

CITY OF ELMHURST
TAX INCREMENT FINANCING INCENTIVE POLICY

I. INTRODUCTION

The purpose of this document is to provide guidance for the City of Elmhurst's (the "City") use of Tax Increment Financing (TIF) for development activities. These guidelines establish a framework by which TIF incentive requests can be received, reviewed and evaluated in an objective fashion. For this evaluation, the City will use the criteria indicated in this policy.

It is imperative to maintain and encourage a strong and positive business climate in the City, but this must be done in tandem with cautious review of the long-term financial implications, as well as potential community-wide impacts. As a matter of policy, the City of Elmhurst will consider using TIF incentives to assist private developments only in those circumstances in which the proposed private projects show a demonstrated financial gap. This policy identifies the provisions in the proposed economic incentive to be considered by the City.

It is the intention of the City of Elmhurst to review requests for TIF incentives on a case-by-case basis upon the merits of each situation. It is not the intention of the City to use incentives to relocate points of sale from neighboring communities that would be in violation of the TIF Act or to allow such requests to induce a bidding war for City resources. The City Council shall have the option of amending or waiving sections of this policy when determined necessary and/or appropriate. The fundamental purpose of TIF incentives is to encourage desirable development/redevelopment projects that would not otherwise occur "but for" the assistance provided through TIF.

It is the goal of the City to encourage additional economic development, and the City will consider participating to the minimum level required to make the development viable. The provision of financial assistance is at the sole discretion of the City. The City reserves the right to reject or approve projects on a case-by-case basis, taking into account established policies, specific project criteria, and the demand on City services in relation to the potential benefits to be received from the proposed project. Meeting policy guidelines or other criteria does not guarantee the award of assistance. Furthermore, the approval or denial of one project is not intended to set a precedent for approval or denial of another project. The City's decision to participate in any agreement should be viewed as a contribution that will aid growth and add long-term value to the community.

II. TIF ELIGIBLE DEVELOPMENT

The type of development for which the City will consider TIF funding includes, but is not limited to, the following:

1. Business development (Attraction, Retention, or Expansion).

2. Housing development.
3. Development consistent with approved TIF plans.
4. Development compatible with other redeveloped properties in terms of land use and capital improvements.
5. Development consistent with the City's Comprehensive Plan.

III. TIF INCENTIVE CRITERIA

Two of the following criteria must be met in order for incentive requests to be considered:

1. Attracting, retaining or expanding businesses for the purpose of improving the City's economic base.
2. Desirable business that would address an under-served business segment.
3. Presence of extraordinary development/redevelopment costs such as, but not limited to:
 - Remodeling/demolition
 - Environmental remediation
 - Capital purchases
 - Facility expansion
 - Public infrastructure
 - Governmental requirements (i.e. storm water retention, road improvements, etc)
 - Land acquisition
4. Enhancement of the streetscape and pedestrian experience and improvement of the general livability of the area.
5. Improving public infrastructure.
6. Providing a variety of quality housing choices.
7. Quality of development and overall aesthetics that are in excess of the mandated legal requirements and design standards.

IV. GENERAL POLICIES FOR THE USE OF TAX INCREMENT FINANCING ASSISTANCE

1. TIF assistance will not be provided to projects that have the financial feasibility (as determined by the City) to proceed without the benefit of the assistance. Prior to consideration of a TIF assistance request, the City may undertake an independent analysis of the project costs to ensure that the request for assistance is necessary.
2. Individuals requesting TIF assistance must demonstrate, to the satisfaction of the City, equity investment in an amount not less than ten percent (10%) of the project budget. Equity is defined as cash or un-leveraged value in land or prepaid costs attributable to the project.
3. An independent appraiser may be hired by the City to determine fair market value and/or equalized assessed value (EAV) for the project. The developer will be responsible for

paying all costs associated with the appraisal.

4. TIF assistance generally will not be used for projects that place extraordinary, unmet demands on City infrastructure or services.
5. The developer shall provide adequate financial guarantees to ensure completion of the project, including, but not limited to, one or more of the following: letters of credit, cash escrow, and personal guarantees.
6. When the project is intended as a for-sale development (i.e., office, retail or residential condominiums), unless authorized by the City Council, the developer must retain ownership of the overall project until final completion; provided, however, that individual condominium units may be sold as they are completed. For all other projects, the developer must retain ownership of the project until completion, stabilization of occupancy, establishment of project management, and initiation of payment of taxes based on the increased assessed value.
7. Each TIF incentive project must demonstrate the probability of economic success. The developer must be able to demonstrate to the City's satisfaction an ability to construct, operate, and maintain the proposed project based upon past experience, general reputation, and credit history. The developer shall initiate this effort by submitting to the City preliminary sales, rental, and other projections and/or pro forma analyses concerning the subject project. Existing sales or transfer sales from existing Elmhurst businesses must be accounted for in the projections. The developer shall also provide any market and financial feasibility studies, appraisals, and all information provided to private lenders for the project, as well as any other information or data which the City or its financial consultants may require in order to review the need for TIF assistance. This information will serve as the basis for the agreement.
8. Development projects receiving TIF assistance may be required to provide a full reimbursement of the City's financial assistance and expenses in the event the project is removed from the City's tax rolls during the period of time that the applicable incentive agreement is in existence. Furthermore, unless otherwise agreed upon, the developer and any lessee, licensee or user of the project shall not appeal the equalized assessed value (EAV) of all or any portion of the project below such amount that was established as the EAV at the completion of the project, during the period of time the applicable incentive agreement is in place.

