Village of Lincolnwood
Economic Development Commission
Meeting Held via GoToMeeting
Wednesday, February 24, 2021
8:00 A.M.

In accordance with the recently adopted amendments to the Illinois Open Meetings Act permitting the Economic Development Commission (EDC) to conduct a virtual meeting, members of the public are allowed to be physically present in the Council Chambers in Village Hall at 6900 North Lincoln Avenue, subject to room capacity and social distancing requirements. Accordingly, the opportunity to view the virtual meeting at Village Hall is available on a "first come, first-served" basis. Those members of the public present at Village Hall will be able to provide real-time comments in person on the computer available in the Council Chambers.

Statement Regarding Public Comment
Anyone wishing to respectfully share thoughts about any matter concerning the Village of Lincolnwood EDC may do so by submitting an email to EDCPublicComment@lwd.org prior to the commencement of the meeting. All Emails received will be read aloud during the Public Comment portion of the agenda. Emails should be kept to under 200 words to allow time for others to be heard and for the Commission to progress through the public meeting agenda. The EDC typically does not immediately respond to public comments or engage in open dialogue, but the Committee is actively listening to all comments.

Meeting Agenda

1. Call to Order/Quorum Declaration
2. Roll Call
3. Approval of Minutes from the January 27, 2021 EDC Meeting*
4. Local Development Incentives Guide Presentation from the Chicago Metropolitan Agency for Planning (CMAP) — Matt Stern*
5. Proposed FY 2022 TIF Budgets*
6. Economic Development Commission Biennial Report*
7. Other Business
    a. New Business License Report*
8. Public Forum
9. Adjournment

**Commissioner Enclosures*

The next scheduled meeting of the Economic Development Commission is on March 24, 2021.

Date Posted: February 19, 2021

Economic Development Commission

Wednesday, January 27, 2021
Held in Village Council Chambers &
Via "GoToMeeting"

Commissioners Present: Chairman James Kucienski, Vice Chairman James Berger, Myles Berman, Maureen Ehrenberg, Tim Garcia, and Jennifer Spino

Commissioners Absent: Joe Spagnoli, Rivak Albazi, and Leonard Weiss

Staff Present: Community Development Director Scott Mangum, Management Analyst Jake Litz, Village Manager Anne Marie Gaura, and Assistant Village Manager Charles Meyer

Village Board Liaison: Trustee Atour Sargon

1. **Call to Order/ Quorum Declaration**
   Noting a quorum of six members present electronically, the meeting was called to order by Chairman Kucienski at 8:03 a.m.

2. **Minutes Approval**
   Chairman Kucienski asked the Commission if any edits were to be made to the December 16, 2020 meeting minutes. Hearing no corrections, Chairman Kucienski called for a motion to approve the minutes. Commissioner Berman moved and Commissioner Ehrenberg seconded the motion. There was a consensus to approve the minutes.

   Aye: Kucienski, Berger, Berman, Ehrenberg, Garcia and Spino
   Nay: None
   Motion Approved: 6-0

3. **Update on Commercial Occupancy Rate and Sales Tax Revenue**
   Management Analyst Jake Litz stated that the purpose of this item was to establish a few economic indicators to gauge the effects of the COVID-19 pandemic. He then presented the results of an updated commercial occupancy study that was conducted in early January 2021. The same study was conducted in January 2020 as well. The year-to-year variance was presented to gauge the economic impacts on Lincolnwood's business

community. The 2020 study found that the Village had a commercial occupancy rate of 89.63%, leaving a vacancy rate of 10.37%. The 2021 study found that the Village currently has a commercial occupancy rate of 89.07%, leaving a vacancy rate of 10.93%. Mr. Litz stated that the nominal change suggested there was no statistically significant change in year-to-year commercial occupancy/vacancy. Commissioner Ehrenberg asked about the methodology of the study. Mr. Litz clarified the way in which the study was conducted.

Mr. Litz then provided the second economic indicator which included an analysis of the Village's sales tax revenue. The analysis compared 2020 sales tax information to the previous 3 years. The first component of the analysis dealt exclusively with the Village's Food and Beverage Sales Tax to assess how restaurants in the community performed compared to previous years. The spring and summer months were below average. However, by September 2020 the Food and Beverage Sales Tax revenue recovered to pre-pandemic levels. A series of graphs was presented to demonstrate how the month-to-month variances of 2020 compared to the previous 3-year average. Next, Mr. Litz provided the same analysis for State and Home Rule Sales Tax Revenue. Finally, he presented all sales tax revenue data for the previous 4 calendar years. Mr. Litz stated that the final 4 months of the year were more or less on par with the previous 3 years in terms of total sales tax revenue.

Commissioner Berman asked how Lincolnwood's economic situation compared to surrounding communities. Mr. Litz stated that staff did not have that information at this time. Chairman Kucienski said he was surprised that Lincolnwood's business community was relatively successful despite the pandemic.

4. Update from Lincolnwood Town Center Mall Manager

Mr. Litz stated that in January 2020 the Lincolnwood Town Center Mall (LTC) had an occupancy rate of 81% - 83%. In January 2021, the LTC occupancy rate was approximately 79%. LTC General Manager Peter Abraham provided an update on the mall's successes and struggles during the previous year. Commissioner Berman asked Mr. Abraham what goals and aspirations the LTC has for the near future. Mr. Abraham said that the original plans were to remodel the LTC. However, due to the pandemic, these plans were put on hold. He also said more of an aspirational goal involves reinventing and reimagining the area altogether. Chairman Kucienski asked how the mall maintained a relatively stable occupancy rate. Mr. Abraham said the LTC brought in new tenants by reducing monthly rent. Commissioner Berman asked about the types of tenants that were moving into the LTC. Mr. Abraham stated they were mostly local in nature. Commissioner Berman asked how the LTC faired compared to other malls. Mr. Abraham stated that the mall held its own during the pandemic. He said the mall did not lose any of its anchor or national stores. Mr. Abraham concluded by saying the LTC is willing to help with any future Village initiatives.

5. 2021 EDC Biennial Report Draft and Discussion

Mr. Litz presented the draft of the EDC Biennial Report. He overviewed a summary of the EDC's significant activities from the previous two years. Commissioner Garcia asked how this list of activities compared with previous Biennial Reports for the EDC. Mr. Litz stated this list was on par with previous reports. Mr. Litz then asked the EDC what should be included under the anticipated activities and goals for the next two fiscal years. Chairman Kucienski proposed reviewing the zoning map in the NEID TIF area to ensure the areas are zoned in a way that matches up with NEID Conceptual Development Plan. Commissioner Berman suggested that the EDC partake in trips to various development sites over the next two years. Commissioner Ehrenberg agreed with this idea. She added that the cleanliness of the community, or lack thereof, could be addressed. Commissioner Berman restated the benefits of on-site trips for the EDC. Chairman Kucienski said it might be a good idea to include the Plan Commission on an activity such as this. Commissioner Berman suggested that the EDC have more workshops related to the Village's zoning ordinance. In response to Commissioner Ehrenberg, Mr. Mangum noted that the report was being presented as a draft and welcomed any additional suggestions for commission goals. Mr. Litz also asked the EDC to send any specific questions or comments for the Village Board.

6. Reports

No business was discussed.

7. Other Business

No business was discussed.

8. Public Forum

There was no public comment.

9. Prospective Businesses Forum

No business was discussed.

10. Adjournment

Commissioner Berman moved for adjournment and was seconded by Commissioner Ehrenberg. By consensus, the meeting was adjourned at 8:50 a.m.

Aye: Kucienski, Berger, Berman, Ehrenberg, Garcia and Spino
Nay: None
Motion Approved: 6-0

Respectfully submitted:

Jake Litz
Management Analyst
Fire Department/Community Development

Chicago Metropolitan
Agency for Planning

Improving local development incentives

Effective practices for local governments in northeastern Illinois

Contents

Introduction

Local governments across northeastern Illinois commonly provide incentives to businesses and developers to encourage development. However, without a clear strategy and purpose, incentives can have higher costs and lower public benefits than intended. ON TO 2050 — the region's long-range, comprehensive plan — recommends reforming development incentives to better achieve local and regional goals. This technical guide introduces evidence about the prevalence and effectiveness of local incentives, and outlines strategies for local practitioners to improve their use.

