

**Mascoutah City Council & Economic Development Commission**  
**WORKSHOP AGENDA**  
**City Council Chambers**  
**May 2, 2023**  
**6:00 P.M.**

**1. CALL TO ORDER**

**2. ROLL CALL**

**3. DISCUSSION**

A. TIF 4 and Business District

**4. ADJOURNMENT**

*POSTED 4/28/23 at 4:00 PM*

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OPTIONAL VIRTUAL PUBLIC PARTICIPATION – see below for instructions on attending virtually

In-person public attendance is allowed. Optional virtual public attendance is also being provided virtually through Zoom Meeting (<https://zoom.us>).

**Please join my meeting from your computer, tablet or smartphone.**

<https://us02web.zoom.us/j/87876758114>

**You can also dial in using your phone.**

United States: +1 (312) 626-6799

**Access Code:** 878-7675-8114



## City of Mascoutah

**TO:** Honorable Mayor and City Council; Economic Development Commission  
**FROM:** Becky Ahlvin, City Manager  
**DATE:** April 28, 2023  
**SUBJECT:** TIF 4 and Business District Workshop

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The City of Mascoutah is starting the process to create a new Tax Increment Financing (TIF) district called TIF 4. At the same time, the City is working to put in place a Business District. Both actions align with several goals of the strategic plan:

- DT – Pursue downtown rehabilitation, improvements, and City beautification.
- ED – Enhance community and economic development activity.
- IP – Complete infrastructure planning and improvements.

### **Tax Increment Financing District**

TIF districts capture the property taxes that result from the increased value within the district to then be used for eligible projects. A TIF remains in place for 23 years but can be extended an additional 12 years through an act of the state legislature. Funds collected via TIFs can be used for infrastructure and business development. The taxing jurisdictions, such as the school district, the County, etc., continue to receive the property taxes generated by the base value of the properties within the district, also referred to as the base tax.

### **Business District**

Business districts are areas where an extra 0.25 percent to 1.0 percent of sales and/or hotel taxes are collected as set by the City's ordinance. The funds collected through the business district can be used for several things, including public infrastructure, building rehabilitation, and property assembly and site preparation costs, among other things. While business districts are more flexible than TIFs, they are also a great way to supplement TIF revenue. Business districts are in place for 23 years.

