

TO: The Sycamore Plan Commission

FROM: Bill Nicklas
City Manager

DATE: July 7, 2004

RE: July 12, 2004 Joint Meeting of the Plan Commission and City Council

The Plan Commission will convene at 6:30 p.m. to consider its regular business. At 7:30 p.m., it will join the City Council in a joint discussion regarding the relevance of the City's present growth management policies.

I Regular Plan Commission Meeting.

The Plan Commission has two action items and one workshop item on its regular agenda. In addition to the action and workshop items, City Engineer John Brady, Sycamore's Plat Officer, has filed a report (see attached) on the plats he processed during the period January 1, 2004 to June 30, 2004.

A. Action Item.

1. Consideration of a Petition from the Three Sula Investment Company for an Annexation Agreement, Rezoning, Annexation and Preliminary Plat for Property Located on the South Side of Bethany Road Approximately 0.40 Miles East of Illinois Route 23.

The City published a notice for a public hearing on the Three Sula commercial subdivision that was discussed in a workshop session of the Plan Commission on May 10. Because the necessary documents are in need of further revision, the City Manager asks the Plan Commission to open the advertised public hearing and continue it until the August 9 Plan Commission meeting. At that time, the required documents and a background report from the staff should be available for review.

2. Consideration of a Final Plat for the Sycamore Well No. 7 Resubdivision.

One of the City's four operating deep wells is located at the end of Willow Street in the Stonehenge subdivision. The well is situated on a larger parcel owned by the City that, but for the well, has no municipal value. However, it would afford the Sycamore Park District sufficient land for a small park. This area of the City has scarce land for

recreation outside the floodplain, and the City staff are interested in cooperating with the Park District's ambition to create such space.

The attached plat shows two lots. Lot 1 would be retained by the City, and Lot 2 would be transferred to the Park District. An access easement would be provided from the tip of Willow Street to the boundary of Lot 2.

A favorable Plan Commission recommendation is requested.

B. Workshop Item.

1. Consideration of the Entire Chapter Five As Well As Chapter 6, Articles 6.1 Through 6.5, in the Proposed Unified Development Ordinance.

In our attempt to imprint the new Comp Plan on local law, and to compile a more direct and consistent presentation of all local zoning and development ordinances, we have been working our way through the draft UDO for months. On July 12, the Commission will tackle the heart of our zoning and development codes. Specifically, the Commission will review the following:

- The zoning district classifications;
- General conditions of use applying to most districts;
- Permitted uses. A new presentation is offered in the form of a table that is topical in nature. The reader thinks of a generic use—a bank, for example—and finds the word in the table, then reads across to see whether that use is permitted in one or more zoning classifications. Discussion about words that should be--or should not be--on the list is invited.
- Accessory uses;
- Temporary uses;
- Home-based business regulations;
- Lot area and setback requirements.

The Commission may want to read beyond this assignment to explore the proposed parking requirements and landscaping standards, which are related to a variety of the permitted uses. However, the 58 pages that are part of the “assignment” offer a formidable body of information for the Commission’s review and no additional reading is expected beyond Article 6.5.

II Joint Plan Commission and City Council Meeting Regarding the City’s Growth Management Policies.

The City Council has accepted the Plan Commission’s invitation to convene a joint meeting to review the City’s growth management policies. The joint meeting will afford an opportunity for members of both bodies to review the relevant policies, and to ascertain where there may be differences in interpretation that could lead to inconsistent direction to petitioners.

The Plan Commission is particularly interested in reviewing the City’s policy toward further residential development. The planning document that bears most directly on residential and other forms of local development is the Comp Plan of 2003. This plan includes a subarea plan for the Bethany Road corridor east of Somonauk Street, and

the northeast quadrant, north of the east/west axis formed by Peace Road and Plank Road and also including land immediately south and north of Lindgren Road. Both areas have been of interest to residential development firms since the previous Comp Plan was adopted in mid-2000. Generally speaking, the intended land use in the Bethany Road and Northeast planning areas is low-density residential development.

