



MEMORANDUM

To: City of Chicago Heights, Village of Calumet Park, Village of Homewood, Village of Matteson, Village of Park Forest, Village of South Holland

From: Dustin Calliari, Senior Planner, CMAP

Date: September 29th, 2023

Subject: The Urban Land Institute Chicago District Council (ULI Chicago) / Chicago Metropolitan Agency for Planning Incentives Collaborative Panel

Developer Dialogue Panel: Key Topics & Takeaways

Introduction

Building off the CMAP [Improving Local Development Incentives Policy Guide](#), the Incentives Collaborative aims to build capacity and knowledge on incentives use through peer exchange, panelist discussions, and industry-focused conversations and presentations. The Incentives Collaborative panels combine public sector municipal economic development leaders from across the region with private sector developers and consultants. CMAP and ULI Chicago held the first Developer Dialogue panel in 2022, featuring conversations on legislative actions and state-level incentives policies, developer preferences on local incentives, and broker and site selection best practices.

Phase II of the Incentives Collaborative consists of six neighboring communities that are located within the south suburbs of the northeastern Illinois region. Each community is represented by economic development and/or community development staff. The South Suburbs Developer Dialogue panel was held on June 29, 2023, and featured two break-out conversations on best practices within the development process, site preparation, and strategies for attracting new real estate development to their communities.

Topics of Discussion

Entitlements and Development Approvals

During the site selection process, developers weigh a set of common risk factors when deciding a location's viability. These factors include the length and consistency of the municipal approval process, the receptiveness of the elected body, and the consistency of any strategic plans or zoning documents put forth by the municipality.



Panelists expressed the importance of local planning in establishing a community's vision and goals. Developers want to know whether their proposal matches up with desired community goals rather than dealing solely with a reactionary response. Similarly, communities can be proactive in ensuring that their plans are responsive and realistic to evolving market conditions via plan updates, strategic plans, subarea plans, and surveys.

During the approval process, developers minimize risk by understanding the municipal body's preferences, opinions, and plans for the development site in question. For these reasons, municipal staff and elected officials should always maintain clear lines of communication between each other and the developer. Active engagement and clear, concise communication methods between both parties increases transparency and effectively serves as a non-financial incentive.

In addition to clear communication, the timeframe and consistency of the plan review and approval processes- as well as fast inspection turnaround times- decreases costs and minimizes risk for both businesses and developers. Establishing and marketing a streamlined and coordinated development review process, including a transparent and predictable process for the use of financial incentives, helps the developer and the municipality. This can be a powerful tool in making a community stand out within the development community.

Finally, it is important to document all commitments from both parties within the development agreement. Publishing term sheets and past agreements show developers how other deals came together and how they can be held accountable for any promises made during the negotiations.

Site preparation – physical and informational

"Site readiness" is a phrase often used in the real estate and development sector. Traditionally, it has meant clean deeds of ownership and necessary physical infrastructure, including roads, rail connections (if applicable), and utilities. These items remain crucial, but panelists suggested steps municipalities can take to go further to make their sites appealing for redevelopment.

Panelists stressed the importance of community planning and engagement when it comes to redevelopment. Before creating a proposal, developers like to know whether a potential use for a site would be desired and supported by the community, including both municipal government and residents. An adopted community plan, whether a comprehensive plan or a strategic plan, is one of the initial items developers will look at when considering a site.

It is also important to provide easily accessible information about a community, particularly for those who have not worked in that specific community or subregion before. This includes demographic information such as population count, median household income, and current and planned developments ongoing within a community. For larger industrial developers in particular, prior publication of a labor study or analysis of a municipalities' workforce can be a key piece of information that helps them evaluate the suitability of locating in a community. One resource of note - CMAP's Job

Quality and Accessibility Analysis tool provides a look at employment and workforce characteristics down to the zip code level.

Finally, the development community values knowing a site's potential eligibility for grant programs, tax incentives, and requisite community benefits up front. In marketing materials, including the village website, it is a best practice to include what State of Illinois and Cook County grant programs are relevant and applicable to a potential development on a given site. Additionally, it is important to state up front a community's requirements to receive support for tax incentives such as Cook County's Class Incentives or Tax Increment Financing (TIF). Ideally, these requirements are adopted policy at the municipality rather than being subject to negotiation on every development. This produces certainty for developers and helps reduce time to obtain development approval.

For example, the City of Chicago's [Sustainable Development Policy](#), adopted in 2004 and updated in 2016, seeks to 'enhance the sustainable performance of projects receiving City assistance.' All planned developments, projects receiving more than \$1M in TIF funds, and affordable multi-family housing projects utilizing certain financial assistance are subject to the policy, which provides a pre-approved menu of sustainability improvements with associated scores. The approval of given financial incentives is contingent on meeting the required sustainability score for the development.

Proactive Development Strategies

Communities can take steps to proactively seek development through financial and non-financial methods. Panelists presented three different methods of strategically planning to attract development.

