



Managing Economic Development in Times of Fiscal Uncertainty

Business Location Decision-Making and Incentives Practices

April 4, 2013

Emerging Economic Sectors

- Info Tech
- R & D
- Alternate Energy
- Finance – CBOE / Board of Trade
- Insurance



Emerging Economic Sectors, Cont'd

- Headquarters
- Design -- AEP
- Management Consulting
- Distribution
- Re-Shoring of Manufacturing
- Food Processing



Do Our State and Communities Attract or Repel Development?

21st Century Economy

- Dynamic Core City
- High Quality of Life
- Top Flight Educational Choices
- Career Diversity for Two-Career Households
- Excellent Services and Health Care
- Recreational Facilities and Programs
- Extensive and Quality Public Transit
- Moderate Cost of Living
- Low Personal Taxes Compared to New York and California
- Dense Fiber
- Air Connections to Everywhere

Global Capital of Mid-Continent

Traditional Economy

- Business Taxes and Workers Comp Impact Location Choices
- State Fiscal Instability a Concern For Plant Location/Investment
- Flat Income Tax – Below Certain Level, Neighbors More Attractive
- Highway Congestion/Journey To Work Issues
- School Quality Issues
- Skill Gaps
- Higher Property Values and Property Taxes Than Indiana

Not the Place We Once Were for Basic Manufacturing and Processing Industries?

Can We Make Our State Work for Both?

State Roles

- Business Climate Including Tax Competitiveness
- Personal Tax Comparability and Fairness
- Education – Higher and Lower
- High-Level Infrastructure
- Financial Stability (e.g., pensions)
- Incentives (like EDGE)

Do We Need a Commission on the Future of the Illinois Economy?

Local/Regional Roles

- Q-o-L and Services – the Community and Land Product
- Aligning Assets with Opportunities/Trends
- Provide Appropriate Development Framework
- Financing Development and Redevelopment
- On The Deal-Making Front Line

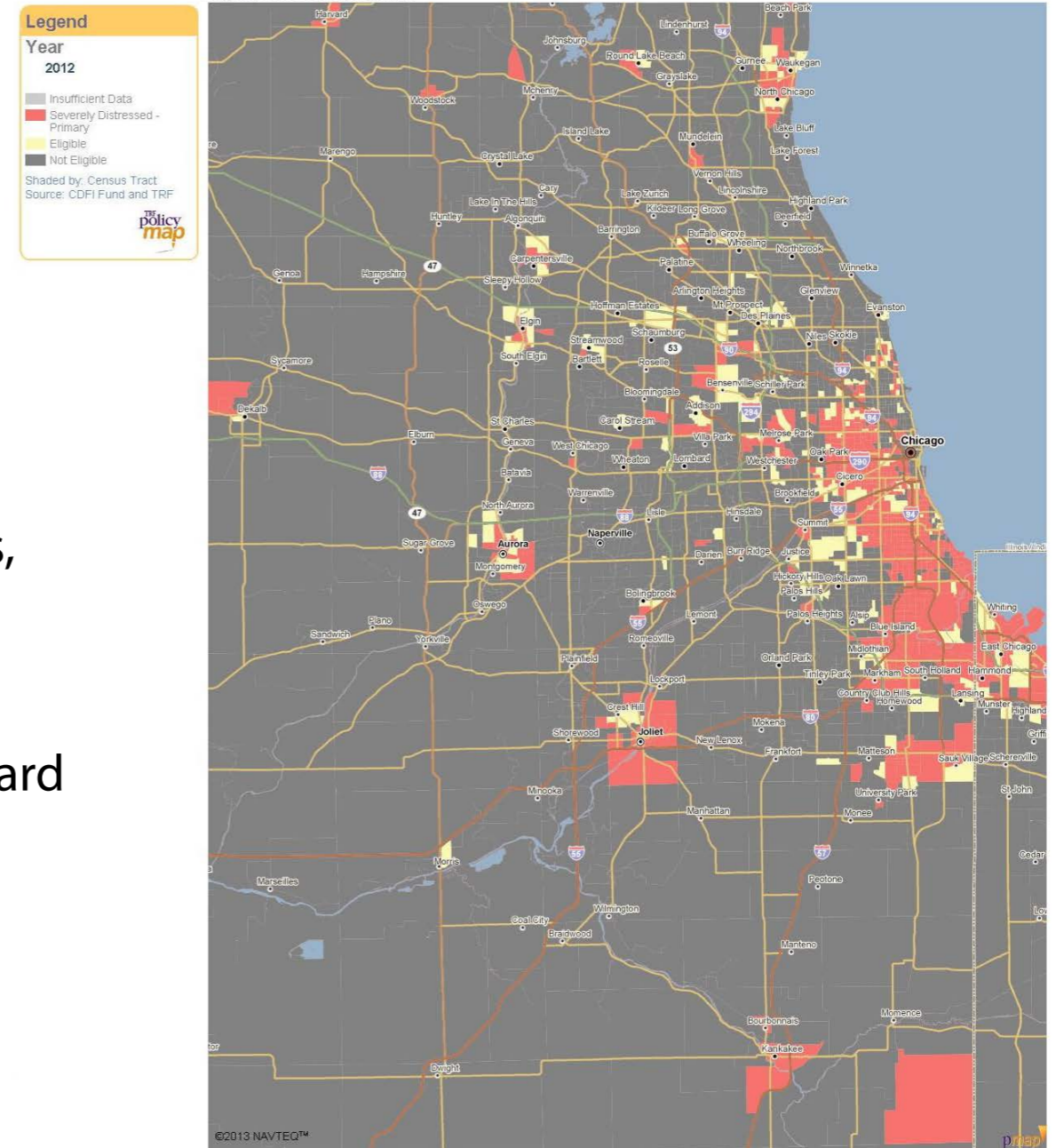
Making Good Decisions and Deals on the Front Line Crucial to Development!

