




## MEMORANDUM

**TO:** Trustee Bill Johnston, Chairperson  
Economic & Community Development Committee Members

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

**MEETING DATE:** August 13, 2018

**SUBJECT:** **101-109 S. MAIN STREET PROPERTY – REVIEW OF REQUEST FOR PROPOSALS (RFP)**

Village staff is introducing the responses and analysis associated for the Request for Proposals (RFP) for the 101-109 S. Main Street site. This effort is the next step in a months-long effort to seek a qualified development entity that can successfully advance a “best deal” proposal for the subject property owned by the Village. The Village’s Economic and Community Development Committee (ECDC) will be serving as the Village Committee responsible for reviewing the proposal and offering recommendations to the Village Board as it pertains solely to the economic components of the proposals. The ECDC is not tasked to recommend specific development plans – that activity will be undertaken once the entity was selected by the Village Board. Further information regarding the role and responsibilities of the ECDC in this effort is noted later in the report.

### **BACKGROUND**

As the ECDC is aware, in April, 2017 the Village Board directed staff to pursue redevelopment options through a RFP process for a single tenant grocery store on the property. The Village did not receive any proposals for the site based upon the aforementioned criteria. At the November 30, 2017 Special Meeting of the Village Board, specific direction regarding the desired steps relative to the property was offered:

1. The Village Board seeks to sell the property for a private redevelopment that generates property taxes. This narrative is important as the desire is to get the property back on the tax rolls and generating equalized assessed value (EAV) for the Downtown Lombard TIF District in its final years of existence.
2. The Village should re-issue a new RFP to provide for any viable private redevelopment use. This option lets the private market dictate the land uses, subject to general Village Code provisions.
3. The Village will determine which projects merit further consideration following the process identified in the RFP. The Village would then initiate negotiations regarding the specific development proposals. The “best-deal” provisions would still be applicable.



To meet these directives, staff released an amended RFP on February 1, 2018. An Open House event was held on February 28, to answer prospective applicant questions. In total, the following outreach effort was made:

- 320: the number of people the RFP information and link was emailed to
- 33: the number of people that requested the RFP
- 12: the number of people that attended the February 28 meeting

The submittal closing date was April 16, 2018. Four independent proposals were received, as follows:

<b>Entity</b>	<b>Stated Other Partners</b>	<b>Proposed Use</b>
Flaherty & Collins		Mixed-use (apartments with first floor retail option)
Holladay Properties	Prairie Food Co-op	Apartments with Prairie Food Co-op
Senior Lifestyle		Senior assisted and independent living residences
Luxica, Inc	Prairie Food Co-op, Prairie Path Kitchen & Tap, Lilac Brewing (others noted after submittal date)	Three mixed-use buildings, with first-floor retail space and 7 apartment units

After the submittal date and consistent with the RFP, the evaluation effort commenced. For reference, the ‘Evaluation Team’ for review of the proposals consists of the Village staff, Village Counsel, the ECDC, any specialized consultant firms needed by the Village to review the project, and the Village Board of Trustees. Staff stated at the Open House that the Village may be seeking outside third parties to assist in the RFP review effort. To help provide the Evaluation Team with the technical review, the Village entered into a Consultant Services Agreement from Kane McKenna & Associates (KMA), the Village’s TIF and Economic Consultant Firm. Their effort focused upon the economic strength of each proposal. The Agreement was intended to be flexible in assisting the Village in answering questions that may arise as part of their review. Additionally, the ability of using a third-party may allow prospective firms to provide confidential information to an outside consultant regarding their proposal without having to disclose proprietary information publicly. This approach has been successfully utilized by the Village in the review of other recent economic incentive proposals.

Through the summer, staff and KMA held individual interviews with each of the applicants and a separate meeting with Prairie Food Co-op, as their proposal was included as part of two of the noted submittals. The interview process as well as additional conversations and emails allowed each party to clarify or refine their proposals.

Two of the proposals (Senior Lifestyle and Flaherty & Collins) required or requested significant economic up-front, non-performance based incentives associated with their respective projects. Through the KMA review and through additional conversations with staff, it was determined that



both of these proposals would not be able to be supported without extraordinary actions which could not be guaranteed nor be able to be achieved within a reasonable timeframe. In further discussions with the entities it was decided by the entities to withdraw their proposal. As such, two proposals remain for consideration – Luxica and Holladay Properties. Both of these proposals have Prairie Food Co-op as a tenant.

With the aforementioned tasks completed, KMA has completed its analysis and the matter is being brought forward to ECDC consideration.

### **ECDC Review Effort**

The ECDC has the primary role in reviewing the two development proposals and make recommendations for Village Board consideration relative to the economic viability and strength of the proposals. The interview process and KMA analysis also should be a supplement to the applicant's original proposals.

As stated in the RFP, the areas for review include:

- 1) Development group qualifications, including experience with projects of related scope, nature and complexity specifically including prior experience in working with municipalities particularly within downtown and historically significant locales.
- 2) Demonstration by prospective developers that commitments are either in place or can be readily established to deliver tenants that meet the stated goals of the Village Board as it pertains to retail commercial uses.
- 3) Financial capability of the group or individual partners is a key concern and will be thoroughly reviewed before developer selections are made.
- 4) Project economics, consistent with a quality reuse of the redevelopment site, and which benefit the Downtown and overall community.
- 5) Design proposal including site utilization. The Village will be looking for creative, yet proven strategies to maximize the potential of the available development and/or redevelopment site.
- 6) Review of any proposed store operator(s) including their past track record and experience in similar retail commercial sales endeavors, the proposed store operations and their financial ability to successfully open and operate such an establishment.
- 7) Any review of proposed residential unit mix including type of units and amenities/services.
- 8) Extent of public sector investment required to successfully implement the project.



Supplementing these areas, the ECDC shall review each proposal based upon the Village’s adopted Economic Incentive Policy (EIP) (Attachment B). For quick reference, the table below provides an initial snapshot of compliance with the EIP, excluding any economic incentive that may be sought by the Co-op through the selected developer.

