



CITY OF PEORIA INCENTIVES POLICY

The mission of the City of Peoria Incentives policy is to expand the City of Peoria's tax base by developing, retaining, expanding, and attracting businesses and employment opportunities, while maintaining a positive balance between growth, social equity, and economic vitality for the City. The goal of providing local incentives is to increase jobs, capital investment, and redevelopment in Peoria's key redevelopment areas. To adhere to the sound fundamental principles of traditional economic development, the incentive programs are designed to support new business ventures, retain and expand existing businesses, and attract a range of diverse businesses and emerging industries (Figure 1).

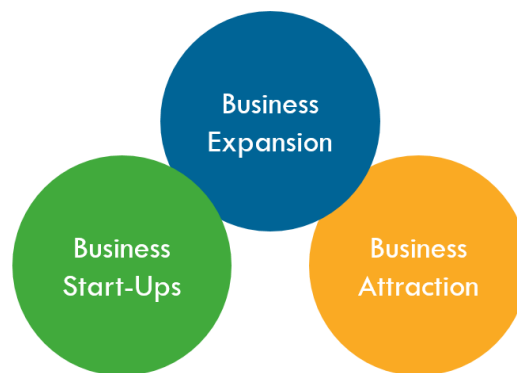


Figure 1. City of Peoria Economic Development Strategy

Business Startups: The City of Peoria recognizes the value that entrepreneurs, small businesses, retail and service industries bring to our local and regional economies. The strength of our economy rests with many of these companies. Incentives are designed to support the development and expansion of innovation, goods, and services and intended to support smaller businesses and neighborhood revitalization.

Business Expansion and Retention: The City of Peoria supports the retention and growth of existing businesses. Incentive programs are designed to help local businesses remain competitive, increase employment opportunities and stabilize the local economy.

Business Attraction: Enhancing the City of Peoria's community profile is a critical tool for successful investment attraction as it provides a succinct compilation of the City's talent and assets. Incentives are designed to attract diverse industries and workforce opportunities. All aspect of local resources (i.e. amenities, infrastructure, and facilities) are examined to attract new businesses and industries to the local economy.

The primary focus of economic development incentives is to create jobs and leverage private investment, with a secondary focus on other community concerns (i.e. targeted areas, diversity, long-term outcomes). Incentive programs are offered to level the competition with other communities, emphasize local priorities, and invest in public-private business opportunities.

The guiding principles of public investment in businesses is to:

- Provide the private sector with clearer expectations on local government incentives;
- Provide the local government with a methodical, rational, and transparent approach to providing incentives; and
- Provide the public a rationale and justification for the use of public dollars in private projects.
- Broaden, diversify and expand the tax base, increase the number of jobs, retain jobs, increase the median wage and household incomes, and increase overall economic activity and vitality.
- Provide secondary financing. Secondary financing is the concept that additional, subordinate financing is required for certain projects to be completed.

Decisions on incentives and program offerings will be determined based on the following:

- The relationship between job development and total investment;
- Development taking place in a targeted area of the community;
- The potential for future expansion and increased employment;
- The potential for retention of existing employment where it can be demonstrated that without incentives the jobs may be moved away from the area or eliminated, as evidenced by a written statement from the company;
- The potential for diversification of the regional economy;
- The potential to revitalize a depressed, neglected or disadvantaged area of the community; and,
- The inclusion of disadvantaged minority or women-owned businesses (i.e. contractors, suppliers, etc.) with the project.

The City shall determine the amount, terms and conditions of incentives based on criteria above related to target industries, job creation, wage levels and capital investments. Each request for incentives will be evaluated on an individual basis. Changing economic conditions and the availability of funds may cause the City of Peoria to modify, amend, or discontinue any economic development incentive program. Should an incentive program be discontinued, the City shall honor any incentive committed to before the discontinuance of the program.

Entitlement Incentives

Entitlement programs are those incentives offered by the City through local, state and federally funded sources. These programs continue year by year based on designated funding cycles and available funding. Entitlement programs, because they are regulated by government entities, require minimum upfront risk on the City’s part and have individual program rules with predetermined eligibility requirements. Business startups, as well as those businesses that are expanding or moving into Peoria, have access to the City of Peoria’s entitlement programs (Table 1). Entitlement program descriptions are defined in Appendix 1.

