

# Village of Huntley Illinois

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## Tax Increment Financing Policy

February 6, 2014



# VILLAGE OF HUNTLEY POLICIES AND PROCEDURES RELATING TO THE USE OF TAX INCREMENT FINANCING

## I. PURPOSE

- A. The purpose of this document is to provide a guideline for the Village of Huntley to offer Tax Increment Financing Assistance for development activities in its Tax Increment Financing Districts.
- B. As a matter of policy, the Village of Huntley will consider using Tax Increment Financing to assist private developments only in those circumstances in which the proposed private projects show a demonstrated financing gap and meet the goals identified in the Village's Tax Increment Financing Plans.
- C. This policy shall be used as a guide in processing and reviewing applications requesting Tax Increment Financing assistance. The Village shall have the option of amending or waiving sections of this policy when determined necessary or appropriate. In amending or waiving any sections of this policy, the Village shall document the reason for the deviation in the project's development agreement.
- D. The fundamental purpose of Tax Increment Financing assistance is to encourage desirable development/redevelopment projects that would not otherwise occur "but for" the assistance provided through Tax Increment Financing.
- E. **It is the intent of the Village to provide a minimum amount of Tax Increment Financing assistance. The provision of financial assistance is at the sole discretion of the Village. The Village reserves the right to reject or approve projects on a case-by-case basis, taking into account established policies, specific project criteria and the demand on Village services in relation to the potential benefits to be received from the proposed project. Meeting policy guidelines or other criteria does not guarantee the award of Tax Increment Financing assistance. Furthermore, the approval or denial of one project is not intended to set precedent for approval or denial of another project.**

## II. DESCRIPTION OF TAX INCREMENT FINANCING (TIF)

With tax increment financing, the increase in assessed valuation and tax revenues attributed to the new development pay for eligible new development costs. The tax increment is the difference in assessed valuation and tax revenues generated by the property in the district after construction compared with the assessed valuation and tax revenues generated by the property before construction at the time of "certification". This difference in assessed valuation and tax revenues is used to pay the current eligible development costs. Tax revenues from pre-construction value shall continue to go to all taxing districts.

### III. GENERAL POLICIES FOR THE USE OF TAX INCREMENT FINANCING

- A. Tax Increment Financing assistance will not be provided to projects that have the financial feasibility to proceed without the benefit of the assistance. Assistance will not be provided solely to broaden an applicant's profit margin on the project. The Village may undertake an independent analysis of the project costs to ensure that the request for assistance is valid.
- B. Individuals requesting Tax Increment Financing assistance must demonstrate, to the satisfaction of the Village, sufficient cash equity investment in the project.
- C. The applicant shall provide any market and financial feasibility studies, appraisals or other information provided to private lenders for the project as well as any other information or data which the Village, or its financial consultants, may require in order to review the need for Tax Increment Financing assistance.
- D. Tax Increment Financing assistance will not be used for projects that place extraordinary demands on Village infrastructure or services.
- E. If requested by the Village, the applicant shall provide adequate financial guarantees to ensure completion of the project, including, but not limited to, letters of credit, cash escrow and personal guarantees.
- F. The applicant must be able to demonstrate, to the Village's satisfaction, an ability to construct, operate and maintain the proposed project based upon past experience, general reputation and credit history.
- G. The applicant shall provide sufficient market, financial, environmental and other data required by the Village.
- H. The Village may require the applicant to retain ownership of the project long enough to complete it, to stabilize its occupancy, to establish the project management, and to initiate payment of taxes based on the increased project value. The Village may limit the transfer of ownership to firms with comparable financial and management capacity as the original applicant.
- I. The level of Tax Increment Financing assistance should be reduced to the lowest possible level in the least amount of time by maximizing the use of private debt and equity financing first.

### IV. CRITERIA FOR TAX INCREMENT FINANCING ASSISTANCE.

- A. Tax Increment Financing assistance will be provided by the Village on a "pay-as-you-go" method. Requests for up-front financing may be considered on a case-by-case basis if increment generation is sufficient to meet initial financing and debt service costs.

