



## DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

*Economic Development Division*

### **m e m o r a n d u m**

**TO:** Laurel Lunt Prussing, Mayor

**FROM:** Elizabeth H. Tyler, FAICP, Director, Community Development Services

**DATE:** May 7, 2015

**SUBJECT: AN ORDINANCE FURTHER AMENDING ORDINANCE NO. 8485-38 BY  
EXTENDING THE TERM OF THE URBANA ENTERPRISE ZONE AN  
ADDITIONAL SIX MONTHS**

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### **Introduction**

Pursuant to the 2012 amendment of the Illinois Enterprise Zone Act (20 ILCS 655/1 et. Seq.), the term of the Urbana Enterprise Zone may be automatically extended through July 1, 2016 upon the passage of an appropriate ordinance by the City and upon subsequent approval by the Department of Commerce and Economic Opportunity (DCEO). The attached draft ordinance seeks to amend the Urbana Enterprise Zone Ordinance No. 8485-38, as amended, to extend the term of the Urbana Enterprise zone from December 31, 2015 to July 1, 2016 (**Attachment A: Draft Ordinance Amending the Term of the Urbana Enterprise Zone**).

### **Background**

In 1982, the State of Illinois approved the Illinois Enterprise Zone Act. The purpose of the Act is to stimulate 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 may become eligible to obtain special State and Local Tax Incentives, regulatory relief, and improved governmental services, thus providing an economic stimulus to an area that would otherwise be neglected.

The City of Urbana established its current Enterprise Zone in 1985 and has amended it as needed over the years to accommodate areas of commercial and industrial growth. The Enterprise Zone is an important economic development tool which encourages business attraction, job creation and construction in Urbana. The possible loss of the Enterprise Zone would leave the City less competitive in its ability to attract companies that have the choice to locate in Urbana or elsewhere. In an effort to continue offering this tool, City staff in partnership with Champaign County and the Regional Planning Commission have submitted an application to DCEO for a new Enterprise Zone. This application was also submitted with support and resolutions of participation from five additional taxing partners.

## Discussion

The current Urbana Enterprise Zone is set to expire at the end of the 2015 calendar year. While the City has applied for a new zone, the City will not know whether or not that new zone has been awarded until August 1<sup>st</sup>, 2015 at the earliest. Should the City be awarded a new Enterprise Zone, then that new zone will take effect on January 1<sup>st</sup>, 2016 and the existing zone will be immediately decertified in accordance with the Illinois Enterprise Zone Act.

Should the City not be awarded a new Enterprise Zone, then the City would seek to apply again for a new zone in 2015 with the intent of establishing that new zone on January 1, 2017. This would lead to a year-long gap in the provision of any Enterprise Zone incentives during calendar year 2016. The proposed ordinance amendment under consideration would extend the term of the current zone for an additional six months in accordance with a provision of the amended Illinois Enterprise Zone Act. The proposed ordinance would therefore reduce the potential year-long gap without an Enterprise Zone to a six-month gap. In the event a new zone is not awarded this year, the proposed extension of the current zone would allow some of the existing incentives offered via the zone to be continued for an additional six month period.

Under the current Enterprise Zone, the City administers two local incentives, a property tax abatement and a sales tax exemption.

- **Property tax abatement:** The City of Urbana and Champaign County currently offer property tax abatements on the increment generated by a project for a period of 5 to 10 years. Commercial projects can receive up to 100% of incremental City and County taxes abated for up to 5 years, while industrial projects can receive up to 100% of incremental City and County taxes abated for 5 years from the City and an additional 5 years from Champaign County.
- **Sales tax exemption:** Sales tax exemption is a state-level incentive administered locally by the Enterprise Zone Administrator, a City of Urbana staff position designated by the Community Development Director. The exemption allows contractors to buy eligible construction materials free of all sales tax anywhere in the state of Illinois. An exemption for all sales tax on construction materials can significantly reduce the up-front cost to build in the Enterprise Zone.

Sales Tax Exemption Certificates for new construction materials for Enterprise Zone projects would be expected to be the only locally administered incentive to be available as a result of the fact that this proposed term extension of six months will not encompass a full tax year to allow for an additional cycle of property tax abatement filings.

## Options

The City Council has the following options with respect to this proposed ordinance:

1. The City Council may approve the draft ordinance as presented.
2. The City Council may approve the draft ordinance with changes, understanding that any changes must be agreed to by DCEO.
3. The City Council may deny the ordinance.