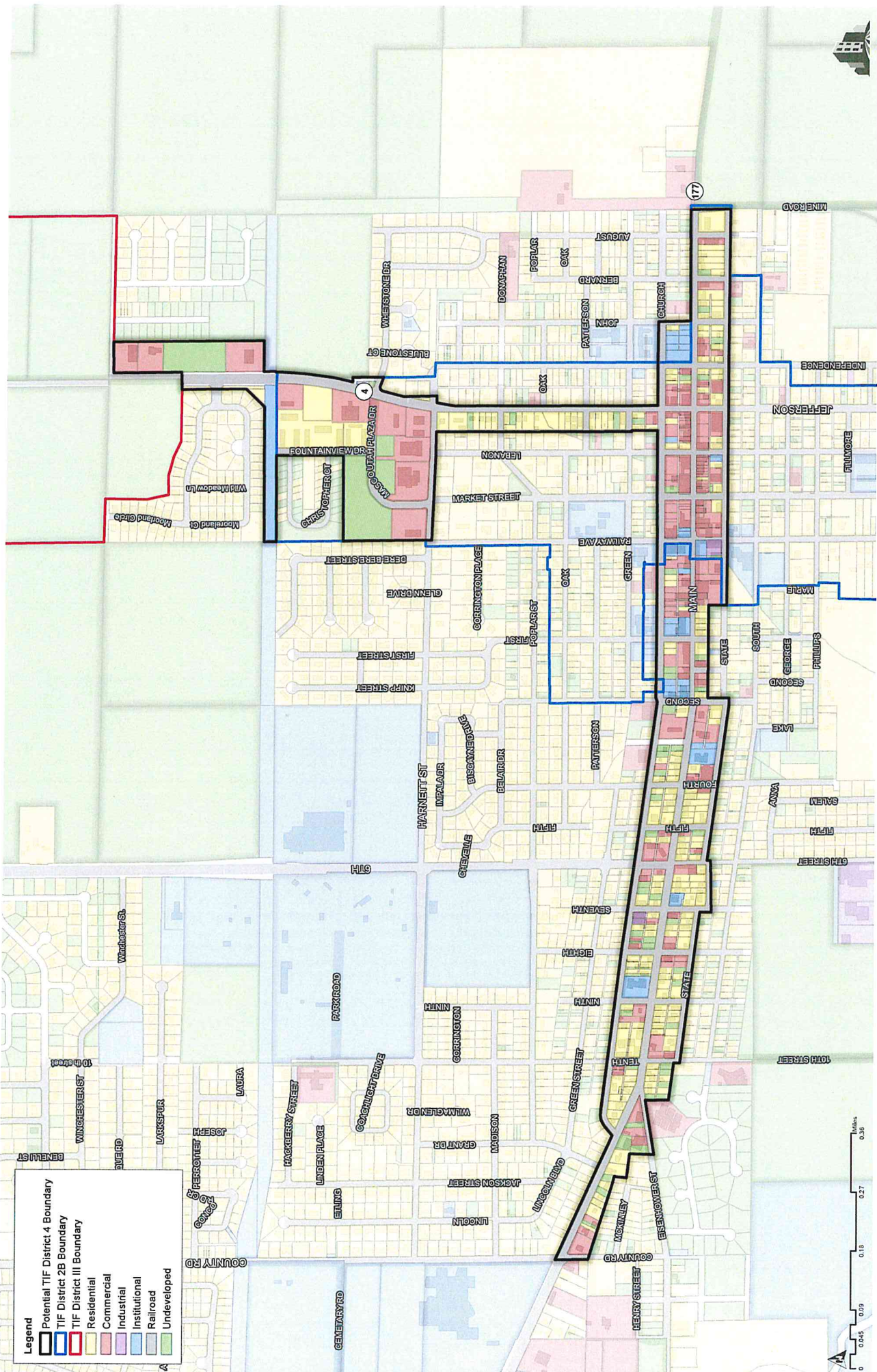
### **Proposed TIF and Business District**

Staff is proposing to create TIF 4 as shown in the attached map. It would start at the southern end of TIF 3, creating a contiguous border with TIF 3. It would also go south on Route 4 to State Street and encompass Main Street from Mine to County Road. Staff is also proposing to create a business district that would overlap with TIF 4 but also extend to encompass Mascoutah Steakhouse and Scooter's Coffee.

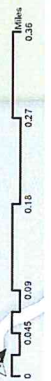
These economic development tools will help the City create programs for residents and businesses within the districts to apply for assistance to make improvements to their properties

Jared Kanallakan from Moran Economic Development will be at the meeting to discuss the districts in more detail and answer questions.

