



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Economic Development Division

m e m o r a n d u m

TO: Bruce Walden, Chief Administrative Officer

FROM: Elizabeth H. Tyler, AICP, Director

DATE: April 18, 2002

SUBJECT: Urbana Enterprise Zone – Request to Extend Term of the Enterprise Zone

Description

Staff is requesting the City Council to consider approval of an ordinance that would extend the term of the Urbana Enterprise Zone an additional 10 years beyond its current 20-year term (July 1, 1985 – December 31, 2005). The additional 10 years will permit the City of Urbana to remain competitive with surrounding communities that have taken advantage of the recent legislative change to the State's Enterprise Zone Act permitting the longer term.

Background

Staff recently provided City Council with a packet of information at its February 25th Committee of the Whole meeting about the Enterprise Zone program and the City of Champaign's similar process to extend the term of the Enterprise Zone.

The Champaign City Council approved a ten-year extension of the term last year and forwarded the request for approval by its joint partner, Champaign County. Because the City of Urbana's enterprise zone program benefits from the County's participation in property tax abatement, and because the County was considering the possibility of no longer participating in the tax abatement component of the Enterprise Zone program it was determined that Urbana should delay action until the County Board had an opportunity to consider the City of Champaign's request. The County Board has now taken action to support the ten-year extension of the Enterprise Zone program for the joint City of Champaign / Champaign County Zone.

Issues & Approvals

The extension of the term of the Enterprise Zone for an additional ten years is very important to Urbana for the following reasons:

1. Nearby communities are extending the term of their enterprise zones. To remain competitive in the regional effort to attract new investment and retain existing businesses over the next several years, Urbana needs to keep one of the few important economic development programs available to local governments in the State of Illinois.
2. The Enterprise Zone leverages substantial State incentives ranging from the sales tax exemption on building materials, tax credits for disadvantaged workers, job training, access to low-interest loan funds, and exemptions on utility tax and other taxes for the largest projects.
3. The Enterprise Zone has played a major role in leveraging successful annexation and development agreements.

Just as in the case of amendments to add territory to the Enterprise Zone, the State of Illinois requires an application (see attached) and public hearing process in addition to receipt of an ordinance approved by the City Council (see attached) as a prerequisite to extending the term of the Zone. A public hearing is scheduled for Tuesday, April 30, 2002 at 1:30 p.m. at the Urbana Civic Center.

It should be noted that in addition to extending the Enterprise Zone's term there are other issues staff has considered and may warrant further amendments in the future. However, the most urgent concern related to a revision in the Enterprise Zone sales tax exemption law that took effect on January 1, 2002 is very close to being changed again by Senate Bill 1760 which passed the Senate and is presently under consideration by the House (see attached). This change would remedy staff's major concerns with respect to improving the effectiveness and accessibility of the sales tax exemption benefit for Urbana Enterprise Zone projects.

The Champaign County Chamber of Commerce submitted the attached resolution in support of extending the term of the Urbana Enterprise Zone in anticipation of this issue coming before the Urbana City Council.

Options

Council's options include approving the attached ordinance; to suggest specific changes or modifications; to defer or delay action; or to reject the proposed ordinance.

Fiscal Impacts

The general impact of extending the term will be an additional ten years during which the City will participate in the abatement of property taxes for significant industrial and commercial projects. It should be noted that only the City and County abate their property taxes. The School District, Park District and other taxing districts do not participate in tax abatement and therefore realize an immediate benefit from the increase in the tax base resulting from investment in the Enterprise Zone. Attached you will find a list of companies currently benefiting from some level of tax abatement in the Enterprise Zone and the level of investment and job creation resulting from major commercial and industrial projects within the Zone..

Recommendation

Staff recommends that Committee of the Whole forward the attached ordinance amending the term of the Enterprise Zone for an additional 10 years beyond its current 20-year term (July 1, 1985 – December 31, 2005) to the next regular City Council meeting scheduled for 7:30 pm Monday, May 6, 2002. Staff recommends approval of this ordinance.

