



# **Tax Increment Financing Incentive Programs**

## ***OVERVIEW***

The Village of Midlothian has established the use of tax increment financing (TIF) as a strategic tool in its economic development program. The use of TIF is intended to foster development and redevelopment in areas of the community where public incentives are necessary to supplement private investment. Two TIF districts have been established within the Village to achieve this goal. Each TIF District has unique needs which are identified within planning studies that formed the feasibility and redevelopment plans for each. The Downtown Area and a portion of the Cicero Avenue Corridor are designated as TIF Districts. A map identifying the boundaries of each TIF District is included within this guide.

This program guide has been created to identify the potential uses of Midlothian TIF incentives. It will provide a framework for discussion and negotiation with prospective business and property owners located within the TIF Districts. The use of incentives is intended to fund projects that would not happen without such assistance. The use of incentives is not to be considered an entitlement, but a means of creating opportunities that will add value to the community.

TIF incentives may be considered for commercial, industrial, and mixed-use projects within the two established districts. This incentive program does not apply to non-profit or residential properties. However, both non-profit and stand-alone multi-family projects may be considered within the Downtown Area only.

## ***INCENTIVE GOALS***

To implement the overall economic development goals of the Village and to enhance the quality of life of residents, the incentive program has been designed to provide a wide latitude of eligible project types. Use of incentive funding is intended to:

- ✚ Facilitate development of vacant land, or the redevelopment of existing structures.
- ✚ Facilitate expansion, rehabilitation, renovation, modernization or physical upgrade of existing structures or interior space.
- ✚ Facilitate the occupancy of vacant space through remodeling, modernization or required building, fire, and life safety code upgrades.
- ✚ Facilitate exterior building façade improvements to improve physical appearance of structures or modernization of design elements.
- ✚ Encourage physical alterations to the appearance of property.
- ✚ Provide associated site improvements necessary (when part of a substantial project) to accommodate increased intensity of use or expansion of building areas (i.e., parking, stormwater detention, landscaping, etc.).
- ✚ As a competitive recruitment tool, provide start-up assistance incentive funding to prospective small businesses that may have other location options.

## ***INCENTIVE PROGRAM***

Five categories of incentive funding are available. They include the *Interior Improvement Incentive*, *Façade Improvement Incentive*, *Site Appearance Incentive*, *Catalytic Investment Incentive*, and *Small Business Start-Up Incentive*. Incentives may be combined to accomplish a comprehensive improvement to property.

Specific details and incentive conditions will be identified within a written agreement or redevelopment agreement to be executed prior to starting work. A program summary of each incentive category is identified as follows:

## **1. INTERIOR IMPROVEMENT INCENTIVE**

An Interior Improvement Incentive is intended for enhancements undertaken on the interior of a structure. *This incentive is not intended to fund work that is solely construed as maintenance, cosmetic or is merely undertaken to improve interior finishes.* This incentive is intended to encourage business and property owners to expand, upgrade, modernize, increase functionality, or accommodate a change in the interior use of an interior space. Approval will include only those improvements that are considered permanent, add value to the property and will remain with the space. The Village of Midlothian shall solely determine whether the proposed work meets the standard of an improvement as opposed to projects that are more reflective of deferred maintenance. Eligible project elements meeting the standard of an improvement may include, but are not limited to the following examples:

- HVAC, mechanical, electrical, or plumbing system upgrades
- Installation of fire sprinkler or fire suppression systems
- Upgrades related to accessibility (ADA) or other code compliance
- Utility capacity upgrades
- Installation of grease traps to facilitate restaurant/food service use
- Structural upgrades
- Installation or upgrades to restroom facilities
- Ingress/egress improvements
- Improvements that create an entirely new floorplan, significantly change the interior form of a space, or adapt a space to a significantly different interior use. Incentives can cover a combination of multiple improvements such as new flooring, walls, ceilings, carpeting, lighting, trim, or attached fixtures.
- Other innovative project ideas that demonstrate the ability to create a more attractive and modern commercial space

### ***Program Details***

- Unless otherwise agreed upon per written agreement, incentives are based upon reimbursement of actual costs following project completion.
- Incentive amounts, and the percentage of public participation shall be at the sole discretion of the Village, dependent upon a demonstration of

need; the nature of the project; and the community value the project will deliver. Incentive amounts will be limited to no more than 50% of private investment, or \$35,000, whichever is less.

