

SPECIAL MEETING AGENDA

Champaign County Environment & Land Use Committee

Members:

*Jan Anderson, Patricia Busboom, Chris Doenitz,
Tony Fabri, Nancy Greenwalt (VC), Ralph
Langenheim (C), Brendan McGinty, Steve Moser,
Jon Schroeder*

Date: *February 23, 2006*
Time: *6:45 p.m.*
Place: *Meeting Room 2
Brookens Administrative Center
1776 E. Washington St.
Urbana, Illinois*
Phone: *(217) 384-3708*

AGENDA *Old Business shown in Italics*

- 1. Call to Order**
- 2. Approval of Agenda**
- 3. Public Participation**
- 4. *Amendment to Joint Champaign County-City of Champaign Enterprise Zone*** 1 thru 13
- 5. Other Business**
- 6. Adjournment**



TO: Environment & Land Use Committee

FROM: Casey Rooney

DATE: February 13, 2006

RE: Joint Champaign County-City of Champaign Enterprise Zone

REQUESTED ACTION: Recommend Amendment to Enterprise Zone Ordinance (No. 255) to provide full Enterprise Zone incentives to projects creating or retaining at least twenty (20) jobs.

STAFF RECOMMENDATION: Staff recommends approval of this ordinance

A. Background:

1. Industrial Enterprise Zone Program. The joint City of Champaign/Champaign County Enterprise Zone (EZ) can provide a sales tax exemption on building materials and an abatement of City, County and Park District real estate taxes on any increased EAV (1/3 of market value) created by a building project. The project must be located within the Enterprise Zone, which includes most of Champaign's commercial and industrial areas. Industrial projects receive a 50 percent abatement of the increased real estate tax bill for 10 years unless:

- The project results in the creation of 20 or more new full-time or full-time equivalent (FTE) jobs (in which case it receives a 100 percent abatement for 10 years); or
- The project results in the creation of some number of full-time jobs less than 20 (in which case the percentage awarded is based on the number of full-time jobs created as a percentage of the company's total full-time or FTE employment)

The only way for an industrial company to be awarded the full 100 percent abatement for 10 years is to create 20 or more full-time jobs or to be new to the Zone and create any number of jobs.

2. Importance of Job Retention to the Community. The County, City and the Champaign County Economic Development Corporation partner in attraction, expansion and retention efforts. Job retention and expansion are the keys to long-term economic growth in our community. Efforts to retain and grow our local employers are more likely to be fruitful than efforts to land a new company from outside the area. One industry standard states that 70% of job growth is generated by growing existing companies. Many companies that were started locally have grown to become major employers, such

as Hobbico and Volition. The employees of these companies are involved in the local community, and it is in the best interest of the County to retain these individuals and their employers.

3. Weaknesses in Current Industrial Incentives. The current industrial incentives do not place an emphasis on job retention. The Enterprise Zone currently offers only a 50 percent abatement of City, County and Park District real estate taxes for job retention projects. On a \$10 million project, the total ten-year real estate tax abatement for a project that creates 20 jobs would be approximately \$1.2 million. The same project that retains 20 jobs would only receive approximately \$750,000. The difference of \$450,000 is substantial for a company who may be considering relocating the jobs to an area that offers full EZ benefits.

4. Proposed Industrial Enterprise Zone Amendments. Staff believe the reduced benefits offered to retention projects under the existing Industrial Enterprise Zone hinder our retention efforts. Many other Illinois communities offer full Enterprise Zone incentives without a job retention or job creation requirement. In order to remain competitive with other communities, staff proposes amendments to the Enterprise Zone that would allow the same benefits for job retention and creation projects. If an industrial project creates or retains at least 20 jobs, a 100 percent abatement of City, County, and Park District real estate taxes is proposed. For any job retention amount less than 20, the current calculation used for job creation would apply to retention. Staff proposes that any EZ application received on or after January 1, 2006 would be eligible for the new job retention benefits.

