


City considering sales tax rebate to lure lumberyard to Springfield

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The city of Springfield is considering offering a new type of economic of incentive to help lure a lumberyard to the 3400 block of Lumber Lane.

Mayor Jim Langfelder said Springfield will start down a path that is well-trodden by northeastern Illinois communities by offering a “sales tax rebate” to LS Building Products, a 175-employee East Peoria building supply distribution company hoping to open a lumberyard in the former 70,000-square-foot Boss Manufacturing distribution facility, near the intersection of Interstate 55 and Sangamon Avenue. When a company is offered a sales tax rebate, a percentage of the local sales taxes a company generates is returned.

Aldermen could vote as early as Tuesday whether to extend the incentive to LS, in combination with proceeds from a tax-increment financing district yet to be created.

Langfelder said that in crafting the deal, he was aware it could set a precedent for other companies to make similar requests. Langfelder said the key was a “capped” approach, in which the company won’t get unlimited sales taxes rebated.

“We are dipping our toes in (sales tax rebates), where other communities are going full throttle,” Langfelder said.

The agreement follows the same guidelines as a TIF: only one-third of the project will be paid for through the economic incentive tool. LS Building Products anticipates that its construction costs to redevelop the facility will be \$3.6 million. Through a combination of sales tax rebates and TIF dollars, the lumberyard will receive no more than \$1.2 million, or one-third of the project.

Springfield has the authority to rebate its 2.5 percent local sales tax. Only 0.75 percent of the 2.5 percent sales taxes will be returned to the company. The first \$3 million in annual retail sales, which is the average amount of business the company has done so far in the area, is excluded from the rebate calculation, according to the agreement.

The company already has a sales tax rebate agreement with the city of East Peoria for its facility there. From 2014 to 2028, the company gets a 1 percent sales tax rebate for the sales generated in East Peoria, according to a database of rebate sharing agreements tracked by the Department of Revenue. A condition of the rebate was that the company would create a new \$2.5 million facility in town before June 2015, which it did.

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Sales tax rebates are most commonly offered in the counties served by the Chicago Metropolitan Agency of Planning: Cook, Will, Kane, DuPage, Kendall, Lake and McHenry. The regional planning organization found 359 active rebate agreements between area local governments and retail businesses as of November 2015. CMAP analyzed capped rebate agreements and found about \$459 million was available to be reinvested in the companies because of the agreements.

“For municipalities, the revenues often exceed the cost of providing services and infrastructure to these developments,” the analysis stated. “This means that retail has the potential to provide a strong fiscal benefit to communities.”

The city council has already approved spending \$22,000 on a feasibility study to see if the area would be eligible for a TIF district. If the TIF district were to be approved, the company would be able to apply for TIF funds, too. However, if the company has received the full \$1.2 million from the sales tax rebate, it will not be able to access the TIF funds, according to the agreement.

Aldermen signaled widespread support for offering the sales tax rebate, in light of the business the company would bring. LS serves contractors and professional remodelers; it has not specified how many employees it would hire for the Springfield location.

“We’d really like to get this thing moving, because they need to get moving and get building,” Ward 1 Ald. Chuck Redpath said during Tuesday’s Committee of the Whole meeting.

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