Many local elected officials and policymakers use incentives in pursuit of goals like generating jobs, improving vibrancy on main streets, and increasing public revenues. Leaders often turn to incentives in response to competition from other communities, proximity to lower-tax states, and substantial variation in tax burden around the region. However, research indicates that incentives often do not effectively achieve these goals. Financial incentives can also result in eroding or negative returns for the region and do little to make northeastern Illinois a better place to do business.

Incentive reform can benefit many parties. Local governments are more likely to benefit from incentive use when they are intentional about targeting, writing, and evaluating incentive agreements. Businesses and developers can derive increased value from incentives designed to directly address their needs. Communities will be better served by deals that result in lasting upgrades to our infrastructure, workforce, or supports for entrepreneurs. And the region overall is more likely to experience lasting gains when local incentives bring new economic activity to northeastern Illinois and facilitate growth in disinvested areas.

The framework for this guide revolves around four principles — equity, transparency, performance-driven use, and pursuit of regional benefits — to make our region more competitive. Efforts to collaborate with neighboring jurisdictions and develop policies to guide incentive use can help the region achieve these goals.

This technical guide presents strategies and practices for improving the use of local development incentives that are tailored specifically to northeastern Illinois. Local governments — including municipalities, counties, school districts, and other special taxing districts — should implement these recommendations and help make the region a national leader in effective incentive use.

Understanding local development incentives

Local governments use incentives to encourage development in many ways. A broad range of motivations, applications, and limitations complicate the job of understanding and improving local development incentives. The following pages establish a shared understanding of incentive use in northeastern Illinois.

What are local development incentives?

How prevalent are local development tax incentives?

What are the limitations of incentive use?

What are local development incentives?

Most local development incentives are case-by-case decisions to decrease a prospective business' tax burden or return tax revenues to them in the form of cash grants or reimbursements. Such incentives attract growth by shrinking or closing financial gaps in development costs or day-to-day business operations. This technical guide focuses on the tax incentives commonly used by local governments in northeastern Illinois to recruit, assist, and retain individual developments and businesses.

Local and regional governments can also foster business development in ways that do not involve a tax burden reduction. These non-tax incentive tools can directly address the risks and concerns of prospective businesses but are often overlooked.[1] State and federal incentive programs can also impact local development decisions, but they are less likely to affect local government finances, and local governments often have little say in their administration.

Use of local development incentives is motivated by separate, overlapping, and sometimes ill-defined goals. Common motivations — and the benefits of making them explicit — are described later in this report. Additionally, specific challenges in northeastern Illinois drive taxing districts to use incentives. Development in some areas of the region has been slow, particularly in communities with high property tax burdens. Communities near Indiana and Wisconsin use incentives to compete with communities across state borders. And, the tax structure in Illinois provides large fiscal rewards to municipalities for sales tax-generating development, driving intraregional competition.

Examples of development tools and related practices

Local tax incentive programs

- Sales tax rebates
- Tax increment financing (TIF) districts
- Business district tax rebates
- Property tax abatements
- Cook County property tax incentive classifications

Other incentives and related practices

- Job training and workforce hiring assistance
- Small business incubation services
- Streamlined development review practices
- Discounted land sales
- Site preparation
- Public goods and services, such as modern water infrastructure or an effective transportation network
- Façade improvement grants
- Revolving loan programs

State and federal incentive programs[2]

- Enterprise zones
- River Edge Development Zones
- High Impact Business program
- The Economic Development for a Growing Economy (EDGE) tax credit program
- Historic preservation tax credits
- Opportunity zones

How prevalent are local development tax incentives?

The use of tax incentives to encourage development is widespread. Varied and inconsistent reporting standards prevent a definitive summary, but leading estimates suggest that state and local governments around the country spend at least $45 billion on tax incentives to private business every year.[3] Nationwide, use of incentives has increased in recent decades, with some researchers finding a notable uptick after the 2007-09 recession.[4] More than 30 percent of businesses with over 1,000 employees receive some sort of incentive.[5]

Recent CMAP analysis of five common types of local tax incentives reveals that many local governments in northeastern Illinois — including 216 of the seven-county region's 284 municipalities — use them to promote development.

Tax increment financing (TIF)

TIF districts are created to fund development projects in blighted areas or in conservation areas. Property tax rates applied to increases in property value that occur after the district is established (the tax increment) are used to fund projects in the district, thus reserving a portion of tax revenues for economic development rather than general governance.

Over 60 percent of municipalities in the region contain TIF districts, with **602 districts** active in 2018. That year, **$16.7 billion of equalized assessed value** (EAV) — more than one-quarter of which was located in suburban communities — was used to generate TIF funds.

Sales tax rebates

Municipalities and counties can enter into revenue-sharing agreements with businesses and developers to rebate a portion of the sales tax they collect. Local governments may rebate their local share of the state sales tax and/or any local option sales tax that exists.

More than 120 municipalities reported participation in **320 active sales tax-sharing agreements** at the end of 2019. These agreements have a median duration of 15 years. Approximately half of these agreements reported lifetime maximums, which total over **$350 million**.

Business district tax rebates

Illinois municipalities may designate Business Development Districts and administer an additional tax on goods and services sold within the district. This additional tax can be used to pay for development costs or can be rebated to a business or a developer for improvements within the district.

Ten municipalities have implemented business districts with revenue-sharing agreements for **15 developments** as of the end of 2019, levying an additional sales tax (typically 1 percent) and returning some or all associated revenues to the business. The median duration of these agreements is 20 years.

Property tax abatements

Any local government that extends a property tax can abate (or decrease) any portion of its taxes for specific properties to incentivize development.

Forty taxing districts — primarily municipalities and school districts — were engaged in **72 property tax abatement** agreements in 2018. That year, more than **$4 million** of property tax was abated.

Property tax incentive classes

Cook County assesses commercial and industrial property at a higher percentage than residential property. (The collar counties do not use this classification system.) In Cook County, commercial and industrial properties awarded an incentive class (Class 6, 7, or 8) are assessed at a lower rate for a 10-year period, which is renewable for certain classes.

Property in Cook County receiving a lower assessment rate via an incentive classification had a total assessed market value of approximately **$6 billion** in 2016. These properties represent **7.4 percent** of the county's total commercial and industrial property value.

What are the limitations of incentive use?

Local governments have valid reasons for pursuing incentives, but research has indicated that incentives are less effective than their supporters hope. Local governments should be aware of their drawbacks and implement practices to address or avoid common issues.

Limited impact
The actual impact of incentives on business decisions is often limited. Recent research estimates that in at least 75 percent of cases nationally, incentives are given without swaying the recipient's final decision about where to operate their business.[6]

High costs
Incentivized developments, especially large projects, can create indirect costs (for example, new burdens on public infrastructure or increased enrollment in schools) that are larger than the revenues they generate.[7]

Diminishing returns
Regardless of the effectiveness of any individual incentive, local governments' willingness to use incentives to compete within the region can lead to bidding wars with diminishing fiscal returns. Research links this sort of competition to greater numbers of incentive deals and lower public sector revenues.[8]

Surface-level solutions
Incentives often do not directly address or correct for the local challenges or larger trends that motivate their use. Addressing these underlying challenges directly can lead to better, more sustainable outcomes.[9]

Limited local benefits
Since businesses draw on regional labor and supplier pools, meeting local economic development goals with incentives can be difficult. Incentive use frequently does not result in local employment gains.[10] New hires and business purchases may come from outside the jurisdiction that provides an incentive.[11] As a result, research suggests that incentives often do not improve the quality of life for existing local residents.[12]

Barriers to equity
The region's inclusive growth goals can be challenging to meet with incentives.[13] Requirements to promote greater racial and economic equity can change the compliance costs of a project, lowering the value of an incentive offer to the business and raising financial risks if the business is unable to meet requirements. Additionally, incentives come at a steep opportunity cost, as rebated tax revenues could otherwise have been allocated to programs that directly promote inclusive growth.