What Are (Some of) the Tools?

- TIF, SSA and Sales Tax Sharing Continue On
- Business Districts Increasingly Popular
 - Additional Sales Tax
 - Hotel Tax for Non-Tourism Uses
 - Specific Uses of Funds Including New Construction
- NMTC – Selected Locations
 - Renewed for 2012 and 2013
 - Commercial, Industrial, Community Facilities, Mixed Use
- EB-5
 - Foreign Investment in Exchange for Green Card
 - Debt or Equity Source in Layered Deals
- LIHTC
- Others

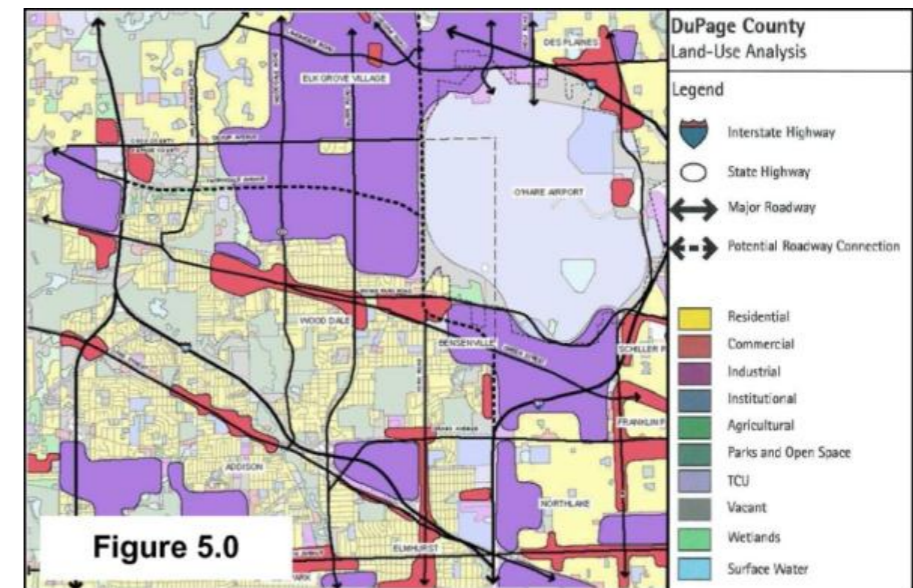
New Market Tax Credit (NMTC) Program Eligibility and Severely Distressed Status, as of 2012.

