



thedevelopmentconsortium

Illinois Enterprise Zone Program Overview

J. Craig Coil

Principal & COO – The Development Consortium, Inc.

Immediate Past President - Illinois Enterprise Zone Assn.

Updated

August 25, 2014

The Development Consortium, Inc.

- Founded in 2006
 - Economic Development Consulting
 - Site Selection
 - Financing & Incentive Negotiations
 - Illinois Enterprise Zones
 - Related consulting to corporations, governmental bodies, not-for-profit entities and regional and statewide organizations
 - Licensed Illinois Real Estate Brokers



Historical Program Overview

EZone Program History

- First Zones Awarded in 1983 for 20 years
 - Program expanded over the years
 - 97 Zones Authorized by 2013
 - Plus certain Development Authority Zones
- 10 year extension legislation passed in 2001
- First attempt at Long Term Extension in 2009

EZone Program History

- The Original Benefits (State)
 - .5% ITC
 - \$500 Jobs Tax Credit
 - Local and State Sales Tax Exemption on construction materials
 - Dividend Income Deduction
 - Interest Income Deduction
 - Utility Tax Exemption
 - Pollution Control Facilities Tax Exemption
 - Expanded MM/E Sales Tax Exemption

EZone Program History

- The Original Benefits (State con't.)
 - Open Market Natural Gas Tax Exemption
 - State Regulatory Relief
 - Double Corporate Contribution Deduction
 - DZO – Designated Zone Organization
- Established Boundaries
 - 11-15 square miles

EZone Program History

- The Original Benefits (Allowable Local Options)
 - Property Tax Abatement
 - Local Option
 - Schools Held Harmless
 - Permit Fee Waivers
 - Utility Tapping Fee Waivers



The New Zone Program

© 2014 The Development
Consortium, Inc.

For Application Purposes

THERE ARE NO EXISTING ZONES

**ALL ZONES WILL BE NEW
DESIGNATIONS**

Key Elements of PA 97-905 and PA 98-109

- All zones expiring between 2013 and 2016 receive automatic extension until 2016.
 - Impact on local abatement resolutions and ordinances for existing zones.
- Incentives Eliminated
 - \$500 Job Tax Credit
 - Dividend Income Deduction
 - Interest Income Deduction for Financial Institutions

Key Elements of PA 97-905 and PA 98-109

- *New Qualifying Criteria.*
- *No preference for existing zones.*
- Local administration fees capped.
- 15 year designation with review at 13 years for an additional 10 year authorization.
- Rivers Edge Zones transitioned to new competitive Enterprise Zones as they expire in 20-25 years, resulting in 5 new Zones.

Key Elements of PA 97-905 and PA 98-109

- Ten new statutory criteria to qualify as an enterprise zone – old criteria deleted from Act
- Creation of **Enterprise Zone Advisory Board** to approve or deny enterprise zone applications (not DCEO itself)
- DCEO scores applications, but Board makes ultimate decision
- No new zones created (still 97 authorized by statute)

Key Elements of PA 97-905 and PA 98-109

- Set December 31, 2014 deadline for applications for the first round of “new” enterprise zones
- Required DCEO to score applications using partial points in each of the ten criteria (instead of “all or nothing” based on meeting the criteria)
- Made changes in requirements to report to IDOR

Key Elements of PA 97-905 and PA 98-109

- MAPS
- Each Zone Administrator shall post a copy of the boundaries of the Enterprise Zone on its official Internet website and shall provide an electronic copy to the Department. The Department shall post each copy of the boundaries of an Enterprise Zone that it receives from a Zone Administrator on its official Internet website.

Key Elements of PA 97-905 and PA 98-109

- IDOR – Major New Reporting Requirements
- Sales Tax Exemption Certification Process Changes and Reporting Changes: Administrators vs. IDOR
- New reporting by Companies/Contractors

What Zones Are Available?

