



MEMORANDUM

TO: William “Bill” Ware, Chairperson
Economic and Community Development Committee

FROM: William J. Heniff, AICP, Director of Community Development

DATE: February 2, 2011

SUBJECT: Resale Shops

At the January 5, 2011 ECDC meeting, the Executive Director (ED) of the Lombard Town Centre (LTC) made a request to amend the Downtown Retail Business Grant (DRBG) program to include Resale Shops as an eligible business. Attached is a memo from the LTC’s ED requesting the amendment. Staff offers the following response.

Background

In the fall of 2005, the Village of Lombard created the Downtown Retail Business Grant Program (DRBG). The stated purpose of the DRBG is to increase the economic viability of Downtown Lombard by attracting targeted retail businesses and assisting existing businesses in the Downtown. Along with the 2005 Downtown Restaurant Forgivable Loan Program, the DRBG was intended to provide an incentive for businesses that would create additional foot traffic and add vitality to the downtown, particularly in the evening and weekend hours when office uses are generally closed.

The Program Policy elaborates further on the type of businesses that the DRBG was designed to attract, stating:

1. Eligible Businesses.

Priority will be given to retail businesses that best complement the Lombard downtown retail mix. A list of targeted retail categories is as follows: clothing stores, produce market, cd/music store, design/decoration/furniture, electronics, home improvement, specialty foods, crafts/toys/hobbies, custom jewelry, kitchen/home accessories, children’s products, entertainment venues (which complement restaurants in the downtown), specialty retail, computer store, shoe store, and art shops/galleries. Other stores may be eligible for the Program, subject to review by the Economic and Community Development Committee (the “ECDC”).

Resale stores and service businesses without a substantial retail component are not eligible for the Program.

The provision not allowing resale shops as an eligible business has been included in the program since its inception. This provision was likely included because many of the neighboring communities surveyed who had similar programs (Wheaton and Elmhurst) also prohibited resale shops. Furthermore, the Village of Lombard used these communities' programs as a basis for creating the DRBG because these communities are commonly thought of as having "successful" downtowns.

Zoning Rights vs. DRBG Eligibility

The Village already provides for the establishment and operation of resale shops in downtown Lombard. Resale Shops of all types are listed as permitted uses within any tenant space in the downtown area. The commercial uses within the Downtown TIF District and TIF 1 West are regulated by the B2 & B5 Zoning Districts. Pursuant to the Zoning Ordinance, resale shops of all types are considered "secondhand stores and rummage shops" within the B2 & B5 District and they are permitted uses in both. In fact, in 2009, staff supported and the Village Board approved a text amendment to the B2 District to allow "secondhand stores and rummage shops" as permitted uses within that district. This request was made by the Next Stop Thrift Shop. However, staff notes the distinction between what is allowed as an entitlement within the Zoning Ordinance versus the Village's willingness to provide public subsidies to a business.

The use of DRBG dollars is discretionary spending, provided that the money is spent on eligible improvements in accordance with Village Codes and State Statutes. Although the Village does not allow resale shops as an eligible business for the DRBG program, it does allow façade grant dollars for resale shops, to be used for exterior improvements (signage, awnings, lighting, etc). Furthermore, the use of TIF dollars should always pass the "but for" test. What this means is that the subsidized business would not have happened *but for* the use of TIF. This test is essential as the goal of a TIF is to use public subsidies for projects with the greatest needs and highest priorities.

Staff is concerned about allowing DRBG dollars to be used for a business that typically requires little interior capital investment, as this could open up the possibility for anyone to open a resale shop in a vacant space just so they can get certain improvements completed with the use of TIF dollars.

As noted in the conclusion portion of the attached memo, it is stated that, "*The inclusion of retail stores in the DRBG would ensure that a business plan and store layout are reviewed by the Village and enable some control over the balance of retail types in the downtown*". Staff is also concerned about this approach since it may indirectly obligate the Village to have to constantly monitor such a business if were to be approved. Staff also feels this approach is contrary to the most recent amendments approved as it is leaving too much flexibility in the approval process.

Summary

When compared to our neighboring communities, Lombard is extremely competitive in terms of its downtown business assistance programs. Lombard's retail and façade grant programs match and even surpass the offerings of similar programs in neighboring communities. Additionally, the Village does allow façade grant dollars for resale shops, to be used for exterior improvements (signage, awnings, lighting, etc). Furthermore, in September 2008, the DRBG program was expanded to include service businesses with a retail component further creating more opportunities to businesses within the downtown.

Recommendation

As previously mentioned in past discussions, TIF dollars are becoming increasingly more competitive, especially if property values continue to decline resulting in less TIF revenues for future projects and obligations. Therefore staff does not support an amendment allowing resale shops as an eligible business for the DRBG program.