	Luxica	Holladay
Source of Funds	Upfront use of existing Village funds for construction and administrative costs (not consistent with intent of EIP); specific funds not identified	Incentive to be based upon future EAV proceeds (consistent with intent of EIP)
Performance Based Incentive	Partially – identified food & beverage and sales taxes. But also seeking >\$2.4M in up-front development and construction costs	No up-front revenues. TIF assistance to be based upon future EAV increment
Ten Years or Less on Incentive	Seeking up front incentive (not consistent with EIP)	Would meet as they are seeking performance based TIF (ends in 2024)
Non-Guaranteed Provisions	Seeking up-front escrow	EAV based, no guarantees on future levies
Extraordinary Expense Requests	Seeks waiver of \$220,000 in anticipated permit costs	None identified in proposal
Cannibalization Factors	Not accounted for (also see Co-op narrative below)	Not accounted for (also see Co-op narrative below)

**Prairie Food Co-op Considerations**

Regarding the Co-op request, there are two areas in which they sought assistance. Their initial proposal initially sought \$70,000 in administrative and start-up costs. In further review of this request relative to State Statutes, the costs would not be eligible for private new construction projects. As such, the Co-op was informed that such costs should be borne by alternate sources. The second item pertains to an anticipated a performance-based sales tax agreement associated with store sales. This may be a possibility and could be vetted further with the selected development team. However, this request would have to meet the state provisions for economic incentives for non-home community (as noted in the RFP) as well as meeting the desired “but-for” justification for such incentives noted in the EIP and in past agreements approved by the Village. As an example, the often-referenced Mariano’s agreement was not with the grocer, but rather the developer Bradford Real Estate, who quantified and justified the performance based reimbursement incentive through the extraordinary development costs of site construction.

The Co-op proposal also sought an increase in the reimbursement to the co-op for the first years of the project beyond the maximum 50% disbursement, inconsistent with the EIP (i.e., the Village “gets paid first”). Additionally, their initial request did not account for cannibalism factors, also noted in the EIP. As such, these requests will need to be further vetted. Should one





of the two proposals proceed, the Village would vet their request through the selected development team to ensure compliance with State Statutes and the EIP.

*Final Consideration:* The ECDC is not being asked to consider or approve and specific economic incentives at this time. That activity will occur once the development entity has been selected and prior to consideration of the purchase and sale of the property by the Village Board.

### **Sale Price of Property**

Both remaining entities provided an initial offer price for the property. Holladay Properties amended their offer after the interview process. However, for purposes of the review, staff is excluding the final sale price from the ECDC consideration as typically setting the price of real estate is under the purview of the Village Board. Additionally, as noted above, there are some open matters pertaining to each proposal that may impact the final price. For example, the future developer through the entitlement process may find additional extraordinary costs pertaining to items such as, but not limited to:

1. Environmental remediation
2. Additional public infrastructure or improvement needs
3. Additional conditions placed upon the development by the Village Board through the public hearing process
4. Entitlement/timing matters
5. Unknown external market forces

As such upon direction by the Village Board, staff will enter into final negotiations with the development entity to fully vet the total costs of construction, and the subsequent negotiated price for the real estate.

### **TIF Considerations**

Village staff undertook an analysis of existing funds available within the Downtown Lombard TIF fund. Staff noted that the Village will have approximately \$450,000 - \$500,000 available for potentially eligible projects. However, if funds were used for the project, it could come at the expense of the Village no longer having funds to administer the established grant programs in the downtown, nor the ability to utilize remaining funds for existing and proposed Public Works projects. Additionally, in review of the TIF between 2019 and 2024, when it expires, the TIF is anticipated to have total funds in the amount of approximately \$1,200,000.

Lastly, State Statutes require payments to school districts and libraries based upon TIF incented projects. In regard to the "new patron" reimbursement is limited to a maximum of \$120 per person per year, based on the net increase in the number of persons eligible to obtain a library card in the TIF assisted housing, with a maximum cap of no more than 2% of the TIF increment produced by the TIF assisted housing in any given year. School district payments depend on the number of new school-aged children that move into the development.



**ACTION REQUESTED**

The ECDC is tasked to review the materials provided by the RFP entities as well as the supplemental information prepared within this report by staff and the Village's consultant. Through this effort, ECDC shall make one of the following recommendations:

1. Recommend that the Village Board enter into negotiations with Luxica Development LLC on a purchase and sale agreement for the subject property;
2. Recommend that the Village Board enter into negotiations with Holladay Properties on a purchase and sale agreement for the subject property; or
3. Recommend that the Village Board reject both development proposals.

The ECDC can also offer any comments or rationale within their recommendation to the Village Board as part of their recommendation.



## **Attachment A**

### **101-109 S. Main Street Request for Proposals Abridged Document**

The purpose of this Request for Proposals (RFP) is to solicit and subsequently evaluate the interest of developers or redevelopment groups in working with the Village, to redevelop the 101-109 S. Main Street property and located within the heart of the Village's Downtown. The Village is the land owner of the subject property. The DuPage County Tax Parcel Identification Numbers are 06-08-111-035 and 036.

The subject property consists of two parcels totaling approximately 95,457 square feet in area with 345' of frontage along Main Street, 260' of frontage along Parkside Avenue, 427' along the eastern end of the property, and approximately 250' along the southern end of the site. The majority of the site is vacant with a commuter parking lot consisting of 92 parking stalls.

Traffic counts from 2012 show that approximately 17,100 cars travel along Main Street between St. Charles Road and Parkside Avenue on a daily basis. On St. Charles Road, traffic counts indicate a daily traffic volume of approximately 14,400 vehicles passing through the Downtown area. Peak hour traffic counts are highest during the morning and evening rush hours. Per Metra 2014 data, daily commuter boardings and alightings from Lombard is about 1,300 persons.

The subject property is surrounded by single family residential uses to the east; mixed-use development with a funeral home, mixed-use apartment/commercial building, commercial uses to the south; the Edward/Elmhurst Memorial Lombard Health Center and other commercial development to the west and Parkside Avenue and the aforementioned railroad tracks to the north.

The subject site is served by the Village for all traditional municipal services. Potable water mains, storm sewer and sanitary sewer lines are in place and accessible within the rights-of-way adjacent to the site. Any proposed development shall be required to provide on-site utility connections and stormwater improvements directly attributable to the development as part of the project.

