

# **NEW RESIDENTIAL CONSTRUCTION INCENTIVE PROGRAM**

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# **NEW RESIDENTIAL CONSTRUCTION INCENTIVE PROGRAM**

## **The Problem**

Rural communities like ours have seen declines in population and school enrollments compared to 10 years ago. Such a trend cannot be sustained so there is a critical need to attract new families to Oregon.

- Efforts to attract new residents can only go so far when there is little availability of existing housing stock and those placed on the market are quickly sold.
- New housing construction costs at \$195 per square foot and results in a \$300,000 price tag.
- New residents bring additional dollars to the area for shopping and entertainment.
- On a long term basis there will be increased property tax revenue providing stability for the future.

## **The Solution**

Provide a new residential construction incentive program rebating 3 years property taxes and 90% of city building fees to attract buyers. There are buyers out there and we need to give them a solid reason to choose us. Targeted demographics include:

- Local families looking to upgrade but need the financial incentive to fit their budget.
- Empty nesters who want to stay in the area but move to a less hectic and safe environment.
- Area buyers ready for new construction and trying to decide on the location.

## **Who Is Eligible For This Program**

Anyone who constructs a single family, townhome, three family or multifamily structure within the city of Oregon.

## **Benefit to New Construction Owners**

For a \$300,000 newly constructed property the incentive is a little over \$25,000.

- Three years property taxes for the school and city of \$19,000 and city building fees of \$6,000.
- The building fee waiver makes the property more affordable up front.
- The rebate of property taxes makes the loan more affordable in the early years and provides a possible benefit to income qualification for the lender.

### Cost to the City

Technically there is no cost under the assumption there would be no revenue if these residences would not exist without this incentive. Below is a table for a single residence valued at \$300,000 both at the end of the 3 years and the long term effect after 10 years:

\$300,000 property	After 3 years	After 10 Years
Property Tax Revenue	-\$3,480	\$8,120 (yrs 4-10)
Building Fees Waiver	-\$5,871	-\$5,871
Water/Sewer Sales	\$2,700	\$9,000
LGDF Per Diem	\$1,650	\$5,500
<b>Net to City</b>	<b>-\$5,001</b>	<b>\$16,749</b>

### Cost to Schools

Again, technically there is no cost under the assumption there would be no revenue if these residences would not exist without this incentive. This example assumes the property owners have 1 school age child . Below is a table for a single residence valued at \$300,000 both at the end of the 3 years and the long term effect after 10 years:

\$300,000 property	After 3 years	After 10 Years
Property Tax Revenue	-\$16,620	\$38,780 (yrs 4-10)
State Formula per Student	\$8,349	\$27,830
<b>Net to Schools</b>	<b>-\$8,271</b>	<b>\$66,610</b>

### The Process

Details of the process are included in a later section but can be summarized as follows:

- The owner of the property purchasing a lot and applying for a permit for new construction within 12 months of the start of the program can apply.
- Applications will be reviewed by the Joint Oversight Committee, a committee made up of members from each taxing body participant.
- The property owner will pay the full amount of all property taxes and then apply to the City each year after payment of the second installment.
- The City will refund the amount of City and School taxes to the property owner and bill the school district for their portion of the tax.

### Program Guidelines

- The program runs for 12 months from the date the IGA is executed by the City of Oregon and OCUSD 220

- This program is limited to a maximum of 10 properties.
- The property being constructed must be within the city limits of Oregon.
- Trestle Ridge is not included
- Stonegate Ridge is included but this program does not change the prior agreement between the school district and Stonegate Ridge. The incentive program is separate from the TIF.
- The property owner pays all property taxes each year but will receive a rebate of the OCUSD 220 and City of Oregon property taxes each year for three years.
- The retirement portion of property taxes for the City of Oregon and OCUSD 220 are not included in the rebate.
- City of Oregon building and connection fees represent a 90% rebate of all fees.
- This program is not eligible for new construction projects if the project is eligible for State or Federal programs.

