



McHenry County Economic Development And Business Incentive Program

Approved by the McHenry County Board

On April 19, 2016

Amended by Finance & Audit on April 5, 2018

Program Framework

Program Goal and Objectives and Basis:

McHenry County is committed to promoting economic development with the overall objectives of strengthening the local economy, creating jobs and diversifying the County's property tax base. The Economic Development and Business Incentive program is intended to support this effort by giving the County a tool to help foster business expansion opportunities that will increase EAV and over time, help achieve the County's economic development objectives.

The Economic Development and Business Incentive program is based on a rebate of up to 50% of the property tax increment generated from new or increased EAV as a result of property investment, development and/or revitalization of underutilized property. In unique circumstances, tax abatements may also be also be considered at the discretion of the County.

This incentive program can be utilized alone or in conjunction with other municipal, county, state and federal economic develop programs that may be available (such as the Harvard/Woodstock Enterprise Zone and revolving loan funds, although TIF districts are excluded). This incentive program is not an entitlement. Rather, it is a tool available at McHenry County's discretion to promote business development and investment in targeted sectors that will lead to long term economic enhancement for the County as a whole.

Statutory Authority

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

Any taxing jurisdiction, upon a majority vote of its governing authority may, after the determination of the assessed value of a property, order the Clerk of the County to abate any portion of its taxes on the following types of Commercial and Industrial property:

- 1. The property of any commercial or industrial firm. The abatement shall not exceed a period of (10) ten years and the aggregate amount of abated taxes for all jurisdictions combined shall not exceed \$4,000,000; or,*
- 2. The property of any commercial or industrial development of at least 500 acres having been created within a taxing district. The abatement shall not exceed a period of 20 years and the aggregate amount of abated taxes for all taxing jurisdictions combined shall not exceed \$12,000,000.*

Target Business Clusters

Adopted by the McHenry County Board in February 2016, the Northern Illinois Comprehensive Economic Development Strategy (CEDS) outlined the strategic goals and objectives for economic development in Winnebago, Boone and McHenry County. This document identified the following industry clusters to be a priority for McHenry County and therefore represent the targeted business sectors for this incentive program:

- Advanced Manufacturing,
- Transportation, Logistics and Distribution
- Agriculture and Food Processing
- Healthcare and Medical Sciences

While each application will be considered on a case by case basis, strongest consideration is given to applications within these business clusters.

Economic Development and Business Incentive Eligibility Criteria

1. New or expanding business located in or relocating to McHenry County and in good standing with the State of Illinois are eligible to apply for this program. To qualify for the Incentive Program, the application must result in a demonstrated increase in the equalized assessed valuation for the property.
2. The property on which the incentive is to be applied may be **owner-occupied or leased**. In the case of leased properties, the developer/owner of the leased property will need to be a party to the incentive agreement. **A company must sign a minimum of a three-year lease in order to be eligible to apply for the Incentive Program. Additionally, the incentive will not be offered in excess of the length of the lease. However, should a company have, for example, a five-year lease with a renewable option after five years, they could be granted a 10-year incentive. Should the company choose not to renew their contract after five years, the incentive would cease.**
3. Applicants must demonstrate a **competitive need** for the Incentive. In order to do this, the company must either provide evidence of location options **or** an officer of the Corporation must sign a “but for” statement. **In either case the applicant must demonstrate a cost differential.**
 - a. ***Evidence of location options*** –The applicant must provide evidence of non-McHenry County location options, that is, the applicant has multiple location options (including other company-owned locations) and could locate outside of McHenry County; or demonstrate that at least one other non-McHenry County location is being considered for the project. Such proof shall include, but is not limited to, incentive letters, prospective offers from other states, or other documentation indicating the firm’s interest in alternative, non-McHenry County locations; **or**,

- b. **“But for” projects** – The applicant must establish that “but for the Incentive, the capital investment, job creation and retention would have occur elsewhere.”

Such proof shall include, but is not limited to, a statement from an authorized representative of the applicant that, without this incentive, the applicant would not be inclined to create new jobs and/or retain existing jobs in McHenry County. The Applicant’s statement will take the following form:

“I certify that capital improvements would not be placed in service and the job creation and/or retention of existing jobs would not occur without the McHenry County Economic Development and Business Incentive Program”.