A company that is not constructing improvements would not receive any Enterprise Zone benefits. Real estate tax benefits are only granted on the increased taxes generated by an improvement project. In addition, the EZ application requires information on the number of jobs retained, along with supporting documentation. These requirements will ensure that EZ incentives are not abused by companies who have no intention of improving their facility and are not at risk of leaving the community.

B. Alternatives:

1. Approve County Ordinance, adopting the Enterprise Zone amendments.
2. Do not approve the County Ordinance and provide alternate direction to staff.

C. Discussion of Alternatives:

Alternative 1 would approve the County Ordinance, adopting the Enterprise Zone amendments.

a. Advantages

- Enterprise Zone will continue to require that a project be constructed in order for incentives to be granted
- Provides a new tool to encourage job retention projects
- More jobs in the community will generate more residential property tax and sales tax revenues
- Does not use incentives to compete with other Champaign County municipalities
- Program parameters are clearly outlined

b. Disadvantages

- The County will forgo a larger portion of property taxes on job retention projects

Alternative 2 would not approve the County Ordinance and provide alternate direction to staff.

a. Advantages

- The County will not forgo a larger portion of property taxes on job retention projects

b. Disadvantages

- Does not respond to the need for programs to encourage job retention
- May limit the County's economic growth

D. Community Input: The public had an opportunity to provide input on the proposed Enterprise Zone amendments at the January 10, 2006 Study Session and at the January 17, 2006 Public Hearing. Staff obtained developer and Economic Development Corporation input.

E. Budget Impact: The proposed changes to the Enterprise Zone Program should have minimal impact to the current budget. The County will forgo future, unbudgeted revenues to encourage development. The long-term financial impact of this change is likely positive (the net increase in residential property tax, sales tax and state income tax will offset the loss of real estate taxes).

F. Staffing Impact: Staff devoted approximately 20 hours to drafting changes to the Enterprise Zone Program. It is estimated that the processing of Enterprise Zone amendments will require an additional 40 hours of staff time.

ORDINANCE NO. _____

**AMENDING ORDINANCE NO. 255
ORDINANCE ESTABLISHING AN
ENTERPRISE ZONE**

**AMENDING SECTIONS 1, 3, 4, 8 AND 10 OF THE CHAMPAIGN COUNTY
ORDINANCE NO. 255, 1985, AS AMENDED
(Economic Development - Enterprise Zone)**

WHEREAS, on December 17, 1985, the County Board of Champaign County passed Ordinance No. 255, entitled "An Ordinance Establishing an Enterprise Zone;" and,

WHEREAS, the County Board now finds it necessary and desirable to amend the terms of the Ordinance pursuant to Section 5.4 of the Illinois Enterprise Zone (the "Act"); and,

WHEREAS, a public hearing on proposed additions to the Enterprise Zone was held on January 17, 2006 at a location within the boundaries of the Enterprise Zone for which notice had been published on January 2, 2006 in the News Gazette, a newspaper of general circulation within the certified Enterprise Zone and Champaign County Illinois; and,

WHEREAS, on January 17, 2006 the Champaign City Council held a public hearing at a location within the certified Enterprise Zone, at which public hearing information was presented and public comment was received on the questions specified on the notice as published.

NOW THEREFORE, BE IT ORDAINED by the Champaign County Board, Champaign County, Illinois as follows:

1. That Section 1 of the Champaign County Ordinance No. 255, 1985, as amended, is hereby amended to read as follows:

"Sec. 1. Designation and description of Zone area; term.

Subject to certification by the Department of Commerce and Economic Opportunity (hereinafter "the Department") and the Governor of the State of Illinois, the City, in conjunction with the County, hereby designates as an Enterprise Zone the area described and shown on Exhibit "A" (hereinafter "Enterprise Zone"), which is on file in the City Clerk's office and hereby incorporated by reference, which is located within the City and County. The term of the Enterprise Zone shall commence upon the date the Zone is certified by the Department and the Governor as an Enterprise Zone pursuant to the State of Illinois Enterprise Zone Act (hereinafter "the Act"), and shall be and remain in effect until terminated at midnight of December 31, 2016, unless the Enterprise Zone is earlier decertified in accordance with the Act."

