

ORDINANCE NO. 8485-38

AN ORDINANCE
DESIGNATING AN AREA AS AN ENTERPRISE ZONE

WHEREAS, the General Assembly, in the Illinois Enterprise Zone Act (Ill.Rev.Stats. ch. 67 1/2, §601 et seq.), as amended (the "Act"), found and declared that the health, safety and welfare of the people of this State are dependent upon a healthy economy and vibrant communities; that the continual encouragement, development, growth and expansion of the private sector within the State requires a cooperative and continuous partnership between government and the private sector; and that there are certain depressed areas in this State that need the particular attention of government, business, labor and the citizens of Illinois to hereby attract private sector investment into these areas and directly aid the local community and its residents; and

WHEREAS, pursuant to the Act, an "Enterprise Zone" is an area of the State certified by the Department of Commerce and Community Affairs (the "Department") in accordance with the Act; and

WHEREAS, pursuant to Section 5 of the Act, no area may be designated as an Enterprise Zone within the City of Urbana, Champaign County, Illinois (the "City"), except pursuant to an initiating ordinance, adopted in accordance with said Section 5, which designates an area within the City as an Enterprise Zone, subject to the certification of the Department; and

WHEREAS, on October 27, 1984, the City duly caused public notice to be published in the Champaign-Urbana News-Gazette, a newspaper of general circulation within the zone area and Champaign County, of a public hearing to be held within the proposed zone area on the question of whether to create the zone, what local plans, tax incentives and other programs should be established in connection with the zone, and what the boundaries of the zone should be, such public notice being published not more than twenty (20) days nor less than five (5) days before the public hearing scheduled for Monday, November 5, 1984, at 6:30 P.M.; and

WHEREAS, on November 5, 1984, the City duly conducted a public hearing at 6:30 P.M. in the Urbana Civic Center, 108 Water Street, Urbana, Illinois, a location within the proposed zone area, at which such public hearing information was presented and public comment was elicited on the question of whether to create the zone, what local plans, tax incentives and other programs should be established in connection with the zone, and what the boundaries of the zone should be.

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

Section 1. Preliminary Findings. That the City Council hereby finds as facts the recitals hereinabove set forth.

Section 2. Designation and Description of Zone Area. The City hereby designates the following area as an Enterprise Zone, subject to the certification of the Department in accordance with the Act, such area comprising the zone being more particularly described as follows (the "Zone Area"):

All of the City of Urbana, Champaign County, Illinois, as determined by the corporate limits of the said City of Urbana, as such corporate limits may exist as of December 31, 1984, lying North of a line consisting of a sequence of right-of-way centerlines and described as follows:

Beginning at the intersection of University Avenue with the West corporate limits of Urbana; thence East along University Avenue to Harvey Street; thence South along Harvey Street to Springfield Avenue; thence Easterly along Springfield Avenue to Cedar Street; thence South along Cedar Street to Elm Street; thence East along Elm Street to Race Street; thence South along Race Street to Illinois Street; thence East along Illinois Street to Vine Street; thence North along Vine Street to Main Street; thence Easterly along Main Street to Smith Road; thence North along Smith Road to University Avenue;

except the following two tracts bounded by a sequence of right-of-way centerlines and described as follows:

The area bounded by Lincoln Avenue on the West, University Avenue on the South, Broadway Avenue on the East, and Bradley Avenue and Country Club Road on the North; and

All of the area lying East of Cunningham Avenue and North of University Avenue;

all situated in portions of Sections 4 through 10 and a portion of Section 17 in Township 19 North, Range 9 East of the Third Principal Meridian, and in portions of Sections 31 and 32 in Township 20 North, Range 9 East of the Third Principal Meridian, Champaign County, State of Illinois.

Section 3. Finding that Zone Area Meets Qualifications. The City hereby expressly finds and determines that such Zone Area is qualified to become an Enterprise Zone, in accordance with section 4 of the Act, in that such Zone Area:

- A. is a contiguous area;
- B. comprises a minimum of 1/2 square mile and not more than ten square miles in total area, exclusive of lakes and waterways;
- C. is a depressed area;
- D. satisfies any additional criteria established by regulations of the Department consistent with the purposes of the Act; and
- E. is entirely within the City.

Section 4. Waiver of Permit Fees and Tax Incentives.

The City hereby establishes the following waiver of permit fees and provisions for tax incentives or reimbursement for taxes which, pursuant to state and federal law, apply to business enterprises within the Zone Area at the election of the City, and which are not applicable throughout the City:

A. Permit Fees. In the case of any and all permit fees required and charged by the City for the rehabilitation, expansion or new construction of any commercial, industrial, manufacturing or community development assisted projects within the Zone Area, such permit fees (but not the permits themselves) shall be waived in their entirety. The permit fee waiver herein provided for shall include all fees charged for building, plumbing, electrical, zoning and excavation permits where a building permit is otherwise required and has been obtained for such rehabilitation, expansion or new construction, but shall not include such permit fees charged for the mere repair or replacement of electrical, plumbing or mechanical systems not undertaken in connection with such rehabilitation, expansion or new construction. This fee waiver shall commence with the first day of the calendar month following the month in which the Zone Area is designated and certified as an Enterprise Zone by the Department, and shall continue for the term of the Enterprise Zone as provided for in Section 5 of this Ordinance.

B. Municipal Retailers' Occupation Tax. Each retailer whose place of business is within the City and who makes a sale of building materials to be incorporated into real estate located in the Zone Area by the rehabilitation, expansion or new construction of any commercial, industrial, manufacturing, or residential housing unit project for which a building permit is otherwise required and has been obtained, may file a claim or claims for a credit or refund to recover the amount of any tax paid under the "Municipal Retailers' Occupation Tax" as established and imposed by Section 22-16 of the Code of Ordinances of the City, enacted pursuant to Section 8-11-1 of the Illinois Municipal Code (Ill.Rev.Stats. ch. 24, §8-11-1). The credit or refund herein provided for shall commence the first day of the calendar month following the month in which the Zone

Area is designated and certified as an Enterprise Zone by the Department and shall continue for the term of the Enterprise Zone as provided for in Section 5 of this Ordinance.

C. Ad Valorem Taxes. That portion of ad valorem taxes levied and imposed upon a parcel or parcels of real estate located within the Zone Area which is attributable to an increase in the current equalized assessed valuation of such parcel or parcels due to the rehabilitation, expansion or new construction of any commercial, industrial or manufacturing project shall be abated in accordance with and subject to the following terms, conditions and limitations:

1) Such refund or abatement shall only be granted for a period not to exceed five (5) consecutive years beginning January 1 of the year following the issuance of a Certificate of Occupancy for such project, provided however, that no such refund or abatement shall be applicable to any such improvement project located within the boundaries of the Tax Increment Financing District, as such district is established by Ordinance No. 8081-62, entitled "An Ordinance Designating the Tax Increment Redevelopment Project Area", passed December 15, 1980 and approved December 22, 1980, or any such other tax increment financing district as may subsequently be established by the City. An application for any such abatement shall be made in each of the five (5) consecutive years on a form provided by the City prior to November 1 of any such abatement year.

2) Except as otherwise provided for in this Part C of Section 4 of this Ordinance, the total amount of such abatement shall be a percentage of the tax levied and imposed by the City upon the increase in the current equalized assessed valuation attributable to such rehabilitation, expansion or new construction, which such percentage shall be determined by adding the applicable percentage, if any, as determined in the following Table I for the creation of new jobs, with the applicable percentage, if any, as determined in the following Table II for the increase in assessed value, but in no event shall the sum of such percentages exceed one hundred percent (100%) of the tax obligation so levied and imposed by the City.

TABLE I

NEW JOB CREATION

No. of New Jobs Created	Abatement Percentage Per Year
1 - 5	20
6 - 19	40
20 - 49	60

50 - 79

80

80 or More

100

The applicable Abatement Percentage Per Year, as set forth above, shall be increased by an additional five percent (5%) for each such job actually occupied by a resident of the Enterprise Zone. A resident of the Enterprise Zone shall be any person who has resided within the Enterprise Zone for at least thirty (30) days and who intends such location to be his or her permanent residence.

In determining the number of new jobs created under this Table I, the following criteria shall apply:

i. New jobs shall include, but are not limited to, principals, officers, partners, proprietors, managers, supervisors, foremen, professionals, clericals, technicians, skilled, unskilled, custodial and security personnel, provided such employees regularly report to said facility located within the Enterprise Zone and perform specific duties relative to the day-to-day operation of said business.

ii. In the case of outside sales personnel, said persons shall be included insofar as the facility, located within the Enterprise Zone, shall be deemed their business office or headquarters, and that said persons reside within Champaign County.

iii. The number of jobs created shall be determined by dividing the number of regular hours worked by employees of the business in the calendar year for which the tax abatement or refund is applied by 2080. The number of hours worked shall include vacation, sick and other leave allowed by the business but shall specifically exclude any hours worked by any employee in excess of forty (40) hours per week.

TABLE II

INCREASED ASSESSED VALUE

Increased Assessed Value	Abatement Percentage Per Year
\$ 7,500 - \$ 50,000	50
\$ 50,001 - \$100,000	60
\$100,001 - \$200,000	70
\$200,001 - \$300,000	80
\$300,001 - \$500,000	90
\$500,001 - and Above	100

3) Such refund or abatement herein provided for shall continue and be in full force with respect to any qualified improvement projects commenced and completed within the term of the Enterprise Zone as specified in Section 5 of this Ordinance.

4) The City shall inform other tax levying entities having authorization to levy and impose taxes upon a parcel or parcels of real estate within the limits of the Zone Area of the terms, conditions and limitations of the abatement of ad valorem taxes as well as any subsequent specific tax or abatement actions, authorized and approved by virtue of this Ordinance. While such tax levying entities will be requested to consider an abatement of their respective share of taxes levied or imposed upon an increase in the current equalized assessed valuation attributable to the rehabilitation, expansion or new construction of any commercial, industrial or manufacturing project within the Zone Area, nothing contained in this Ordinance shall be construed to warrant any such action by such other tax levying entities for or against such refund or abatement.

Nothing in this Section or this Ordinance shall prohibit the City from extending additional fee waivers, tax incentives, or other abatements, refunds or reimbursements for certain projects in this Zone Area or within the City by separate ordinance.

Section 5. Term. The term of the Enterprise Zone shall commence upon the date the Zone is certified by the Department as an Enterprise Zone pursuant to the Act, and shall be and remain in effect until terminated at midnight of December 31st of the twentieth (20th) calendar year following such certification, unless the Enterprise Zone is earlier decertified in accordance with the Act.

Section 6. Application and Appointment. The Administrator of the Department of Community Development Services, an officer of the City (the "Administrator"), be and the same is hereby authorized and directed, for and on behalf of the City, to make written application to the Department to have the proposed Zone Area certified by the Department as an Enterprise Zone in accordance with Section 5.1 of the Act. In connection with such written application to the Department, the Administrator be and the same is hereby further authorized and directed to prepare, execute and deliver all other documents and instruments which may be desirable or necessary in order to give effect to this Ordinance and such written application. Subject to the certification of the Department in accordance with the Act, the Administrator be and the same is hereby further designated as the Zone Administrator of the City within the meaning of Section 8 of the Act for the purpose, among such others as may be required by the Act or the Department, of being the liaison between the City, the Department, and any Designated Zone

Organizations, established pursuant to Section 7 of this Ordinance, within the Enterprise Zone under the jurisdiction of the City.

Section 7. Designated Zone Organization. Subject to the certification of the Department in accordance with the Act, the City may designate one or more organizations which are qualified as an association or entity: 1) the members of which are substantially all residents of the Enterprise Zone; 2) the board of directors of which is elected by the members of the organization; 3) which satisfies the criteria set forth in Section 5.01(c)(3) of the Internal Revenue Code; and 4) which exists primarily for the purpose of performing within the Zone Area for the benefit of the residents and businesses thereof any of the functions set forth in the Act (the "Designated Zone Organization"). Until such time as any one or more such Designated Zone Organizations is in fact so designated by the City, the Department of Community Development Services of the City shall provide such services and perform such functions as are provided in Section 8 of the Act to be provided and performed by a Designated Zone Organization.

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 a regular meeting of said Council.

1984. PASSED by the City Council this 3rd day of December.


Ruth S. Brookens
Ruth S. Brookens, City Clerk

1984. APPROVED by the Mayor this 10th day of December.

Jeffrey T. Markland
Jeffrey T. Markland, Mayor



Illinois Department of Commerce and Community Affairs

Jay R. Hedges
Director

James R. Thompson
Governor

Stephen F. Selcke
Assistant Director

May 27, 1987

Mr. Bruce Walden
Administrator
Department of Community Development
City of Urbana
115 West Main, P.O. Box 946
Urbana, Illinois 61801

Dear Mr. Walden:

The Illinois Department of Commerce and Community Affairs has approved Ordinance No. 8687-80 amending Ordinance No. 8485-38, altering the boundary of the Urbana Enterprise Zone as well as repealing the local building permit fee waiver within the zone.

