

Summary of Economic Development Programs and Incentives Madison County, Illinois

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Madison County, the State of Illinois, and regional economic development organizations offer a wide range of programs to help businesses cost-effectively locate and expand their operations within Madison County. These programs are designed to provide assistance in the form of tax incentives, business financing, infrastructure development, employee recruitment and training, and general technical assistance such as confidential site location services.

A network of economic development assistance organizations, staffed by experienced professionals at the state, regional, and local level, are linked together in Madison County to provide optimum assistance to businesses interested in development or expansion in the County. This network is ready to utilize all available resources to confidentially develop a comprehensive incentive proposal.

This brochure discusses five types of available assistance programs: (1) tax incentives; (2) business financing; (3) infrastructure development; (4) employee recruitment and training; and (5) general technical assistance such as confidential site location services.

Businesses wishing to pursue any of the following incentives or programs should contact Madison County Community Development's Economic Development staff at (618) 692-7040 Ext. 4386.

I. TAX INCENTIVES

Listed below are potential tax incentive programs that could be utilized by a business expanding or relocating in Madison County. Please note that some of these programs are only offered in certain areas within the County.

A. The Illinois EDGE Program

The Illinois Edge Program is a targeted tax incentive program that provides tax credits for businesses that create and/or retain jobs and make capital investments in Illinois. Businesses creating and/or retaining jobs may claim a state income tax credit equal to a portion of the total incremental income tax generated from jobs created and/or retained in Illinois. This new incentive is designed to help the state of Illinois compete with other states for large job creation or retention projects.

Type of Credits: Illinois EDGE credits are: (1) calculated from the personal income tax collected on salaries paid for the created and/or retained jobs; and (2) taken as a non-refundable tax credit against corporate income taxes assessed over a period not to exceed 10 taxable years. (These tax credits can be carried forward for five years).

Project Determination: Responsibility for determining project assistance is as follows: (1) A new Business Investment Committee of the Illinois Economic Development Board (IEDB) will determine types of projects to be assisted through the Illinois EDGE program; and (2) the Illinois Department of Commerce and Economic Opportunity (DCEO) will review prospective projects based on a written application submitted by the interested business.

Business Eligibility: EDGE is available to businesses newly locating or expanding in any county in Illinois. (In-state relocation may be eligible under special circumstances as determined by the IEDB and DCEO). Manufacturing, tourism or interstate services (excluding retail and professional services) may apply. To be eligible, firms must add an overall positive impact to the Illinois economy.

Project Eligibility: Businesses must invest at least \$5 million in capital improvements and create a minimum of 25 new jobs (excluding recalls, transfers, etc.) or they must invest in capital expenditures at a level specified by DCEO. Businesses must also certify that the award of the credit is subject to their compliance with all legal and other requirements including the taxpayer's execution of a Tax Credit Agreement acceptable to DCEO.

Proof of Competitive Need: Interested applicants must demonstrate that: (1) the project is economically sound and increases employment opportunities in Illinois; and (2) that "but for" the inducement, the project would not occur in Illinois. (3) the Applicant has multi-state location options and could reasonably and efficiently locate outside of the state; or (4) at least one other state is being considered for the project; or (5) receipt of the Credit is a major factor in the Applicant's decision and that, without the Credit, the Applicant likely would not create and/or retain jobs in Illinois.

Proof of Cost Differential: The cost differential should be identified, using the best available data, in the projected costs for the Applicant's project in Illinois compared to the projected costs in the competing state, including the impact of the competing state's incentive programs. The cost differential should include the specific cost of labor, utilities, taxes and other costs of an out-of-state site or the industry's cost structure in the competing region.

Limits on the Tax Credits: Credits can not: (1) exceed the corporate income tax of the business (credits can be carried forward for 5 years); (2) exceed the personal income tax collected on salaries paid for the newly hired and/or retained jobs; and (3) exceed costs incurred by the applicant for its project.

Business Guarantees: To keep the tax benefits, businesses must: (1) maintain their operations in place in Illinois during the entire term of the Tax Credit Agreement; and (2) maintain the investment and the jobs outlined in the Tax Credit Agreement.

More information on the EDGE Program available at http://www.commerce.state.il.us/dceo/Bureaus/Business_Development/Tax+Assistance/EDGE.htm

B. Southwestern Madison County Enterprise Zone

An enterprise zone is a specific area designated by the State of Illinois on cooperation with a local government to receive various tax incentives and other benefits to stimulate economic activity and neighborhood revitalization. The Southwestern Madison County Enterprise Zone is specific area that has been designated by the State of Illinois, Madison County, and participating municipalities to provide special tax incentives to encourage businesses to locate, expand, and retain their operations within the enterprise zone. The Southwestern Madison County Enterprise Zone is comprised of portions of Granite City, Madison, Venice, and parts of unincorporated Madison County. The following incentives are available within the enterprise zones:

Property Tax Abatement: Property owners that improve or renovate industrial, commercial, or manufacturing property within the zone (and not within Tax Increment Financing Districts) are eligible to receive property tax abatement on the assessed value of the improvements. To receive this abatement, property owners must obtain a building permit and complete a Project Information Form describing the project and submit the form to the local zoning administrator before beginning construction.