#### **LAND USE PERMITS AND PROPERTY DEVELOPMENT**

The Village has in place development regulations which are similar to those found in other nearby Chicago suburban communities. All developers will be required to go through normal land use and building permitting procedures and will be required to meet all existing Village land use and building code requirements unless specific variances are granted as provided for in the Municipal Code. The selected developers will also be responsible for payment of any requisite utility connection fees, building permit fees or and other requisite or applicable fees assessed by the Village and/or other governmental entities.

The subject property is zoned B5 Central Business District. The Village is willing to consider some flexibility at various levels in order to achieve the most beneficial reuse of the site. This



ability to be ‘flexible’ may include reviewing existing restrictions in terms of zoning, building height, bulk, etc. or even establishing a planned development. It will be the applicant’s responsibility to secure any and all zoning relief actions and all other approvals that may be required. However, the existing restrictions will require following the necessary approval processes and those approvals sought from the Village cannot be guaranteed at this time.

## **VILLAGE DEVELOPMENT OBJECTIVES & REQUIREMENTS**

The following themes are an integral part of the Village’s plan for redevelopment of the subject property.

### ***Quality Design***

- Architecture and urban design are especially important at this location. The project design must be characterized with visual interest by high quality design, materials, and site amenities. The project shall support and enhance the Village’s ongoing efforts to create and expand the exciting and distinctive shopping and living environment within Downtown Lombard. There is no single “architectural theme” for the downtown. In fact, it is the Village’s hope that a variety of buildings and architectural styles continue to be a part of the downtown. The various styles should be brought together by a unified image.
- Buildings should be generally placed at the west property line abutting Main Street in order to enhance the pedestrian atmosphere of the downtown. Taller building elements should be located in such fashion as to lessen the impact to surrounding residential uses.
- The development must be complimentary to the residential land uses on the east side of the property site. Mechanical equipment must not be visible or must be heavily screened from public view on all sides. Signage, lighting, awnings and canopies for the development should be consistent in design and placement.
- Projects should provide attractive, well-landscaped frontages along all public streets, and adequate screening and buffering around parking and loading areas.
- Plans should include gateway areas and unified streetscape elements, including lighting, benches, graphics and brick paver sidewalks that are in keeping with the Village’s streetscape program. Signage should blend with the development and complement its architectural character.
- The parking design element is considered critical to maintaining the pedestrian character of the downtown. Requisite parking must be readily accessible and should be located in the rear or at the side of buildings. Parking fields located out in front of buildings, indicative of strip center development, is not acceptable.





- Sufficient off-street parking should be provided to meet the demand of the proposed land use(s).
- Downtown Lombard is a pedestrian-oriented environment. The development plan must take into consideration the pedestrian experience as it relates to, but not limited to, building scale, lighting, windows, signage, landscaping and other tangible elements.
- The development plan can address the opportunity for an interactive, high quality open space. Incorporating interactive public open space which encourages social interaction, civic engagements and outdoor enjoyment that creates a civic or passive use space for the Downtown area is desired. The Village anticipates that the planned improvements of existing plazas and the additional public open space for this development must be visible, inviting and will produce viable options for pedestrians to visit, gather and interact with others, and are to include seating and lighting.
- The Village supports efforts to incorporate environmentally sensitive and sustainable components into development plans and has adopted a Sustainability Framework available on the website.
- The Village has adopted the DuPage County Stormwater and Floodplain Management Ordinance and local amendments and will work with prospective developers to guide them through the engineering review processes. Plans should identify methods for addressing stormwater management issues.
- While final architectural and engineering plans are not required, the preliminary design concepts should be in sufficient detail to evaluate the design elements and features that are expected to be incorporated into the proposed development project. A plan should be included which shows such designation as any proposed building footprints, common open space, parking areas, service areas and other facilities to indicate the character of the proposed development. Specific information should include:
  - Layout of driveways and pedestrian ways showing right-of-way and pavement widths.
  - Proposed building setback lines, indicating dimensions.
  - Areas other than public rights-of-way intended to be dedicated or reserved for public use and the approximate area of each such area.
  - Architectural, landscape and site lighting concept plans, preliminary sketches and renderings for all principal buildings submitted in sufficient detail to permit an understanding of the style of the development.



- Building height. The vertical distance from the base grade to the average height of a flat, mansard or gambrel roof or the mid-point of a hip or gable roof.
- Parking concept plan indicating the total number of covered spaces, open area spaces, and commercial spaces.

### ***Ground/First Floor Tenancies***

The Village recognizes that some development proposals may include commercial space on the ground or first floor of a proposed development. If such spaces are to be utilized, specific details should be provided regarding the intended layout and design of the commercial space(s). The Village would prefer larger retail commercial tenant spaces (i.e., greater than 5,000 square foot of gross floor area) and/or a larger defined anchor tenant as part of any development proposal. Parties seeking to include ground/first floor commercial space, shall provide a square footage breakdown of the proposed commercial spaces in terms of layout and minimum/maximum number of tenancies needed/desired for the proposed project.

### **SPECIFIC REDEVELOPMENT PROJECT PROVISIONS**

In addition to any other regulations and provisions, the Village offers the following specific goals to be achieved as part of the RFP process:

- 1) The Village encourages the submission of viable market-driven projects for the entire site.
- 2) The Village seeks a financially sound development project for this high profile and prominent site. The development proposal should be comprehensive in nature, and not contemplate a phased or piecemeal approach to completing the project, or incorporate a contingent phase based upon a successful initial phase of development.
- 3) The Village has anticipated that all developers and/or redevelopment groups selected will initiate negotiations directly with the Village and will coordinate the redevelopment of the subject property required for redevelopment purposes. If additional parcels are required in order to present a viable development proposal, the developer must state so in its submittal, as demonstrated by a submittal of an irrevocable purchase option for all other tracts of land beyond the subject property itself.
- 4) This RFP is open to prospective business operators, prospective developers and/or prospective property owners. Agreements must be in place that shows intent to lease and intent to operate any anticipated businesses represented in a given submittal. In order for a proposal to be considered, the response must include the following items:

For Lessees:



The Village recognizes that some submissions will include a lease agreement with a prospective property owner(s) and/or developer(s). Documentation of intent to lease to a business operator will be needed for the Village to assess the validity of the proposal. Lease language will be needed to demonstrate an agreement that would continue for a term of no less than ten years, including in the event of change in ownership.

