




MEMORANDUM

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

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

DATE: April 6, 2011

SUBJECT: Lombard Town Centre Update & FY2011 Funding

At the February 16, 2011 Special Meeting of the Economic and Community Development Committee (ECDC) meeting, it was requested that the Lombard Town Centre (LTC) provide the ECDC with a mid-year update on their goals and accomplishments, as they relate to their 2010 funding. This discussion was also intended to serve as a basis for discussion of proposed 2011 funding activities. The LTC is making its request for up to \$40,000 in funding for their 2011 calendar year, based upon the draft budget submitted by the organization. The ECDC and ultimately the Village Board is asked to review the funding request and make a recommendation as to the level of funding support that should be provided accordingly.

For reference purposes, the funding request being made by the LTC is attached and includes the following draft documents:

2010 LTC Goals and Accomplishments
Executive Director Project/Visitation List
2011 LTC Proposed SMART Goals with LTC Alignment with the Downtown Plan
Balance Sheet (as of February 28, 2011)
2011 LTC Approved Budget

Staff has attached the Implementation Chapter of the Lombard Downtown Revitalization Project Guidebook (i.e., the Plan) that was adopted by the Village Board in March, 2011 for reference purposes.

Please note that the \$40,000 request from LTC is \$5,000 higher than what is depicted in their 2011 Budget to account for any additional expenditures.

BACKGROUND – PURPOSE AND INTENT

Lombard Town Centre was initially established in 2005 to be a grass-roots organization that would follow the program elements established and set forth through the National Trust for Historic Preservation's Main Street and the Illinois Main Street programs.

Approved Main Street programs establish four core areas as part of the requisite organizational framework, including design, organization, preservation and economic restructuring elements.

Per their web-site, LTC's mission statement is to be a community-based organization, dedicated to preserving and promoting our historic downtown as the heart of Lombard and a vibrant commercial destination. The vision of LTC is to create and sustain a flourishing downtown business district that preserves the history of the Village for the benefit of residents and visitors, now and in the future, with a dedication to:

- Establishing a downtown business district with successful retail niches and quality restaurants, attractive to prospective businesses and consumers. (*Economic Restructuring component*)
- Documenting and preserving the historic buildings in the downtown district and educating our residents about these architecturally unique and precious structures, and their stories. (*Preservation component*)
- Educating and assisting property and business owners regarding possible design enhancements to existing structures that would improve the aesthetic value of the downtown. (*Design component*)
- Hosting a variety of quality events in our downtown to celebrate our rich heritage and unique character, and to provide exposure to our downtown business district to residents and visitors. (*Preservation component*)
- Forming positive and cooperative working relationship with the Village of Lombard elected officials, staff and committees, and other community organizations. (*Organizational component*)
- Recruiting a strong membership and volunteer base, committed to the core values of Lombard Town Centre and Illinois Main Street. (*Organizational component*)

HISTORICAL FUNDING

LTC Funding History

In 2005, the Village made a commitment to fund at least one-third of Lombard Town Centre's budget for its first three years of the organization's existence, in an amount not to exceed \$75,000 per year. The intent of the initial funding allocation by the Village was to provide funds for the startup operations of the LTC. It would also free the organization and the ED to undertake professional downtown marketing and economic development activities without having to spend significant time on private fundraising activities. Over time, it was envisioned that the organization would be self-sustaining and the Village's contribution would be decreased or even eliminated. The funding allowed the organization to meet the staffing, office presence and training requirements set forth by the Illinois Main Street organization in order to retain its standing as a Main Street Community without needing to generate its own revenue.

One year funding commitments of \$75,000 were approved by the Village in 2008 and 2009. A 2009 amendment to the agreement also provided for reimbursement of professional auditing services for their requisite auditing reports. In 2010, the ECDC and Village Board approved funding for the LTC in the amount of \$35,000 for a 30 hour/week part-time Executive Director (ED) position. Overall, Lombard Town Centre was granted a total of \$410,000 for operating funding for the 2005 through 2010 years. This figure does not count any Village staffing costs associated with internal Village staff outreach, LTC meeting attendance, creating or producing documents or meeting with prospective tenants and existing property owners over the past six years.