Signed: _____
[CEO/President/Owner]

Dated: _____

and,

- c. **Demonstrate a Cost Differential:** The applicant must complete a cost comparison of McHenry County’s site vs. the non-McHenry County alternative (s) and identify the cost differences. For example, the company must demonstrate that McHenry County costs - such as utilities, property taxes, employee-based taxes, building construction and/or building lease, annual building maintenance & operations and labor - exceed those of all competing locations under final consideration. The company can demonstrate a cost differential in one of two ways:

i. Industry Based Cost Differential: Provide evidence of a cost differential based on comparison of industry costs in other areas. Such proof shall include, but is not limited to, financial statements or internal memoranda; records of industry’s cost structure in the other areas; general comparisons of costs of labor, utilities, taxes and so on; or any other financial documentation evidencing cost differential.

ii. Site Based Cost Differential: Provide evidence of a cost differential based on comparison of McHenry County vs. finalist non-McHenry County sites. Such proof shall include, but is not limited to: written information such as non-McHenry County sites under consideration; cost/benefit analyses of moving or closing the business; general comparisons of costs of labor, utilities, taxes, fees, construction and/or lease at the other sites under consideration; the specific value of incentives and/or lower taxes of a competing site; or any other documentation proving cost differential.

Once McHenry County receives this information, it will initiate primary and secondary research and dialog with the applicant to validate the cost

differential. **All applications and supporting documentation is subject to verification and independent analysis.**

4. **“New investment”** will be eligible for the incentive program. 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 increase to the fair market value of the property and therefore, increases the EAV. However, if a company acquires an existing building and makes no additional improvements, the incentive program would not be applicable as there would be no new value added to the tax base. The one exception to this would be for the re-occupancy of a vacant building.
5. **Vacant office, industrial, R&D, warehouse, or distribution buildings** will also be eligible for this incentive according to the following guidelines:
 - a. Only a building with an assessed value that had been reduced by 50% of the vacant portion of the building’s total square footage and subsequently restored to the appropriate value upon reoccupation of the building by a target industry company would be eligible.
 - b. The property taxes for that property should be rebated for a maximum of three years based on the quality of the project (see the Business Incentive Evaluation Guideline’s suggested scoring criteria for Vacant/Abandoned Buildings); however, the incentive portion of the property taxes should not exceed 50% of the incremental assessed value for a building that had its value reduced, or 50% of the improvement assessment [building’s assessment] related to the newly leased space for a building that had not been reduced in value due to its vacancy.

Note: In cases where both new investment (improvements) and the re-occupancy of a vacant building are involved, the company’s application would be scored based on the total incremental tax revenues resulting from both streams. The company’s score would determine both the incentive level for the portion of the tax bill relating to the re-occupancy of the vacant building, as well as for the portion of the tax bill relating to the new investment.

6. **Businesses located or locating within a Tax Increment Financing District** are not eligible for this Incentive Program.

Criteria for Determining the Level of Incentive

The incentive offered through this program is based on rebating a portion of the County’s property taxes derived from new EAV generated through the investment or reinvestment. The degree of the incentive shall vary based on the following:

- Economic Impact
- Fiscal impact
- Strategic impact

Level of Incentive:

The maximum rebate would be 50% for 10 years, ***or until such time as the company has received \$4 million in incentives from all taxing jurisdictions combined, whichever comes first. (Based on IL state statute.)***

The term and depth of discount, whether it is fixed or a sliding scale, will be driven by the convergence of the above analyses.

In cases where the company's investment is added to the tax rolls mid-year, the amount of the incentive would be calculated on a pro-rated basis accordingly. The term of the incentive would not be diminished; however, it would not coincide with the tax year. That is, a company that is determined eligible for a three-year incentive may receive ½ year worth in Year 1, a full year's worth in Years 2 and 3, and the remaining ½ year in Year 4.

Clawback Provisions/Verification Audit

The company shall maintain operations at the project location for, at a minimum, the length of the incentive granted, beginning on the date the project is placed in service. A discontinuance by the company of operations at the project location during the first half of the term of this agreement shall result in all of the incentives taken by the company during such period being deemed "wrongfully incentivized property taxes under provisions adopting this Business Incentive resolution" and shall be subject to forfeiture. Discontinuance by the company of operations at the project location after said initial period (one half of the length of incentives) shall not result in the forfeiture of any incentives previously taken by the company but shall result in the discontinuance of future benefits.



McHenry County

Economic Development and Business Incentive Program

Application

Please provide supporting documentation as necessary.

Part 1: COMPANY INFORMATION

Company information (include name, d/b/a, street address, city, zip code, phone & fax numbers and website address).

Type of organization: (corporation, partnership, LLC, etc.): _____

FEIN # _____ Illinois IBT# _____

If a corporation or subsidiary, include corporation name street address, city, zip code, phone & fax numbers and website address.