For Prospective Owners/Developers:

Prospective owners/developers must have a letter of intent or other written assurances to lease agreement with an operator that meets the requirements as stated in this RFP and be able to provide documentation to the Village to assess validity of proposal.

Detailed description of any proposed commercial operators shall include:

- The business name in which the commercial store(s) will be operating under and a listing of current operations by the franchise, franchisee, and/or the company with controlling interest in the proposed store(s);
- Brief history of the business and experience in retail commercial operations;
- Resumes or brief biographies of principal project leaders and store managers/operators if available;
- A preliminary floor plan that demonstrates estimated square footage of the retail commercial spaces and the layout in terms of different store uses or departments;
- Conceptual floor plans or layouts of any other development space as warranted or applicable including residential structures or units, storage spaces, office spaces and the like.
- A construction and/or development schedule that estimates the project commencement and completion.

#### **VILLAGE OF LOMBARD PARTICIPATION**

The redevelopment of these properties is critical in the Village's efforts to expand the Central Business District image of Lombard. The Village has implemented gateway improvements with Village signage and sidewalk improvements throughout the downtown, and created Village owned and maintained public parking lots to assist in these efforts. The Village has participated in past public/private partnerships within the Downtown and understands that inducements may be required in order to successfully redevelop the site identified within this RFP. The Village will carefully evaluate developer requests for direct Village involvement and/or financial inducements on a case-by-case basis and make individual decisions regarding the type and extent of Village involvement and/or financial inducements that will be extended to individual redevelopment projects.



The site is in the Village of Lombard Downtown Tax Increment Financing (TIF) District. The Downtown TIF District was initiated in 1989 and has been extended to 2024. The Village can use available funds to facilitate projects that meet the objectives of the TIF redevelopment plan. Funds from the Downtown TIF are used to reinvest in the Downtown TIF area, as well as for enhancing the current amenities. The sale of Village-owned property and any companion Development Agreements will be in conformity with the TIF Statutes, if applicable.

### ***Sale/Purchase Price***

The Village is supportive of development projects that will enhance Downtown Lombard, the community as a whole and which meet the representations contained within the RFP. Any submitted development proposals should state a threshold cost they are willing to pay. See incentives section below for other factors related to reimbursements the Village may consider, if applicable and warranted. No brokerage fees will be paid. Per Lombard Village Board direction, upon receipt of the project submittals and should the Village determine that a given proposal or proposals is worthy for further consideration, the Village will initiate sale/purchase price negotiations based upon the submitted proposal(s).

### ***Incentives***

As this property is located within a TIF District, the Village can “think outside the box” in relation to an applicant’s possible incentive need. This allows the Village to expound upon existing incentive programs should an applicant have such a need to make a project viable. The Village has established grant programs that an applicant may wish to use, if applicable and warranted.

The Village also has an established Economic Incentive Policy available on the Village’s website that may be used in conjunction with the real estate redevelopment and/or any grant programs in order to facilitate the “best deal”. Any financial discussions pertaining to the sale of the property will not occur during the RFP solicitation period. Instead, should a submitted proposal warrant further consideration, as determined through the review process, the applicant will be contacted to initiate discussions regarding the prospective sale price and/or any financial considerations that would be appropriate for a prospective development.

### ***Sales Tax Rebate Incentive***

The Village of Lombard is a non-home rule municipality. As such, the requirements of 65 ILCS 5/8-11-20 will be applicable to a Sales Tax Revenue Sharing Agreement. Applicants seeking a sales tax rebate incentive shall refer to the Village’s Economic Incentive Policy for information regarding the Village’s policies regarding such inducements. Please be advised that 65 ILCS 5/8-11-20(6)(A), (B) and (C) provide that the developer meets high standards of creditworthiness and financial strength as demonstrated by one or more of the following:

- (A) corporate debenture ratings of BBB or higher by Standard & Poor’s Corporation or Baa or higher by Moody’s Investors Service, Inc.;





- (B) a letter from a financial institution with assets of \$10,000,000 or more attesting to the financial strength of the developer; or
- (C) specific evidence of equity financing for not less than 10% of the total project costs.

### ***Remediation & Costs***

This parcel previously had an underground petroleum storage tank located on the premises. The Village has undertaken investigation and remediation efforts and will provide any interested party with any relevant data in the Village's possession pertaining to said clean-up efforts upon request. The Village can also provide the results to soil boring and testing activities completed in 2016. Any requisite soil remediation or removal costs associated with the project may be worthy of an incentive as part of the redevelopment request.

The Village will work with the developer to re-locate and/or bury utilities to complement the proposed development. The developer must notify the Village of their proposed plans as soon as possible in their design phase, so as to allow the Village time to plan and review infrastructure improvements.

Any proposal in which public incentives may be necessary must include detailed rationale for such requests. Such basis for any incentive will take the form of a gap justification, and the provision of a 10-20 year pro forma, summary of sources and uses, and an identification of extraordinary costs associated with the proposed development is hereby requested. The Village reserves the right to request additional items to provide a basis for an inducement.

### ***Best Deal Provisions***

The Village is also seeking experienced retail commercial developers and retailers who have a history of creating smart, effective retail commercial development and tenancies on downtown sites, and who understand how to maximize retail commercial vitality and/or residential units that add value to the downtown. To this end, the Village is seeking the "best deal" to make the project a reality in both the construction phase as well as a sustainably operating venture. The Village will review any proposals for thoroughness and completeness, taking into account the economic development contributions the development may make to the downtown and the Village as a whole. If a proposal is chosen, the applicants most likely will be required to submit additional documentation, financial records and possibly a personal guarantee for any borrowed funds.

Submitted items must include:

- Project narrative discussing the details of the proposed project and how the project relates to the various adopted city documents discussed herein
- Development team and experience
- Preliminary architectural plans, elevations, and site plan (however, elaborate proposals (e.g. expensive artwork) beyond that sufficient to present a complete and effective proposal are not necessary as part of the initial RFP submittal)



- Business description and narrative of how operations will occur on site. Said narrative shall also include any prospective commercial commitments the developer may be able to secure as part of the development entitlement process through a specification development or build-to-suit options.
- Offering Price, Financing Strategy, and any requests for aid in financing or cost reimbursable needs.
- Any special considerations that may be needed in terms of zoning relief or amendments
- Anticipated Project Schedule

Proposals submitted in response to this request should be reasonably detailed and informative. The Village will consider these proposals in their entirety. After review of the proposals, the Village will narrow its focus to a lesser number of proposals and potentially request selected developers and/or redevelopment groups to submit more detailed plans and/or refine their original proposals.

