



## Economic Development Policy

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The purpose of the Economic Development Policy is to formalize the process of providing incentives derived from the development and redevelopment of property within the City of Moline. Undoubtedly, every project is unique and individual negotiations will take place as the need for assistance is verified.

Depending on the project, the use of public economic incentives to encourage and facilitate new private development and investment in the community can be controversial. Finding the appropriate balance between legitimate developer assistance and excessive profit at public expense can be difficult. The information requested from developers in this Policy is an attempt to quantify the benefits and risks of any proposed project so that City Council will be able to make an informed decision.

### **THE GOALS AND OBJECTIVES OF ECONOMIC DEVELOPMENT**

The Economic Development Policy's goal is to assist existing businesses in their expansion efforts and to recruit new businesses to complement the current business mix in order to broaden the tax base within the City of Moline. This is accomplished by negotiating economic development assistance in the form of loans, tax increment financing, property tax rebates, and sales tax rebates; providing economic and demographic data; and maintaining information on available sites and buildings. The City of Moline prides itself on its progressive approach to economic development and its efforts at diversifying the City's residential, office, retail, tourism, recreational and advanced manufacturing economic base.

The objectives of this Policy are to expand the City's tax base, create jobs, develop targeted economic sectors, retain businesses, reduce blight, improve distressed neighborhoods, increase housing stock, and improve infrastructure.

### **FINANCIAL INCENTIVE TOOLS AND LIMITATIONS**

The City is interested in the development and redevelopment of existing underutilized land and buildings that can be redeveloped into alternative uses such as loft apartments/residential, hotel, retail, office and other commercial development that creates jobs, various forms of income/uses of City utilities and provide opportunities for residents and visitors to Moline. Specifically, the City is interested in projects that meet one of the following project types: property tax-generating projects; sales tax-generating projects; hotel-motel use tax-generating projects; food and beverage tax-generating projects; projects that are large consumers of City utilities; as well as projects that create new high quality jobs and are able to provide various incentives. To qualify for public support, there must be a number of impediments that make the project impractical without public assistance.

The City is able to provide incentives that include, but are not limited to, the following:

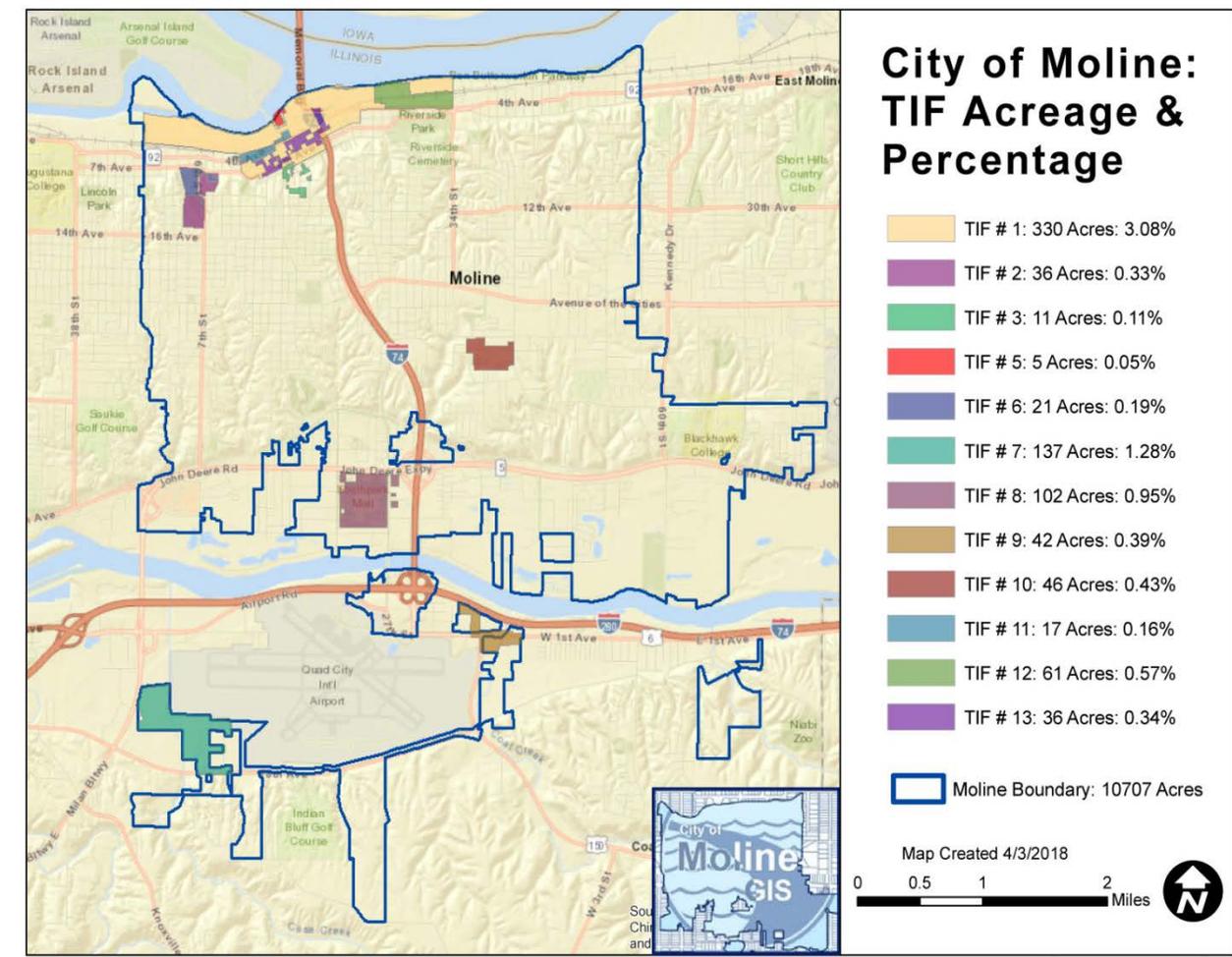
## Tax Increment Financing

In order for a project to qualify for Tax Increment Financing (TIF), the project must be located within a TIF and the developer must prove that the project would not derive the benefits of an increased assessment base without the benefits of TIF. Illinois law (65 ILCS 5/11-74.4-1) outlines eligible project costs that qualify for reimbursement under a TIF.

There are also certain areas within established TIF Districts that City Council has identified as target or priority areas. They include:

- TIF Districts: 1,3,7,8,9,10,11,12,13
- Commercial Districts: Moline Centre, Avenue of the Cities, UpTowne, Olde Town, John Deere Road and other areas which are appropriately zoned for commercial/office/industrial development
- The area around SouthPark Mall, the Quad City International Airport, and Coal Town Road Corridor

There are currently 12 established TIF Districts throughout the City of Moline:



### Property Tax Rebates

In order to be eligible for a rebate of property taxes, the property taxes on the project property must be paid when due and owing. The rebate will be calculated based on the Actual Assessed Value established by the Rock Island County Assessor, however, the City will not calculate a rebate until the entire property tax revenue is received each year.

### Sales Tax Rebates

Sales tax rebate will be based solely from the proceeds of sales tax revenue received by the City as a result of sales from new businesses located in the project area. This could include a new or an additional location for an existing City of Moline business if its existing location(s) in the City is/are kept in place. Any sales tax rebate shall be calculated on the Municipal 1% sales tax only, and not the City's 1% Home Rule Sales Tax, nor the City's 1.25% prepared food and packaged liquor tax.

### Hotel Motel Use Tax Rebate

A portion of the hotel-motel use tax revenues generated annually may be rebated for a hotel project. While this rebate is not a property tax rebate; it is to be considered to be part of the total combined incentives rebate amount. However, the City foremost remits an annual fixed percentage of all hotel-motel use tax revenues it receives to the Quad Cities Visitors and Convention Bureau (this percentage may change yearly).

## **ADDITIONAL FINANCIAL RESOURCES**

The City also agrees to use its best efforts to support any project in applying for additional City, state and federal grant or loan programs that will enhance the project. Many projects may be eligible to apply for the following programs or a combination thereof, even if they do not receive any financial incentives from the City of Moline.

### Enterprise Zone

Currently, there is an option for project specific inclusion in an Enterprise Zone through the Quad Cities Regional Economic Development Authority (QCREDA). This Zone was designated as of March 26, 2018. A project can submit for inclusion in this established Zone by applying directly through QCREDA for qualification. The state benefits for inclusion in this Zone can be found at: <http://qcreda.com/>.

### Grants and Loan Applications

Any project located within the City of Moline is also able to apply for the City of Moline Façade Improvement Program, which currently provides forgivable loans for façade improvements and repair; the Bi-State Revolving Loan Program, which is meant to bridge the gap when a project cannot be financed completely by traditional sources; the Moline Revolving Loan Fund Program, is similar to Bi-State's Revolving Loan Fund, and is meant as an opportunity for an entrepreneur/business person to obtain supplemental financing for a project. Note that a project cannot currently be underway to qualify for either the Bi-State or Moline Revolving Loan Programs.

### Historic District Tax Credits

Property owners also have the opportunity to apply for preservation tax credits in Moline's first nationally-designated historic district that is located throughout the City's downtown area. Providing that the rehab project adheres to the Secretary of the Interior's Standards for Rehabilitation, the tax credit can be worth up to 20% of the total restoration cost. Application must be made directly to the State of Illinois and qualification for tax credits is determined solely by the state. Additional information to apply for Historic Tax Credits through the state can be found at: <https://www.nps.gov/tps/tax-incentives.htm>.