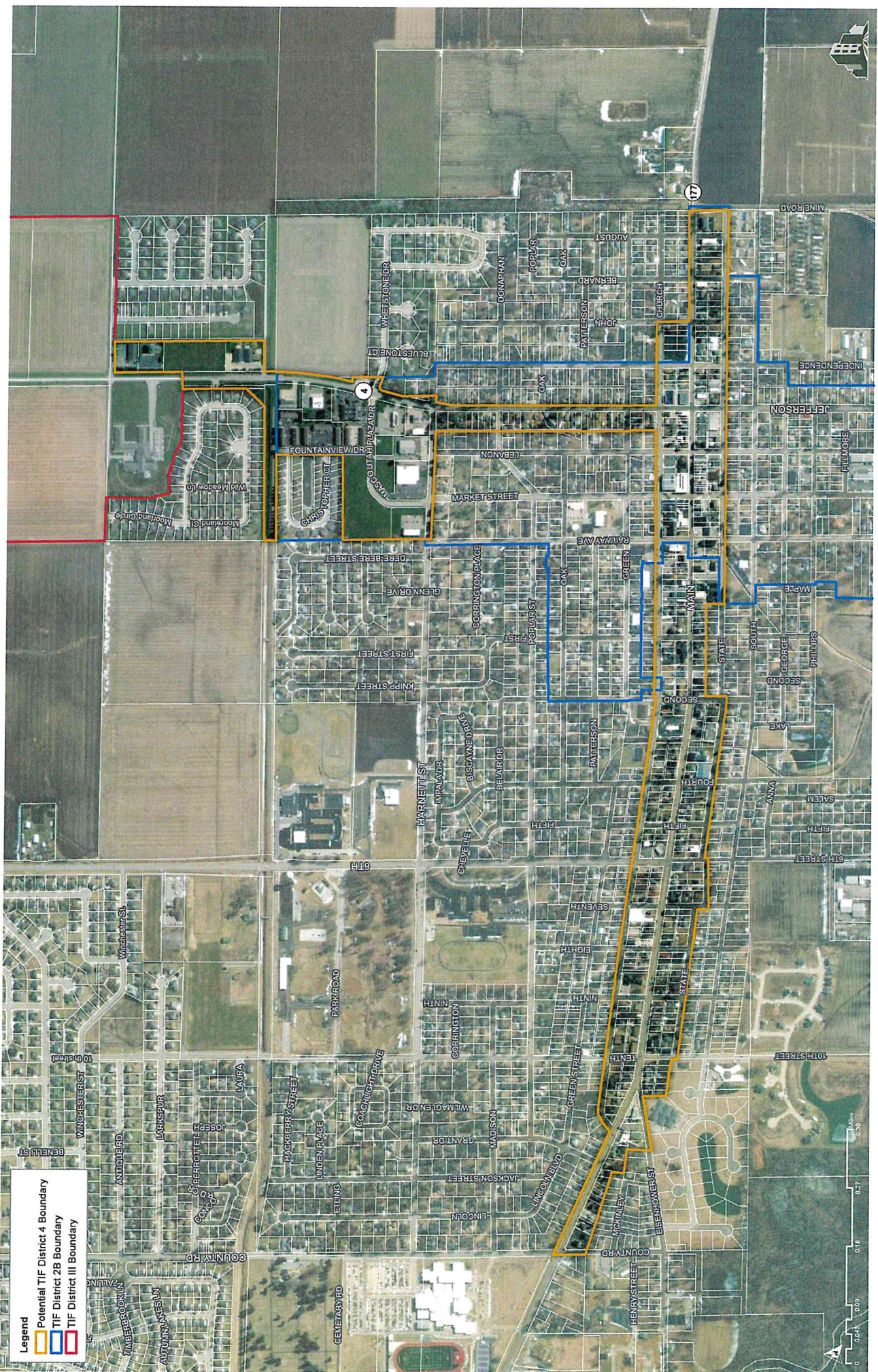




- Legend**
- Potential TIF District 4 Boundary
  - TIF District 2B Boundary
  - TIF District III Boundary
  - Residential
  - Commercial
  - Industrial
  - Institutional
  - Railroad
  - Undeveloped







