

ECONOMIC INCENTIVE POLICY

CITY OF HARVEY

I. Purpose of the Policy

The City of Harvey finds that sound management principles require that City economic development resources be used prudently and that it support a stable economic base for the City. To assist in maintaining this stable financial base and to foster a competitive business environment, the City desires to establish a policy that guides the investment of public funds in the City's TIF Districts, any future TIF Districts, and other areas involving City economic incentives. Invested public funds are to facilitate redevelopment projects expected to benefit the City and that would not otherwise occur, "but for" for the investments.

As a policy document, the Economic Incentive Policy herein (the "Policy") will (a) provide a general framework for the City Council and Mayor to evaluate proposed uses of tax increment financing and (b) deliver guidance to staff in forming recommendations regarding the use of tax increment financing or other incentives and negotiating any redevelopment agreements with developers.

II. Goals and Objectives

The overall goal of the Policy is to promote a stable economic base that enables the City to continue to deliver critical services to the community. This Policy advances the goal of economic development that provides for well designed, compatible, and economically sustainable business, employment, and residential areas. Further, the Policy supports the overall vision articulated in current planning documents including the existing TOD Plan, updates to the TOD Plan and TIF Redevelopment Plans.

To further the aforementioned goals, the City will use incentives to achieve certain redevelopment objectives:

- Increase and diversify the City's property tax and sales tax base;
- Promote aesthetic improvements and prevent the onset of blight; and
- Invest in redevelopment projects that, but for City assistance, would not otherwise occur.

III. General Guidelines for Redevelopment Projects

A. The City will comply with the requirements of state legislation including but not limited to the Illinois Tax Increment Allocation Redevelopment Act (the "TIF Act"), as amended. Among other provisions, the TIF Act limits expenditures for certain types of "redevelopment project costs" as defined in the TIF Act.

B. Pursuant to Section IV of this policy, the City will undertake an economic evaluation/risk assessment of proposed redevelopment projects, to ensure that (a) City assets are safeguarded and (b) the

proposed projects satisfy the “but-for” test embodied within the Tax Increment Allocation Redevelopment Act.

C. Alternatives, such as “pay-as-you-go” financing and payment of public infrastructure costs with tax increment revenues, are preferable to bond financing. The City will generally not issue general obligation tax increment bonds except when (a) all net bond proceeds are used to directly pay public costs or refinance debt that was previously issued to pay for such costs, (b) the taxable development that will generate the tax increment used to pay all or a portion of the debt service on the bonds is fully constructed and assessed by the Cook County Assessor, and (c) the development has met the terms and conditions of a redevelopment agreement with the City.

IV. Economic Evaluation and Risk Assessment

A. Proposed uses of tax increment financing or other incentives will be subject to rigorous economic analysis and risk assessment. Specific evaluation activities may be established by staff to perform the evaluation and assessment. Based on the recommendation of the City Administrator or his/her designee, additional reviews may be undertaken for larger projects involving greater public financial assistance.

B. The results of the economic analysis and risk assessment will be presented to the Mayor and/or City Council prior to the request for approval of the proposed use of tax increment financing.

C. The need for public assistance must be demonstrated and documented by the developer to the satisfaction of the City, pursuant to staff procedures. Staff will identify supporting documentation needed (e.g., application for public financial assistance, “proformas” containing project budgets and cash flow projections, market studies in connection with anticipated land uses, and other financial/market information). The City will perform an independent analysis of the supporting documentation, including project costs, to ensure that the request for assistance is credible.

D. The developer must be able to demonstrate the ability to execute the proposed redevelopment project, taking into account financial capacity, past experience, general reputation and credit history.

E. When the project is intended as a for-sale development (i.e., office, retail or residential condominiums), 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.

F. Performance Measures

The City may consider the following performance measures to evaluate a redevelopment project:

- Projected Revenues – The City will estimate property tax and, if applicable, sales tax revenue of a project over the period that the TIF District is in effect;
- Leverage Ratio – The City will endeavor to maximize the amount of private investment per dollar of public assistance;
- Financial Gap – The City may perform a “gap analysis” to determine the difference or gap between project sources and uses; additionally it may compare developer investment return

with and without public assistance to determine an appropriate rate of return to the developer (e.g., based upon calculations such as internal rate of return);

- Developer Equity – The City will consider the percentage of project costs financed by developer equity, to determine if City and developer interests are properly aligned. Equity includes cash, unleveraged value in land, or prepaid costs allocated toward the project.

V. Prohibited Uses

The City will not provide assistance for a redevelopment project that:

- Would otherwise result in reimbursement for redevelopment projects costs prohibited by the TIF Act or other state statute;
- Exceeds 100% of the incremental revenue associated with the project parcels, unless it furthers a City goal in addition to the redevelopment objectives identified in Section II of this policy;
- Does not conform to existing TIF Plans or land use policies as amended from time to time, including the zoning ordinance or other land use ordinances of the City.

It is further understood that any and all development projects that occur within the City's Tax Increment Finance District are subject to all City ordinances, codes or regulations that are currently in effect or that may be amended or modified by the City.

VI. Administrative Responsibilities

The City Administrator or designee shall be responsible for implementing the TIF Policy, including the development of any procedural manual, guidelines, or applications.