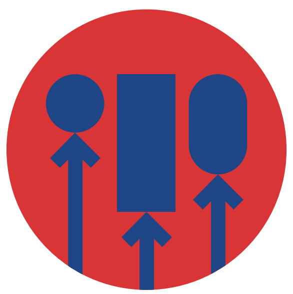
Improving the use of development incentives

Local governments can make incentive use more effective by adopting the following principles and strategies. Each strategy includes standard and best practices that local governments can implement based on their local context.

Four key principles to guide incentive use

Ten strategies for improving local development incentives

Four key principles to guide incentive use



Equity

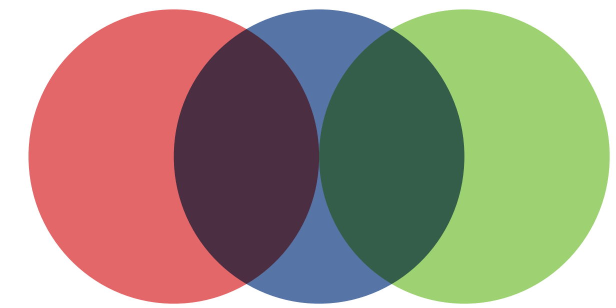
The region cannot achieve its economic goals without addressing the effects of racial segregation, discrimination, and disinvestment. Inclusive economic growth demands policies that support development in disinvested communities and provide equitable access to high-quality amenities and employment. Incentives can enhance equity, such as by leveling tax rates across jurisdictions, encouraging local hiring and good wages, and coordinating investment in training programs. However, incentives may also contribute to inequitable outcomes, including decreasing budgets for public services. Communities should carefully weigh the impact of incentive use on equity and inclusive growth.

Performance-driven use

Incentives should always be considered as one in a suite of development tools and used only when they are the most effective tool available for achieving desired outcomes. Communities should establish clear goals and performance measures with which to guide, evaluate, and improve their incentive programs. Local goals and contexts should serve as a blueprint for establishing performance measures, which may include restarting growth in disinvested areas, leveling tax rates across jurisdictions, or creating needed jobs.

Pursuit of regional benefits

Regional prosperity can make every community in northeastern Illinois successful. Yet incentives often drive communities to vie over specific businesses, leading to inefficient, intraregional competition that does little to improve the region's position in national and global markets. Smart practices can make the region as a whole more competitive and more attractive to businesses and residents in the long run. Policies should maximize broad economic benefits and minimize the use of incentives only for local fiscal gain.



Transparency

Communities benefit from practicing transparency in their use of incentives. Publishing clear incentive policies and sharing agreement details can help smaller businesses access incentive programs, establish expectations for early negotiations, and increase accountability. Public evaluation of outcomes can improve incentive use over time.

Strategy 1

Establish goals and conditions publicly

Establishing clear goals and conditions for incentive use can help local governments understand whether or not potential incentives are wise investments. Transparent processes and expectations can help potential applicants — especially small and under-resourced businesses — better navigate the process.[14] There is no evidence to suggest that published incentive policies increase incentive use, as long as local governments retain discretion over incentive approvals.[15]

Standard practices

- Build community consensus around goals and the types of development a local government is willing to incentivize. Then, select incentive strategies that pursue those goals and limit spending on projects that are unnecessary or out of alignment.
- Align goals for incentive use with existing local and regional plans, which are built on extensive analysis and community input. For example, design incentives to encourage the vibrant, compact, infill development called for in ON TO 2050, metropolitan Chicago's comprehensive regional plan.
- Articulate goals publicly, such as in plain text descriptions online, to make them more accessible. Clearly stated goals can signal to prospective businesses that a local government is ready to be an effective partner and that policy adherence is likely to result in public approval.
- Make incentive processes transparent and scalable to improve accessibility for small local businesses. Large and well-connected businesses are more likely to ask for incentives regardless of clear policies and timelines.

Best practices

- Publish goals, processes, guidelines, and targets in a formal incentive policy, such as a local ordinance or resolution. Such a policy makes it easier for businesses to comply with these expectations and enables coordination across jurisdictions.

Clarifying common motivations for incentive use

Communities typically use incentives to address specific perceived challenges. However, these objectives are often implicit or ill-defined. Clarifying objectives — and understanding the trade-offs between them — is an important first step toward improved incentive use. Most communities are motivated to use incentives for the following reasons:

Objective	Description	Examples
Economic development	Increase the availability of good jobs or enhance core economic assets	Recruit new businesses that employ middle-skill workers, sell goods and services to outside markets, strengthen unique industries with regionally related firms, or diversify the industrial base
Community development	Improve quality of life and amenities for local residents	Recruit a grocery store into a neighborhood with limited food options or fill vacant storefronts on a community main street
Expanded tax base	Increase or broaden a community's tax base	Recruit a sales tax-generating business, such as a car dealership
Inclusive growth	Provide equitable opportunities for people of color, people with disabilities, and other marginalized groups	Partner with a business to hire, train, and promote local workers; encourage living wages; and contract with businesses owned by people of color or people with disabilities

Objectives can overlap: a new grocery store can provide an important neighborhood amenity (community development) and new tax revenue. They can also be conflicting: new development can cost more than the revenue it generates, and inclusive growth requirements may limit economic development if they increase compliance costs too much. Incentive use in pursuit of any objective faces specific pitfalls (see page 10).

ON TO 2050, the region's comprehensive plan, states that communities should minimize the use of incentives that are only for fiscal gain, focusing instead on maximizing broad benefits.[16] By making motivations explicit, communities can better evaluate whether incentive use aligns with community goals as well as with local and regional plans.

Strategy 2

Use incentives to develop community benefits and advance racial and economic equity

Regions limit their potential growth when they leave some people and places behind. Disparities persist in part because disinvested neighborhoods face greater difficulty attracting new growth. Incentive programs can be structured to ask more of employers and to recognize those that create positive impacts beyond their business. Research suggests that encouraging investment in struggling neighborhoods can be a particularly effective use of incentives.[17] Carefully targeted incentives with achievable but aggressive equity commitments can spur growth in distressed areas and result in new community amenities.[18]

Standard practices

- Identify neighborhoods struggling to attract investment and use incentives to support sustainable business development in these areas in line with community needs and goals.
- Use incentives to attract businesses that meet specific community needs, such as a full-service grocery store or mixed-use development with residential, retail, and office space.
- Collaborate with businesses to incorporate meaningful public benefits into every incentive agreement. This may include partnering with local schools or community-based organizations, making a joint investment in neighborhoods of need, and providing public green spaces.

Best practices

- Engage community partners in predefining a "menu" of public benefits or other contributions that prospective businesses can offer to support equity goals, so that community expectations are clear upfront.
- Use community benefits agreements to formalize shared values and commitments among large developments, their investors, and impacted communities.
- Use racial equity impact assessments during economic development planning to explicitly evaluate the potential impact or unintended consequences of proposed developments on people of color.[19]

Case study: Portland, Oregon

Community services fees and an equity fund

Local governments in Oregon regularly collect a community services fee as part of incentive agreements in the state's certified enterprise zones. Unlike Illinois' Enterprise Zone program, which primarily provides rebates of sales and utility taxes, Oregon's program exempts businesses from all local property taxes on qualified capital investments for three to five years. Local governments have broad authority to add stipulations to Enterprise Zone agreements in their jurisdiction, including requiring businesses to pay a community services fee equivalent to a portion of their property tax exemption. Participating businesses typically pay up to 30 percent of the abated property taxes and meet other expectations for local procurement of supplies, services, and equipment; job quality; and hiring efforts targeted toward local and/or economically disadvantaged workers.

For example, Prosper Portland — the city's economic and urban development agency — requires all businesses receiving Enterprise Zone abatements to enter a public benefits agreement and contribute 15 percent of the value of the abatement to the agency's Business and Workforce Equity Fund. Contributions have been used to provide community-based workforce navigators and technical assistance for small businesses owned by people of color, among other programs.[20]

Strategy 3

Give incentives only when they make a difference

Although incentives can fill a financial gap for a particular development, they often do not sway business location decisions.[21] Ideally, local governments should use incentives only where they are tied directly to meaningful outcomes. In practice, with access to imperfect information, this is difficult to know.[22] However, local governments can take steps to understand what is driving a prospective business or development's financial challenges and offer only incentives that directly mitigate key financial gaps.

