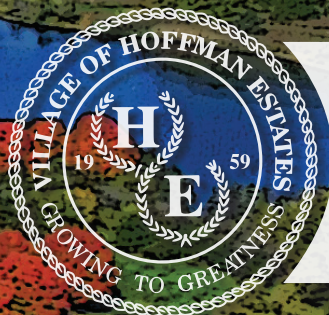




HOFFMAN ESTATES



# VILLAGE OF HOFFMAN ESTATES ECONOMIC DEVELOPMENT STRATEGIC PLAN

# EXHIBIT B

## ECONOMIC DEVELOPMENT INCENTIVES GUIDELINES

### EXECUTIVE SUMMARY

The Village of Hoffman Estates, through the establishment of the Economic Development Strategic Plan (EDSP), provides economic incentives for business development within the Village where such incentives result in a desired public benefit and align with the goals of the Village Board of Trustees. Public benefits include, but are not limited to, the generation of revenue to the Village, including sales, food and beverage, entertainment, utility, property or other taxes; growing the tax base through redevelopment of underperforming properties; increase to surrounding property values; living wage job creation; and achieving community needs.

Economic incentives provided by the Village may include sales tax rebates, tax-increment financing (TIF) funding as allowed by state statute, support of Cook County special assessment incentives, other creative financial mechanisms, as well as non-financial benefits. These guidelines are adopted as part of the EDSP.

For purposes of these guidelines, a public benefit may be determined where the incentive achieves one or more of the following goals:

- Helps protect or increase the revenue and tax base of the Village
- Improves the physical environment and promotes further development
- Provides additional amenities and services to residents
- Enhances the Village's image
- Strengthens the economically viable of the Village and competitiveness with surrounding communities.

Any economic incentive provided shall be determined on a case-by-case basis, but shall be subject to an evaluation assessing the cost versus benefit of the specific incentive request related to the project. The nature, terms, and amount of the incentive shall reflect the level of public benefit generated by the business development.

### INTRODUCTION

The Economic Development Incentive Guidelines are meant to outline parameters for which the Village may provide assistance to achieve its economic development goals. These guidelines do not approve any incentive request or guarantee approval of a request.

The intent of these guidelines are as follows:

1. To develop and implement a strategy for providing incentives.
2. To transparently outline to the private sector the position of the Village related to incentives.
3. To foster a climate of support for desired new and existing development in the Village.

### TYPES OF INCENTIVES

The following is not an exhaustive list of the types of incentives the Village would consider but only a list of what has been approved or considered in the past.

#### 1. Tax Rebates

- This would include sales tax, amusement tax, food & beverage tax, utility tax rebates.
- To qualify for a rebate, the projected tax revenues should be above a threshold of approximately \$300,000 annually.

#### 2. Tax Increment Financing (TIF) District – Establishment of a new TIF

#### 3. Tax Increment Financing (TIF) District Programs (within an existing TIF District subject to availability of funding)

- A zero interest loan program, for a new business that is looking to open and operate in a Hoffman Estates TIF or a business within a TIF that is looking to make a significant investment to improve their property and the property taxes generated. The idea is to incentivize newer businesses so that employment is created, vacancies are reduced, and to grow the business climate. Businesses that are eligible are those that are “for-profit” owners or property owners who are interested in furthering improvement for their corporation in the village. The zero interest loan covers 50% or up to \$100,000 for project costs for a maximum of 5 years. Eligible costs for the loan are:

- i. “Start-up or relocation into a Hoffman Estates property”
- ii. “Expansion within current location”
- iii. “Interior build-out”
- iv. “Purchase of machinery or equipment”
- v. “Energy efficiency improvements”
- vi. “Upgrades to technology”
- vii. “Other improvements as may be approved by the Village that enhance occupancy rates, employment figures, and/or tax revenue”

- A façade matching grant with a maximum of \$10,000
- A rehabilitation matching grant with a maximum of \$25,000.
- Redevelopment Agreements within a TIF could grant land, stormwater credits or other incentives to cause a project to occur.

#### 4. Redevelopment Agreements

- Incentives associated with capital improvements which also generate a substantial amount of tax. These are often done within TIF districts but could be completed elsewhere in the Village.

#### 5. Cook County Property Tax Special Assessment support

- An example of this would be the 6B, 7C or other property tax classification made available by Cook County.

#### 6. Enterprise Zone benefits

- The Western Hoffman Estates Enterprise Zone has several approved incentives which only need to be qualified and applied for to receive. These requests are non-discretionary and exempt from the other evaluation and approval criteria identified later in this document. That being said, the incentives still provide monetary value to the applicant and may be considered as part of the total incentive package granted.

