

The background of the slide features the official seal of Cook County, Illinois. The seal is circular with a blue outer ring containing the text 'SEAL OF COOK COUNTY' in gold. The central part of the seal is white and contains a yellow grid representing a map of the county. A banner across the grid reads 'JANUARY 1831'. Below the grid, there is a brown silhouette of a hand holding a white object, and a brown silhouette of a ship on a green sea.

# **COOK COUNTY BUREAU OF ECONOMIC DEVELOPMENT**

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## **ECONOMIC DEVELOPMENT TOOLKIT**

**December 5 , 2014**

**Economic Development Tools in Cook County**

# Bureau of Economic Development

## Mission Statement

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- ❑ To foster community development, economic development and workforce development within Cook County
- ❑ To strategically leverage resources and provide efficient professional management
- ❑ To stimulate:
  - Sustainable community investment
  - Business growth, attraction, and retention
  - Affordable housing
  - Regional planning

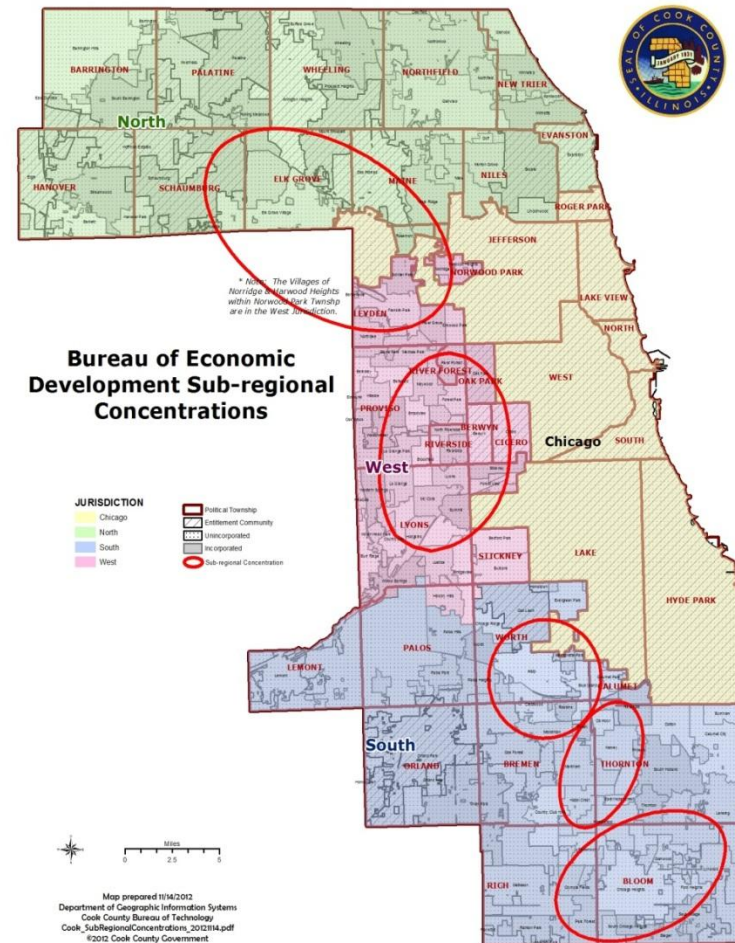
# Bureau of Economic Development

## Areas of Concentration and Current Initiatives

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### Bureau Economic Development Initiatives

- Economic Development Advisory Committee (EDAC)
- Tax Incentives
  - Class 6b
  - Class 7a, 7b, 7c
  - Class 8
  - Class 6b – SER
  - Class 6b and 8 - TEERM
- \$30 million BUILT in Cook Loan Fund
- Private Activity Bonds – IRBs
- No Cash Bid Program