Executive officer/authorized company representative (include full name, title, office address, phone number and email address)

Please provide a general description of the company, how long the company has been in business locally and overall, type and description of business/industry, SIC/NAICS codes:

Current Employment: Locally: ____ FT ____ PT Company-wide: ____ FT ____ PT

Part II: PROJECT LOCATION

Type of development: ___New Construction ___ Addition ___Re-utilization vacant building

New or relocating business? _____ If relocating, from where? _____

Proposed project location in McHenry County

Street Address: _____ City _____

Parcel Identification Number (PIN #)_____ Current Zoning:_____

Size of parcel: _____ Size of Building: _____ Building area to be added: _____

Will the project location be owned or leased by the applicant? _____

If leased, proposed length of lease? _____

Note: A company must sign a minimum of a three-year lease in order to be eligible to apply for a property tax incentive. Additionally, an incentive will not be offered in excess of the length of the lease. However, should a company have, for example, a five year lease with a renewable option after five years, they could be granted a 10-year incentive. Should the company choose not to renew their contract after five years, the incentive would cease. An executed copy of the lease will be required for verification.

Lessor of any site must be a party to the Business Incentive Program agreement.

Lessor Company Contact: _____

Other Location(s) being consideration – both within and outside of McHenry County:

Property Acquisition/Entitlement Timeline: _____

Part III: PROJECT DESCRIPTION

Description of the proposed project/improvements:

Please attach a concept plan for the building/site improvements.

Project timeline: Proposed construction start: _____

Anticipated completion: _____

Identify the intended General Contractor (if known) and % of labor force expected from McHenry County: _____

Total estimated project costs/investment (including acquisition and soft costs): \$ _____

- 1) Land & Site Improvements: \$ _____
- 2) Utility / Infrastructure Improvements: \$ _____
- 3) Building Improvements: \$ _____
- 4) Equipment / Machinery \$ _____

What additional utilities and/or infrastructure improvements will be needed to support the investment? (road improvements, utility services, telecommunications/ broadband, rail spurs, etc.)

How will the infrastructure improvements be funded? _____

Indicate any special environmental or efficiency factors that will be incorporated into the project:

Part IV: EMPLOYMENT IMPACT

Total Jobs Retained/Created, Average Wages, and Total Payroll for Years 1, 2, 3 and at Full Capacity:

	Year 1	Year 2	Year 3	Full Capacity
# of Employees Transferred	_____	_____	_____	_____
# of New Jobs Created	_____	_____	_____	_____
# of McHenry County jobs retained	_____	_____	_____	_____
Total # of Employees	_____	_____	_____	_____
Average Wage (<i>non-management</i>)	_____	_____	_____	_____
Total Payroll (<i>all employees</i>)	_____	_____	_____	_____

EMPLOYEE BENEFITS

Please summarize benefits below and attach copies of insurance and pension plans.

Benefits	None	Employee	Employee & Family
Medical/Dental/ Vision Insurance			
Retirement			

Part V: ECONOMIC IMPACT

Current EAV: Land: _____ Building: _____ For tax year _____

Estimated increase in Equalized Assessed Valuation: \$ _____

Calculated at 1/3 of the increase in fair market value directly resulting from the proposed investment and/or improvements.

Expected increase in Company Revenue Generation: \$ _____

Expected increase in Sales Taxes Generation (if applicable): \$ _____

Estimated annual cost to operate/maintain the facility? _____/Sq. ft.

Estimated annual cost for: Property taxes: \$ _____/Sq. ft.

Utility Taxes: \$ _____/Sq. Ft.

Telecommunications Tax: \$ _____/Sq. Ft.

Special District Tax: \$ _____/Sq. Ft.

Total investment in new machinery and equipment, within the first three years:

First Year: \$ _____ Second Year: \$ _____ Third Year: \$ _____

Part VI: STATEMENT OF QUALIFICATION AND JUSTIFICATION

Please provide the following in support of your application and request:

1) Need for Assistance: Applicants must demonstrate a ***competitive need*** for the incentive. In order to do this, the company must either provide evidence of location options ***or*** sign a “but for” statement. ***In either case the applicant must demonstrate a cost differential.***

a. ***Evidence of location options*** –The applicant must provide evidence of non-McHenry County location options, which could be that the applicant has multiple location options (including other company-owned locations) and could locate outside of McHenry County or demonstrate that at least one other non-McHenry County location is being considered for the project. Such proof shall include, but is not limited to, incentive letters, prospective offers from other states, or other documentation indicating the firm’s interest in alternative, non- McHenry County locations; ***or***,

b. ***“But for” projects*** – The applicant must establish that “but for the Incentive, the capital investment, job creation and retention occur elsewhere.”