## **New Residential Construction Property Tax Refund Program - Detail**

### **Section I. Definitions**

“Participants”, as used herein, shall mean those units of local government which levy and collect real property taxes and whose boundaries lie within or partially within the boundaries of the City of Oregon Illinois and which entity has adopted, in accordance with law and their respective rules of procedure, the intergovernmental Agreement to which this Exhibit A is attached;

“Program” shall mean the New Residential Construction Property Tax Refund Program as set forth herein and the corresponding Intergovernmental Agreement executed among the Participants.

“Program Administrator” as used in this Agreement shall mean the City of Oregon, Illinois.

### **Section II. Property Tax Refund for New Residential Construction**

Participants shall refund the Participant’s property taxes levied on newly constructed single-family residential home to an owner that occupies the home as their Principal Residence as provided in the Program or the owner of newly constructed multi-family residential development (whichever is applicable) if the Program Administrator finds that the owner of the has complied with the terms of the Program and is entitled to such refund. The Program and benefits are contingent upon the IGA and the Program being enacted by the City of Oregon, the County of Ogle and the Oregon Public School District 220 (the Governing Bodies).

### **Section III. Program Administrator**

The City of Oregon shall be the Program Administrator, in accordance with the terms and conditions of the Program, and shall be responsible for the development and use of such forms and documents as may be necessary to qualify properties and owners for refunds, determine qualified properties and owners, notify Participants of the total amount of refunds due for qualified properties and owners, and distribute Participant refunds to owners in accordance with the Program.

### **Section IV. Program Eligibility Requirement**

#### **A. Single-Family Homes.**

Refunds shall be approved for New Construction for single-family homes where:

1. The applicant for the refund is the owner of a newly constructed single-family dwelling that is:
  - a. Owner occupied

- b. located within the corporate limits of the City of Oregon; and
  - c. is within the boundaries of the Oregon School District 220; and
  - d. is within the boundaries of the County of Ogle; and
  - e. is located on a lot or in a subdivision that was platted prior to January 1, 2024.
2. The permit for the construction of the house was issued on or after September 30, 2024 (Or alternative date determined by the Governing Bodies) and before July 31, 2025.
  3. An occupancy permit is issued no later than 12 months after issuance of the building permit for construction or December 31, 2026 (whichever comes first).
  4. There are no open Code violations against the applicant or the property from any unit of local government. The applicant is not delinquent in the payment of any property tax imposed within Ogle County or on any financial obligation of any kind owed to the city.
  5. The applicant is the owner of the property;
  6. There is no challenge to the assessed value of the property or to the amount of taxes owed or paid.
  7. The applicant provides a written acknowledgement that the applicant shall have the sole responsibility (when applicable) for reporting any rebate to the IRS as part of their annual income tax filling.
  8. Property Tax Rebate shall not be eligible for new construction projects that have a development agreement, funding agreement or cost participation on the project with the City or if the construction project is eligible for State or Federal programs.

B. Multi-Family Dwellings

Refunds shall be approved for New Construction for multi-family developments where:

1. The applicant for the refund is the owner of a newly constructed multi-family dwelling that is:
  - a. located within the corporate limits of the City of Oregon, and
  - b. within the boundaries of the Oregon School District 220; and
  - c. is within the boundaries of the County of Ogle; and
  - d. is located on a lot or in a subdivision that was platted prior to January 1, 2023.
  - e. does not have an existing development agreement or funding agreement on the development or dwelling with the City.
9. The permit for the construction of the multi-family development was issued on or after September 30, 2024 (Or alternative date determined by the Governing Bodies) and before July 31, 2025.

2. An occupancy permit is issued no later than 12 months after issuance of the building permit for construction or December 31, 2026 (whichever comes first).
3. There are no open Code violations against the applicant or the property from any unit of local government. The applicant is not delinquent in the payment of any property tax imposed within Ogle County or on any financial obligation of any kind owed to the city.
4. The applicant is the owner of the property;
5. There is no challenge to the assessed value of the property or to the amount of taxes owed or paid.
6. The applicant provides a written acknowledgement that the applicant shall have the sole responsibility (when applicable) for reporting any rebate to the IRS as part of their annual income tax filling.
7. Property Tax Rebate shall not be eligible for new construction projects that have a development agreement, funding agreement or cost participation on the project with the City.

