



## MEMORANDUM

**TO:** Trustee Laura Fitzpatrick, Chairperson  
Economic & Community Development Committee Members

**FROM:** Jennifer Ganser, Assistant Director of Community Development *JG*

**DATE:** October 14, 2013

**SUBJECT:** **Retail Business Grant Program**

Staff would like to discuss two items related to the Retail Business Grant Program.

1. Staff has made edits of clarity to the Retail Business Grant Program. These updates are not meant as substantial changes to the program, but rather to clarify the program language. Attached is a red-lined copy for review of the proposed amendments.

### ACTION REQUESTED

Staff recommends the ECDC review and approve the proposed edits for clarity.

2. Staff would like to review the lien provision with the ECDC. The ECDC and downtown businesses previously discussed the lien provision at the January 5, 2011 meeting. At this meeting the program was revised to allow for 50% of the approved grant amount to be paid up front and a forgivable lien to be placed on the property to cover only the capital costs that are being reimbursed up front. Twenty percent of the lien would be forgiven for each full year the business is in operation. If the business closes within the first five years the property owner is given a one year grace period to find another tenant to fill the space and then the remaining years left on the lien would be forgiven for every year that business remains open. The remaining 50% of the grant amount approved will be paid out over a five year period, as long as the business is in operation.

At the meeting concerns were expressed about the lien provision stating it puts a risk on the property owner. However, the lien provision involves the property owner in the discussion of the Retail Business Grant Program. Capital improvements benefit the property owner, even if the business tenant were to leave.

Recently, a business has contacted Village staff in regards to relocating their established business to downtown Lombard. The business owners are looking at a building to purchase in downtown Lombard and are interested in the Retail Business Grant Program.

However, the lien provision would create an issue as the lien amount would be declared a liability towards a bank loan. As the program is currently written, the lien provision applies to both owner occupied and tenant occupied businesses. (Please note that the lien provision is also present in the Downtown Restaurant Forgivable Loan Program.)

There are three options available:

- The program can be left as is with the lien in effect for both owner occupied and tenant occupied businesses.
- The Village Board has the option to amend portions of the program on a case by case basis.
- The program can be edited to omit the lien provision for owner occupied businesses. Staff supports this option.

**ACTION REQUESTED**

Staff recommends the ECDC discuss the proposed concept and direct staff for future action.