Section 2. That Section 3 of the Champaign County Ordinance No. 255, 1985, as amended, is hereby amended to read as follows:

"Sec. 3. Definitions.

Certain terms used in this article are hereinafter defined in this section. When used in this article, such terms shall have the meanings given to them by the definitions in this section defining such terms, unless the context clearly indicates otherwise.

Building-related permit fees. Those fees normally required to be paid prior to issuance of a permit. In the City they include: building permit, HVAC, permit, plumbing permit and electrical permit. In the County, such fees include all zoning use permit fees.

Created Job. Any full-time or full-time equivalent job located in the facility of a person or company seeking Enterprise Zone benefits that is added to a person or company's workforce as a result of the completion of the project assisted with Enterprise Zone benefits.

Dwelling unit. One room, or a suite of two (2) or more rooms in a building, designed for or used by one family for living and sleeping purposes.

Expansion. The construction of any part of a building that results in an increase in any exterior dimension of an existing building and has at least one wall or floor in common with an existing building.

Family. A person living alone, or two (2) or more persons living together as a single housekeeping unit in a dwelling unit, as distinguished from a group occupying a rooming house, motel, or hotel, fraternity or sorority house; provided, however, that for the purpose of definition, "family" shall not include more than four (4) persons unrelated to each other by blood, marriage or legal adoption.

Full-time employee. An employee who is hired for a period of indefinitely continuous duration who receives full employment benefits, and who regularly works not less than thirty-five (35) hours within a period of seven (7) consecutive days.

Full-time equivalent (FTE). A unit of measure used to represent those employees hired for a period of indefinitely continuous duration and who are regularly scheduled to work less than thirty-five (35) hours per week and whose total amount of hours worked equals two thousand eighty (2,080) annually.

Hotel and Conference Center Complex. A unified development of one or more buildings that include both a hotel, offering public lodging for transient guests for compensation, and conference/meeting space designed to be used for service organization meetings, business and professional conferences, and seminars for either hotel guests or the general public.

Industrial projects. Those projects where the primary use of the project land and building(s) are of a manufacturing, assembly, wholesale or warehouse/distribution nature. Service or residential projects, as defined in this section, shall not be considered industrial projects for the purposes of this article.

Legitimate building materials retailer and/or distributor. Any firm selling building materials that can be incorporated into real estate and possessing a tax number for resale from the Illinois Department of Revenue.

Multiple-family building. A building containing more than one dwelling unit.

Personal Service projects. Those projects where the primary use of the project land and building(s) is the provision of frequent or recurrent needed services of a personal nature. Typical uses include, but are not limited to, beauty and barbershops, shoe repair shops, tailor shops, auto repair shops, laundromats, dry cleaners, and amusements uses.

Primary use. The principal use of the project as determined by the Zone Administrator or the Deputy Zone Administrator consistent with guidelines recommended to the Administrators by the Zone Board.

Professional Service projects. Those projects where the primary use of the project land and building(s) is the provision of a professional service in an office, such as an office out of which accounting, legal, architectural, engineering, research and development, or medical services are rendered. The term does not include Personal Services as defined herein.

Project. The improvement of a parcel or parcels of real property located within the Enterprise Zone, including the rehabilitation or expansion of existing improvements.

Rehabilitation. The improvement of any part of an existing building that does not result in an increase in any exterior dimension of the building.

Residential projects. Those projects where the primary use of the project land and building(s) is a dwelling unit or dwelling units.

Retail projects. Those projects where the primary use of the project land and building(s) is the sale of goods for delivery on or from the premises to the ultimate customer. If twenty (20) percent or more of the annual dollar volume of the sales made from a business is subject to the Illinois Retailers Occupation Tax, the business shall be considered Retail. Restaurants shall be considered Retail projects.