#### **Section V. Refund Amounts**

Upon proof that all requirements have been met, the Participants shall refund property taxes to the eligible applicants, as follows:

- A. One hundred percent (100%) of the Participant property taxes imposed by the City of Oregon and Oregon School District 220, not including taxes for retirement accounts, on the real estate in the first full year of completed construction; and
- B. One hundred percent (100%) of the Participant property taxes imposed by the City of Oregon and Oregon School District 220, not including taxes for retirement accounts, on the real estate in the second year of completed construction; and
- C. One hundred percent (100%) of the Participant property taxes imposed by the City of Oregon and Oregon School District 220, not including taxes for retirement accounts, on the real estate in the third year of completed construction;

#### **D. Section VI. Additional Program Rules**

- A. It shall be the responsibility of the person applying for the refund to establish by clear and convincing evidence that he or she is eligible for the refund requested. The applicant shall submit a verified application for the refund to the City Manager at the City of Oregon.

A new application shall be made for every year for which a refund is sought. Said application shall be filed on or after June 1 and before September 30 in the year in which a refund is due. The City Manager may request any form of documentation or information she believes may assist her in her determination that the applicant for



abatement is entitled thereto, and the failure of any applicant to supply such information in a timely manner when requested shall constitute a withdrawal of the application.

- B. Enrollment of an eligible property shall be on such forms as the City Manager may prescribe. Said shall be completed and submitted to the City Manager no later than July 31, 2025.
- C. If the City of Oregon City Manager is satisfied that the applicant for a refund under the Program is entitled to receive the refund, such City Manager will advise each Participant of the amount of refund for approval of each Participant which shall authorize the refund if it finds the requirements of the Program and the IGA have been met and shall authorize disbursement of the refund amount to the City of Oregon for distribution to the qualified home owners.
- D. If the Participant approves an application for refund, the applicant shall have paid the full amount of all taxes imposed. by the City of Oregon and Oregon School District 220 as if there were to be no refund. Upon proof of that payment to the City Manager, the City Manager shall then refund to the owner the authorized refund of that portion of the taxes for the City of Oregon and Oregon School District 220 not including the retirement accounts.

**ORDINANCE NO. 2023-XX**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF OREGON, OGLE COUNTY, THAT:

By passage and approval of this Ordinance, the Mayor and City Manager are hereby authorized to approve and execute the attached Intergovernmental Agreement for a Three-Year Property Tax Rebate Program for Newly Built Residential Construction for single family, town home, two-family, three-family and multi-family structures located in the City of Oregon and School District 220.

The provisions and sections of this Ordinance shall be deemed severable, and the invalidity of any portion of this Ordinance shall not affect the validity of the remainder.

All orders, resolutions, or ordinances in conflict herewith are hereby repealed insofar as such conflict exists, and this Ordinance shall take effect immediately upon its passage, approval and publication, as required by law.

A full, true and complete copy of this Ordinance shall be published within ten (10) days after passage in pamphlet form by and under authority of the Corporate Authorities.

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AYES:

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ABSENT: ;

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ABSTAIN:

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## INTERGOVERNMENTAL AGREEMENT ON PROPERTY TAX REFUNDS

This Agreement is entered this \_\_\_\_ day of \_\_\_\_\_, by and between the Board of Education of

OREGON School District No. 220, Ogle County, Illinois (School District), the City of OREGON, Ogle county, Illinois (City), all units of local government organized and existing under the laws of the State of Illinois.

WHEREAS, the Illinois Constitution, Article VII, Section 10(a) authorizes school districts and units of local government to associate among themselves to cooperatively exercise their powers in any manner not prohibited by law; and

WHEREAS, the Intergovernmental Cooperation Act, 5 ILCS 220/1 et seq., allow units of local government and school districts to contract with each other to perform any governmental service, activity or undertaking which such entities are authorized by law to perform; and

WHEREAS, the School District, and City, desire to create an intergovernmental agreement on residential property tax refunds which is compliant with the policies of all participants, constitutes the proper exercise of governmental authority and tends to foster sales of new residential real estate; and,

WHEREAS, the School District, and City each receive a substantial portion of its operating revenue from local real property tax levies; and,

WHEREAS, to sustain growth of the real estate tax base, it is necessary to encourage new residential property development and stabilize residential occupancy; and,

WHEREAS, it is in the best interest of each signatory to work cooperatively to promote growth and stabilization of the real estate tax base; and.

