

CITY OF TUSCOLA

Business Assistance Program

Tax Increment Financing District #1

The City of Tuscola offers several forms of business assistance and incentives through the use of Tax Increment Financing (TIF) dollars. TIF is applicable to a specific geographic region, and a property must be within the borders of the TIF district to be eligible for funding assistance (see attached map, last page). Also, the expenditure of TIF dollars is limited to certain specified types of “redevelopment project costs”, as defined in state statute and the City of Tuscola Redevelopment Plan. Applications for assistance can be obtained at City Hall, 214 N. Main Street, Tuscola, IL 61953, or at 217-253-2112.

ELIGIBLE PROJECT COSTS

The TIF program was created by state statute (65 ILCS 5/11-74.4 et seq.). As such, the City of Tuscola is bound by the limitations and provisions contained in the statute. TIF funds are only to be used for “redevelopment project costs” (RPCs) as defined by the statute. RPCs mean and include all reasonable or necessary costs incurred or estimated to be incurred incidental to a redevelopment plan and a redevelopment project. Examples of such costs are:

1. Costs of studies, surveys, professional fees for architectural, engineering, legal, or financial services rendered incidental to the redevelopment project.
2. Acquisition cost of land and other property, or for the demolition of buildings and the clearing of the land.
3. Cost of rehabilitation, reconstruction, or repair or remodeling of existing public or private buildings and fixtures.
4. Cost of construction of public works or improvements.
5. Cost of job training and retaining projects.
6. Interest costs incurred by redeveloper related to the construction, renovation or rehabilitation of a redevelopment project provided that such subsidy does not exceed 30% of the annual interest cost incurred by the TIF project redeveloper.

TIF funds are specifically excluded in the cost of construction of new, privately owned buildings, as they are not an eligible RPC. Further, inventory acquisition, operating costs, and furniture, fixtures, and equipment are not eligible RPCs.

TYPE OF ASSISTANCE

GRANTS. The City of Tuscola offers TIF grants for certain projects defined below. These grants are paid on a reimbursement basis or directly to a vendor or contractor for products or services already delivered. Grants are not given to the redeveloper in advance. The funds are not subject to repayment in most instances. Recipients of grant funds are required to enter into a grant agreement with the City of Tuscola, which provides additional terms and covenants.

LOANS. Low-interest TIF loans are also available for eligible projects. The interest rate charged on these loans is typically 3%, although the rate may vary with market rates or with the individual project or applicant. The term of the loan is limited to ten years, although the amortization period may be extended with a balloon payment at ten years. The City will loan a maximum of 90% of the project cost to a redeveloper. All TIF loans are required to be collateralized, either with a mortgage on the subject property, a personal guarantee, or the pledging of some other real or personal property. Recipients of loan funds are required to execute a promissory note payable to the City of Tuscola.

INTEREST SUBSIDIES. The City of Tuscola may use TIF funds to defray some of the interest expense on commercial financing for eligible projects. These subsidies are limited to 30% of the annual interest expense for a period not to exceed ten years. Subsidies are paid only after certification by the commercial lender of the actual interest paid by the redeveloper.

PROJECT CATEGORIES AND GUIDELINES

NEW BUSINESS CONSTRUCTION. The City of Tuscola may enter into negotiations with a redeveloper constructing a new business. As mentioned above, the cost of construction of new, privately owned buildings is not eligible for TIF assistance. However, certain other elements of the project may be eligible for funding, including grants, loans, and interest subsidies. The City will consider each project individually, and may enter into a redevelopment agreement at the City's option. Types and amounts of assistance granted, if any, will vary from project to project.

BUSINESS RELOCATION/EXPANSION/REHABILITATION. These projects will include interior remodeling, parking lot reconstruction, exterior upgrades, signage, and other physical improvements to a business. Redevelopers may receive:

Interest subsidy of up to 3% of the annual interest cost for commercial financing of eligible RPCs. Total amount of subsidy may not exceed 20% of total project cost.

Downtown Only – Low-interest loan for up to 90% of eligible RPCs.

HISTORIC FAÇADE RESTORATION. The category only applies to historic buildings within the downtown district. In order to qualify for funding, the Historic Preservation Committee must approve the design for the restoration project. Redevelopers may receive:

Grant for up to 50% of the eligible RPCs.

Low-interest loan for up to 40% of the eligible RPCs.

EMERGENCY STRUCTURAL REPAIRS. These projects will only apply to historic buildings within the downtown district that are experiencing a structural defect that potentially could result in the destruction of the building. These defects must be verified by a structural engineer, and the repairs must be designed by a structural engineer.

Examples would include a collapsing roof or exterior wall, a severely settling foundation, or crumbling/falling exterior masonry. A redeveloper may receive:

Grants for up to 60% of the eligible RPCs.

*Loan for up to 40% of the eligible RPCs.

*The limitations of 90% of eligible project costs to be funded through TIF funds are waived for this category of projects. Also, interest on the loan is waived for the 1st and 2nd years of the loan.

