

**ITEM NO. _____ TO THE CITY COUNCIL OF PEORIA, ILLINOIS, IN COUNCIL,
ASSEMBLED YOUR COMMITTEE OF THE WHOLE to Whom was
Referred a POLICY SESSION Regarding an ECONOMIC
DEVELOPMENT INCENTIVE POLICY**

A Policy Session was held on Tuesday, April 21, 2015, beginning at 6:48 P.M. at City Hall, Council Chambers (Room 400), 419 Fulton Street, Peoria, Illinois, with Mayor Jim Ardis presiding, and with proper notice having been given.

ROLL CALL

Roll Call showed the following Council Members present: Akeson, Grayeb, Jensen, Johnson, Montelongo, Moore, Riggenbach, Spain, Turner, Weaver, Mayor Ardis – 11; Absent – None.

Others present: City Manager Patrick Urich, Corporation Counsel Donald Leist, Assistant City Manager Chris Setti, City Clerk Beth Ball, Deputy Clerk I Dan Sullivan, interested citizens, and members of the media.

ECONOMIC DEVELOPMENT INCENTIVE POLICY

Assistant City Manager Chris Setti acknowledged the City of Peoria's Economic Development Staff Leslie McKnight, Eric Setter and Susan Schlupp. He presented a power point presentation explaining the Mission Statement for the Office of Economic Development, which expands the City of Peoria's tax base by increasing investment in priority areas and adding livable wage jobs to the economy. He stated the tenets of economic development had three factors; Business Start-Ups, Business Expansion and Business Attraction. He stated incentives were the use of public resources for private projects implemented for the public good. He continued to explain the reasons for incentives were: 1. Level the playing field with other communities; 2. Equalize costs; 3. Emphasize priorities; and 4. Community investment in business opportunities. He stated that an Incentive Policy would provide clarity by communicating to the business and investment community the City's priorities, process and requirements. He explained five factors of a good Economic Development Incentive Policy: 1. Articulates goals and objectives; 2. Connects incentives to these goals; 3. Defines evaluation criteria; 4. Determines performance standards; and 5. Monitors performance for compliance. He stated that Entitlement Incentives provides no upfront risk on City's part, it must meet minimum standard, but will have less scrutiny and provides individual program rules. He stated examples of similar programs were Enterprise Zone/RERZ sales tax abatement, Façade improvement grants, TIF rebates of property taxes (up to 50%), and Business Development District rebates. He explained Discretionary Incentives were a varied degree of risk on the City's part, must align with City goals and scrutiny matched with the level of risk. He further explained similar programs were the Revolving Loan Fund, CDBG loans, Property tax abatement, TIF rebates of property taxes (greater than 50%) and City financing.

Assistant City Manager Chris Setti continued his presentation by discussing Category 1 Incentives, which intended to support smaller businesses and neighborhood revitalization. He stated the primary focus was job creation and financial investment. He continued to state that secondary focus was on other community concerns (targeted area, diversity and long-term outcomes). He mentioned similar programs were the County Micro-Loan, CDBG Loan, Enterprise Zone, TIF Rebates and Façade Grants. He spoke on Category 2 Incentives, which were intended to support larger opportunities with the primary focus on target business sectors,

job creation, wage/salary and capital investment. He stated the types of incentives were the revolving loan fund, tax increment financing, property tax abatement, fee discounts (building & zoning permits), enterprise zone expansion and City financing. He explained the implementation and monitoring of such programs by using Development Agreements to govern transactions, applicant guarantees performances, for City financing, an in depth review of applicant financial position, providing an annual review and a "Clawback" provisions. He stated the next steps were to refine the overall policy based on Council input, revise individual programs to match the policy of CDBG, TIF and Revolving Loan Fund, partner with other local units of government, and investigate other potential incentives.

Mayor Ardis indicated that this Policy Session would not rewrite the City's Economic Development Policy, but rather would gain input for further discussion to address changes in the future.

In response to Council Member Johnson's question with regards to the City financing projects and the annual review process, City Manager Patrick Urich stated that the City doesn't have a formal policy. He stated that from a Staff perspective, he would like to see a policy implemented.

Assistant City Manager Chris Setti indicated that an independent panel of financial professionals would work with Staff to recommend a potential project had been discussed as a review process for projects anticipating City financing. He explained that a non-disclosure agreement would be required if a panel structure would be formed.

Council Member Johnson emphasized that a non-disclosure agreement would be important because of the competition involved in various projects in the area.

Council Member Jensen stated she would like to see more public input on what guidelines should be, rather it be from a Public Hearing or comments on-line. She questioned if the Category 1 incentives would not offer Special Service Areas or revolving loan funds.