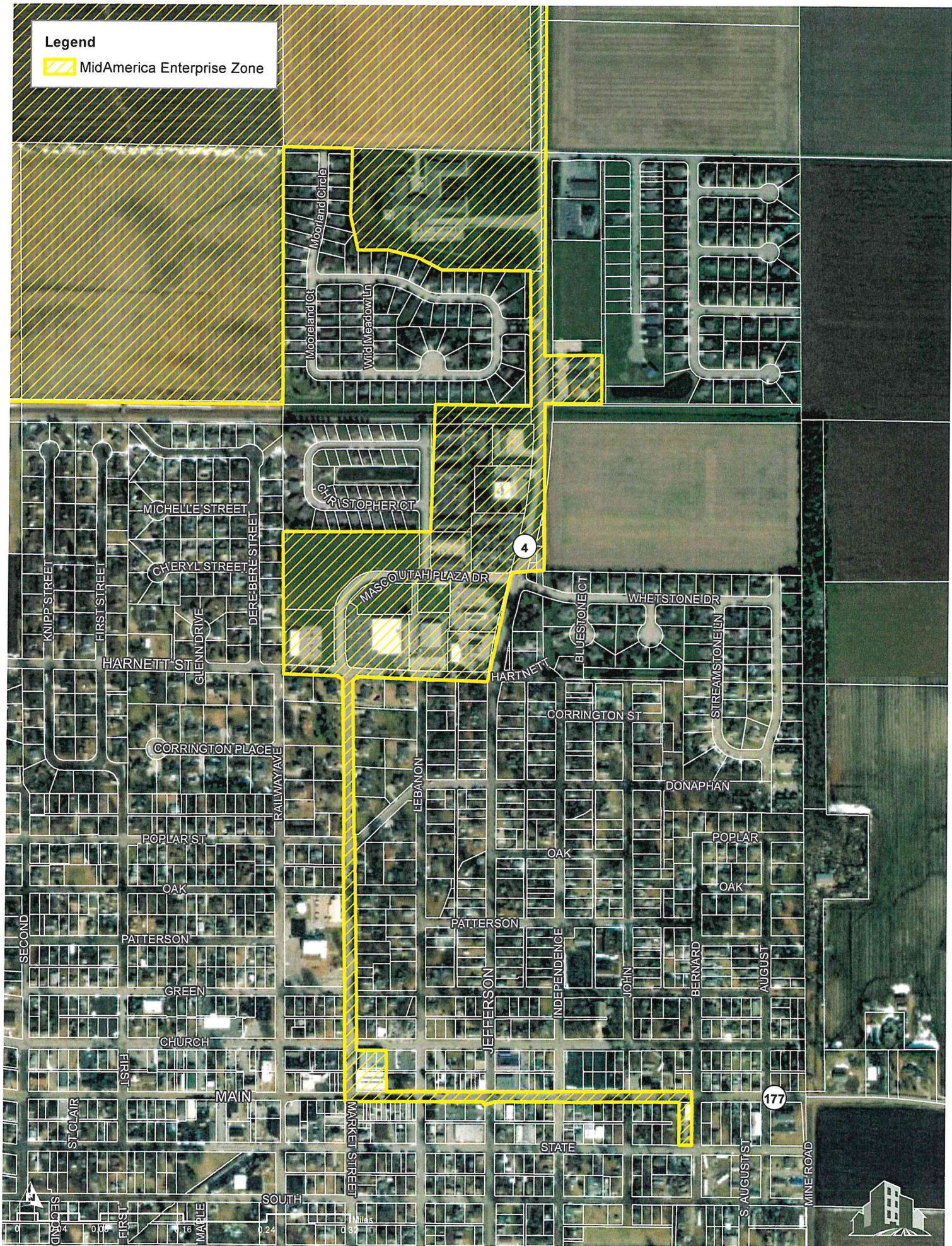
- Legend**
- Potential TIF District 4 Boundary
  - TIF District 2B Boundary
  - TIF District III Boundary





Legend

 MidAmerica Enterprise Zone



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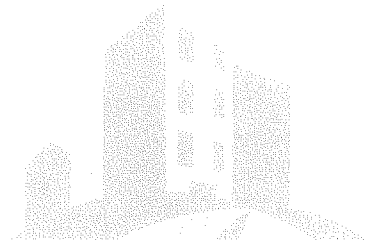
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# BUSINESS DISTRICT OVERVIEW

## CITY OF MASCOUTAH, ILLINOIS



### BUSINESS DISTRICT FAQ

What is a Business District?

The Business District Development and Redevelopment Law authorizes a municipality to impose a tax designed to fund the development or redevelopment of certain designated areas within a municipality. The municipality may impose this tax if it has a development or redevelopment plan for an area of the municipality that:

- is contiguous (i.e., the properties within the area border each other);
- includes only parcels of real property that will directly and substantially benefit from the proposed plan; and,
- is determined to be eligible (defined as "blighted" per the Illinois Municipal Code 65 ILCS 5/11-74.3-5).

What does a municipality have to do to establish this tax?

The municipality must first approve a Business District Plan and designate a boundary area. Next, the municipality must impose the tax by ordinance, and then file a certified copy of the ordinance with the Illinois Department of Revenue (IDOR).

Why implement a Business District Redevelopment Project Area?

The Business District program allows a municipality to produce an additional revenue stream to help with redevelopment activities. The revenues collected by the Business District can be used to rebate a developer for eligible development costs (including infrastructure improvements), or it can be retained by the community and utilized for public safety, infrastructure, and other eligible costs within the Business District Area (see "Business District Eligible Costs" below).