The contents of each proposal must address the aforementioned representations contained within the RFP and shall include the following:

- 1) Design Concepts – The proposal should indicate how the development will be designed and implemented in a manner that will enhance the attractiveness of the area and be compatible in terms of scale and overall character. The design professionals to be utilized on the project must be identified, along with evidence of their experience and skills, particularly on similar projects. Items to be addressed must include, but should not be limited to: basic mass and height relationships; functional flows of pedestrian and vehicular traffic by types (tenants, customers, deliveries, etc.); and overall architectural style. Internal floor plans and accompanying information may also be provided in order to provide an understanding of the proposals. If additional tracts of land are included as part of the proposal, sufficient companion site plans shall be provided to denote the delineation between the property subject to the RFP and any other properties.
- 3) Developer and/or Redevelopment Group – The proposal shall contain detailed information establishing that the submitting party or parties are bona fide developers with both the financing and track record to ensure project implementation. Because of the scale and complexity of the proposed redevelopment project, it is important for the Village to ensure that it has a quality partner. A statement is required describing the names, experience and anticipated level of participation of all persons and firms which are to be primarily associated with the developer and/or operating group. If a managing operator is contemplated, similar information about his or her experience and background should be provided. Providing supplemental information on past projects that are similar in scope and nature to the applicant’s development proposal would be highly desirable.
- 4) Construction Related Elements – As part of the proposal, an anticipated time frame for commencing and completing construction shall be provided. Additionally an estimated



development cost, including soft and hard construction costs and an estimated number and type of jobs to be created shall be included.

- 5) Financing the Development – A statement is required which details the proposed method of financing the development, including evidence satisfactory to the Village Board that both interim (construction) and permanent financing sources have been contacted or obtained with favorable results, and that the members of the redevelopment have the financial capacity to successfully carry out the project. Any other tangible evidence of marketability of the development should be included. Please also note that a performance bond will be required of the selected developer/redevelopment group as part of any redevelopment agreement with the Village.
- 6) Other Properties – If a proposal includes any other real estate parcels as part of the redevelopment project, the proposal shall include companion site plans for the other parcels and supporting documentation as to any other development entitlement issues (such as zoning relief, parking rights, stormwater management, etc.) that would be needed as part of a project. In addition, irrevocable purchase option for all other tracts of land beyond the subject property shall be provided.
- 7) Desired Incentives – The proposal should describe what assistance (if any) from the Village is necessary in order to make the redevelopment feasible. This shall also include any anticipated land price adjustments sought by the development team. All incentives available through the Tax Increment Allocation Redevelopment Act as well as others contemplated by the redevelopment group may be considered and should be included in the proposal.

Requests for Village assistance shall clearly outline how that potential assistance will fit the needs of the total redevelopment package. Sufficient supporting information including, but not limited to, estimated project costs and preliminary pro forma should be supplied. This information must demonstrate that the requested assistance is justifiable to permit the proposed redevelopment to be accomplished at competitive fair market costs, which will not create any unreasonable burdens for the Village. It is anticipated by the Village that any local incentives or inducements granted will be financed either by the property tax increment created by a site redevelopment or additional sales taxes generated by the retail entity. Any additional County, State or Federal incentives or inducements sought and a planned method for securing such funds, would need to be identified, particularly if Village approvals are required for application of such funding sources. The Village does not guarantee that any inducements will be granted in connection with this RFP process and ultimately, with a selected development entity.

## **EVALUATION PROCESS**

The following criteria (not necessarily in priority order) are to be considered by the Village as part of evaluation of the proposal(s) being requested:



- 1) Development group qualifications, including experience with projects of related scope, nature and complexity specifically including prior experience in working with municipalities particularly within downtown and historically significant locales.
- 2) Demonstration by prospective developers that commitments are either in place or can be readily established to deliver tenants that meet the stated goals of the Village Board as it pertains to retail commercial uses.
- 3) Financial capability of the group or individual partners is a key concern and will be thoroughly reviewed before developer selections are made.
- 4) Project economics, consistent with a quality reuse of the redevelopment site, and which benefit the Downtown and overall community.
- 5) Design proposal including site utilization. The Village will be looking for creative, yet proven strategies to maximize the potential of the available development and/or redevelopment site.
- 6) Review of any proposed store operator(s) including their past track record and experience in similar retail commercial sales endeavors, the proposed store operations and their financial ability to successfully open and operate such an establishment.
- 7) Any review of proposed residential unit mix including type of units and amenities/services.
- 8) Extent of public sector investment required to successfully implement the project.

The ‘Evaluation Team’ for review of the proposals will consist of the Village staff, Village Counsel, Members of the Economic and Community Development Committee (ECDC), any specialized consultant firms needed by the Village to review the project, and the Village of Lombard Board of Trustees.

The Evaluation Team may conduct discussions with any applicant who submits an acceptable or potentially acceptable proposal, but only after the RFP submittal date has passed and through the review process. Applicants shall be accorded fair and equal treatment with respect to any opportunity for discussion and revision of proposals. During the course of such discussions, the Evaluation Team shall be careful not to disclose proprietary information and intellectual property derived from one applicant to any other applicant.

Village staff, along with its identified consultants and advisors, will review the proposals for compliance to the RFP requirements, upon which findings and recommendations regarding the selected developer(s) and/or redevelopment group(s) will be forwarded to the ECDC. The ECDC will consider said recommendation, request any additional information, and then present its own recommendations to the Village Board for final consideration. If warranted, the Village





reserves the right to seek additional review entities, in its sole discretion, in order to properly evaluate submitted proposals.