Aside from the fabric of land use guidelines, planning objectives, and maps in the Comp Plan, the City's policies regarding new residential development are also reflected in a variety of City ordinances. The most prominent among these is Ordinance No. 2003.65 which was approved in November 2003 (see attached). This ordinance limits the number of building permits that could be issued per year from each new project and establishes a time lag following annexation before any new building permits could be issued. The premise behind Ordinance 2003.65 is that with the present pace of building permits, the City's inventory of potential housing units will be reduced before the larger projects would obtain building permits.

Other codes and ordinances affect residential development, of course, including a variety of zoning and engineering standards. In recent months, the Commission has worked through the proposed Unified Development Ordinance (UDO) which has been drafted to put the new Comp Plan's vision into law. Until the UDO is adopted, the City's framework of regulations will not be entirely consistent with the Comp Plan's text. One example of such inconsistency concerns residential gross density. The 2003 Comp Plan allowance for high density residential uses is 6 to 9 units per gross acre. The current Zoning Code (adopted in January 2001) allows 6 to 12 units per gross acre. The proposed UDO would address this inconsistency, but until a final version is adopted the City staff will be obliged to point out the difference, and stress the City's preference for the as-yet uncodified standard. This is also true of higher but as yet unofficial standards for buffering between land uses, landscaping of parking lots, etc.

Since early this year, another "unofficial" document has played an important role in defining the desired pace of new residential development. This document is a staff-generated spreadsheet known as the "Permit Timeline." The spreadsheet portrays the name of every residential subdivision that is, or is soon to be, under development along with the estimated number of permits that might be generated by each subdivision on an annual basis until buildout. The spreadsheet is updated every few months and graphically demonstrates the rolling pace of projected development in coming years. A revised version is appended that carries the timeline out to 2017.

The "Permit Timeline" has no legal standing as an adopted plan or regulation. However, as all parties to the discussion of residential development search for guidelines that may best reflect our "capacity" for growth, the spreadsheet has become a useful tool. Other information is useful as well, including the tax implications of future residential growth, how residential growth may affect commercial development, and the fiscal impact of residential growth. The balance of

this report will highlight some local data to guide the Commission and Council, and will offer some options for further public policy debate.

1. How Many Are We?

Embedded in any discussion about how we want to grow are two common concerns: how far (geographically) and how many (population). In arriving at the geographic limits portrayed in the 2003 Land Use Map, some Plan Commissioners and Council members literally drove to the four winds to intuitively grasp the physical points where they no longer felt they were in Sycamore. The “growth ring” imposed on expansion to the north and east that resulted from this exercise and subsequent debate is a unique approach to the imposition of geographic limits that would be consistent with the feel of a small city.

What is our current population in mid-2004? Table 1 uses Census data to show where we were when the 2000 Census was completed. Table 2 extrapolates Census data, Water department records, and Building department data to arrive at a present population of 13,428. This may be a bit high, since the Building department’s survey (see Table 8) from January through June of 2004 reveals that the number of children per new household is closer to the 2000 Census estimate of .54 than the later School District estimate of .943. More data is needed over a longer period of time to confidently reach a conclusion on this point.

If we maintain the Land Use Plan’s geographical and land use constraints, how many will we number in ten more years? Approximately 23,500. This answer requires some elaboration. It is assumed that in the area of greatest development interest—the City’s northeast side--there are about 1200 acres that can still be served on a first-come, first-served basis by the 27-inch interceptor sewer that courses through the Heron Creek development to a point east of the intersection of Peace Road and Plank Road. Table 2A assumes the annexation of those 1200 acres within the next ten years. Yet, it portrays only one of a wide range of scenarios that could expand our population to about 23,500 in ten years. Of course, the scenario in Table 2A assumes that the City will never try to expand westward across the Kishwaukee River, where a more abundant sewer capacity is available, and assumes that the infill areas north of Coltonville Road and along Bethany Road east of Somonauk Street will not be developed. Based on the expressed interest of propertyowners on the southeast and southwest sides of town, it is easy to envision a different scenario in which less acreage in the northeast portion of Sycamore is annexed and some additional acres on the southeast and southwest sides are annexed to arrive at the same population.

