

# City Incentives



The Department of Housing and Economic Development (HED) offers financial assistance programs and incentives to help stimulate economic development and to create jobs for residents of Chicago. Programs are structured for industrial and commercial businesses and not-for-profit organizations that are either located in or moving to the city. Incentives include:

## Industrial Development Revenue Bonds

Industrial Development Revenue Bonds (IRBs) are issued by the City on behalf of manufacturing companies to finance the acquisition of fixed assets such as land, buildings or equipment (up to a maximum of \$10,000,000). Proceeds may also be used for new construction or renovation. Up to 100 percent of total project costs may be financed for a term up to 120 percent of the expected economic useful life of the assets.

## Empowerment Zone Bonds

Empowerment Zone Bonds are issued on behalf of businesses located in or moving to an Empowerment Zone for the acquisition of the same types of fixed assets as under the IRB program. Bonds may be issued on behalf of any qualified business (not restricted to businesses which manufacture or process tangibles). Limitations are placed on all bond issues to maintain tax-exempt status.

## Thoughts on Industry

*When faced with scarce public dollars and limited resources, it makes more sense than ever before to invest those dollars and resources into companies and practices that provide a city or a state with the greatest return on investment.*

*Center for Labor and Community Research. The State of Illinois Manufacturing – A report for the Illinois Manufacturers' Association. December 2003.*

## Bank Participation Loan

Works through banks and other conventional lenders to provide subordinated financial assistance to businesses. The city's participation brings the overall interest rate for the loan down.

## Enterprise Zone

City, County and State tax incentives are available to eligible commercial and industrial businesses located in or moving to one of six designated Enterprise Zones within City limits. The program is administered by HED in conjunction with the Illinois Department of Commerce and Economic Opportunity and provides incentives such as a sales tax exemption for building material supplies, job creation tax credits and exemption from the real estate transfer tax for qualifying businesses.

## Tax Increment Financing

Tax Increment Financing is a special funding tool used by the City of Chicago to promote private investment in blighted sections of the city. Funds are used to build and repair roads and infrastructure, clean polluted land and put vacant properties back to productive use, usually in conjunction with private development projects.

## TIFWorks

TIFWorks funds workforce training costs for companies located in many City of Chicago TIF districts. With TIFWorks' support, businesses become better equipped to improve performance and productivity, expand product lines and gain new customers. The program helps companies develop and expand product lines, adapt to new technologies and equipment, comply with occupational or industry regulations, expand into new markets and promote growth and increase profit.

## Small Business Improvement Fund (SBIF)

The program uses local Tax Increment Financing (TIF) revenues to help owners of commercial and industrial properties and/or tenants within specific TIF districts to repair or remodel their facilities. Program participants can receive reimbursing grants to cover 25%, 50%, or 75% of the cost of remodeling work, with a maximum grant amount of \$ 150,000. The grant does not have to be repaid.

## The New Market Tax Credit

The New Market Tax Credit (NMTC) program is a federal initiative that aims to generate employment and other benefits for residents of low-income communities. The program provides federal income tax credits to financial institutions in exchange for investment in a Community Development Entity, which then uses these funds to provide capital to businesses or real estate projects in qualifying areas. The benefits of NMTC financing include below market interest rates, loan to value ratios as high as 95 percent of costs and potential for partial debt forgiveness.



## Cook County Property Tax Incentives

Cook County Property Tax Incentive programs are designed to encourage industrial and commercial development throughout the county by offering reduced real estate taxes over a 12-year period. The incentive for industrial property is known as the Class 6b. Eligible projects include new construction, rehabilitated facilities and reoccupancy of industrial buildings that have been vacant for two years. In the absence of a 6b incentive, industrial real estate would normally be assessed at 25 percent of its market value. Properties receiving Class 6b are assessed at 10 percent of market value for the first 10 years, 15 percent for the 11th year and 20 percent for the 12th year, returning to 25 percent in year 13.

## Street and Alley Vacation

The vacation program conveys ownership of underutilized public streets and alleys to adjacent industrial businesses. The vacated properties are used to expand plant operations, provide for parking, truck staging and improve security.

## Local Industrial Retention Initiative (LIRI)

The City of Chicago's Local Industrial Retention Initiative (LIRI) funds local non-profit industrial councils to provide planning and stewardship to the city's 24 industrial corridors and business retention services to the companies that operate within them. They serve over 2,500 companies in corridors throughout the city. Along with the activities they perform for their city contracts, many of these independent organizations have extensive community development services and expertise and all are important economic development partners. As city delegate agencies, the industrial councils (known as LIRIs) reach out to the companies in their service areas and identify and address their needs in order to retain or expand those companies within the city. LIRIs provide varied services including facilitating city services, marketing and assisting with public incentives, providing educational and networking opportunities, promoting the area and local business and planning and advocating for the long-term vitality of the industrial corridors. Two LIRIs have sector focussed on responsibilities for apparel and metals.