This Ordinance has been filed with the Champaign County Recorder and the Secretary of State. A copy of the certification which accompanied the filing is attached.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jeffrey Johnson".

Jeffrey Johnson
Enterprise Zone Program Manager



Illinois Department of Commerce and Community Affairs

Jay R. Hedges
Director

James R. Thompson
Governor

Stephen F. Selcke
Assistant Director

C E R T I F I C A T I O N

Pursuant to Section 5.3(a) of the "Illinois Enterprise Zone Act", Ill. Rev. Stat. 1985, ch. 67 1/2, par. 608(a), the Illinois Department of Commerce and Community affairs hereby approves and certifies the attached Ordinance No. 8687-80 from the City of Urbana amending Ordinance No. 8485-38 to alter the boundary of and to repeal permit fees within the Urbana enterprise zone. This certification is effective on or after June 1, 1987.

Attest:

Jay R. Hedges

Director

Illinois Department of Commerce

and Community Affairs

May 27, 1987

ORDINANCE NO. 260

AN ORDINANCE PROVIDING CERTAIN INCENTIVES
IN CONNECTION WITH THE URBANA ENTERPRISE ZONE

WHEREAS, on December 3, 1984, the City Council of the City of Urbana, Champaign County, Illinois, 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, as amended on March 18, 1985, by Ordinance No. 8485-65 entitled "An Ordinance Amending Ordinance No. 8485-38", which such amending ordinance was duly approved by the Mayor on March 25, 1985 (collectively, the "City Enterprise Zone Ordinance"); and

WHEREAS, the City Enterprise Zone Ordinance designated an area in the City of Urbana as an Enterprise Zone, subject to the certification of the Illinois Department of Commerce and Community Affairs; and

WHEREAS, pursuant to the Illinois Enterprise Zone Act, the Illinois Department of Commerce and Community Affairs certified that the City of Urbana was awarded an Enterprise Zone, with all rights, duties and responsibilities as specified in the Illinois Enterprise Zone Act and the City Enterprise Zone Ordinance, such certification being effective the 1st day of July, 1985; and

WHEREAS, the City Enterprise Zone Ordinance establishes a formula based on new job creation and increased assessed valuation to determine the percentage of any real estate taxes to be abated by the City of Urbana; and

WHEREAS, the eventual success of the Enterprise Zone so awarded to the City of Urbana depends upon community support and the nature of incentives to be offered; and

WHEREAS, the County Board of Champaign County, Illinois finds that the Enterprise Zone awarded to the City of Urbana will serve the interest of the County of Champaign by stimulating economic revitalization, and that by establishing similar incentives for the City of Urbana to those established by the Joint Enterprise Zone for the County of Champaign and the City of Champaign will provide less confusion regarding the nature of those incentives by the public and more efficient administration thereof by the respective governmental officials of the County of Champaign and City of Urbana.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNTY BOARD OF THE COUNTY OF CHAMPAIGN, ILLINOIS as follows:

That the County of Champaign, Illinois, in order to facilitate the stimulation of economic revitalization and the successful development of the Enterprise Zone awarded to the City of Urbana, hereby agrees to establish the following incentives within the Enterprise Zone awarded to the City of Urbana:

1. Real Estate Tax Abatement. The County of Champaign hereby agrees to abate that portion of its real property taxes levied and imposed upon a parcel or parcels of real estate located within the City of Urbana Enterprise Zone which is attributable to an increase in the current equalized assessed valuation of such parcel or parcels due to the rehabilitation, expansion or new construction of any commercial or industrial project, subject to the following terms, conditions and limitations:

- (a) the total amount of such abatement shall be a percentage of the tax levied and imposed by the County of Champaign upon the increase in the current equalized assessed valuation after improvements (either new construction or renovation or rehabilitation) have been duly assessed and

and said abatement shall not exceed the amount attributable to the construction of the improvements and the renovation or rehabilitation of existing improvements in accordance with the City Enterprise Zone Ordinance, as amended, and the same shall be respectively applied as follows:

1) Commercial Projects: Any commercial project shall receive said percentage tax abatement for a term not to exceed five (5) consecutive years beginning January 1 of the years following the issuance by the City of Urbana of a Certificate of Occupancy for such project.

2) Industrial Projects: Any industrial project shall receive said percentage tax abatement for a term not to exceed ten (10) consecutive years beginning January 1 of the year following the issuance by the City of Urbana of a Certificate of Occupancy for such project.

(b) the abatement shall pertain only to the parcel or parcels within the Enterprise Zone which have been improved after July 1, 1986, provided, however, that no such abatement shall be applicable to any such improvement project located within the boundaries of the Tax Increment Financing District, as such district is established by Ordinance No. 8081-62, entitled "An Ordinance Designating the Tax Increment Redevelopment Project Area", passed by the City Council of the City of Urbana on December 15, 1980, and approved December 22, 1980, or any such other tax increment financing district as may subsequently be established by the City of Urbana.

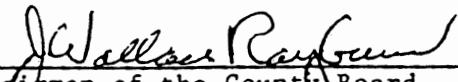
(c) the abatement shall be allowed only for improvements, the nature and scope of which building permits from the City of Urbana are required and have been obtained.

(d) while the abatement is in effect, the County of Champaign shall continue to receive all taxes corresponding to the equalized assessed valuation for the tax year immediately preceding commencement of the particular project on or after July 1, 1986.

(e) applications for County tax abatement shall be filed along with applications for City tax abatement with the Zone Administrator of the City of Urbana on forms provided by said Zone Administrator, all in accordance with the City Enterprise Zone Ordinance.

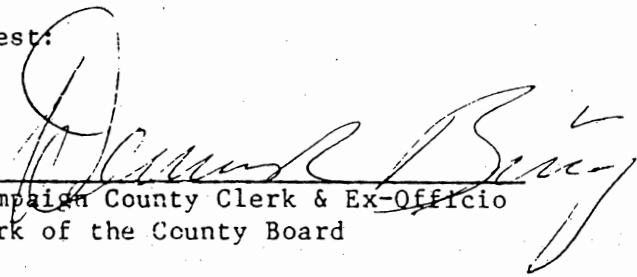
2. Sales Tax Exemption. The County of Champaign hereby agrees that each retailer whose place of business is within the corporate limits of the City of Urbana and who makes a sale of building materials to be incorporated into real estate located in the Enterprise Zone by remodeling, rehabilitation or new construction, may file claims for point of sale exemption for the amount of tax paid under the "County Retailers' Occupation Tax Act"; provided, however, that such remodeling, rehabilitation or new construction is of the nature and scope for which a building permit is required and has been obtained from the City of Urbana. The incentive provided by this paragraph 2 shall commence on such date that any such tax shall become effective within the County of Champaign, and shall continue for the term of the Enterprise Zone as provided in the City Enterprise Zone Ordinance.

PRESENTED, PASSED, APPROVED and RECORDED THIS 18th day of February,
A.D. 1986.



Chairman of the County Board
of the County of Champaign, Illinois

Attest:



Champaign County Clerk & Ex-Officio
Clerk of the County Board

ORDINANCE NO. 8485-65

AN ORDINANCE
AMENDING ORDINANCE NO. 8485-38, ENTITLED
"AN ORDINANCE DESIGNATING AN AREA AS AN ENTERPRISE ZONE"

WHEREAS, on December 3, 1984, the City Council 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, (the "Ordinance"); and

WHEREAS, in connection with a review of the Ordinance and the written application made in connection therewith to the Department of Commerce and Community Affairs in accordance with the Illinois Enterprise Zone Act, the City Council now finds it necessary and desirable to amend certain provisions of the Ordinance.

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

That the following portions of subsection C., entitled "Ad Valorem Taxes" of Section 4, entitled "Waiver of Permit Fees and Tax Incentives" of the Ordinance be and the same are hereby amended in the following respects:

1. That part 1) be and the same is hereby amended to provide as follows:

1) Such abatement shall be granted for a period of five (5) consecutive years beginning January 1 of the year following the issuance of a Certificate of Occupancy for such project, provided however, that no such abatement shall be applicable to any such improvement project located within the boundaries of the Tax Increment Financing District, as such district is established by Ordinance No. 8081-62, entitled "An Ordinance Designating the Tax Increment Redevelopment Project Area", passed December 15, 1980 and approved December 22, 1980, or any such other tax increment financing district as may subsequently be established by the City. An application for any such abatement shall be made on a form provided by the City prior to November 1 of any such abatement year.

2. That item i) of the applicable criteria in determining the number of new jobs created under Table I of part 2) be and the same is hereby amended to provide as follows:

i. New jobs shall include, but are not limited to, principals, officers, partners, proprietors, managers, supervisors, foremen, professionals, clericals, technicians, skilled, unskilled, custodial and security personnel, provided such employees regularly report to said facility located within

the Enterprise Zone and perform specific duties relative to the day-to-day operation of said business at the time of application for abatement.

3. That part 3) be and the same is hereby amended to provide as follows:

3) Such abatement herein provided for shall continue and be in full force with respect to any qualified improvement projects commenced and completed within the term of the Enterprise Zone as specified in Section 5 of this Ordinance.

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 a regular meeting of said Council.

PASSED by the City Council this 18th day of March,
1985.

Ruth S. Brookens
Ruth S. Brookens, City Clerk

APPROVED by the Mayor this 25th day of March,
1985.

Jeffrey T. Markland
Jeffrey T. Markland, Mayor

Champaign
County
Department of

**PLANNING &
ZONING**

Brookens
Administrative Center
1776 E. Washington Street
Urbana, Illinois 61802

(217) 384-3708
TDD (217) 384-3864
FAX (217) 328-2426

TO: *Environment & Land Use Committee*

FROM: *Frank DiNovo*

DATE: *January 9, 2002*

RE: *Joint Champaign County-City of Champaign Enterprise Zone: Proposed Enlargement and Time Extension*

REQUESTED ACTION:

- 1. Annex two parcels totaling 170 acres to the Joint Enterprise Zone*
- 2. Amend the Joint Enterprise Zone to extend its life by 10 years to 2016.*

STAFF RECOMMENDATION:

Action 1. No Recommendation

Action 2. Do NOT extend the Joint Enterprise Zone until the County evaluates its effectiveness and cost.

BACKGROUND

The City of Champaign has forwarded a request to enlarge the Joint Enterprise Zone and to extend its life from 2006 to 2016. [Attachment 1] Since this is a Joint Enterprise Zone these changes require action by the County. The Champaign City Council adopted ordinances to do this and has forwarded the matter to the County for action.

REQUESTED ACTION 1 ANNEX TERRITORY TO THE ENTERPRISE ZONE

- Clint Atkins has requested adding two areas [Attachment 2] to the Joint Enterprise Zone:
- a part of the Atkins West Industrial Subdivision comprising approximately 2.4 acres in the Southeast corner of Section 28 and the Northeast corner of Section 33 in Hensley Township; and
 - an area planned to be added to the Apollo Industrial Park comprising approximately 167 acres lying between Market Street and the CN-IC RR on either side of the proposed Olympian Drive in Section 31 of Somer Township.

Planning for the two industrial parks apparently did not account for the Joint Enterprise Zone Boundaries. The request would allow the entirety of the two industrial parks to fall within the Joint Enterprise Zone.

Champaign County Resolution No. 3542

On March 21, 1995 the County Board adopted Resolution No. 3542, a *Resolution Establishing Champaign County - City of Champaign Enterprise Zone Annexation Policy*. [Attachment 3] The Resolution calls for the County to **approve** annexations for specific projects that are "not in significant direct competition in the local market." upon presentation of a project plan

containing:

1. Specific commitments,
2. Plans,
3. Timetables for development, and
4. Identifying a specific site.

This request does not meet the submission requirements laid out in Resolution No. 3542 . The developer has not presented specific commitments for building construction, or timetables for development. There are "plans" only to the extent of platting the industrial parks. In the absence of a specific, identified tenant it is not possible to ensure compliance with the non-competition provision of Res. No. 3542 unless special measures are taken.

The County could insist on smaller, incremental annexations as each specific tenant is identified. This would be cumbersome, time consuming and expensive. Alternatively, the County can agree to the annexation as proposed with the proviso that the developers enter into a binding agreement to limit Enterprise Zone incentives to buildings occupied by companies that would meet the non-competition requirements of Resolution No. 3542.

Staff Recommendation

The proposal does not meet the requirements of Resolution No. 3542. The County has approved similar requests in the past that did not meet the requirements of the resolution.

The County's policy on this question is unclear so staff cannot make any recommendation.

Note:

The City of Champaign inadvertently left the Atkins West Industrial Subdivision site in Somer Township out of its amending ordinance. The City will have to adopt another ordinance to accomplish this. The County can act on this but not until we receive a legal description of the property involved from the City or developer.

REQUESTED ACTION 2 EXTEND THE TERM OF THE JOINT ENTERPRISE ZONE

When the *Illinois Enterprise Zone Act* was first passed it limited the term of zones to 20 years. The Joint Enterprise Zone was established in 1986 and is set to expire on December 31, 2006. A year ago the Legislature amended the *Enterprise Zone Act* to permit zones to run for 30 years. The City of Champaign now proposes to extend the Joint Enterprise Zone for an additional 10 years to December 31, 2016.