WHEREAS, the School District, and the City are empowered by Illinois law, statutory authority or the reasonable extension thereof to authorize and pay property tax refunds; and,

WHEREAS, this Agreement is entered into between and for the joint benefit of the

School District, and City and such further taxing districts with boundaries lying within or partly within the limits of the City who adopt and execute this Agreement, collectively, signatories hereto and no right, duty, benefit nor entitlement is intended or created in favor of any person or entity not a signatory hereto; and

WHEREAS, the School District, and the City have additional interest in establishing a residential rehabilitation program that stabilizes existing housing stock and increases equalized access value through property tax rebates and agree to further discuss and evaluate such a program through meeting on a regular basis over the next 6 months with the first meeting taking place within 30 days of the approval of this IGA; and

NOW, THEREFORE, the City, and School agree as follows:

## I. EXERCISE OF POWERS/PURPOSE

A. The School District, and the City (the Governing Bodies) and such other taxing districts which may approve and adopt this Agreement (hereinafter collectively referred to as Participants) hereby acknowledge and agree that this Agreement constitutes a joint exercise of the powers of each party as granted by law of the State of Illinois, and the obligations and undertakings herein set forth are a proper joint exercise of each party's authority. The Agreement is intended to qualify as an intergovernmental cooperation agreement under the above cited Constitution and statute.

B. The purpose of this Agreement is to establish for the time and under the provisions set forth in this Agreement a system of residential real property tax refunds for purchasers of certain owner-occupied newly- constructed single family residential real estate and multi-family residential real estate within the boundaries of the City (the "New Residential Construction Property Tax Refund Program").

## II. PROPERTY TAX REFUNDS

The Participants approve the system of refund of property taxes upon the terms and conditions set forth in this Agreement and within the terms, limitations and conditions set forth in Exhibit A attached hereto and made a part hereof.

### III. JOINT OVERSIGHT COMMITTEE

There is created by this Agreement a Joint Refund Oversight Committee. The Committee shall be composed of one designated representative from each Participant as selected by the chief executive officer of each Participant. The duties of the committee shall include, but not be limited to review of procedures for refunds and assessing the effectiveness of the program as an incentive for growth in new construction of single family and multi-family residential real estate and preparation of reports to Participant's regarding the refund system operation, effectiveness and statistical information. Administration of refund payments and operation of the New Residential Construction Property Tax Refund Program is conducted through the City.

### IV. DURATION

The Eligibility Period for applicants for refunds shall commence as stated in Exhibit A and shall terminate xxxxxx all as provided in Exhibit A. This Agreement shall terminate upon the final payment of property tax refunds to eligible approved property owners. This Agreement, and the Eligibility Period, may be extended for an additional period of time upon the written approval of all Participants subsequent to resolution or ordinance of each Participant approved by its governing body and specifying the duration of extension which shall be continuous with all Participants. The Effective date of this Agreement shall be that elate upon which the last entity of the School District, and the City have approved this Agreement by resolution or ordinance. Howevel if the governing body of any Party fails to approve the Agreement by resolution or ordinance, then the Effective date shall be the date upon which the last Party approved the Agreement. In that event, this Agreement shall remain in foll force and effect for all remaining Parties or subsequent Additional Taxing District Participants.

### V. COSTS, EXPENSES, AND FUNDING

Each Participant shall be responsible for its own costs and expenses of operation of the refund system and funding for the total amount of any refunds issued by such Participant; provided, the City shall bear the cost of administration and payment processing.

## VI. NO PRIVATE RIGHT OF ACTION

This Agreement does not create nor is intended to establish any private right of action against any Participant by any individual based upon or as a claim for refund. The issuance of refunds is entirely discretionary and within the sole decision of each Participant. The determination of eligibility of any applicant for refund shall be based exclusively on the criteria set forth in Exhibit A attached to this Agreement and determined by the City; provided that eligibility or application approval shall not be based upon any impermissible criteria including without limitation, gender, race and age.

