

MUNICIPAL PROJECT FUNDING INTRODUCTION AND GOALS

Tax Increment Financing (TIF) and Business Taxing District Financing (BTD) (TIF and BTD are sometimes collectively referred to as Municipal Project Funding (MPF)) are governmental finance tools that the Village of Godfrey (Village) uses to provide funds to construct public infrastructure, promote development opportunities, expand the future tax base and to assist new and current business to expand or locate within the Village. The Village seeks to use MPF to enhance the community's living environment in concert with adopted plans and to strengthen the Village's economic foundation and business environment in an inclusive manner. The Village seeks a policy that is both competitive and flexible.

Village goals for the use of MPF include:

1. Growing the property tax base
2. Fostering the creating and retention of family-supporting jobs and jobs that offer career ladders toward family-supporting jobs
3. Encouraging adaptive re-use of obsolete or deteriorating property
4. Encouraging urban in-fill projects that increase (or decrease where appropriate) population density consistent with the Village perceived growth and sustainability plans
5. Assisting in the revitalization of historic or architecturally significant or deteriorated buildings
6. Creating a range of housing options and specifically encouraging the development of a skilled workforce to reside within owner occupied affordable housing
7. Enhancing transportation options by making it easier to walk, bike, use mass-transit, or employ other shared transit options
8. Promoting superior design, building materials, and sustainability features in the built environment
9. Providing for the expansion of existing business or the location of new business within the Village.

TIF PROCESS

The Village recognizes that some high-quality, desirable development projects cannot proceed without a public-private partnership that may involve MPF. The Village actively invites developers to approach the Village with these projects.

MPF and the Capital Budget

To the extent that Village staff and Community Planning and Economic Development Committee (CPEDC) is able to anticipate projects expected in the upcoming calendar year that require Village funds. The Village staff will request annual Capital Budget allocations for pipeline projects. Applicants are encouraged to make staff aware of upcoming projects as soon as possible to allow the Village to provide for project consideration in its annual budget process. At least six (6) months' notice should be provided to the Village.

The Mayor and Village Board of Trustees (Trustees) may include an additional pool of MPF funding unallocated to specific a project. This pool may be allocated to specific Projects on a majority vote based on a first-come, first-serve basis.

Targeted Development Areas

The Village recognizes the need to be proactive about strategically encouraging development in some areas of the Village. In particular, competing for desirable employers that are seeking new space requires nimbleness and responsiveness. To make the Village competitive, the (CPEDC) may propose a map, for adoption by the Village Trustees, of these Targeted Development Areas (TDAs) appropriate for commercial or industrial development, or the expansion of any TIF or BTM. Any adopted TDAs shall receive certain considerations as outlined below. The purpose of these TDAs is not to choose winners and losers, but make the Village be competitive with surrounding communities. The (CPEDC) shall propose updates to the map as necessary.

MPF Application without a TIF or BTM Authorization:

The Village requires approximately six (6) months to create or amend a TIF or BTM. Applicants seeking TIF assistance for development on project that is not located in an active or current TIF or BTM boundary, and requires either amendment or creation of a TIF or BTM as part of their request for MPF assistance should ideally apply for TIF and BTM six to nine (6-9) months in advance of any funding need. Applicant must also be cognizant of any land use approvals and provide sufficient lead time to process any approvals with the Village.

MPF Origination Fee

Developers shall pay a MPF origination fee in the amount of two percent (2 %) of the amount of MPF approved by the Village. The fee shall be paid in full prior to the first fund disbursement.

TIF OR BTM Creation

The Village may consider creating or amending a TIF area or BTM when:

- a. The proposed TIF or BTM has economic “generators,” i.e., at least one private development project that generates increment to finance TIF or BTM costs. Economic generators typically should have an incremental value at completion of at least \$3 million to cover the typical costs of establishing a TIF ; or in the case of a BTM, creates incremental gross taxable sales of in excess of \$ 500,000.00 or-
- b. The proposed TIF or BTM lies within TDA and the CPEDC finds that near term development is likely, or-
- c. The Village owns land in the proposed TIF or BTM and is actively attempting to sell or develop the land. Note: The previous language is not intended to prevent the Village from creating small TIF’ s or BTM’s that may be less costly to establish nor TIF’s or BTM’s that may be strategically important to create in advance of an expected generator(s).

