**ORDINANCE NUMBER _____**

# AN ORDINANCE AMENDING THE PROPERTY TAX ABATEMENT QUALIFYING CRITERIA AND DEFINITIONS IN THE DEKALB COUNTY ENTERPRISE ZONE - TOWN OF CORTLAND –

**WHEREAS**, The DeKalb County Enterprise Zone was certified by the Illinois Department of Commerce and Economic Opportunity to begin operations on January 1, 2016 in accordance with the Illinois Enterprise Zone Act (20 ILCS 655/1 et. seq.), hereafter referred to as "the Act"; and,

**WHEREAS**, the DeKalb County Enterprise Zone Advisory Board recognizes a need to adapt local incentives to meet the needs of existing employers and targeted investors and industry sectors in the region; and,

**WHEREAS**, the County Board of DeKalb County, the Town Board of Cortland, the City Council of DeKalb, the City Council of Genoa, the City Council of Sandwich, the City Council of Sycamore and the Village Board of Waterman, also referred to as the Designating Units of Government, have determined and concur that it is desirable and necessary for the DeKalb County Enterprise Zone, hereafter referred to as "the Zone", to amend the qualifying criteria for property tax abatement within the boundaries of the Zone to meet these needs and improve the competitiveness of the region; and,

**WHEREAS**, all local participating taxing bodies will be requested to make similar amendments to their respective property tax abatement policies; and,

**WHEREAS**, certain parts of the Zone lie within the boundaries of the **TOWN OF CORTLAND**; and

**WHEREAS,** the Town Board has previously passed Ordinance 2019-20 making amendments to the qualifying criteria and definitions in the DeKalb County Enterprise Zone but at the request of the Advisory Board of the Enterprise Zone hereby wishes to repeal, supplant and amend those provisions with the following, through this passage of this subsequent ordinance.

**NOW, THEREFORE, BE IT ORDAINED BY THE MAYOR AND THE TOWN BOARD OF TRUSTEES OF THE TOWN OF CORTLAND, ILLINOIS, REPEALING, SUPPLANTING AND AMENDING THE PROVISIONS OF ORDINANCE 2019-20 ENTIRELY WITH THE FOLLOWING:**

The following changes to the DeKalb County Enterprise Zone shall be made, subject to approval by all of the Designating Units of Government and the Illinois Department of Commerce and Economic Opportunity.

That the **TOWN OF CORTLAND** hereby abates real property taxes subject to its jurisdiction, on those properties located within the boundaries of the DeKalb County Enterprise Zone on which improvements have been constructed, as outlined below:

**Section 1 – TERM.** The term of the Zone will be for 15 years commencing on January 1, 2016, and ending at midnight on December 31, 2030, or until such time as the Zone has expired, been decertified by the Department or repealed by the General Assembly or by ordinance of the participating governmental entities, whichever is sooner. After the 13th year, the zone is subject to review by the state Enterprise Zone Board for an additional 10-year designation beginning on the expiration date of the enterprise zone. During the review process, the state Enterprise Zone Board shall consider the costs incurred by the State and units of local government as a result of tax benefits received by the enterprise zone before granting the extension. Upon approval of the state Enterprise Zone Board, the Zone may further be in effect for an additional 10 years beginning January 1, 2031.

**Section 2 – PROPERTY TAX ABATEMENT.** That commencing on or after November 1, 2019**,** or upon written approval by the Department of Commerce and Economic Opportunity of the DeKalb County Enterprise Zone's 2019 Application to Expand, Limit or Repeal Incentives, taxes on real property levied by the **TOWN OF CORTLAND** shall be abated on property located within the boundary of the Enterprise Zone, as certified by the Department, and upon which new improvements have been constructed according to the criteria and procedures outlined in Section 2 found below. In no event shall any abatement of taxes on any parcel exceed the amount attributable to the construction of the improvements or the renovation or rehabilitation of existing improvements on such parcel.

