22.51%	22.44%	21.50%	21.14%
Industrial %	5.85%	5.77%	5.44%	5.38%	5.13%	5.14%	4.56%

In terms of tax policy alone, until commercial and industrial valuations increase dramatically, some annual expansion of residential valuations is needed to build the community's EAV and thus keep the composite tax rate declining. A dramatic slowing of residential growth, without a concomitant increase in commercial and industrial growth, will reverse the downward trend in overall tax rates. It is a matter of arithmetic: as levies increase at the rate of inflation, the denominator (EAV) must grow apace.

4. Pursue Public Policies That Expand the Commercial and Industrial Tax Base.

The table above illustrates the need to expand the relative shares of the commercial and industrial valuations within Sycamore's planning area. The Comprehensive Plan is emphatic on this point, and the 2003 Land Use Plan designates unincorporated areas that might logically be annexed for commercial and industrial purposes. In the past 15 months, the City Council has approved preliminary plats for 28.4 acres of commercial property (Collins: 12.4 acres; Glasgow's Bethany Business Park: 16 acres) and will soon consider another 52 acres (Three Sula—Bethany Road). In the same period, the City Council annexed about 15 acres of new industrial-zoned land (Ziegler: 8.8 acres; Swedberg: 5.79 acres). Although this acreage dwarfs the commercial and industrial acreage annexed and zoned in any comparable period from the late 1990s, it obviously pales in comparison to the acreage annexed and zoned for residential purposes. What

are the next logical areas in our planning horizon? The Comprehensive Plan of 2003 designates the Peterson farm at the northeast corner of Rt. 64 and Peace Road (about 200 acres) for a mix of highway business and light industrial zoning; the Artery Farm on the west side of Peace Road, north of Rt. 23 (about 76 acres) for highway business; and the Black farm at the southwest corner of Peace Road and Rt. 64 (about 230 acres) for highway business; and the Beckman (103 acres) and Harbecke (167 acres) farms at the southeast corner of Airport Road and Rt. 64 for highway business. However, either the owners are unwilling to sell at this time, or other considerations (e.g. storm water issues, access issues, etc.) are affecting the marketability of their parcels. The 83-acre “Thanks America” subdivision owned by Mr. Krgan that lies west of Peace Road and roughly east of the former Kmart site has been annexed and zoned for industrial uses, and will become more marketable as Oakland Drive is extended by the City of Sycamore to Peace Road later this year.

What other policy initiatives are favorable to commercial and industrial expansion? Continuing to lower the overall tax rate is a key factor. Sycamore has only recently become competitive in this regard. The table below illustrates our position vis-à-vis other nearby communities:

Municipality	2002 Aggregate Tax Rate*
Sugar Grove	7.3923
Huntley	7.5258
Geneva	7.5885
Aurora	7.8252
St. Charles	7.9257
Maple Park	8.05199
Genoa	8.42867
DeKalb	8.48371
Cortland	8.58115
Sycamore (Cortland Twp)	8.80023
Sycamore (Sycamore Twp)	8.83637

*Aggregate rates may vary across townships that overlap municipal boundaries, across school districts, and by special service taxes that target even smaller geographical areas within cities.

Another important factor in attracting new business, whether commercial or industrial, is to project a positive business climate. Commercial and industrial businesses have much longer investment horizons than residential developers. Commercial and industrial investors and the lending institutions serving them have a vision of twenty years or more. Their focus is not the build-out of their property, but the time it takes to realize a reasonable return on the very substantial investment required for a relocation and for their establishment in a new market area. Public debates that may be perceived to threaten this long-term vision by introducing uncertainty about market demand will negatively affect their interest in Sycamore. The July 19 testimony of the brokerage firm representing the Sycamore Prairie Business Park and the views of the new owner of the former Kmart site cannot be easily discounted because of their self-interest. It is their self-interest that propelled them to embrace the Sycamore market. If the recent housing boom in Sycamore has not reflexively generated a boom in commercial retail

activity, how will it prompt new commercial and industrial interest in an uncertain political climate?