Sales Tax Exemption: A 6.25 percent State sales tax exemption for building materials used to improve or renovate real property within the Enterprise Zone is available to individuals or businesses that purchase their building materials from Illinois retailers or suppliers. To receive this sales tax exemption, the individual or business must provide the participating retailer with a form called a "Purchaser Statement" that identifies their renovation or improvement project as being within the Enterprise Zone and a certification from the Zone Administrator that the project is located within the Enterprise Zone.

Income Tax Deduction For Financial Institutions

Banks are eligible for a special deduction from their Illinois corporate income tax return. Such institutions may deduct from their taxable income, an amount equal to the interest received from a loan for development in an enterprise zone.

Enterprise Zone Machinery and Equipment Exemption: The Revenue Act 35 ILCS 120/1d-1f, as amended allows a business enterprise that is certified by DCEO, that either creates a minimum of 200 full-time equivalent jobs in Illinois; or retains a minimum of 2,000 full-time jobs in Illinois; or which retains 90% of the existing jobs, a 6.25 percent state sales tax exemption on all tangible personal property which is used or consumed within an enterprise zone in the process of manufacturing or assembly of tangible personal property for wholesale or retail sale or lease.

This sales tax exemption is applicable to the following:

- (a) Hand tools used to maintain, repair, or operate machinery and equipment;
- (b) Abrasives, acids, polishing compounds, or lubricants used or consumed in the manufacturing or assembly process;
- (c) Coolants, adhesives, solvents, or cleaning compounds used to maintain, repair, or operate machinery and equipment;
- (d) Manufacturing fuels;
- (e) Protective clothing and safety equipment; and
- (f) Fuels, chemicals, and catalysts used in the operation of pollution control facilities.

Utility Tax Exemption: A state utility tax exemption on gas, electricity, and the Illinois Commerce Commission's administrative charge is available to businesses located in enterprise zone. Eligibility for this exemption is contingent upon a business making a \$5 million investment which causes the creation of 200 full-time equivalent jobs in Illinois or an investment of \$20 million for the retention of 1,000 full-time jobs in Illinois. The majority of the jobs created or retained must be located in the enterprise zone in which the investment occurs.

A business must complete an application to and be certified by DCEO to be eligible for the state utility tax exemption.

Investment Tax Credit: A state investment tax credit of .5 percent is allowed to a taxpayer that invests in qualified property in an enterprise zone. Qualified properties include buildings, structural components of buildings, elevators, materials, tanks, boilers and major computer installations. Examples of non-qualifying properties include inventories, small personal computers, trademarks, typewriters, and other small, non-depreciable or intangible assets.

The tax credit is allowed for the tax year in which the property is placed in service, or, if the amount of the credit exceeds the tax liability for that year, the excess may be carried forward and applied to the tax liability of the five taxable years following the excess credit year. The credit must be applied to the earliest year for which there is a liability. If there is credit from more than one tax year that is available to offset a liability, the credit accruing first in time, is applied first.

Dividend Deduction: Individuals, corporations, trusts and estates can deduct from their taxable earnings an amount equal to the dividends paid by a corporation that conducts substantially all of its operations in an enterprise zone.

Job Tax Credit: Employers that operate businesses within the enterprise zone and expand their operations to hire at least five additional "economically disadvantaged or dislocated workers" are eligible to receive a \$500 State tax credit for each eligible employee that they hire to work within the enterprise zone.

Interest Deductions on Loans: Financial institutions may deduct from their State income tax an amount equal to the interest received from a loan for development in an enterprise zone. The loan must be secured by "qualified property" in an enterprise zone, and the business must be receiving an investment tax credit.

Corporate Contribution Deduction: Allows corporations to make donations to designated zone organizations for projects approved by DCEO, and claim an income tax deduction at double the value of the contribution.

Enterprise Zone Financing Program: Businesses located within enterprise zones may apply for Illinois Department of Commerce and Economic Opportunity (DCEO) participation loans to fund their new projects. Participation loans for 25% of a business's project costs up to \$750,000 are available at either fixed or variable rates that are priced 200 basis points below the Wall Street Journal Prime rate. DCEO will allow the participating financial institution to retain 50 basis points to cover the costs of servicing the loan or it may elect to pass along the 50 basis points to the borrower. DCEO's term shall match that of the participating bank, but in no event shall DCEO funds be amortized longer than 10 years unless there is a balloon payment provision. Ineligible uses of funds are debt refinancing and contingency funding. Eligible businesses include any for profit entity with less than 500 employees (or not dominant in its field) locating or expanding in an Enterprise Zone. There are no industry restrictions or job creation/retention requirements under this program. Participating financial institutions must enter into a Master Participation Agreement, which outlines all terms, and conditions of any loan participation between the financial institution and DCEO.