A) DEFINITIONS

1) "Memorandum of Understanding" or "MOU" as defined herein is the written agreement between the DeKalb County Enterprise Zone Administrator, on behalf of the Taxing Bodies participating in the DeKalb County Enterprise Zone property tax abatement program, and the Applicant receiving tax abatement. The MOU defines the terms and conditions by which abatement of real estate property tax is authorized.

2) "Industrial Companies" as defined herein, are enterprises where the manufacturing or assembling of goods takes place.

3) "Knowledge-Based Companies" as defined herein are enterprises that are research oriented and that require a highly skilled workforce such as biotechnology, electronics and/or professional services such as engineering, architecture, finance, and law. Eligible Knowledge-based projects may also be defined to include Data Centers or similar operations involving the storage and distribution of data and related technology applications where data and electronic information is housed, distributed and/or manipulated to foster technology sector innovation, growth and development or other emerging technologies. Technical training/vocational schools and telemarketing companies are excluded from this definition.

4) "Logistic(s) Companies" as defined herein, as warehousing and distribution businesses that are engaged in the storage and packaging of goods and the transfer of products from a point of origin to a point of consumption.

5) "Interstate Competition Market" is defined as the geographic area within the boundaries of the DeKalb County Enterprise Zone, located within 3.5 miles in either direction (north or south) of the center median of Interstate 88.

B) DeKalb County Enterprise Zone property tax abatement shall be available for companies meeting the following criteria in the **Interstate Competition Market area** according to the following terms and conditions.

1) Logistics Companies shall construct a minimum of 100,000 square feet for new building construction or must add at least 50,000 square feet to the size of an existing building. Construction or redesign of existing structures involving interior build-out, renovation or rehabilitation are also eligible to the extent they increase the Equalized Assessed Valuation of the facility. Abatement shall only apply to the increased assessed valuation attributable to said ~~new~~ construction or to said addition.

2) Industrial Companies shall construct a minimum of 15,000 square feet for new building construction or must add at least 7,500 square feet to the size of an existing building. Construction or redesign of existing structures involving interior build-out, renovation or rehabilitation are also eligible to the extent they increase the Equalized Assessed Valuation of the facility. Abatement shall only apply to the increased assessed valuation attributable to said ~~new~~ construction or to said addition.

3) Knowledge-Based Companies shall construct a minimum of 10,000 square feet of new building construction or must add at least 5,000 square feet to the size of an existing building. Construction or redesign of existing structures involving interior build-out, renovation or rehabilitation are also eligible to the extent they increase the Equalized Assessed Valuation of the facility. Abatement shall only apply to the increased assessed valuation attributable to said new construction or to said addition.

4) The abatements outlined in Section "2.D.1." through Section "2.D.3." below will be effective after the said build-out, rehabilitation, expansion, renovation or new construction has been completed and will

begin following the first full year of a facility's commercial operation. Abatements are also contingent upon execution of a Memorandum of Understanding as outlined in Section "2. M." below.

C) DeKalb County Enterprise Zone property tax abatement shall be available for companies meeting the following criteria in areas **outside of the Interstate Competition Market area** according to the following terms and conditions.

1) Logistics Companies shall construct a minimum of 10,000 square feet for new building construction or must add at least 5,000 square feet to the size of an existing building. Construction or redesign of existing structures involving interior build-out, renovation or rehabilitation are also eligible to the extent they increase the Equalized Assessed Valuation of the facility. Abatement shall only apply to the increased assessed valuation attributable to said ~~new~~ construction or to said addition.

2) Industrial Companies shall construct a minimum of 10,000 square feet for new building construction or must add at least 5,000 square feet to the size of an existing building. Construction or redesign of existing structures involving interior build-out, renovation or rehabilitation are also eligible to the extent they increase the Equalized Assessed Valuation of the facility. Abatement shall only apply to the increased assessed valuation attributable to said ~~new~~ construction or to said addition.