# DOWNTOWN RETAIL BUSINESS GRANT PROGRAM POLICY


January 11, 2011 ~~October 14, 2013~~

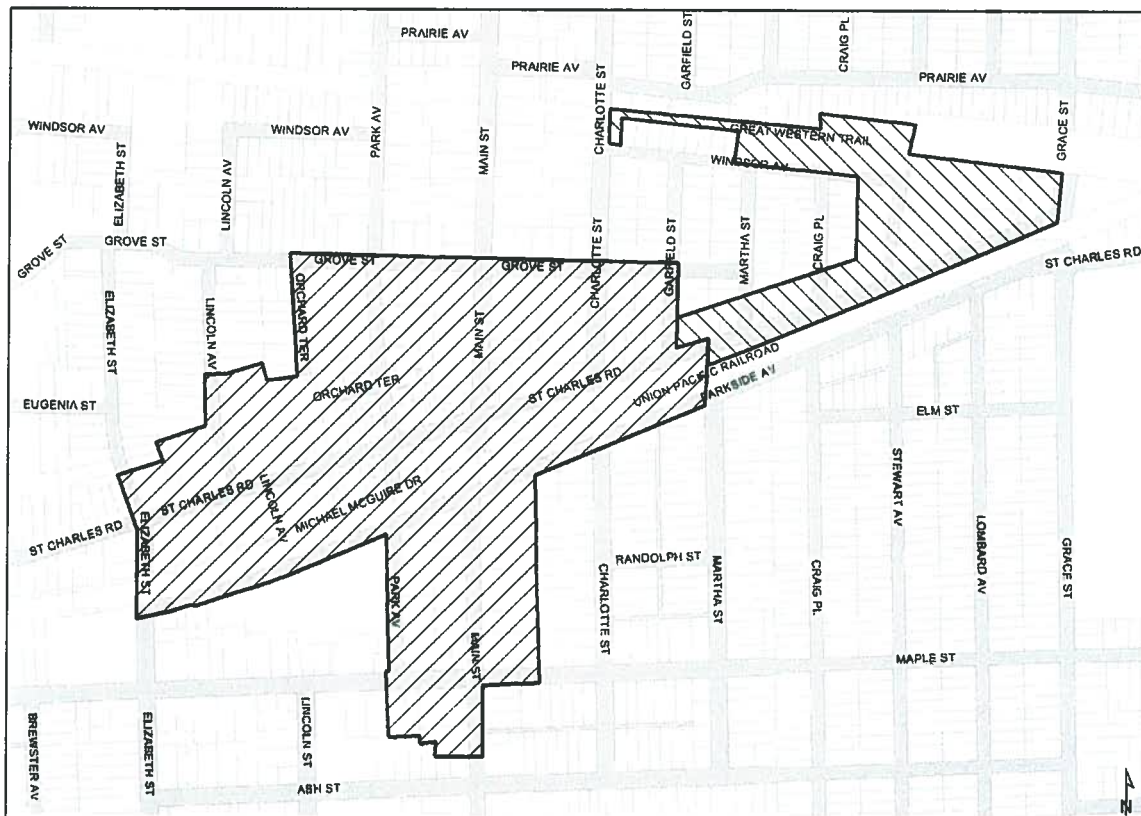
The purpose of the Downtown Retail Business Grant Program (hereinafter the “Program”) is to increase the economic viability of Downtown Lombard by attracting targeted retail businesses and assisting existing businesses in the Eligible TIF Districts Downtown. The program will offer a 50% matching grant for eligible expenditures associated with helping the start-up of new retail businesses or the expansion of existing retail businesses in the Downtown. Priority will be given to businesses that best complement the Eligible Lombard TIF Districts’ Downtown retail mix and help strengthen existing retail clusters. Grant monies derive from TIF funds, and therefore priority will be given to businesses with projected tangible benefits to the TIF area.

## Eligible TIF Districts

The Program will only be offered to businesses located within the Lombard Downtown TIF District or the Lombard St. Charles Road TIF District I (West) (“hereinafter the “Eligible TIF Districts”). The boundaries of the Eligible TIF Districts are shown on Figure 1 below. An existing business in Lombard that is outside of the TIF boundaries would not be eligible for funds unless it opens an additional location within the boundaries of the Eligible TIF Districts.

Figure 1. Eligible TIF Districts

-  Lombard Downtown TIF District
-  Lombard St. Charles Road TIF I (West)



**Program Eligibility**

Eligibility requirements are as follows:

1. **Expenditures.** The following items shall be considered eligible expenditures:

Capital Costs- Those costs associated with improvements which are permanently affixed to the building, which are not specific to the use, and which do not restrict the future use of the building. Some examples include, but are not limited to: life safety and Americans with Disabilities Act accessibility code requirements, repair/replacement of roof, floors or structural walls; repair/replacement of electrical, plumbing, heating or cooling system; and installation of an elevator, sprinkler and fire or smoke alarm system.

Soft Costs- For purposes of this Program, the following items shall be considered soft costs and may be eligible for the Program: first three (3) months of rent (existing business must move into a new space in the Eligible TIF Districts or expand their existing space), signage, moving expenses, visual merchandising, retail consulting, and licensed space designer (ASID). Soft costs shall not exceed twenty-five percent (25%) of the total eligible expenditures.

\*\*The Program does not cover costs associated with production equipment, media marketing/advertising, payroll, day-to-day operational costs (e.g. utilities, taxes, or maintenance), refuse, or product.

2. **Expansion.** If a business is seeking a Retail Business Grant for an expansion, a minimum investment of ten thousand and no/100 dollars (\$10,000) is required. If the expansion is associated with a service business with a substantial retail component, twenty-five percent (25%) of the total leasable floor area shall be dedicated to the new retail component, and only those costs associated with the expansion of the retail area shall be eligible. All expanding businesses shall provide financial statements for the past three (3) years demonstrating revenue from both retail and service activities.
3. **Amount.** Participants will be eligible for up to twenty thousand and no/100 dollars (\$20,000). Participants must expend verified funds and then will be reimbursed for eligible expenditures up to, but not exceeding, fifty percent (50%) of eligible expenditures. The Program shall not exceed twenty thousand and no/100 dollars (\$20,000) per participant. All Retail Business Grant requests shall require Village Board approval.
4. **Ownership/Lease.** Applicants must either own or have a minimum three (3) year lease in a first floor retail location along a public street. In some instances, approval may be contingent upon receipt of a copy of a written lease between a landlord and the applicant.
5. **Occupancy-** Businesses who receive Retail Business Grant money shall remain open at the location identified in their grant application for at least five (5) years from the date of the original Retail Business Grant disbursement. The Village shall be reimbursed by the applicant for any fees, including but not limited to attorney's fees associated with enforcement of this Program.

