



ADDENDUM TO CITY OF MCHENRY ECONOMIC DEVELOPMENT STRATEGY UNDERUTILIZED PROPERTY TAX ABATEMENT AND INCENTIVE PROGRAM

INTRODUCTION

In accordance with its current Economic Development Strategy the City of McHenry can authorize a sales tax rebate as an incentive and means of encouraging the development, expansion or redevelopment of a property by a commercial sales tax producing business. The Underutilized Property Tax Abatement and Incentive Program is an extension of this existing program, focusing on property tax abatement for qualified businesses, which may be utilized in conjunction with or as an alternative to a sales tax rebate for non-sales tax generating businesses.

Property tax abatement is an incentive, authorized by Illinois State Statutes, that the City of McHenry may offer to a commercial or industrial business expanding an existing facility or locating a new facility to a formerly vacant building. It allows a business to be rebated a portion of existing property tax revenue or the difference between the current property tax revenue from a building or site and the resulting property tax revenue after expansion, improvement, or new construction. Since participating taxing district districts involved forego property tax revenue, there must be a clear purpose and need for abatement. The City of McHenry administers the process, does a preliminary evaluation of the proposed purpose and need and presents the application to the affected taxing districts for their consideration.

PURPOSE AND NEED FOR PROGRAM

The purpose of the Underutilized Property Tax Abatement and Incentive Program is to encourage reinvestment in existing improved vacant or underutilized properties through a property tax abatement program instituted through multiple taxing bodies. Over time assessed valuations of vacant or underutilized properties decrease or remain stagnant hindering tax growth for all applicable governmental bodies, and the intent of this program through intergovernmental cooperation is to abate some portion of property tax increase over some agreed-upon time period following property redevelopment and/or reoccupation of a previously-vacant building. City sales tax rebates can also be utilized in conjunction with property tax abatement.



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A goal of this program is to be able to effectively market specific properties to potential investors, developers and/or businesses, which at one time contained sales and/property tax producing businesses, were home to job-generating companies but due to various circumstances have since been vacated, become obsolete due to the size of the land building or a combination thereof. Below are properties which the City is specifically targeting for this program, but this does not preclude other properties from being eligible to participate in the program.

EXAMPLES OF TARGETED PROPERTIES

1. 1900 N Richmond Road (former location of K-Mart/Sears w/existing 88,992 sf. vacant building)

An additional goal of the program is to foster new capital investment in a property, which in turn generates additional assessed valuation and more return for impacted taxing bodies over time. If a company builds a new building or makes capital improvements to an existing building, those investments would be considered new investment, as they represent an addition to the fair market value of the property and thereby increasing the total equalized assessed valuation of the property. However, if a company buys an existing building and makes no additional improvements, property tax abatement may be an option; however, is not as nearly as lucrative because there may only be a nominal, if any increase, to the underlying assessed valuation.

Property tax abatement would primarily be applied only to taxes levied against newly created assessed value for a property. Below is an example which generally illustrates how the property tax abatement portion of this program, under ideal circumstances, would function for properties where new investment is created.

Example: For purposes of example of application of this property tax abatement policy assume the total ad valorem 2020 real estate tax bill, payable to the City in 2021, is \$250,000 (revenue year*) for Property Z. Let's assume the total base year tax amount** is \$130,000 and the base



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year in this example is 2018. The total base year tax amount is subtracted from the total revenue year amount payable to the City for the specific revenue year, which in this example, is revenue year 2020. Finally, let's also assume 75% of the increase from the base year tax amount is being rebated to the developer and remaining 25% payable to the City of McHenry. Using this illustration the calculation would be:

Revenue Year 2020:	\$250,000
Total Base Year Tax Amount 2018:	<u>\$130,000</u>
	\$120,000

The difference under this example is then multiplied by percentage of abatement for the developer of Property Z, which in this example is:

\$120,000
X <u>.75</u>
\$90,000

Under this example for Revenue Year 2020 the City would receive \$160,000, which is the sum of the Total Base Year Tax Amount of \$130,000 plus \$30,000, which equals 25% of the difference between the 2020 Revenue Year Tax Amount (\$250,000) and the 2018 Total Base Year Tax Amount (\$130,000). The developer of Property X would receive a real estate tax abatement of \$90,000, which is 75% of the difference between the 2020 Revenue Year Tax Amount due the City and the 2018 Total Base Year Tax Amount.