3) Knowledge-Based Companies shall construct a minimum of 10,000 square feet of new building construction or must add at least 5,000 square feet to the size of an existing building. Construction or redesign of existing structures involving interior build-out, renovation or rehabilitation are also eligible to the extent they increase the Equalized Assessed Valuation of the facility. Abatement shall only apply to the increased assessed valuation attributable to said ~~new~~ construction or to said addition.

4) Effective date. The abatements outlined in Section "2.E.1." below will be effective after the said build-out rehabilitation, expansion, renovation or new construction has been completed and will begin following the first full year of a facility's commercial operation. Abatements are also contingent upon execution of a Memorandum of Understanding as outlined in Section "2. G." below.

D) Terms of Abatement – Interstate Competition Market Area.

1) Logistics-based Companies. The duration for tax abatement, as described in Section "2.B.1." above, shall be for 9 years or until the expiration, termination or decertification of the DeKalb County Enterprise Zone, whichever is sooner, according to the following schedule:

| | | |
|---|---|---|
| 1) | For taxes levied in the first year of abatement: | 90% |
| 2) | For taxes levied in the second year of abatement: | 80% |
| 3) | For taxes levied in the third year of abatement: | 50% |
| 4) | For taxes levied in the fourth year of abatement: | 50% |
| 5) | For taxes levied in the fifth year of abatement: | 50% |
| 6) | For taxes levied in the sixth year of abatement: | 40% |
| 7) | For taxes levied in the seventh year of abatement: | 30% |
| 8) | For taxes levied in the eighth year of abatement: | 20% |
| 9) | For taxes levied in the ninth year of abatement: | 10% |
| 10) | For taxes levied in the tenth year of abatement: | 0% |

2) Industrial Companies. The duration for tax abatement, as described in Section "2.B.2." above, shall be for 9 years or until the expiration, termination or decertification of the DeKalb County Enterprise Zone, whichever is sooner, according to the following schedule:

| | | |
|---|---|---|
| 1) | For taxes levied in the first year of abatement: | 90% |
| 2) | For taxes levied in the second year of abatement: | 80% |
| 3) | For taxes levied in the third year of abatement: | 70% |
| 4) | For taxes levied in the fourth year of abatement: | 60% |
| 5) | For taxes levied in the fifth year of abatement: | 50% |
| 6) | For taxes levied in the sixth year of abatement: | 40% |
| 7) | For taxes levied in the seventh year of abatement: | 30% |
| 8) | For taxes levied in the eighth year of abatement: | 20% |
| 9) | For taxes levied in the ninth year of abatement: | 10% |
| 10) | For taxes levied in the tenth year of abatement: | 0% |

3) Knowledge-based Companies. The duration for tax abatement, as described in Section "2.B.3." above, shall be for 10 years or until the expiration, termination or decertification of the DeKalb County Enterprise Zone, whichever is sooner, according to the following schedule:

| | | |
|---|---|---|
| 1) | For taxes levied in the first year of abatement: | 90% |
| 2) | For taxes levied in the second year of abatement: | 90% |
| 3) | For taxes levied in the third year of abatement: | 80% |
| 4) | For taxes levied in the fourth year of abatement: | 70% |
| 5) | For taxes levied in the fifth year of abatement: | 60% |

6) For taxes levied in the sixth year of abatement: 40%
7) For taxes levied in the seventh year of abatement: 30%
8) For taxes levied in the eighth year of abatement: 20%
9) For taxes levied in the ninth year of abatement: 10%
10) For taxes levied in the tenth year of abatement: 5%

E) Terms of Abatement – Areas Outside of the Interstate Competition Market Area.