If you select this option, an authorized representative shall sign the below statement representing that without the Incentive, the company would not be inclined to undertake the project and create new jobs and/or retain existing jobs in McHenry County:

“I certify that capital improvements would not be placed in service and the job creation and/or retention of existing jobs would not occur without the McHenry County Economic Development and Business Incentive Program”.

Signed: _____
[CEO/President/Owned]

Date: _____

2) Demonstrate a Cost Differential: The applicant must complete a cost comparison of McHenry County' site vs. the finalist non- McHenry County alternative (s) and identify the cost differences. For example, the company must demonstrate that McHenry County costs - such as utilities, property taxes, employee-based taxes, construction and/or building lease, annual building maintenance & operations and labor - exceed those of all competing locations under final consideration. **Please sign and attach your Statement of Cost Differential and include at the top the following information:**

- a. **Company Description:** Describe the nature of the company seeking the incentive -- its products and markets -- and demonstrate that the company is an eligible type of business.
- b. **Project Description:** Describe the nature and location of the project for which the firm is seeking a rebate; demonstrate the firm is expanding or retaining operations. If the project involves the consolidation of a number of facilities to a single facility, please include the name of the facility being relocated, its current address, the number of employees currently being employed at that site, the median wage/salary of the employees at that site, the number of jobs from that site that will be relocated to the new site and the current function of the location (.e. corporate headquarters, warehouse/distribution, branch manufacturing plant, customer service center). Also, please be sure to note any special factors such as LEEDS certifications, energy efficiency measures or brownfield development
- c. **Need for Local Assistance:** Describe the need for an incentive and how (if applicable) the applicant's use of the incentive may increase employment in McHenry County.

Identify a cost differential for the project by responding to either item i) or ii) below.

(Include this calculation in your Statement of Cost Differential and label it as "Cost Differential.")

- i **Industry Based Cost Differential:** Provide evidence of a cost differential based on comparison of industry costs in other areas. Such proof shall include, but is not limited to, financial statements or internal memoranda; records of industry's cost structure in the other areas; general comparisons of costs of labor, utilities, taxes and so on; or any other financial documentation evidencing cost differential.
- ii **Site Based Cost Differential:** Provide evidence of a cost differential based on comparison of McHenry County vs. finalist non-McHenry County sites. Such proof shall include, but is not limited to: written information such as non-McHenry County sites under consideration; cost/benefit analyses of moving or closing the business; general comparisons of costs of labor, utilities, taxes, fees, construction and/or lease at the other sites under consideration; the specific value of incentives and/or lower taxes of a competing site; or any other documentation proving cost differential.

Once McHenry County receives this information, it will initiate primary and secondary research and dialog with the applicant to validate the cost differential.

3) Eligible Projects: Projects must be a new construction, expansion of an existing facility or the re-occupancy of a vacant facility.

Is the company expanding operations? (Check one of the three boxes which apply)

- Siting a new facility (with capital investment and new jobs) in McHenry County; or
- Expanding its operation (capital investment and new jobs) at a current McHenry County location; or
- If relocating operations within McHenry County, the company must demonstrate the expansion cannot be accommodated at the current site due to constraints, including but not limited to:
 - lack of adequate street or road capacity or access;
 - inability of local authorities to assist in the expansion;
 - lack of available contiguous land for expansion;
 - excessive land costs in the current location;
 - reconstruction requires a shutdown of operations;
 - structurally or functionally obsolete facility;
 - lack of adequate utility capacity;
 - lack of available work force; or similar reasons.

Once an application is received, if the company is proposing to move a facility from one McHenry County location to another, McHenry County will send a letter to the mayor of the current host community to verify the site constraints that are “pushing” the expansion to another McHenry County location.

4) Acknowledgement of the CLAW-BACK Language

The application shall include an acknowledgement of the requirement to maintain operations at the project location for, at a minimum, the length of the incentive granted, beginning on the date the project is placed in service. A discontinuance by the company of operations at the project location during the first half of the term of this agreement shall result in all of the incentives taken by the company during such period being deemed “wrongfully incentivized under provisions adopting this Business Incentive resolution” and shall be subject to forfeiture. Discontinuance by the company of operations at the project location after said initial period (one half of the length of incentive granted) shall not result in the forfeiture of any incentives previously taken by the company but shall result in the discontinuance of future benefits.

CERTIFICATION OF APPLICATION

The CEO and/or Chairman of the Board of the applicant hereby acknowledges and agrees to their responsibilities relative to the McHenry County Economic Development and Business Incentive program.