MPF Team

The Mayor shall convene a MPF sub-committee team as necessary. The MPF team shall be comprised of representatives from the CPEDC, the Finance Department, the Village Attorney's Office, and other Village staff as appropriate. For each project, the team shall collaborate to develop a MPF recommendation for consideration by the Mayor, CPEDC and the Trustees.

Periodic MPF Policy and Underwriting Review

The CPEDC shall hold a hearing every other year to solicit feedback on the Village's MPF Policy. Among the criteria for this review shall be the relative use of MPF comparisons to regional communities and developer feedback. In addition, the MPF Team shall periodically review the adopted MPF policy and propose modifications to reflect changes in market conditions, new experience, and new development trends. Based on the periodic hearing and team review, the MPF Team in conjunction with the CPEDC shall prepare a resolution for Trustees consideration that incorporates suggested changes.

In addition, the MPF Team shall periodically review the assumptions and methodology used in its analysis and make updates as needed. This review will assess the use of cash flow versus static modeling, the discount rate assumption relative to historic Village borrowing costs, property value appreciation, rates of levy growth, and other economic and non-economic variables.

The flow chart attached hereto as Figure 1 depicts the general process for applying for MPF assistance:

MPF LOAN UNDERWRITING

Definitions

The following definitions are used in this section:

- Real Estate Project: The construction, rehabilitation, or expansion of a structure that creates property tax increment (or Payments in lieu of property taxes)
- Housing Project: A residential Real Estate Project offering market rents, or market single family housing prices
- Employment-Oriented Project: A commercial or mixed-use Real Estate Project led by or anchored by an employer that meets the Job Standards described below.
- Business Development: The expansion, creation or location of an existing or new business within the Village.

Job Standards

The Village is focused on creating and retaining jobs that meet one or more of the following standards:

- Five or more full-time jobs that pay a competitive wage and; and/or,
- Fifteen or more entry level jobs with clear career ladders leading to expanded skills and a competitive wage;
- Jobs in primary industry sectors and including:
 - * Manufacturing
 - * **Hospitality**, Food, Beverage and Tourism
 - * Agriculture/Biotechnology
 - * Information Systems, Software Technology, Communications
 - * Finance and Insurance
 - * Alternative Energy, Water, and Sustainability
 - * Retail goods and services
 - * Other sectors consistent with the Village Economic Development Plan

Jobs that increase the quality of life and economic environment within the Village without regard to industry sector or number of total jobs.

“But For” Standard

Each project must demonstrate sufficient need for the Village’s financial assistance, so that without that assistance, the proposed project would not be expected to occur in the Village. The economics of the project itself will be evaluated and while the net worth or wealth of an applicant shall be key factors in considering the merits of a project they shall not be the sole grounds for rejecting or recommending an application. In all circumstances, each project must demonstrate substantial probability of economic success. The following guidelines will be used for evaluating the “but for” standard:

- For Real Estate Projects: Projects will be deemed to meet the “but for” standard when a gap between sources and uses of capital exists.

- For Housing Projects: Projects will be deemed to meet the “but for” standard when a gap between sources and uses of capital exists or when TIF assistance is likely to affect a project’s ability to attract capital to the Village from another public or nonprofit source.
- For Employment-Oriented and Business Development Projects: Projects will be deemed to meet the “but for” standard when a gap between sources and uses of capital exists or when “competitive factors” exist that reasonably lead to the conclusion that but for the provision of MPF assistance, a project is not likely to occur within the Village.
Competitive factors include situations where one or more of the following occur:
 - * The employer is conducting a site search for a new facility or expansion that includes sites outside of the Village
 - * The employer has received or is soliciting an incentive offer(s) from other governments or economic development entities
 - * A Village-based employer is competing for capital investment within their parent organization or investor group
 - * The employer is evaluating a capital investment (sunk capital) that is likely to assure the retention of that employer for many years.
 - * An existing business needs MPF to expand its business to remain competitive in the market, or to continue to remain in the Village.
 - * A new business is considering locating to the Village and the MPF will allow the new business to commit to locating within the Village.