#### 7. Workforce/Job Training Grants

- Funds can be provided for maintenance of career pathways, on-the-job training programs and partnerships with local schools. This could also include bonuses for local hires. The source of this grant typically comes from a TIF fund, federal or state funding, or, in very rare occasions, the Village General Fund, such as workforce funding supporting the Greater Chicagoland Advanced Manufacturing Partnership (GCAMP) or similar organizations.

#### 8. In-Kind Incentives: These incentives identify activities that the Village would undertake to advance a new occupancy or construction project, but may not result in a direct financial contribution to the project. These include, but are not limited to:

- Facilitating meetings with elected officials
- Timely review of plans to achieve entitlements and building permits
- Special public meetings could be scheduled to reduce approval time

#### 9. Fee Waivers

- The village does not typically waive permit or development fees, but such fees may be considered as part of the overall pro-forma of the project costs that can be used as a basis for an incentive.

#### 10. Technical Assistance

- On certain projects the Village may lend technical assistance from qualified staff members in a limited capacity.
- The Village may participate in discussions with other governmental agencies to help navigate processes or advocate for permitting approvals (such as IDOT, Cook County Highway, MWRD, etc.)

#### 11. Special Service Areas (SSA)

- The Village is able to work with property owners to create an SSA for financing certain infrastructure improvements and future maintenance which would be paid back through property taxes over a longer period of years.

#### 12. Business Development Districts (BDDs)

- Local governments in Illinois are able to set forth a BDD where an extra 1% sales and hotel tax may be imposed within the district. This tax may be used for development or can be rebated to a business or developer for business enhancement within the district as well.

#### 13. Grants

- Grants could be created in certain areas or districts, depending on the funding mechanism. These grants would most likely be for structural improvements which would enhance the value of the property.

### CRITERIA FOR APPROVING INCENTIVES

The Village of Hoffman Estates hereby establishes the following criteria and guidelines for considering specific development incentives and assistance to private entities locating, expanding, or relocating in the Village.

1. Incentives will be utilized to assist and leverage private development projects only where a public benefit is determined to result and evidence demonstrates that such development will not proceed without such public funding (“but for”).
2. Applicant must demonstrate that the proposed project will result in a public benefit. A project can result in a public benefit where it helps to increase the revenue and tax base of the Village, improves the physical environment and promotes further development, provides additional goods and services to residents, enhances the Village’s image, is consistent with Village strategic goals, or otherwise results in the Village remaining economically viable and competitive with surrounding communities. A public benefit (beyond revenue generation) will be considered.
3. The amount of public incentive and assistance granted for any project shall be determined on a case by-case basis and be the minimum required to make the project financially feasible. The nature, terms, and amount of the incentive shall reflect the level of public benefit generated by the project.
4. Village incentives are intended to induce substantial private investment or reinvestment. Evidence must, therefore, be provided to show sufficient experience of past successful performance, along with private financing and equity to complete the project if public incentives are granted.
5. A project must generate a positive net revenue benefit in relationship to any required Village incentive. Taxes or revenues historically received by the Village will not be reduced below the base year of any incentive, as established by the individual redevelopment plans, after an incentive is approved.
6. Preference will be given to “invest” incentive dollars in site or infrastructure that will outlast proposed tenant/use.
7. As business retention is a goal of the Village, consideration will be given to those existing businesses looking to expand and needing a financial incentive to cover the gap in financing. One past example of this being used is when a car dealer is seeking to expand, grow and redevelop a site. Reference point #5 above as it relates to revenues already being generated by an existing business in the Village.
8. Preference will be given to an investment in an underperforming property that results in an improvement that a subsequent owner/tenant will benefit from the incentive paid for improvement/infrastructure.
9. To receive Village assistance, a project must comply with the Village’s Comprehensive Plan, approved area plan, current zoning requirements, subdivision code, property maintenance code (or otherwise obtain Village zoning relief), and obtain site plan, special use, and other required approvals.

10. Incentives shall be structured to limit risk to the Village. In general, a “pay as you go” approach is preferable.
11. Incentives will typically be capped, either by term (number of years) or dollar amount, or both (whichever comes first), as the incentive should cover a gap in the proforma.
12. Incentive terms will typically be in a five to ten year range.
13. The Village will not actively engage in poaching from adjacent municipalities. The Village may be willing to consider incentives for relocations precipitated by site constraints at current locations in neighboring municipalities.
14. Incentives must be performance based with benchmarks and thresholds to trigger payment and ensure accountability. Benchmarks can judge incremental progress or absolute progress.
15. In general, if an incentive is approved, it shall remain with the owner so if the property or project is sold, the incentive must transfer to the new investor within the Village.
16. All those receiving incentives will be required to support the local business community via contributions to groups like GCAMP, Next Level Northwest, the Hoffman Estates Chamber of Commerce or others. Further, those receiving incentives are strongly encouraged to use local resources, contractors, materials, etc.
17. These guidelines should be reviewed on a semi-regular basis in conjunction with analyzing existing incentives in place to ensure appropriateness and effectiveness.