Lombard has differed from many other downtown entities in the funding of activities. LTC has received financial assistance by Lombard exclusively through Lombard Downtown Tax Increment Financing (TIF) funds. Many downtowns (such as Elmhurst, Naperville, Downers Grove and Wheaton), have established Special Service Areas that provide outreach, economic development and even targeted services (e.g., unified snow shoveling, landscaping, parking structure maintenance and operations, etc.) within their defined service area. Some communities, such as Batavia, utilize a hybrid mix of municipal support and special service funds to achieve their funding and program needs. Other communities have utilized special municipal funds (e.g. Aurora and Elgin use casino revenues) to undertake or finance such activities. Ultimately, as with any public expenditure request, the ECDC should review the funding request on the value it provides to the Village and the established TIF District.

PREVIOUS OPTIONS

In February 2010, Village staff presented four options that were available to the Economic and Community Development Committee and the Village Board as it relates to future funding of the organization. These options were:

1. Continue to fund LTC at their requested funding level of \$75,000 at that time.
2. Cease future funding for LTC.
3. Utilizing the \$62,989 that existed in the LTC reserves in February, 2010, the LTC should be directed to allocate those funds specifically for their marketing, recruitment, promotion and membership activities for the LTC. The funds would also be used to for special events, as deemed appropriate. Village staff would advance the economic development and business recruitment efforts within the downtown area, utilizing TIF expenditures to accomplish this additional activity. *This was the option and past position recommended by Village staff.*
4. Provide funding for the LTC to establish a contract position to fill the roles of the past Executive Director. While this position would a reporting function to

the Director of Community Development, it would be a Lombard Town Centre employee. The reporting function would be similar in role and activity to a professional consultant working on behalf of the Village (e.g., Konstantine Savoy's role with Teska Associates in the preparation of the Downtown Lombard Redevelopment Guidebook). The position would be funded through the LTC grant from the Village and would serve as a liaison between the LTC Board and the Village. *This was the option selected for 2010 funding and \$35,000 was allocated to the LTC to pay for the services of a 30 hour/week Executive Director. This position would be reconsidered with each year's funding request.*

CURRENT REQUEST

LTC has requested the ECDC and the Village Board also provide direction with regard to future Village funding. This request was made so that they would know which direction to proceed with their activities. They have identified a request of \$40,000 to undertake the activities within their goals. In review of this request, staff provides the ECDC with the following background information and a recommendation regarding future funding.

LTC Balance Sheet

In their request is their balance sheet, as of March 23, 2011. According to their balance sheet, the LTC currently has \$45,943 available for their activities. For comparative purposes, the LTC balance sheet had a surplus of \$62,989 as of February 5, 2010. The \$35,000 funding granted by the Village for the LTC was used for the Executive Director costs. The LTC directly expended \$17,046 for all other operations and activities over this time period.

2011 LTC Budget

The LTC proposed budget includes the following:

- 74% of LTC 2010 revenues were derived through the Village grant, 9% was through membership fees and 14% was through various fundraising efforts. Their 2011 budget has similar percentages.
- Program expenses are anticipated to be 63% higher than 2010 levels (\$8,332 to \$13,297), with the major difference being the WiFi program and organizational (training) funding
- Overall expenses are 88% higher than 2010 levels, primarily attributable to the LTC ED full-year employment.

VILLAGE TIF OBLIGATIONS

By state statute, TIF funds must be utilized for programs and capital improvements specifically within and benefitting the project (downtown) area. Most funds are utilized by the Village for public capital improvements and such projects are the primary purpose for establishing such districts. However, a portion of the overall funds has been made available for the various economic development grant programs and LTC funding. At the February 16, 2011 ECDC meeting, staff provided an overview to the committee

highlighting the revenues and expenditures as they relate to the Village's Downtown TIF District for FY 11/12. Staff noted that the Village currently has a balance of \$833,311 in the downtown TIF.

As previously referenced by the Village Finance Director to the ECDC, the Village will likely be seeing a reduction in equalized assessed valuations (EAV) for properties in the downtown in the upcoming years, which will reduce dollars available for other capital or tangible projects. Moreover, there are two properties (Hammerschmidt and the 115 W. St. Charles Road former Jirsa property that were paid for out of Village general funds that could be reimbursed by the TIF in the future). Moreover, the Village may consider additional expenditures of greater than \$60,000 for additional enhancements to the pedestrian tunnel project proposed by Metra/Union Pacific that was not considered in the initial TIF discussion. As a result, downtown TIF expenditures may significantly increase, which will decrease funds available for other activities and programs.