Additional information regarding enterprise zone financing available at http://www.commerce.state.il.us/dceo/Bureaus/Business_Development/Tax+Assistance/Enterprise-Zone.htm

C. Illinois Tax Increment Financing Program (TIF).

Tax increment financing (TIF) is a planning and financing technique used by Illinois municipalities, including a number of Madison County municipalities, to carry out development activities on a local basis. This program allows a municipality to acquire and prepare property for development and make needed public improvements. TIF districts allow a municipality to capture the increase or growth in local property taxes resulting from a redevelopment project. This property tax increase or growth (the "tax increment") is captured and used by the municipality to help pay for the public costs associated with the redevelopment project.

Through TIF districts, the assessed valuation of real estate within a "blighted", "conservation" or "industrial park" project area is frozen. This base amount (taxes that are normally levied on real estate) continues to be disbursed to the taxing bodies serving the TIF area (e.g. county government, school district, and township). However, the growth in property tax revenues generated in the TIF, over and above the base amount, is diverted to a special tax allocation fund established by the municipality. The municipality can utilize the TIF funds for: demolition or rehabilitation of existing buildings; clearing and grading of land; construction costs of public infrastructure improvements and capital costs; bond financing costs incurred by the municipality; interest costs incurred by a redeveloper; planning, architectural, engineering, legal and other services; training costs of a business' employees within the redevelopment area; property assembly costs and occupant relocation costs; and staffing costs to implement and administer the redevelopment plan.

The municipality can continue to divert the tax increment until all costs related to the redevelopment project are paid, or for 23 years, whichever comes first. TIF districts may also be extended seven years, for a maximum TIF life of 30 years. The municipality can use the tax increment revenue to pay for eligible project costs on a pay-as-received basis or to provide a basis for issuing tax-exempt bonds to pay for the costs.

Tax increment financing is locally initiated and administered. No Federal approval is required. Local units of government must: determine that the proposed TIF area is either "blighted", a "conservation" area, or an "industrial park conservation" area; develop a redevelopment plan for the area; structure a related financing plan for the redevelopment activities; conduct a public hearing on the proposed TIF designation of the area; establish a joint review board comprised of the various taxing bodies; formally enact an ordinance designating the redevelopment project area; approve a redevelopment plan and project; and adopt tax increment financing.

Additional tax increment financing information available at http://www.commerce.state.il.us/dceo/Bureaus/Business_Development/Tax+Assistance/TIF.htm

D. Foreign Trade Zone #31.

The Tri-City Regional Port District located at Granite City, Illinois is the grantee and license holder for General Purpose Foreign Trade Zone #31. Foreign Trade Zones are sites within the United States where foreign and domestic merchandise is generally considered to be in international commerce. Foreign or domestic merchandise may enter this enclave without a formal customs entry or the payment of custom duties or government excise taxes. Merchandise entering a zone may be: stored; tested; sampled; labeled; repackaged; displayed; repaired; manipulated; mixed; cleaned; assembled; manufactured; salvaged; destroyed or processed.

If the final product is exported from the USA, no U.S. Customs duty or excise tax is levied. If, however, the final product is imported into the U.S., Custom duty and excise taxes are due only at the time of transfer from the foreign trade zone and formal entry into the U.S. The duty paid is the lower of that applicable to the product itself or its component parts. Thus, foreign trade zones provide opportunities to realize customs duty savings. In addition, foreign trade zone procedures provide one of the most flexible methods of handling domestic and imported merchandise.

Manufacturing businesses use foreign trade zones to maintain the cost competitiveness of their U.S. based operations as compared with their foreign-based competitors. For a business, foreign trade zone status provides an opportunity to reduce certain operating costs associated with a U.S. operation that are avoided when operating from a foreign site.

Should a business determine that foreign trade zone designation would assist its location and operation in Madison County, the Tri-City Regional Port District will work with the company to facilitate its use of the foreign trade zone.

Additional information regarding the Tri-City Regional Port District can be found at <http://www.tricityport.com/>

E. Illinois Replacement Tax Investment Credit Program

Firms in Illinois can receive an investment tax credit against Illinois Personal Property Replacement Income Tax for the purchase of qualified property, (including buildings and equipment) used in manufacturing, mining or retail businesses. The tax credit is equal to one-half of one percent (0.5%) of the adjusted basis of tangible new or used property with a useful life of four years or more.

An additional 0.5% tax credit is available for any year in which the firm's base employment increases by one percent or more over the preceding year. If the increased employment is less than one percent, the additional credit will be reduced proportionately.

<http://www.siteselection-il.com/incentives.html>

F. Illinois Property Tax Abatement Program.

Any industrial or commercial firm may receive up to \$3 million per project through an abatement of all or part of property taxes to any Illinois taxing district for up to ten years if it meets one of the following conditions and the local taxing district determines that it wants to provide the abatement:

1. The firm located within the taxing district during the preceding calendar year from out of state or from another country;
2. The firm was newly created in Illinois during the past year and proposes to, or has located an industrial or commercial operation in the taxing district; or
3. The firm expands a previously existing facility in the taxing district.

