



421 N. California Street  
Suite 200  
Sycamore, IL 60178  
[phone] 815.895.2711  
[fax] 815.895.8713

## **City of Genoa: Local, State and Federal Tax Incentive Programs**

Following is a brief description of the local, county and state tax incentives that are available in the City of Genoa for companies and industries considering development of new facilities.

### **Local Incentives:**

City Philosophy. Development is very important in expanding the local employment base, and to assist in balancing residential and non-residential tax base. Industrial development generates real estate taxes without the burden to the School District or City services. The community focus groups indicated that they would support incentives for commercial/retail or industrial development. The City should actively pursue state and federal grants and loans that are available. The City should take steps to insure that industrial sites are readily available for development and that incentive packages be offered to suitable prospects.

- a. The community has the philosophy that all new developments generate a positive municipal cash flow by the fifth year; and
- b. Industries shall be quiet, clean and sufficiently screened and buffered from residential areas, and sites shall be adequately landscaped; and
- c. That jobs provided by the company provide wages of a minimum of \$10/hour and health insurance benefits
- d. The City Council reserves the right to exclude businesses from incentive, including but not limited to those businesses that may gain an unfair advantage over other local existing businesses.

Sales Tax Rebates or Grants. For many retail and sales tax generating industries, sales taxes can be returned to the businesses based on a development agreement. Only the 1% local sales tax can be negotiated in this fashion. Sales tax rebates may be considered of up to 50% for up to 5 years on net new sales to the community (relative to avoiding excessive incentives that may harm an existing business). For example, if a new gas station is given a sales tax rebate, it may also reduce sales taxes already being received by another gas station elsewhere in town, and then reduce the City's net receipts of sales taxes.

Property Tax Abatement. Under Illinois State Law, commercial and industrial businesses are permitted to receive property tax abatements. Each governmental unit must act to abate taxes, and can abate from anywhere to 1%-

100% of taxes as long as the total amount of abatement does not exceed \$4 million in ten years for each project.

Property tax abatement may be considered of up to 67% and up to 3 years for new construction projects. Existing buildings may be considered to the extent permitted by interpretation of state and court guidelines.

Utility Tax Rebate. Utility tax rebate may be considered of up to 67% and up to 3 years.

Local Infrastructure Grants. The City may undertake projects that might otherwise be financed by private developers for attracting businesses or industries. These grants might be to assist in building a public improvement such as extension of a sewer or water line, construction of a street or intersection, or a storm water drainage pond or improvement. Oftentimes, state or federal grant programs require the community to participate up to 50% in public works projects related to economic development projects. If the project is important enough to the community, and will generate other direct and indirect benefits to the community, investment of the City's funds may be considered, especially since other grant-making agencies will see this as a buy-in by the community in the process of putting together a package of incentives and benefits to the company.

Fast Track Permitting. City officials will accelerate the review and approval process for building and site grading drainage permits. The City will not relax local government regulations but simply speed the approval process of approving the permits by working with professional engineers and building plan examiners. One to two weeks is customarily a desirable turnaround for large-scale industrial or commercial development permitting plans.

Local Revolving Loan Fund. Loans can be made from a local revolving loan fund, in amounts of up to \$100,000, more or less. Usually, one job must be created for each \$10,000 loaned, and Genoa has used this fund to assist Polar Tech, Sycamore Precision Industries, Micro Master Tool, Brown's County Market, and some downtown businesses.

Industrial Revenue Bonds. IRB's may be issued through the City to allow a private industry to take advantage of lower, untaxed municipal bond financing. Federal law allows this use for new industry, additions to industry; environmental facilities or equipment and for some limited residential development financing. Genoa does not have independent issuing authority. "Capacity" to issue bonds needs to come from the Illinois Development Finance Authority, the Governor's office; or be "borrowed" from a home rule community.

### **State Incentives:**

Community Development Assistance Program. This program has two options. First, a business can borrow up to \$750,000 on a project, subject to creating or retaining 1 job for every \$15,000 borrowed, and such that the total land, building and project cost is at least \$2,200,000. This program is a pass through of federal Community Development Block Grant funds, so some strings are attached. If the loan proceeds are used for construction of a building or public works, then Davis-Bacon prevailing wage rates apply (union scale wages). Usually, funds are applied to equipment to escape this wage issue. Second, none of the financing of purchases of property or start of construction or purchase of equipment can take place until all documents are signed and the project has been given an environmental clearance! Borrowed funds are repaid to the City, and these are the funds many communities use to set up revolving loan programs.

The other use for these funds is a direct grant to the City for public works, such as street construction, sewer and water construction, storm water facility construction or any other "linked" public works project, and the limit is \$750,000 and creation of 1 job per \$15,000, and a corresponding private investment of \$1,500,000. These funds may pay 100% of public works costs!