1) Industrial, Logistic(s) and Knowledge-based Companies. The duration for tax abatement, for projects described in Section "2.C.1." through Section "2.C.3" above, shall be for 5 years or until the expiration, termination or decertification of the DeKalb County Enterprise Zone, whichever is sooner, according to the following schedule:

1) For taxes levied in the first year of abatement: 90%
2) For taxes levied in the second year of abatement: 80%
3) For taxes levied in the third year of abatement: 70%
4) For taxes levied in the fourth year of abatement: 60%
5) For taxes levied in the fifth year of abatement: 50%

F) Job Creation. - Interstate Competition Market Area

New Industrial or Logistic(s) Companies in the Interstate Competition Market Area must create a minimum of 20 full-time, permanent jobs. Industrial or Logistic(s) Companies in the Interstate Competition Market Area that are adding to the size of an existing building, as referenced in Section "2.B.1." and "2.B.2" above, must create a minimum of 10 additional full-time permanent jobs. Industrial or Logistic(s) Companies which are expanding shall provide the DeKalb County Enterprise Zone Administrator, as part of its abatement application, with the number of existing employees employed at the subject property and whether they are full or part time.

New or expanded Knowledge-based Companies in the Interstate Competition Market Area must create one job for every 250 square feet of office space created in conformance with Sections "2.B.3." above.

Said Knowledge-based Companies which are expanding shall provide the DeKalb County Enterprise Zone Administrator, as part of its abatement application, with the number of existing employees employed at the subject property and whether they are full or part time.

The aforementioned employment thresholds shall be achieved within two years of the date of the execution of the abatement and said thresholds must be maintained over the life of the abatement and shall be defined in the MOU between the DeKalb County Enterprise Zone Administrator and the taxpayer.

**SPECULATIVE DEVELOPMENT EXCEPTION:** Should an Industrial, Logistics or Knowledge-based development locate in a building developed as a speculative venture by an independent developer, employment threshold requirements may be extended from two years to four years. This exception must be requested by the developer or building owner and approved by the Enterprise Zone Advisory Board and the Zone Administrator prior to initiation of a lease, purchase or lease to purchase agreement being executed between the developer and the lessor and/or employer. All other terms of the abatement program remain as described in the Ordinance and the MOU between the Zone Administrator and the end user and/or owner/developer.

G) Job Creation. - Outside of the Interstate Competition Market Area

New Industrial or Logistic(s) Companies in areas outside of the Interstate Competition Market Area must create a minimum of 20 full-time permanent jobs. For Industrial and Logistic(s) Companies in areas outside of the Interstate Competition Market Area that are adding to the size of an existing building, as referenced in Section "2.C.1." and "2.C.2" above, must create a minimum of 10 additional full-time permanent jobs. Industrial or Logistic(s) Companies which are expanding shall provide the DeKalb County Enterprise Zone Administrator, as part of its abatement application, with the number of existing employees employed at the subject property and whether they are full or part time.

New or expanded Knowledge-based Companies in areas outside the Interstate Competition Market must create one job for every 250 square feet of office space created in conformance with Sections "2.C.3." above.

Said Knowledge-based Companies which are expanding shall provide the DeKalb County Enterprise Zone Administrator, as part of its abatement application, with the number of existing employees employed at the subject property and whether they are full or part time.

The aforementioned employment thresholds shall be achieved within two years of the date of the execution of the abatement and said thresholds must be maintained over the life of the abatement and shall be defined in the MOU between the DeKalb County Enterprise Zone Administrator and the taxpayer.

**SPECULATIVE DEVELOPMENT EXCEPTION:** Should an Industrial, Logistics or Knowledge-based development locate in a building developed as a speculative venture by an independent developer, employment threshold requirements may be extended from two years to four years. This exception must be requested by the developer or building owner and approved by the Enterprise Zone Advisory Board and the Zone Administrator prior to initiation of a lease, purchase or lease to purchase agreement being executed between the developer and the lessor and/or employer. All other terms of the abatement program remain as described in the Ordinance and the MOU between the Zone Administrator and the end user and/or owner/developer.

H) Wage Rates: Industrial or Logistic(s) Companies must pay an average wage, at the subject property, equal to 140% of the State of Illinois minimum wage requirement in effect on January 1 of each calendar year. Starting wages shall not be less than 120% of the State of Illinois minimum wage in effect on January 1 of each calendar year. Wages may not fall below these thresholds for the life of the Enterprise Zone abatement period.