Retained Job. Any full-time or full-time equivalent job located in the facility of a person or company that exists at the time said person or company applies for Enterprise Zone benefits provided for in this Article which said person or company can demonstrate is at risk of relocating outside Champaign County within a period of twenty-four (24) months following the date of application for the benefits.

Rooming house. A single-family building that has as a primary use the provision of more than two (2) but less than six (6) rooms for lodging, with or without meals, that are provided for compensation by pre-arrangement and for definite periods of time but which is not open to transient guests.

Single-family building. A building with a primary use of one dwelling unit. A building containing more than one dwelling unit shall not be considered a single-family building under this article.

Wholesale projects. Those projects where the primary use of the project land and building(s) is the sale of goods for delivery on or from the premises to a person other than the ultimate customer. If less than twenty (20) percent of the annual dollar volume of the sales made from a business is subject to the Illinois Retailers Occupation tax, the business shall be considered wholesale.”

Section 3. That Section 4 of the Champaign County Ordinance No. 255, 1985, as amended, is hereby amended to read as follows:

“Sec. 4. Incentives.”

The County, in an effort to facilitate the successful development of the Enterprise Zone, hereby establishes the following incentives and target programs within the Enterprise Zone, for the period of the Enterprise Zone, in accordance with the policies and procedures herein and those which may be established and implemented by the County in conjunction with the City following designation of the Enterprise Zone by the Department:

(A) Real estate tax abatement. That portion of real property taxes levied and imposed by the County upon a parcel or parcels of real estate located within the Enterprise Zone and upon which there has been the construction of new improvements or upon which there has been expansion or rehabilitation of existing improvements shall be abated; provided, however, that any abatement of taxes on any parcel or parcels shall not exceed the amount attributable to the construction of the improvements and the expansion or rehabilitation of existing improvements on such parcel, or parcels, nor in the case of property within the redevelopment area created pursuant to the Real Property Tax Increment Allocation Redevelopment Act shall such abatement exceed the amount of taxes allocable to the County; provided, further, that any abatement of taxes on any parcel or parcels shall not exceed an amount determined in accordance with the following provisions and shall be limited to the following projects:

(1) *Industrial projects.* Industrial projects (whether new construction, expansion or rehabilitation) will receive abatement of fifty (50) percent of the total increased tax amount on the parcel or parcels for a ten-year period beginning with the tax year in which real property taxes on the new, increased assessment amount is levied.

In addition, industrial projects that include permanent created or retained jobs in a new, rehabilitated or expanded facility will receive an additional abatement of up to fifty (50) percent of the total increased tax amount on the parcel or parcels for the same period based upon the new jobs projected to be created or retained within twenty-four (24) months of project occupancy. The actual percentage to be awarded for this criterion will be calculated based upon the number of jobs projected to be created or retained as a percentage of the applicant's total full-time or FTE employment within the Enterprise Zone at the time of application. Regardless of percentage of projected increase/retention, applicants projecting to create or retain twenty (20) or more full-time or FTE jobs will receive the entire additional fifty (50) percent abatement amount. Applicants that have no such employment at the time of application and

projecting to create full-time or FTE job(s) will receive the entire additional fifty (50) percent abatement amount.