Tool or Activity	Increasing Investment	Adding Jobs
Tax Increment Financing	X	
Enterprise Zone/River Edge	X	X
Façade Improvement Grants	X	
Revolving Loan Fund		X
Special Service Area	X	
Business Development District	X	
CDBG Economic Development Funds		X
Industrial Revenue Bonds		X
Business Outreach and Assistance	X	X
Marketing	X	X
Supporting Entrepreneurs		X
Real Estate Management	X	
Leveraging/Connecting Other Programs	X	X

Table 1. City of Peoria ED Entitlement Programs

Enhanced Incentives

The City of Peoria will maximize the use of entitlement programs to eligible businesses where appropriate and applicable. Additionally, the City will offer increased benefits to those firms that provide a number of at- or above-livable wage jobs along with substantial capital investment. Jobs that are based on significant capital investment have a tendency to create the greatest values for the region. The goal of providing enhanced incentives is to attract and retain jobs and investments that yields higher wages and significant investment and retention.

Enhanced incentives will focus on priority industry cluster businesses with the potential for high growth, substantial investment, and value added jobs.

INDUSTRY CLUSTERS:

- *Manufacturing.* Determined by appropriate NAICS codes.
- *Agri-Business/Ag-Industrial.* Companies that have products or services related to the agricultural or livestock industries.
- *Medical Services / Healthcare.* Regional medical centers, specialty hospitals, specialized healthcare facilities considered likely to attract at least 20% of patients from outside the Peoria MSA.
- *Warehousing and Distribution.* Majority of goods stored/shipped must be destined for end-users located outside the Peoria MSA.
- *Transportation and Logistics.* Freight or passenger transportation services. Majority of revenue must be derived from interstate commerce/travel.
- *Research and Development.* The conducting of research, development or testing for manufacturing, aviation, scientific, medical, food product or industrial purposes.
- *Corporate Headquarters.* May include “back office” operations and customer service activities, but shall not include out-bound call centers. Majority of revenues must be derived from transactions originating outside the Peoria MSA.
- *Tourism.* Attractions considered likely to attract at least 30% of attendees from outside the Peoria MSA.

WAGE AND SALARY CRITERIA: A business may be considered if the wages of the jobs are equal to or greater than the current livable wage for one adult as calculated for the State of Illinois (Appendix 2). For 2015, the living wage for one adult in the State of Illinois is \$11.08.

NUMBER OF JOBS CREATED: The business must create at least 20 Full-Time Equivalentents.

CAPITAL INVESTMENT: The business makes a capital investment of over \$5 million.

If the business meets the enhanced incentive criteria, the City will consider, on a case by case basis, the following incentives to assist businesses in this category:

1. **Property Tax Abatement (up to 5 years):** The City of Peoria, as well as any local participating taxing district, may abate taxes of a commercial or industrial firm that 1) moves into the taxing district from outside the Peoria MSA; 2) is newly created; or 3) expands its current facility.
 - i. The terms of tax abatement on real taxable property improvements shall be 100% property tax abatement for the first three years, and 50% property tax abatement for the remaining two years, for a total initial term of five (5) years. Property tax abatement for an additional five (5) years may be considered subject to review and approval of the City Council, as well as any taxing district, at the end of the initial term.
 - ii. Payments-In-Lieu-of-Taxes (PILOTs): A business may also be required to make PILOT payments at any time in the event of noncompliance with the conditions imposed by the economic development incentive agreement, as an alternative to complete cancellation of the tax abatement.
 - iii. Property tax abatement is not available if the firm is located or will be located within a TIF district and Enterprise Zone. These programs have predetermined eligibility criteria from the State of Illinois regarding property tax abatement.
2. **Tax Increment Financing (TIF):** Investment in real property (renovation and/or new construction) within the City's TIF Districts may make qualified businesses eligible for a rebate of up to 50% of incremental property taxes generated by the investment. Rebates greater than 50% may be available in limited circumstances. Since tax increment incentives are based on property renovation or new construction, the job creation and wage/salary criteria listed above may be waived.
2. **Permit Fee Discounts:** The City of Peoria building and zoning permit fees may be discounted by up to 50%.
3. **Infrastructure Improvements:** Public infrastructure improvements that are critical to private business activity are determined on an individual basis and based on funding availability. The City will actively work with businesses to access state and/or federal grants to improve infrastructure, when available.
4. **City Financing:** On a limited and case-by-case basis, the City may consider monetizing a future tax revenue stream and providing an upfront cash loan to a project. Loan repayment is secured through the revenue stream such as incremental property taxes or Special Service Area revenues. For such financing, a loan committee will be established by the City to conduct a financial analysis of the project, assess the rate of return on the investment, and financial solvency of the firm. Such assistance may be in addition to or in lieu of the City's Revolving Loan Fund.