- Professional design/architectural assistance is required.
- Multiple bids/proposals from contractors are required prior to incentive approval.
- Written agreement with Village must be executed prior to starting any work related to requested funds.
- Applicants (if not the owner of the property) must provide written authorization stating that the applicant has the authority of the building owner to make the proposed property improvements and to participate in the program.
- Documentation of paid expenses are to be submitted prior to reimbursement.
- Projects must be started and completed in accordance with a timeline approved by the Village Board.
- Owner/applicants are required to commit to ownership/operation for a period of not less than three (3) years from project reimbursement. If the owner or business fails to meet this three (3) year standard a pro-rata reimbursement of incentive funds will be required.
- If an Interior Improvement Incentive has previously been awarded for the improvement of the same location or space within five (5) years of the date of application, such new application shall be ineligible for funding. This restriction can be waived, in the sole discretion of the Village of Midlothian.

### ***Application Process***

- Prospective applicants are required to schedule a pre-application meeting to discuss their project prior to submittal.
- If deemed eligible, the formal application process begins with submittal of an application form, associated drawings, project schedule, and project bid/proposal results.
- Applications will be evaluated by the Village Board and selection shall be at the sole discretion of the Village of Midlothian. All incentive applications are subject to the availability of budgeted funds.
- Final approval will be in the form of an incentive agreement approved by the Village Board.
- Preference shall be given to owners/businesses improving buildings that have not received prior development assistance.

## **2. FACADE-EXTERIOR IMPROVEMENT GRANT**

A Facade-Exterior Improvement Incentive is intended for property improvements undertaken on the exterior of a building structure. *This incentive is not intended to fund work that is construed as maintenance.* To be considered, the proposed improvement shall result in a significant visual improvement to the structure and property, or implement restoration of building character, curb appeal, and streetscape compatibility. Eligible project elements may include, but are not limited to the following examples:

- New signage
- Window frame replacement, or installation of new window locations to increase visibility
- Door replacement, or the addition of new entry door locations to increase access
- Installation of awnings
- Facade renovation/replacement
- Restoration of original architectural features or creation of new architectural features
- Exterior lighting
- Painting, only if in conjunction with other façade related improvements
- Tuckpointing, if in conjunction with other façade related improvements
- Addition of facilities to create outside dining areas
- Artistic murals depicting a general theme and not directly advertising a product or service
- Other innovative project ideas that demonstrate the ability to create a more attractive and appealing commercial environment

### ***Program Details***

- Unless otherwise agreed upon per written agreement, incentives are based upon reimbursement of actual costs following project completion.
- Incentive amounts, and the percentage of public participation shall be at the sole discretion of the Village, dependent upon a demonstration of need; the nature of the project; and the community value the project will deliver. Incentive amounts will be limited to no more than 50% of private investment, or \$35,000, whichever is less.
- Proposed improvements must be visible to streets or other public property, excluding alleys.
- Professional design assistance is strongly recommended.

- Multiple bids/proposals from contractors are required prior to incentive approval.
- Written agreement must be executed prior to starting any work related to requested funds.
- Applicants other than the property owner must provide written authorization stating that the applicant has the authority of the owner to make the proposed property improvements and to participate in the program.
- Documentation of paid expenses and waivers of lien are to be submitted prior to reimbursement.
- Projects must be started and completed in accordance with a timeline approved by the Village Board.
- Owner/applicant are required to commit to ownership/operation for a period of not less than three (3) years from project reimbursement. If the owner or business fails to meet this three-year standard, a pro-rata reimbursement of incentive funds will be required.
- If a Facade Improvement Incentive has previously been awarded for the same location or space within five (5) years of the date of application, such new application shall be ineligible for funding. This restriction can be waived, at the sole discretion of the Village of Midlothian.