With respect to commercial activity in particular, Sycamore is in a delicate position. As the City of Sycamore has reduced its reliance on property tax revenues to fund essential services (from 50.7% of all operating revenues in FY1976 to 21.3% in FY2004), it has increasingly come to rely upon commercial sales taxes (presently 40% of all City operating revenues). Commercial brokers will explain that they look for “volume” in terms of housing inventory (either built or to be built), and “velocity” or the pace of housing starts. This might seem to argue for more commercial retail activity in Sycamore’s future. However, a steady and rising pace of housing starts does not alone suffice to trigger commercial investment decisions. The competition of commercial real estate in nearby communities is another factor. It is no secret that the preferred location for “big box” or national retailers has been the power center that has been evolving around the intersection of Barber Greene Road and Il. Rt. 23 over the past ten years. DeKalb scored first, and has been successfully tending its advantage. Although the Barber Greene location has approached a logical density and has few developed acres remaining, it is still not certain that Sycamore’s competitive sites will be next. The market area served by retail businesses in Sycamore and DeKalb has about a 30-mile radius and a population of about 150,000. By comparison, the 30-mile radius served by Geneva and St. Charles has a population of about 1,500,000! Sycamore’s challenge is to attract unique retail businesses before brokers sense that the local market is saturated until the next cycle of commercial redevelopment, or before they determine that sites closer to I-88 are more attractive in terms of location, tax rate, and general business climate.

In view of our planning emphasis on Sycamore’s downtown commercial core, we also have the challenge of retaining local commercial businesses. Such shops and restaurants struggle as much as any outlying neighborhood shopping centers to attract customers, and rely to a great extent on growing consumer interest. The Sycamore Chamber of Commerce’s strong position in behalf of managed, moderate new growth within the parameters of existing city policy was articulated at the July 19 Council meeting.

6. Investigate Alternative Revenue Sources.

a. Real Estate Transfer Fees. Making new growth pay for its impact on essential local services does not suffice to solve all fiscal challenges for the City, the School District, or the Park District. It is easier to divine a formula to show how new housing can pay for itself, than it is to prescribe means to improve and repair existing infrastructure and capital facilities. According to state statute, impact fees cannot be used to address existing deficiencies. One untried method is the imposition of real estate transfer fees. Such fees are charged against the buyer of real estate, whether it is a new property or an existing property and whether it is residential, commercial, or industrial real estate. In home rule cities, a referendum is required to impose such a tax. In the referendum, the rate must be identified. A later change in rate can only be affected by a separate

referendum. In home rule cities, the purposes for which real estate transfer fees may be used are unlimited, but the purposes must be identified in the referendum language. (65 ILCS 5/8-3-19).

Real estate transfer fees tend to slightly depress the price of real estate, since the buyer will try to discount the final sales price by a comparable amount. In the second quarter of 2004, the DeKalb County Board of Realtors estimates that the average price of all homes sold in Sycamore was \$188,365.00. If a real estate transfer fee rate of ½ percent had been assessed against this average home, a fee of \$941.83 would have been realized. With respect to residential real estate transfers only, if 250 new homes are purchased in a year and an equal number of existing properties change hands, the real estate transfer revenue might be \$565,000 assuming the average price was about \$188,365.

D. Recommendation

The City Manager recommends Council support for Option #5 (see page 3, above). Careful consideration of the “Permit Timeline” would suggest a deferral of any new residential permits until about 2010, except for those projects that can demonstrably pay for themselves. If this criterion is met, the point of “entry” into the permit stream would appear to be less consequential. In addition, the substantial anxiety that the perception of further policy change has raised among a wide array of Sycamore businesses in recent weeks seems to offset any benefit that such a deferral might bring.

In the foreground of our community’s fiscal concerns is the assumed need for more school space in about three years because of unregulated permit activity in most active subdivisions, whatever policies the City and School District might follow. The City and the School District might be well-served by collaboratively engaging the development community in a businesslike discussion about the feasibility of building a new elementary school with largely private funds and state construction grants, to creatively remove a serious challenge to the “sustainability” of our community’s public school merits.

14. APPOINTMENTS

15. ADJOURNMENT