

Rural Illinois experiencing an economic renaissance because of Tax Increment Financing

Poet Ogden Nash famously said, “People who work sitting down get paid more than people who work standing up.” Unfortunately, this is especially true today in Illinois where manufacturing jobs are on the decline. In fact, there are 300,000 fewer employed persons in Illinois than there were in 2008. With more than 12 percent of the total amount of jobs available being in manufacturing, the industry has arguably taken a hit.

Why are jobs coming back so slowly? Partly because many of the jobs that have been created in the private sector over the last two to three years have not been in manufacturing. Technological innovations may be sparking new businesses and reshaping society, but consider the following: Facebook launched a privately owned Website in 2004. By January of 2011, it had more than 500 million users and had become a publicly traded, \$50 billion company. Yet, Facebook employs only 1,400 people.

Alternatively, Peoria-based Caterpillar, Inc. is a \$7 billion company with annual sales in excess of \$42 billion and employs about 93,000 people worldwide. While Caterpillar’s 23,000 employees in Illinois account for about 22 percent of its global work force, high federal and state corporate tax rates, coupled with an inefficient workers compensation program and the rising costs of employee benefits, have pressured it to consider investing in more business-friendly environments.

The Milken Institute, an independent nonpolitical economic think tank, published a report in 2009 called

“Manufacturing 2.0: A More Prosperous California” that reported in some sectors, like computer manufacturing, 15 additional jobs are created outside the manufacturing sector for every job in manufacturing. Clearly, Illinois needs to become more business friendly real fast, thereby providing reasons for companies to repatriate foreign operations in the U.S. and encourage start-up entrepreneurs to create the next Caterpillar or Apple Computer company right here in Illinois.

Easing our beleaguered State’s taxing and regulatory burdens would be a good start, but maintaining an arsenal of properly-designed incen-

tives to retain and attract manufacturing jobs in America’s heartland may be Illinois’ ultimate salvation.

Additionally, providing a means of upgrading and improving manufacturing infrastructure and increasing the economic competitiveness of the State’s economy are also critical pieces of the puzzle.

There are essentially two proven economic development tools currently available to Illinois municipalities enabling local leaders to aggressively incentivize private investment in new and/or expanding manufacturing businesses: Enterprise Zones and Tax Increment Financing Districts.

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Cook Medical facility in Canton, Illinois

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Since 1982, there have been 97 Enterprise Zones established by the Illinois Department of Economic Opportunity. Since 1986, more than 1,000 TIF Districts have been established by about 400 Illinois municipalities. Two reasons why there are so many more TIF Districts: 1) for some rural Illinois communities, TIF is the only economic development tool available; and 2) TIF works.

Tax Increment Financing (TIF) is an economic development tool that, unlike tax abatements and Enterprise Zones, is a program of real estate tax reimbursements. TIF does not establish a new taxing district. TIF does not increase taxes. TIF does not create tax exemptions. What TIF does is reduce or remove some of the obstacles preventing economic development without raising taxes.

TIF was instrumental in bringing Seattle Sutton Healthy Eating, state-of-the-art food processing to Ottawa, Illinois. Founded in 1985 by Seattle Sutton, RN, BSN to help address patients' needs to lose weight or address other health issues, such as diabetes, hypertension, heart disease and obesity, the company now prepares and delivers tens of thousands of meals weekly and its innovative approach has helped thousands of people achieve and maintain weight loss without the planning, shopping or cooking for themselves. After 25 years in a business that began with three employees and \$1,000 in capi-

tal in a small kitchen in Marseilles, Illinois, Seattle Sutton Healthy Eating has grown to employ more than 110 people who prepare more than four million meals a year from a 30,000-square-foot facility in Ottawa, Illinois.

Another example is Cook Polymer Technology, a raw materials manufacturer. It announced in May of 2011 that it would construct a \$15 million facility to complement Cook Canton, a medical device manufacturing company that opened in Canton in 2010. Cook Polymer Technology will be a specialized manufacturing facility producing polytetrafluorethylene (PTFE) tubing, which is widely used by Cook Medical's various business units. The new plant will be located near the existing Cook Canton plant, a 45,000 sq. ft. facility on a site that formerly hosted the International Harvester plant, a brown field recently cleaned up by the City of Canton in an effort to rebuild a manufacturing base that employed 3,000 people when the IH plant closed in 1983.

The decision to build these plants was supported by the economic environment created by Canton's use of Tax Increment Financing. When a TIF District is established, the redevelopment area's initial equalized assessed value is determined. When the property improves and the property value increases, as was the case in Canton, the City receives the increased real estate tax "increment" generated by the improvements and uses it only for TIF eligible public and private project costs within the TIF District. In essence, the commu-

nity is reinvesting in itself by using TIF to encourage new private investment and continue local efforts to attract more industry and jobs in a county still suffering from chronically high unemployment.

With the success of these tools, there may be no better time than the present for local community officials, business leaders and policymakers to more fully examine the State's tax and economic development policies. Engaging in this type of dialogue is exemplified by Mattoon-based East Central Illinois Development Corporation, who, along with Rural Partners and several other public and private sponsors, will host a statewide educational forum in September to focus on key downstate economic trends and issues. This event is designed to build solidarity among downstate leaders and legislators who want to more fully understand the value of economic development tools like Enterprise Zones, TIF Districts and other innovative approaches.

TIF Districts that are well managed and used strategically within a broader community and economic development effort continue to bring jobs, particularly in manufacturing, back to Illinois. With Canton, Ottawa and other communities like them leading the way, downstate Illinois areas can effectively stimulate economic development and job creation by cultivating a manufacturing renaissance that, despite the State's current financial woes, will introduce a new era of growth and economic vitality in Illinois. ■

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