

RESOLUTION _____

CITY OF JACKSONVILLE DOWNTOWN IMPROVEMENT PROGRAM GUIDELINES DOWNTOWN TAX INCREMENT REDEVELOPMENT PROGRAM

The City of Jacksonville offers several forms of business assistance and incentives through the use of Tax Increments Financing (TIF) revenue. TIF is applicable to a specific geographic region, and a property must be within the borders of the TIF district to be eligible for funding assistance (see attached Map). Also, the expenditure of TIF revenues is limited to certain specific types of “*redevelopment project costs*”, as defined in state statute and the City of Jacksonville Downtown Tax Increment Redevelopment Plan and Project. Application or assistance can be obtained at City Hall, 200 West Douglas, Jacksonville, Illinois, 62650, or by calling 217-479-4620.

ELIGIBLE PROJECT COSTS

The TIF program was created by state statute (65ILCS 5/11-74.4 et seq.) As such, the City of Jacksonville is bound by limitations and provisions contained in the statute. TIF funds are only to be used for “*redevelopment project costs*” (RPC’s) as defined by the statute. RPC’s mean and include all reasonable or necessary costs incurred or estimated to be incurred incidental to a redevelopment plan and a redevelopment project. Examples of such costs are:

1. Costs of studies, surveys, professional fees for architectural, engineering, legal or financial services rendered incidental to the redevelopment plan.
2. Property assembly costs, including but not limited to acquisition of land and other property, real or personal, demolition of buildings, and the clearing and grading of land.
3. Cost of rehabilitation, reconstruction, or repair or remodeling of existing public or private buildings and fixtures.
4. Cost of construction of public works improvements.
5. Cost of job training and retraining projects.
6. All or portion of a taxing district’s capital costs resulting from the redevelopment project incurred or to be incurred in furtherance of the objectives of the redevelopment plan and project, to the extent the City, by written agreement, accepts and approves such costs.

7. Interest costs incurred by a redeveloper related to the construction, renovation or rehabilitation of a redevelopment project provided that such subsidy does not exceed 30% of the annual interest cost incurred by the TIF project redeveloper.

TIF funds are specifically excluded in the costs of construction of new, privately owned buildings, as they are not an eligible RPC. It is further not the intent of the TIF to be used for inventory or general operating costs of a business.

TOTAL PROJECT COSTS may include both TIF eligible and non-TIF eligible redevelopment projects costs.

TYPES OF ASSISTANCE

Grants: The City of Jacksonville offers TIF grants for certain projects as defined herein. These grants are generally paid on a reimbursement basis or directly to a vendor or contractor for products or services already delivered. As such, grants are generally not given to a redeveloper in advance, but on a reimbursable basis. The funds are not subject to repayment in most instances, unless it is otherwise provided for in the redevelopment agreement negotiated between the developer and the City. Recipient of grant funds are required to enter into a redevelopment/grant agreement with the City of Jacksonville, which provides for terms and covenants.

ARCHITECTURAL ASSISTANCE: The City may provide assistance in the form of an initial architectural or structural analysis of a proposed redevelopment project for the purpose of determining general or structural feasibility and for developing a preliminary scope of work.

NOTES: In some instances, the City may issue a grant in the form of a Promissory Note issued by the City to provide up to 100% of eligible redevelopment project costs payable solely through incremental property tax revenue generated from the redevelopment project, which grant would be paid to the developer through annual reimbursement payments, following the annual distribution of property tax from the County Treasurer's Office. As a general rule, Notes issued by the City shall be for a term of ten years, beginning with the year the first incremental revenue from the improvement project is received.

A grant through a Note may be particularly appropriate if no general TIF revenues are available from the Special Tax Allocation Fund for the Downtown TIF Project.