Business Participation Loans. The Illinois Department of Commerce and Economic Opportunity can also lend up to \$750,000 on a project if a new or expanding industry has a \$3 million project, and has a bank loan

commitment of \$2.5-\$2.7 million. DCEO will require repayment of the loan funds to the state. The company benefits because it may be able to negotiate a lower interest rate on the state's portion of the loan. For the private lenders benefit that indirectly benefits the industry, the state will some times take a subordinated collateral position against land, buildings, and equipment if it is a highly leveraged real estate loan. Again, at least one job must be created for every \$10,000 the state loans.

Business Infrastructure Loans & Grants. DCEO can finance street, sewer, water and storm water improvements with a low interest loan or grant, similar to CDAP. DCEO prefers that CDAP funds be exhausted before using this state financed program.

Business Development Grants. DCEO can provide grants as an incentive to locate and this program usually serves to "write-down" or subsidizes a land purchase. This program is usually limited to large businesses where there is stiff competition from adjoining states with a high profile project.

Employer Training Investment Program. The Employer Training Investment Program (ETIP) helps keep Illinois workers' skills in pace with new technologies and business practices, which, in turn, helps businesses increase productivity, reduce costs, improve quality, and boost competitiveness. ETIP grants can reimburse new or expanding companies for up to 50 percent of the cost of training their employees. Employers may select the workers that participate in the training. However, trainees must be employed by the company prior to implementation of the training program. Instructors may be plant workers, public educators, private consultants, or others possessing the required expertise. Grants may be awarded to individual businesses, to original equipment manufacturers sponsoring multi-company training for employees of their Illinois supplier companies, and to intermediary organizations operating multi-company training projects.

EDGE Tax 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 create jobs. The non-refundable credits can be sued 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 \$1 million and create at least 5 new full-time jobs in Illinois.

Illinois Finance Authority. The Illinois Finance Authority (IFA) is a quasi-state agency that generally can assist new industry and local companies with expansion projects. The agency offers two programs primarily, which include industrial revenue bonds and a business participation loan. The industrial revenue bonds are generally from a pool of federal authorization funding which is made available from the governor's office. Funds have frequently been exhausted in the first three to four months of each calendar year because of strong demand. The company benefits because its interest rate is lower because the interest charge by the banks is considered tax-exempt, similar to municipal bond issues. There is not direct repayment obligation by the municipality for the state. Companies can borrow up to \$10 million for an individual project. Generally the threshold to make the program financially practical is projects of at least \$2 million or greater. The Illinois Development Finance Authority has a formal application process and projects can frequently take 45 days for approval.

IFA's Direct Loan Program is generally available to companies that need supplemental financing for projects of up to \$1 million. The state will loan up to \$300,000.

Illinois State Treasurer's Linked Deposit Program. The Illinois State Treasurer has a program for linking deposits made by the state government in local lending institutions. If a business needs to expand locally, they can apply to the State Treasurer's office for a deposit of several hundred thousand dollars up to one million dollars or more

of funding to increase the local financial institution's deposit reserves so that it can make a larger loan. This generally works with financial institutions that have a small lending capacity or those that are at the maximum loan-to-deposit ratio.

Illinois Department of Transportation Programs. The Illinois Department of Transportation offers grant programs for financing street or highway construction and intersection projects for new industry. The program is not available for commercial or retail businesses. The state will fund up to 50% of new street construction or intersection improvements related to the access needs of a new or expanding industry. Generally up to \$2,000,000 is available per project. The company and the community must match the 50% state grant and there must be at least one job created for every \$10,000 of state grant money.

### **Federal Incentives:**

Job Training Programs. Federal Job Training Programs can often make grants to companies for on-the-job training or customized training. Grants may range up to \$2,500 per employee but the individual applying for the job must qualify under federal government poverty and welfare to work guidelines, which often limit the availability supply or pool of qualified people to less than 5%-10% of the industry's overall recruitment needs.

Small Business Administration Financing. Through local banks and certified SBA financing organizations, companies can obtain financing through the Small Business Administration's 504-loan program. In the case of these programs, a company can borrow up to \$1 million from the SBA if a private bank commitment and the local company's participation is also a total of \$1 million. There is no minimum threshold for job creation in this program, but there has to be a demonstration of the benefit to the "public" because of job creation, retention, or the importance of the business (commercial or industrial) to the local economy. Quasi-public development organizations, such as the Rockford Local Development Corporation, Summer Core 504, or the Illinois Small Business Growth Corporation play a role in underwriting and reviewing the lending application along with a private lender.

For extremely small business expansions and start-ups, the Small Business Administration also has a low documentation loan program, which banks can use for small local businesses that need to borrow between \$50,000-\$100,000. The U.S. Small Business Administration guarantees approximately 80% of the loan.

The Small Business Administration also has a 7A Loan Guaranteed Loan Program, which can allow banks to work with small businesses on loans of generally \$100,000-\$1 million. The U. S. government guarantees approximately 80%-85% of the loan made by the banks.