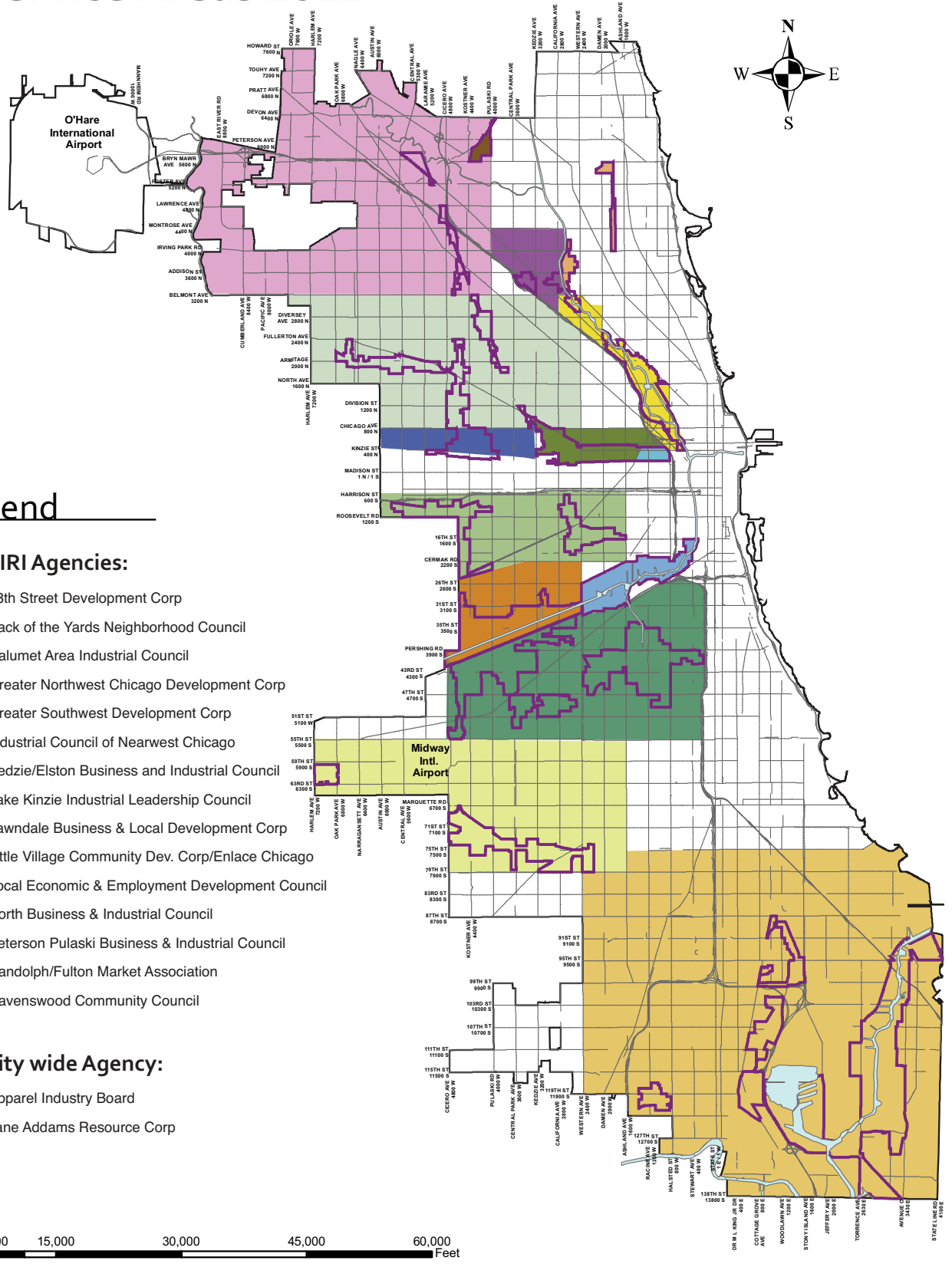
## Thoughts on Industry

*Illinois and Chicago governments organize their economic development activities by geography (e.g. Northwest Chicago) which is antithetical to promoting cluster benefits across the region and causes government officials to focus on dividing benefits versus producing collective gains. We recommend government reorganize its economic development activities around industry clusters.*

*Michael Porter. The Chicago Processed Food Cluster – The Microeconomics of Competitiveness. Harvard University. May 5, 2006.*

# Industrial Corridors and Local Industrial Retention Initiative (LIRI) Service Areas 2011

CITY INCENTIVES:



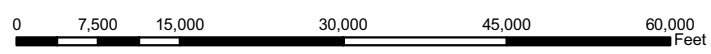
## Legend

### LIRI Agencies:

- 18th Street Development Corp
- Back of the Yards Neighborhood Council
- Calumet Area Industrial Council
- Greater Northwest Chicago Development Corp
- Greater Southwest Development Corp
- Industrial Council of Nearwest Chicago
- Kedzie/Elston Business and Industrial Council
- Lake Kinzie Industrial Leadership Council
- Lawndale Business & Local Development Corp
- Little Village Community Dev. Corp/Enlace Chicago
- Local Economic & Employment Development Council
- North Business & Industrial Council
- Peterson Pulaski Business & Industrial Council
- Randolph/Fulton Market Association
- Ravenswood Community Council

### City wide Agency:

- Apparel Industry Board
- Jane Addams Resource Corp



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Patricia A. Scudiero

Heather Gleason

Peter Strazzabosco

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## Metro Chicago Information Center

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Virginia Carlson, *President*

Taryn Roch

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