The red areas on the map are Census tracts that the CDFI Fund has determined are Eligible and meet the Primary Criteria requirements for the CDFI Fund's New Market Tax Credit (NMTC) Program Severely Distressed Status, as of 2012. Yellow areas indicate those Census tracts that meet the NMTC Program Eligibility but are not Severely Distressed according to Primary Criteria requirements. Secondary Criteria Severely Distressed status is not displayed on this map. Gray areas on the map are considered ineligible for NMTC Program funding. These data are mapped to the 2010 Census boundaries. For more information about the NMTC Program, please see our Data Directory.



The Next Wave of “Asks”

- Infrastructure/Value Capture
 - Elgin-O’Hare
 - IL 53/120
- Recovering (?) Real Estate
 - Distressed Shopping Centers
 - ▶ Market and Location Weakness
 - ▶ Internet Sales Impacts
 - ▶ Stormwater/Floodplain Compliance
 - Vacant Sites – Fringe
 - Infill Sites – Often Challenged
 - Planned Condo Turned Rental
 - ▶ Millennials
 - ▶ Empty Nesters
 - ▶ Seniors
- Opportunities to Be Proactive



Deal Making: Best Practices for Public-Private Partnerships *at Any Time*

- Achieves Key Community Goals
- Project is Market and Financially Feasible (with assistance)
- Community Benefits
- Cost-Effective Fiscally
- Gap/Need (But for...)
 - Extraordinary Costs
 - Public Quality Upgrades
- Appropriate Risk Sharing – How Much Public Sector Risk?
 - Lack of Balance Sheet
 - Complicated Deals
 - Timing and Forms/Guarantees for Public Funds

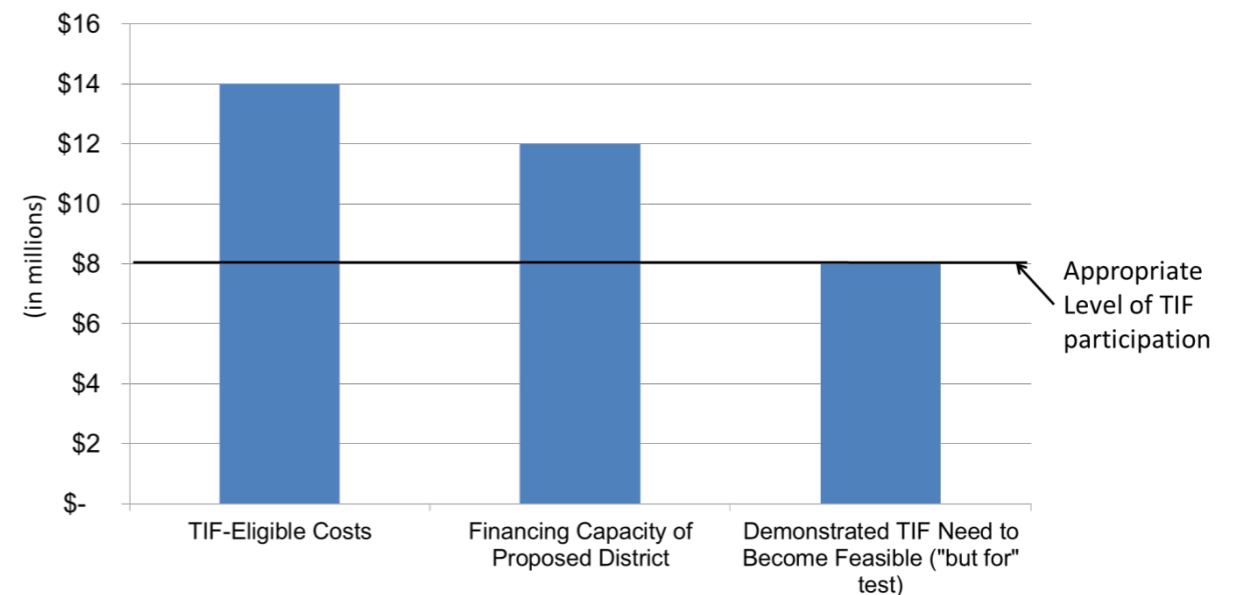
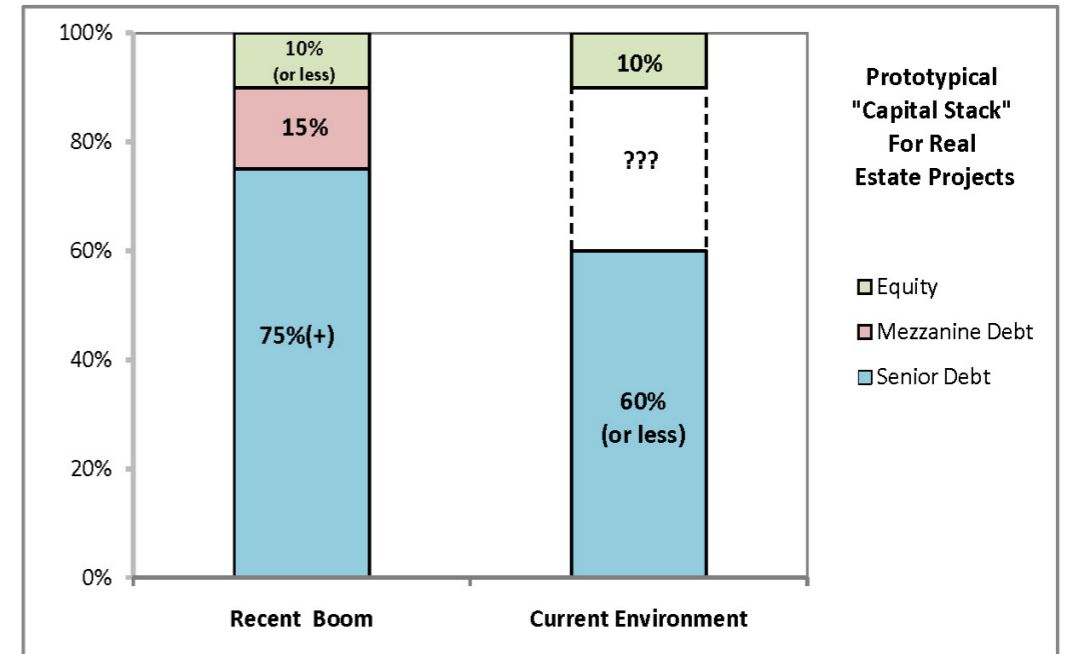
The Gap Analysis/“But For” Approach