Industrial, warehouse, office and multi-family rehabilitation projects are eligible for zone incentives. Zone projects receive abatements of the County, City and Champaign Park District property tax levies of up to 100% on the **increase** in assessed value. These abatements run for 10 years for industrial projects and five years for commercial projects. In addition building materials used in these projects are exempt from sales taxes. Other state incentives apply to projects that create large numbers of jobs.

Significant Costs

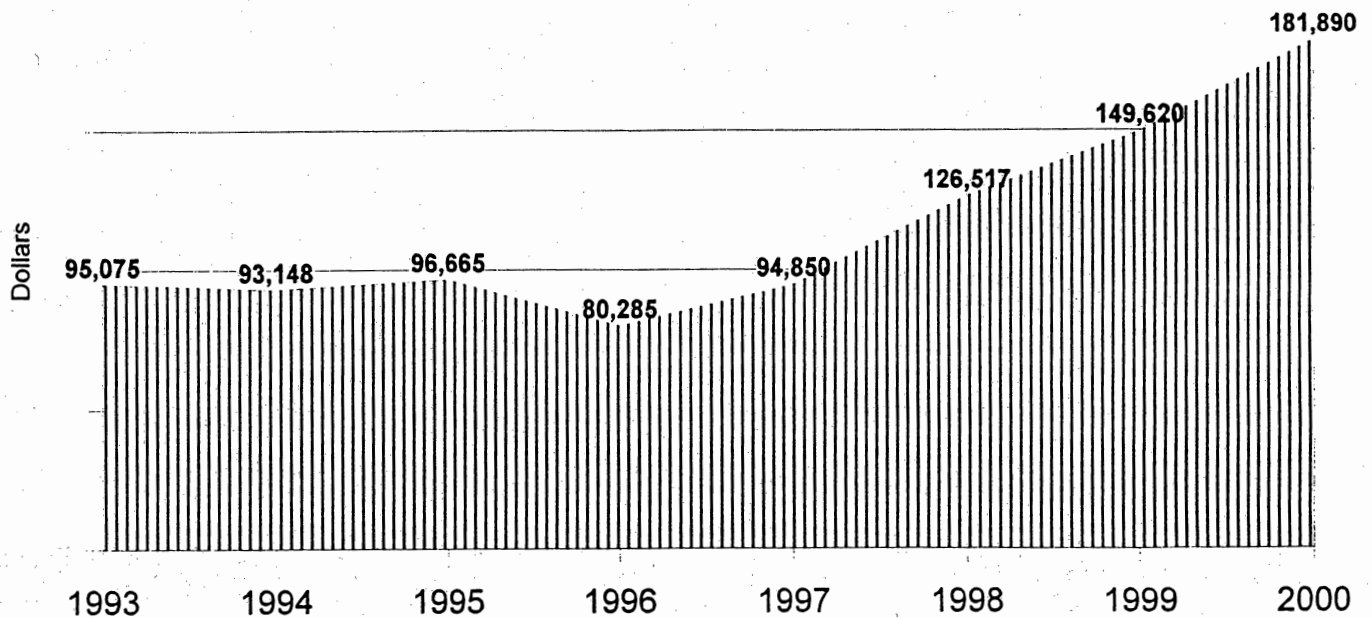
The Joint Enterprise Zone carries a significant cost to the County in foregone property taxes. In 2000 this came to a total of \$181,890 which resulted in a County tax rate that was almost a penny (0.91¢) higher than it would have

been without the enterprise zone tax abatements. This is equivalent to cost of about \$4.55 for the owner of a \$150,000 house or \$22.75 for the owner of 1,000 acres of farmland with an assessed value of \$250 per acre.

These costs have been growing and will continue to grow if the Joint Enterprise Zone is enlarged and extended. Enterprise Zone tax abatements granted in the last year of the zone's operation extend for their full term; so under the current zone, County revenues will be affected until 2016 and under the proposed extension until 2026.

Champaign County Foregone Property Tax Revenues

1993 - 2000 in Current Dollars



In addition to the foregone property taxes the County also gives up its share of the sales tax on building materials used for eligible projects in the Joint Enterprise Zone. It is difficult to estimate the amount of these foregone revenues but it is likely to be significant.

Questionable Benefits

Numerous studies have questioned whether enterprise zones affect business investment or location decisions and suggest that they are ineffective in spurring economic development; some of these are listed here.

- A New Jersey study found "no evidence that the enterprise zone program has improved the economic performance of the cities with enterprise zones." Marlon G. Boarnet and William T. Bogart, "Enterprise Zones and Employment: Evidence from New Jersey," *Journal of Urban Economics* 40 (1996)
- A Carnegie Mellon University study found that "zones appear to have little impact on average....(and) a positive impact on the outcomes of new establishments and negative impact on the outcomes of previously existing establishments." Robert T. Greenbaum and John B. Engberg, *The Impact of State Urban Enterprise Zones on Business Outcomes*, CES 98-20, December 1998
- A Cleveland State University study concluded that "(t)he controversial Ohio Enterprise Zone Program produces only marginal positive economic benefit to Ohio." Don Iannone et. al. Report to Economic

Development Advisory Committee, 1999

- A 1995 paper found that enterprise zone programs "do not appear to represent a promising strategy for addressing the employment problems of poor inner-city neighborhoods." Avis C. Vidal, "Reintegrating Disadvantaged Communities into the Fabric of Urban Life: The Role of Community Development," *Housing Policy Debate*, V. 6, Issue 1, 1995
- A 1988 study by the Government Accounting Office that concluded "(o)ur assessment of the Maryland experience does not show that enterprise zones are effective." but noting that the findings were "not generalizable." U.S. General Accounting Office, B-205687, December 15, 1988

This list is hardly exhaustive. It is also far from being conclusive. However, staff has not located any scientific studies that have found positive results for enterprise zone programs.

Recommendation

The Joint Enterprise Zone represents a significant cost to Champaign County in terms of foregone property tax revenues; over \$1 Million since it was established in 1986. A significant body of literature suggests that enterprise zones may be ineffective economic development programs. The literature is not necessarily conclusive but raises a very serious question about the worth of the Joint Enterprise Zone. Champaign County tax payers may not be getting anything at all for the additional taxes they must pay to make up for these foregone revenues.

Before the County commits to extending the Joint Enterprise for an additional 10 years it should carefully evaluate the zone's performance to find out if the benefits exceed the costs to taxpayers or if there are better ways to spur economic development for the same cost.

The zone does not expire for four years. There is no need to decide on the extension at this time.

Staff recommends that the County NOT extend the term of the Joint Enterprise Zone at this time and that it not be extended until the County has had an opportunity to evaluate its performance.

ATTACHMENTS

1. Report to Champaign City Council & Enterprise Zone Program to Add Territory
2. Map of Proposed Enterprise Zone Expansion, 2001
3. Champaign County Resolution No. 3542, Resolution Establishing Champaign County - City of Champaign Enterprise Zone Annexation Policy

REPORT TO CITY COUNCIL

FROM: Steven C. Carter, City Manager 

DATE: November 30, 2001

SUBJECT: EXPLANATION OF COUNCIL BILL NO. 2001 - 277 AND NO. 2001- 278

A. Introduction: The purpose of the Council Bills is to amend the boundaries of the joint City of Champaign - Champaign County Enterprise Zone by adding the remainders of the Atkins West Interstate Business Park Subdivision and the Apollo Industrial subdivision to the City of Champaign / Champaign County Enterprise Zone and to extend the life of the Enterprise Zone for ten years.

B. Recommended Action: The Administration recommends approval of the Council Bills authorizing the enterprise zone boundary change and time limit extension.

C. Background:

1. Existing Enterprise Zone Area and Benefits. Enterprise Zone benefits are designed to promote investment in private development by providing tax abatement during the period of business startup or following relocation. The local benefits for these projects are: a five year abatement of the increase in City, County and Park District property taxes and the waiver of sales tax on building materials (excluding tenant finish items) purchased within the Enterprise Zone. Location in an Enterprise Zone also allows certain State benefits, such as tax credits and employee training funds.

2. Request to Amend Boundaries. Staff received a request from the Atkins Group to amend the boundaries of the Enterprise Zone to include the remainder of their industrial subdivisions. This request was based on their desire to have the next phases of these developments prepared for development, including Enterprise Zone benefits.

3. Procedure for Amendment. The procedure required by State law is for the City to hold a public hearing on an ordinance, and then the City adopts the Ordinance. Because our Enterprise Zone is a joint City/County Enterprise Zone, the County will also hold a public hearing and pass an Ordinance. The City then forwards the transcript of both hearings, together with the application form, to DCCA. The State of Illinois reviews and approves the application

4. Background on Extension of Time Limit. The Enterprise Zone program has been a success throughout the State of Illinois, and during the past few years when the earliest of the State's Enterprise Zones have been approaching their 20-year termination dates the Illinois Municipal League has been working with the Illinois Department of Commerce and Community Affairs on

legislation permitting cities and counties to extend their Enterprise Zones for ten years. This legislation was signed in the spring of 2001 by the Governor.

The City of Champaign / Champaign County Enterprise Zone is currently set to expire on December 31, 2006. During the past couple of years, since the expiration of our zone has begun to be within the time limits considered by investors, the City has received requests from the development community to extend our Enterprise Zone when enabling legislation was passed by the Illinois General Assembly. This Council Bill is a response to those requests.

D. Alternatives:

1. Approve the Council Bills amending the boundaries as shown on the attached map and extending the time limit of the City of Champaign - Champaign County Enterprise Zone.
2. Do not approve these Council Bills, which will leave the boundaries of the Enterprise Zone intact, and allow it to expire on December 31, 2006.

E. Discussion of Alternatives:

Alternative 1 would allow the City and County to proceed in a timely fashion to process the request to amend the Enterprise Zone, encouraging projects for these parcels which, while not initially included in the Enterprise Zone, are logical locations for the expansion of the Enterprise Zone.

The extension of the expiration date for the Zone would permit this valuable economic development incentive to continue to help development in Champaign County.

a. Advantages.

- Permits the logical expansion of the Enterprise Zone to the remainder of two existing industrial subdivisions.
- Permits the continuation of this economic development incentive for another ten years.

b. Disadvantages.

- Will reduce potential tax revenues for the City, County, and Park District.

Alternative 2 would not approve these Council Bills, and may have a negative impact on those projects planned for these parcels. Both projects appear ready to proceed as soon as this expansion is approved.

a. Advantages.

- Future development of these properties would contribute a greater amount of taxes to the tax base in the near term, as real estate taxes would not be abated.

b. Disadvantages.

- If the Enterprise Zone is not extended to cover these properties, development may not occur at all, and will at least be likely to occur much more slowly, which would slow job development in both areas.

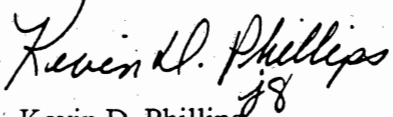
F. Community Input: Community input is solicited for Enterprise Zone applications by means of the public hearing. No other public input has been received.

G. Budget and Staffing Impacts:

1. Budget Impact. Approval of these Council Bills will abate taxes for qualifying projects on these properties for 5 years. Failure to expand and/or extend the Enterprise Zone may result in the properties not being developed at all, or developed at a slower pace.

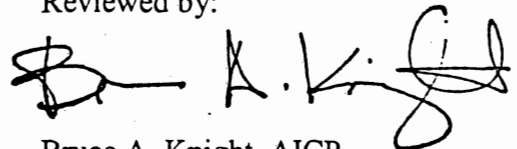
2. Staffing Impact. Approval of this Council Bill will require negligible staff time.

Prepared by:



Kevin D. Phillips
Zoning Administrator

Reviewed by:



Bruce A. Knight, AICP
Planning Director
Enterprise Zone Administrator

KDP:bkp g:\ez\amend boundaries cbexp 11-01

**ILLINOIS ENTERPRISE ZONE PROGRAM
APPLICATION TO ADD TERRITORY
OPTION 1**

Complete "APPLICATION TO ADD TERRITORY - OPTION 1" if you intend to qualify the proposed addition as an area that provides an immediate (2 years or less) substantial utility or benefit to the established zone and/or its residents or businesses by: creating or retaining specific jobs; or removing or correcting an impediment to economic development which exists in the established zone; or, stimulating neighborhood residential or commercial revitalization.

PART A: LEGAL APPLICANT

Type of Application: Single _____ Joint X
(If Joint Application, provide information for each applicant.)

Name of Jurisdiction City of Champaign

Street/P.O. Box 102 N. Neil Zip Code 61820

City Champaign County Champaign

Chief Elected Official Gerald Schweighart

Zone Administrator Bruce A. Knight Phone (217) 351-4486

Type of Applicant: City X County _____

Type of Application: Single _____ Joint X
(If Joint Application, provide information for each applicant.)