## **Recommendation**

This proposed amendment would provide partial coverage of a potential gap in Enterprise Zone benefits in the event that Urbana and Champaign County are not awarded a new Enterprise Zone this annual cycle. If the new Enterprise Zone is awarded and created on January 1, 2016 as intended, then the existing zone would terminate on December 31, 2015 even with the proposed ordinance amendment in place. Subsequently, staff recommends that the City Council approved the attached proposed ordinance.

Prepared by:



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Brandon S. Boys  
Economic Development Manager, City of Urbana

Attachments:

Attachment A: Draft Ordinance Amending the Term of the Urbana Enterprise Zone

***ATTACHMENT A: Draft Ordinance Amending the Term of the Urbana Enterprise Zone***

AN ORDINANCE FURTHER AMENDING ORDINANCE NO. 8485-38 BY EXTENDING THE TERM OF THE URBANA ENTERPRISE ZONE AN ADDITIONAL SIX MONTHS

WHEREAS, on December 3, 1984 the City Council of the City of Urbana, Champaign County, Illinois (the "City") duly passed Ordinance No. 8485-38, entitled "An Ordinance Designating An Area As An Enterprise Zone", which such ordinance was duly approved by the Mayor on December 10, 1984 (including as later supplemented and amended as described herein, the "Ordinance"); and

WHEREAS, in connection with a review of the Ordinance and the written application made in connection therewith the Department of Commerce and Community Affairs (now retitled the 'Department of Commerce and Economic Opportunity') (the "Department") in accordance with the Illinois Enterprise Zone Act (20 ILCS 655/1 et. seq.) (the "Act"), the City Council, on March 18, 1985, duly passed Ordinance No. 8485-65 entitled "An Ordinance Amending Ordinance No. 8485-38, entitled 'An Ordinance Designating An Area As Enterprise Zone'", which such ordinance was duly approved by the Mayor on March 25, 1985 (the "First Amending Ordinance"); and

WHEREAS, approval of the Urbana Enterprise Zone, as designated by the Ordinance and the First Amending Ordinance, was made by the Department by certification of the Ordinance and the First Amending Ordinance effective July 1, 1985; and

WHEREAS, the City Council of the City of Urbana, from time to time, has amended said Ordinance and the Department has so approved by certification of the Amending Ordinance; and

WHEREAS, the Illinois General Assembly unanimously passed Senate Bill 3616 as amended on May 31, 2012; and

WHEREAS, the Governor signed the bill into law on August 7, 2012, thereby amending the Act under the provisions of Public Act 97-0905, to automatically extend the certification of the Urbana Enterprise Zone through July 1, 2016, upon the passage of an appropriate ordinance by the City; and

WHEREAS, the Ordinance, as amended, currently defines the termination date of the Urbana Enterprise Zone as December 31, 2015; and

WHEREAS, the City Council now finds it necessary and desirable to further amend the terms of the Ordinance as amended, pursuant to the Act.

NOW, THEREFORE BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, as follows:

Section 1: That Section 5 of the Ordinance, as amended, entitled "term", be and the same is hereby amended to alter the term of the certified Urbana Enterprise Zone from December 31, 2015 to July 1, 2016 by replacing the phrase "December 31<sup>st</sup> of the thirtieth (30<sup>th</sup>) calendar year" with the phrase "July 1<sup>st</sup> of the thirty-first (31<sup>st</sup>) calendar year".

Section 2: This Amending Ordinance shall not become effective unless and until the proposed amendments contained herein are approved by the Department, and the Department issues an amended certificate for the Urbana Enterprise Zone established by the Ordinance, as amended, pursuant to the Act, in which such event this Amending Ordinance shall become effective on the first day of the calendar month following the date in which the amended certificate, together with the Ordinance as heretofore and hereby amended, shall be filed, recorded and transmitted as provided in the Act.

This Ordinance is hereby passed by the affirmative vote, the “ayes” and “nays” being called, of a majority of the members of the Council of the City of Urbana, Illinois, at regular meeting of said Council on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, C.E.

PASSED by the City Council this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

AYES:

NAYS:

ABSTAINS:

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Phyllis D. Clark, City Clerk

APPROVED by the Mayor this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

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Laurel Lunt Prussing, Mayor