In 2010, the Village shifted some of its current and future expenditures to the downtown TIF from the Community Promotions and Tourism (i.e., Hotel/Motel) budget and the general fund. However, as a result of the circulator project not going forward at this time, several of the downtown activities, such as Cruise Nights, were re-established in the hotel/motel funds.

CONSIDERATION OF FUNDING REQUEST

The ECDC is asked to make a recommendation to the Village Board regarding future Village funding and roles and responsibilities for the LTC.

Before the ECDC considers any level of funding, staff and the LTC President have noted that funding consideration for the LTC should be considered in the Fall, rather than the Spring. In the past, LTC funding was always considered in the late winter or Spring months. The LTC has historically operated on a calendar year budget and as such the Village funding consideration is occurring three months into their budget year. From the Village's standpoint, the FY2012 budget is largely completed and such funding requests should be considered as part of the overall Village budget discussion. As such, staff recommends that the funding request be considered for the 2011 calendar year only and that any funding requests for 2012 should be made to the Village in October. This request would be considered by the ECDC in November, so that when the overall Community Development budget is considered in December the funding levels are known.

As with the 2010 funding request, staff offers the following options for the ECDC:

Option 1: Deny Funding

If the ECDC finds that in review of the LTC request and performance that additional funding is not warranted, funding could be denied. It should be noted that if no funding is provided directly by the Village, they estimate that they could continue operations in

their current manner for approximately the next ten months, using reserve funds. As an alternate option, if this option was supported, the LTC could still make an application for 2012 program funding, should the Village find that they met their 2011 goals.

Option 2: Limited Selective Funding

This option would take a cafeteria approach to funding LTC. Items that the Village cannot or traditionally would not do (such as operate Spooktacular) and could be done through with individual requests or as a blanket request for funding. This approach would require the LTC position to be funded through their existing reserves, while the special event activities would be partly funded by the Village. For comparison purposes, some co-sponsored events the Village operates with the Chamber operate in this manner. Based upon the 2011 budget, the Village could provide up to \$13,297 for their events.

Option 3: Limited Funding – Tie with Reserves

The LTC budget shows that 2010 and projected 2011 net loss. However, this was covered by a large surplus in reserves from unspent dollars they received from the Village. Staff also notes that the existing \$45,943 in reserves exceeds their total expenditures in 2010 (\$36,899) and is 66% of their anticipated total expenditures. From an accounting perspective, having a reserve of 25% of annual expenditures is common (and is also used as the standard of the Village). In order to keep the LTC level at the 25% level or above, \$17,368 (of 2011 annual expenditures of \$69,472), would be needed. This option would require funding of \$28,584 for a full year (through the Village's FY2012 budget, or \$14,292 for a half year (until the end of the calendar year).

Option 4: Full Funding

If the ECDC finds that they have met their goals and additional support is warranted, a recommendation for funding of \$40,000 (or \$20,000 for half year) can be made. The ECDC can add any special provisions to the funding grant that would be placed within the final resolution of approval.

VILLAGE OPERATIONS

Staff notes that if funding is cut or eliminated to the LTC, the following observations are made:

- The LTC could continue on its own, similarly to the manner Downtown Lombard United operated in the 1990s or as the Lombard Area Chamber of Commerce exists. Staff also recognizes that it is not likely that the Executive Director would be able to operate in the same extent or manner.
- Direct impacts on Community Development staffing or operations would not be greatly impacted. Staff currently administers the grant programs directly, is responsible for implementation of the downtown plan and as part of ongoing economic development activities for the overall community. LTC is identified as a partner in the implementation of these activities.

- Outreach to prospective businesses could be handled by Village staff, albeit the degree of outreach would be more limited or accomplished more in concert with general business outreach activities.
- Fund reallocation would likely be made to capital improvements and programs identified in the Plan (such as branding implementation), and staff would play an increased role in its implementation.
- Social and promotional activities would have to be re-evaluated or restructured.

RECOMMENDATION

The ECDC should review the materials provided by the LTC and staff and make a finding that it is in the downtown's best interest to continue to provide funding assistance in its operations, and to what extent such funding should be provided based upon one of the options noted above. As noted earlier, staff recommends that any future funding should be based upon 2011 considerations (i.e., a half year allocation) and that future requests should be considered in the subsequent October.