- As Previously Mentioned - Overall there are still 97 Enterprise Zones (along with the 5 Rivers Edge Zones)
- Applications accepted for expiring zones 2 years prior to the expiration of an existing zone
 - Apply 2014/Designate 2015 – Up to 49 zones*
 - Apply 2015/Designate 2016 – Up to 13 zones
 - Apply 2016/Designate 2017 – Up to 9 zones
 - Apply 2018/Designate 2019 – Up to 13 zones
 - Apply 2019/Designate 2020 – Up to 8 zones
 - Five more zones, plus expiring River's Edge zones in following years

Local Labor Market Area

- **LLMA Defined by the applicant**
- Is NOT the same geographic area as the enterprise zone itself
- Only includes area in State of Illinois
- Used in 8 of the 10 tests in the application

THE TEN TESTS

- The tests are set by statute (passed by General Assembly)
- Each test has a maximum point total (set by statute)
- DCEO scores each application on each of the 10 tests
- Maximum total score is 420
- The scores along with “supporting documentation” are passed along to the Enterprise Zone Board
- **HOWEVER, the Enterprise Zone Board is not required to award or deny tests based on the scores**

THE TEN TESTS

- Unemployment
- Employment Opportunities
- Poverty
- Abandoned Coal Mine, Brownfield or Federal Disaster Area
- Large Scale Business Closings
- Vacant Structures
- Tax Base Improvement Plan
- Public Infrastructure Improvement Plan
- Career Skills Programs
- Equalized Assessed Valuation

Qualifying Criteria #1

Unemployment

- LLMA has had annual average unemployment rate \geq 120% of the State's average
- Up to 50 points
- More points awarded the higher the unemployment rate is above the state average
- Use IDES data

Qualifying Criteria #2

Employment Opportunities

- Designation will result in 1,000 FTE jobs due to \$100M or more in investment
- Help alleviate poverty and unemployment within the LLMA
- Up to 50 points
- More points awarded the higher number of jobs created/retained and amount of investment promised
- Applicant must specify the time period (less than 15 years)
- Describe how this will help alleviate poverty and unemployment

Qualifying Criteria #3

Poverty

- LLMA has poverty rate $\geq 20\%$
- 50% or more of children in LLMA are eligible for free/reduced price school lunches
- 20% or more of households in LLMA receive food stamps
- Up to 40 points – up to 10 points for each, plus another 10 for severity
- Use Census Bureau data for poverty and food stamps
(American Community Survey)
- Use State Board of Education data for school lunch eligibility

Qualifying Criteria #4

Abandoned Coal Mine, Brownfield or Fed Disaster Area

- Proposed ZONE has an abandoned coal mine, brownfield, or federal disaster area
- Up to 30 points
- More points for more abandoned mines, more brownfields, or more federal disaster area declarations
- Use IDNR data for abandoned coal mines
- Use IEPA and US EPA data for brownfields
- Use FEMA for federal disaster data

Qualifying Criteria #5

Large Scale Business Closings

- LLMA has had layoffs, plant closures, or State or federal facility closures
- Up to 50 points
- More points awarded for severity as measured by the number of workers affected
- Use Illinois WARN notices for layoffs and plant closures (within the last 10 years)
- Use State Facilities Closure Act notices for State closures (within the last 5 years)

Qualifying Criteria #6

Vacant Structures

- LLMA has a high vacancy rate of industrial or commercial properties
- Up to 40 points
- More points awarded for extent and severity of vacancy or deterioration
- Use MLS data or other data sources
- Applicants may create own data sets

Qualifying Criteria #7

Tax Base Improvement Plan

- Applicant has substantial plan for how the proposed zone will improve the State and local government tax base
- Up to 30 points
- More points awarded for extent the application “addresses a plan to improve the State and local government tax base”
- Applicants should address state/local sales tax base; state income tax base; and, the local property tax base

Qualifying Criteria #8

Infrastructure Improvement Plan

- LLMA has significant public infrastructure and a plan for infrastructure development and improvement
- Up to 50 points
- Applicants should provide an inventory of existing public infrastructure in the LLMA (to support economic development)
- Provide a 3-year plan to improve public infrastructure for each designating local government (listing projects, financing, timetable, and justification)
- Points awarded for both inventory and the plan, with a majority of points for the plan