<http://www.siteselection-il.com/incentives.html>

G. Illinois High Impact Business Program.

http://www.commerce.state.il.us/dceo/Bureaus/Business_Development/Tax+Assistance/HIB.htm

The "Illinois Enterprise Zone Act" authorizes the Department of Commerce and Economic Opportunity to designate qualified businesses located outside of enterprise zones as "High Impact Businesses". The "Illinois Income Tax Act", "Retailers' Occupation Tax Act", and the "Public Utilities Act" make the High Impact Business eligible for an investment tax credit, an exemption from state utility taxes and a state sales tax exemption on the purchases of tangible personal property to be used or consumed in the manufacturing or assembly process or in the operation of a pollution control facility.

A designated High Impact Business located in a foreign trade zone or sub-zone is eligible for additional incentives including sales tax exemptions on building materials, an income tax credit for the creation of a minimum of five eligible jobs, an exemption from municipal tax on utilities, and an income tax deduction for financial institutions receiving interest from loans secured by property eligible for the High Impact Business Investment Tax Credit.

The designation as a High Impact Business is contingent on the business undertaking a "large scale investment and development project". The project must be the result of a minimum of a \$12 million investment causing the creation of 500 full-time equivalent jobs or an investment of \$30 million causing the retention of 1500 full-time jobs. Recent

legislation has expanded the eligibility to include projects involving coal-fueled electric generating plants and new, reopened or expanded coal mines. The investment must take place at a designated location in Illinois outside of an Enterprise Zone. The investment must take place at a designated location in Illinois in which the High Impact Business is located.

H. Sales/Use Tax Exemptions

<http://www.siteselection-il.com/incentives.html>

Illinois provides the following major exemptions from sales/use taxes: (1) manufacturing machinery, as well as replacement parts and computers used to control manufacturing machinery; (2) farm machinery; and (3) pollution control facilities--any system, devices or appliance sold to prevent or reduce air and water pollution or pre-treat a potential pollutant.

II. BUSINESS FINANCING

Listed below are samples of the business financing programs, which Madison County and the State of Illinois could utilize to work with a business to enable it to cost-effectively locate and expand its operations within Madison County. These programs can potentially be blended together with private funding to finance the company's proposed project. Each program described below is available throughout the entire Madison County.

A. Southwestern Illinois Development Authority (SWIDA).

<http://www.swida.org/home%20page.htm>

SWIDA was created by action of the Illinois General Assembly and the Governor in 1987. Tax-Exempt revenue bonds are available through SWIDA but are limited by federal law to selected purposes including not-for-profit organization objectives, pollution control, solid waste facilities, transportation and small issue manufacturing companies. Interest on tax-exempt bonds is exempt from federal income tax, and therefore attracts a much lower rate than conventional financing.

SWIDA can also issue taxable revenue bonds for commercial, industrial, and recreational projects that are not eligible for tax-exempt financing. Taxable bond rates generally run two to two and one-half points higher than tax-exempts. Proceeds can be used to purchase land, buildings and equipment, and to construct new or renovate existing facilities. Taxable bonds provide the ability to borrow money for a longer term and at a lower rate of interest than alternative forms of taxable financing.

Revenue bonds issuance through SWIDA provides the following benefits: (1) The advantage of longer and more flexible debt repayment periods and lower interest rates than conventional financing; (2) A moral obligation commitment of the State of Illinois (optional); (3) The availability of unlimited dollar amounts for project activities with no fixed minimum job creation or capital investment requirements; and (4) All SWIDA bonds are exempt from state taxation.

SWIDA finances development through the sale of both taxable and tax-exempt bonds including: (1) projects ranging from \$800,000 to \$40 million; (2) interest rates as low as 5 percent; (3) periods as long as 40 years; (4) a quick and easy double tax-exempt program for government.

Lease-purchase financing for everything from fire trucks to a new city hall.

Gap Financing

The Southwestern Illinois Community Development Corporation (SWICDC) provides gap financing to small businesses when conventional lenders are unwilling to assume 100% of the risk of lending or who do not meet county CDBG loan requirements for job creation. It concentrates on small to medium-sized businesses which require capital for modernization, physical rehabilitation of their facilities, or cash flow to make them more commercially viable.

The SWICDC is an Illinois for-profit corporation. Its stockholders are comprised of commercial banks, SWIDA, and public utilities doing business in Madison and St. Clair Counties. Representatives of the two counties, the Illinois Department of Commerce and Economic Opportunity (DCEO), and the Small Business Development Centers at East St. Louis and Southern Illinois University at Edwardsville are ex-officio members. SWICDC exists for the public purpose of promoting economic development through the provision of financing that will directly benefit small businesses and create and retain jobs.

Micro Loan Program

The SWICDC also administers a Micro Loan program for business start-ups and expansions. Applicants must be referred by the SIUE Small Business Development Centers at East St. Louis or Edwardsville. The loan limits are \$2,000-\$25,000. The interest rate is typically above the prime rate and the terms range from 3-7 years.