LOANS: Low-interest TIF loans are also available for eligible projects. The interest rate charged on these loans is typically 3%, although the rate may vary with market rate or with the individual project or applicant. The City Council may, in extraordinary circumstances, waive all or portion of the loan interest based on the individual project and its impact on achieving the objectives of the redevelopment plan. The term of the loan shall not be longer than ten years, although the loan principal may be amortized

based on a longer term, with a balloon payment due at the end of the loan. Term. The City may loan the maximum of 80% of the eligible project costs to a redeveloper, but as a general rule, the City's loan shall not be in excess of 50% of the total project costs. All TIF loans are required to be collateralized through one or a combination of a mortgage on the subject real estate, a personal guarantee, or the pledging of some other real or personal property acceptable to the City. Recipients of the loan funds are required to execute redevelopment agreement and a promissory note to the City of Jacksonville.

INTEREST SUBSIDIES: The City of Jacksonville may use TIF funds to defray a portion of the interest expense on commercial financing for eligible projects. These subsidies are limited to 30% of the annual expense for a period of not to exceed ten years. Subsidies are paid only after certification by the commercial lender of the actual interest paid by the developer,

PROJECT CATEGORIES AND GUIDELINES

NEW BUSINESS CONSTRUCTION: The City of Jacksonville may enter negotiations with a developer constructing a new business. As mentioned above, the costs of construction of new, privately owned buildings is not eligible for TIF assistance. However, certain other elements of the project may be eligible for funding, including grants, loans and interest subsidies. The City will consider each project individually, and may enter into a redevelopment agreement at the City's option. Types and amounts of assistance granted, if any, will vary from project to project.

BUSINESS RELOCATION/EXPANSION/REHABILITATION: These projects will include interior remodeling, parking lot reconstruction, exterior upgrades, architectural signage, and purchase of personal property such equipment, furniture, and fixtures to be used by the business, and other physical improvements to a business.

Interest subsidy may be approved by the City for up to 30% of the annual interest cost for commercial financing of eligible RPC's.

FACADE RESTORATION GRANTS AND LOANS: This category applies to buildings within the Downtown TIF Redevelopment District, and the City Council will give relative priority to façade restoration plans that involve more than one business in a block, with full block of buildings in a plan being given the greatest priority. The plan for any façade restoration will be subject to Council approval, and property owners are encouraged to maintain the original historic character of the subject buildings in their restoration plans. Developers may receive:

- A grant for up to 75% of the eligible RPC's, or an amount not to exceed \$20,000
- A low-interest loan for balance of eligible RPC's, providing total project does not exceed \$40,000.

A Promissory Note may be issued by the City for up to 100% of façade restoration, not to exceed \$30,000, to be in the form of annual reimbursement payments to the developer, payable strictly from the incremental property tax generated from the

redevelopment project, which Note would generally be issued for a period not to exceed ten years from the first year of incremental tax revenue is received from the project. The Note term may be extended if it is determined that the estimated time frame for collecting an amount equal to the grant amount approved for the cost of facade improvements will require a term of more than ten years.

EMERGENCY STRUCTURAL REPAIRS: These projects involve buildings within the downtown district that are experiencing a structural defect that could potentially result in the destruction of the building. These defects must be verified by a structural engineer or architect, and the repairs must be designed by a structural engineer or architect.

Examples would include a collapsing roof or exterior wall, a severely settling foundation, or crumbling/falling exterior masonry. A developer may receive:

Grant for up to 75% of the eligible RPC's, not to exceed \$20,000
*Low-interest loan for up to 25% of the eligible RPC's, providing total project does not exceed \$40,000.

Interest on the loan will be waived for the 1st and 2nd years of the loan.

ADA, LIFE SAFETY/BUILDING CODE, AND ELECTRICAL REHABILITATION: This category includes repairs and remodeling to bring an existing building/business into code compliance for electrical systems, accessibility, or life safety issues. Examples would include a new electrical service, the installation of ADA compliant restrooms and entrances, elevators, or the installation of new exterior doors if done to provide an approved additional means of egress, Redevelopers may receive:

Grant for up to 75% of eligible RPC's, not to exceed \$20,000
A low-interest loan for balance of eligible RPC's, providing total project does not exceed \$40,000.

TAXING DISTRICT CAPITAL COSTS: The City Council may, from time to time, approve funding eligible costs as outlined hereinbefore to Taxing Districts who levy taxes within the Downtown TIF District in accordance with the Downtown TIF Redevelopment Plan and Project.