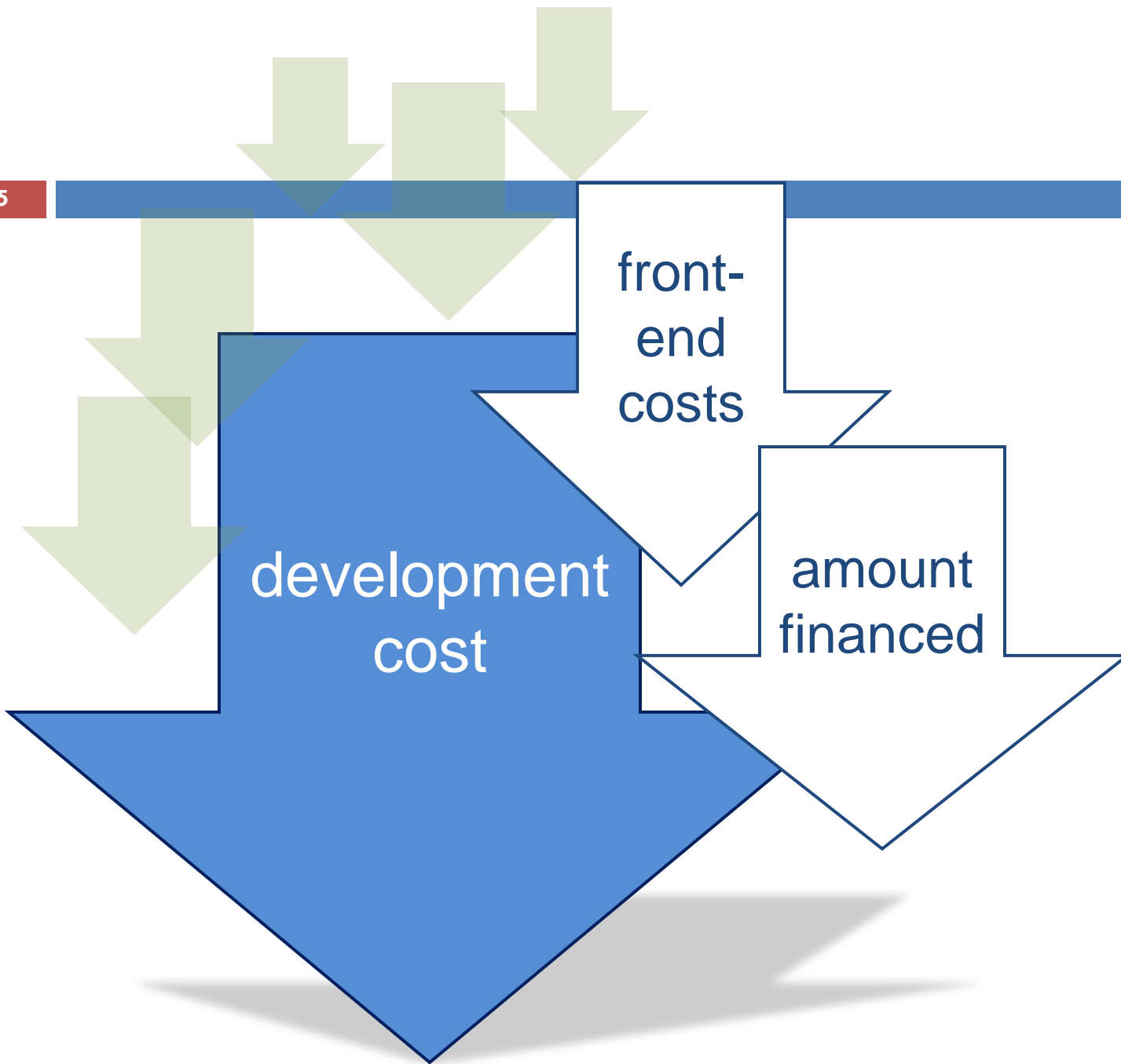
# ECONOMIC DEVELOPMENT TOOLS

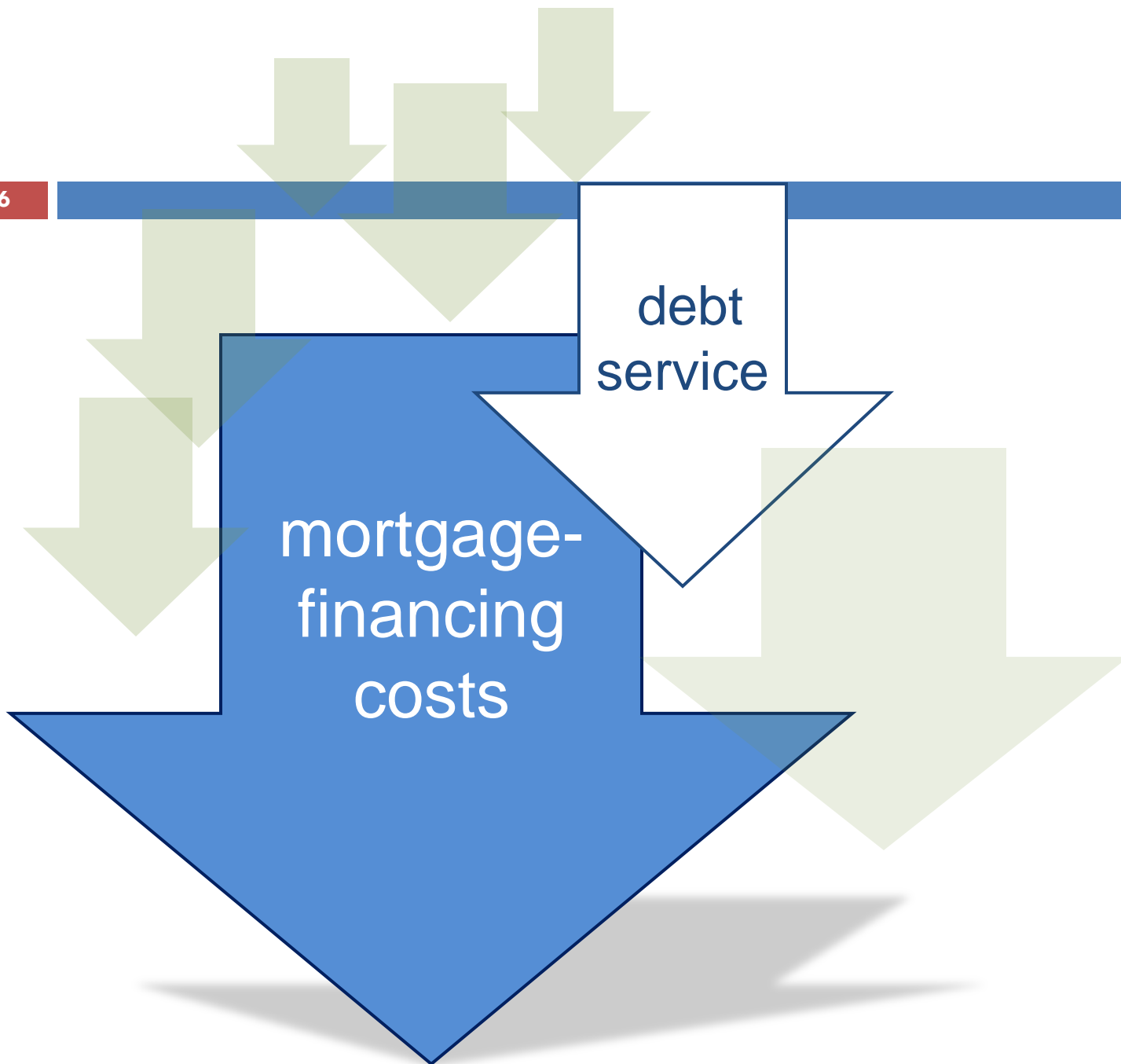
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## TOOLS, RESOURCES & PRACTICES

### Financing Tools









The diagram features a horizontal blue line across the top. Below it, a white arrow with a black outline points upwards and is labeled "cash flow". Below the "cash flow" arrow is a large blue arrow pointing downwards, labeled "operating costs". The background is decorated with several light blue, semi-transparent upward-pointing arrows of varying sizes. The "operating costs" arrow has a subtle shadow beneath it.

operating costs

cash flow

# Cook County Industrial Revenue Bonds

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## □ Eligibility

- Cook County can issue tax-exempt bonds for manufacturers who can then use the proceeds to finance qualified projects
- Qualified projects are limited to facilities which are primarily used to manufacture or process tangible goods
- Capital expenditures test conducted to verify that company can apply for an IRB.



# Cook County Industrial Revenue Bonds

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- Use
  - ▣ Acquisition of land and buildings
  - ▣ Rehabilitation and new construction
  - ▣ Purchase of machinery and equipment
- Amount
  - ▣ 100% of eligible projects costs
  - ▣ IRBs for \$2 million or less not financially viable due to issuance costs
- Term
  - ▣ 120% of expected economic life of the project

# BUILT in Cook Loan Fund

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- \$30M BUILT in Cook Loan Fund created in 2013
- Eligibility
  - ▣ Available to commercial and industrial firms
  - ▣ Firms located or planning to locate in suburban Cook County
- Public Benefits
  - ▣ Job Creation and Retention
  - ▣ Eliminate Slum and Blight
  - ▣ Low and Moderate Income Census