6. **Eligible Businesses.**

A. 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").

B. Service businesses with a substantial retail component, as defined by having twenty-five percent (25%) of its gross income and gross floor area, open to public and dedicated to retail sales activity, are potentially eligible for the Program. The dollar amounts awarded to service businesses with a substantial retail component will be a function of the amount and nature of the retail component associated with the business. For service businesses with substantial retail components that were previously in operation, sales data shall accompany the application. For start-up new service businesses with substantial retail components, up to half of the maximum possible Retail Business Grant award (i.e., no more than ten thousand and no/100 dollars (\$10,000)) can be awarded with the start-up of the business.

Notwithstanding the procedural requirement that prohibits applications after a Certificate of Occupancy has been issued, a start-up new service business applicant who is granted half of an award has the ability to make a second application for an additional half of an award (i.e., no more than ten thousand and no/100 dollars (\$10,000)) after a one (1) year period of time, with the ECDC considering the retail sales tax figures as part of the second application.

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

7. **Fees.** Professional, architectural, engineering, and Village permit fees may be included in the total improvement costs. The Program will fund up to twenty-five percent (25%) or one thousand five hundred and no/100 dollars (\$1,500), whichever is less, of architectural rendering fees prior to approval of the improvements. All requests for architectural rendering fees prior to approval must have proper documentation and invoices. There are no application fees associated with the Program. However, if an applicant owes money to the Village, all accounts must be brought current before any portion of the Retail Business Grant is disbursed.

8. **Main Street Organization.** Recipients of a Retail Business Grant through the Program must maintain an active membership in the Lombard Town Centre organization.

9. **Conformance.** All improvements must conform to current building and zoning codes of the Village of Lombard. Any exterior improvements completed in the Lombard Downtown TIF District must conform to the *minimum design criteria* outlined in the

“Downtown Lombard Improvement Plan” dated March 26, 1987. The business owner must maintain the property in compliance with all federal and local laws, ordinances, and regulations.

10. **Administration.** The program will be jointly administered by the Department of Community Development and Lombard Town Centre. All applications will be reviewed by the ECDC. The ECDC will forward a recommendation to the Village Board, who will then determine whether the Retail Business Grant should be approved. A separate request for a building permit, an electrical permit, and/or other permits and licenses shall be submitted to the Building Division.
11. **Evaluation.** The ECDC will review all applications on an as-needed basis. Proposals shall be evaluated on their viability, their contributions to the Eligible TIF Districts’ retail mix, their support to the Village tax base and their completeness and eligibility. An applicant may be required to submit a personal financial statement. A successful business plan will ~~be the one that~~ convey~~s~~ the most promising combination of financial feasibility, product and market knowledge, growth potential, job creation and financial need.
12. **Appeals.** If the application is rejected by the ECDC, the applicant may resubmit the application after addressing the application deficiencies, or appeal the decision. If the applicant chooses to appeal the decision, a letter of appeal and supporting documentation must be sent to the Director of Community Development within ten (10) days of the rejection, with said letter stating the reason for the appeal. The letter of appeal and supporting documents will then be forwarded to the Village Board. The Village Board will address the appeal at a Village Board meeting and make a final determination relative to the application. The denial of the appeal by the Village Board shall not preclude an applicant from submitting a new application for the Program. The Village Board has the right to amend or waive Program terms and conditions to accommodate special circumstances.
13. **Payments and Reimbursement.** Grants shall be paid out as follows:
  - A. Retail Businesses and service businesses with a substantial retail component, shall only be eligible to receive a maximum of fifty percent (50%) of the approved Retail Business Grant amount upfront (maximum of ten thousand and no/100 dollars (\$10,000)), after the improvements have been completed, ~~and~~ all final inspections have been completed, and a Final Certificate of Occupancy has been issued. Retail businesses who receive Retail Business Grant dollars upfront shall be subject to a lien on the~~r~~ property in an amount equal to their proportionate share of capital costs paid upfront by the Village. The remaining fifty percent (50%) of any Retail Business Grant (maximum of ten thousand and no/100 dollars (\$10,000)) shall be reimbursed to the business over a five (5) year period starting from the time the improvements have been completed, all final inspections have been completed, and a Final Certificate of Occupancy has been issued. For every full year the business is in operation, twenty percent (20%) of the remaining amount of the Retail Business Grant shall be paid to that business. In the event the business ~~were to close~~ within the five (5) years, the Village shall have no~~t~~ obligation to payout any remaining