GENERAL REQUIREMENTS AND RESTRICTIONS

1. The project being considered is the first RPC loan or grant application for this fiscal year (January 1 – December 31)
2. The project is consistent with the City's Zoning Ordinance and Comprehensive Plan.
3. The project will help Diversify and supplement the existing business mix within the downtown district.

4. The project will meet all applicable building, fire, electrical, plumbing, and zoning codes upon project completion.
5. At the time of application, all taxes, applicable fees or other debts owed the City by the applicant or building owner are paid up-to-date.
6. Housing is not viewed as a priority with the Downtown TIF District, and therefore, TIF funds will not be used to assist redevelopment projects that are primarily residential in nature. The exception to this limitation is that upper story housing within a commercial building in the downtown TIF District may be allowed, and may receive TIF funding assistance.
7. Application for TIF funding may only be made by a person or persons having an actual interest in the subject property. This includes the owner of record, beneficial owner of a trust, or a person having made an offer, which offer has been accepted, to purchase the subject real estate.
8. If the applicant for TIF funding assistance does not own the property, but is a tenant of the property, then the tenant/applicant must have the permission of the property owner. If the applicant does not own the property but is a prospective purchaser of the property, then the purchaser/application must submit either a fully executed contract to purchase the subject property or an option contract.
9. The project applicant must have and be able to show adequate bank or other financing for that portion of the project not being financed by TIF.
10. The City of Jacksonville reserves the right to require an appraisal of any subject property of a TIF application, which appraisal shall be provided at the applicant's expense.
11. All applicants for TIF assistance must complete a consent form, which authorizes the City of Jacksonville to conduct investigations into the creditworthiness of the applicant.
12. Applications for TIF assistance are normally considered by the City Council within 45 days of application. If approved, and funds are available, funds will normally be available for disbursement within 30 days thereafter.

EVALUATION CRITERIA

Applications for TIF Assistance are first considered at the staff level. City staff will review the application to ensure that it is complete, and that it adheres to these guidelines for TIF assistance. [The City Council shall appoint a TIF Review Committee who will next review the application, and forward a recommendation for approval or

disapproval to the full City Council. The Council may wish to utilize the existing Loan Review Committee established for review of RLF Loan Applications, which consists of the Mayor, Treasurer, Superintendent of Inspection, and Economic Developmental Director]. The City Council will make all final determination regarding application approvals. The following criteria will be used to evaluate each TIF assistance application.

1. Return on Investment: The City will calculate and consider any additional amounts of local sales tax or property tax anticipated to be generated by the project, along with interest earned on a low-interest loan, as the City's return on investment. Inasmuch as there is a clear history of decline in both tax revenues and property conditions in the downtown area, the value of restoring the tax base and addressing a blighting influence of deteriorating property conditions, shall also serve as a legitimate form of return on investment. The City's benchmark or desired goal for return on investment for projects shall be ten years.
2. Job Creation/Retention: The potential for a redevelopment project to create a new jobs and retain existing jobs within the community is viewed as a priority, and applications will be judged, at least in part, on that basis.
3. Private Investment: The City will, as a general rule, fund 50% to 80% of the RPC's in the downtown district, except as otherwise, provided for in these guidelines. The applicant through cash investment, equity position, and/or commercial financing must supply the balance of funding. The City Council may also consider the value of "*sweat equity*" invested into the project by the applicant when reviewing applications.
4. Is TIF needed? TIF funds should only be used to "*trigger*" projects that would not otherwise occur given the prevailing market conditions and the applicant's reasonable expectation of their return on investments. Has the applicant provided convincing information that the use of TIF is essential for the project, i.e. "*but for*" argument?
5. City Budget: TIF revenues and expenditures are programmed on an annual basis according to the annual budget. Funding may be limited or denied based on these constraints. The City has also adopted the following maximum limits on assistance: Interest subsidies – 30% of the total project cost; Grants as part of an ADA Life Safety, or Electrical Installation, or combination thereof - \$20,000; Low-interest loans - \$50,000, unless otherwise provided in these guidelines. These limits are desired criteria that, in the absence of compelling reasons justifying the same. If the City is going to exceed these projects limits, this fact will be pointed out to the Council and the special factors will be fully outlined justifying the same.