Underwriting Guidelines

It is the policy of the Village to support high quality development consistent with adopted plans while acting as a careful steward of public resources. While providing prudent MPF awards, the Village will partner with MPF applicants where appropriate to promote the goals outlined above.

Amount of MPF Assistance

After underwriting each project, staff will make a recommendation on the amount of MPF assistance to be provided based on the following factors (see Appendix for additional detail):

- The type of the project
- The financial gap exhibited in the MPF application
- The projected TIF or BTD increment created by the project
- The financial health and the age of the TIF or BTD
- An evaluation of relevant competitive factors
- Location within a TDA or existing TIF or BTD
- Other Increment demands for public infrastructure and other know projects within the Village
- Likelihood of catalyzing additional development within the TIF or BTD
- Extraordinary strategic or civic purposes met through the project
- The current condition of the economy , local real estate and business market as a whole

For Housing Projects: TIF assistance may be based on matching requirements of other housing programs provided the TIF’S health or project’s value can support such an award.

For Employment-Oriented and Business Development Projects: MPF assistance may be based on the value created by the project, the age and financial health of the TIF or BTI, and the best available information about the project's economics and competitive factors.

Equity Greater, Equal to MPF

MPF assistance shall not exceed the amount of equity provided by the applicant or applicant entity. Equity is defined as cash or other acceptable business assets or un-leveraged value in land or approved prepaid costs attributable to the project. Donated Developer or Construction Management, Business Consultant or Appraisal fees shall not be constituted as equity investment.

No Mortgage Guarantees

The Village will not provide any type of guarantees

MPF Guarantee

As a condition for the applicant to receive MPF, the Village may require a recourse guaranty (personal and/or corporate) acceptable to the Village of such sum as is sufficient to recover the Village's debt service on Village-financed funds and/or in the amount of the funds advanced by the Village to the applicant project. .

Real Estate Taxes

All projects assisted with MPF shall pay real estate taxes, or generate sales tax for the Village.

Land Use or Contract Violations

Agreements for MPF assistance shall provide for legal remedies for default, termination and collection in the event the applicant violates the land use approvals related to the project or other contractual arrangements of the MPF Agreements.

Cost Considerations

MPF assistance can generally support capital costs, financing costs, real property assembly costs, and professional service costs as outlined in the Tax Increment and Business District Ordinances of the Village and the Illinois State Statutes authorizing such Districts, subject to the following qualifications:

Land Cost Due Diligence, Excessive Land Costs- The Village may consider write-downs from the value of the current land use to the market value of the proposed use provided that Developers shall demonstrate proper due diligence in the purchase of land, including but not limited to studies of soil conditions, comparable land prices, environmental issues. Prior to purchase, developers seeking MPF shall provide the Village with documented market evidence that the purchase price negotiated is within an acceptable range of values for the property's current land use and condition. Developers shall conduct initial meetings with the Village concerning zoning, land use and other regulatory issues and shall provide such findings to the Village. The Village shall not assist write-downs for land purchases that greatly exceed the assessed value of the current land use(s), as determined by the Village. The Village shall **not** be obligated to provide

MPF assistance for land costs, whether purchased or optioned. Developer shall provide all such studies or reports to the Village at the time of application.

Environmental Remediation

The Village may consider the cost to remediate environmentally contaminated property when it exceeds the reasonable cost experienced on typical redevelopment projects. However, the Village shall not provide MPF write-downs that eliminate a responsible party’s obligation to remediate contaminated property.