Name of Jurisdiction Champaign County

Street/P.O. Box 1776 E. Washington Zip Code 61801

City Urbana County Champaign

Chief Elected Official Patricia Avery, Chair of the Board

Zone Administrator Frank DiNovo Phone () _____

Type of Applicant: City _____ County X

Type of Application: Single _____ Joint _____
(If Joint Application, provide information for each applicant.)

Name of Jurisdiction _____

Street/P.O. Box _____ Zip Code _____

City _____ County _____

Chief Elected Official _____

Zone Administrator _____ Phone () _____

Type of Applicant: City _____ County _____

Note: Submit one application that includes an original ordinance(s), intergovernmental agreement and taxing district resolutions plus 2 certified copies of the ordinances, intergovernmental agreement and taxing district resolutions. All attachments must be 8-1/2" x 11", excluding maps. The format of this application may be reproduced and completed in an expanded form provided the final application is presented in bound form or loose leaf notebook. All pages must be numbered in sequence and attachments labeled.

PART B: DESCRIPTIVE INFORMATION

1. Total area of the existing enterprise zone: _____ square miles
2. Area of the proposed addition: Acres _____ Square Miles _____
3. Population of the proposed addition: _____
4. Is the proposed addition contiguous with the enterprise zone:
Yes X No _____

PART C. PURPOSE OF AMENDMENT

Explain why the amendment is being requested.

This expansion is the logical expansion of the EZ to encourage the development in two Industrial Subdivisions, Apollo to the North (Light & Heavy Industrial District) and Atkins West to the Northwest along Route 150 (Interstate District). This expansion builds upon the successful development of these subdivisions with Fed Ex Ground and warehouse distribution facilities in Apollo and Rockwell International (Allen Bradley) in the Atkins West development. Locating similar industries in these subdivisions will require that they be ready for development including location in the Enterprise Zone.

PART D. ELIGIBILITY CRITERION

1. Describe and document the specific development commitment (s) that will occur within the two year period following the proposed boundary change. Such information must include: project scope; estimated cost of the project; timeline for completing project milestones; project start and completion dates; construction plans or schematics; construction permit data; and, evidence of financial commitment from financial institutions and/or local, state or federal government. Indicate the name of the business, the product or service provided and current employment. Project documentation is to be provided or certified by the business(es) involved.

2. Describe how, and the extent to which, the above described project impacts at least one of the following:
 - a. job creation or retention;
 - b. removal or correction of an impediment to economic development that exists in the established zone (describe the obstacle to economic activity and indicate the cause, nature, extent and how the obstacle is impacting economic development); or,
 - c. stimulation of neighborhood residential or commercial revitalization.

- b. Both areas of Enterprise Zone extension are the next logical expansion of the EZ in their respective Industrial Subdivisions. In both instances, the City has annexed land and zoned these areas for industrial uses in years past, placing the bulk of these two areas closest to the City limits within the EZ. As these industrial subdivision develop, the City and County propose to extend the EZ into incorporate the rest of these industrial subdivisions to facilitate their development and be prepared to locate new industries in them.**

PART E. DEVELOPMENT GOALS AND OBJECTIVES

Describe how the proposed boundary change meets specific objectives of the local enterprise zone program and plan.

The expansion of the Enterprise Zone at this time facilitates the phased expansion of these two industrial subdivisions. By not including the entirety of the subdivisions in the initial establishment of the EZ, the City and County encouraged those parts of the subdivisions nearest the developed municipality to develop first. At this time the City and County propose that the EZ incentives would be extended to the undeveloped areas of these industrial subdivisions.

Enterprise Zones in Champaign County

Prepared by the
Champaign County Economic Development Corporation

What is an Enterprise Zone?

An Enterprise Zone is a specifically designated area (approved by the State) in which state and local tax incentives and direct financing assistance are provided to firms locating or expanding in the zone. The purpose of the zone is to encourage economic development and thereby increase employment opportunities for residents of the community and surrounding area.

The Illinois Enterprise Zone Act was enacted on July 1, 1983. As a result of the Act, the Enterprise Zone Program was created and designed to encourage economic development and neighborhood revitalization in designated geographical areas of Illinois. The Enterprise Zone Program is a state and local partnership that emphasizes a creative coalition of state and local government, business, and labor and community groups to encourage economic growth in the enterprise zones. The Illinois Enterprise Zone Act limited the term of zones to 20 years. Last year, the State Legislature amended the Enterprise Zone Act to allow zone terms to be extended an additional 10 years.

How many enterprise zones are there in Illinois?

There are 93 zones in the state of Illinois. The following is a partial list of communities in which Champaign County competes for economic development projects. These communities all have enterprise zones.

- Bloomington/Normal/McLean Co
- Danville/Tilton
- Decatur
- Effingham/Effingham County
- Jacksonville
- Kankakee River Valley
- Peoria
- Quad Cities
- Springfield.

Forty- three (43) of the enterprise zones in the State of Illinois are countywide or a partnership between the county and a municipality.

What are the states with Enterprise Zones?

The states of Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Louisiana, Maryland, Michigan, Minnesota, Nebraska, New Mexico, Ohio, Oregon, Pennsylvania, Rhode Island, Texas, Utah, and Wisconsin have an enterprise zone program as well as other incentive

programs. To remain competitive, states without enterprise zones typically establish alternative incentive policies to attract economic development.

What types of state incentives are available through the Enterprise Zone?

Through the Illinois Enterprise Zone Financing Program the following programs are available to companies expanding in an enterprise zone:

- **Participation Loan:** The Illinois Department of Commerce and Community Affairs (DCCA) may participate in an eligible loan for no less than \$10,000, nor more than \$750,000.
- **Property Tax Abatement:** A taxing body may order the county clerk to abate any portion of its taxes on real property located within a zone and upon which new improvements have been constructed or upon which existing improvements have been renovated or rehabilitated.
- **Sales Tax Exemptions on Building Materials:** Building materials purchased at a place of business within an enterprise zone may be exempt from sales tax (Illinois and the municipality).
- **Investment Tax Credits:** Allows a 0.5 percent credit against the state income tax for investments in qualified property which is placed in service in an enterprise zone.
- **Jobs Tax Credit:** Offers employers a tax credit on their Illinois income taxes for hiring individuals who are certified as economically disadvantaged or as dislocated workers. Credit is \$500 per eligible employee.
- **EZ Machinery & Equipment Sales Tax Exemption:** Allows a business enterprise that is certified by DCCA, as making a \$5 million investment that either: creates a minimum of 200 full time equivalent jobs in Illinois; or retains a minimum of 2,000 full time jobs in Illinois; or which retains 90% of the existing jobs, a 6.25 percent state sales tax exemption on all tangible personal property which is used or consumed with the enterprise zone.
- **Utility Tax Exemption:** Allows a business enterprise that is certified by DCCA, and makes an investment that either creates a minimum of 200 full-time equivalent jobs in Illinois or retains a minimum of 1,000 full time jobs in Illinois, a 5 percent state tax exemption on gas, electricity and the Illinois Commerce Commission 0.1 percent administrative charge.

Are taxes abated on the current value of the real estate?

No. The abatement applies only to taxes on the **increase** in assessed value attributable to the new construction, renovation, or rehabilitation. Taxes based on the assessed value of land and existing improvements continue to be extended and collected.

Champaign-Champaign County Joint Enterprise Zone

The Champaign-Champaign County Joint Enterprise Zone was established in 1986 and will expire in 2006. The enterprise zone is approximately 8 square miles and includes areas not within the City of Champaign's corporate boundaries. Businesses in the joint

enterprise zone but outside the city's boundaries include: Kraft, Plastipak, Clifford Jacobs, and the former Southland Distribution Center on U.S. Route 150.

Industrial, warehouse, office and multi-family rehabilitation projects are eligible for zone incentives. Qualified zone projects may receive abatements from the county, city, and the Champaign Park District property tax levies of up to 100% on the increase in the assessed value. These abatements run for 10 years for industrial projects and five years for commercial and residential projects. In addition building materials used in these projects are exempt from sales tax. Other state incentives may apply to projects that meet eligibility criteria, for instance creation/retention of a minimum number of jobs.

It's important to note that local enterprise zones are not solely used for business attraction and retention. The Champaign Enterprise Zone encompasses much of Champaign's low-income housing areas. The enterprise zone provides for tax abatements and sales tax benefits for residential redevelopment, including improvements to single family and multi-family housing. The real estate tax abatement for the residential redevelopment is crucial as it helps to encourage low income homeowners to make needed repairs to residential property, thus stabilizing the neighborhoods.

Table 1 provides historical information on the Champaign/Champaign County Enterprise Zone and its effectiveness.

Table 1 - Champaign/Champaign County Enterprise Zone

Fiscal Year	Total Private Investment	Jobs Created	Jobs Retained	No. of Businesses
FY'87	\$39,424,792	605	359	38
FY'88	\$ 11,732,974	287	210	34
FY'89	\$15,098,875	271	273	29
FY'90	\$16,426,680	427	996	12
FY'91	\$13,879,114	117	322	13
FY'92	\$1,922,279	36	43	8
FY'93	\$17,339,771	145	60	17
FY'94	\$8,283,400	81	261	16
FY'95	\$8,271,500	322	99	20
FY'96	\$13,167,903	251	225	19
FY'97	\$7,636,803	167	302	10
FY'98	\$67,588,625	285	159	36
FY'99	\$12,071,370	216	203	17
FY'00	\$30,212,941	781	339	22
FY'01	\$4,884,631	12	15	9
TOTAL	\$267,941,658	4,003	3,866	300
Source: Illinois Department of Commerce and Community Affairs (DCCA)				

Urbana Enterprise Zone

Established in 1985, the City of Urbana created a similar enterprise zone that remains in effect until December 21, 2005. The Urbana Enterprise Zone encompasses approximately 2.76 square miles and is equal to approximately 24 percent of the City of Urbana. It is located predominantly in the northern and industrial portions of Urbana.

Only commercial and industrial projects are eligible to receive property tax abatement in the Urbana zone and only the City of Urbana and Champaign County taxing districts have authorized property tax abatement.

Table 2 provides historical information on the Urbana Enterprise Zone and its effectiveness.

Table 2 - Urbana Enterprise Zone

Fiscal Year	Total Private Investment	Jobs Created	Jobs Retained	No. of Businesses
FY'86	\$4,417,613	237	71	52
FY'87	\$3,465,727	98	60	42
FY'88	\$1,934,638	181	52	45
FY'89	\$8,384,469	261	52	57
FY'90	\$3,807,715	158	15	51
FY'91	\$6,275,285	76	31	32
FY'92	\$6,159,415	485	14	32
FY'93	\$1,235,606	39	0	12
FY'94	\$5,776,000	511	120	16
FY'95	\$11,221,827	128	147	16
FY'96	\$25,953,636	440	55	12
FY'97	\$13,265,463	281	193	17
FY'98	\$14,915,260	301	0	12
FY'99	\$887,000	17	0	6
FY'00	\$29,797,000	536	268	7
FY'01	\$5,689,959	26	35	12
TOTAL	\$143,186,613	3,775	1,113	421

Source: Illinois Department of Commerce and Community Affairs (DCCA)

In summary of the activity for both zones for the past 16 years, the Champaign zone has experienced the following success:

- 15 years of existence with assistance to 300 businesses
- \$893,138 of private investment per business
- **7,869 jobs** created or retained
- 1 job created for every \$66,935 of private investment
- 1 job retained for every \$69,307 of private investment
- \$17,862,777 of private investment per year

The Urbana zone has experienced the following success:

- 16 years of existence with assistance to 421 businesses
- \$340,110 of private investment per business
- **4,888 jobs** created or retained
- 1 job created for every \$37,930 of private investment
- 1 job retained for every \$128,649 of private investment
- \$8,949,163 of private investment per year

Champaign County has successfully impacted our community's economic development position by actively participating in the two enterprise zones. In total, the cumulative direct impact of the two enterprise zones is:

- **\$169,981,271 of private investment into Champaign County**
- **12,757 jobs created or retained for Champaign County**
- **797 jobs created or retained on average per year for Champaign County**

Are enterprise zones a locational advantage for a community?

The presence of an enterprise zone in a community is an integral tool for the attraction and retention of companies. Many communities across the United States will not survive the initial "cut" during a site selection search if they do not have an enterprise zone. Since the majority of the companies seek confidentiality during the site selection process, preliminary site analyses are typically conducted via information that is readily available on the web. Quite often the consultants or businesses have researched our community prior to the initial contact with municipal or county economic development officials. With multiple enterprise zones in Champaign County, our region is granted the ability to compete for these businesses. The Champaign County Economic Development Corporation (EDC) is one of approximately 15,000 economic development organizations/localities in the United States competing for an estimated 100 – 200 substantial site selection projects each year. The existence of the enterprise zones in Champaign County gives our community an edge over the competition without enterprise zones and keeps Champaign County on an even playing field with the majority of the competition.