* Revenue year means the year the real estate tax liability is assessed levied and accrues. The revenue year tax is billed, due and payable during the next calendar year.

**Total Base Year Tax Amount refers to the existing property tax bill prior to new capital investment and reoccupation of a previously-vacant property. In this instance property tax abatement is only applicable to taxes levied against the increase in property assessed valuation from tax years following completion of capital improvements. Increase in assessed valuation



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resulting from new investment is predicated on when improvements are completed, occupancy is granted and how this coincides with the actual timing of the partial/full reassessment of the property.

GENERAL PROGRAM CRITERIA

1. Property must be located within City of McHenry corporate limits;
2. Proposed use/redevelopment of property must generally be consistent with the Guidelines for Economic Incentives included in approved City of McHenry Economic Development Strategy;
3. Proposed use/redevelopment of property must be consistent with City of McHenry Comprehensive Plan;
4. Property must contain at least one existing principal building;
5. Principal or a minimum of one building on property must contain a minimum of 50,000 gross square feet of continuous usable space (Subdivided buildings containing 50,000 square feet or greater in total square footage will generally not be considered);
6. Taxpayers are required to file an annual certification that the property for which the tax exemption has been granted continues to be used for industrial or commercial purposes;
7. The property on which the tax is to be abated must be owner-occupied or leased. In the case of leased properties, the developer/owner of the leased property will need to be a party to the abatement agreement with a renewable option after 5 years, they could be granted 10-year abatement. A company must submit a signed lease of a minimum of 3-years in order to be eligible to apply for property tax abatement. Tax abatement will not be offered in excess of the length of the lease; however, should a company have for example a 5-year lease with a renewable option after 5 years; they could be granted 10-year abatement. Should the company choose not to renew their contract after five years, the abatement would cease;
8. Businesses receiving tax abatement must abide by the Illinois Prevailing Wage Act, and comply with all other relevant local, state and federal regulations;
9. Abatement will be calculated based on annual increases in assessed valuation following base year irrespective of changes in tax rates;



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10. It shall be required that any firm seeking an abatement of taxes utilize qualified contractors who utilize regional labor when initiating improvements to its real estate, subject to the following: The only allowable exceptions are for services that are not provided locally within the City of McHenry;
11. The number of years of tax abatement, percentage and/or amount of the annual abatement and the total multi-year tax abatement will be determined on a case by case basis;
12. Businesses proposing to relocate operations within the City of McHenry and seeking a property tax abatement and/or sales tax rebate must demonstrate the expansion cannot be accommodated at the current site due to constraints, including but not limited to:
 - a. lack of adequate street or road capacity or access;
 - b. lack of available contiguous land for expansion;
 - c. excessive land costs in the current location;
 - d. reconstruction requires a shutdown of operations;
 - e. structurally or functionally obsolete facility;
 - f. lack of adequate utility capacity;

PROCESS

Abatement requests are reviewed on a case-by-case basis as to their economic, strategic and fiscal impacts upon a taxing district or districts. Once a request is submitted, the City of McHenry evaluates it and approaches the impacted taxing districts to secure an indication of their support for the project. If a taxing district or districts expresses an interest in supporting the application, the City of McHenry will convene a meeting or teleconference among interested parties to review the proposed project, including status of other state and local incentive applications and the taxing district or districts' approval process. The goal is to develop the parameters for a Letter of Intent, including proposed abatement level, the approval process/schedule and the submission under confidentiality of required information. If all parties sign on to the Letter of Intent, the City of McHenry will formulate



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a Property Tax Abatement Agreement for approval by the taxing district or districts' governing board(s), the City of McHenry and other affected parties. After the agreement is executed by all parties, the City of McHenry will record it against the impacted property.

The City and every applicable taxing district(s) must approve an ordinance each year property tax abatement is authorized by an agreement. Following passage by the governing board the approved ordinance must be certified by each taxing authority. The ordinance should include the property parcel identification number, title holder and the approved abatement percentage. The ordinance must be filed simultaneously with the McHenry County Clerk's Office and the McHenry County Treasurer's Office. All abatement ordinances must be filed with the Clerk's and Treasurer's Offices no later than the following March of the proposed tax abatement year. For example an ordinance authorizing a property tax abatement for 2020 taxes must be filed no later than March 2014.