- Evaluates How Much Assistance Is Needed to Make the Project Financially Feasible
- Guards against Over-Subsidizing Projects
- Demonstrates to Other Taxing Districts That Tools Are Being Judiciously Used
- Reduces the Appearance of Arbitrariness
- Helps Articulate the Case for (or against) TIF to Elected Officials
- Helps Define and Clarify the Problem TIF Is Trying to Solve (Can Improve Deal Structure for All Parties)
- Uses Detailed Project Analysis of Market and Financial Feasibility to Evaluate Gap (But FOIA Issues Being Raised by Some)

How Much Help?

- Primary Ways to Determine:
 - Financing Gap in Order to Achieve Reasonable Rates of Return
 - Amount Readily Explained by Extraordinary Costs
 - Cost of Providing True Public Improvements
 - Incentive Deal: Incremental Cost of Locating at Proposed Site or to Compete with Alternative Site

- Other Factors Often Considered (but not recommended as primary decision-making tool):
 - Subsidy as % of Project Increment
 - Subsidy as % of Project Cost (public funds “leverage” private)
 - \$ Amount per Job Attracted/Retained



Conclusions

- Both Our 21st Century and Traditional Economy Are Needed to Sustain Our Population
- Different Policies and Types of Projects for Each
- State and Local Roles Differ – Localities on the Front Line
- Deal-Making Fundamentals More Critical than Ever
 - What Are Public Benefits and Goals Achieved?
 - What Is the True Need of the Project?
- Can Other Districts Benefit/Be Protected?
- What Structure Gets It Done, But Limits Public Risk?



Development Advisors to the Public and Private Sectors



- ▶ Real Estate Economics
- ▶ Public-Private Partnerships
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- ▶ Development Management
- ▶ Public Financing
- ▶ Area Plans & Implementation
- ▶ Fiscal & Economic Impact



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