6. Financial: The applicant must provide documentation of the financing for the project, as well as individual or corporate financial information, as requested by the City. The City reserves the right to obtain outside evaluation of relevant financial information to evaluate the financial soundness of a project or applicant.
7. Zoning: Is the project harmonious with the surrounding properties and uses, and is allowable under current zoning codes?
8. Diversity of Services: TIF funds should be used to diversify and supplement the existing business mix within the downtown area to the extent possible. TIF funds should also be used as a tool of the City Council to achieve goals of the Comprehensive Land Use Plan of the City and any other current or subsequent visioning plans approved by the City Council. Does the applicant's business offer goods and services deemed desirable and appropriate within the downtown district.
9. Security: Is sufficient collateral and/or personal backing available to reasonably ensure that the City will at least recover its principal in the event of a default? Will the property be protected by sufficient commercial property insurance to protect the City's principal?

LOAN/GRANT APPLICATION PROCESS

The following procedures represent the general sequence of activities that can be expected as when filing an application for funding assistance through the Downtown TIF Improvement Program.

1. Meet with the Superintendent of Inspections to determine whether the TIF loan/grant program is applicable to your project.
2. Turn in your completed application with all required attachments to the Superintendent of Inspection. Please include 8 ½ "x 11" copies of all drawings (if applicable). Copies of attachments and drawings which are needed to secure building permit from the City are also acceptable.
3. The Application will be reviewed by city staff to determine if application is complete. Once the application is deemed complete, it will be referred to the TIF Review Committee to determine final eligibility of the project and the amount of assistance allowed within 30 days of the submission of all required information. If additional information is required, the Superintendent of Inspection will advise applicant of the information being requested, and upon receipt, refer to the Loan Review Committee for final review. The additional information, if requested, must be submitted within thirty days, or the application will need to be resubmitted in total.

4. If no additional information is needed, the TIF Review Committee will estimate the project grant or loan amount and contact you to schedule a tour of the project site and building, if needed. City inspection staff may be invited to come on the tour of the building.
5. Once all project information has been turned in, the project location and tour has been completed, and formal approval by the City Council has been given for the grant or loan amount, the Superintendent of Inspection will contact you to come to City Hall and sign the development agreement and note, if applicable, and any other appropriate program documents. Following execution of all appropriate program documents, and any appropriate permits issued, you may begin the project, subject, however, to any terms or limitations set forth in the development agreement.
6. Upon project completion, schedule a follow-up building inspection, submit actual project costs information, including copies of itemized invoices, receipt, and such other documentation as may be required by the grant agreement and development agreement, or promissory note in order to allow the City to confirm that any such project cost was so incurred and qualifies as an RPC.
7. Upon receipt of evidence documenting actual project costs, the City shall have 30 days to confirm that such project costs were so incurred. Within 30 days, or when funds are available, and after all requirements set forth above are met, the City shall issue a check for reimbursement of costs incurred, of the amount awarded by the City Council as set forth in the loan or grant documents. In the instance where the project has been established as a “*construction*” loan or grant with periodic payments through the construction process, the previous process will precede issuance of each progress payment.

MISCELLANEOUS PROVISIONS

In addition to the policies set forth above, the following miscellaneous provisions should be noted by any applicant/developer seeking economic development financial assistance with the City of Jacksonville.

The adoption of these policies by the City Council in the form of a resolution should not be construed to mean that the provisions of financial incentives using TIF revenues is inherently approved for any applicant and/or project which may be able to comply with the policies as set forth herein.

The City of Jacksonville reserves rights as follows:

1. To amend, modify, or withdraw these policies as it determines necessary and appropriate.

2. To require additional statements, sworn affidavits as to the *but for* provisions of these policies, or other information as may be deemed necessary, from any applicant/developer.
3. To waive any nonconformity with these policies by action of the City Council.
4. To waive any timetable established by Resolution or motion.

The City may exercise the foregoing rights at any time without notice and without liability to any applicant, developer and/or project or any other party for expenses incurred on the preparation of an application for economic development assistance. The preparation of any such application and any costs related thereto shall be the sole responsibility of the applicant/developer.