Prepared by: _____
Reed Berger, AICP, Economic Development Coordinator

Attachments: Ordinance Amending the Enterprise Zone
Original Ordinance Establishing Urbana Enterprise Zone
Application to Alter the Term of the Enterprise Zone
Champaign County Chamber of Commerce Resolution
Urbana Businesses Currently Benefiting From Property Tax Abatement
Investment and Job Creation Within the Champaign and Urbana Enterprise Zones
Senate Bill 1760 Information

c: Mayor Satterthwaite and City Council Members
City Department Heads
Jill Guth, CCEDC
Laura Weis, CCCC
Laurie Bonnett, UBA

Ordinance No. 2002-04-043

AN ORDINANCE AMENDING THE URBANA ENTERPRISE ZONE

(Extending the Term of the Enterprise Zone an Additional 10 Years)

WHEREAS, on December 3, 1984 the City Council of the City of Urbana, Champaign County, Illinois (the "City") duly passed Ordinance No. 8485-38 entitled, "An Ordinance Designating An Area As An Enterprise Zone", which such ordinance was duly approved by the Mayor on December 10, 1984 (the "Ordinance"); and

WHEREAS, in connection with a review of the Ordinance and the written application made in connection therewith to the Department of Commerce and Community Affairs (the "Department") in accordance with the Illinois Enterprise Zone Act (the "Act"), the City Council, on March 18, 1985, duly passed Ordinance No. 8485-65 entitled, "An Ordinance Amending Ordinance No. 8485-38 entitled, 'An Ordinance Designating An Area As An Enterprise Zone'", which such ordinance was duly approved by the Mayor on March 25, 1985 (the "First Amending Ordinance"); and

WHEREAS, approval of the Enterprise Zone, as designated by the Ordinance and the First Amending Ordinance, was made by the Department by certification of the Ordinance and the First Amending Ordinance effective July 1, 1985; and

WHEREAS, the City Council of the City of Urbana, from time to time, has amended said Ordinance and the Department has so approved by certification of the Amending Ordinance; and

WHEREAS, the City Council now finds it necessary and desirable to further amend the terms of the Ordinance as amended, pursuant to Section 5.4 of the Act; and

WHEREAS, on Wednesday, April 24, 2002 the City duly caused public notice to be published in The News-Gazette, a newspaper of general circulation within the certified Enterprise Zone, as amended, and Champaign County, Illinois, of a public hearing to be held within the certified Enterprise Zone, as amended, on the question of whether to alter the termination date of the certified Urbana Enterprise Zone, as amended, from June 30, 2005 to June 30, 2015. Such public notice was published not more than twenty (20) days nor less than five (5) days before the public hearing scheduled for Tuesday, April 30, 2002 at 1:30 p.m.; and

WHEREAS, on Tuesday, April 30, 2002 the City duly conducted a public hearing at 1:30 p.m. at the Urbana Civic Center, 108 E. Water Street, Urbana, Illinois, a location within the certified Enterprise Zone, as amended, at which such public hearing information was presented and public comment was elicited on the questions as specified in the notice as published.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, as follows:

Section 1: That Section 5 of the Ordinance, as amended, entitled "Term", be and the same is hereby amended to alter the term of the certified Enterprise Zone from December 31, 2005 to December 31, 2015 by replacing the phrase "twentieth (20th) calendar year" with the phrase "thirtieth (30th)calendar year".

Section 2: This Amending Ordinance shall not become effective unless and until the proposed amendments contained herein are approved by the Department, and the Department issues an amended certificate for the Enterprise Zone established by the Ordinance, as amended, pursuant to the Act, in which such event this Amending Ordinance shall become effective on the first day of the calendar month following the date in which the amended

certificate, together with the Ordinance as heretofore and hereby amended, shall be filed, recorded and transmitted as provided in Section 5.3 of the Act.