Standard practices

- Assess whether the development would be financially feasible but for an incentive, by evaluating the prospective business' financials and other location options. This includes understanding what other incentives the applicant may be eligible for from other taxing districts.
- Make it the developer's job to provide evidence that the incentive is necessary to move the project forward.
- Give incentives with shorter time horizons to protect taxing district revenues, while still encouraging sustained, multi-year commitments from recipients. Longer-term incentives may be appropriate in some circumstances, but shorter durations can often provide equal benefits to local governments at a lower overall cost.[23]

Best practices

- Share the cost of independent financial evaluations with the prospective business in complex negotiations or when the local government does not have the capacity to assess projects on its own.

Strategy 4

Target projects with the greatest potential impact

Foregoing revenues to incentivize development has real fiscal costs, and research suggests that many incentives may not be worth these costs.[24] Incentives can be most effective when they are used for specific types of businesses and developments. For example, in many cases, business retention will have greater returns than new business attraction.

Standard practices

- Do not incentivize intraregional moves unless the applicant can demonstrate the move provides a net benefit to the metropolitan region.
- Use incentives to support firms that export products and services beyond the region, generating new local income. Prioritize those that support local supply chains.[25]
- Use incentives to reward riskier entrepreneurial investments that align with identified goals, rather than incentivizing businesses flocking to demonstrated markets.
- Avoid targeting industries for which market analysis has indicated that no market exists within the community or subregion; incentives can change outcomes on the margins but cannot generate non-existent demand.
- Prioritize projects that maximize use of existing transit, freight corridors, and public utilities and projects that do not require new infrastructure.

Best practices

- Focus on small businesses by making sure incentive application processes are clear and accessible. Research suggests that incentivizing small businesses tends to be a more effective strategy to create jobs.[26] Establishing a maximum incentive amount is one way to make incentives more meaningful to small businesses than large ones.
- Increase the competitiveness of existing businesses by identifying and targeting strategic industries that will fill gaps in existing supply chains and talent pools.[27]
- To promote job creation, target labor-intensive — rather than capital-intensive — projects. One way to achieve this is limiting the maximum incentive per job created.[28]

Strategy 5

Ensure the benefits of each incentive outweighs its cost

Incentives are designed to increase tax revenues over time by attracting business activity that would not have occurred otherwise. However, the associated public costs of development may outstrip new revenues. Local governments should understand any development's short- and long-term impact on public services and infrastructure as well as the resulting net fiscal impact. The upfront costs of assessing these impacts may be lower than the lost revenue associated with an incentive.

Standard practices

- Assess the direct and indirect fiscal impact of each incentive proposal relative to the development's economic impact. This includes capturing lifecycle costs of any public sector investments, such as maintaining new infrastructure.
- Structure incentives as rebates on tax revenue rather than as cash grants, so that the total direct costs of the incentive never exceed the revenues generated by the associated business.
- Cap incentives by establishing maximums beyond which the incentivized business receives no additional funds.

Best practices

- Hire independent external consultants to perform evaluations where complexity exceeds staff capacity.
- Share the cost of these analyses with the prospective business, such as by building their cost into incentive application fees.
- Guarantee the local government retains enough tax revenue to cover fixed costs associated with development by establishing a tax minimum or floor (e.g., in sales tax rebate agreements, include a base sales amount on which no tax is abated).
- Use collaborative, multi-step incentive application processes. Where possible, take initial steps to vet and provide feedback on applications before charging substantial fees or engaging in expensive evaluations.

Assessing the benefits and costs of potential development

Local governments may undertake several different types of analysis as part of assessing the benefits and costs of a development and related incentives:

A **financial feasibility analysis** of a development allows local governments to assess the need for an incentive by reviewing the developer's projections for costs, revenues, and rates of return.

A **fiscal impact analysis** assesses revenue flowing to a local government from a development, minus the local government's related upfront and ongoing costs. This analysis should account for the provision of public services and infrastructure, as well as revenue decreases associated with any granted incentives.

An **economic impact analysis** is more regional in nature and examines how a development affects regional employment and wages. One aspect of this analysis involves measuring the multiplier effect of new growth — in other words, how many additional jobs or sales at other firms in the region are indirectly created. Although this analysis is important, research suggests that the modeled data often overstate these multipliers.[29]

Strategy 6

Consider non-financial solutions to challenges faced by prospective businesses

Incentives may offer short-term, one-off fixes to challenges faced by business owners and developers, but they do not provide durable, sustainable solutions. These challenges create costs (e.g., congestion, low-quality infrastructure) and risks (e.g., complex development review processes, unproven markets) that can hinder growth. Where possible, fixing the underlying issue — for example, by minimizing uncertainty, shortening development timelines, and enhancing public services and infrastructure — can be more effective and less expensive than offering incentives.[30]

Standard practices

- Provide streamlined development review, permitting, and incentive negotiation processes. Making these processes more straightforward and transparent may be a larger incentive than an actual cash grant.
- Re-activate key sites by sharing parcel-specific costs and risks that constrain redevelopment. Examples include challenging demolitions and brownfield cleanups.
- Use development incentives strategically, as one tool in a larger economic and community development toolbox.[31]

Best practices

- Focus on providing solutions that will benefit the public and that will outlast the business if it closes or relocates in the future. Negotiate the provision of high-quality public goods and services instead of tax incentives to solve specific challenges faced by prospective businesses. Examples include improved traffic signaling or upgraded roads and interchanges.
- Provide development review fast-track programs that allow local governments to offer expedited approval for prioritized uses or projects.
- Offer an inventory of sites that are "shovel ready" for immediate development and meet industry standards for zoning, utilities, access, environmental concerns, and other requirements.

Case study: Village of South Elgin

Streamlined practices

In 2018, the Village of South Elgin approved a new unified development ordinance. By updating and combining its zoning and subdivision codes in a graphic-heavy format, the village helped to ensure user-friendly development review processes and facilitated clear, predictable expectations for all types of development. Following adoption, corresponding new application forms and guidance materials were created and posted on the village's website for 24/7 access by potential investors in the community.

Other municipalities have also addressed and streamlined underlying processes to implement and achieve planning goals. For example, some municipalities make pre-development meetings available by appointment prior to application submittal. This enables potential applicants to gain feedback on proposals from city staff, as well as clarity on the timeline and expectations of the review process.

Strategy 7

Design incentives to promote high-quality local employment

Matching skilled workers to good jobs is a pillar of inclusive economic development. However, financial incentives are imperfect tools for addressing labor market mismatches. For employers, workforce availability is a leading driver of location decisions.[32] Incentives that provide custom workforce training and entrepreneurial support can be a more efficient and sustainable way to attract development.[33] For communities, research suggests that local residents often do not benefit from new jobs with incentivized businesses, as commuters and new residents tend to fill open positions.[34] Incentives that encourage local hiring, high-quality jobs, and investments in workforce training help local workers benefit from new growth.

Standard practices

- Include job quantity and quality requirements in every incentive, such as minimum wages, benefits, and number of new employees.
- Require incentivized businesses to advertise jobs directly to current residents and make good-faith efforts to hire local and/or economically disadvantaged workers (frequently called first-source hiring).
- Partner with prospective businesses by facilitating connections to existing training opportunities, fostering job referral networks, and providing work placement or hiring assistance.
- Invest in ongoing workforce development initiatives and use local talent as a primary business recruitment device.

Best practices

- Require the development and maintenance of career pathways, on-the-job training programs, and partnerships with local schools at incentivized businesses.
- Coordinate or fund job training tailored to the specific needs of prospective businesses as a leading part of any incentive package.
- Include specific thresholds or bonuses for local hires as factors in determining the total value of an incentive.
- Provide technical assistance to adapt work arrangements or occupational health and safety to better accommodate people with disabilities and other marginalized groups.
- Use incentive agreements to reward or require local business-to-business purchasing and investments in local supply chains.