### ***Application Process***

- Prospective applicants are required to schedule a pre-application meeting to discuss their project prior to submittal.
- If deemed eligible, the formal application process begins with submittal of an application form, associated drawings, project schedule, and project bid/proposal results.
- Applications will be evaluated by the Village Board and selection shall be at the sole discretion of the Village of Midlothian. All incentive applications are subject to the availability of budgeted funds.
- Final approval will be in the form of a incentive agreement approved by the Village Board.
- Preference shall be given to owners/businesses improving buildings that have not received prior development assistance.

### **3. SITE APPEARANCE INCENTIVE**

A Site Appearance Incentive is intended for aesthetic improvements to property that will enhance attractiveness, functionality, or business appeal. This incentive category is intended to leverage the positive impact that appearance improvements can have on the individual property and surrounding area. While such a goal is highly subjective, eligible projects will be selected based upon a clear demonstration of enhancing curb appeal, improving community aesthetics, and providing an attractive business environment. Eligible project elements may include, but are not limited to the following examples:

- Streetscape enhancements visible from the public right-of-way
- Installation of landscape planters, greenspace, or other decorative vegetation visible from the public right-of-way
- Foundation, parking lot and perimeter landscaping visible from the public right-of-way
- Installation or replacement of sidewalks, brick pavers or other public access surface areas
- Parking lot expansion or improvements
- Installation of screened refuse or recycling enclosures
- Other innovative project ideas that demonstrate the ability to create a more attractive and appealing commercial environment

#### ***Program Details***

- Unless otherwise agreed upon per written agreement, incentives are based upon reimbursement of actual costs following project completion.
- Incentive amounts, and the percentage of public participation shall be at the sole discretion of the Village, dependent upon a demonstration of need; the nature of the project; and the community value the project will deliver. Incentive amounts will be limited to no more than 50% of private investment, or \$35,000, whichever is less.
- Written agreement must be executed prior to starting any work related to requested funds.
- Projects must be started and completed in accordance with a timeline approved by the Village Board.
- Owner/applicant are required to commit to ownership/operation for a period of not less than two (2) years from project reimbursement. If the owner or business fails to meet this two (2) year standard a pro-rata reimbursement of incentive funds will be required.

- If a Site Appearance Incentive has previously been awarded for the same location or space within five (5) years of the date of application, such new application shall be ineligible for funding. This restriction can be waived, in the sole discretion of the Village of Midlothian.

### ***Application Process***

- Prospective applicants are required to schedule a pre-application meeting with the Village to discuss their project prior to submittal.
- If deemed eligible, the formal application process begins with submittal of an application form, associated drawings, project schedule, project bid/proposal results or other required documentation.
- Applications will be evaluated by the Village Board and selection shall be at the sole discretion of the Village of Midlothian. All incentive applications are subject to the availability of budgeted funds.
- Final approval will be in the form of an incentive agreement approved by the Village Board.

## **4. CATALYTIC INVESTMENT INCENTIVE**

A Catalytic Investment Incentive is a customized assistance package intended to encourage projects that will have a considerable impact upon the Village. Due to the fact this incentive category is intended to represent a significant investment of public funds, there is an expectation of a significant return on investment that will benefit the community. Incentive amounts, and the percentage of public participation shall be at the sole discretion of the Village, dependent upon a demonstration of need; the nature of the project; and the community value the project will deliver.

Projects deemed eligible for the Catalytic Investment Incentive must provide a minimum private investment amount of five-hundred thousand dollars (\$500,000), and must demonstrate the project can meet most of the following criteria establishing eligibility:

- Ability to significantly increase equalized assessed value and property tax generation on the subject property.
- Ability to generate significant retail sales taxes.
- Ability to create additional employment opportunities.



- Ability to deliver a proposed use(s) that will not cannibalize from others within the existing Midlothian market.
- Ability to achieve major community goals as established by the Village Board.
- Ability to deliver a unique project-type that would enhance the image of the Village of Midlothian.
- Ability to increased energy efficiency to existing structure.
- Ability to increase foot traffic increasing vibrancy and commercial activity within the Village.
- Potential to attract related spin-off, or complementary, business development elsewhere within the Village.
- Ability to convert vacant, nearly vacant, or underutilized property into leasable space.
- Ability to expand leasable space through creation of additional square footage.
- Ability to undertake a sensitive restoration of historic property.