Program/Incentive implementation

- a. All economic development programs and incentives will be formalized in a written agreement between the City of Peoria and the recipient company. The recipient company will be required to meet and report on the following performance criteria:
 - i. Jobs created and payroll commitments
 - ii. Capital investment in real property
 - iii. Compliance with wage requirements
 - iv. Compliance with all applicable governmental laws, rules and regulations
 - v. Compliance with any conditions imposed by the Development Agreement.
- b. The City will conduct legal and/or financial research regarding the company as part of eligibility determination.
- c. When the City is providing upfront partial financing, it will require an in depth review of project and corporate financial information. This may include, but is not limited to, reviewing financial information such as pro formas, balance sheets, investment documents and loan documents. For projects that require City borrowing (i.e. bonds) or a contribution of municipal funds in excess of \$250,000, the City will assemble a committee of local financial professionals from institutions not affiliated with the applicant to review all pertinent financial information and make a recommendation to the City Council. The City and this committee will be subject to a non-disclosure agreement in order to maintain confidentiality.
- d. Economic development incentives may not be transferred or otherwise conveyed to another party without approval of the City Council.

Compliance

Ensuring that recipients of incentives comply with the provisions of the Development Agreement and fulfill the assurances upon which the incentives were granted is a core responsibility of the Office of Economic Development.

- a. Annual on-site reviews and requests for financial statements and reports will be conducted by City Economic Development staff to establish compliance with the Development Agreement between the City of Peoria and the recipient company.
- b. Tax abatements on real property will be reviewed after an initial term of five years; continued abatement is subject to review and approval by the City Council at the end of the initial term. The review will be based on the company's performance in meeting the terms and conditions in the written agreement.
- c. The City of Peoria may amend an incentive agreement to reduce the recipient's obligations regarding employment levels, wage requirements, or non-compliance penalties in the event of a federally-declared disaster or economic downturn.

- d. Whenever practical, the City shall include “clawback” provisions (relating to repayment or cessation of incentives) in all incentive agreements, and the City will exercise such provisions when the terms of an incentive agreement has not been met or certain performance goals by the company have been met.

Appendix 1

Entitlement Program Descriptions

Access to Micro Loans: Peoria County has created a micro loan program that allows entrepreneurs and small start-ups to apply for up to 80% of startup costs (max \$50,000) to help with working capital and purchases that might include equipment, inventory, supplies, furniture, fixtures, and machinery.

Access to Forgivable Grant: The City of Peoria has created a business grant program through use of its Community Development Block Grant funds. These funds can only be used in designated areas of the community to benefit low-moderate income individuals. Qualified companies can apply for up to \$35,000 for every full-time equivalent job created, up to \$200,000. CDBG grant funds can only be used for structural/facility improvements for a business.

Façade Improvement Program: The City of Peoria administers this program to improve the visual appearance of businesses and properties within certain targeted areas and ideally located in business corridors. The outcome is not only for the individual business, but for all the businesses and visitors to an area. The program provides a 50% match of the total eligible façade improvements permanently affixed to the building up to \$5,000.

Enterprise Zone: By state statute, an Enterprise Zone is an area designated by a municipality for targeted business growth and economic revitalization. The Enterprise Zone stimulates economic growth and neighborhood revitalization in economically depressed areas of the state. Businesses located (or those that choose to locate) in a designated Enterprise Zone can become eligible to obtain special state and local tax incentives such as tax abatement, state and local sales tax exemption on building materials, utility tax exemptions, investment tax credit and others.

Tax Increment Financing (TIF): The redevelopment of real property within the City's TIF Districts may make qualifying businesses eligible for a rebate of up to 50% of incremental property taxes generated by the investment. Rebates greater than 50% are available in limited circumstances. Loans secured by future property taxes are generally reserved for Category II, however the City will entertain this type of incentive for critical projects.

Access to Revolving Loan Funds (maximum \$150,000): The City and County of Peoria each have low interest revolving loan funds that can be paired with traditional financing to create a blended borrowing rate. These government loan funds can be used for working capital, machinery and equipment, and facilities up to 33% of a project. Job creation commitments by the business are required. Interest rates are generally 3% below prime and terms are negotiable. The program can lend \$15,000 for every job created or retained.

Enterprise Zone: By state statute, an Enterprise Zone is an area designated by a municipality for targeted business growth and economic revitalization. The Enterprise Zone stimulates economic growth and neighborhood revitalization in economically depressed areas of the state. Businesses located (or those that choose to locate) in a designated Enterprise Zone can become eligible to obtain special state and local tax incentives such as tax abatement, state and local sales tax exemption on building materials, utility tax exemptions, investment tax credit and others. In limited circumstances, the City will consider expanding its Enterprise Zone to allow qualified Category 2 businesses to take advantage of Enterprise Zone benefits.