- (2) *Professional Service projects.* Professional Service projects (whether new construction, expansion or rehabilitation) will receive abatement of one hundred (100) percent of the total increased tax amount on the parcel or parcels for a five-year period beginning with the tax year in which real property taxes on the new, increased assessment amount is to be levied.
 - (3) *Personal Service and Retail Rehabilitation Projects.* Personal Service and Retail rehabilitation projects will receive abatement of one hundred (100) percent of the total increased tax amount on the parcel or parcels for a five-year period beginning with the tax year in which real property taxes on the new, increased assessment amount is to be levied. However, neither the amount attributable to new construction or expansion projects shall be abated.
 - (4) *Residential Projects.* Residential projects (whether new construction, expansion or rehabilitation) will receive abatement of one hundred (100) percent of the total increased tax amount on the parcel or parcels for a five-year period beginning with the tax year in which the real property taxes on the new, increased assessment amount is levied, provide, however, that:
 - a. Residential projects which include an expansion of the building envelope which results in the increase in the number of dwelling units on a parcel or parcels shall not receive any abatement.
 - b. Residential projects which include the construction of new multiple family buildings shall not receive any abatement.
 - (5) *Hotel and Conference Center Complex.* Hotel and Conference Center Complex projects (whether new construction, expansion or rehabilitation) which includes a minimum of 15,000 square feet of usable conference center space and a minimum of 100 hotel rooms will receive abatement of one hundred (100) percent of the total increased tax amount on the parcel or parcels for a five-year period beginning with the tax year in which real property taxes on the new, increased assessment amount is to be levied. Any Personal Service or Retail uses that are accessory to the Hotel and Conference Center and are located within the building envelope shall also be abated in some fashion.
- (B) *Sales tax exemption.* The County hereby authorizes claims for point-of-sale exemption of its sales tax of the Illinois Retailers' Occupation Tax by each retailer who makes a sale of building materials to be incorporated into real estate located in the Enterprise Zone for projects eligible for real property tax abatement under this section. Receipts from such sales may be deducted when calculating the tax imposed pursuant to the Municipal Retailers' Occupation

Tax Act. The incentive provided by this subsection (b) shall commence the first day of the calendar month following the month in which the Enterprise Zone is designated and certified, and shall continue for the term of the Enterprise Zone. The provision of this incentive by the County shall automatically invoke the exemption of the State of Illinois sales tax on building materials sold and eligible, in connection with such sale, for exemption in accordance with this subsection (b).

In order to receive this exemption (which is provided through the building materials retailer), the following criteria must be met:

- 1) The building materials must be purchased within the State through a legitimate building materials retailer or distributor; and,
 - 2) The building materials must be affixed to the real estate; and,
 - 3) Only projects which require a building-related permit or zoning use permit will be eligible to receive the exemption; and,
 - 4) Evidence of the project's location and eligibility within the zone must be presented to the retailer at time of purchase in the form of a certificate of eligibility provided by the Zone Administrator or Deputy Zone Administrator along with a copy of any required building-related permit or zoning use permit; and,
 - 5) Certificates of eligibility will be valid for twelve (12) months from the date of issuance. Certificates may be extended for an additional period of twelve (12) months upon application to the Zone Administrator or Deputy Zone Administrator. Such extensions shall be granted no more than two (2) times for any one project and are subject to a determination by the Zone Administrator or Deputy Zone Administrator that they are needed to complete the project and are not necessitated by the failure of the applicant to diligently pursue construction; and,
 - 6) Within the Enterprise Zone all projects which would normally be required to have a building-related permit or zoning permit will still be required to obtain the appropriate permit.
- (3) *Targeting of funds.* To the extent that local, state and federal funds area [are] available and appropriate, the City has and will continue to target these various funds to portions of the Enterprise Zone area in conjunction with several targeted areas and programs which have been established:
- 1) The Downtown Commercial Loan Program, a low-interest loan program for interior and/or exterior improvements for buildings in the Downtown Tax Increment Finance District,
 - 2) The contract for the redevelopment of the Dr. Martin Luther King, Jr. Subdivision,

- 3) The residential rehabilitation programs administered by the City's Community Development Division and targeted to various residential sections of the Zone. This will not prohibit the City from extending targeted areas and programs beyond areas within the Zone and making appropriate adjustments in available funding."

Section 4. That Section 8 of the Champaign County Ordinance No. 255, 1985, as amended, is hereby amended to read as follows:

"Sec. 8. Project timing.