Besides the substantial site selection projects that EDC and our municipal partners try to attract to Champaign County, the EDC is contacted by local businesses that examined site relocation/expansion possibilities in Champaign County. Our enterprise zones play an integral role with the existing companies located in our community. With the presence of the enterprise zones, Champaign County remains competitive when companies are considering an expansion. Many of Champaign County's largest employers and industries are not headquartered in Champaign County, and have many plants throughout the country. When a company is considering an expansion, the enterprise zone is a major factor in promoting Champaign County for their growth. (Provided in the appendix is a synopsis of a corporate survey recently completed by

Area Development Magazine concerning the importance of incentives in the site selection process.)

Why should Champaign County be involved in economic development?

A regional economic development approach is crucial to successful economic development in the 21st century. Our regional community needs to display a shared vision for economic development. All entities must move proactively in the same direction with the same vision to sustain economic vitality in our community. Champaign County is a key member of our regional economic development effort. Champaign County offers support to the urban centers and helps to promote the retention and expansion of the county's industrial businesses which in turn increases the industrial tax base and thereby reduces the tax burden on the county's residential and agricultural constituents.

By having all government entities participating in the economic development process in Champaign County, we send a strong and unified message to the businesses within Champaign County as well as companies looking to expand: Champaign County has a pro-business climate.

If Champaign County withdraws from the enterprise zone program, it is feared that the pro-business image of Champaign County will be tarnished and our competitors will definitely use this to their advantage. The message will be sent that Champaign County government no longer wishes to help existing businesses to stay and expand their business in the County.

Why should Champaign County be a part of the Enterprise Zone?

The cities of Champaign and Urbana and Champaign County established their zones to make the boundary line between the entities "transparent". Economic development was encouraged by the zone incentives, irrespective of whether the project was in the city or on the urban fringe. The zones were kept intentionally compact in order not to induce development in the prime agricultural areas away from urban services. Then, as now, the establishment of joint zones indicated that our local governments are working together on economic development, rather than competing against each other.

If Champaign County elects to withdraw participation and is excluded from the zone, properties in the cities of Urbana and Champaign will have an advantage over those in the County. Attention will be drawn to the issues of annexation, rather than the positive message of the governments working together on development that employs Champaign County residents. A joint zone sends the message of a unified effort and intergovernmental cooperation to the State of Illinois and to companies and search firms considering our area for relocation.

If state incentives are important, why does Champaign County need to be involved?

The county's participation is fundamental to the existing enterprise zone programs in Champaign and Urbana. For each community, nearly one-third of the property tax

abatement is the county's contribution. The enterprise zones are not only important in the site selection process to attract new business, but also for existing businesses that take advantage of the property tax and sales tax incentives to expand their current operations and facilities. Enterprise zones help to create jobs – jobs for the residents of Champaign County, which ultimately leads to the economic health of the county.

The abatement of local taxes benefits the company locating in the County and also represents a local share of the large state incentives – providing maximum leverage of both the State and local resources. The State will focus the efforts of the Department of Commerce and Community Affairs on areas that make significant local investments in new and expanding companies. The County's participation allows our community the opportunity to tap into the significant economic development incentives that are offered by the state for qualified applicants. State incentives have assisted local businesses like Motorola, SAIC, NEG Micon, FedEx, Flex-n-Gate and others.

Further, in the Champaign Enterprise Zone, the county involvement is crucial for the residential redevelopment in the low-income neighborhoods of the community. There are no state incentives currently available - only the local incentives in these neglected regions.

How do enterprise zones foster smart growth?

With the designation of enterprise zones, communities are proactively selecting areas for future commercial and industrial growth. This proactive approach allows communities to protect neighborhoods and adjacent agricultural land from sprawl. The Enterprise Zone on the development fringe around the cities encourages compact contiguous growth that can be served by urban resources. The Champaign and Urbana Enterprise Zones represent land that is not considered prime agricultural land. Additionally, the creation of enterprise zones allows for the concentration of suppliers in close proximity to industrial users allowing for efficiencies in the shipment of needed materials.

What types of businesses have received assistance via enterprise zones?

The businesses that have taken advantage of the benefits of the enterprise zone cross all industry sectors. These include agriculture services (Champaign County Farm Bureau, USDA, UI Cooperative Extension), manufacturing (Kraft Foods, PlastiPak, Flex-N-Gate, Vesuvius, AFSI, White Cap, NEG Micon), distribution (SuperValu, FedEx Ground, Rockwell International, Bell Sports), commercial (Accordia, Busey Bank, Tile Specialists, Strategic Marketing and Mailing, MOSA Sports), high tech (SAIC, Motorola, Cisco, Amdocs, University of Illinois – South Research Park), and office (Corporate Park Centre, Devonshire Corporate Centre, Mattis Commercial Park). In addition, in the Champaign Enterprise Zone, homeowners can take advantage of the property tax and sales tax benefits in designated redeveloping neighborhoods.

Appendix

1. ***Area Development Magazine* Survey**
2. **Historical Labor Force Statistics for Champaign County**
3. **Map of Urbana Enterprise Zone**
4. **Map of Champaign Enterprise Zone**

1. Area Development Survey

In December 2001, *Area Development Magazine* released its annual Corporate Survey. Respondents were asked to rank the following site selection factors in regards to importance:

Tax Exemptions:

- 35.8 very important
- 46.9 important
- 13.6 minor consideration
- 3.7 of no importance

State and Local Incentives:

- 40.7 very important
- 40.7 important
- 13.6 minor consideration
- 4.9 of no importance.

Ranking of all site selection factors:

1. Availability of skilled labor
2. labor costs
3. highway accessibility
4. energy availability and costs
5. availability of telecommunications services
6. tax exemptions (82.7)
7. occupancy or construction costs
8. state and local incentives (81.4)

Which type of incentives received?

1. Tax abatements (67%)
2. Training grants/assistance (57%)
3. Assistance with labor screening/recruitment (41%)
4. Infrastructure/development grants (40%)
5. Favorable financing (29%)
6. Special legislation (7%)

70% of the respondents for the survey were involved in their firms' preliminary or final location decisions. Another 25% help with site selection information gathering process.



Dear Abby

■ Early intervention for child can save later heartache.

— B-8

LOCAL

Tuesday, January 15, 2002

The News-Gazette **I**

Official opposes extension for zone

■ Plan director urges review of effectiveness

By MIKE MONSON
News-Gazette Staff Writer

CHAMPAIGN — Champaign County's planning and zoning director is urging rejection of a proposal to extend the life of the joint Champaign-Cham-

paign County enterprise zone. In a memo to Champaign County Board members, Frank DiNovo is recommending that the county reject, for now, the city of Champaign's request to extend the term of the enterprise zone from 2006 to 2016.

Instead, DiNovo urges that the county board wait on the issue until the county has had an opportunity to evaluate the zone's effectiveness at attract-

ing industry.

Meanwhile, city and local economic development officials are arguing that the enterprise zone is a critical economic development tool that, if lost, would put the area at an economic disadvantage.

In a written memo to the county board, DiNovo noted that in fiscal 2000, the county provided \$181,000 in property tax abatements in its two joint

enterprise zones in Champaign and Urbana.

Since the zones were established in the mid-1980s, the county has provided more than \$1 million in tax relief to companies and individuals that build in the enterprise zone, he wrote.

DiNovo said he calculated the cost of the incentives himself with the help of the county clerk's office. Nowhere do they

appear in the county's budget, he said.

"These incentives don't appear in the budget," DiNovo said. "Nobody tracks the cost, but as far as taxpayers are concerned, the effect is the same — their taxes are higher than they otherwise would be."

If the county didn't offer the incentives, the owner of a \$150,000 home would pay \$4.55 less on a property tax bill,

DiNovo said. Nearly a percent of the county's overall property tax rate of 61 cents per \$100 of assessed valuation is attributable to the enterprise zone incentives, he said.

"What we are doing is increasing the tax burden to families residential," DiNovo said. "The net effect. Somebody has to make up the difference."

Please see ZONE, B-2

Changes in hiring practices likely

■ Council wants more diversity in work force

By DEANA POOLE
News-Gazette Staff Writer

URBANA — A change in Urbana's hiring practices is likely after city council members showed initial support Monday on a proposal to increase the diversity of city employees.

The changes, up for a formal vote on Feb. 4, would help the city achieve its goal of having the diversity of city employees mirror the diversity of the city's population, said Bruce Walden, chief administrative officer.

But council members warned that changing city policy shouldn't be the end-all solution.

"You can have all the laws on the books you want to," said Jim Hayes, D-Ward 3. "Unless



Ex-deputy gets 12-year sentence in Omega scheme

■ Judge says defendant's role wasn't unwitting

By STEVE BAUER
News-Gazette Staff Writer

URBANA — As he was sentenced to prison Monday, James Turner, a former Coles County sheriff's deputy convicted for his role in the Omega Trust and Trading fraud, repudiated the man who organized the program.

Turner, 52, was sentenced by U.S. District Judge Michael McCuskey to 12 years and seven months in prison and three years of supervised release, formerly known as parole.

Turner, who persisted in saying he was innocent and did not know anything about Omega, said he was "taken in by the most manipulative man I have known," referring to Clyde Hood, whom he previously regarded as a father figure.

"I'm truly sorry I engaged such

Many victims not applying for restitution

URBANA — The lead prosecutor of a multimillion-dollar fraud known as Omega Trust and Trading said only about 10 percent of people have filed claims as victims in the case.

Esteban Sanchez said he based on the estimated value of property seized from defendants in the case and subject to forfeiture, the government expects to have a pool of roughly \$3 million to \$4 million available for restitution.

A hearing on Omega restitution is set for Jan. 24 in U.S. District Court in Urbana.

Indictments against 19 people on federal charges of money laundering conspiracy, mail wire fraud conspiracy and conducting transactions with ill-

Zone

Continued from B-1

DiNovo said there are a number of economic studies nationally that question the effectiveness of enterprise zones.

The issue will come before the county board's Environment and Land Use Committee at 7 p.m. Wednesday at the Brookens Administrative Center, 1776 E. Washington St., U.

Specifically, the committee is being asked to endorse or reject extending the life of the Champaign-Champaign County enterprise zone for 10 more years, though 2016, and also to expand the zone by another 167 acres to include the northern part of developer Clint Atkins' Apollo Subdivision industrial park.

In the enterprise zone, the city, county and Champaign Park District provide 100 percent property tax abatements on the increase in assessed value for industrial projects and for five years for commercial projects. In addition, building materials used for those projects are exempt from sales taxes and the state provides other incentives.

DiNovo's stand puts him at odds with a number of local economic development officials.

A top city official, a local developer and the executive director of the Champaign County Economic Development Corp. all argue that the enterprise zone is effective and is one of the few economic development tools at the disposal of local officials.

Jill Guth, executive director of the economic development

Supreme Court recently supported the redistricting.

corporation, said that Illinois, in comparison to neighboring states, offers fewer incentives for companies considering locating here. That makes local incentives tremendously important, she said.

"Many of these prospects or suspects we're looking at, one of the first things they want to know is if we have an enterprise zone," Guth said. "There are 94 of them (enterprise zones) in Illinois. I'm working on a couple major local expansions and the enterprise zone is a major component of the incentive package we're exploring with those companies."

Craig Rost, Champaign's deputy manager for development, said that the biggest incentives for companies looking to establish a local plant are state incentives that are available only at sites located in an enterprise zone. Those state incentives include investment tax credits, job training credits, a utility tax exemption for companies with more than 200 jobs and a state 5 percent sales tax exemption for machinery and equipment.

"We've created this playing field where most municipalities have the enterprise zone," Rost said. "Somebody who doesn't have the zone is at a disadvantage. If our zone has a short life, a place like Decatur might have an advantage."

The Champaign-Champaign County enterprise zone covers 8 square miles and includes most of the city's nonresidential areas, including Interstate Research Park, some of the Apollo Subdivision, an area near the junction of interstates 57 and 74, the Market Street

found Sunday slumped behind the wheel of his cab.

industrial area, the industrial portions of West Springfield Avenue and a large part of Campustown.

Mark Dixon, director of real estate for The Atkins Group, also argues that many companies "won't even consider a location without an enterprise zone."

Dixon said the Champaign-Champaign County enterprise zone was a factor in helping to secure Rockwell Automation, formerly the Allen-Bradley Co., and Fed Ex Ground, formerly RPS, which combined employ nearly 1,000 people.

"Every one of those employees buys cars, buys homes and buys groceries in the county," he said. "The ripple effect does help the community."

County board Chairwoman Patricia Avery, D-Champaign, said she thinks further study is a good idea.

"It's starting to concern me that we are chipping away at our tax base," she said. "Maybe we ought to examine it a little more closely."

DiNovo makes no recommendation on the proposed expansion of the enterprise zone to add part of the Apollo subdivision, except to note that the proposed expansion does not comply with a 1995 county board resolution.

That resolution said expansions of the zone should occur for specific projects and if the company is not in significant direct competition in the local market with any existing county firm.

DiNovo said the county board has ignored that resolution, however, in previous expansions of the enterprise zone.

In search of the facts

Nine-year-old Brenna Williams, above, a fourth-grader at Barkstall Elementary School, plays the Almanac Scavenger Hunt on Monday at the Champaign Public Library. Fourth- and fifth-grade students from the school took a field trip to the library to learn about its resources. At right, fifth-graders Sara Benekohal, on left, and Alexandra Bell check out reference books as they try to answer questions in another game.