Assessable Infrastructure Costs

MPF may not be used to pay for public infrastructure expenditures that are paid for by special assessments or other Village charges. Non assessable public infrastructure expenditures may be funded with MPF.

Operating Costs

Operating costs including, but not limited to, lease-up reserves, and working capital are not eligible MPF expenses. The Village shall determine the categories that particular MPF may be expended upon for a particular project. Such determination will be set out in the MPF agreements between the parties.

Village Fees

Parks dedication, sewer, water assessments, etc., are not MPF -eligible.

Method of MPF Funding

The Village reserves the right to determine the method of financing MPF funds that is in the best interests of the taxpayer. The Village will consider using accrued tax increment, general obligation borrowing, internal borrowing, and developer-financed or pay-as-you-go financing. When utilizing pay-as-you-go financing, the Village reserves the right to negotiate terms such as interest costs, time frames, maximum award, amounts, payment schedules, and the percentage of increment available to developers. For projects using a substantial portion of increment or projects with multiple components or phases, the Village may require pay-as-you-go financing at its discretion.

Regardless of the method financing, all MPF expenditures will require the Trustees approval.

INELIGIBLE DEVELOPMENT

While no particular type of project is ineligible to receive MPF funds (except those prohibited by Village Ordinance or State Statute), the Village will seek to only fund those projects that promote the general community welfare, provide a needed service within the community or contribute to the stability or growth in business and economic activity within the Village.

APPENDIX – MPF UNDERWRITING

This appendix contains additional detail on how these MPF underwriting factors are intended to be interpreted:

- The type of the project
- The financial gap exhibited in the MPF application
- The projected increment created by the project
- The financial health and the age of the TID or BTM
- An evaluation of relevant competitive factors
- Location with a Targeted Development Area
- Other Increment demands for public infrastructure and other projected project plan costs
- Likelihood of catalyzing additional development within the TID or BTM
- Extraordinary strategic or civic purposes met through the project
- The current economic conditions of the job and local real estate market

Type of Project

MPF loans to affordable housing projects may be calibrated to attract affordable housing resources, both single family and rental, while considering the financial viability of the TIF District. MPF loans to employment-oriented and Business Development projects will tend to be based on the assessment of competitive factors, the projected increment the project generates, and the financial health of the TID or BTM.

Financial Gap

In general, MPF assistance should be provided as gap financing to make projects feasible. In the case of affordable housing projects, employment-oriented projects, business development, and extraordinary circumstances, other standards may be utilized, with the financial viability of the project being of primary importance.

Projected Increment

In general, projects should generate enough projected increment of real estate taxes or sales taxes to support their own MPF loan and contribute to infrastructure and other public project plan costs. Projects using 100% or more of their projected increment will only be approved in extraordinary cases.

Financial Health and Age

Staff will employ additional caution in making recommendations in TIF's or BTM's that are distressed or at risk for becoming distressed. At the same time, TIF loans in older TIDs or BTM's may use a higher share of increment than a comparable project in new or younger TIF or BTM.

Competitive Factors

The Village will use MPF prudently to help attract, start, retain, and expand employers that meet job standards. In addition to evaluating the competitive factors present, staff will pay careful attention to the projected increment, financial health, and age of the TIF or BTM.

Targeting Development Areas

Staff will be proactive about creating TIF or BTM in TDAs when project pipelines, business intelligence, and economic conditions warrant this step.

Other Increment Demands

The Village recognizes that some TIF or BTM will focus on infrastructure, some on development, some on business expansion and some on a combination of the three. MPF recommendations for development projects should reflect the project plan, reserving increment according to need rather than an arbitrary standard.

Catalyzing Additional Development

The Village recognizes that pioneering projects in blighted areas and areas surrounded by infill redevelopment candidate sites are riskier than other projects and may warrant more aggressive MPF assistance.

