

Commercial/Industrial Property Tax Abatement Program

City of Plano, IL October, 2016 (Revised January, 2019)

INTRODUCTION

Property Tax Abatement is an incentive that the City of Plano may offer to a commercial or industrial firm or developer expanding an existing facility or locating a new commercial or industrial facility within the City. The abatement allows the property owner to keep, for a defined period of time, a portion of the difference between the current property tax revenue from a building or site and the resulting property tax revenue after expansion, improvement, or new construction, due to increased tax assessed value. There must be a clear purpose and demonstrated need for the abatement, as the City and taxing districts involved must forgo a portion of the increase in tax revenue. In determining need, the property owner may be required to disclose pro forma financial information.

STATUTORY AUTHORITY

Illinois Statute 35 ILCS 200/18-165 provides that:

Any taxing district, upon a majority vote of its governing authority, may, after the determination of the assessed valuation of its property, order the clerk of that county to abate any portion of its taxes on the following types of Commercial and Industrial property:

(A) The property of any commercial or industrial firm. The abatement shall not exceed a period of (10) ten years and the aggregate amount of the abated taxes for all jurisdictions combined shall not exceed \$4,000,000; or,

(B) The property of any commercial or industrial development of at least (i) 500 acres having been created within the taxing district. The abatement shall not exceed a period of 20 years and the aggregate amount of abated taxes for all taxing districts combined shall not exceed \$12,000,000.

(C) The property of any commercial or industrial firm currently located in the taxing district that expands a facility or its number of employees. The abatement shall not exceed a period of 10 years and the aggregate amount of abated taxes for all taxing districts combined shall not exceed \$4,000,000. The abatement period may be renewed at the option of the taxing districts.

OBJECTIVES

The Plano Economic Development Corporation (PEDCO), in cooperation with the City of Plano, facilitates the Property Tax Abatement Application process for the City, reviews the proposed purpose and need,

and then along with the Applicant presents the Application to the affected taxing bodies for their approval.

PEDCO's role in the process is to assist the Applicant in pursuing a Property Tax Abatement. The decision to grant or deny a Property Tax Abatement lies solely with the affected taxing bodies.

The main criteria for determining the amount of the property tax abatement that a project requires is based on the following:

- Economic Impact. This includes job creation and/or retention in conjunction with capital investment in land, buildings, and equipment.
- Fiscal impact. The total estimated amount of additional property tax generated by the business expansion.
- Strategic impact. This includes factors such as alignment of the project with current and future economic development goals, the median salary of the employees, and the quality of benefits available to the employees.
- Other Impacts. Consideration is given to the amount of local labor involved in the construction project and whether the site is a brownfield, greenfield, vacant, or under-utilized site.

APPLICATION PROCESS

Applications are considered on a case by case basis as to their economic, strategic, fiscal, and other impacts upon the City and other taxing district(s). Once a completed Application is submitted, The City Council's Community Development Committee reviews the Application and along with PEDCO, approaches the impacted taxing bodies to secure an indication of their support for the project.

If the taxing bodies express an interest in supporting the Application, PEDCO will convene a meeting or teleconference among the interested parties to review the proposed project, including the status of other state and local incentive applications and the required approval process of each interested taxing body. The goal of this meeting is to establish the parameters for a *Letter of Intent*, including the proposed abatement level, the approval process/schedule and the submission under confidentiality of required information.

Upon acceptance of the Letter of Intent, PEDCO will develop a *Project Description and Property Tax Abatement Framework/Template* for consideration by the participating taxing bodies. The description and framework will become the basis for negotiation by the parties to develop a *Final Property Tax Abatement Agreement*, which must be approved by the governing board of the participating taxing bodies.

After issuance of the project's Certification of Occupancy, PEDCO will prepare a *Final Property Tax Abatement Ordinance* for approval by all participating governing boards. Upon approval, a copy of this Ordinance is sent to the Clerk of Kendall County to enact the Property Tax Abatement.

ADDITIONAL PROVISIONS

Any recipient of a Property Tax Abatement will be required to maintain operations at the project location for the length of the abatement or to repay the abatement to the taxing bodies issuing the abatement. The *Final Property Tax Abatement Agreement* shall terminate in the event that the project is not issued a certificate of occupancy within three (3) years of the effective date of the *Final Property Tax Abatement Agreement*.

Repayment of the abatement within 30 days of notification will be required under any of the following conditions:

1. There is a material misrepresentation in the recipient's application;
2. Any of the prohibited acts specified in the *Final Property Tax Abatement Agreement* occur;
3. The business becomes insolvent, but only in the event the insolvency causes the subject property to cease operations;
4. The sale of the subject property or assignment of the Tax Abatement Agreement, except as provided in the *Final Property Tax Abatement Agreement*;
5. The construction of residential improvements on the subject property. However, in the event said residential improvements are identified by separate Permanent Index Numbers (PIN), the cancellation of the abatement shall apply only to the abatement attributable to those PIN numbers so identified;
6. The recipient files a complaint or otherwise challenges the assessed value during a period of time commencing on the effective date of the *Final Property Tax Abatement Agreement* and concluding on December 31st of the year in which the last abatement provided for is realized;
7. The subject property ceases to be operated as originally intended, except as provided in the *Final Property Tax Abatement Agreement*.

VERIFICATION

To verify compliance with the *Final Property Tax Abatement Agreement*, Applicant or facility developer or owner occupant or lessee, as the case may be, will be required to provide proof of investment and submit to the participating taxing bodies an annual summary listing the number of employees, average salaries and average hourly wages.

INDEMNIFICATION

Each *Final Property Tax Abatement Agreement* shall contain the following Indemnification Agreement:

It is understood and agreed between the parties to this Agreement that the Applicant/Recipient, in performing its obligations pursuant to this Agreement, is acting independently and apart from any other party to this Agreement. PEDCO and the taxing bodies that are a party to this Agreement assume no responsibility or liability for the

actions of the Applicant/Recipient. The Applicant/Recipient, to the fullest extent permitted by law, agrees to defend, indemnify, and hold harmless the parties to this Agreement from any and all claims, suits, and causes of action of any nature whatsoever arising out the Applicant/Recipient's obligations hereunder or the taxing bodies approval of the agreement. The Applicant/Recipient's indemnification obligations include payment of reasonable attorney's fees, costs, and expenses incurred by defending such claims, suits and causes of action. However, the indemnity shall not apply to the responsibilities and liabilities resulting from the fault or negligence of the taxing district(s), their respective officers, or employees.

ELIGIBILITY

1. The recipient of the Property Tax Abatement must demonstrate that they are the party obligated to pay Property Tax on the affected Commercial/Industrial property.
2. Where appropriate, an Applicant may show a competitive need for the Property Tax Abatement by providing evidence of location options. Applicants claiming competitive need must provide evidence that location options outside the City of Plano are being considered for the project. Proof should include, but is not limited to, incentive letters, prospective offers from other locations or other documentation indicating the Applicant's interest in alternative sites.
3. "New investment" is necessary to be eligible for abatement of taxes. For example, if a company builds a new building or makes capital improvements to an existing building, those investments would be eligible, as they represent an addition to the fair market value of the property and therefore, the Equalized Assessed Value (EAV). However, if a company buys an existing building and makes no additional improvements, no abatement would be applicable, as there would be no new value added to the tax base. Prior Investments are not eligible.
4. Businesses receiving tax abatement must comply with all relevant local, state, and federal regulations.