ADA, LIFE SAFETY CODE, ELECTRICAL REHABILITATION. This category includes repairs and remodeling to bring an existing building/business into code compliance for electrical systems, accessibility, or life safety issue. Examples would include a new electrical service, the installation of ADA compliant restrooms and entrances, or the installation of a new exterior door if done to provide an additional means of egress. Redevelopers may receive:

Grant for up to 50% of eligible RPCs.

Loan for up to 40% of eligible RPCs.

GENERAL REQUIREMENTS AND RESTRICTIONS

1. Housing is not seen as a priority within the TIF district, and, therefore, TIF funds will not be used to assist redevelopment projects that are primarily residential in nature. The exception to this limitation is that upper story housing within a commercial building in the downtown district may be allowed, and, in fact, may receive TIF funding.
2. Application for TIF funding may only be made by a person or persons having an actual interest in the subject property. This includes a tenant, owner of record, beneficial owner of a trust, or a person having made an offer, which offer has been accepted, to purchase the subject property.
3. The City of Tuscola reserves the right to require an appraisal of any subject property of a TIF application, which appraisal shall be provided at the applicant's expense.
4. All applicants for TIF assistance must complete the attached consent form, which authorizes the City of Tuscola to conduct various investigations into the credit worthiness of the applicant.
5. Applications for TIF assistance are normally considered by the City Council within 45 days of application. If approved, funds are normally available for disbursement with 30 days thereafter.

EVALUATION CRITERIA

Applications for TIF assistance are first considered at the staff level. Various members of the City staff will review the application to ensure that it is complete, and that it adheres to the published guidelines for TIF assistance. The Community Development

and Planning Committee of the City Council will then review the application, and forward a recommendation for approval or disapproval to the full City Council. The City Council will make the final determination. The following criteria will be used to evaluate each TIF assistance application:

1. Return on Investment. The City will calculate and consider any additional amounts of local sales taxes or property taxes anticipated to be generated by the project, along with interest earned on a low-interest loan. The total of these amounts will be the City's return on investment, and will be compared with the total project cost. The City's return benchmark or desired goal for the return on investments for Non-Downtown District projects is five years. The rate of return goal and benchmark for historic, Downtown District projects is ten years. These are desired benchmarks, which, in the absence of compelling reasons, will be the criteria used. However, said criteria may be relaxed if there are compelling reasons justifying the same. If the City is going to exceed these projected rates on returns, this fact will be pointed out to the Council on voting and the special factors will be articulated.
2. Job Creation. The potential for a redevelopment project to create new jobs within the community is seen as a priority, and applications will be judged, at least in part, on that basis. New Business Construction and New Business Relocation/Expansion/Rehabilitation projects outside the downtown district will be required to create at least one addition job to receive funding.
3. Private Investment. The City will fund a maximum 90% of the RPCs in the downtown district, and a maximum of 80% of the RPCs outside of the downtown district. The balance of funding must be supplied by the applicant through cash investment, equity position, commercial financing or so-called "sweat equity".
4. Dilapidated Buildings. The standard is automatically met if the building is located in the downtown district. If it is outside of the district, it is only met if the condition of the building, or applicable part thereof, and its location within the TIF district are such that it is not likely to be rehabilitated in the short term without TIF assistance.
5. Is TIF Needed? TIF funds should only be used to "trigger" projects that would not occur otherwise given prevailing market conditions. Has the applicant provided convincing information that the use of TIF is essential to the project?
6. City Budget. TIF revenues and expenditures are programmed on an annual basis according to the annual budget. Funding may be limited or denied based on these constraints. The city has also adopted the following limits on assistance: Interest subsidies – 20% of the total project cost; Grants as part of an Historic Façade Restoration or Emergency Structural Repair - \$25,000; Low-interest loans - \$100,000. These limits are desired benchmarks which, in the absence of compelling reasons, will be the criteria used. However, said criteria may be relaxed if there are compelling reasons justifying the same. If the City is going to exceed these projected limits, this fact will be pointed out to the Council on voting and the special factors will be articulated.
7. Financial. The applicant must provide documentation of the financing for the project, as well as individual or corporate financial information, as requested by the TIF Administrator. The City reserves the right to obtain outside evaluations of relevant financial information to evaluate the financial soundness of a project or applicant.

8. Zoning. Is the project harmonious with surrounding properties and uses, and is it allowable under current zoning codes? In the downtown district only, has the project received preliminary approval from the Historic Preservation Committee in accordance with the Downtown Master Plan?
9. Diversity of Service. TIF funds should be used to diversify and supplement the existing business mix within the community. TIF funds should not necessarily be used to overcrowd a particular market segment already represented by local businesses. TIF funds should also be used as a tool of the City Council to achieve the goals of the Comprehensive Land Use Plan and other visioning devices. Does the applicant offer goods and services not already available in the community? Is the applicant's business sufficiently unique so as not to compete directly and entirely with an existing business? Is there room for additional representation within the applicant's particular market? Does the applicant's business offer goods and services deemed desirable and appropriate within the community?
10. Security. Is sufficient collateral and/or personal backing available to reasonably ensure that the City will at least recover its principal in the event of default? Will the property be protected by sufficient commercial property insurance to protect the City's principal?