Omega

Continued from B-1

ple." During the height of Omega, Turner had a personal tax return one year showing an adjusted gross income of only \$6,000, according to McCuskey. Turner had publicly rejected a proposed plea agreement, telling the Mattoon Journal-Gazette in May that he felt prosecutors were threatening him, along with other "minor players" in Omega, with a lengthy jail term to get them to plead guilty.

U.S. Attorney Frances Hulin responded that Turner had been offered a standard plea agreement.

Many of the other Omega defendants accepted plea terms similar to the ones rejected by Turner calling for dismissal of

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Enterprise Zones in Champaign County


	Joint City of Champaign - Champaign County	Urbana	Rantoul
Authority (project eligibility, expansion)	City and County Jointly	City	Village
Expiration	December 31, 2006	December 31, 2005	December 31, 2007
Area Original Current	7.5 sq. mi. 8.0 sq. mi.	1.81 sq. mi. 2.76 sq. mi.	.51 sq. mi. 4.07 sq. mi.
Eligible Projects	Single-family Dwellings Multi-family Rehabilitation Service Office Warehouse Industrial	Retail Service Office Warehouse Industrial	Retail Service Office Warehouse Industrial
Municipal Incentives	Property Tax Abatement Residential 100%, 5 years Commercial 100%, 5 years Industrial 50 - 100% ¹ , 10 years	Property Tax Abatement Commercial 20 -100% ² , 5 years Industrial 20 -100% ² , 5 years	Property Tax Abatement Commercial 10 - 50 % ⁴ , 10 years Industrial 10 - 50 % ⁴ , 10 years
County Incentives	Property Tax Abatement (Excluding Mental Health & Jail Bond Extensions) Residential 100%, 5 years Commercial 100%, 5 years Industrial 50 -100% ¹ , 10 years	Property Tax Abatement (Excluding Mental Health & Jail Bond Extensions) ³ Commercial 20 -100% ² , 5 years Industrial 20 -100% ² , 5 years	None
Other Local Incentives	Champaign Park District Property Tax Abatement Residential 100%, 5 years Commercial 100%, 5 years Industrial 50 -100% ¹ , 10 years	None	Rantoul City School Dist. & Rantoul Twp. HS. Dist. Property Tax Abatement Commercial 10 - 50 % ⁴ , 10 years Industrial 10 - 50 % ⁴ , 10 years


State Incentives (available in all Enterprise Zones)

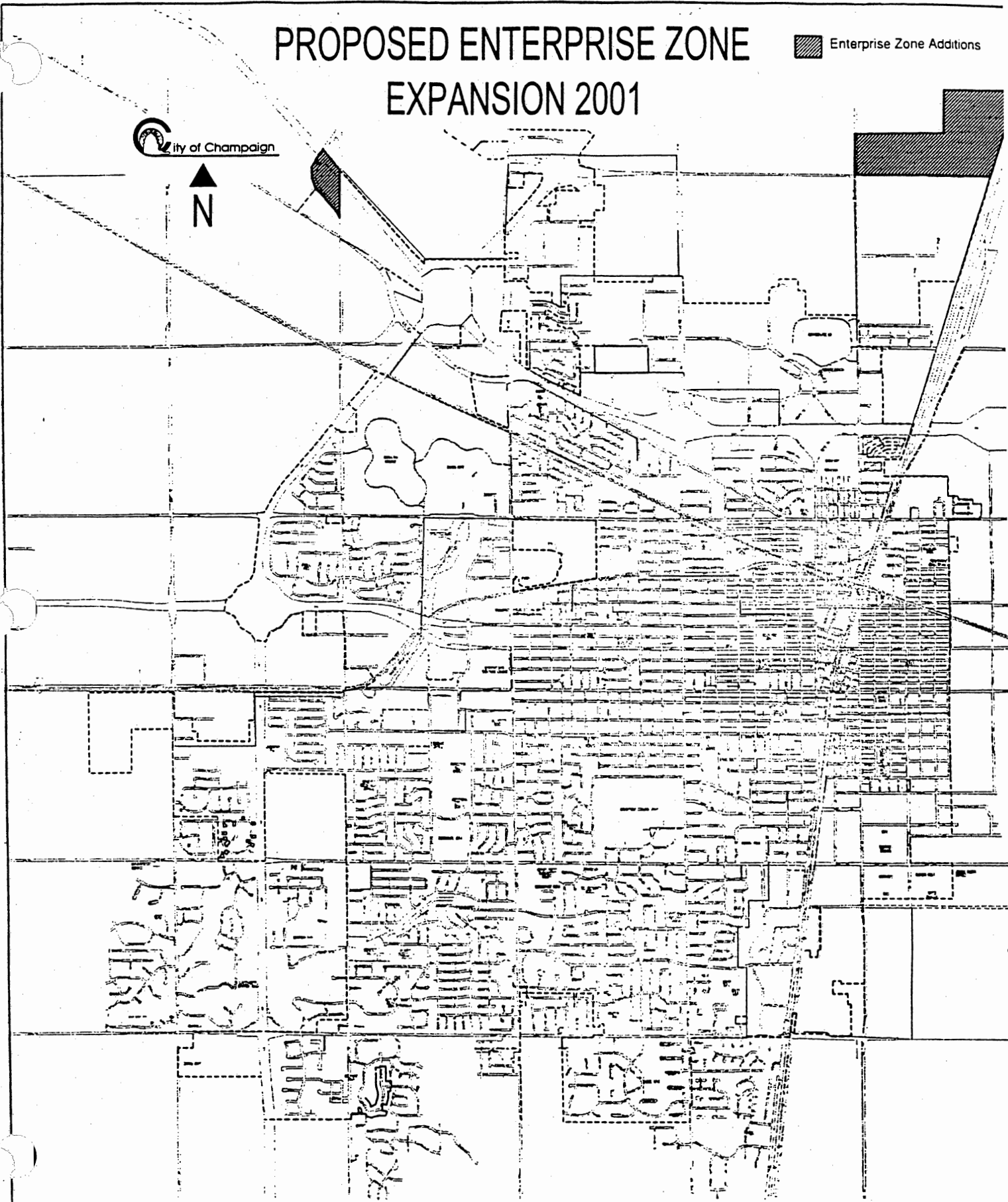
Sales Tax Exemption:	(1)All building materials used in any construction in the enterprise zone subject to some limitations (2)Machinery & Equipment if >\$5million investment and creation of >200 jobs
State Utility Tax Exemption:	If >\$5million investment and creation of >200 jobs or >\$20 million and retention of >1,000 jobs.
Investment Tax Credit:	0.5% of investment in machinery, equipment & buildings
Jobs Tax Credit:	\$500 per dislocated or disadvantaged person hired (minimum of 5)
Income Tax Deductions:	(1)Dividend income from corporations doing substantially all business in a zone; (2)Financial Institutions' interest on loans for development in a zone; (3)Business contributions to designated zone organizations
DCCA Finance Program:	Loans to any business with >500 employees up to 25% of project value at a rate 2% below prime

- Notes**
1. Depends on number of full-time-equivalent jobs "created or retained"
 2. Depends on number of full-time-equivalent jobs "created or retained" and on total new assessed valuation
 3. Created by separate County Ordinance (No. 307)
 4. Depends on the total new assessed valuation

PROPOSED ENTERPRISE ZONE EXPANSION 2001

 Enterprise Zone Additions

 City of Champaign



**RESOLUTION ESTABLISHING
CHAMPAIGN COUNTY - CITY OF CHAMPAIGN
ENTERPRISE ZONE ANNEXATION POLICY**

WHEREAS, The Champaign County Board adopted Ordinance No. 255, *An Ordinance Establishing an Enterprise Zone*, on December 17, 1985 which is and will be in effect until December 31, 2005;

WHEREAS, A significant number of County residents have experienced poverty, unemployment, and economic distress and significant areas of the County are experiencing physical deterioration, vacancy and underutilization;

WHEREAS, The Enterprise Zone provides certain incentives to promote new investment and the creation of new jobs and the retention of existing jobs within the zone and in the larger community;


WHEREAS, Accommodating new projects eligible for Enterprise Zone benefits on sites outside but adjacent to the Enterprise Zone will provide an immediate substantial utility and benefit to the Enterprise Zone, its residents and businesses by creating jobs, and stimulating commercial revitalization.

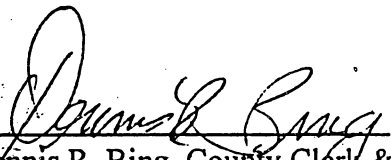
NOW, THEREFORE, BE IT RESOLVED by the Champaign County Board, Champaign County, Illinois, as follows:

1. That the County Board of Champaign County, Illinois hereby endorses the annexation of territory to the Champaign County - City of Champaign Joint Enterprise Zone to accommodate businesses described in item 2 below.
2. That upon presentation of a project plan containing specific commitments, plans, and timetables for development and identifying a specific site, for a business that is not in significant direct competition in the local market with any existing firm in Champaign County that is not located in an Enterprise Zone, the County will undertake all such actions that may be necessary to adopt the required ordinance amendments, amend the *Enterprise Zone Intergovernmental Agreement Between the City of Champaign and Champaign County*, and prepare and submit an application to the Illinois Department of Commerce and Community Affairs, and shall take all reasonable steps to expedite such actions.

3. That the County Board Chairman, County Administrator and all other County staff are hereby directed and authorized to take all necessary actions to fully implement this resolution in an effective and timely manner.

PRESENTED, ADOPTED, APPROVED AND RECORDED this 21st.
day of March, A.D. 1995

SIGNED: 
Lyle E. Shields, Chairman
County Board of Champaign
County, Illinois

ATTEST: 
Dennis R. Bing, County Clerk &
Ex-Officio Clerk of the County Board

URBANA ENTERPRISE ZONE

Questions & Answers

revised June, 1996

The following is a summary of the most often asked questions about the Illinois Enterprise Zone Program in general and the Urbana Enterprise Zone Program in particular. Questions and answers cover the following topics:

- INTRODUCTION
- LOCATION AND BOUNDARIES
- PROPERTY TAX ABATEMENT
- SALES TAX EXEMPTION ON BUILDING MATERIALS
- INVESTMENT TAX CREDITS
- JOBS TAX CREDITS
- INCOME TAX DEDUCTIONS FOR FINANCIAL INSTITUTIONS
- DIVIDEND DEDUCTION
- CORPORATE CONTRIBUTION DEDUCTION
- EZ MACHINERY & EQUIPMENT SALES TAX EXEMPTION
- UTILITY TAX EXEMPTION
- OTHER URBANA ZONE INCENTIVES
- ADDITIONAL INFORMATION

INTRODUCTION

■ **What is an Enterprise Zone?**

An Enterprise Zone is a specially-designated area in which tax incentives and direct financial assistance are provided to firms locating or expanding there. The purpose of the zone is to encourage economic development and thereby increase employment opportunities for residents of the zone and the larger community. Zone incentives are established by State legislation (primarily the Illinois Enterprise Zone Act) and by municipal ordinance. the City of Urbana received designation of its enterprise zone from the Illinois Department of Commerce and Community Affairs (DCCA) on July 1, 1985. Under current City ordinance, the Zone will remain in effect until December 21, 2005.

■ **Who is the local enterprise zone administrator?**

The Urbana Enterprise Zone Program is administered by the Economic Development Coordinator at the City of Urbana's Department of Community Development Services. For general information on the program, call 217/384-2442, fax 217/384-0200, or write to Zone Administrator, City of Urbana Community Development Services, P.O. Box 946, Urbana, IL 61801-0946. The hearing impaired may call at 217/384-2360.

■ **Who is the State enterprise zone administrator?**

The Enterprise Zone Program is administered at the state level by the Illinois Department of Commerce and Community Affairs. For general information on the program, call 217/785-6142. The hearing impaired may call at 217/785-6055.