Qualifying Criteria #9

Career Skills Programs

- High schools and community colleges in the LLMA *“are engaged in ACT Work Keys, Manufacturing Skills Standard Certification, or industry-based credentials that prepare students for careers”*
- Up to 40 points
- Applicants should list all high schools and community colleges in the LLMA and indicate which ones are engaged in such programs
- More points for applicants with a higher percentage of schools with such programs

Qualifying Criteria #10

Equalized Assessed Valuation

- Change in EAV in for commercial / industrial properties in the LLMA in the last 5 years is worse than the State average change in EAV for commercial / industrial properties
- Up to 40 points
- More points awarded the more severe the change in EAV
- Use data from IDOR or local chief assessment official(s)

Critical Timelines

- All applications for Enterprise Zones that expire on or before December 31, 2016 shall be submitted to the Department by December 31, 2014. *At that time, the zone becomes available for either the previously designated area or a different area to compete for designation.*
- **No preference for designation as a zone will be given to the previously designated area.**

Critical Timelines

- Ongoing Application Deadline. Applications shall be submitted to the Department by December 31 for designation prior to September 30 of the following year.
- *Any application received after December 31 of any calendar year shall be held by the Department for consideration and action during the following calendar year.*

Critical Timelines

- *For Enterprise Zones that are scheduled to expire on or after January 1, 2017, an application process shall begin 2 years prior to the year in which the zone expires.*

Critical Timelines

- *All applications filed by December 31 of the preceding calendar year and deemed qualified by the Department shall be approved or denied by the Board.*
- *If such application is not approved by September 30, the application shall be considered denied.*
- *If an application is denied, the Board shall inform the applicant of the specific reasons for the denial.*

Key Application Processes

Hold Public Hearing

The designating unit(s) of government must, after proper public notice, conduct at least one public hearing within the proposed enterprise zone on the question of:

- Whether to create the zone
- What the boundaries of the zone should be
- What local plans, tax incentives and other programs should be established in connection with the enterprise zone.
- A transcript of the hearing (not minutes, and not a tape recording) must be prepared and submitted.

Key Application Processes

Pass Designating Ordinance(s)

The designating unit(s) of government must pass the ordinance(s) designating an area as an enterprise zone, subject to Department approval. In accordance with Section 5 of the Enterprise Zone Act the ordinance must include:

- A legal description of the area comprising the enterprise zone
- A finding that the zone meets the qualifications established in Section 4 of the Enterprise Zone Act

Key Application Processes

Pass Designating Ordinance(s) (con't)

- provisions for tax incentives and other benefits offered exclusively in the enterprise zone
- term of the zone*
- provisions for the position, selection process, and duties of a zone administrator; and
- a designation of the area as an enterprise zone, subject to the approval of the Department in accordance with the Enterprise Zone Act.

Key Application Processes

Approve Intergovernmental Agreement

- An intergovernmental agreement signed and approved by all joint applicants must be executed and submitted as part of the application package. The intergovernmental agreement must include:
 - the legal description of the enterprise zone
 - provisions for the tax incentives, programs and other benefits

Key Application Processes

Approve Intergovernmental Agreement (con't.)

- Term of the zone*
- Provisions for the position of zone administrator, a description of the responsibilities of the position, and the selection process
- A management structure for operation of the enterprise zone
- Method of selecting designated zone organizations (DZO) and coordinating their activities with each designating unit of government, if they are to be authorized.

Key Application Processes

Pass Abatement Ordinances or Resolutions From Participating Taxing Bodies Within the Proposed Zone Boundaries.

- K-12 School Districts
- Community Colleges
- Park Districts
- Anyone else? (Townships, Library Districts, Road Districts)

Key Application Processes



Document THE TEN TESTS

Tactical Considerations

Tactical Considerations

- *Who*
- *What*
- *When*
- *Where*
- *Why*



QUESTIONS ?

J. Craig Coil

Principal and COO

The Development Consortium, Inc.

Immediate Past President

Illinois Enterprise Zone Assn.

888-586-3555 ext. 102

ccoil@tdcconsult.com



thedevelopmentconsortium