

MEMORANDUM

To: William T. Lichter, Village Manager

From: David A. Hulseberg, AICP, Director of Community Development

Date: November 8, 2005

Subject: Lombard Business District No. 1 – Establishing Ordinances

This memorandum provides an overview as to what a business district is and the rationale for the creation of the same. Further, this memorandum reviews the proposed Lombard Business District No. 1 for Yorktown Mall and a staff recommendation of the same.

Background:

Since 1970, municipalities have had the ability to create Business Districts. These business districts may be instituted wherever the local officials wish to stimulate economic growth. A business district allows the local community to designate a particular targeted area within a municipality that is identified as being in need of “economic development” and provides for certain municipal powers within that district that do not exist in the balance of the municipality. The Village of Lombard has only created Tax Increment Financing (TIF) districts and has also initiated two sales tax rebate agreements as ways to promote economic redevelopment.

In 2004, a proposal was approved by the legislature, which provided an additional provision to business districts in Illinois. This new provision allowed certain qualified business districts to impose up to an additional 1.0% sales tax on purchases within that district. The additional 1.0% could be used to assist in redevelopment initiatives much like a TIF. Expenditures such as land write downs, infrastructure improvements, traffic enhancements, remediation assistance, demolition, site preparation, extraordinary costs, all are examples of eligible expenses.

Yorktown Mall Challenges:

Yorktown Mall has been in the process of finding a suitable and appropriate big box user for the vacant Wards space. As a result, the vacancy of Wards has negatively impacted the 1st and 2nd floors of the adjacent mall wing connected to that space for some time. Additional challenges include:

- available outlots around the ring road that have never been developed;
- watermains throughout the mall needing replacement;

- access to the property has been limited since the State removed one access into the mall along Butterfield when it improved the Highland/Butterfield intersection; and
- aesthetic improvements to the façade and lighting of the mall are needed; and
- the reciprocal easement agreements controlling the mall are expiring (these agreements provide for cross-parking rights, ingress-egress rights, land development approvals, cost maintenance sharing provisions).

Business District Plan No. 1:

The proposed Lombard Business District No.1 Plan would provide the existing or future owners of Yorktown Mall to proceed with the redevelopment identified as Exhibit B of the plan. The plan provides that the Village has identified an area of Yorktown Mall that it believes would qualify as a business district under the Act, including qualification for a “blighted area” designation under the Act. Yorktown Mall ownership desires to proceed with redevelopment within the area of the proposed Lombard Business District No.1, however, because of the current condition of this area, redevelopment is only possible with the development assistance provided for under the Act. As part of the plan approval, this plan requires two public hearings to establish and designate Lombard Business District No.1, pursuant to the Act, and thereafter approve a redevelopment agreement with the developer. There were no comments opposed to the creation of the Business District in the two public hearings.

Should the Board act favorably upon the two recommended ordinances as part of this memorandum, the Board will then be asked at the December 1st meeting to approve an ordinance imposing a business district retailers occupation tax within the boundaries of Lombard Business District No. 1. Staff is presently working with the developer on this agreement and it will come before the Village Board as a separate matter in 2006. At that time the developer will provide documentation to justify the requested reimbursement. In a like manner, the Village of Lombard will provide justification for reimbursement of its expenses that relate to the plan.

It is estimated that there will be up to \$32,000,000 in requested eligible expenses by the Village of Lombard, Yorktown Mall ownership, or its successors in making a redevelopment possible. The term of the life of Lombard Business District No.1 would not extend beyond 23 years. The Village would not bond any debt for the project and would only reimburse the developer as funds are received from the additional sales tax that is imposed on the district. It is proposed that the full 1.0% additional tax would be levied for this district. It is conservatively estimated that the Lombard Business District No. 1 will create more than \$1,000,000 annually in direct benefit to the Village from its share of the current 1.0% retailers’ occupation taxes as a result of redevelopment. A qualified Business District allows up to an additional 1.0-% sales tax to be levied on the district. Thus, the Village will not be required to share any of its typical sales tax revenue

Lombard Business District #1

with the developer because all expenses would be reimbursed from the additional 1% levy. Yorktown Mall has numerous challenges that need to be addressed.

Recommendation:

Staff recommends approval of an Ordinance amending Title 3 of the Lombard Village Code in regard to business districts and an ordinance designating Lombard Business District No. 1.

The proposed business district is the most practical means to address those challenges with no financial impact upon the Village or any other governmental unit. Further, the Village will receive economic redevelopment of this area, which will add revenue to the existing sales tax base. Consumers purchasing within this area will underwrite the eligible improvements at no cost to the Village.