Case study: Village of Park Forest

Local partnerships and local hiring

The Village of Park Forest actively partners with businesses to foster jobs in manufacturing, research and development, and other fields with meaningful career potential. In 2017, the village sold a two-story office building and an industrial facility totaling 124,800 square feet on 7.5 acres to a nutritional supplement company — its first international manufacturer. The property, vacant since 2006 and obtained in 2010 on a tax deed, needed substantial site improvements. The village combined a unique property tax abatement, the Will Cook Enterprise Zone, with a discounted land purchase price to reduce redevelopment costs. The manufacturer committed to giving first preference to local job applicants and agreed to provide internships for high school and college students. Recognizing the need for new investment, letters of support were provided by local school districts, Rich Township, Cook County, and Prairie State College.

Strategy 8

Give incentives in partnership — rather than competition — with other local governments

The impacts of most development are multijurisdictional. Development that generates revenues for one taxing district may create costs for overlapping or adjacent districts (e.g., new students for a school district). Jobs generated in one location are likely to be filled by workers from many municipalities. Businesses buy from and sell to a wide geographic area. Pollution and congestion impacts often cross district boundaries.

Standard practices

- Be aware of incentives being offered by other taxing bodies and work together to create an effective total package that provides just enough for the development to be financially feasible.
- Work in collaboration with overlapping and nearby taxing bodies to understand the cumulative net fiscal impact of a development on all impacted local governments. Public reporting of any incentive that reduces tax revenues, including incentives approved by other taxing bodies, is required by GASB Statement 77.[35]
- Avoid incentive-based bidding wars with neighboring jurisdictions.

Best practices

- Establish revenue- and cost-sharing agreements with neighboring local governments, especially when labor and product markets span multiple jurisdictions.
- Develop non-poaching agreements through which local governments commit to not using incentives to fuel intraregional competition.

Understanding the requirements of GASB Statement 77

The Governmental Accounting Standards Board (GASB) establishes accounting and financial reporting standards for U.S. state and local governments that adhere to Generally Accepted Accounting Principles (GAAP). Although Illinois local governments are not required by statute to comply with GASB standards, many do because they represent accepted best practices and in order meet other accounting requirements.

GASB Statement 77, issued in 2015, requires that state and local governments include in their financial reports details on tax abatements that impact their fiscal position. Governments are instructed to provide details about the purpose of the incentive program, commitments made by all parties, any eligibility and compliance requirements, and gross abatement amounts for the reporting period.[36]

Strategy 9

Establish, monitor, and enforce business commitments

The negotiation of an incentive package is an opportunity to clarify and record commitments from businesses to meet specific community needs. Common conditions include the development of a specified amount of property and the hiring of a target number of new, full-time employees for a certain number of years. Other conditions worth considering include paying living wages,[37] hiring locally, and managing pollution or truck traffic. Incentive agreements are opportunities to cement these commitments and establish remedies for situations in which they are not met. Local governments must then engage in fair and consistent monitoring and enforcement.

Standard practices

- List business commitments in the terms of every incentive agreement. Commitments should be measurable reflections of the values and goals of the community.
- Always include clawback provisions — clauses that allow local governments to take back incentives already paid when businesses do not meet agreed-upon targets.
- Monitor business compliance with agreement terms annually; work with businesses to support compliance and enforce terms where necessary.

Best practices

- Structure incentives as pay for performance: confirm compliance with agreement terms over a period before issuing the applicable rebate or incentive for that period.

Strategy 10

Conduct transparent evaluations of incentive programs

All economic development policies, including development incentives, should seek inclusive economic growth.[38] Yet research indicates that most development incentives do not sway business decisions or are not worth the cost. Local governments have an obligation to taxpayers to evaluate incentive programs, confirm their effectiveness, and improve incentive use over time.[39] Improving incentives requires investment in staff capacity and continued training about best practices, common pitfalls, and evolving regulations.

Standard practices

- Evaluate the actual short- and long-term fiscal, economic, and social impact of approved incentive agreements, including evaluating performance measures and the impact of any community benefits requirements.
- Track, publish, and discuss in public forums the results of program evaluations. Comply with GASB Statement 77, which requires publication of details about incentives (including the gross incentive amount) in financial statements such as Comprehensive Annual Financial Reports.
- Use the outcomes of program evaluations to improve incentive policies over time.
- Invest in professional development and training opportunities about incentive use for staff and elected officials.

Best practices

- Incorporate expectations about consistent public program evaluation into any guiding documents or policies governing incentive use.
- Evaluate how well incentives create economic, environmental, and social value.[40]

Moving forward on incentives

ON TO 2050, our region's comprehensive plan, calls for reforming development incentives to help northeastern Illinois grow and thrive. CMAP encourages local governments to become more intentional and systematic in their incentive use.

Making decisions about incentives in reaction to business requests, without a clear strategy and purpose, can result in public expenditures for limited economic gain. Local governments should create and adopt an incentive policy or framework in coordination with neighboring and overlapping taxing districts. Expending the resources to do this — including establishing goals, targets, criteria, and evaluation practices — can be difficult in the short term. But determining guiding principles and implementing better practices for incentive use can help communities better pursue their priorities for a prosperous future.

Ranging in population from hundreds to millions, communities in our region have unique challenges, capacities, and development goals. Determining what is feasible — for example, finding the right balance between increasing process transparency and expediting development reviews — will depend on each community's local context. The strategies and practices on these pages provide guidance for mitigating or avoiding risks like intraregional competition, inequitable outcomes, and inefficient use of limited public resources. Incentives can be more effective tools when guided by these four key principles: equity, transparency, performance-driven use, and pursuit of regional benefits.

Local governments should do everything in their power to increase the effectiveness of the incentives they use to provide the greatest return on limited public dollars. Establishing partnerships, implementing best practices, and publishing policies to guide incentive use can improve outcomes. With the reforms described in these pages, incentive use can more effectively achieve local goals while increasing access for small businesses and businesses owned by people of color; directing investment toward disinvested areas; and promoting inclusive, sustainable, and regional economic growth.

CMAP resources

CMAP has resources to support implementing the practices described in this guide. Reach out to CMAP staff by sending an email to info@cmap.illinois.gov, or apply to the Local Technical Assistance program for support in updating incentive practices.

Additional resources

Interested in learning more about best practices for incentive reform? Consider exploring the following resources:

Building healthy 21st century retail, a 2017 primer and checklist by ULI Chicago, https://chicago.uli.org/wp-content/uploads/sites/10/2017/09/ULI-Chicago-Retail-Primer_Editable.pdf

Community Benefits Toolkit, materials for elected and appointed officials from the Partnership for Working Families, https://www.forworkingfamilies.org/resources/policy-tools-community-benefits-toolkit

Equitable Development Principles & Scorecard, a 2016 checklist developed by the Minneapolis Alliance for Advancing Regional Equity, http://thealliancetc.org/our-work/equitable-development-scorecard/

Examining the local value of economic development incentives, a 2018 report by the Brookings Institution Metropolitan Policy Program, https://www.brookings.edu/research/examining-the-local-value-of-economic-development-incentives/

GASB Statement 77: Tax Abatement Disclosures, a pronouncement requiring publication of certain details about incentives for compliance with Generally Accepted Accounting Principles (GAAP), https://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176160042391

How states are improving tax incentives for jobs and growth, a 2017 report by Pew Charitable Trusts, https://www.pewtrusts.org/en/research-and-analysis/reports/2017/05/how-states-are-improving-tax-incentives-for-jobs-and-growth

Illinois and GASB Statement No. 77, a 2020 primer by Good Jobs First, http://www.goodjobsfirst.org/sites/default/files/docs/pdfs/Illinois%20IL.pdf

Making sense of incentives: taming business incentives to promote prosperity, a 2019 e-book by the W.E. Upjohn Institute, https://research.upjohn.org/up_press/258/

References

[1] Stephan J Goetz et al., "Sharing the Gains of Local Economic Growth: Race-to-the-Top versus Race-to-the-Bottom Economic Development," *Environment and Planning C: Government and Policy* 29, no. 3 (June 2011): 428–56, https://doi.org/10.1068/c1077r.