Panelists discussed an example from nearby Hammond, Indiana. In Hammond, an unlikely redevelopment of the historic Calumet Bank building in their downtown was driven by building a solid development foundation. City government, civic leadership, and residents came together to develop a vision of what a reuse of the building could look like and how the parcel could leverage other upcoming investments (new South Shore train station) to build a more vibrant, activity-filled downtown. The City of Hammond came together across city departments and private interests to make a unified commitment towards their vision. Panelists stressed the importance of the buy-in from leadership and the community – like the importance of adopted plans, a community being united behind a vision for redevelopment is a significant factor in attracting potential investment.

Panelists also discussed the importance of storytelling – specifically, “telling the story of your community through data.” Where outsiders may see a vacant property, residents and community leaders see its history and potential. Panelists encouraged the participants to consider a ‘believable fiction’ of what could be achieved via a given development – while acknowledging any gaps to achieving the vision and being clear about what approaches can be taken to close them.

Finally, the panel discussed best practices in public-private partnerships (PPP) and shared an expanded toolkit, seen below:



Expanded PPP Toolkit

TIF, Business Districts, Special Service Areas	Sales Tax Sharing	Property Tax Abatements/ Special Classifications	Local Grant Programs
Contribution of Publicly-Owned Land	Contribution of Partner-Owned Land	Public-Sector Funded Predevelopment Activities	Regulatory Relief
State Tax Credit & Exemption Programs	Opportunity Zones	New Markets Tax Credits	Low Income Housing Tax Credits
HUD Grant & Loan Programs	EDA, SBA & Other Federal Grant & Loan Programs	Philanthropic Funding	Crowdfunding/ Community Investment Vehicles

Credit: SB Friedman

The toolkit contains traditional approaches to PPP's, including local tax incentives and credits, as well as non-traditional approaches such as philanthropic funding and community investment vehicles. Panelists shared the example of West Allis, WI, where the municipality is an equity investor in a new medical center. This fulfills a funding gap on the developer side, and, like any other equity investor, the municipality will expect to receive a return on their investment.

This perspective is consistent with CMAP's Local Incentives Guide that encourages municipalities to require public improvements to benefit the community in exchange for public financial assistance for developments. In addition, municipalities use incentives effectively when utilizing tools and analysis to assess whether a proposed development requires a financial incentive. Financial assistance is a tool that requires ample research, yet many municipalities are constrained by time, capacity, and available resources to perform proper due diligence. When weighing a financial incentive, local governments should understand any development's short- and long-term impact on public services and infrastructure as well as the resulting net fiscal impact. Tools like CMAP's guide and the evaluation tool, ['Are tax incentives the right tool for this development?'](#), can be a helpful starting place.



Going Forward

Participating municipal representatives expressed need for increased and improved dialogue between public agencies, training, and informational opportunities on new and pending legislation, and additional resources on best practices for evaluating and negotiating development proposals. Municipal staff also discussed the challenges of economic development and reinvestment in the Southland.

Opportunities to promote and establish open lines of communication between local, county, and state-level agencies should be frequent and recurring. Regional agencies, like CMAP, can play a role in facilitating or hosting these platforms and connecting various public agencies with the correct representatives based on specific project requirements.

In practice, CMAP has existing programs in place that can facilitate and distribute these opportunities, including the Local Government Network, numerous [Capacity-Building Programs](#), and research publications and toolkits. CMAP staff can leverage professional contacts and relationships with partner agencies to encourage increased collaboration between different units of government.

Legislative activities at the state and federal levels change quickly and can be challenging to follow from the local level. Agencies at each level of government can work together to better communicate and distribute information on latest legislation, grant opportunities, and government transparency regulations. Councils of Government such as the South Suburban Mayors and Managers Association play a crucial role in keeping municipal staff up to date on the latest legislative initiatives.

Opportunities for professional development can take many different forms and can be as simple as conversations amongst colleagues from neighboring municipalities. Continuing to foster an environment that encourages idea-sharing, networking, and data-driven discussions can lead to increased collaboration, communication, and understanding when utilizing development incentives.

Increasing capacity to evaluate and negotiate development proposals at the local level is integral to effective and targeted incentives use that provides a return on investment for the municipality. While well-resourced communities can retain consultants to help evaluate development proposals, municipalities with constrained resources must rely on existing staff knowledge, readily available public information, and technical assistance from partner organizations like CMAP. Establishing a resource database of professional development materials and relevant research on evaluation and negotiation best practices can provide the opportunity for municipal representatives to be better prepared for future development proposals.

CMAP and Cook County are currently collaborating on a multi-year project to study the impacts of the county's property tax incentive classification system. Nearly 7.4% of all commercial and industrial property value in Cook County is assessed at a lower rate through the classification system. Municipalities in the Southland often utilize these incentives to overcome challenges of historic disinvestment, disconnectedness from capital markets, and high relative property tax regimes. As a part



of this project with Cook County, CMAP will look to identify opportunities to discuss issues and opportunities with municipalities within the collaborative.

CMAP will continue to regularly convene meetings of the six participating communities to facilitate further peer exchange, dialogue, and adoption of best practices at the local level.