IMMEDIATE REPAYMENT OF PROPERTY TAX ABATEMENT WILL BE REQUIRED UNDER ANY OF THE FOLLOWING CONDITIONS

1. There is a material misrepresentation in the company's application;
2. The business becomes insolvent, but only in the event the insolvency causes the subject property to cease operations;
3. The sale of the subject property or assignment of the Tax Abatement Agreement, except as may be provided in the Property Tax Abatement Agreement;
4. The construction of residential improvements on the subject property, provided, however, that in the event said residential improvements are identified by separate Permanent Index Numbers (PIN), the cancellation of the abatement shall apply only to the abatement attributable to those PIN numbers so identified;
5. The company files tax rate objections or otherwise challenges the rate of taxes levied by and extended by the taxing jurisdictions during a period of time commencing on the date of the Property Tax Abatement Agreement and concluding on December 31st of the third year following when the last abatement provided for is realized;



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6. Assignment of this Agreement or the subject property ceases to be operated as originally intended, except as provided in the Property Tax Abatement Agreement.
7. The tax abatement will be canceled if the private individual or entity relocates its facility outside of the City of McHenry;
8. The Final Tax Abatement Agreement shall terminate in the event that the project is not fully constructed, or the agreement is not formally amended, and operating as proposed within three (3) years of the date of the Final Tax Abatement Agreement;
9. Any company approved for tax abatement will be required to maintain operations at the project location for three years following the termination of the abatement or be required to repay the abatement to the issuing taxing district(s).



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OVERVIEW AND SUMMARY OF PROGRAM

In accordance with its current Economic Development Strategy the City of McHenry can authorize a sales tax rebate as an incentive and means of encouraging the development, expansion or redevelopment of a property by a commercial sales tax producing business. The Underutilized Property Tax Abatement and Incentive Program is an extension of this existing program, focusing on property tax abatement for qualified businesses, which may be utilized in conjunction with or as an alternative to a sales tax rebate for non-sales tax generating businesses.

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The following information is required to make a preliminary determination on the eligibility of a project under the Underutilized Property Tax Abatement and Incentive Program, in addition to other potential economic incentives, including but not limited to: sales tax rebate, permit fee waiver, etc.



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PART I: COMPANY INFORMATION

Company Name and Headquarters (include street, city, state, zip code, phone and fax numbers):

Executive Officer/Company Designee (include first and last name, phone and fax numbers and e-mail address):

Contact (if different from above (include first and last name, phone and fax numbers and e-mail address):

Company FEIN, Type of Organization (corporation, partnership, limited partnership, etc.):

State of Incorporation/organization and year:

NAICS code:



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PART II: NATURE AND HISTORY OF THE APPLICANT'S BUSINESS

(Please provide a general description of the applicant's business/lines or lines of business engaged in, history and reason for the project, i.e. company outgrew its existing space, entering new market, etc.)

PART III: PROJECT INFORMATION

(Describe the nature of the propose project, including: size of facility; amount of land to be purchased (if applicable); whether the project is an expansion of an existing facility; construction of a new facility, or both; proposed use of the facility; reason(s) the applicant requires a new or expanded facility; and phasing plans if the project is to be constructed in multiple phases.)

Street Address:

Parcel Identification Number (PIN):

Current Zoning of Property:



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Current Equalized Assessed Value (EAV) of property/building/Base Taxable Value of Property:

- a. Land: _____
- b. Building: _____

Does the current public/on-site infrastructure meet proposed project's needs? (If not please describe why, what is required, estimated time to complete and estimate completion cost.):

Will the project facility be owned or leased by the applicant?

Is the project likely to result in another substantial economic benefit to the City of McHenry, McHenry County and/or larger region? If yes, please explain and be as specific as possible.



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Will the proposed project result in a spin-off activity that will support City of McHenry, McHenry County and/or other regional contractors and/or suppliers? If yes, please explain and be as specific as possible.

Are other locations within the City of McHenry, McHenry County or other areas of the region/state or out-of-state being considered for this project and if so how many, are incentives being requested at other locations and what will be the determining factor(s) utilized in making a final project location decision (understanding confidentiality please be as specific and provide as much information as possible)?

Please provide property acquisition, investigation and entitlement timeline, including targeted deadlines, amount of time for due diligence, ideal approval dates for incentives being requested, any zoning relief which may be required, building permit review timeline expectations, buildout and construction schedule and projected opening date (please be as specific as possible)?