Signature of Applicant

Title

Date

McHenry County Business Incentive Evaluation Guide
[To Be Completed by McHenry County]

Company Name: _____ Date: _____

Municipal Taxing District: _____ School Dist. _____

Existing Illinois Location: _____

Existing McHenry County Location: _____

New Location: _____

ECONOMIC IMPACT (maximum 30 points)

1. Total jobs created and/or retained (Max 15 points available)
(first two years of operation)

- Under 25 (5 points)
 - 26-50 (7 points)
 - 51-99 (10 points)
 - 100-199 (13 points)
 - 200-over (15 points)
- Total** _____

Note: During times of high unemployment (i.e. county unemployment rate is 7% as calculated for the previous 12-month period), this category receives double weighting. Thus, multiply the company's score by two before entering it on the total line.

2. Total capital investment in land and building (Max 10 points available)
(first two years of operation)

- \$500,000 - \$1,999,999 (6 points)
 - \$2,000,000-\$3,999,999 (7 points)
 - \$4,000,000-\$5,999,999 (8 points)
 - \$6,000,000-\$7,999,999 (9 points)
 - \$8,000,000 and over (10 points)
- Total** _____

3. Total capital investment in new machinery/equip (Max 5 points available)
(first two years of operation)

- \$500,000 - \$1,999,999 (1 points)
 - \$2,000,000-\$3,999,999 (2 points)
 - \$4,000,000-\$5,999,999 (3 points)
 - \$6,000,000-\$7,999,999 (4 points)
 - \$8,000,000 and over (5 points)
- Total** _____

Total Economic Impact Score (maximum 30 points) _____

STRATEGIC IMPACT (maximum 25 points)

- 4. Type of Business/Industry** (Max 10 points available)
- Manufacturing (10 points)
 - Information Technology (10 points)
 - Professional Office (10 points)
 - Corporate HQ (10 points)
 - Agricultural Facility / Food Processing (10 points)
 - Transportation, Logistics, Distribution (10 points)
 - Health Care and Medical Sciences (10 points)
 - Other (0 points)
- Total** _____

Note: Corporate Headquarters are operations responsible for administering either the world wide, multi-country, or US activities of the company.

- 5. Median Employee Salary (New Hires)** (Max 10 points available)
- Under \$29,000 (2 points)
 - \$30,000 - \$39,000 (4 points)
 - \$40,000 - \$49,000 (6 points)
 - \$50,000 - \$69,000 (8 points)
 - \$70,000 and above (10 points)
- Total** _____

- 6. Benefits** (Max 5 points available)
- Employee & Family (5 points)
 - Employee (3 points)
 - None (0 points)
- Total** _____

Total Strategic Impact Score (maximum 25 points) _____

FISCAL IMPACT (maximum 50 points)

- 7. Total new County property tax generated (annually)** (Max 50 points available)
- \$1,899 - \$7,599 (25 points)
 - \$7,600 - \$15,199 (30 points)
 - \$15,120 - \$22,799 (36 points)
 - \$22,800 - \$30,399 (43 points)
 - \$30,400 and over (50 points)
- Total** _____

Total Fiscal Impact Score (maximum 50 points) _____

OTHER/BONUS CONSIDERATIONS (maximum 20 points)

8. Estimated McHenry County Construction Labor Content (Max 10 points available)

- 50-65% (6 points)
- 66-80% (8 points)
- 81-100% (10 points)

9. Site/Building (points possible in more than 1 category) (Max 10 points available)

- Brownfield (8 points)
- Building vacant for one or more years (4 points)
- Building underutilized for one or more years (3 points)
- Building will be LEED certified (2 points) **Total** _____

Total "Other" Score (maximum 20 points) _____

Total Points: _____ pts

Additional Qualitative Benefit Points: (Max 5 points) _____

To be determined by the McHenry County Finance and Audit Committee based on the qualitative merits of the proposal and/or alignment with economic development goals for the County.

Recommended Incentive:

_____ % of New EAV over _____ years

Grading System for New Investment

Points Received	Eligible Incentive
50 – 69	3 years (75/50/25% accordingly)
70 – 84	5 years (50% each year)
85-95	10 years (5 years at 50%, declining, 10% per year, returning to full value year 10)
95 – 100	10 years (50% each year)

Grading System for Occupying of Vacant Buildings

<u>Points Received</u>	<u>Eligible Incentive</u>
50-70	1 year (50% of vacancy level)*
71-85	2 years (50% of vacancy level)*
85-100	3 years (50% of vacancy level)*

* 50% of the incremental assessed value for a building that had its value reduced, or 50% of the improvement assessment [building's assessment] related to the newly leased space for a building that had not been reduced in value due to its vacancy.