Knowledge-based Companies must pay an average wage, at the subject property, equal to 160% of the State of Illinois minimum wage requirement in effect on January 1 of each calendar year. Starting wages shall not be less than 120% of the State of Illinois minimum wage in effect on January 1 of each calendar year. Wages may not fall below these thresholds for the life of the Enterprise Zone abatement period.

I) Regulatory and Legal Compliance. The Companies receiving DeKalb County Enterprise Zone property tax abatement shall comply with all federal, state and local environmental laws and regulations. Failure to comply shall be as determined by the Taxing Bodies and shall not require formal action or finds by any governmental agency or court.

K) Entities meeting qualification criteria outlined in Section 2 above must enter into a Memorandum of Understanding with the DeKalb County Enterprise Zone Administrator. The MOU must outline projected job creation and/or job retention, wage rates and capital investment for the eligible Industrial, Logistics-based and Knowledge-based projects. The said Administrator is hereby authorized to enter such agreements on behalf of the DeKalb County Enterprise Zone.

1. Entities receiving property tax abatement for eligible Industrial, Logistics-~~based~~ and, Knowledge-based projects agree to maintain a minimum of

95% of the employment level at that location, as described in the Memorandum of Understanding, for the term of abatement.

Should employment levels drop to between 5% and 50% of the project employment level agreed to at that location as described in the Memorandum of Understanding, a pro-rata reduction of the applicable abatement will be implemented for the next tax year or until employment levels return to the levels agreed in the MOU.

Should employment levels drop below 50% of the of the project employment level agreed to at that location as described in the Memorandum of Understanding, abatement shall be terminated for that tax year or until employment levels return to the agreed levels in the MOU.

At the discretion of the Enterprise Zone Administrator, with the advice and consent of the Enterprise Zone Advisory Board, failure to maintain a minimum of 50% of the employment levels during the agreement period may result in the immediate termination of remaining abatement and/or the pro-rata repayment of previously abated real property taxes to the applicable taxing districts.

2. The Administrator of the DeKalb County Enterprise Zone will annually monitor the performance of the eligible recipients of property tax abatement in order to ensure that job, wage and investment projections outlined in the Memorandum of Understanding are being met.

3. The Administrator of the DeKalb County Enterprise Zone, with the advice and consent of the Enterprise Zone Advisory Board, may elect to waive enforcement of any performance measures outlined in the Memorandum of Understanding based on a finding that the waiver is necessary to avert an imminent, demonstrable, and material hardship to the entity that may result in such entity's insolvency or discharge of workers.

4. Upon the effective date of this resolution, all incentives general abatements and benefits previously offered and in effect within the boundaries of the **TOWN OF CORTLAND** shall continue for the term of the DeKalb County Enterprise Zone for the following groups:

    a. Business enterprises which are receiving general property tax abatement benefits or incentives in the **TOWN OF CORTLAND** on the effective date of this resolution;

    b. Business enterprises or expansions which are proposed or under development on the effective date of this designating ordinance, if the business enterprise demonstrates that the proposed business

enterprise or expansion has been committed to locating or expanding in the Zone;

c. Substantial or binding financial obligations have been made; and such commitments have been made in reasonable reliance on the benefits and programs which would have previously been available as described in Section 4.a. and 4.b. above.

**Section(s) 3 through Section 9 contain no edits from the original Abatement Resolution.**

**Section 9 – EFFECTIVE DATE.** This Ordinance shall be in effect from the date of and after its passage, approval and recording and upon approval of the formal Application to Expand, Limit or Repeal Incentives by the Illinois Department of Commerce and Economic Opportunity, according to law. Failure to receive approval by the Department will render this Ordinance null and void.

**PASSED** this ___ day of _____, 2019

Ayes:
Nays:
Absent:

**APPROVED** this ____ day of _____, 2019

_____
Russell Stokes, Mayor

**ATTEST:**

_____
Cheryl Aldis, Town Clerk