### ***Program Details***

Projects meeting the criteria established for a Catalytic Improvement Incentive will be unique in nature. As a result, the program details will be subject to negotiation between the applicant and Village to reflect a customized approach that may include consideration of the following:

- Project incentives
- Rebate of a portion of new property taxes generated from the property improvement.
- Rebate of a portion of new sales tax generated from the project
- Unless otherwise agreed upon per written agreement, incentives are based upon reimbursement of actual costs following project completion.
- Maximum incentive amounts, and the percentage of public participation shall be at the sole discretion of the Village. This will be negotiated based upon the level of private investment occurring on the project.
- *Written agreement must be executed prior to starting any work* related to requested funds.
- Projects must be started and completed in accordance with a timeline approved by the Village Board.
- Owner/applicant are required to commit to ownership/operation for a period of not less than five (5) years from project reimbursement. If the

owner or business fails to meet this five (5) year standard a pro-rata reimbursement of funds will be required.

- If a Site Appearance Incentive has previously been awarded for the same location or space within five (5) years of the date of application, such new application shall be ineligible for funding. This restriction can be waived, in the sole discretion of the Village of Midlothian.

### ***Application Process***

- Prospective applicants are required to schedule a pre-application meeting to discuss their project prior to submittal.
- If deemed eligible, the formal application process begins with submittal of an application form, associated drawings, project schedule, project cost estimates, project pro-forma, identification of funding sources/loan commitment, and/or other information deemed necessary by the Village to evaluate the merits and feasibility of the proposal.
- Applications will be evaluated by the Village Board and selection shall be at the sole discretion of the Village of Midlothian. Depending upon the scope of the proposal, the Village may supplement the review committee with a third-party financial consultant.
- All incentive applications are subject to the availability of budgeted funds.
- Final approval will be in the form of a redevelopment agreement approved by the Village Board.
- Preference shall be given to applicants/owners that have not received prior development assistance.

## **5. SMALL BUSINESS START-UP INCENTIVE**

A Small Business Start-Up Incentive is intended to provide start-up funds for physical changes typically associated with leasing a new space. This incentive provides funding directly to new businesses who are renting or leasing space within the TIF Districts. This incentive is limited to businesses that are relocating to Midlothian from another community, or those who are establishing a business for the first time. ***This incentive is not intended for property owners; however, owners are strongly encouraged to market this incentive as a means of attracting new tenants.*** The use of funds is flexible in nature and is intended to expedite the opening of a business when there is a demonstrated need for assistance. The incentive applicant shall identify specific improvements to be made that will modernize or alter the space to allow for a new use to occur. Examples of eligible start-up incentives include, but are not limited to the following:

- New Signage
- Upgrade or replacement of interior fixtures (i.e. lighting, plumbing, etc.)
- Remodeling or modernization expenses (counter tops, doors, interior trim, ceiling tiles, etc.)
- Other permanent improvements that will remain with the space

### ***Program Details***

- Unless otherwise agreed upon per written agreement, incentives are based upon reimbursement of actual costs following project completion.
- Incentives may fund approved project costs, not-to-exceed ten percent (10%) of the approved project costs, with a maximum of \$3,000 in reimbursable expenses.
- *Written agreement must be executed prior to starting any work* related to requested funds.
- Projects must be started and completed in accordance with a timeline approved by the Village Board.
- Business owner/applicant is required to commit to operation for a period of not less than three (3) years from project completion. If the owner or business fails to meet this standard, then a pro-rata reimbursement of disbursed incentive funds will be required.
- Business owner/applicant shall display a Village-provided placard to identify the public-private funding associated with improvements made to the physical space.

### ***Application Process***

- Prospective applicants are required to schedule a pre-application meeting with the Village to discuss their project prior to submittal.
- If deemed eligible, the formal application process begins with submittal of an application form, associated drawings, project schedule, project bid/proposal results or other required documentation.
- Applications will be evaluated by the Village Board and selection shall be at the sole discretion of the Village of Midlothian. All incentive applications are subject to the availability of budgeted funds.
- Final approval will be in the form of an incentive agreement approved by the Village Board.
- This incentive is limited to new businesses that have not received prior incentive assistance.