

# Economic Development Incentive Policy

The goal of any economic incentive provided by the Village is to demonstrate a substantial public benefit in support of developments that create new jobs, eliminate blight, strengthen the employment and economic base of the Village, increase property values and tax revenues, create economic stability and attract businesses that the Village deems to be desirable.

## Economic Incentive Requests – Funding Types

### **Sales Tax Reimbursement**

The Village receives 1% of the 6.25% State sales tax on general merchandise (or 1% of gross sales). The Village can use sales tax as an incentive to promote new growth through the reimbursement of the sales tax generated by the specific project.

### **Amusement Tax Forgiveness**

A 3% amusement tax is levied on patrons of amusement places in the Village of North Aurora for admission to any facility and/or the use or rental of any facility, device, or equipment. The Village can reduce, eliminate or reimburse the amusement tax to provide future financial stability to amusement businesses.

### **Village Fee Reduction**

*Building Permits.* The Village collects fees for building permits, which are documents issued by the Village when an individual or company wants to engage in construction in the Village. The Village can reduce or eliminate building permit fees to reduce the upfront cost of a development project.

*Impact/Connection Fees.* As a matter of policy, the Village collects payment of impact fees to defray the initial cost of public infrastructure. The Village can reduce or eliminate certain impact and/or connections fees to reduce the upfront cost of a development project. Some examples of Village impact and connections fees include water and sewer connection fees, traffic impact fees, public works fee or other fees associated with annexation agreements.

*Business License Fees.* Although the Village generally cannot license a business (as a non-home rule entity), businesses in the Village are required to register their business annually. Additionally, some businesses are required to obtain a license for their business activities, such as liquor sales, tobacco sales and tattooing. These fees could be eliminated or reduced. Liquor license fees and business registration fees were waived during the pandemic.

### **Property Tax Rebate**

Property tax is a tax based on the assessed value of real property, which the Village collects its proportionate share of annually from properties located in the Village. Other taxing districts also collect their proportionate share of property taxes based upon their respective tax rate. The Village's proportionate share of property taxes is typically around 5%. The Village can eliminate or reduce its property tax share or broker discussions with other respective taxing districts with higher shares of property taxes to incentivize certain development projects.

### **Tax Increment Financing**

The Village's Comprehensive Plan encourages the use of Tax Increment Financing to help accomplish the Village's economic development objectives. When a TIF district is created, the property values for all parcels within the district are frozen, creating a base value. As development occurs and property values increase, the

overall value of the district increases as well. This new value that is created is called the increment, which is the difference between the current total value and the base value. The increment can be used as a financial incentive to encourage private investment and development by providing needed improvements, such as new roads and sewers, to attract private development, to assist existing businesses expand or improve their properties and for beautification efforts. The Village of North Aurora currently has two Tax Increment Financing Districts: the United TIF District and the Route 31/Lincolnway TIF District.

**Tax Increment Financing Grant Program (Façade Grant Program)**

The Village of North Aurora Tax Increment Financing Grant Program (NATIFGP) is designed to provide financial assistance for building and signage improvements to ultimately achieve visual improvement to properties located in the Route 31/Lincolnway TIF District and the United TIF District. Examples of eligible improvements include:

- Brick cleaning, tuck pointing and restoration of original architectural features
- Site landscaping and parking area improvements
- Windows, doors, awnings and signage

Qualified applicants are eligible to apply for grant funds equal to fifty (50) percent of the cost of improving their properties up to \$20,000.00 and up to \$10,000.00 (no match required) for sign improvements. If funding for a desired project exceeds the qualified amount of NATIFGP funding, the Village may review the request as a general TIF incentive request.

**Economic Incentive Request – Qualified Uses of Funding**

Qualified Uses	Qualified Expenses
<ul style="list-style-type: none"> <li>• General Retail</li> <li>• Automobile Sales</li> <li>• Places for Eating &amp; Drinking</li> <li>• Entertainment Venues &amp; Event Complexes</li> <li>• Lodging/Resorts</li> <li>• Mixed Use Development</li> <li>• Beautification Projects</li> <li>• Vacant Commercial Site Enhancement</li> </ul>	<ul style="list-style-type: none"> <li>• New Construction</li> <li>• Existing Space Buildout</li> <li>• Property Acquisition</li> <li>• Property Assemblage</li> <li>• Infrastructure Improvements</li> <li>• Site Preparedness</li> <li>• Façade Improvements</li> <li>• Signage</li> <li>• Demolition</li> </ul>
Unqualified Uses	Unqualified Expenses
<ul style="list-style-type: none"> <li>• Liquor Stores</li> <li>• Tobacco Shops</li> <li>• Gas Stations</li> <li>• Cannabis Dispensing Organizations</li> <li>• Convenience Stores</li> <li>• Establishments hosting video gaming</li> <li>• Residential*</li> <li>• Warehousing/Industrial*</li> </ul>	<ul style="list-style-type: none"> <li>• Business Equipment</li> <li>• Payroll</li> <li>• Office Supplies</li> <li>• Furniture</li> </ul>

\*Unqualified unless approved by Village Board by resolution waiving the requirements of this policy.

## **Economic Incentive Request - Funding Policy**

- Economic incentive requests for qualified expenses via this policy must be approved by the Village Board prior to the issuance of a building permit. Should a building permit not be required, the request must be approved prior to project commencement.
- Economic incentive requests involving any rebate or share of the retailer’s occupational taxes received by the Village must adhere to the statutory findings included in 65 ILCS 5/8-11-20 of the Illinois Municipal Code, all other State Statutes, federal regulations and Village Codes.
- TIF incentive requests shall only apply to properties located in a TIF district and must adhere to the Illinois TIF Act, all other State Statutes, federal regulations and Village Codes.
- All applications made requesting funds under the Tax Increment Financing Grant Program shall adhere to the grant guidelines.
- Taxes or revenues historically received by the Village will not be reduced below the base year of an incentive. The Village shall reserve the right to consider historic averages when formulating the base year.
- The Village will not accept requests made for front-loaded debt prior to a project starting. All TIF incentive funding shall only occur on a reimbursement basis from funds derived from net increases in tax increment associated with the project.
- The Village Board has the right to refuse any incentive request regardless of the use, if deemed undesirable.
- The Village Board may consider warehousing and industrial requests after formal presentation of incentive request and concept plan review.
- All applicants shall be in good standing with the Village of North Aurora, having no open Village Ordinance violations or defaults in payments to the Village. Any open Ordinance violations or defaults in payment will result in automatic disqualification.
- Video Gaming may be allowed once incentive terms are complete or the incentive has been forfeited.
- An unqualified use or development project seeking an incentive, where the terms of the policy do not allow for an incentive, may be reviewed by the Village Board. Should the Village Board choose to grant the incentive, the Village Board may only do so by resolution waiving the requirements of this policy.

## **Economic Incentive Request – Request Process**

Step #	Action
1	Financial incentive requests shall be submitted to Village staff. The request shall include documentation that identifies the nature of the request, rationale and justification for the request and the source of funding that is intended to be utilized as part of the project.
2	Staff shall conduct an initial review of the submittal information to ensure the request qualifies for an incentive and the request meets the policy requirements.
3	Staff shall follow up with further instructions or questioning.
4	After review is completed by staff, the request is forwarded to the Village Board for review at a Committee of the Whole meeting for initial discussion. A formal presentation of the incentive request may be required of the applicant.
5	If the Village Board agrees with the request, it shall be brought back to a future Village Board meeting for final consideration.