The Village reserves the right to accept or reject any or all proposals or addendums thereto, to negotiate the terms of the proposal, and to waive any technicality in any proposal submitted. In addition, the Village may choose to accept any part of a proposal or two (2) or more different proposals as the Village deems necessary and/or appropriate. The Village also reserves the right to allow only a portion of the site to be developed. If contract negotiations cannot be concluded successfully with the chosen developer and/or redevelopment group, the Village may negotiate a contract with any other developer and/or redevelopment without notice and without re-advertising for proposals.



## **Attachment B**

### **LOMBARD ECONOMIC INCENTIVE POLICY**

*September, 2016*

The Village of Lombard, through its adoption of its Economic Development Plan in 2011, has identified a number of strategies that should be undertaken to assist the private sector in the development of key properties and/or attracting desired businesses to the community. The Plan recognizes the Village Board’s desire to “continue to expand economic development strategies to attract, maintain or expand business opportunities within the community, to include creating innovative solutions to fill commercial vacancies and innovative solutions to vacant lot development.” The Plan identifies four economic development goals:

- Retain, expand and attract commercial and industrial businesses
- Promote general economic development and business growth
- Increase municipal revenue sources and identify incentives for specific development opportunities
- Encourage redevelopment along key commercial corridors

The Village has developed an Economic Incentive Policy, which implements the “explore all options” approach.

#### **Overall Professional Standards and Practices**

In consideration of any incentive policy, the Village recognizes that such activity should include sound principles to help ensure that any future considerations are based upon accepted national professional standards. The Government Finance Officers Association (GFOA) recommends “jurisdictions using or considering the use of economic development incentives create a policy on the appropriate parameters for use of such incentives and that the finance officer play an active role in the creation of the policy.” The consideration of any incentive agreement should jointly include input from the Village Manager’s Office, the Community Development Department as well as the Finance Department. Any incentive should address the following general principles, as expressed through the GFOA, and serve as part of the basis for the Village policy:

1. ***Goals and Objectives.*** *Goals and measurable objectives create a context and accountability for the use of economic development incentives. Common goals used in economic development include: target economic sectors, business retention and/or recruitment, geographic focus, job creation, blight mitigation, improving economically distressed neighborhoods, and environmental improvements.*
2. ***Financial Incentive Tools and Limitations.*** *An economic development policy should define the types of incentives and the extent to which the jurisdiction will use them. For*



*example, governments may choose to grant an entitlement to any firm that meets minimum qualifications, or may choose to provide incentives based on an assessment of individual firms. Governments may also establish maximum funding for a particular program.*

3. **Evaluation Process.** *A clearly defined evaluation process should be outlined in an economic development policy for the purposes of consistency and transparency. Evaluation activities and factors typically include:*
  - a) *How a proposal measures up to established economic development criteria*
  - b) *A cost/benefit analysis (with defensible figures and including a worst case scenario analysis)*
  - c) *An evaluation of tax base impact, both in terms of increases in taxable value and, where a TIF is proposed, the impact on all overlapping taxing jurisdictions. Such analyses should take into consideration property taxes, sales taxes and any other revenues generated via taxes as well as job creation.*
  - d) *Analysis of the impact of a project on existing businesses*
  - e) *A determination of whether the project would have proceeded if the incentive is not provided (the “but-for” provision). A jurisdiction may also wish to include in its policy a list of required documentation for the economic development application and the officials who are a part of the review.*
4. **Performance Standards.** *An economic development policy should require that specific performance standards be established for each project receiving incentives. Not only will these performance standards help a jurisdiction gauge the effectiveness of its overall economic development program, but may also be used to recover promised financial benefits, through clawbacks or linkage agreements, of recipients failing to fulfill their commitments. Such incentives should be performance based and should not be guaranteed.*
5. **Monitoring and Compliance.** *A process should be established for regular monitoring of the economic development incentives granted and the performance of each project receiving incentives. The policy should also provide for organizational placement and staffing of this activity. The monitoring process should examine performance standards relative to each economic development agreement and determine whether the goals for each project are achieved within the defined timeframe. Ongoing monitoring of these projects should become part of an overall economic development program.*



### **Overall Lombard Goals and Policies**

It is critical for all parties to understand the general parameters pertaining to incentive programs in order to understand the role of the Village and what could be favorably considered by Village Board policy. It also reduces the amount of speculation or uncertainty that may occur absent such a formalized policy. Such general policies that would be applied to any incentive are:

1. It is the policy of the Village to consider the judicious use of incentives for projects which demonstrate a substantial public benefit in support of developments that create new jobs, eliminate blight, strengthen the employment and economic base of the Village, increase property values and tax revenues, create economic stability, and attract businesses that the Village deems to be desired. Such efforts are intended as tools to implement the Village's Comprehensive Plan and Economic Development Strategy Plan and the Village Board adopted strategic planning efforts.
2. Developers and businesses are strongly encouraged to discuss their projects with staff prior to seeking approval of any incentives.
3. Village staff shall meet with taxing jurisdictions that will be affected by any incentive that would have a direct financial impact upon received or retained tax revenues.
4. All discretionary incentives will be subject to a "but for" test. There should be a finding by the Village that the project and the incentive is necessary, otherwise it would:
  - a. not occur,
  - b. only occur in a less beneficial manner,
  - c. not be financially feasible or stable, or
  - d. not result in an overriding public benefit or a reduction in costs that would otherwise be paid by the Village.
5. Incentives will be granted only at the level necessary to make the project financially feasible, with a focus upon new business establishments rather than ongoing business operations.
6. To encourage corporate businesses, innovative research and development, and desired industrial activities, the Village can consider additional incentives for large-scale projects that significantly create quality jobs that pay wages and benefits equal to or higher than the regional averages.