B. Madison County's Economic Development - Job Creation Loan Program

Madison County's Economic Development - Job Creation Loan Program provides direct financing to businesses at a below-market interest rate in cooperation with private sector lenders. The purpose of the program is to provide "gap" financing to expanding or new firms whose projects create permanent jobs for existing qualified low or moderate-income individuals within Madison County.

Under the Job Creation Loan Program, loans are typically made in the amount of \$100,000 or between 10-25% of the business' total project costs, whichever is less (in special cases where there is substantial job creation, a larger loan amount may be allowed contingent on County Board approval). The loan funds are normally provided at a rate of 3% interest for a term of five years. The remaining 75-90% of the total project costs must be provided by the business' participating lending institutions and its equity investment.

The program's loan funds can be used for:

- (1) Acquisition of real estate (land or buildings);
- (2) Construction, renovation and rehabilitation improvements;
- (3) Purchase or installation of machinery and equipment; and
- (4) Working capital.

The Job Creation Program's highest priority is to create jobs. Businesses that receive a low interest loan are expected to create at least one full-time equivalent job for an existing low or moderate-income individual for every \$10,000 of loan funds provided to the company.

C. U.S. Department of Agriculture Rural Development's Business and Industrial Loan Program.

The Business and Industrial Loan Program is designed to assist eligible public and private organizations in rural areas to obtain quality loans for the purpose of improving, developing, or financing business, industry, and employment, as well as improving the economic climate in rural communities. Specifically, the program provides Rural Development's guaranties on loans to businesses in rural areas. Guaranties normally cover up to 80% of the principal advanced and are limited to a maximum of \$10 million. The guaranteed loan funds may be used for the following: finance business and industrial acquisition, construction, conversion, enlargement, repair, modernization, and development costs; purchase and development of land, easements, right-of-way, buildings, facilities, leases, and materials; purchase equipment, leasehold improvements, machinery, and supplies; pollution control and abatement; and working capital.

<http://www.rurdev.usda.gov/>

D. Illinois Development Finance Authority's Loan Programs.

The Illinois Development Finance Authority (IDFA) is a self-supporting state agency created to stimulate economic development and provide jobs for Illinois residents. Their loan programs include their revenue bond financing and participation lending programs.

IDFA Taxable and Tax Exempt Revenue Bonds: IDFA is empowered to issue both tax exempt and taxable bonds, as is SWIDA. Please see Section A. for a description of taxable and tax exempt revenue bonds.

IDFA Participation Lending Program: IDFA established this program to assist banks in lending to Illinois businesses that create or retain jobs but may be unable to obtain sufficient financing through conventional sources. Through this program, IDFA will purchase up to the lesser of \$300,000 or 50% participation directly from the bank. Participation loans can finance the purchase of land and buildings, construction and renovation of buildings and the acquisition of machinery and equipment. Interest rates will be 150 basis points below the rate charged to the borrower by the bank, resulting in a lower blended rate on the loan. If the loan carries an SBA 7(a) guarantee, an additional 50 basis points may be subtracted from the bank-lending rate. If the maturity of the bank's loan exceeds 10 years, IDFA requires a balloon payment at the end of 10 years. Banks may retain 50 basis points as a servicing fee, but the remaining 100 basis points (or 150 basis points if it is a SBA 7(a) loan) must be passed on to the borrower.

E. Illinois Department of Commerce and Economic Opportunity (DCEO)

Small Business Development Loan Programs

http://www.commerce.state.il.us/dceo/Bureaus/Business_Development/Loan+Programs/

Participation Loan Programs: DCEO has designed these programs to encourage lenders (banks or development corporations) to make loans, which they would not normally make, to small businesses whose projects have the potential to create or retain substantial employment opportunities or modernize or improve the competitiveness of the borrowers. DCEO can participate in small business loans up to 25% of the total amount of a project, but not less than \$10,000 or more than \$750,000. Minority, Women and Disabled Participations may not exceed 50% of the project, subject to the maximum of \$50,000. DCEO's participation in a Development Corporation Loan must be less than 50% of the Development Corporation's Loan (Please note that SWIDA's CDC is a Development Corporation) not to exceed 25% of the total project or the \$750,000 maximum. Funds available through the programs can be used for a number of business activities including purchase and installation of machinery and equipment, working capital, purchase of land, construction or renovation of buildings, etc. Funds cannot be used for debt refinancing or contingency funding. The lender will set its rate and terms according to its normal lending guidelines and DCEO will establish its terms and interest rate to be paid on its participation, which may or may not be the same as the rate charged by the lender. DCEO will, if necessary subordinate its lien position in the event of default to the primary financing institution but typically will not accept less than a second lien position.

