

City of Highland



Guidelines for Business Districts

The economic incentive guidelines for the City of Highland's Business Districts include the following:

1. **Municipal Sales Tax Rebate:** Reimburse up to 100% of the incremental 1% City sales tax for a period up to 10 years or until the maximum funding is reached in combination with the other funding assistance

Up to 100% of the incremental Municipal portion of the Retailer's Occupation Tax and the Municipal portion of the Service Occupation Tax (collectively referred to as the "municipal sales tax") generated by the subject business may be rebated to a property owner or business, subject to a development agreement, for up to a period of 10 years, but not to exceed the term of Business District No. 1. The municipal sales tax rate is 1% of qualifying purchases, less the collection fees imposed by the Illinois Department of Revenue. In order to receive a municipal sales tax rebate, the business must agree to provide the City with evidentiary documentation of sales taxes paid to the State (ST-1 Form or other applicable filings with the State). To determine "incremental" sales taxes, the base year sales tax collections shall be deducted from the current year sales tax collections. The base year shall be the most recent fiscal year of the business or the most recent 12 months of sales tax collections by the business prior to the effective date of the development/redevelopment agreement providing for sales tax rebates.

2. **Municipal Property Tax Rebate:** Rebate up to 100% of the City's portion of the property taxes on the incremental increase in the EAV for up to 10 years or until the maximum funding is reached in combination with the other funding assistance.

Up to 100% of the City's portion of the incremental ad valorem property tax levied against the property, subject to a development agreement, may be rebated to a property owner for a period of up to 10 years, but not exceed the term of Business District No. 1. In recent years, the City's portion of the tax levy for any given property has been approximately 17% to 18% of the total tax levy that includes all taxing districts such as the school district, township, etc. To determine "incremental" property taxes, the base year equalized assessed valuation (EAV) or Taxable Value of the property shall be deducted from the current year EAV or Taxable Value. The current tax rate shall then be applied to the incremental EAV. The base year EAV shall be the most recent year in which property taxes were paid in full prior to the effective date of the development agreement providing for property tax rebates.

The Municipal Library Taxes and Non Home Rule Sales Taxes are not eligible to be used as an incentive, rebate, or waiver.

3. **Rebate of City Imposed Fees:** Consider rebating permit fees.

Up to 100% of the City imposed fees relating to redevelopment, such as permit fees, connection fees, etc. may be rebated by the City, subject to a development agreement and any governing law relating to such fees.

4. **Maximum funding assistance calculation** based on 20% of the City approved eligible project costs. For renovation of buildings in the downtown area that are over 35 years of age, the total dollar amount of economic incentives may go up to 50% of the total City approved eligible project costs except as otherwise deemed appropriate by the City. Generally, the City does not include financial or interest charges in the eligible costs.
5. Both parties must agree upon the base EAV at the time of the agreement.
6. Pay out as long as they're in business, up to the maximum funding approved in agreement.

In providing such incentives, it is not the policy or intent of the City to create an unfair advantage of one business over a like-kind business. Incentives will be used to help make projects feasible by helping to offset extraordinary project costs that may include, but not necessarily limited to:

- Architectural/Engineering fees (except for those associated with the actual design of private buildings and site improvements);
- Site Clean-up;
- Building renovation and retrofitting, including bringing up to code compliance;
- Property assembly costs, including acquisition of real and personal property;
- Building demolition;
- Excavation/storm detentions;
- Storm sewers;
- Sanitary sewer extensions;
- Water main extensions;
- Gas main extensions;
- Electric service extensions;
- Construction of public streets;
- Construction of public sidewalks;
- Traffic signalization;
- Legal and accounting fees incurred by private parties or the City with respect to Business District development agreements; and
- Financing interest costs

The City may consider providing economic incentives to retail and service businesses not necessarily needing assistance with overcoming the extraordinary costs outline above. In these situations, the incentive will be limited to such businesses that are not already represented or are substantially underrepresented in Highland. Businesses that will draw from a trade area considerably larger than the City of Highland may be considered for incentives as well (e.g., automobile dealerships). The burden of proof that the market will support such businesses to receive assistance without unduly harming existing like kind businesses, shall rest with the applicant and must be verified by an independent expert retained by the City.

Additional policy guidelines and requirements include the following:

1. The project is consistent with the City's Zoning Ordinance and Comprehensive Plan.
2. All work performed on the subject property shall be in accordance with the City of Highland Codes, and any other applicable state or federal regulations.
3. At the time of application for economic incentives, all taxes, applicable fees or other debts owed to the City by the applicant or property owner are paid up-to-date.
4. Application for economic incentives may only be made by a person or persons having an actual interest in the subject property. This includes the owner of record, beneficial owner of a trust, agent for the owner or purchaser, redeveloper, or any person having made an offer, which offer has been accepted, to purchase the subject real estate.
5. If the applicant for Business District #1 funding assistance does not own the property, but is a tenant of the property, then the tenant/applicant must have the written permission of the property owner. If the applicant does not own the property but is a prospective purchaser or redeveloper of the property, then they must submit either a fully executed contract to purchase the subject property or an option contract.
6. It is not the intent Economic incentives will not be provided for conversion of existing residential buildings into commercial or other uses, unless such conversions are necessary for the preservation of historically or architecturally significant buildings.
7. All economic incentives will be based on a "pay-as-you-go" basis. In other words economic incentives will not be provided up front, but instead, on a reimbursement basis from certain tax revenues generated by the subject business and/or real property on an annual basis (see **Nature of Economic Incentives**).
8. Except as otherwise waived by the City, the total dollar amount of economic incentives shall not exceed 20% of the total projects costs associated with commercial projects or 33% of industrial projects. For renovation of buildings in the downtown area that are over 35 years of age, the total dollar amount of economic incentives shall not exceed 50% of the total project costs except as otherwise deemed appropriate by the City.
9. The economic incentives provided for in this policy are not an entitlement nor are they to be applied retroactively to development or redevelopment projects undertaken by private parties. The amount and terms of any economic incentives to be provided are determined on a case-by-case basis and shall be subject to an agreement between the City and the private party to be the beneficiary of such economic incentives.
10. The owner of record, beneficial owner of a trust, agent for the owner or purchaser, redeveloper, or any person having made an offer, which offer has been accepted, to purchase the subject real estate, agrees to purchase at least **twenty (20) percent** of the materials used for the redevelopment from suppliers located within the corporate boundaries of the City.