## VII. TERMINATION

This Agreement shall terminate by expiration of time pursuant to the provisions of section IV. In the event any court of proper jurisdiction determines that any one or more of the Governing Bodies is without authority to issue refunds or that the Agreement does not constitute a proper exercise of intergovernmental authority and enters a final order to such effect, this Agreement shall then terminate and all refund payments shall immediately cease. In the event of termination of Eligibility Period by expiration of time, Participants agree to complete all refund payments to eligible approved property owners who have qualified property and are eligible for refunds on or prior to the date of expiration of the Eligibility Period. In the event of termination by court order, no further refund payments shall be made by any Participant subsequent to the date of such final order.

If any Party to this Agreement or subsequent Additional Taxing District Participants terminate their participation in the Program, then they shall complete all refund payments to eligible approved property owners who have qualified property, are eligible for refunds, and who entered the Program prior to the Party terminating participation. In that event, this Agreement shall not terminate as to all Parties, but shall remain in full force and effect for all remaining Parties or subsequent Additional Taxing District Participants.

## VIII. INDEMNIFICATION

Each Participant shall and does hereby indemnify and hold harmless the other Participants from and against any claims, actions, causes of action, damages, losses, costs and expenses, including reasonable attorney's fees, arising solely from any claim against a Participant based on or related to the action of one or more other Participants.

## IX. ADDITIONAL TAXING DISTRICT PARTICIPANTS

Any unit of local government which is a taxing district and which is authorized to enter into intergovernmental agreements under the provisions of the Illinois Constitution and the

Intergovernmental Cooperation Act may become a Participant and signatory hereto upon adoption of this Agreement and the New Residential Construction Property Tax Refund Program. Such adoption must include all terms and conditions of the New Residential Construction Property Tax Refund Program.

X. NOTICES

The effective date of written notice shall be the date of hand delivery or the date such notice is placed in the U.S. Mail addressed as indicated below. If required or permitted to be given, all written notices to the City and the School District and shall be directed as follows:

School District:

City of OREGON:

Superintendent of OCUSD 220 (ADDRESS)  
OREGON, Illinois 61061.

Office of the Mayor  
115 N Third St  
OREGON, IL 61061

General Counsel  
OCUSD 220 (ADDRESS)  
OREGON, Illinois 61061.

CityAttorney425 East (ADDRESS)  
OREGON, IL 61061

Written notices to other Participants shall be as specified by each such Participant in its adopting resolution or ordinance.

XI. MISCELLANEOUS

- A. This Agreement is binding upon and shall inure to the benefit of the successors of the parties.

- B. This Agreement is not assignable.
- C. The invalidity of any provision of this Agreement shall not render invalid any other provision. In the event a court of competent jurisdiction declares, finds, or rules that a provision of this Agreement is invalid or unenforceable, such provision shall be severed and the remaining provisions shall remain in full force and effect subject to the provisions of section XII.
- D. Failure of a party to insist upon strict and prompt performance of the terms, conditions, covenants and agreements herein contained shall not constitute nor be construed as a waiver or relinquishment of rights to enforce any such term, condition, covenant or agreement and the same shall condition in full force and effect. In the event of a waiver of a breach or default of any term, condition, covenant or agreement, such shall not serve to waive any additional or future breach or default.
- E. This Agreement shall be governed, interpreted and construed in accordance with the laws of the State of Illinois.
- F. This Agreement contains the entire and integrated agreement of the parties and shall supersede any prior written or oral agreements or understandings.
- G. This Agreement may only be altered or amended in manner specified herein, or by the express written consent and agreement of the parties.
- H. This Agreement shall not serve to limit nor restrict the ability and authority of the Board of Education of OREGON School District No. 220, nor the City Council of the City from making, adopting, amending or revising any of its policies and procedures nor serve as an encumbrance on any revenues.

IN WITNESS WHEREOF, the parties have executed this Agreement effective the, xxxx day of Month, 2024.

Board of Education of OCUSD 220

City of Oregon