

Sangamon County, Illinois
Principles in the application of financial incentives to expanding employers

As of January 4, 2006

Preamble

The development and expansion of local economies is by definition a deliberate effort, supported with coherent strategies for growth. Communities successful in the attraction, retention, expansion or creation of employers do so with participation from both the public and the private sectors. In Sangamon County, the economic development community notes the following:

1. The attraction of new employers and the retention of local employers are becoming increasingly connected to the availability and use of financial inducements and incentives.
2. Though the strength of the local economy and all its attributes is powerful in its capacity to support new growth, in many cases, growing employers are asking for financial inducements to render their assessment of the region's opportunities as sufficiently compelling.
3. Defining the region's competitive position in the attraction and retention of employers and investment must be considered within this context.
4. Some financial inducements are available to expanding employers, and these have been used with success. More are needed. Responsible creativity is key.
5. To determine the proposed, net economic impact to the region's economy and the fiscal impact to the public districts associated with any offer, all major incentive offers should be evaluated together with the economic impact each seeks to induce.
6. Having a policy in place for the use of inducements and financial incentives is necessary and:
 - a. Expands the collaboration and communication among local development partners regarding expansion projects
 - b. Determines the circumstances under which financial inducements will be presented.
 - c. Determines limits for the use of incentives i.e. What's our final offer?
 - d. Defines a process by which comprehensive local incentive packages will be designed and presented to expanding firms.
7. The policy below is, by design, flexible and answers the following questions:
 - a. What type of firm qualifies for a financial inducement?
 - b. Will inducements be based on location in the county or offered generally?
 - c. What specific inducements shall we offer?
 - d. What is the method of securing the agreement of the partners involved in the offering of inducements?
 - e. What is the limit of the inducements?
 - f. How will we determine if we are "getting" more than we're "giving" economically?
 - g. How will firms be expected to return the inducement if their expansion plans are reduced or fail during the life of the incentive?

8. Definitions and Scope: Throughout this document references are made both to regions and to agencies that govern them. For clarity, these definitions are given:
 - a. Region: the geographic area that includes Sangamon County and contiguous counties.
 - b. County: uncapitalized references to a county are meant to mean the geographic area of Sangamon County.
 - c. Local: County-wide in Sangamon County. This is the primary purview of this policy.

It is noted that while financial inducements and incentives are growing in their importance among the many factors considered by expanding employers, the work of improving the quality of the marketplace as a site conducive to economic growth via policy, programming or projects will always remain the higher priority in the region's strategy for expansion.

A. To Whom Shall Incentives Be Offered?

A1 Financial incentives beyond those available via prevailing local ordinance or state statute, will be offered only to existing or new employers whose proposed expansion in Sangamon County or whose value in retention provides a net positive pay-back to the local economy, relative to the inducement offered for the duration of the proposed inducement. The economic payback will be determined by an economic impact analysis provided by the EDC. Special attention will be given to projects among primary employment generating firms who are members of the region's targeted industries as defined by the Economic Development Council for Springfield and Sangamon County. Expansions in the retail or certain services industries will be supported but typically not offered any type of financial inducement.

A2 Existing employers are eligible to apply for financial assistance when faced with expansion opportunities or operating challenges that are considered to be extraordinary or unusually prohibitive to the local employer's continued, profitable operation at their current location in Sangamon County.

B. When Shall Incentives Be Offered?

B1 Except for those provided by statute or ordinance where financial need is not a prerequisite for qualification, no financial inducement shall be offered to any expanding employer where financial need for the incentive cannot be documented, such that except for the inducement, the proposed expansion or retention would not occur.

B2 Prior to the presentation of a multi-jurisdictional incentive package to an existing or new employer, the EDC shall perform a cost-benefit analysis measuring the value of the proposed financial offering against the anticipated economic impact of the proposed expansion. The offering shall be made only when the economic impact expected during the time frame of the incentive offering exceeds the proposed financial assistance.