portion of the Retail Business Grant. *For example, if a Retail Business Grant were approved for a new retail business in an amount of \$20,000, the businesses owner could get the first \$10,000 upon issuance of the Final Certificate of Occupancy. The remaining \$10,000 would be provided over a 5 year period (\$2,500/year) for every full year the business is in operation.*

- B. All restaurants shall be eligible to receive the maximum grant amount of twenty thousand and no/100 dollars (\$20,000) upfront after the improvements have been completed and all final inspections have been completed.
14. **Property Lien.** All businesses and properties, except restaurants, who receive upfront Retail Business Grant money shall be subject to a lien to be recorded against title to the property, with the property owners written consent, to cover the pro rata share of capital costs paid upfront. One-fifth (1/5) of the lien shall be forgiven for each full year that the business operates at the project location. Release of the lien will be recorded by the Village five (5) years after the recording of the lien, or earlier if repayment of the upfront Retail Business Grant amount (or applicable portion thereof) is made to the Village. In the event that a business receiving an upfront Retail Business Grant were to close within the time period that the lien is in effect, the property owner shall have a maximum of ten (10) years from the time the upfront Retail Business Grant amount was paid or until December 31, 2023, whichever occurs first, or immediately upon the sale or transfer of the property, to repay the Village any remaining balance of the lien. If the space is legally occupied with a new tenant (retail or service), each remaining year(s) left on the lien shall be forgiven for each full year that the new business(es) remain open. In the event that after the ten (10) years or on December 31, 2023, whichever occurs first, the property owner was unable to successfully lease the space to a new tenant(s) for not less than a combined five (5) years, the balance of the Retail Business Grant shall be paid to the Village.
15. **Business Plan.** Business plans should not exceed sixteen (16) double-spaced pages including exhibits. All business plans shall be reviewed by the College of DuPage Small Business Development Center (SBDC) prior to submitting same to the Village. The SBDC review requirement may be waived by the Director of Community Development. The business plan should include as many of the following as possible:
- A. Description of your business and industry
    - 1. Your business
    - 2. The industry and its history
  - B. Features and advantages of your product
    - 1. Description
    - 2. Competitive advantage
    - 3. Proprietary position
    - 4. Future potential
  - C. Market research and analysis
    - 1. Definition of your customers and markets

2. Market size and trends
  3. Competition
- D. Estimated market share and sales
1. Market plan
  2. Market strategy
  3. Pricing
  4. Sales tactics
  5. Service and warranty policies
  6. Advertising, public relations and promotions
- E. Design and development plans
1. Development status and tasks
  2. Difficulties and risks
  3. Costs
- F. Operation plans
1. Business location
  2. Facilities and improvements
  3. Strategy and plans
  4. Labor force
- G. Management Team
1. Key management personnel (credentials/resume)
  2. Management assistance and training needs
- H. Overall Schedule
1. Timing of critical activities before opening (e.g. company incorporation, signed lease, suppliers ordered, employees hired, opening date)
  2. Timing of critical activities after opening, (e.g. expansion, product/service extension)
- I. Critical risks and problems (how will you respond?)
1. Price cutting by competitors
  2. Unfavorable industry-wide trends
  3. Operating cost overestimates
  4. Low sales
  5. Difficulties obtaining inventory or supplies
  6. Difficulty in obtaining credit
  7. Lack of trained labor
- J. Financial Plan
1. Profit and loss forecasts for 3 years (first year monthly)
  2. Cash flow projections for 3 years
  3. Performance balance sheet at start-up, semi-annually in the first year and at the end of 3 years