This Ordinance is hereby passed by the affirmative vote, the "ayes" and "nays" being called, of a majority of the members of the Council of the City of Urbana, Illinois, at a regular meeting of said Council on the _____day of _____, 2002, A.D.

PASSED by the City Council this _____day of _____, 2002.

Phyllis D. Clark, City Clerk

AYES:

NAYS:

ABSTAINED:

APPROVED by the Mayor this _____ day of _____, 2002.

Tod Satterthwaite, Mayor

Urbana Businesses Currently Benefiting From Property Tax Abatement

based on Abatements on file July 1, 2001

BUSINESS NAME	FY	TERM	EAV %
A&R Mechanical	5	10	70
A&R Mechanical	7	10	70
A.F. Antronics	7	10	80
Airborne Express	8	10	100
American Software Distributors	7	10	100
American Software Distributors	8	10	100
APL Engineered Materials	2	10	100
Autozone Inc.	3	5	100
Bernie's Tires	5	10	90
Carle	1	5	100
Carle	5	5	100
Cerion	5	10	100
Commerical Floor Covering	1	5	90
East Urbana Industrial Park	2	10	100
East Urbana Industrial Park	5	10	100
Eastland Suites	1	5	90
Emulsicoat	7	10	70
Federal Express	10	10	100
Flex-N-Gate	1	10	100
Flex-N-Gate	1	10	100
Guardian West	2	10	100
Holiday Inn	4	5	100
Hunsinger Enterprises	5	10	80
Hutchcraft Van Services	1	10	70
J.M. Jones Company	5	10	70
Les's Tavern	1	5	50
Motorola	2	10	100
National Council of Teachers of English	3	5	100
Nogle & Black Mechanical	9	10	100
Ray's Heating & AC	1	5	50
Ryder Truck Rentals	10	10	100
SDS Communications	5	10	100
Solo Cup	10	10	100
SoMat, Inc.	5	10	70
Squad Fitters	1	5	100
Steak 'N' Shake Restaurant	5	5	100
Strawberry Fields	1	5	100
Super 8	1	5	100
Tri-Star Marketing, Inc.	1	5	50

92_SB1760

Amends the Retailers' Occupation Tax Act. Changes the deduction for building materials to be incorporated into real estate in an enterprise zone from a deduction that the retailer may allow to a deduction that the retailer must allow. Deletes language authorizing a county or municipality to limit the deduction. Amends the State Mandates Act to require implementation without reimbursement from the State. Effective immediately.

FEB-05-02 S FIRST READING

FEB-05-02 S REFERRED TO SENATE RULES COMMITTEE RULES

FEB-27-02 S ASSIGNED TO COMMITTEE REVENUE

MAR-07-02 S DO PASS 009-001-000 SREV

MAR-07-02 S PLACED ON CALENDAR ORDER OF 2ND READING MAR-20-02

1 AN ACT concerning taxes.

2 Be it enacted by the People of the State of Illinois,

3 represented in the General Assembly:

4 Section 5. The Retailers' Occupation Tax Act is amended

5 by changing Section 5k as follows:

6 (35 ILCS 120/5k) (from Ch. 120, par. 444k)

7 Sec. 5k. Building materials used in enterprise zone.

8 Each retailer who makes a sale of building materials to be
9 incorporated into real estate in an enterprise zone
10 established by a county or municipality under the Illinois
11 Enterprise Zone Act by remodeling, rehabilitation or new
12 construction, must ~~may~~ deduct receipts from such sales when
13 calculating the tax imposed by this Act. ~~The deduction~~
14 ~~allowed by this Section for the sale of building materials~~
15 ~~may be limited, to the extent authorized by ordinance,~~
16 ~~adopted after the effective date of this amendatory Act of~~
17 ~~1992, by the municipality or county that created the~~
18 ~~enterprise zone in which the retailer's place of business is~~
19 ~~located. The corporate authorities of any municipality or~~
20 ~~county that adopts an ordinance or resolution imposing or~~
21 ~~changing any limitation on the enterprise zone exemption for~~