## INCENTIVE FEES

As all incentives require staff and consultant time to review and process. Specifically these efforts may include negotiation of an agreement, time to obtain enterprise zone building material exemption certificates, creation of a property tax supporting ordinance, etc. As a result there are nominal fees for each formally requested incentive. That fee schedule is listed here and may be amended from time to time by the Village Board.

- Cook County Property Tax Abatement Application review and Supporting Ordinance – \$1,000.
- Tax Rebate Agreement – Varying
  - \$500 if the request is less than \$10,000
  - \$1,000 if the request is between \$10,000-\$50,000
  - \$1,500 if the request is between \$50,000-\$100,000
  - \$2,000 if the request is over \$100,000
- Enterprise Zone Sales Tax Exemption Certificates for 2 years - \$500
- Creation of a special district (TIF, BID, SSA) - \$7,500 retainer deposit
- Any other incentive not listed here such as fee waivers, infrastructure improvements, recapture ordinances or other - \$2,500 retainer deposit

## PROCESS FOR EVALUATING PROPOSALS

1. Interested parties seeking Village assistance should submit a written request to the Economic Development Director with items 1-6 in the section below.
2. Upon submittal of required information, Village staff will review and analyze the proposed project. Depending on the nature of the project, a preliminary meeting may be scheduled and/or additional information may be requested by the Village in order to complete this review. The Mayor and/or a Trustee may be invited to participate or provide input at this stage.
3. If the project is unique or distinctive in some way, a formal presentation of the proposed project and request for Village assistance will be made to the Planning, Building and Zoning Committee of the Village Board. If deemed a viable and beneficial project in accordance with established guidelines, the Committee will recommend the project, including level and type of assistance deemed appropriate to the Village Board. At such time the Board would direct staff/corporation counsel to draft an incentive agreement, or if in a TIF, a redevelopment agreement, incorporating any Village Board directives. Staff will analyze, or hire a consultant at applicant's expense, to perform more complex costs and benefits analysis, including the “but for” assumptions.
4. If the project is not distinctive nor controversial, after receiving favorable feedback in Step 2, Staff shall work with Corporate Counsel and the developer/private party to negotiate the terms of the deal and a formal agreement.
5. The incentive/redevelopment agreement shall be presented to the Village Board for consideration and potential approval.
6. Projects requiring a zoning change or other zoning relief must be considered by the Village's Planning and Zoning Commission, and subsequently approved by the Village Board. This approval would come at the same time as any incentive request.
7. Requests will be scheduled for consideration by the Village Board's Planning, Building and Zoning Committee and then to the Village Board for approval in conjunction with final site plan approval or zoning change or any other formal board action.

## INFORMATION REQUIRED FOR AGREEMENT NEGOTIATIONS\*

1. Narrative description of the project
2. Statement of project benefits
3. Amount of Village assistance requested and statement as to its need
4. Relevant data: lot size, building size, number of parking spaces, proposed site amenities/features, proposed building materials, other relevant data
5. Preliminary site plan and typical floor plan
6. Project timetable
7. Marketing plan for project
8. Development contingencies, if any, including financing, equity raising, anchor tenant leases, etc.

## 9. Project Costs

- a. Detailed construction cost estimates with breakout for land cost, building construction, parking/on-site improvements, and any off-site improvements
- b. Detailed sources and uses of funds statement, with hard and soft cost breakout
- c. Project pro forma for at least the period for which incentive is sought, identifying any project phasing
- d. Financial viability of major tenant(s)/end user(s)
- e. Market rents and expense breakout (if leased space)
- f. Source of funds for operating deficits or shortfall

## 10. Owner/Developer/Borrower Information

- a. Identify structure of ownership (partnership, corporation, etc.)
- b. Identify background and experience of owner(s)/developer.
- c. List experience with other similar projects.
- d. Identify source of equity and proposed pay-in periods (timing).
- e. Identify any and all interrelated entities (non-arms length third parties) proposed to receive fees, contracts, compensation, or other consideration from the project.

## 11. Private Financing

- a. Identify lender and/or equity sources.
- b. Identify amount, terms, and form of commitment.
- c. Identify general lender information.

## MISCELLANEOUS

1. Staff may ask for a formal economic impact survey to be completed. This document is in the form of an excel spreadsheet to quantify much of the information shared above.

*\* Only items 1-6 are required for an initial review by the Village. Depending on the nature of the project and the favorability to achieve an approved agreement, the full list will be required, along with additional information.*