V. TAX INCREMENT FINANCING ASSISTANCE STRUCTURE

1. TIF assistance may be provided by the City on a "pay-as-you-go" note method or via bond proceeds. Requests for up-front financing will be considered on a case-by-case basis, if increment generation is expected to be sufficient to meet initial financing and debt service costs. The developer will be responsible to provide tax bills and any other required information to allow the City to estimate and track the increment produced by the project.
2. The amount of assistance provided to a developer will be limited to the amount necessary to provide the developer a reasonable rate of return on investment in the

project and the subject site. A developer's reasonable return on equity, return on cost or internal rate of return will be based on current market conditions, as determined by the City.

3. Projects receiving assistance may be subject to a "claw-back" provision. The claw-back mandates a developer to provide the City, or its financial advisor, with evidence of its annualized cumulative internal rate of return on the investment (IRRI), other revenue, or applicable criteria (i.e. longevity or job creation commitments) at specified periods of time after project completion. In the case of IRRI, it shall be calculated with equity, revenues, and expenses in accord with generally accepted accounting principles.
4. When the developer owns the subject property and rents space to tenants, supporting documentation shall be provided to the City, including, but not limited to, certified records of project costs and revenues including lease agreements and sales on a per square foot basis. When included as a part of the City / developer agreement, if the records indicate that the developer has received a higher return on equity, a higher return on cost, or a higher internal rate of return than originally contemplated at the time of development agreement approval, the developer and the City shall split any increase as mutually agreed upon by the developer and the City.
5. When the subject property is a for-sale development and the IRRI cannot be calculated, the developer is to provide financial data after the project is completed. This shall include a calculation of profit on total development costs less the TIF assistance. If the records indicate that the developer has received a higher return on equity, a higher return on cost, or a higher internal rate of return than originally contemplated at the time of development agreement approval, the developer and the City shall split any increase as mutually agreed upon by the developer and the City.

VI. NON-PROFIT ORGANIZATIONS/TAX EXEMPT PROPERTY

The City may consider financial assistance for projects of non-profit organizations that own tax-exempt property. If TIF assistance is given, the organization's project will need to meet the pertinent goals of the City's applicable TIF plan and demonstrate a positive financial impact on the TIF District.

VII. APPLICATION PROCESS AND PROCEDURE

1. Application for TIF assistance shall be made on the TIF Financial Assistance application forms provided by the City. Applicants may be required to reimburse the City for extraordinary legal, administrative, planning, and/or consultant costs associated with processing the application.
2. As indicated in the TIF Financial Assistance application, the developer shall submit a preliminary financial commitment from a financial institution; plans and/or drawings for the project; background information on the developer; a pro forma analysis; financial statements, etc.

3. The developer shall submit audited financial statements for the last three (3) years. If the audited statements are comparative, only two (2) years are needed. If audited statements are not available, three (3) years of annual financial statements, tax returns and summary schedules for other projects completed or started within the three (3) year time frame covered by the financial statements must be submitted. The developer must also submit an interim financial statement for the current year. Upon the request of the applicant, the City may permit these documents to be provided directly to the City's financial advisor or legal counsel in order to protect proprietary or confidential information.
4. The developer shall submit a complete listing (name and address) of all investors in the project with 5% or greater ownership interest. The listing shall also identify each individual's ownership interest
5. The developer shall comply with all disclosure requirements of the City, under applicable law.

Footnotes

Public Infrastructure means city owned and maintained water mains, hydrants and other necessary works and appurtenances for providing water service; sanitary sewers or other instrumentalities or appurtenances for providing sanitary sewer service; sidewalks, curbs, gutters, streets, off-street parking lots, culverts, bridges, or viaducts; drains, sewers and appurtenances for providing storm water drainage; traffic signs, signals, lights and lighting; poles, posts, wires, conduits, lamps and other appurtenances providing for street lighting; parks, parkways and recreational paths; recapture agreements for utilities and acquisition of any and all property, easements and rights of way which may be necessary to accommodate such improvements. Such term shall not include improvements serving a specific site, e.g., water and sanitary sewer service lines.