# BUILT in Cook Loan Fund

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## Wall Street Investors

- Private Note Purchasers fund HUD Section 108 (BUILT in Cook)
- Backed by HUD Guarantee Full Faith of US Government

## HUD

- Pledge of CDBG from Cook County
- Takes assignment of additional collateral

## Cook County

- Borrows from HUD at nominal interest rate
- Lends to applicant at spread over borrowing costs

## Applicant

- Provides additional security to borrower
- Repays loan to Cook County and County repays HUD

## Project

- Eligible uses per HUD guidelines
- Used as mezzanine (“gap”) financing

# BUILT in Cook Loan Fund

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- Uses
  - Acquisition
  - Site Prep
  - Construction/Rehabilitation
  - Machinery and Equipment
  - Infrastructure
- Loan Size
  - \$70K to \$5 million (loan sizes based on projects and program)
- Interest Rate
  - 150 bps – 450 bps over 10 year T-Bill
- Loan-to-Value (LTV)
  - 30% of capital stack not to exceed 90% LTV with senior and sub debt (depending on the program)
  - Mezzanine tranche of capital stack (financing gap)
- Debt Service Coverage Ratio-DSCR
  - 1.25x to 1.10x (negotiable – case by case)
- Evidence of senior financing and equity (gap financing)

# BUILT in Cook Loan Fund

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- Four types of projects:
  - ▣ Transit-Oriented Development
  - ▣ Cargo-Oriented Development
  - ▣ Housing and Commercial Development (Mixed-Use)
  - ▣ Business Loans
    - Loans for minority and women's business enterprises certified in Cook County

# BUILT in Cook Loan Fund

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- Must be in business at least three (3) years and show credit worthiness
- Must create/retain jobs and/or be located or perform services in a blighted area. Technical assistance (accounting, legal, and/or business mentoring) to support the loan may be required as part of the County's approval
- Must be an enterprise that has been certified by Cook County as a minority and/or women owned business or enterprise
- **BUILT 50-40 Loan Program**
  - 50% lender financing, 40% Cook County, 10% equity
  - Loan sizes: \$70K to \$500K
- **Emerging Business Development Loan (EBDL)**
  - Cook County will take 50% participation in loans for M/WBE certified business enterprise that have a contract with Cook County or a vendor to Cook County
  - Loan sizes: \$50K to \$500K

# BUILT in Cook Loan Fund - Example

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Sources without BUILT in Cook		Sources with BUILT in Cook
<b>\$10,000,000</b>	<b>Project Costs</b>	<b>\$10,000,000</b>
\$7,000,000	Debt	\$7,000,000
\$3,000,000	Equity	\$1,000,000
\$0	BUILT In Cook	<b>\$2,000,000</b>

# BUILT 50-40 Program - Example

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Sources without BUILT 50-40		Sources with BUILT 50-40
<b>\$1,250,000</b>	<b>Project Costs</b>	<b>\$1,250,000</b>
\$875,000	Debt	\$625,000
\$375,000	Equity	\$125,000
\$0	BUILT In Cook	<b>\$500,000</b>



# Emerging Business Development Loan Program (EBDL) - Example

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Sources without EBDL		Sources with EBDL
<b>\$1,000,000</b>	<b>Project Costs</b>	<b>\$1,000,000</b>
\$700,000	Debt	\$450,000
\$300,000	Equity	\$100,000
\$0	BUILT In Cook	<b>\$450,000</b>

# Cook County Property Tax Incentives

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- Class 6b
  - ▣ Applicable to industrial enterprises only
- Class 7a, 7b, and 7c
  - ▣ Applicable to commercial properties
- Class 8
  - ▣ Commercial and industrial projects in areas with severe economic depression
- Class 6b – Sustainable Emergency Relief (SER)
- Class 6b and 8 – TEERM (Temporary Emergency Economic Recovery Modification)

# Cook County Property Tax Incentives

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## □ **Class 6b Industrial Property Tax Incentive**

- Properties must be used for industrial purposes and the project must involve new construction, substantial rehabilitation, or the re-occupancy of abandoned industrial property.
- Qualifying properties can receive a 12 year reduction in real estate assessments from the standard commercial assessment rate of 25%.
- Qualified properties will be assessed at 10% for 10yrs, 15% for the 11<sup>th</sup> year, and 20% for the 12<sup>th</sup> year.
- Incentive may be renewed in year 10 for an additional 10yrs.
- Applicants need approval from the municipality prior to submittal