River Edge Redevelopment Zone (RERZ): There are many benefits for employers in an RERZ. For redevelopment, the key incentive is a waiver of sales tax on building materials purchased in the State of Illinois (locally, the sales tax rate is 8.25%) for non-residential development. As a general rule, renovation projects are 50% materials and 50% labor. A waiver of sales tax on materials effectively lowers the project cost for non-residential portions by about 4%. A full listing can be found at www.illinois.gov/dceo/Bureaus/BusinessDevelopment/Pages/riversedge.aspx.

Industrial Revenue Bonds: Industrial Revenue Bonds (IRB's) may be allocated on behalf of manufacturing companies to finance specified costs of the project. Qualified Industrial Revenue Bond projects include facilities that are primarily used for manufacturing or processing tangible products. The Internal Revenue Code defines IRB eligible requirements. Housing Bonds may also be allocated on behalf of multi-family rental housing projects when at least 20% of the units are rented to people whose income is 50% of median income or below; or 40% of units are rented to people with income of 60% or less of median income.

Access to State of Illinois EDGE Credits: The EDGE program is designed to offer a special tax incentive to encourage companies to locate or expand operations in Illinois when there is active consideration of a competing location in another State. The program can provide tax credits to qualifying companies, equal to the amount of state income taxes withheld from the salaries of employees in the newly created jobs. The non-refundable credits can be used against corporate income taxes to be paid over a period not to exceed 10 years. To qualify a company must provide documentation that attests to the fact of competition among a competing state, and agree to make an investment of at least \$5 million in capital improvements and create a minimum of 25 new full time jobs in Illinois. For a company with 100 or fewer employees, the company must agree to make a capital investment of \$1million and create at least 5 new full time jobs in Illinois.

Special Service Areas (SSA's): A Special Service Area (SSA) is a taxing mechanism that can be used to fund a wide range of special or additional services and physical improvements in a defined geographic area within a municipality or jurisdiction. SSA's are primarily used by businesses in commercial retail corridors and neighborhood associations as a tool for beautification and infrastructure improvements. This type of district allows local governments to work with communities to establish such areas without incurring debt or levying a tax on the entire municipality. The SSA tax levy can be based on assessed values of property and/or retailer and occupancy tax.

Tri-County River Valley Development Authority (TRVDA) Bonds: TRVDA issues bonds on behalf of a variety of entities. The interest rate on these bonds assists the borrower by reducing the overall interest cost of the project. The relationship between the borrower and the lender remains virtually the same. TRVDA acts as a conduit or middleman between the two. Since TRVDA is a unit of government, the transaction is eligible for tax-exempt interest. Interest earned by the lender is free from federal and state income tax. The lender is then able to provide an interest rate to the borrower that is much less than a conventional taxable transaction. Historically, this rate has been 100 to 300 basis points lower to the borrower.

Appendix 2
Livable Wage Calculation and Annual Salaries

2015 Living Wage Calculation for Illinois

Hourly Wages	1 Adult
Living Wage	\$11.08
Poverty Wage	\$5.00
Minimum Wage	\$8.25

The livable wage shown is the 2015 hourly rate for one adult. The state minimum wage is the same for all individuals, regardless of how many dependents they may have. The poverty rate is typically quoted as gross annual income. Below is the State of Illinois typical annual salaries for various occupations.

Occupational Area	Typical Annual Salary
Management	\$93,980
Business & Financial Operations	\$65,190
Computer & Mathematical	\$77,860
Architecture & Engineering	\$73,610
Life, Physical, & Social Science	\$63,780
Community & Social Service	\$42,000
Legal	\$73,870
Education, Training, & Library	\$48,270
Arts, Design, Entertainment, Sports, & Media	\$45,040
Healthcare Practitioners & Technical	\$60,790
Healthcare Support	\$25,640
Protective Service	\$40,860
Food Preparation & Serving Related	\$19,160
Building & Grounds Cleaning & Maintenance	\$24,350
Personal Care & Service	\$21,860
Sales & Related	\$26,010
Office & Administrative Support	\$33,140
Farming, Fishing, & Forestry	\$28,390
Construction & Extraction	\$62,270
Installation, Maintenance, & Repair	\$45,830
Production	\$31,800
Transportation & Material Moving	\$29,620

Source: <http://livingwage.mit.edu/states/17>