All applicants who seek incentives for eligible projects under the terms and conditions of this article shall be eligible for applicable incentives provided that:

- (a) A project shall not be eligible for any incentive if site preparation, site improvements or construction of buildings is initiated prior to January 1, 1986 or buildings are occupied or otherwise put into use prior to July 1, 1986.
- (b) Any building materials purchased for use in said project and paid for prior to July 1, 1986 shall be ineligible for exemption of County and State sales tax on the purchase.
- (c) Projects initiated after July 1, 1986 shall be ineligible for any incentive unless application is made for incentives to the Zone Administrator or the Deputy Zone Administrator prior to any site preparation, site improvements or construction of buildings.
- (d) The extension of real estate tax benefits to Industrial job retention projects shall be effective for any Enterprise Zone application first received by the County and City after January 1, 2006."

Section 5. That Section 10 of the Champaign County Ordinance No. 255, 1985, as amended, is hereby amended to read as follows:

"Sec. 10. Violations and penalties.

- (a) No person shall knowingly misrepresent facts in order to receive tax abatement or other incentives provided for in this article or present a certificate of eligibility for purposes of purchasing building materials to be used on any premises other than on the premises for which the certificate was issued. "Facts" include, but are not limited to:
 - (1) The number of FTE created or retained jobs; or,
 - (2) The number of persons currently employed by a concern; or,

- (3) The nature of the project use(s) of or the annual dollar volume of business attributable to the project use(s); or,
 - (4) Any representation materially affecting the determination of project eligibility or the determination of the percentage tax abatement to which the project may be entitled under this article.
- (b) In addition to other penalties provided for by law, for the purposes of administration of the Enterprise Zone, the initial determination of any alleged violation set forth in this section shall be made by the Enterprise Zone Administrator or Deputy Zone Administrator who shall notify the property owner of the alleged violation by certified mail at least fifteen (15) days before any further action is taken. The property owner may, within fifteen (15) days after receipt of the notification, submit a written appeal for review by the governing body of the jurisdiction within which such alleged violation is located. Such written appeal must be submitted to the Zone Administrator or Deputy Zone Administrator in accordance with procedures established by the Zone Board. If the alleged violator fails to appeal the initial determination of violation or if the determination is upheld by the governing body having jurisdiction, the alleged violator will be subject to the following administrative penalties:

1. That this Ordinance shall not become effective until the proposed amendment is approved by the Illinois Department of Commerce and Economic Opportunity and the Department issues an amended certificate for the Enterprise Zone established by the Ordinance pursuant to the Act, in which event this amending ordinance shall become effective on the first day of the calendar month following the date in which the amended certificate, together with the Ordinance as hereby amended, shall be filed, recorded, and transmitted as provided in Section 5.3 of the *Illinois Enterprise Zone Act*.
2. That is any section, paragraph or provision of this Ordinance is held to be invalid or unenforceable, such invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this Ordinance, or any other County Ordinance.
3. That provisions of this Ordinance shall take precedence and be interpreted as superceding any other Ordinance in conflict with the provisions of this Ordinance.
4. That the County Clerk is hereby directed to send a copy of this Ordinance to Bruce Knight, Director, City of Champaign Planning Department, 102 N. Neil St., Champaign, Illinois, 61820.

PRESENTED, PASSED, APPROVED AND RECORDED, this 23rd day of February, A.D. 2006.

SIGNED: _____

Barbara Wysocki, Chairperson
Champaign County Board
Champaign County, Illinois

ATTEST: _____

Mark Shelden, County Clerk &
Ex-oficio Clerk of the County Board
Champaign County, Illinois

I, MARK SHELDEN, duly elected, qualified and acting County Clerk of Champaign County, Illinois and keeper of the records thereof, do hereby certify the foregoing is a true and correct copy of the original **ORDINANCE AMENDING ORDINANCE NO. 255, ORDINANCE ESTABLISHING AN ENTERPRISE ZONE.**

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal this _____ date of _____, A.D. 2006.

Champaign County Clerk

Deputy County Clerk