7. Businesses that strengthen the overall economic climate of the community by introducing a new establishment that will significantly reduce an existing market leakage in retail sales tax dollars can be favorably considered for incentives.
8. Taxes or revenues historically received by the Village will not be reduced below the base year of any incentive, as established by the individual redevelopment plans, after an incentive is approved.
9. The Village will not waive permit or development fees, but such fees may be considered as part of the overall pro-forma of the overall construction/development cost that can be used as a basis for an economic development incentive, or if the Village determines that including the permit costs in the incentive creates a net economic benefit to the Village.
10. All projects receiving incentives must be consistent with adopted Village plans and must comply with all federal regulations, State Statutes and adopted Village codes.
11. Proposals will be individually evaluated under the Village's goals, policies and on their overall contribution to the local economy.
12. To the greatest extent possible, incentives should have a performance based element to measure the success of an incentive. The Village shall require periodic reporting evidencing compliance with the requirements of the program and measuring the economic benefit to the community.
13. Incentive programs, which do not provide for a capital or fiscal outlay can be considered to have a higher level of interest to consider and adopt. These programs include, but are not limited to: Business Improvement Districts, Special Service Areas and Special Assessment Areas.
14. Given current limitations, such programs would not rely upon the issuance of bonds or other financial constraining tools by the Village. However, this general policy shall be reviewed should the status and ability for the Village to participate in such agreements in the future materially change.
15. Sales tax revenues that are derived from an existing business establishment, and which are currently allocated into the Village's General Fund, will generally not be pledged for economic development projects, as such funds are dedicated to meeting essential and basic public service needs.



16. Each agreement will be considered individually, based solely upon the merits of the project as defined at that time of the agreement consideration. No previous proposal or agreement should be considered as a precedent for which other projects will be considered upon.

Specific goals and policies are also included for each incentive program as they are identified.

### **Types of Village Incentives**

The Village provides the opportunity for economic incentives to foster additional interest in the community and has set specific policies pertaining to incentives that can be used to entice such additional investment when warranted. The various financing and economic development programs are divided into the following categories:

#### ***Performance Based Local Incentives***

This category includes programs such as Sales Tax Reimbursement Incentives that only result in an incentive benefit that results from the grantee successfully undertaking their business activity and performing at measured levels. The advantage of such programs is it also creates a performance incentive for the grantee. However, such programs and the need for consideration of such programs must be reviewed very carefully and should not be generally available absent review of the request and compliance with the goals set forth herein.

Key policy statements for such incentives are:

1. The incentive shall be limited to the funds collected by the Village as part of the General Sales Tax Funds transmitted by the State of Illinois to the Village. The Village's Non-Home Sales Tax designated for capital improvements shall not be eligible as part of an incentive.
2. The Village should only consider an incentive if it will generate additional sales tax above and beyond existing revenue levels. Such incentives must also account for any cannibalism of existing business activity within the community. Offering a sales tax incentive in order to keep an existing business in operation or retain a business, absent an offsetting investment meeting the economic goals of the Village, should not be considered.
3. The Village gets paid first. Any such agreement shall be set up in such a manner that allows the Village to receive the first dollars generated by a project to pay for up-front capital improvements that are attributable to the project.
4. Unless specifically identified in the incentive agreement, any rebates should be established in such a manner that the Village receives at least one-half of the anticipated



additional tax generation attributable to the project during the life of the agreement. Generally, the only exception to this provision would be if an incentive is offered to rebate a previously constructed capital improvement that was installed prior to and directly associated with the business opening.

5. The applicable period in which a sales tax incentive is offered shall generally not exceed a ten (10)-year period, unless approved by the Village Board based upon a finding that “but-for” the extended time period, the incentive will not satisfy the intent of the agreement. Such occurrences shall also meet the exception provisions of this Policy.
6. A project will be more favorably reviewed if the project:
  - a. represents significant private-sector financial investment;
  - b. promotes a higher and better use of the property as determined by the Village through its adopted plans;
  - c. provides a positive fiscal and economic impact to the Village;
  - d. adds new and unique retail business tenants to the Lombard market;
  - e. mitigates any potential negative impacts to the surrounding area;
  - f. closes an existing leakage in retail sales tax dollars within the Village; and
  - g. addresses or minimizes the impacts of consumer expenditure cannibalization from existing businesses and projects in the Village.

### ***Property Tax Based Incentives***

This category includes programs that would result in a measured increase in equalized assessed valuations (EAV) or otherwise utilize property taxes to finance private investment. Such programs are frequently referred to as tax abatement programs. The Village recognizes that its proportionate share of the overall tax structure is relative small (currently 8%) and as such, if any consideration of a property tax incentive program is offered, it must be done in concert with any taxing bodies that would be affected by the program. For example, a possible development may have little or no impact upon the school taxing districts, but they may receive additional benefits through additional property valuations. In this scenario, consideration of an abatement program may be warranted.

Key policy statements for such abatement incentives are:

1. Any incentive shall be based upon any net increase in added EAV associated with the project. Projects that do not result in a significant increase in EAV, as determined by the Village in its discretion, shall not be considered.
2. Projects that result in an increase in anticipated services by any affected taxing district shall be carefully considered as part of any incentive. The agreement shall identify such



additional service impacts and their respective associated costs within the agreement itself. This can include dollars that are currently received by the affect taxing district(s), the costs associated and attributable to the project as well as any administrative costs.

3. To the greatest extent possible, any incentive should be tied to the respective year(s) in which the tax incentive is effective. The Village should not provide such an incentive in the form of an up-front payment based upon future dollars anticipated by the project.
4. The Village shall consider any legislative modifications to the local government assessment levy adopted by the State of Illinois prior to approving any such incentives.

***Incentives Associated with Public Capital Improvements***

These include programs which address expenditures for improvements that would otherwise be an obligation of the Village or another taxing body to complete. Notable examples of these types of agreements include utility extension agreements, Business Improvement Districts (BID) or some Tax Increment Financing (TIF) improvements.

Key policy statements for such incentives are:

1. Each agreement will be considered individually based upon the nature of the capital improvement being undertaken as part of the project.
2. Any incentivized capital improvement advances the overall goals of the Village by providing for an enhanced infrastructure system or addressing existing infrastructure deficiencies.
3. Incentives shall generally be applied toward those activities and development obligations that are above and beyond those required as set forth within Village Code.
4. The incentive agreement shall specifically identify the methodology associated with establishing the incentive cost as well as the funding source that will be provided by or credited toward the project.

***Incentives to Advance Village Goals and Policies***

These incentives include programs and activities that are intended to be a catalyst for indirect investment or would otherwise enhance the prominence of the Village in the County or region. These incentives are more varied than the other types of incentives, but offer an opportunity to offer an incentive if it meets a stated policy of the Village. Such types of projects are:





2. **Major Primary Employment Projects** – Projects worthy of consideration of incentives are project that include a substantial primary employment, if the proposed project:
  - a. Represents significant new private-sector financial investment;
  - b. Results in net new employment to the Village (as opposed to business relocation);
  - c. Provides quality employment opportunities for Lombard area residents consisting of a minimum of 50 new full-time on-premises jobs at a pay rate exceeding the current Lombard Median Household Income;
  - d. Demonstrates a positive direct and/or indirect fiscal and economic impact to the Village; and
  - e. Demonstrates a long-term commitment to the Village.
  