Enterprise Zone Financing Program: Businesses located within enterprise zones may apply for Illinois Department of Commerce and Economic Opportunity (DCEO) participation loans to fund their new projects. DCEO may participate in an eligible loan for no less than \$10,000, nor more than \$750,000. In no case shall the amount of DCEO's subordinated participation exceed 25 percent of the total project. Ineligible uses of funds are debt refinancing and contingency funding. Participating financial institutions must enter into a Master Participation Agreement which outlines all terms and conditions of any loan participation between the financial institution and DCEO. DCEO's rate (either fixed or variable, depending on the participating financial institution) will be 200 basis points below the Wall Street Journal Prime rate, but in no event shall DCEO's rate be less than 3 percent. DCEO will allow the participating financial institution to retain 50 basis points to cover the costs of servicing the loan or it may elect to pass along the 50 basis points to the borrower. DCEO's subordination fee shall be waived under this program. DCEO's term shall match that of the participating bank, but in no event shall DCEO funds be amortized longer than 10 years unless there is a balloon payment provision. Funds cannot be used for debt refinancing or contingency funding.

Eligible businesses include any for profit entity with less than 500 employees (or not dominant in its field) locating in an Illinois Enterprise Zone. There are few industry restrictions under this program. Enterprise Zone Administrators must verify that the business project is in fact located in the Enterprise Zone for the business to be eligible for the incentive rate financing under this program.

Capital Access Program: The program is designed to encourage lending institutions to make loans to businesses that do not qualify for conventional financing. CAP is based on a portfolio insurance concept where the borrower and DCEO each contribute a percentage of the loan amount into a reserve fund located at the lender's bank. This reserve fund enables the financial institution to make loans beyond its conventional risk threshold and is available to draw upon to recover losses on loans made under the program. A CAP loan is a private market transaction between the lender and the borrower with all terms, fees, conditions, rates, collateral, etc., being determined by the lending bank. The borrower's non-refundable contribution to the reserve fund must be between 3 and 7 percent of the total loan amount. DCEO will provide a matching contribution. A 133 percent match to the borrower's contribution will be provided on the first \$2,000,000 in CAP loans enrolled at the lender bank. A higher match will be provided to minority/woman/disabled owned businesses (150 percent) and businesses located in a federally designated Empowerment Zone or Enterprise Community (200 percent). Loan proceeds cannot be used for debt refinancing or for financing passive real estate ownership. The business must be for-profit, located in Illinois and employ 500 employees or less. The borrower cannot be in the business of manufacturing or selling firearms at wholesale or retail; or in the business of manufacturing or selling tobacco products, liquor or sexually explicit materials at wholesale.

F. Large Business Development Program

http://www.commerce.state.il.us/dceo/Bureaus/Business_Development/Grants/lbdp.htm

The Illinois Large Business Development Program provides incentive financing to encourage large out-of-state companies to locate facilities in Illinois and also encourages existing Illinois companies to undertake major job expansion or retention projects within the state. Funds available through the program may be used by large businesses (500 or more employees) for typical business activities, including financing purchase of land or buildings, construction or renovation. LBDP funds are targeted to major economic development opportunities that will result in substantial private investment and the creation and/or retention of 300 or more jobs.

G. SBA 7(a) Loan Program.

<http://www.sbaonline.sba.gov/financing/sbalan/7a.html>

The United States' Small Business Administration 7(a) Loan Program is a guaranty loan program for small businesses. Through this program, the SBA guarantees a portion of a bank's loan to a small business. Loan proceeds can be used for a variety of business purposes including: working capital; inventory purchases; acquisition of machinery, furniture, fixtures and equipment; construction or remodeling of buildings; the acquisition of real estate; and in certain instances the refinancing of existing debt. Loan terms typically range from 7 to 25 years at market rates.

H. SBA 504 Loan Program.

<http://www.sbaonline.sba.gov/financing/sbalan/cdc504.html>

Typically, small businesses encounter difficulties when looking for long-term financing at fixed interest rates. Recognizing this, the SBA created the 504-loan program, which offers small businesses a financing alternative. In Illinois, the Small Business Growth Corporation administers the 504 program. Generally, any small business project that involves the purchase, construction or improvement of fixed assets is eligible. Each 504 loan package has the following 3 elements: (1) The Small Business Growth Corporation lends up to 40 percent of the total fixed asset financing need, to a maximum of \$750,000-\$1,000,000; (2) a private lender, usually a bank, lends up to 50 percent of the project's total cost; and (3) the business provides a minimum of 10 percent of the necessary funds. The interest rate on the Small Business Growth Corporation's loan is fixed and generally

a little above the rate of long-term Treasury Bonds. The loan maturity is 10 or 20 years. The interest rate on the companion bank is negotiated by the borrower and typically is floating. This combination of fixed and floating interest rate financing provides an effective hedge against unfavorable interest rate fluctuation. For every \$35,000 that the Small Business Growth Corporation lends, reasonable projections should indicate that one full-time equivalent job would be created or retained over the next two years. For collateral, the Small Business Growth Corporation generally requires a second lien subordinate to the participating bank on assets acquired with loan proceeds and personal guaranties.