22 ~~building materials shall transmit to the Department of~~
23 ~~Revenue on or not later than 5 days after publication, as~~
24 ~~provided by law, a certified copy of the ordinance or~~
25 ~~resolution imposing or changing those limitations, whereupon~~
26 ~~the Department of Revenue shall proceed to administer and~~
27 ~~enforce those limitations effective the first day of the~~
28 ~~second calendar month next following date of receipt by the~~
29 ~~Department of the certified ordinance or resolution. The~~
30 provisions of this Section are exempt from Section 2-70.
31 (Source: P.A. 91-51, eff. 6-30-99; 91-954, eff. 1-1-02;

-2- LRB9215394SMdv

1 92-484, eff. 8-23-01.)

2 Section 90. The State Mandates Act is amended by adding
3 Section 8.26 as follows:

4 (30 ILCS 805/8.26 new)

5 Sec. 8.26. Exempt mandate. Notwithstanding Sections 6
6 and 8 of this Act, no reimbursement by the State is required
7 for the implementation of any mandate created by this
8 amendatory Act of the 92nd General Assembly.

9 (Source: P.A. 91-51, eff. 6-30-99; 91-954, eff. 1-1-02;
10 92-484, eff. 8-23-01.)

11 Section 99. Effective date. This Act takes effect upon
12 becoming law.

Investment and Job Creation Within the Champaign and Urbana Enterprise Zones

		URBANA ENTERPRISE ZONE				CHAMPAIGN ENTERPRISE ZONE				C-U ENTERPRISE ZONES			
FY YR	YR	Investment	Jobs			Investment	Jobs			Investment	Jobs		
			Create	Retain	Firms		Create	Retain	Firms		Create	Retain	Firms
FY' 86	1	\$4,417,613	237	71	52					\$4,417,613	237	71	52
FY' 87	2	\$3,465,727	98	60	42	\$39,424,792	605	359	38	\$42,890,519	703	419	80
FY' 88	3	\$1,934,638	181	52	45	\$11,732,974	287	210	34	\$13,667,612	468	262	79
FY' 89	4	\$8,384,469	261	52	57	\$15,098,875	271	273	29	\$23,483,344	532	325	86
FY' 90	5	\$3,807,715	158	15	51	\$16,426,680	427	996	12	\$20,234,395	585	1,011	63
FY' 91	6	\$6,275,285	76	31	32	\$13,879,114	117	322	13	\$20,154,399	193	353	45
FY' 92	7	\$6,159,415	485	14	32	\$1,922,279	36	43	8	\$8,081,694	521	57	40
FY' 93	8	\$1,235,606	39	0	12	\$17,339,771	145	60	17	\$18,575,377	184	60	29
FY' 94	9	\$5,776,000	511	120	16	\$8,283,400	81	261	16	\$14,059,400	592	381	32
FY' 95	10	\$11,221,827	128	147	16	\$8,271,500	322	99	20	\$19,493,327	450	246	36
FY' 96	11	\$25,953,636	440	55	12	\$13,167,903	251	225	19	\$39,121,539	691	280	31
FY' 97	12	\$13,265,463	281	193	17	\$7,636,803	167	302	10	\$20,902,266	448	495	27
FY' 98	13	\$14,915,260	301	0	12	\$67,588,625	285	159	36	\$82,503,885	586	159	48
FY' 99	14	\$887,000	17	0	6	\$12,071,370	216	203	17	\$12,958,370	233	203	23
FY' 00	15	\$29,797,000	536	268	7	\$30,212,941	781	339	22	\$60,009,941	1,317	607	29
FY' 01	16	\$5,689,959	26	35	12	\$4,884,631	12	15	9	\$10,574,590	38	50	21
FY' 02	17	\$0	0	0	0	\$0	0	0	0	\$0	0	0	0
Totals		\$143,186,613	3,775	1,113	421	\$267,941,658	4,003	3,866	300	\$411,128,271	7,778	4,979	721