B3 The economic development partners in Sangamon County agree not to use financial inducements to induce the relocation of existing employers within the county, except in situations explained in section A2 above. The partners will,

however, use financial inducements to retain a local employer according to the outcome of the cost benefit analysis referenced above.

B4. In like manner, inducements will generally not be offered to induce a new employer to locate in Sangamon County from within the greater Springfield region, defined as Sangamon County and all contiguous counties, except when the employer is considering sites outside of the greater Springfield region as potential sites for relocation or expansion.

C. Who Shall Offer the Incentives?

C1 Political jurisdictions that are in negotiations with an employer are always free to offer inducements as their representatives deem appropriate without consultation with other jurisdictions.

C2 The EDC shall be the point of contact for expansion projects within the county that require the participation of coordination among two or more political jurisdictions.

C3 In preparing and managing a proposal for financial and other inducements in the context of increasing competition from alternative communities, the Sangamon County offering will be continually amended as needed via a “rapid response team.” This team shall be constituted of representatives of the EDC and the jurisdictions affected by the expansion or retention who have agreed to convene quickly for the purpose of defining the inducement package. The EDC will convene these meetings and discussions.

D. What Incentives Shall Be Offered?

D1 Tax abatements of any kind for any reason, except those stated in prevailing incentives provided by statute or ordinance shall be an amount sufficient to act as a compelling financial inducement and supported by a net positive outcome of the economic impact analysis of the proposed project.

D2 Public infrastructure assistance shall take the form of assisting with the connection of the proposed new facility to existing, contiguous service, or the upgrade requested of an existing employer considered to be essential to their profitability and continued operation in Sangamon County, as financial resources are available to do so.

D3. The offer of free land and buildings for expanding employers is a viable alternative when the economic analysis of these proposals provides a net positive result and when a public-private joint venture can be identified to support the offer.

D4. Because of the value placed in our public education systems as a primary supporter of our economic viability, all employers who seek significant property tax relief for any expansion project will be asked to consider partnering with affected local schools to explore the means by which any negative financial impact may be mitigated.

E. What Conditions Shall Be Associated with the Incentive Offer?

E1 All firms seeking expansion in Sangamon County who accept financial inducements from local units of government or the private sector shall demonstrate a good faith effort in job creation or investment that meets or exceed stated goals for expansion within a given time period. Failure to do so will result in an appropriate repayment of the financial inducement by the employer. Repayment scenarios will be determined by the political entity offering the incentive.

E2 In Sangamon County, even under speculation, the economic development partners agree to hold employer identities in the strictest confidentiality as allowed by law.

E3 The economic development partners in Sangamon County agree to communicate fully and frequently through the EDC regarding the progress of communications in expansion and retention projects.

E4 For clarity and to provide focused communication in the negotiation process, incentive offers to existing or prospective new employers that involve the participation of multiple jurisdictions in Sangamon County, including the State of Illinois, will be communicated to the employer via a commitment letter signed by the Chairman of the Economic Development Council for Springfield and Sangamon County, the quasi public-private joint-venture entity, or the Chairman's designee. These communications will under no circumstances be offered to employers without the express consent of the officials who represent the entities the letters reference. To support the region's competitive position in negotiations, incentive letters will, to the extent allowed by law, remain confidential during the offer period (a time period designated within the letter during which the offer is valid.)

F. How Shall These Policies be Used and Edited?

F1. The formal adoption of these policies will be requested of the political jurisdictions in Sangamon County who are in a position to offer any type of financial inducement to private-sector firms for the purpose of encouraging their expansion or continued operation in Sangamon County. The Economic Development Council for Springfield and Sangamon County will convene these requests.

F2. When the signatories of these policies determine that edition is needed, the EDC will convene the discussions among the parties for the purposes of amendment.

F3. All adherents to this policy are encouraged to evaluate all investment proposals made by existing and new employers on a case-by-case basis to determine the best course of action that provides a reasonable balance between the maximum benefit to the proposing firm and the benefit accruing to the entity offering any incentive.