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Description of Estimated Costs (include how line item cost will be/proposed source of financing):

- a. Acquisition of land/building(s): _____
- b. Architectural and Engineering Costs (estimate): _____
- c. Building Improvements (estimated construction cost broken down by type/cost of improvement): _____
- d. Site Improvements: _____
- e. Utility Construction/Expansion (upgrades/oversizing required): _____
- f. Renovation Costs (estimated construction cost broken down by type/cost of work to be done):

- g. Machinery and Equipment: _____
- h. Furniture and Fixtures: _____
- i. Misc. (accounting, legal, etc.): _____
- j. Contingency: _____

TOTAL ESTIMATED PROJECT COSTS: _____



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PART IV: ECONOMIC DEVELOPMENT IMPACT INFORMATION

As a result of the proposed project, will there be any consolidation, relocation of facilities from other areas-including those located outside of the City of McHenry?

Projected New Job Creation (full time (FTE), permanent): _____

Projected Job Retention (full Time (FTE), permanent): _____

Projected Job Creation (part-time, permanent and temporary): _____

Projected Job Retention (part-time, permanent): _____

Year	Professional	Retail/Sales	Technical	Clerical	General Labor	Total	Hourly Wage
1							
2							
3							
4							
5							
Total							

What specific actions will you take/pursue to recruit employees from among residents of the City of McHenry, McHenry County and/or larger region?



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PART V: DESCRIPTION OF TYPE, AMOUNT OF REQUESTED ECONOMIC INCENTIVES

Please describe type and amount of all economic incentives being sought, what they will be used for, justification for request (please be as specific as possible):

Year	Property Tax Abatement/Freeze (dollar amount)	Sales Tax Rebate (dollar amount)	Waiver of Fees (type and dollar amount)	Other	Justification and Description of Use of Funds
1					
2					
3					
4					
5					
Total					

Describe any other type of assistance, monetary or non-monetary being requested, why the request is being made and how, if granted this would assist in completing project (please be as specific as possible).

Is the applicant receiving and/or planning to request (now or in the future) other types of economic incentives, and if so from what sources, state what funds would be used for, timetable on receipt of funds and any other conditions/special requirements associated with use of any funds received.



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PART VI: DISCLOSURE OF INTEREST AND CERTIFICATION OF APPLICATION

The party signing the application shall be considered the Applicant. The Applicant must be the owner or trustee of record, trust beneficiary, lessee, contract purchaser, or option holder of the subject property or his or her agent or nominee.

Applicant is Not Owner

If the Applicant is not the owner of record of the subject property, the application shall disclose the legal capacity of the Applicant and the full name, address, and telephone number of the owner(s). In addition, an affidavit of the owners(s) shall be filed with the application stating that the Applicant has the authority from the owners(s) to make the application.

Applicant or Owner is Corporation or Partnership

If the Applicant, owner, contract purchaser, option holder, or any beneficiary of a land trust is a corporation or partnership, the application shall disclose the name and address of the corporation's officers, directors, and registered agents, or the partnership's general partners and those shareholders or limited partners owning in excess of five percent of the outstanding stock or interest in the corporation or interest shared by the limited partners.

Applicant or Owner is a land Trust

If the Applicant or owner is a land trust or other trust or trustee thereof, the full name, address, telephone number, and extent of interest of each beneficiary shall be disclosed in the application.

Certification

I hereby certify that I am aware of all code requirements of the City of McHenry that relate to this property and that the proposed use or development described in this application shall comply with all such codes. I understand this application is the initial step required to be considered for any economic development incentive. Upon receipt of a completed application, the City of McHenry will forward a copy of the application and any supporting documentation to all relevant/impacted taxing bodies for review and consideration, which in no way obligates any taxing body too financially or otherwise participate in this request.



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Following review by all relevant/impacted taxing bodies the City of McHenry will contact the applicant to discuss the next steps in the process.

Additionally, I have read, understand and will fully comply will all general program criteria, process and circumstances under which immediate repayment of a property tax abatement, sales tax rebate and/or other incentive may be required to be repaid to the taxing body which authorized the incentive outlined and described in the Underutilized Property Tax Abatement and Incentive Program and which may be included in any economic incentive agreement to which I am a party and/or enter into.

Signature of Applicant(s)

Print Name and Designation (Title) of Applicant(s)