3. **Prominent Redevelopment / Revitalization Projects** – These are projects that advance the Village goals for addressing blighted sights or projects that address stated redevelopment objectives. These include projects within the established TIF Districts as well as other “eyesore” properties that have code deficiencies or other obsolescence. A redevelopment and/or revitalization project may be considered for an incentive agreement if the proposed project:
  - a. Meets the Village vision, goals and objectives of the Comprehensive Plan and other approved documents;
  - b. Represents new and significant financial investment;
  - c. Provides a positive fiscal and economic impact to the Village;
  - d. Promotes a better use of the property or improves the financial performance and/or viability of the existing property;
  - e. Represents superior design aesthetics that substantially and significantly exceed current design standards and are worthy of a public incentive; and/or
  - f. Mitigates any negative impacts to the surrounding area.
  
4. **Business Retention Efforts** – While funds to keep an existing business as-is is not a desired goal of the incentive policy, the Village does recognize that enhancing the prominence and success of existing business is a desired goal. A past noted successful example was the expansion of the Lombard Toyota site, in order to allow the business to meet corporate needs while strengthening the business prominence. To this end, incentives may be deemed appropriate when tied to capital improvements that are required to maintain the business. Such incentives should be tied to and with the level of private capital investment associated with the establishment. The funding source shall provide additional parameters as to the level of applicability of such efforts.



5. **In-kind Economic Incentives** – These incentives identify activities that the Village would undertake to advance a construction project, but may not result in a direct financial contribution to the project. These include, but are not limited to:
- a. Additional staff assistance through the project formulation through the permitting process;
  - b. Incorporation of preliminary review activity through workshop activities before the Plan Commission and/or Village Board; and/or
  - c. Incorporation of “fast-tracking” of permit activity, if necessary to facilitate the development.
  - d. Utilization of zoning tools, such as planned development and other development entitlements to facilitate development activity

Consideration of any of these incentives, which include a financial expenditure by the Village, shall be set forth within a development/incentive agreement or other like document. Said agreement shall specifically identify the nature of the request, the rationale and justification for the request and the source of funding that is intended to be utilized as part of the project.

#### **Exceptions to the Policy**

As a policy document, it does not have the same legal standing of a legislative action. As such, it is good practice to identify the process for consideration of projects that are deemed to be worthy of an incentive consideration but are not meeting all of the parameters of the overall policy. Examples may include a “trigger” project that is anticipated to cause other development to occur, the size and/or scope of the project, the level of incremental taxes to the Village to be generated by the project or other unique circumstances). In such cases, the policies being modified should be identified and the reasons for the exceptions. Such exceptions should be noted in the evaluation process and in the resolution approving the incentive. As a non-home municipality, the Village cannot mandate that super majority of the Corporate Authorities approve such a request. However, such approval shall require a disclosure statement noting the project is not within the boundaries of the economic incentive policy. This statement shall be disclosed to the ECDC and Corporate Authorities and the request shall be placed on Items for Separate Action when reviewed by the Corporate Authorities for final consideration.

#### **Questions for Consideration of Incentives**

In working with a party seeking an incentive, the Village shall act in the best interest of the Village and its residents, businesses, and taxpayers. In consideration, such questions should be raised about any such incentives and how they relate to the Village’s overall economic goals. For transparency and to provide a general understanding of the nature of the agreement, the questions raised below shall be considered by the Village prior to final consideration of any incentive agreement. These questions are based upon the Village’s Economic Strategies Report Goals and include, but are not limited to:

1. **Retain, expand and attract commercial and industrial businesses**



- Are the goods or services that the new business provides a new business sector or product that is not available in Lombard now?
- Are the goods or services that the new business provides a business sector or product that is not readily available in Lombard now? Does this provide for additional opportunities for our residents or visitors?
- Is this an existing Lombard business looking to expand and grow?
- Will the existing business create additional jobs or economic growth for the Village?

**2. Promote general economic development and business growth**

- Does this project create or retain jobs? Additional questions will need to be answered such as: how many jobs; is this an increase or decrease to the current number of jobs on site; do the job pay a prevailing wage, minimum wage, or more; and what kind of job types are being created.
- Does the development make enhancements to better the surrounding properties? These enhancements should be above what is required through existing Code requirements.
- Will there be public improvements which would benefit the Village as a whole such as a park, traffic lights, road improvements, and/or extension of water and sewer lines?
- Will innovative development technologies be incorporated into the project, or will the project bring an existing non-conforming property into closer compliance with Village Code.

**3. Increase municipal revenue sources and identify incentives for specific development opportunities**

- Is the equalized assessed value (EAV) of the property projected to increase and positively impact the taxing districts?
- If sales taxes will be generated will the amount exceed what is being generated at the site currently?
- Will there be other financial benefits gained?
- Will the project generate increased stays at Lombard hotels?
- Will there be additional costs to the Village after the development is complete related to Police, Fire, Public Works, etc.?
- What is the overall amount of capital improvements that will be made in Lombard?

**4. Encourage redevelopment along key commercial corridors**



- Does the project address a property that has been underutilized, excessively vacant or functionally obsolete?
- Are the conditions associated with the property a function of market conditions?
- Will the improvements benefit the neighboring properties?
- Is the property called out for redevelopment and therefore consistent with the Economic Development Strategic Plan, Downtown Revitalization Guidebook, and other Village documents?
- Is the development consistent with the current Comprehensive Plan?

The aforementioned questions are intended to provide a level of engagement between the incentive beneficiaries, elected officials and other interested individuals in consideration of whether such an incentive is worthy of favorable consideration. To determine whether the project requires the incentive requested, the Village may engage the services of a third-party consultant to evaluate the project and the incentive requested in relation thereto. The costs associated with such third-party consultant shall be borne by the incentive requestor, required by Chapter 16 of the Village Code.