16. **Procedural Requirements.** Participants in the Program must accomplish the following steps:

- A. Applicants for the Program should contact the Department of Community Development or Lombard Town Centre for applications. Applications may be obtained from and submitted to either:

Dept. of Community Development  
225 E. Wilson Avenue

Lombard Town Centre  
~~102 W. St. Charles Rd., Ste 2~~  
6 S. Park Avenue

Lombard, IL 60148  
630.620.5749

Lombard, IL 60148  
630.620.8063

- B. Candidates shall submit the following documents
1. Application form;
  2. Preliminary plans and preliminary cost estimates;
  3. Business plan;
  4. Details of signage and/or awning design; and
  5. Proof of ownership, lease, and/or owners approval.
- C. The Community Development Department shall review the completed applications to ensure all required items have been submitted prior to scheduling the item for review by the ECDC. Incomplete applications will not be processed until all items have submitted. The Director of Community Development may waive certain items if deemed necessary.
- D. After review by the Economic and Community Development Committee, and approval of the Retail Business Grant by either the Economic and Community Development Committee or the Village Board, depending upon the amount of the Retail Business Grant, a “Certificate of Eligibility” will be forwarded to the owner/applicant.
- E. Upon receipt of the “Certificate of Eligibility”, the owner and/or applicant shall proceed as follows:
1. Submit final plans and cost estimates to the Department of Community Development and apply for proper building permits.
  2. Submit three (3) contractor bids for the work outlined in the application. Also, indicate the preferred contractor.
  3. Submit a fully executed Grant Agreement.
- F. Upon receipt of the items set forth above, a “Notice to Proceed” shall be forwarded to the owner/applicant by a representative of the Department of Community Development.
- G. Upon issuance of the “Notice to Proceed”, improvements and renovations may start after the required building permits have been issued. All necessary inspections should be coordinated through the Village’s Building Division.

- H. Prior to the issuance of any Retail Business Grant funds, the applicant must submit to the Village a completed Illinois sales tax release form.
- I. No Retail Business Grant funds shall be disbursed unless all Project-related activities are undertaken in compliance with all applicable provisions of both the Program Policy and Village Code and until the Village receives an affidavit from the Retail Business Grant recipient containing his or her sworn statement that he or she has paid the approved cost of the Project. Original paid receipts and final waivers of lien must be attached to the affidavit. Upon receipt of the approved affidavit, ~~and~~ receipts, and final waiver of liens the Village will release Grant funds in accordance with the Program, subject to proper documentation.
- J. Upon completion of the project and after all final inspection from the Building Division have passed, the building will be inspected by a representative of the ~~Community Development Department~~Planning Services Division for conformance with the application.
- K. All eligible expenditures will be matched by the Village of Lombard at fifty percent (50%) of costs as designated by an appropriate receipt or invoice. Overall costs may be submitted up to forty thousand and no/100 dollars (\$40,000) within twelve months after registering the business with the Village of Lombard or applicant approval of the Program if the business is already registered.
- L. All businesses must submit applications and complete review by the ECDC prior to the opening of the business in the Eligible TIF Districts. Once a Certificate of Occupancy has been issued for a business, the business is no longer eligible to apply to the Program unless the application is for an expansion meeting the Program criteria. A new or expanding business either must open for business or have expanded their business within nine months from the date of grant approval, or all grant funds shall be forfeited.
- M. Capital costs associated with eligible expenditures made to a tenant space, prior to an eligible business and/or property owner making a formal Retail Business Grant request relative to said tenant space, may be included in the formal Retail Business Grant request, provided:
  - 1. The expenditures were made within the eighteen (18) month period immediately preceding the formal Retail Business Grant request; and
  - 2. Prior to proceeding with said expenditures, the applicant for the Retail Business Grant advised the Village staff of said proposed expenditures, and received the approval of the ECDC and the Village Board relative to said expenditures being eligible expenditures if a formal Retail Business Grant request were to be filed and approved, and Retail Business Grant funds are still available.

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**For further information contact:**

**Village of Lombard  
Community Development Department  
255 E. Wilson Ave., Lombard, IL 60148  
(630) 620-5749**

**or**

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**Lombard Town Centre  
~~102 W. St. Charles Rd~~ 6 S. Park Avenue, ~~Ste 2~~, Lombard, IL 60148  
(630) 620-8063**