III. INFRASTRUCTURE SUPPORT

The following is a sample of resources that can be utilized by Madison County and the State of Illinois to fund public infrastructure improvements to accommodate a business in Madison County.

A. Madison County's Infrastructure Loan Program

The Madison County Infrastructure Loan Program is designed to help Madison County's local governments finance public infrastructure needed to support private sector economic development or address public health and safety concerns. Specifically, this program provides low-interest loans to local governments for infrastructure projects which: (1) lead directly to private sector investment activities that create or retain permanent jobs for Madison County residents; or (2) effectively address identifiable public health and safety issues in Madison County. The amount of funds that Madison County lends to a local government is based on the public benefits provided by the infrastructure project and the local government's needs and financial condition.

This program can be used for the following types of public improvements: local roads and streets, access roads, bridges, sidewalks, water and sewer line extensions, water distribution facilities, rail improvements, gas and electric utility extensions, and the development or improvement of publicly owned industrial or commercial property.

Under this program, Madison County generally loans the funds to local governments at a 3% interest rate for terms between 5-10 years. The exact loan terms depend upon the fiscal capacity of the local government.

B. Illinois Business Development Public Infrastructure Program.

http://www.commerce.state.il.us/dceo/Bureaus/Business_Development/Grants/bdpip.htm

The Illinois Business Development Public Infrastructure Program provides low interest loans and grants for public improvements to local governments on behalf of businesses with expansion or relocation projects that meet program criteria and that demonstrate the greatest potential in the creation and retention of jobs. The infrastructure improvements must be made on public property and must directly result in the creation or retention of private-sector jobs. Funds may be used for a wide variety of public infrastructure improvements including streets, access roads, water and sewer lines, and water and sewage treatment facilities.

C. Affordable Financing of Public Infrastructure (AFPI)

The Affordable Financing of Public Infrastructure Program provides funds for infrastructure improvements that address health, safety and economic development needs that inhibit development in the state. The Affordable Financing of Public Infrastructure Program helps local governments finance public infrastructure needed to support economic and community development.

D. Southwestern Illinois Development Authority (SWIDA).

<http://www.swida.org/home%20page.htm>

A local government-financing program has been developed by SWIDA to assist local governments in the issuance of tax-exempt securities primarily for infrastructure or regulatory compliance purposes. Qualified local governments include counties, municipalities, and special purpose taxing districts whose objectives are to promote and enhance economic development within their communities. Bonds may be issued on both a pooled and a conduit basis.

E. Illinois Department of Transportation's (IDOT) Economic Development Interchange and Access Road Program

IDOT's economic development program makes funding available for highway improvements that will be a positive force in the location-selection process of existing or new industrial and commercial development. Priority consideration for program funding to communities includes: the need for the highway improvement and the imminence of development; ability to leverage State construction dollars through participation of other sources; and jobs created or retained in Illinois.

F. Illinois Department of Transportation's Rail Freight Program

<http://www.dot.state.il.us/rfp.html>

The Rail Freight Program helps to preserve and create access to rail trackage necessary to maintain and expand industry in Illinois. IDOT provides funding to local governments, economic development groups, new and existing industries, agri-businesses, and railroad companies for rail-related projects. Specific project funding examples range from the construction of a rail spur to serve a local industrial park, to the rehabilitation of existing track to serve an existing industrial firm.

IV. EMPLOYMENT AND RECRUITMENT PROGRAMS.

The State of Illinois and Madison County have extensive experience in assisting the development of comprehensive training programs to meet the needs of businesses locating or expanding their operations within the State of Illinois. Many of these employment and recruitment programs have included a combination of the various training programs discussed below. Madison County and the State of Illinois are committed to cooperatively working together to develop a comprehensive training package utilizing various training programs to encourage a business to locate its facility within the County.

A. Illinois Industrial Training Program.

The primary purpose of the Illinois Industrial Training Program (ITP) is to provide training assistance to companies expanding or locating in Illinois, adding new product lines, or otherwise retooling or modernizing their facilities which results in the need to provide job training to new workers or to upgrade the skills of existing employees. This program is a state-funded job-training program designed to assist new and existing businesses within the State of Illinois with the development of a new or existing workforce.

A new firm locating in Illinois, or an existing firm undertaking retention or expansion activity, can receive direct reimbursement for up to 50 percent of the total full-time employee training costs. The applicant company will be notified within a maximum of thirty days after submission of a completed Illinois Department of Commerce and Economic Opportunity (DCEO) application as to the extent of training assistance provided to the project. To accommodate employers' needs, the ITP is designed to enable employers to select and hire the employees to be trained, specify the appropriate job skill requirements, and identify training locations and techniques.

B. Prairie State 2000 Authority

<http://www.state.il.us/ps2000/>

The Prairie State 2000 Authority provides loans to Illinois-based companies for employer training programs. This program finances employee skill upgrading programs tied to technological changes in the workplace with the focus on the retention of existing jobs. Loans can be made for up to 100 percent of the training costs, with 25 percent forgiven after trainees remain employed with the company for one year following completion of training.