Let us assume for the sake of argument that future City Councils will be rigorous in their defense of the geographic growth limits inherent in the 2003 Plan. If a logical population limit for Sycamore for all time is around 23,000-24,000 residents, the key question becomes: at what pace should our population grow? The answer to that question must address the cost in terms of public services and taxes.

2. Rooftops and Taxes.

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 (compare Tables 3 and 6). The reasons 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 (see Table 6). 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 7). 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.

3. If We Build Them, Will The Retail Come?

The recent housing boom in Sycamore has not reflexively generated a boom in commercial retail activity. Commercial activity is of interest for other than shopping opportunities. 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 would 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. 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. Recently, the Council has been prepared to "buy" certain retail business with sales tax rebates, based on company performance, in order to raise its competitive stance. This option may well have to be pursued for years to come.

Would it matter to prospective commercial businesses if the City adopted either a de facto or an outright policy of no new annexations for a period of years? The commercial brokers think so, and so do owners of existing commercial shops and strip centers in our community. Their testimony might be encouraged for any subsequent discussion.

4. Balancing the Books: What About Public Services?

Though not alone, the most often-cited concern about local residential development in recent years has been its impact on public services. Partly in response to this concern, fiscal impact analyses have become a regular feature in reviews of new residential developments. A staff analysis of the fiscal impact of the Sycamore Creek Phase II project on City and School operational services is attached and is illustrative. Although they are portrayed, the impact fee revenues are not tallied since they can not be used for operating purposes. 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. 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. If the bond rate must increase to fund a new school or school additions, the balance would be positive in terms of capital costs but the tax burden would be greater on local households. 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 the Board of Education to commit to a capital expansion program (see Tables 4, 4A, and 5).

5. In terms of Public Services, Taxes, and Commercial Progress, What is the Most Responsible Pace For Future Residential Growth?

This is the question that has largely brought us to this joint meeting. The Comp Plan prescribed a “regulatory framework to moderate the pace of new housing starts in any given year” (page 31). Such a framework was debated and eventually adopted in the fall of 2003 and largely defines City policy. Is something more needed? As noted in the background for the June 14 Plan Commission meeting, in the March referendum 23% of the registered voters in Sycamore voted for no annexations for a period of seven years. Shall the City adopt this sentiment as its public policy? If not, is additional policy direction needed?

Here is an alternative approach to consider:

1. Retain the Comp Plan’s Land Use Plan of 2003.

2. Consider new annexation requests on their merits. While keeping Ordinance 2003.65 intact, negotiate annexation agreements that delay the first permit of any development approved in 2004 until 2010. Take the same approach with annexation proposals submitted in 2005 by negotiating a deferral of new permits until 2011. Thereafter, as we review the pace of permitting on our “Timeline,” we may feel “caught up” or we may find that economic forces beyond our control have altered the projected pace of permitting. This approach allows willing sellers to plan for their estates, and may invite some interested developers to invest in Sycamore’s future. It may also avoid the negative impact of a moratorium policy on commercial interests, while purposefully deferring the onset of new streams of permits to a later point in time.
3. Raise our expectations for voluntary contributions that can be used for operating purposes by the School District or the City. A \$3,000 per unit threshold for School contributions should overcome the net operating expense and produce a modest surplus in light of present trends in housing prices.
4. Aim for an annual population increase between 3% and 4% per year once the impending wave of new population growth associated with the unregulated inventory of platted lots passes.

Plan Commission and City Council direction is recommended.