[2] For more information about state of Illinois incentive programs, see https://www2.illinois.gov/dceo/ExpandRelocate/Incentives/Pages/default.aspx

[3] Joseph Parilla and Sifan Liu, "Examining the Local Value of Economic Development Incentives: Evidence from Four US Cities" (Metropolitan Policy Program at Brookings, 2018), https://www.brookings.edu/wp-content/uploads/2018/02/report_examining-the-local-value-of-economic-development-incentives_brookings-metro_march-2018.pdf; Timothy J. Bartik, "'But For' Percentages for Economic Development Incentives: What Percentage Estimates Are Plausible Based on the Research Literature?" (W.E. Upjohn Institute, July 1, 2018), https://doi.org/10.17848/wp18-289.

[4] Mary Donegan, T. William Lester, and Nichola Lowe, "Striking a Balance: A National Assessment of Economic Development Incentives," Working Paper (Kalamazoo, MI: W.E. Upjohn Institute, 2018), 3, https://doi.org/10.17848/wp18-291; Eric Stokan and Aaron Deslatte, "Beyond Borders: Governmental Fragmentation and the Political Market for Growth in American Cities," *State and Local Government Review* 51, no. 3 (September 2019): 153, https://doi.org/10.1177/0160323X20915497.

[5] Cailin Slattery and Owen Zidar, "Evaluating State and Local Business Tax Incentives" (Cambridge, MA: National Bureau of Economic Research, January 2020), https://doi.org/10.3386/w26603.

[6] Bartik, "'But For' Percentages for Economic Development Incentives."

[7] Carlianne Patrick, "Identifying the Local Economic Development Effects of Million Dollar Facilities," *Economic Inquiry* 54, no. 4 (2016): 1737–62, https://doi.org/10.1111/ecin.12339; Timothy J. Bartik, *Making Sense of Incentives: Taming Business Incentives to Promote Prosperity* (W.E. Upjohn Institute, 2019), https://doi.org/10.17848/9780880996693.

[8] Goetz et al., "Sharing the Gains of Local Economic Growth"; Jia Wang, "Strategic Interaction and Economic Development Incentives Policy: Evidence from U.S. States," *Regional Science and Urban Economics* 68 (January 2018): 249–59, https://doi.org/10.1016/j.regsciurbeco.2017.11.007; Stokan and Deslatte, "Beyond Borders"; Joshua Drucker et al., "Do Local Governments Use Business Tax Incentives to Compensate for High Business Property Taxes?," *Regional Science and Urban Economics* 81 (2020): 103498, https://doi.org/10.1016/j.regsciurbeco.2019.103498.

[9] Goetz et al., "Sharing the Gains of Local Economic Growth."

[10] Timothy J. Bartik and George Erickcek, "Simulating the Effects of the Tax Credit Program of the Michigan Economic Growth Authority on Job Creation and Fiscal Benefits," *Economic Development Quarterly* 28, no. 4 (November 2014): 314–27, https://doi.org/10.1177/0891242414548893; Nathan M. Jensen, "The Effect of Economic Development Incentives and Clawback Provisions on Job Creation: A Pre-Registered Evaluation of Maryland and Virginia Programs," *Research & Politics* 4, no. 2 (April 2017): 1–8, https://doi.org/10.1177/2053168017713646; Joshua Drucker, Geon Kim, and Rachel Weber, "Did Incentives Help Municipalities Recover from the Great Recession? Evidence from Midwestern Cities," *Growth and Change* 50, no. 3 (September 2019): 894–925, https://doi.org/10.1111/grow.12318.

[11] Patrick Kline and Enrico Moretti, "People, Places, and Public Policy: Some Simple Welfare Economics of Local Economic Development Programs," Working Paper, NBER Working Paper Series (Cambridge, MA: National Bureau of Economic Research, 2013), https://www.nber.org/papers/w19659.pdf.

[12] Timothy J. Bartik, "Who Benefits From Economic Development Incentives? How Incentive Effects on Local Incomes and the Income Distribution Vary with Different Assumptions about Incentive Policy and the Local Economy," Technical Report (Kalamazoo, MI: W.E. Upjohn Institute, March 1, 2018), https://doi.org/10.17848/tr18-034; Mark D Partridge and Dan S Rickman, "Do We Know Economic Development When We See It?," *Review of Regional Studies* 33 (2003): 17–39, https://rrs.scholasticahq.com/article/8411; Goetz et al., "Sharing the Gains of Local Economic Growth."

[13] One of ON TO 2050's three principles is inclusive growth: offering economic opportunity for residents regardless of race, income, or background. For more information, see https://www.cmap.illinois.gov/2050/principles#IG1.

[14] For more information, see Partridge and Rickman, "Do We Know Economic Development When We See It?"; Goetz et al., "Sharing the Gains of Local Economic Growth"; Feldman and Lowe, "Evidence-Based Economic Development Policy."

[15] Scholarship for the most part does not directly address this question. Interviews CMAP staff conducted with several local and national incentive experts confirm that public incentive policies are unlikely to cause increased incentive use. One reason for this is that large firms (and their site selection consultants) are likely to seek incentives regardless of the presence of a policy. For related conversations, see Maryann Feldman and Nichola Lowe, "Evidence-Based Economic Development Policy," *Innovations: Technology, Governance, Globalization* 11, no. 3–4 (2017): 34–49, https://doi.org/10.1162/inov_a_00255; Slattery and Zidar, "Evaluating State and Local Business Tax Incentives."

[16] https://www.cmap.illinois.gov/2050/prosperity/incentives

[17] Kline and Moretti, "People, Places, and Public Policy," 33; Rachel Barkley, "The Double-Edged Sword of Economic Development Incentives," *Government Finance Review*, October 2018, 4, https://gfoa.org/sites/default/files/GFR101835.pdf.

[18] For more information, see Goetz et al., "Sharing the Gains of Local Economic Growth"; Donegan, Lester, and Lowe, "Striking a Balance"; Parilla and Liu, "Examining the Local Value of Economic Development Incentives."

[19] For more information about Racial Equity Impact Assessments, see https://www.raceforward.org/sites/default/files/RacialJusticeImpactAssessment_v5.pdf.

[20] For more information about Portland, Oregon's Enterprise Zone program, see http://prosperportland.us/wp-content/uploads/2017/04/Report-17-39.pdf.

[21] Donegan, Lester, and Lowe, "Striking a Balance"; Bartik, "'But For' Percentages for Economic Development Incentives."

[22] Rachel Weber, "Do Better Contracts Make Better Economic Development Incentives?," *Journal of the American Planning Association* 68, no. 1 (March 31, 2002): 43–55, https://doi.org/10.1080/01944360208977190; Drucker, Kim, and Weber, "Did Incentives Help Municipalities Recover from the Great Recession?"

[23] Businesses have high discount rates: they value the near-term much more than they value the future. Bartik, *Making Sense of Incentives*, 17, 82.

[24] Patrick, "Identifying the Local Economic Development Effects of Million Dollar Facilities"; Bartik, *Making Sense of Incentives*

[25] Bartik and Erickcek, "Simulating the Effects of the Tax Credit Program of the Michigan Economic Growth Authority"; Xiaobing Shuai, "Do Economic Development Efforts Benefit All? Business Attraction and Income Inequality," *Review of Regional Studies* 45 (2015): 35–56, https://rrs.scholasticahq.com/article/8066; Barkley, "The Double-Edged Sword of Economic Development Incentives."

[26] Donegan, Lester, and Lowe, "Striking a Balance"; Greg LeRoy et al., "Shortchanging Small Business: How Big Businesses Dominate State Economic Development Incentives" (Washington, DC: Good Jobs First, 2015), https://www.kauffman.org/-/media/kauffman_org/research-reports-and-covers/2015/10/shortchanging_small_business.pdf.

[27] See CMAP's existing research on taking a clusters approach to understanding regional economies.

[28] LeRoy et al., "Shortchanging Small Business."

[29] Timothy J. Bartik and Nathan Sotherland, "Realistic Local Job Multipliers," Policy Brief (Kalamazoo, MI: W.E. Upjohn Institute, 2019), https://doi.org/10.17848/pb2019-8.

[30] Goetz et al., "Sharing the Gains of Local Economic Growth"; LeRoy et al., "Shortchanging Small Business"; Bartik, "Who Benefits From Economic Development Incentives?"

[31] Feldman and Lowe, "Evidence-Based Economic Development Policy"; Donegan, Lester, and Lowe, "Striking a Balance."