Assistant City Manager Setti stated that Special Service Areas would not qualify since typically these are small business and the revolving loan funds had the requirement of creating a certain number of jobs.

Council Member Jensen questioned the Assistant City Manager regarding how the financial review panel would be created.

Assistant City Manager Setti indicated he would appreciate feedback on this matter and that a possible roster of financial professionals would be created and utilized according to their expertise.

Council Member Weaver stated he sent five names of retired bankers to the City Manager and one person from that group would be responsible for the loan analysis. He stated after the loan analysis then the entire panel would vote to make a recommendation to the Council, and the person doing the loan analysis should be paid \$1,500 to \$2,200 for their services. He stated the City needs a better policy on how a project comes forward. He spoke in regards to the average wage for the community along with the 120% threshold requirement.

Council Member Grayeb voiced concerns when the government acts as a bank for financing he questioned should it only be in prospering economic times. He stated this was a very difficult public policy discussion, especially with the potential cuts of basic services.

Council Member Montelongo asked if the City was in the red or black with past incentives.

Assistant City Manager Setti stated that he knows the Midtown Plaza project was in the red.

Council Member Montelongo requested an annual report on how all incentives were doing, which would let the Council know what investments to support and others to stay away from.

Council Member Akeson said she would like the City to look at the median rather than the average when evaluating job creation. She spoke about the large number of businesses that did not request incentives from the City.

Council Member Riggerbach indicated that many incentives did not put the City at risk and a report on progress of incentives would be a good idea. He stated that sometimes the City needs to operate like a bank, because some projects can't get traditional financing. He spoke about the public roll out of projects and how to engage everyone for such events.

Council Member Spain stated he wants the City to preserve its nimbleness and possibly waiver from policy if the Council felt it was necessary for a certain project. Discussion occurred between Council Member Spain and Assistant City Manager Setti about incentives, specific tools the City could offer with incentives, and job creation for the community.

Council Member Moore discussed Category One Incentives and she voiced concerns in regards to expectations the City would have toward businesses that apply for such incentives. She commented on the frustrations that businesses feel when they are told to comply and told again something different once the original compliance was completed. She questioned the Assistant City Manager if he felt the City was pro-active or re-active when it came to economic development issues.

Assistant City Manager Chris Setti stated he felt the City had done both with regards to economic development issues. He stated the City was pro-active with finding a grocery store in the south side of Peoria and the City was re-active with the Louisville Slugger Project.

Mayor Ardis commented the City needed to hear input from developers, employers, and people doing business within the Peoria area. He stressed the importance that the City touch base with the employers that do business not just in Peoria, but regionally, nationally and internationally. He stated the City needed to simplify the process to enhance economic development. He stated as the City develops a policy on economic development, it needs to be marketed to enhance development.

Council Member Weaver discussed incentives and the need to attract new employers to the City to supply jobs for citizens. He suggested two levels of incentives to stay competitive with other communities, such as TIFS and Enterprise Zones. He suggested that Staff would have administrative authority to use all tools necessary, but Staff would always be challenged not to give away more than necessary. He said loans were the most aggressive incentive, but there

should be zero tolerance for risk. He said he was concerned about using good judgement. He added the City needed to operate better than banks.

Council Member Grayeb indicated that many citizens resent it when needs were not being met, but incentives were given out. He stated a successful economic development occurs when citizens in neighborhoods drive the local economy with purchases within the community. He discussed the leverage of tax dollars being spent to grow businesses and jobs in the community and how to develop a policy to accomplish this goal. He questioned the City Manager on the number of employees who work with Economic Development within the City.

Assistant City Manager Chris Setti stated the City Economic Development Department employs two full time staff and a part time staff. He indicated a third full time employee would be hired in the near future.

Council Member Grayeb questioned the need to grow economic development within the City of Peoria and the need to enhance the staff level of the Economic Development Department to assist in the growth process.

Assistant City Manager Setti recognized the staff within the Economic Development Department and stated additional staff would be helpful, but he said he appreciated the hard work and dedication of his current staff.


Council Member Moore concurred with the comments of Council Member Grayeb with regards to tax dollars being spent and the importance to the community.

Council Member Spain recognized the use of property tax abatement, which could assist the City in economic development and could be a proper tool to utilize in this process. He voiced concerns with the empty big box store fronts within the community and suggested a policy to assist with incentives to occupy such structures.

City Manager Urich clarified that when the Louisville Slugger Project was brought forward, the City did not review Mr. Peterson's financials and it wasn't until the Council took on the early work loan that the City, at that point, reviewed financial records.

Council Member Moore moved to adjourn the Policy Session; seconded by Council Member Akeson.

The Policy Session adjourned at 8:41 P.M.


Beth Ball, MMC
City Clerk, Peoria, Illinois

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