# Cook County Property Tax Incentives

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- **Class 7a and 7b Commercial Property Tax Incentive**
  - Properties must be used for commercial purposes and the project must involve new construction, substantial rehabilitation, or the re-occupancy of abandoned industrial property.
  - 7a = projects less than \$2 million
  - 7b = projects more than \$2 million
  - Qualifying properties can receive a 12 year reduction in real estate assessments from the standard commercial assessment rate of 25%.
  - Qualified properties will be assessed at 10% for 10yrs, 15% for the 11<sup>th</sup> year, and 20% for the 12<sup>th</sup> year.
  - Incentive may not be renewed
  - Applicants need approval from the municipality prior to submittal

# Cook County Property Tax Incentives

- **7c Commercial Property Tax Incentive-Approved June 2014**
  - Four eligibility factors instead of the five
  - 5 year incentive period, renewable for additional 5 years
  - Real Estate Tax Analysis: In three of the last six years, property taxes and EAV has declined or remained stagnant due to the depressed condition
  - Viability and Timeliness: There is a reasonable expectation that the development, re-development or rehabilitation of the commercial development project is viable and likely to go forward on a reasonably timely basis
  - Assistance and Necessity: “But For” Certification project would not go forward
  - Increased Tax Revenue and Employment: Ultimately result in an increase in real property tax revenue and employment opportunities of the property

# Cook County Property Tax Incentives

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## □ **Class 8 Property Tax Incentive**

- Tax Incentive available for commercial and industrial projects in severely depressed areas in Cook County
- Qualifying properties can receive a 12 year reduction in real estate assessments from the standard commercial assessment rate of 25%
- Qualified properties will be assessed at 10% for 10yrs, 15% for the 11<sup>th</sup> year, and 20% for the 12<sup>th</sup> year
- Incentive may be renewed in years 10-12 for an additional 10yrs
- Applicants need approval from the municipality prior to submittal

# Cook County Property Tax Incentives

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- **Class 6b – Sustainable Emergency Relief (SER)**
  - Approved by the Cook County Board in July 2013
  - Applicable to long-term industrial tenants in Cook County for 10yrs
  - Evidence of economic hardship
    - Age of facility
    - Demonstrate 3 of 13 blighting factors
    - Area that demonstrates higher than normal industrial vacancy
  - Qualified properties will be assessed at 10% for 10yrs, 15% for the 11<sup>th</sup> year, and 20% for the 12<sup>th</sup> year.
  - Applicants need approval from the municipality prior to submittal
  - Incentive may not be renewed
  - Program expires November 30, 2018

# Cook County Property Tax Incentives

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- **Class 6b and Class 8 – Temporary Emergency Economic Recovery Modification (TEERM)**
  - Approved by the Cook County Board in July 2013
  - Reduces vacancy period from 24 months to 12 months for properties that have been 100% vacant with the same ownership
  - Qualified properties will be assessed at 10% for 10yrs, 15% for the 11<sup>th</sup> year, and 20% for the 12<sup>th</sup> year.
  - Applicants need approval from the municipality prior to submittal
  - Incentive may not be renewed
  - Program expires November 30, 2018



# Cook County No Cash Bid (NCB) Program

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- Assists municipalities in acquiring tax delinquent properties
- Over half of the 135 municipalities in Cook County have participated in the program.
- Projects that have resulted from the NCB:
  - ▣ Community Centers
  - ▣ Shopping Centers
  - ▣ Storm-water management
  - ▣ Affordable Housing

# Collaboration

- ❑ Economic Development Advisory Committee (EDAC)
- ❑ Cook County Land Bank Authority
- ❑ Regional Chambers of Commerce
- ❑ Chicago-Cook Workforce Partnership
- ❑ Chicago Metropolitan Agency for Planning (CMAP)
- ❑ South Suburban Mayors and Managers Association (SSMMA)
- ❑ Chicago Southland Economic Development Corporation
- ❑ Illinois Department of Commerce and Economic Opportunity (DCEO)
- ❑ Illinois Department of Transportation (IDOT)
- ❑ Regional stakeholders in higher education, private and civic organizations
- ❑ Utility providers-ComEd, Nicor
- ❑ Business and Professional Associations

# Questions???

Thank you for your time and attention!

# Contact Us

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**Our Blog:**

[www.cookcountyil.gov/economicdevelopment](http://www.cookcountyil.gov/economicdevelopment)