C. Job Training Partnership Act (JTPA).

In Illinois, the Department of Commerce and Economic Opportunity (DCEO) administers the federal JTPA program. Through a statewide network of 26 service delivery areas, (including a service delivery area administered by Madison County's Employment and Training Department) training programs are provided to economically disadvantaged youths and adults, and to eligible workers who are dislocated due to plant closings, layoffs, or technological changes in their occupations. These comprehensive training programs provide employees who are prescreened, responsible, motivated to succeed, and ready and willing to work. This program helps eliminate the need for costly advertising and the time spent searching through applications to find qualified candidates. Under this program, the employer still maintains the authority to accept or reject any candidate referred by the JTPA program. Other services provided include outreach, job counseling, vocational assessment, job search assistance, placement, on-the-job training, and follow-up services.

D. Illinois Employment and Training One Stop Centers.

Illinois's Employment and Training One Stop Centers are innovative, customer driver systems designed to provide employment and training services to employers of all sizes, job seekers and students. These one stop centers provide employers information on worker availability, current wage rates, and projected labor demand. They also offer specialized employer services such as staff recruitment for mass hiring, customized training and outplacement assistance for businesses. The One Stop Centers are supported by the Illinois Department of Commerce and Economic Opportunity, Illinois Department of Employment Security and the JTPA program administered by Madison County Employment and Training.

V. TECHNICAL ASSISTANCE PROGRAMS.**A. Site Location Assistance.**

<http://business.illinois.gov/location.cfm>

Madison County offers a wide range of developed and readily accessible business, industrial and research parks. A network of economic development professionals from both the private and public sector provides facility locators with a full range of confidential site selection services. These include: business site and buildings inventories; complete demographic profiles by city, county, zip code, or market area; labor market data; private sector investment and growth trends; business incentive and assistance program delivery; state and local tax comparisons; and other technical information that businesses may need in determining whether to retain, expand, or locate their operations in Madison County.

B. Small Business Development Centers

<http://www.commerce.state.il.us/dceo/Bureaus/Entrepreneurship+and+Small+Business/SmallBusinessDevelopmentCenters.htm>

Small Business Development Centers provide information and assistance to potential and existing small businesses through counseling and training sessions. Their services include: one-on-one business counseling and management assistance; assistance with the development of business plans; access to marketing information; help in identifying and applying for business financing; assistance with accounting, financial analysis and planning; and access to business education and training opportunities.

C. International Trade Centers

<http://www.ildceo.net/dceo/Bureaus/Entrepreneurship+and+Small+Business/International+Trade+Export+Assistance/>

International Trade Centers provide information, counseling and training to existing, new-to-export Illinois companies interested in pursuing international trade opportunities. Their services include: individualized export assistance to Illinois manufacturers and those businesses new-to-export or new-to-market; access to international market research to evaluate key overseas opportunities; identification of potential foreign buyers, agents, and/or distributors through trade leads; information and training programs on export procedures, distribution, methods of payment and foreign business practices; an extensive collection of international trade reference materials; export finance assistance in coordination with private lenders and SBA's Export Working Capital and EXIM Bank programs; and access to DCEO's International Business Divisions.

D. Illinois Manufacturing Extension Center

<http://www.imec1.org/index.htm>

The Illinois Manufacturing Extension Center is part of a state and national network that provides manufacturers with information, decision support and hands-on support to improve their productivity and competitiveness. Manufacturing specialists deliver cost effective assistance in everything from process improvement, to product innovation, quality improvement to lean manufacturing. The result for manufacturers is higher productivity, lower costs and increased profits.

E. Illinois Technology Enterprise Centers (ITEC)

Illinois Technology Enterprise Centers serve technology-based entrepreneurs, innovators and small businesses by assisting them with critical business startup and marketing needs. The regional centers, supported by DCEO, help entrepreneurs locate pre-seed and early stage financing; help innovators in high growth and high technology sectors further their technical and/or managerial skills, and assist with new product development and marketing, thus nurturing new venture development in Illinois.

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F. Illinois Business and Industry Data Center

The Illinois Business and Industry Data Center (BIDC) is a network of 28 local and regional affiliates, many from colleges and universities, regional planning commissions, public libraries and small business development centers, which works to help entrepreneurs and small businesses easily access statistical data. Local affiliates deal directly with small businesses and other end users of data, while regional affiliates collect and disseminate information to both end users and local affiliates. Regional affiliates also prepare quarterly regional analyses for statewide distribution.

G. First-Stop Business Information Center of Illinois

<http://www.commerce.state.il.us/NR/rdonlyres/0B4E1893-DA3E-4663-987F-076B258E8AFA/0/Fact1stStop.pdf>

First-Stop provides individuals and businesses with access to information and referral assistance to guide them through the permitting, licensing and regulatory processes. First-Stop also can link them to other available resources that can help them comply with government regulations and enhance their competitiveness.