[32] Interviews conducted with developers, site selection consultants, and others with experience representing developers in location negotiations confirm this.

[33] Donegan, Lester, and Lowe, "Striking a Balance"; Bartik, "Who Benefits From Economic Development Incentives?"

[34] Partridge and Rickman, "Do We Know Economic Development When We See It?"; Goetz et al., "Sharing the Gains of Local Economic Growth"; Kline and Moretti, "People, Places, and Public Policy."

[35] Statement No. 77 of the Governmental Accounting Standards Board, Tax Abatement Disclosures, August 2015, https://www.gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176166283745&acceptedDisclaimer=true

[36] For more information about GASB Statement 77, see https://www.gasb.org/ and https://www.goodjobsfirst.org/gasb-statement-no-77.

[37] For more information about living wages and how to calculate them, see https://livingwage.mit.edu/.

[38] See the ON TO 2050 Prosperity chapter (https://www.cmap.illinois.gov/2050/prosperity) and Feldman and Lowe, "Evidence-Based Economic Development Policy."

[39] Pew Charitable Trusts, "How States Are Improving Tax Incentives for Jobs and Growth: A National Assessment of Evaluation Practices," 2017, https://www.pewtrusts.org/en/research-and-analysis/reports/2017/05/how-states-are-improving-tax-incentives-for-jobs-and-growth; Parilla and Liu, "Examining the Local Value of Economic Development Incentives."

[40] Janet Hammer and Gary Pivo, "The Triple Bottom Line and Sustainable Economic Development Theory and Practice," *Economic Development Quarterly* 31, no. 1 (February 2017): 25–36, https://doi.org/10.1177/0891242416674808.

The Chicago Metropolitan Agency for Planning (CMAP) is our region's comprehensive planning organization. The agency and its partners developed and are now implementing ON TO 2050, a new long-range plan to help the seven counties and 284 communities of northeastern Illinois implement strategies that address transportation, housing, economic development, open space, the environment, and other quality-of-life issues.

cmap.illinois.gov
312-454-0400
info@cmap.illinois.gov

Chicago Metropolitan Agency for Planning

FY21—0001
September 2020

MEMORANDUM

TO:	Chair and Members Economic Development Commission
FROM:	Scott Mangum Community Development Director
DATE:	February 24, 2021
SUBJECT:	**Proposed FY 2022 TIF Budgets**

Annually, the EDC reviews proposed budgets for the Village's TIF Districts. Attached for your review are the proposed FY 2022 budgets for the Village's two active and one recently closed TIF Districts:

1) North East Industrial District (NEID) TIF—Closed as of December 31, 2020
2) North Lincoln TIF District
3) Devon-Lincoln TIF District

<u>NEID TIF District</u>

This TIF District was created in 1996. Approximately $1,500,000 in TIF revenue was received annually in the NEID TIF District, which essentially covered the northeast industrial area of the Village. This TIF District closed on December 30, 2020, after running the maximum 23-year period permitted by the TIF Act. As the TIF runs out, a $1,500,000 surplus will be paid out to the Cook County Treasurer, who will then distribute these funds to the appropriate taxing districts.

- ❖ Pay out of TIF Surplus - $1,500,000;

The total proposed NEID TIF expenditure for FY 2022 is $1,500,000.

<u>North Lincoln TIF District</u>

This new TIF District was approved in February, 2019. The primary project in this TIF is the District 1860 development, for which this TIF District was created. Construction is expected to begin in spring of 2022, with demolition and site clearing, followed by mass grading and the construction of building foundations. The overall project will continue construction throughout the 2022 Fiscal Year, concluding in the 2023 Fiscal Year. It is anticipated there will be little revenue generated in this TIF District until after the District 1860 project is completed in late 2022. As previously noted, this project involves 80,000-plus-square feet of commercial space, approximately 300 apartments, and a 220-room dual-branded Marriott Hotel. The Final PUD for Phase I of this project was approved by the Village Board in November, 2019 with an amendment approved in September, 2020 to allow an alternate for the building containing a grocery store. As such, the prime activity in this fund involves the cost of the TIF Note issuance and initial interest payments, which is as follows:

- TIF Note Issuance – Approximately $35,000,000 ($25,000,000 will pay for TIF- eligible costs of District 1860 over the next fiscal year, with the remainder paying for the cost of issuance and debt service):
    - “Bond” Costs (cost of Issuance) - $600,000; and
    - Debt Service Payments - $1,500,000.

The TIF Note proceeds will be paid out as TIF-eligible work is completed, inspected by the Village, and approved. As a result, it is anticipated that much of the proceeds will not be paid out until the following fiscal year. A $25,000,000 amount to be paid out for TIF- eligible costs has been placed in FY 2022 for budgeting purposes.

Finally, an additional $50,000 expenditure is expected for the engineering fees associated with the District 1860 project.

Devon-Lincoln TIF District

This TIF District was created in 2014. Currently, approximately over $1,000,000 in TIF revenue is created annually in the Devon-Lincoln TIF District, which generally covers the Village’s side of the Devon Avenue corridor from McCormick Boulevard to just east of Crawford Avenue, as well as the light- industrial triangle formed by Lincoln Avenue, Devon Avenue, and Proesel Avenue. Major projects envisioned for funding in FY 2022 from this TIF fund include:

- Devon Streetscape Phase II Engineering Plans, with 85% grant reimbursed - $325,000;
- Devon/Lincoln TIF Street Lighting Design - $35,000;
- Arthur Avenue Paving Design - $50,000; and
- Parkway Tree Planting and Sidewalk Installation - $30,000.

In addition to the identified construction and engineering costs detailed above, which total $360,000, TIF funds are also proposed to pay the TIF Audit ($1,000) and fund community development grants ($50,000 in PEP/GIFT Grants), for a total proposed Devon-Lincoln TIF expenditure of $491,000 in FY 2022.

The Devon Avenue Streetscape Improvement Project (including streetscaping and pedestrian facility improvements on both sides of Devon Avenue between McCormick Boulevard and Lincoln Avenue) is moving forward, with Phase I Engineering plans and a public meeting having been completed. Phase II engineering, which will include detailed design in order to prepare bidding plans and documents, will be undertaken in FY 2022, with the goal of constructing the improvements in FY 2023. This is a joint project with the City of Chicago and has been awarded a Surface Transportation Program (STP) grant which covers 85% of the Phase II engineering and construction costs.

The Devon/Lincoln TIF Street Lighting project includes the installation of street lighting on

Hamlin, Ridgeway and Arthur Avenues. Design work will be undertaken in FY 2022, with construction anticipated the following fiscal year.

Arthur Avenue, west of Hamlin Avenue, dead-ends at the UP Bike Trail. This segment of roadway, which is utilized as access to two properties, is in disrepair and is planned to be improved. Design work will be undertaken in FY 2022, with construction of the improvement scheduled for FY 2023.

Finally, parkway tree planting and sidewalk installation will be undertaken in strategic locations throughout the TIF District to provide parkway trees where they are currently lacking and to replace trip hazard sidewalk squares.

Staff will present these projects to the EDC at next Wednesday's meeting. Public Works Director Nadim Badran and Acting Finance Director Chuck Meyer will be available to answer any questions.

Requested Action

Consideration of the proposed FY 2022 TIF budgets for the Village's TIF Districts and a vote by the EDC recommending Village Board approval.