Strategic or Civic Purpose

Projects that serve a strategic need or an important civic purpose may warrant more aggressive MPF assistance. Examples of important strategic or civic purposes might include:

- Capturing or retaining a critical major employer
- Creating a highly visible project conveying a distinct brand advantage to the Village
- Public-private partnership incorporating or complementing a significant public facility
- Assisting a current business within the Village to remain competitive in the current economic climate.
- Fostering an increased quality of life within the Village

Current Economic Conditions

The Village's MPF Team recommendations should be somewhat counter-cyclical, competing more aggressively for projects when the job market or the corresponding segment of the real estate or business development market is depressed.

MUNICIPAL PROJECT FUNDING

SUPPORTING SCHEDULES

The following schedules must be completed as part of the Municipal Project Funding (MPF) Application and accompany any submission for MPF by the Village of Godfrey. An application for MPF will not be considered unless all schedules are submitted and substantially completed. If a schedule is inapplicable to your proposed project, please indicate that the schedule is not applicable, but please reference the schedule in your submission.

Failure to provide the completed schedules, incomplete schedules or schedules that do not address the relevant required information may form the basis of a rejection of the application for MPF. The MPF Team shall have the discretion to waive, modify or require additional information for any required schedule.

The applicant shall have a continuing duty to timely supplement the schedules as additional information becomes available prior to a final decision on any project award. Failure to timely supplement a schedule with material information may be the basis to reject or revoke a project award. The applicant has a duty to investigate and disclose all relevant facts related to the applicants project.

The schedules should be submitted with the Application and include 8 copies of each schedule included in a presentation format that will allow easy review by the MPF Team. Electronic Submissions will be accepted in a format that is acceptable to the MPF Team.

REQUIRED SCHEDULES

Schedule 1: Provide a complete description of the type of project being contemplated or proposed with providing the following minimum information: (a) land use requirements including need for any required easements, rezoning requirements and preliminary impact upon the traffic patterns and congestion in the development area , (b) architectural renderings and design descriptions , elevations , a survey of any real estate with placement of any proposed development shown thereon, (c) infrastructure needs as it relates to roads, sewer,

water, electrical and other utility requirements, (d) a complete professional resume' of the applicant and any entity proposed to be used by the applicant for the development, (e) The officers, directors, members and/or partners for the applicant including professional resume's for all officers, directors, members or partners.

Schedule 2: Provide an analysis of the need for the requested financial incentive to include the following: (a) an analysis of the ' gap' between available funding of the applicant and the requested project funding, (b) the applicant must identify the project costs in detail, (c) show a source and use of funds for the project, (d) provide a financial statement for the developer or applicant that is not less than six (6) months old that shows a complete position of liquidity and "net worth" of the applicant- *This document may be submitted in a sealed envelope marked " Confidential" and it will not be available to the General Public or presented in any public meeting for discussion or consideration.* (f) provide a feasibility study for the project demonstrating the likelihood of success and the need for the project within the Village (g) five years project pro forma financial statements for the project (h) a clear demonstration of the source of the equity that the applicant will provide to the project from the applicants own resources.

Schedule 3: A schedule showing the projected project revenue stream increment to the Village from TIF and/or Business Tax that will be generated by the project, and compare the incremental revenue stream to the requested increment funding the applicant seeks as part of the application.

Schedule 4: An analysis of the competitive factors facing the project if not included in the feasibility study.

Schedule 5: A map of the proposed project area and an identification of whether or not the proposed project is within a Targeted Development Area within the Village.

Schedule 6: An analysis of the incremental demands the project will make upon the roads, sewers, water and electrical utilities, fire protection, police protection if the project is completed.

Schedule 7: An analysis of any additional development that the proposed project will attract or catalyze within the Village.

Schedule 8: A statement setting forth the strategic or civic purposes the project will foster within the Village.

Schedule 9: An analysis of the current economic conditions of the area.

Schedule 10: An analysis of the number and types of jobs the project will create within the Village, and the estimated range of compensation for the potential jobs. The schedule should evidence compliance with the Job Standards set forth by the Village.