LOCATION & BOUNDARIES

■ **Where is the Urbana Enterprise Zone?**

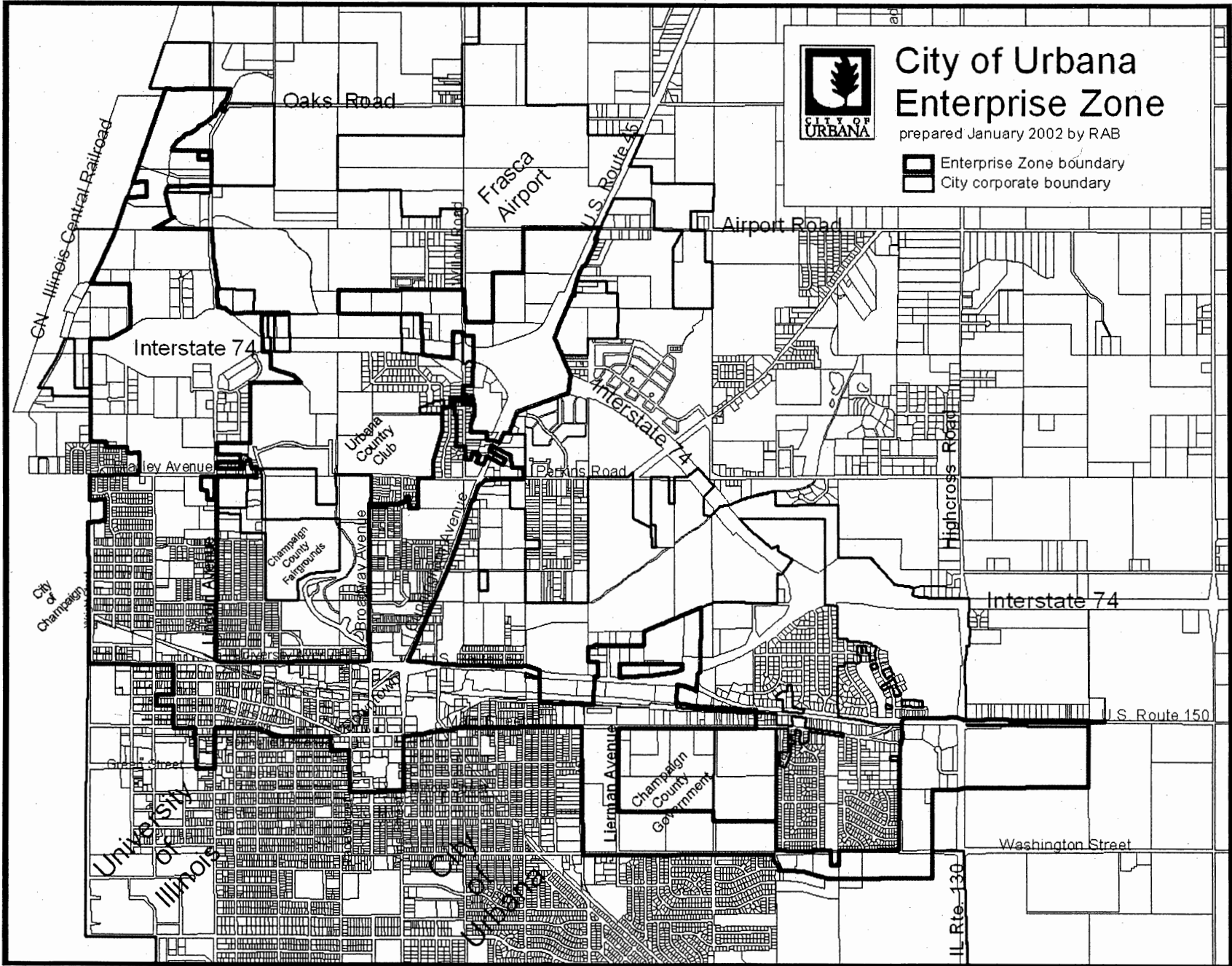
The Urbana Enterprise Zone is located primarily in the north part of the City. A map is provided on the following page which illustrates the current boundaries. The Zone boundaries outline the 1980 Census Tract areas that met the eligibility criteria for employment, income, and other demographics, with the exception of several areas added since the Zone was created in 1985.

■ **How do I find out if my property is located in the Urbana Enterprise Zone?**

The Urbana Enterprise Zone map provided on the following page may help, but it is a good idea to contact the Urbana Enterprise Zone Administrator to verify the location.



■ **If my property is not currently located in the Urbana Enterprise Zone how can my property be added?**

If you are planning a "significant" investment in a commercial or industrial project adjacent to or near the Urbana Enterprise Zone you may request the property to be added to the Zone. A public hearing is required and both the City and the State must find that the project is "significant" before a property can be added to the Zone. Typically the process may take 120 days from the time a request is made and the time an addition to the Zone is certified by the State of Illinois. To see if you may qualify contact the Urbana Enterprise Zone Administrator.



City of Urbana Enterprise Zone

prepared January 2002 by RAB

-  Enterprise Zone boundary
-  City corporate boundary

CN Illinois Central Railroad

Oaks Road

Frasca Airport

U.S. Route 46

Airport Road

Interstate 74

Urbana Country Club

Park's Road

Interstate 74

Walley Avenue

Champlain County Fairgrounds

Broadway Avenue

Walley Avenue

Highcross Road

Interstate 74

City of Champlain

U.S. Route 150

University of Illinois

Liaman Avenue
Champlain County Government

Washington Street

IL Rte. 130

PROPERTY TAX ABATEMENT

■ **What is the enterprise zone property tax abatement incentive?**

The Revenue Act 35 ILCS 200/18-170 (State Bar Edition, as amended) provides that any taxing district may order the county clerk to abate (that is, to give up) any portion of its taxes on real property, or on any particular class thereof, located within a zone and upon which new improvements have been constructed or upon which existing improvements have been renovated or rehabilitated.

■ **Are taxes abated on the current value of the real estate?**

No. The abatement applies only to taxes on the increase in assessed value attributable to the new construction, renovation, or rehabilitation. Taxes based on the assessed value of land and existing improvements continue to be extended and collected.

■ **Can property tax be abated in a tax increment financing district (TIF)?**

No. Property tax abatement is not offered in a TIF District. Properties in the TIF are included in the legal description of the Zone and are eligible to receive other tax incentives and non-tax benefits. Property tax abatement must be excluded from the TIF because the tax on improvements in the TIF is the mechanism by which public improvements for the district are provided.

Tax increment financing is a financing technique that cities may use to pay for public improvements such as land assemblage, building demolition, utilities, streets, and sidewalks. Taxes generated by the increase in assessed valuation -- the tax increment -- go into a special allocation fund used to pay the bonds which financed the public improvement costs.

■ **To what extent are property taxes abated in the Urbana Enterprise Zone?**

There are four primary factors that limit the amount of property taxes that will be abated for a project.

- 1. Only commercial and industrial projects are eligible to receive a property tax abatement. Residential, institutional, and other classifications of land use are not eligible.*
- 2. Only the City of Urbana and Champaign County taxing districts have authorized property tax abatement. Together, they account for roughly less than one-quarter of the tax rate.*

3. *The abatement applies only to taxes on the increase in assessed value attributable to the new construction, renovation, or rehabilitation.*
4. *The taxes on improvements in the Urbana Enterprise Zone are abated based on a formula for providing new jobs and creating investment. The formula is as follows:*

Job Creation

<u># of Jobs Created</u>	<u>% Abatement</u>
1 - 5	20
6 - 19	40
20 - 49	60
50 - 79	80
80 or more	100

Increased Assessed Value

<u>Increased Assessed Value</u>	<u>% Abatement</u>
\$ 7,500 - 50,000	50
\$ 50,001 - 100,000	60
\$ 100,001 - 200,000	70
\$ 200,001 - 300,000	80
\$ 300,001 - 500,000	90
\$ 500,001 and above	100

Based on the above table, a commercial project that created 7 permanent full-time jobs in a new building addition that had an assessed value of \$35,000 would be eligible to receive a 90% abatement of the property taxes otherwise payable to the City and County for the new improvements to the property located in the Zone.

To help you better understand how property tax abatement is determined an example has been included in the appendix.

■ **How long are property taxes abated in the Urbana Enterprise Zone?**

For those projects that qualify, abatement begins on January 1 of the year following issuance of the Certificate of Occupancy for the project by the Urbana Department of Community Development Services. Urbana taxes are abated for five years. Champaign County taxes are abated for five years on commercial improvements and ten years on industrial improvements.

■ **What is the process for obtaining these incentives?**

There is no application for property tax abatement. The Zone Administrator monitors all building projects and determines qualified projects and requests the County Clerk to abate property taxes. If you are receiving the property tax abatement you will see the amount abated for the Enterprise Zone printed on your property tax bill. You can contact Urbana's Zone Administrator to find out if your project qualifies.

■ **How do these incentives affect the multiplier?**

They don't. The multiplier or equalization factor is the application of a percentage increase or decrease, generated by the Illinois Department of Revenue, in order to adjust assessment levels in various counties to the same percentage of full value. Multipliers are not effected by the enterprise zone property tax abatement provision or by county assessment reductions.

■ **Does the abatement of taxes on improvements in an enterprise zone affect the tax rate?**

Yes, however in most cases the effect will be marginal. Tax rates depend on the levy (amount of tax revenue the local government is raising) and the size of the tax base (total equalized assessed valuation of the district less homestead exemptions, plus the value of any State assessed property). Under normal circumstances, the tax rate for a district is calculated by dividing the district's tax levy by its tax base. The greater the tax base, the lower the rate needed to generate the amount of the levy.

Under the Enterprise Zone Program, the value of abated property is subtracted from the tax base prior to the calculation of the tax rate. In most cases, the tax base is large enough and the enterprise zone abatements are low enough that the overall effect is negligible.

■ **If property tax abatement is authorized, are new improvements made to property located within a zone assessed?**

Yes. By law, every time property is improved, it is reassessed.

SALES TAX EXEMPTION ON BUILDING MATERIALS

■ **What is the sales tax exemption?**

The "Retailers' Occupation Tax Act" 35 ILCS 120/5k (State Bar Edition, as amended) provides that: "Each retailer whose place of business is within a county or municipality which has established an enterprise zone pursuant to the "Illinois Enterprise Zone Act" and who makes a sale of building materials to be incorporated into real estate in such enterprise zone by remodeling, rehabilitation or new construction, may deduct receipts from such sales when calculating the tax imposed by this Act."

■ **What is the amount of sales tax that is exempt?**

The total 7¼% sales tax is deducted by the retailer. Sales tax exemptions include the Illinois five percent (5%) sales tax, the Urbana one percent (1%) municipal sales tax, the Urbana one percent (1%) home rule sales tax, and the Champaign county one-quarter percent (¼%) sales tax.

■ **What is the retailer's role?**

A retailer who is located within the City of Urbana and who makes a sale of building materials to be incorporated into the Urbana Enterprise Zone may offer a point of sale exemption of the sales tax and deduct the receipts from those sales on the retailer's sales tax return. The retailer completes the Building Materials Sales Tax Exemption Certificate provided by the purchaser and files the Certificate for accounting and audit records. The retailer does not charge sales tax on these sales. In most cases, retailers will only need one Certificate for each project, keeping the account open until all building material purchases are made for the project.

■ **Who is an eligible retailer?**

Any retailer whose place of business is within the corporate limits of the City of Urbana is eligible to deduct receipts from such sales when calculating the tax imposed by the "Retailers' Occupation Tax Act" (ROTA). Any retailer dealing in building materials but located outside of the corporate limits of Urbana may offer sales tax exemption only upon establishing a retail outlet within the Urbana corporate limits and registering with the Illinois Department of Revenue as a retailer with multiple locations. A list of Urbana building material retailers is provided in the Appendix.

■ **What is the purchaser's role?**

The purchaser must give the retailer a signed Sales Tax Exemption Certificate (also known as the "Purchaser's Statement") which provides the address of the property located within the Urbana Enterprise Zone and attesting that the materials purchased will be incorporated into that property only.

■ **Do all retailers offer a point of sale exemption?**

No. Retailers are not required by law to participate. The purchaser must ask the retailer for cooperation on this incentive. Retailers have, however, demonstrated good cooperation throughout the history of this program, as this incentive permits them to give customers a "break" without cost to themselves.

■ **What qualifies as "building materials" eligible for the sales tax exemption?**

Building materials that are eligible for the enterprise zone sales tax exemption include items that are permanently affixed to real property such as lumber, mortar, glued-down carpets, paint, wallpaper and similar affixed items. Items that would not qualify include tools, machinery, freestanding appliances, tacked down carpeting and other floor coverings not permanently affixed to real property.

INVESTMENT TAX CREDITS

■ **What is the enterprise zone investment tax credit?**

The Illinois Income Tax Act 35 ILCS 5/201 (State Bar Edition, as amended) allows a 0.5 percent credit against the state income tax for investments in qualified property which is placed in service in an enterprise zone. The enterprise zone investment tax credit is in addition to two existing investment tax credits:

0.5 percent credit against personal property replacement income tax; and

0.5 percent credit against replacement tax allowed if employment has increased by at least one percent over the preceding year.

With the enterprise zone investment tax credit, the total possible credits for investment in the Urbana Enterprise Zone could amount to 1.5 percent of the investment value.

■ **Who are qualifying taxpayers?**

The credit may be taken by corporations, trusts, estates, individuals, partners and Subchapter S shareholders who make investments in qualified property and who otherwise meet the terms and conditions established by statute.

■ **What is qualified property?**

"Qualified property" is property which:

is tangible; whether new or used, including buildings and structural components of buildings;

is acquired by purchase as defined in Internal Revenue Code (IRC) Section 179(d);

is depreciable pursuant to IRC Section 167;

has a useful life of four or more years as of the date placed in service in an enterprise zone;

is used in the enterprise zone by that taxpayer;

has not been previously used in Illinois in such a manner and by such a person as would qualify for the credit; and,

is an improvement or addition made on or after the date the zone was designated to the extent that the improvement or addition is of a capital nature, which increases the adjusted basis of the property previously placed in service in an enterprise zone and otherwise meets the requirements of qualified property.

