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**VILLAGE OF SUGAR GROVE**

**BOARD REPORT**

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**TO:** VILLAGE PRESIDENT AND BOARD OF TRUSTEES  
**FROM:** MICHAEL CASSA, ECONOMIC DEVELOPMENT DIRECTOR  
**SUBJECT:** INCENTIVE POLICY  
**AGENDA:** June 20, 2023 REGULAR BOARD MEETING  
**DATE:** June 14, 2023

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**ISSUE**

Should the Village Board of Trustees provide input on the proposed Incentive Policy?

**DISCUSSION**

The Economic Development Department has drafted a proposed policy regarding incentives. Once the policy is adopted by the Village Board of Trustees, it would then apply to all incentive requests that are submitted to the Economic Development Department.

Staff reviewed economic development incentive policies and potential types of incentives that are offered from the following municipalities: Aurora, Batavia, Downers Grove, Elburn, Geneva, Lisle, Montgomery, Naperville, Oswego, St. Charles, and Yorkville. Some area municipalities do not have a published incentive policy or list of potential incentives.

The attached proposed policy includes the following provisions:

- A list of types of incentives that the Village will consider.
- The process for submission of the request, including the completion of an application form.
- The documents that are required to be submitted by the company.
- A list of potential reimbursable Tax Increment Financing (TIF) eligible expenses.
- Factors that will be used by the Village in evaluating the request for incentives.
- The process that will be used by the Review Team to consider the request.
- Creation of a TIF or Business District.
- Process for the drafting the incentive agreement.
- Presentation to the Village Board, which must approve all such agreements

The Review Team includes:

- Village President
- Village Administrator
- Economic Development Director

- Finance Director
- Community Development Director

**COST**

There are no costs associated with the adoption of an Incentive Policy.

**RECOMMENDATION**

That the Village Board of Trustees provide input on the proposed Incentive Policy.



**VILLAGE OF SUGAR GROVE  
INCENTIVE POLICY  
JUNE 20, 2023**

The Village of Sugar Grove will consider providing incentives to facilitate the attraction and expansion of business projects. Incentives may be applied to new projects and to existing businesses that would like to expand their facilities. All requests for incentives are evaluated on a case-by-case basis.

**Request for Incentives**

The Village will consider the following types of incentives:

- Tax Increment Financing (TIF)
- Sales tax sharing agreements
- Business Districts
- Property tax abatements
- Industrial Revenue Bonds
- Commercial Property Enhancement Program
- Fee reductions

Interested companies should schedule a preliminary meeting with the Economic Development Department. Following the meeting, the company will submit a complete application to the Economic Development Department. This includes requests for funding from within an existing TIF or Business District.

The following documents are required with the application:

- Letter requesting consideration of an incentive on company letterhead
- Information on new jobs, and sales and property taxes to be created
- Information on the impact on public infrastructure such as utilities and roads
- Preliminary site plan and renderings
- Information on the financial strength of the company
- Information on potential tenants

For TIF requests, the following are additional documents to be submitted:

- Quotes from contractors for TIF eligible improvements to be reimbursed
- Proforma providing a budget for the project

The following is a list of potential reimbursable TIF-eligible expenses:

- Public improvements
- Demolition, rehabilitation or reconstruction of existing buildings
- Environmental remediation
- Site improvements (utilities, wetlands, etc.)
- Clearing and grading
- Professional services (architectural, engineering, legal, studies, etc.)
- Relocation costs
- Other extraordinary costs that are unique to the site

#### Evaluation of the Request

The Village will evaluate each incentive request on the merits of the project. Projects that include more of these factors will be given stronger consideration. These factors include, but are not limited to:

- Projected new sales tax revenues for the project
- Projected increased property tax revenues for the project
- Jobs created by the project
- Capital investment for the project
- Redevelopment of a high-priority site
- Attraction of a desired anchor tenant
- Increases Village's ability to secure other new business investments
- Aesthetics of the project
- The project results in the enhancement of public improvements

The Village will utilize the "but for" test. This is a determination that the incentive is required in order for the project to be completed. Two examples include: (1) the incentive will close a funding gap in the project's budget; and (2) that the Village is competing with other communities that are offering incentives for the project.

In addition, the project must (1) adhere to Village codes and zoning requirements, including any approved variances; and (2) comply with the Village's Comprehensive Plan.

The Economic Development Department will prepare a report on the request for incentives. The report will be presented to the review team, which includes the Village President, the Village Administrator, the Finance Director, and the Community Development Director. If the review team approves the request, then the Village Administrator and the Economic Development Director will discuss the terms of the request with the company. Finally, staff will present the incentive agreement to the Village Board for final approval.

### Creation of TIF or Business Districts

The Finance Director has primary responsibility for overseeing the creation of a new TIF or Business District, in consultation with the members of the review team and in accordance with the requirements of state statute. The Village Board has final approval authority. The Finance Director will work directly with consultants that the Village may retain to advise on the creation of the district.

### Drafting the Agreement with the Company

The review team will determine if the Village Attorney or the company will draft the incentive agreement. In either case, the Village Attorney will represent the Village in discussions on the terms of the agreement with the company and/or their attorney. The terms of the agreement should include:

- (1) A clawback provision ensuring that the company meets its agreed upon obligations, such as the number of jobs created and maintained, and the length of time the company will continue operations at the location.
- (2) An agreed upon annual performance report submitted to the Village by the company which is tied to the clawback.
- (3) A provision to reimburse the Village for all outside consultant fees out of the proceeds of the TIF District, the Business District, the property tax abatement, or the sales tax sharing agreement.
  - a. For all new TIF Districts and new Business Districts, the applicant will be required to execute a Village Escrow Agreement and provide an escrow held with the Village for the total proposal amount for the creation of the requested district. The applicant will approve the cost proposal for the creation prior to any Board approval. No work will be complete until the escrow is received.

### Report to the Village Board

The Economic Development Director shall prepare the Board Report on the incentive agreement, and present the report to the Village Board. In the case of the creation of a new TIF or Business District, the Finance Director shall prepare the Board Report and present the report to the Village Board.

### Approval by the Village Board

The Village Board must approve the creation of any TIF or Business District as well as all incentive agreements.



**VILLAGE OF SUGAR GROVE  
ECONOMIC DEVELOPMENT DEPARTMENT  
REQUEST FOR INCENTIVES  
APPLICATION**

Name of Applicant	
Company Address	
Company Telephone Number	
Principal Business Activity	
Contact Person	
Contact Person's Title	
Contact Person's Email Address	
Contact Person's Mobile Phone	
Location of Proposed Project	
Size of Property	
Size of Proposed or Existing Building	
Current Owner of Property	
Brief Description of the Project	
Type of Incentive Requested	
Amount of Incentive Requested	
Name of Person Submitting the Application	
Signature	
Signature of Economic Development Director	
Date Received by Economic Development Department	