Attachments:

1. Proposed NEID TIF Budget
2. Proposed North Lincoln TIF Budget
3. Proposed Devon-Lincoln TIF Budget

BUDGET ANALYSIS

NEID/ TIF
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2018 Actual	2019 Actual	2020 Actual	2021 Adopted	October, 2020 Actual	2021 Projected	Account Number	Description	2022 Proposed
12,236	-	14,515		-		217-000-561-5290	Maintenance of TIF Improvement	-
1,320	1,290	1,320		-	1,400	217-000-517-5310	Audit	-
1,230	900	843		4,748	4,748	217-000-517-5399	Other professional services	-
14,786	**2,190**	**16,678**	**-**	**4,748**	**6,148**		**Contractual Services**	**-**
-	73,316	-	-	-	15,690	217-000-517-5520	Community Development Grants	-
							Pay out of TIF Surplus	1,500,000
-	**73,316**	**-**	**-**	**-**	**15,690**		**Revenue Sharing**	**1,500,000**
188	-	-	-	-	-	217-000-529-7100	Fiscal Charges	-
307,500	-	-	-	-	-	217-000-573-7380	Principal - 2002A G.O. bonds	-
6,150	-	-	-	-	-	217-000-574-7580	Interest - 2002A G.O. bonds	-
313,838	**-**	**-**	**-**	**-**	**-**	**-**	**Debt Service**	**-**
52,941	173,705	37,920	29,000	1,815	28,000	217-000-561-5340	Engineering	-
663,098	1,677,885	1,930,510	319,000	138,784	448,000	217-000-561-6100	Land acquisition & improvement	-
716,039	**1,851,589**	**1,968,430**	**348,000**	**140,600**	**476,000**		**Capital Outlay**	**-**
1,044,662	**1,927,095**	**1,985,107**	**348,000**	**145,348**	**497,838**		**Totals**	**1,500,000**

BUDGET ANALYSIS

North Lincoln TIF

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2018 Actual	2019 Actual	2020 Actual	2021 Adopted	October, 2020 Actual	2021 Projected	Account Number	Description	2022 Proposed
-	-	-	30,000,000		-		Note Payout	25,000,000
-	-	-	600,000		-		Professional Fees	600,000
-	-	-	2,100,000		-		Note Principal / Interest	1,500,000
-	-	-	30,000	10,456	21,000	221-000-561-5340	Engineering/Other Contractual	50,000
-	**-**	**-**	**32,730,000**	**10,456**	**-**		**Totals**	**27,150,000**

BUDGET ANALYSIS

							Devon Lincoln TIF	
							220	
2018 Actual	2019 Actual	2020 Actual	2021 Adopted	October, 2020 Actual	2021 Projected	Account Number	Description	2022 Proposed
-	-	-	1,500	-	-	220-000-511-5310	Audit Fee	1,000
		-	50,000		-	220-000-517-5520	Community Development Grants	50,000
39,530	21,079	6,600	359,000	408	5,000	220-000-511-5340	Engineering	360,000
176,639	77,717	219,256	30,000	-	10,000	220-000-561-6310	Land Acq and Improvement	80,000
216,169	**98,795**	**225,856**	**440,500**	**408**	**15,000**		**Totals**	**491,000**

2021-2022 Operating Budget

Budget Analysis

Devon/Lincoln TIF
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Account Number	Account Name	Amount	Comments
220-000-517-5310	Audit Fee	**1,000**	TIF audit
220-000-517-5520	Community Development Grants	**50,000**	PEP Grants
220-000-511-5340	Engineering	**360,000**	
		325,000	Devon Avenue Streetscape - Phase II Design
		35,000	Devon TIF Streetlighting
220-000-561-6310	Land Acq and Improvment	**80,000**	
		30,000	Parkway Tree Planting and Sidewalk Installation
		50,000	Arthur Avenue Paving

MEMORANDUM

TO: Chair and Members
Economic Development Commission

FROM: Jake Litz, Management Analyst

DATE: February 19, 2021

SUBJECT: Biennial Commission Report

Every two years, each advisory body to the Village Board provides a Report detailing the activities of that body and meets with the Village Board to discuss that report during a Committee of the Whole meeting. The purpose of the Report and meeting is for the Village Board to not only review the activities of the recommending body, but also provide any comments or direction. The last report from the EDC was in January 2019, so a new Biennial Report is now due.

Attached for EDC review is an updated draft of the Biennial Commission Report. Prior to next Wednesday's meeting, the Commission should review this draft. There is also a section of the report dedicated to identifying any specific comments or questions the Commission may have of the Village Board. Please be prepared to discuss the report as drafted, as well as any concerns or comments you believe should be included for Village Board consideration. Once the Commission is satisfied with the written report, formal action should be taken to adopt the report.

At the Committee of the Whole Meeting, the EDC Chairman will typically present the Biennial Report, although all Commissioners are invited and encouraged to attend. The March 2, 2021 Committee of the Whole Meeting has been tentatively identified as the date for the Economic Development Commission report to the Village Board. This date can be adjusted if the EDC is not prepared to approve the Biennial Commission Report at next Wednesday's meeting.

Documents Attached

1. Proposed 2021 Biennial EDC Report

Village of Lincolnwood
Village Board Committee of the Whole

Commission: Economic Development

Chairperson: James Kucienski
Vice Chair James Berger
Rivak (Rocky) Albazi
Maureen Ehrenberg
Myles Berman
Jennifer Spino
Leonard Weiss
Tim Garcia
Joe Spagnoli

Previous EDC members who served during this report period:
Patrick McCoy (Past Vice Chair)
Peter Dyer

Summary of Significant Activities of the Previous Two Years:

- Recommended
  - FY 2020 and FY 2021 TIF Budgets
  - 7250 North Cicero Avenue PEP Grant Request
  - Opt-out of the Cook County Minimum Wage and Sick Leave Ordinances
  - Lincolnwood Business Re-Opening Strategies and Initiatives
    - Outdoor Advertising
    - Outdoor Dining

- Reviewed/Considered
  - Current/Upcoming Development-Related Projects
  - Community Branding Project
  - Workshop on Targeted Business Development Areas
  - Presentation by Lincolnwood Town Center Mall Manager
  - Update on Pace Bus and CTA data in Lincolnwood
  - Updates on District 1860 Project
  - Visioning Exercise—Commercial/Industrial
    - Northeast Gateway Focus Area
    - South Gateway Focus Area
  - Presentation on COVID-19 Impacts to Business and Re-Opening Strategies
  - Update of Results from Business Survey and Roundtable
  - Updates on Lincolnwood Business Re-Opening Strategies and Initiatives
  - Updates on Northeast Industrial District (NEID) Sub-Area Plan and NEID TIF Conceptual Development Plan
  - Updates from Lincolnwood Town Center Mall Management

  - Updates on Lincolnwood's Commercial Occupancy Rate and Sales Tax Revenue

FY 2021-2023 Anticipated Activities/Goals

- Continue to review economic incentive requests
- Continue to review TIF budgets annually
- Conduct a workshop related to the Village's zoning ordinance
- Conduct on-site EDC meetings at current or proposed development sites
- Conduct a joint meeting with the Plan Commission and/or Beautification Commission to address the cleanliness of the Village

Specific Questions or Comments for the Village Board:

- Is the Village willing to purchase property for the purposes of re-development?
- *(Questions Per EDC)*

Village of Lincolnwood
Community Development Department
New Business Licenses
January 22, 2021 – February 19, 2021

Business Type	Business Name	Business Address	Contact Name	Telephone Number
Bridal Gowns and Accessories	Ava Nicole Bridal Suite	3333 West Touhy Avenue, Suite A10A	Monique Pruitt	(312) 931-0124
Service Establishment	Blue Line Tours & Charters	7080 N. McCormick Blvd.	Ramon Salgado	(773) 957-2168
Beauty Salon & Fashion Boutique	Glamoure Braid Bar/ Doll Beauty Botique	3333 West Touhy Avenue, Unit D03	Amanda Richardson	(773) 507-4526
Storage	Hunter's Precision Construction	7080 N. McCormick Blvd.	Mika Hunter	(817) 917-2870
Service Establishment/Storage	New Image Upholstery	7080 N. McCormick Blvd.	Robert Stahulak	(630) 542-5560
Retail/E-Commerce	Lab Supplies Plus, LLC	7080 N. McCormick Blvd.	James Alexander	(312) 203-5923
Service Establishment	Scot Green Sole Proprietor	7080 N. McCormick Blvd.	Scot Green	(847) 361-0924
Logistics	Silk Road Shipping, LLC.	7080 N. McCormick Blvd.	Urmat Sovetov	(847) 271-1988
IT Service and Support	Solus, LLC	73580 N. Lincoln Ave., Suite 110	Stuart Gabel	(847) 965-8044
Wholesale—Natural Cleaning Products	Trieu Technologies, Inc.	7080 N. McCormick Blvd.	Pollis Robertson	(630) 642-7799
Warehouse & Moving	Straight Up Movers	7080 N. McCormick Blvd.	N/A	(847) 786-2225