■ **What are examples of "qualified property"?**

Examples include buildings, structural components of buildings, elevators, materials tanks, boilers, and major computer installations. Examples of non-qualifying property are land, inventories, small personal computers, trademarks, typewriters, and other small, non-depreciable, or intangible assets.

■ **What does "placed in service" mean?**

Qualified property is "placed in service" on the earlier of 1) the date the property is placed in a condition of readiness and availability for use, or 2) the date on which the depreciation period of that property begins.

■ **When must the qualified property be placed in service in order to take advantage of the credit?**

Qualified property must be placed in service in the Enterprise Zone after July 1, 1985, and on or before the last day of the firm's taxable year.

■ **Does the enterprise zone investment tax credit carry forward?**

Yes. The credit is allowed for the tax year in which the property is placed in service, or, if the amount of the credit exceeds the tax liability for that year, the excess may be carried forward and applied to the tax liability of the five taxable years following the excess credit year. The credit must be applied to the earliest year for which there is a liability. If there is credit from more than one tax year that is available to offset a liability, the credit accruing first in time is applied first.

■ **What is "depreciable" property?**

Property must be depreciable pursuant to Internal Revenue Code Section 167. Depreciable property is used in the taxpayer's trade or business or held for the production of income (but not inventory) which is subject to wear and tear, exhaustion or obsolescence.

There are some types of assets that may not be depreciable, even though they are used in the taxpayer's business or trade or are held for the production of income. Good will and land are examples. Other examples of tangible property which are not depreciable are inventories, natural resources and currency.

■ **Does "used" property qualify for the enterprise zone investment tax credit?**

Used property does not qualify if it was previously used in Illinois in such a manner and by such a person as would qualify for either the statewide investment tax credit or the enterprise zone investment tax credit.

A corporation purchases a used pick-up truck for use in its manufacturing business in an enterprise zone from an Illinois resident who used the truck for personal purposes in Illinois. If the truck meets the other requirements for the investment tax credit, it will not be disqualified because it was previously used in Illinois for a purpose which did not qualify for the credit. However, had the corporation purchased the truck from an Illinois taxpayer in whose hands the truck qualified for the credit, the truck would not be qualified for the investment tax credit, even though the party from whom the truck was acquired had never received an investment tax credit for it.

■ **What is the "basis" value of property?**

The "basis" value of property, for the purposes of this credit, is defined the same way it is defined for purposes of federal depreciation calculations. Essentially, the basis is the cost of the property, as well as related capital costs.

JOBS TAX CREDIT

■ **What is the enterprise zone jobs tax credit?**

The enterprise zone jobs tax credit 35 ILCS 5/201 (State Bar Edition, as amended) offers employers a tax credit on their Illinois income taxes for hiring individuals who are certified as economically disadvantaged or as dislocated workers.

■ **How much is the tax credit?**

An employer who conducts a trade or business in the Urbana Enterprise Zone is allowed a credit of \$500 per eligible employee hired to work in the Zone during the taxable year. The credit is available for eligible employees hired on or after January 1, 1986. Any unused portion of the credit may be carried forward five years. The credit must be applied to the earliest year for which there is a tax liability.

■ **How do employers qualify for the jobs tax credit?**

To qualify for the credit:

- 1. the employer must hire a minimum of five eligible employees during the taxable year; or*
- 2. the employer's total employment within the Zone must increase by five or more full-time employees beyond the employer's total employment in the Zone at the end of previous tax year for which a credit was taken or beyond the total employment as of December 31, 1985, whichever is later.*

■ **What individuals qualify as eligible employees for the Jobs Tax Credit?**

The employee must be:

- 1. either certified as a dislocated worker by a dislocated worker center or a local agency administering Federal Job Training Partnership Act (JTPA) funds or economically disadvantaged or a recipient of Public Aid benefits or food stamps;*
- 2. employed in the Enterprise Zone (i.e., the zone is the employee's place of work or the base of operations for services performed); or*
- 3. employed at least 180 consecutive days for 30 or more hours per week.*

■ **How does the employer find individuals eligible for the jobs tax credit?**

The employer should list job openings with the local JTPA administrative agency, noting that the business is within the Zone and seeks to hire certified dislocated workers. In Champaign County JTPA is administered by the Champaign consortium, 605 North Neil Street, Champaign, 384-8640.

■ **What paperwork is involved with the jobs tax credit?**

Eligible individuals will be issued a jobs tax credit certification voucher by the consortium to present to prospective employers. When a person is hired the employer should keep a copy of the voucher for tax records.

INCOME TAX DEDUCTIONS FOR FINANCIAL INSTITUTIONS

The Illinois Income Tax Act 35 ILCS 5/203 (State Bar Edition, as amended) provides that financial institutions in Illinois, such as banks and savings and loans, are eligible for a special deduction from their Illinois corporate income tax return. Such institutions may deduct from their taxable income an amount equal to the interest received from a loan for development in an enterprise zone. This is limited to the interest earned on loans or portions of loans secured by property which is eligible for the enterprise zone investment tax credit.

DIVIDEND DEDUCTION

■ **What is the dividend deduction?**

The Illinois Income Tax Act 35 ILCS 5/203 (State Bar Edition, as amended) provides that taxpayers may deduct from their taxable income an amount equal to those dividends which were paid to them by a corporation which conducts substantially all of its operations in an enterprise zone or zones.

■ **Can dividends from companies like Illinois Power be deducted?**

No. The firm must conduct substantially all of its operations within a zone or zones, and firms with locations throughout the state (such as Commonwealth Edison, GTE, Pioneer, AT&T, Sears, Occidental Petroleum, etc.) do not fit this definition.

■ **Who is an eligible taxpayer?**

Individuals, corporations, partnerships, trusts and estates are eligible to take the dividend deduction on their Illinois income tax returns.

■ **Which dividends may be subtracted?**

Only dividends paid on or after July 1, 1985 and on or before the last day of your taxable year may be deducted.

■ **Is there a list of companies doing substantially all their business in enterprise zones?**

No. Corporations must be contacted directly to verify their eligibility.

CORPORATE CONTRIBUTION DEDUCTION

■ **What is the corporate contribution deduction?**

The Illinois Income Tax Act 35 ILCS 5/203 (State Bar Edition, as amended) provides that corporations may make donations to designated zone organizations for projects approved by the Illinois Department of Commerce and Community Affairs, and claim an income tax deduction at double the value of the contribution, to the extent that 1) the contribution qualifies as a charitable contribution under Section 170, Subsection (c) of the Internal Revenue Code; and 2) the Illinois Dept. Of Commerce and Community Affairs approves the amount and type of contribution which may be claimed as a deduction.

■ **What is a designated zone organization?**

Only an organization that meets the eligibility criteria set forth in the Enterprise Zone Act, including approval from the City of Urbana and the Illinois Department of Commerce and Community Affairs, as a designated zone organization. For a list of these groups, call the DCCA at 217/785-6142.

■ **Who is an eligible taxpayer?**

Only corporations may deduct twice the amount of a cash or in-kind contribution made to a designated zone organization project.

■ **What is an approved contribution?**

In order to deduct twice the amount of a contribution, the contribution must be approved by the Illinois Department of Commerce and Community Affairs and must be made to an approved designated zone organization.

EZ MACHINERY AND EQUIPMENT SALES TAX EXEMPTION

- **What is the EZ Manufacturing Machinery and Equipment (M, M & E) Sales Tax Exemption?**

The Revenue Act 35 ILCS 120/1d-1f (State Bar Edition, as amended) allows a business enterprise that is certified by DCCA, as making a \$5 million investment that either: creates a minimum of 200 full-time equivalent jobs in Illinois; or retains a minimum of 2,000 full-time jobs in Illinois; or which retains 90% of the existing jobs, a 6.25 percent state sales tax exemption on all tangible personal property which is used or consumed within the Urbana Enterprise Zone in the process of manufacturing or assembly of tangible personal property for wholesale or retail sale or lease. This exemption includes repair and replacement parts for machinery and equipment used primarily in the process of manufacturing or assembling tangible personal property for wholesale or retail sale or lease, and equipment, manufacturing fuels, material and supplies for the maintenance, repair or operation of manufacturing, or assembling machinery or equipment.

- **How does a business become eligible for the M, M & E Sales Tax Exemption?**

To be eligible for this incentive, DCCA must certify that the business has made an investment of at least \$5 million in the Urbana Enterprise Zone and has created a minimum of 200 full-time equivalent jobs in Illinois or has made an investment of at least \$40 million in the Urbana Enterprise Zone and has retained a minimum of 2,000 full-time jobs in Illinois or has made an investment of \$40 million in the Urbana Enterprise Zone and retained 90 percent of the jobs in place after July 1, 1985. A business must submit an application to DCCA documenting the eligible investment and that the job creation or job retention criteria will be met.

- **What is an eligible investment?**

For purposes of this incentive, eligible investment may be either: 1) investments in qualified property as defined in the Enterprise Zone Investment Tax Credit ; or, 2) non-capital and non-routine investments and associated service costs made for the basic construction, renovation or improvement of qualified property including productive capacity, efficiency, product quality or competitive position. Regular maintenance and routine expenditures are not included.

■ **Are eligible sales limited to sales made within the City of Urbana?**

No. Items eligible for the 6.25 percent state sales tax exemption may be purchased anywhere in Illinois.

■ **What tangible personal property is eligible for the M, M & E sales tax exemption?**

To be eligible for this exemption the tangible personal property must be directly used or consumed in the process of manufacturing or assembling tangible personal property for wholesale or retail sale or lease. Examples of this include: repair and replacement parts; hand tools; materials and supplies such as abrasives, acids or lubricants; protective clothing and safety equipment; and, any fuel used for machinery and equipment.

The above examples are only exempt to the extent they are used with machinery and equipment that qualifies for the statewide Manufacturing Machinery and Equipment Sales Tax Exemption.

UTILITY TAX EXEMPTION

■ **What is the Utility Tax Exemption?**

The Public Utilities Act 220 ILCS 5/9-222.1 (State Bar Edition, as amended) allows a business enterprise that is certified by DCCA, and makes an investment in the Urbana Enterprise Zone that either creates a minimum of 200 full-time equivalent jobs in Illinois or retains a minimum of 1,000 full-time jobs in Illinois, a 5 percent state tax exemption on gas, electricity and the Illinois Commerce Commission 0.1 percent administrative charge. The City of Urbana does not exempt its local taxes on gas, electricity and water.

■ **How does a business become eligible for the Utility Tax Exemption?**

To be eligible for this incentive, DCCA must certify that the business makes an investment of at least \$5 million in the Urbana Enterprise Zone and has created a minimum of 200 full-time equivalent jobs in Illinois or makes an investment of at least \$20 million in the Urbana Enterprise Zone and has retained a minimum of 1,000 full-time jobs in Illinois. A business must submit an application to DCCA documenting the eligible investment and that the job creation or job retention criteria has been met.

■ **What is an eligible investment?**

For purposes of this incentive, eligible investment may be either: 1) investments in qualified property as defined in the Enterprise Zone Investment Tax Credit; or, 2) non-capital and non-routine investments and associated service costs made for the basic construction, renovation or improvement of qualified property including productive capacity, efficiency, product quality or competitive position. Regular maintenance and routine expenditures are not included.

OTHER URBANA ZONE INCENTIVES

- **Does the City of Urbana offer incentives in addition to those already discussed?**

Yes. The City offers a variety of incentives in the Enterprise Zone including:

1. Illinois Development Finance Authority (IDFA) provides financing and technical assistance to businesses, local governments, and not-for-profit corporations. IDFA assistance may be used both inside the outside of the Urbana Enterprise Zone.
2. Application preparation for Federal grants for land acquisition, construction financing, and equipment purchase to large firms locating or expanding in the Zone.
3. Up to 50% of a trainee's wages may be eligible for reimbursement through the JTPA On-The-Job Training Program which is administered locally by the Champaign County Consortium (Ph 217/384-8640). Additional financial assistance is available through the Prairie State 2000 Authority which provides assistance to companies through a grant or loan that helps offset the trainer costs associated with new technology or productivity/quality improvement retraining. For further information phone 309/344-2756 or 312/814-2700.
4. Below market rate loans for first-time homebuyers in the Enterprise Zone.
5. Community Development Block Grant funding for public improvements and private housing rehabilitation.
6. Assignment of a City staff person to expedite the procedures relating to the construction of a project in the Enterprise Zone.
7. Other incentives to be determined on a case-by-case basis.

ADDITIONAL INFORMATION

- **What other incentives are available?**

If you would like additional information on how the State of Illinois can help small businesses, call DCCA's Business Hotline at 800/252-2923.

- **Where can income tax forms be obtained?**

Income tax forms are available from the Illinois Department of Revenue (DOR) at P.O. Box 3545, Springfield, Illinois 62708, or at 100 West Randolph, Chicago, Illinois 60601. The Chicago location also has a walk-in taxpayers' assistance center on the lower level concourse. DOR's toll free number is 800/732-8866.