- B. The amount of assistance provided to an applicant will be limited to the amount necessary to provide the applicant a reasonable rate of return. An applicant's return on equity, return on cost or internal rate of return will be based on current market conditions as determined by the Village.
- C. Projects receiving assistance may be subject to a "look back" provision. The look back will require the applicant to provide certified records of project costs and revenues, including lease agreement within a specified period after project completion. Adjustments to the level of assistance may be made to limit assistance in accordance with the development agreement.
- D. If the applicant has been in existence for more than one year, it must submit accountant prepared financial statements for at least the past fiscal year, and up to the past three (3) years if in existence for that duration. Summary schedules for other projects completed or started within the same timeframe covered by the financial statements must also be submitted. The applicant must also submit an interim financial statement for the current year.

V. COSTS ELIGIBLE FOR TAX INCREMENT FINANCING ASSISTANCE:

Project costs qualifying for tax increment financing assistance, as defined under the TIF Act, include:

- utilities design,
- landscape design,
- architectural and engineering fees directly attributable to site work,
- site related permits,
- earthwork/excavation,
- soils corrections,
- landscaping,
- utility construction (sanitary sewer, storm sewer and water),
- streets and roads,
- street/parking lot paving,
- street/parking lot lights,
- curb and gutter,
- sidewalks,
- real property acquisition,
- building demolition,
- relocation of occupants,
- special assessments,
- qualified loan or bond financing costs,
- legal (acquisition, financing and closing fees),
- soils tests and environmental studies,
- surveys, and
- title insurance.

Other eligible costs not here-to-fore mentioned but as outlined by Illinois statues, 65 ILCS 5/11-74.4-3(q).

## VI. APPLICATION PROCESS AND PROCEDURE.

- A. Application for Tax Increment Financing assistance shall be made on the forms provided by the Village, including but not limited to:
- background and contact information for the applicant (including information regarding previous projects), their architect, general contractor, management company, engineer and attorney;
  - site plans and building drawings for the project;
  - market analysis demonstrating project viability;
  - amount and type of Village assistance required;
  - demonstration that requested Village assistance is the minimum amount necessary to allow for the project be financially viable;
  - historical financial statements (if the applicant has conducted operations previously);
  - project pro-forma sales and/or rental revenues and expenses through stabilization;
  - construction budget and schedule;
  - project financing schedule; and
  - financial institution(s) contact information for the firm which is contemplated to provide project financing.
- C. The Village may also require that the applicant meet with the Township and/or County Assessor to determine the level of increment that will be generated by the proposed project.

**In order for a project to be considered for TIF assistance, the following steps and procedures are required to be followed:**

1. Applicant project must be located within the boundary of the TIF district.
2. Applicant must complete and return the appropriate application forms.
3. Application should be supplemented by all pertinent documentation (i.e. number of jobs to be created/retained, total amount of investment, construction schedule, evidence of project financing, etc.) as stated in the application.
4. Completed applications will be submitted to the Development Services Department / Economic Development Division (DSD/EDD) for review and comment. Incomplete forms will be returned to the applicant with an explanation on additional information as may be required.
5. Within thirty (30) days of acceptance of the application and required documentation, the DSD/EDD will submit the application for review to the Village Review Team.
6. The Village Review Team shall consist of the Assistant Village Manager, Director of Development Services, Director of Finance, and a member of the Village's Economic Development staff. The Village Review Team will review and consider the application and act upon it as promptly as possible. The Review Team may defer action on any application pending further information required to clearly evaluate the project. It shall be the responsibility of the applicant to supplement the application with information as may be required by the Village in a timely manner. The Review Team will provide a recommendation to the Village Manager and Village Attorney for review and consideration.
7. Upon verification that the application is complete and considered to be in order for Village Board review and consideration, the application will be submitted to the Village Board. Village Board majority approval is required before any incremental property tax usage can be utilized.
8. If approved by the Village Board, a "letter of intent" outlining the specific terms and conditions of the TIF assistance will be provided to the applicant.