What is the Business District tax rate?

Business district sales tax may be imposed in 0.25% increments and cannot exceed 1%.

What is the timeline for implementing the tax?

There are two significant dates for implementing the Business District program, which are April 1<sup>st</sup> and October 1<sup>st</sup>.

If a Business District is established prior to April 1<sup>st</sup>:

- The BD Tax will become effective July 1<sup>st</sup> of the same year.
- Collections will be disbursed to the municipality in October of the same year.

If a Business District is established prior to October 1<sup>st</sup>:

- The BD Tax will become effective January 1<sup>st</sup> of the following year.
- Collections will be disbursed to the municipality in April of the following year.

What does the Business District sales tax apply to?

The same items of general merchandise that are subject to state sales tax are also subject to Business District sales tax. Business District sales tax must be collected on general merchandise sold at the addresses reported to IDOR that are located within the business district.

**LOCAL SALES TAX RATE AND COMPARISONS**

The table to the right is a breakdown of the existing sales tax rate in your community.

ENTITY	TAX RATE
State of Illinois	5.00%
City of Mascoutah	1.00%
County	0.25%
Metro East Mass Transit	0.75%
Home Rule Tax	0.25%
County Flood Prevention Tax	0.25%
Metro East Park and Rec	0.10%
<b>Total</b>	<b>7.60%</b>

CITY	RATE
Shiloh*	8.35%
Belleville*	9.10%
Lebanon	7.85%
Fairview Heights*	8.85%
O'Fallon*	9.35%

The addition of a Business District tax (1.0%) would bring the rate to 8.60% in this portion of the City. This is on par with municipalities in the region, as shown to the left.

\*Rate with Business District

**BUSINESS DISTRICT SUMMARY**

- Permits any community to levy an additional sales tax up to 1% in a designated area to pay the cost of activities stated in the plan.
- Must be blighted and has not been subject to growth and includes “but for” findings similar to TIF.
- Area must be contiguous and include only parcels that benefit from the plan.
- Affords Non-Home Rule communities a tool to meet economic development challenges
- Period of time for which tax shall be imposed IS NOT more than 23 years.
- Tax revenue collected will be placed in Business District Tax Allocation Fund.
- Surplus funds can be transferred to the General Fund.
- The tax may not be imposed on food for human consumption that is to be consumed off the premises where it is sold (other than alcoholic beverages, soft drinks, and food that has been prepared for immediate consumption), prescription and nonprescription medicines, drugs, medical appliances, modifications to a motor vehicle for the purpose of rendering it usable by a disabled person, and insulin, urine testing materials, syringes, and needles used by diabetics, for human use and anything licensed through the State of Illinois (automobile, boat etc.).

## BUSINESS DISTRICT TAXABLE ITEMS

The Business District Tax is not applicable to qualifying food, drugs, medical appliances, and items that must be titled or registered by the state of Illinois. The following are some examples of those items which the Business District Tax does not apply to:

Qualifying Food	Food that has not been prepared for immediate consumption, such as most food sold at grocery stores, excluding hot foods, alcoholic beverages, candy, and soft drinks.
Qualifying Drugs	Prescription medicines and nonprescription items claimed to have medicinal value, such as aspirin, cough medicine, and medicated hand lotion, excluding grooming and hygiene products.
Qualifying Medical Appliances	Prescription and nonprescription medical appliances that directly replace a malfunctioning part of the human body, such as corrective eyewear, contact lenses, prostheses, insulin syringes, and dentures.
Items Titled or Registered to the State of Illinois	Motor vehicles, ATVs, watercraft, aircraft, trailers, and mobile homes.

The Business District Tax applies to General Merchandise, with some examples including:

- Sales of most tangible personal property including sales of soft drinks and candy.
- Prepared food such as food purchased at a restaurant.
- Photo processing (getting pictures developed).
- Prewritten and "canned" computer software.
- Prepaid telephone calling cards and other prepaid telephone calling arrangements.
- Repair parts and other items transferred or sold in conjunction with providing a service under certain circumstances based on the actual selling price.
- Grooming and hygiene products.