## **GUIDELINES AND EVALUATION PROCESS**

The City of Moline will use any combination of the following evaluation criteria methods to determine the extent of City participation in order to determine proper allocation of resources. The evaluation criteria will also be used to determine whether a project would be able to proceed if financial incentives were not provided:

### Sources and Uses of Funds Statement

A statement itemizing the financing for the project identifies how the funding will be allocated. This statement is directly correlated to the project cost estimate.

### Project Cost Estimate

Itemized breakdown of the total project costs into three broad categories:

- Acquisition – land and building
- Hard costs – construction and interior and exterior improvements
- Soft costs – professional fees, insurance, taxes and transaction costs

### Project Pro Forma

An analysis of the project's cash flow, tax benefits, and property value appreciation are made to determine the return on investment. The City will require a multi-year projection which includes the project's revenues, expenses, net operating income, and annual debt service.

### Appraisal Report

An independent, appraisal of the fair market value after improvements, will assist in determining appropriate private debt financing, debt and loan ratios, cost per a defined unit of measurement, and cash flow estimates. The City and the Developer shall choose a mutually agreeable appraiser and Developer shall bear the cost of the appraisal.

### Individual Financial Statements

Each development partner will be required to submit financial reports that include net worth for the previous three years in order to demonstrate that appropriate financial resources will be available. The City will consider the developer's ability to perform as expected based on prior

development projects and other relevant information as to the developer's ability to complete the project as proposed on time and on budget.

Upon receipt of the above information, the City will evaluate a project on its own merit with the help of guidelines that includes consideration and overall impact of the following objectives:

1. Projected total annual tax revenue generated;
2. Taxable property valuation upon project completion (market value);
3. Anticipated hotel-motel tax revenue;
4. Anticipated food and beverage tax revenue;
5. Job creation (at or above area median income wage);
6. Furtherance of annual City Council Goals;
7. Whether a project is located within a high priority area;
8. Whether project is complementary to other area development(s);
9. Miscellaneous (public benefit, destination attraction, sense of place, public space, etc.).

The incentive for a specific project may be a combined incentive (e.g., property tax rebate, TIF rebate, sales tax rebate, hotel-motel tax rebate, etc.) rebate between 0 and 15% of the total project cost. The incentive will be determined by the City using the merits and guidelines established in this Policy. In very rare circumstances, additional funds may be expended by the City for a specific project. However, qualification for any and all financial assistance provided by the City will be made at the City's sole discretion based upon its overall evaluation of a specific project.

### **PERFORMANCE STANDARDS**

Once a determination has been made by the City to provide financial incentives to a project, the City and the project developer will enter into a performance-based development agreement that specifies the obligations for all parties including a timeline for project completion and penalties for missing goals. Depending on the development project, requirements for sales tax generation, property tax increases, user fee increases, job creation (the number and type of jobs along with the wage rates will be established), or other quantitative measures will be created. The performance provisions established for each project then will be incorporated into the performance-based development agreement. The performance-based development agreement will specify the consequences for failing to meet the agreed upon performance measures set jointly by the City and the developer. If these thresholds are not met by the developer, then the developer will be required to reimburse, with interest, the City for all public assistance. It is the expectation that a minimum assessment language will be included in all Development Agreements to insure the requisite amount of increment is available to implement the overall goals and objectives of the City.

## **MONITORING AND COMPLIANCE**

The City, along with its public/private partner, Renew Moline, have a long history of collaboration for projects along the Riverfront from the border of Rock Island to East Moline and have established a process known as the Design Build Management Team and the Project Management Team (DBMT/PMT). If a project is located within the Moline Riverfront from the border of Rock Island to the border of East Moline, from the River to the bottom of the bluff, known as the Moline Riverfront Plan, the project is subject to the DBMT/PMT process. Additional information regarding the DBMT/PMT structures and procedures can be found here: <http://www.renewmoline.com/index.php/about-us/development-process>

All projects are subject to comply with all applicable building codes that are in effect as of the date of execution of any performance-based development agreement. Developer must certify that the project, as designed, is and shall be in full compliance with all applicable state and local laws and ordinances. Any additional monitoring and compliance will also be outlined in the performance-based development agreement. It is understood that each performance-based development agreement will be tailored to an individual project based upon the final qualifying incentives. Any obligations outlined in the performance-based development agreement must be met in order for incentive payments to be made. It is further understood that all incentive payments are monitored by delegated City staff in order to insure compliance throughout the term of the performance-based development agreement.