

## MEMORANDUM

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

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

**MEETING DATE:** December 12, 2016

**SUBJECT:** **Boundary Line Agreement Amendment Between the Villages of Lombard and Glen Ellyn – Economic Impact Analysis**

Attached for ECDC discussion and a recommendation is a draft boundary line agreement amendment proposal between the Villages of Lombard and Glen Ellyn. While such agreements are under the exclusive auspices of the Village Board, staff is being the matter before the ECDC to consider the economic impacts associated with the proposed amendment. The matter is the result of a pending development request for a fuel center, convenience center and car wash proposed for the southeast corner of Roosevelt Road and Lawler Avenue. Staff is seeking input from the committee prior to final consideration by the Village Board.

### **BACKGROUND**

Boundary agreements are deemed to be effective planning tools in determining future utility service and public service demands for properties that currently unincorporated but may be incorporated at some point in the future. State Statutes also provide municipalities some level of planning oversight or review of these extra-territorial areas.

Lombard has previously executed boundary agreements with each of the neighboring municipalities. The Lombard/Glen Ellyn boundary agreement also establishes a specific geographic delineation line by and between the municipalities for unincorporated lands and is intended to serve as a tool for future infrastructure and development planning activities. It also sets forth terms and provisions for selected municipal disconnections and utility connections for private properties.

Lombard executed its latest boundary agreement with Glen Ellyn in 2012, which largely mirrored an earlier agreement for the properties along Roosevelt Road. One aspect of the agreement was a narrative regarding the unincorporated area located south of Roosevelt Road, east of Interstate 355 and west of International Village Apartments – commonly referenced as the Glenbard Acres neighborhood area. The boundary agreement identified Roosevelt Road as the eventual dividing line between the two communities. The properties on the north side of Roosevelt Road are already annexed into Glen Ellyn,

while the Glenbard Acres area on the south side of Roosevelt Road remains unincorporated.

Lombard does not have any water or sewer lines west of International Village. Selected commercial properties along the south side of Roosevelt Road are connected to public water and sanitary sewer utilities that are located on the north side of the street and controlled by Glen Ellyn. These connections were made decades ago, prior to any formal boundary agreements being established between the jurisdictions.

The boundary agreement identified the Glenbard Acres as a “Joint Jurisdiction Territory” and provided for a sharing of any Retailers Occupation Taxes collected by the Village for the commercial properties along Roosevelt Road, if the properties were annexed into Lombard. However, as unincorporated properties, these properties would not provide any sales tax revenue for either jurisdiction, and the taxes would be given to DuPage County.

### **DEVELOPMENT PROPOSAL**

Staff was informed by a prospective developer that they are seeking to develop the southeast corner of Lawler Avenue and Roosevelt Road with a new fuel station, car wash and convenience store (referenced as the Bucky’s property or project). As the property is not contiguous to the existing Lombard corporate limits, Lombard cannot legally annex the property (a State Statute requirement). Furthermore, as we do not have utilities to serve the site, their only other options would be to develop the property on well and septic (not a viable option for this use) or connect to Glen Ellyn utilities. However, the agreement notes that any such connection agreement with Glen Ellyn requires Lombard’s written approval.

In discussing the option with the developer and Glen Ellyn staff, one option that is being advanced for consideration by both communities is to allow for the Bucky’s property to be annexed to Glen Ellyn. To facilitate this option a draft Second Amendment is being offered (a 2015 amendment pertaining to the Glenbard Wastewater Treatment plant on Bemis Road was the “First Amendment”).

While the language in the Second Amendment is still being finalized between the parties, the concept of undertaking the Second Amendment does have benefits. Key elements within the Second Amendment that pertain to the economic impacts of the development are as follows:

1. Without public water and sewer utilities the project cannot occur.
2. Lombard does not have the ability to provide public water and sewer to the site as it is not within our Capital Improvements Program and the cost of such an extension cannot be undertaken by the developer in a manner that would make the project worthwhile economically.

3. Providing for the amendment will allow development to occur in 2017. But for the ability to connect to public utilities in short order, the project will not be able to move forward.
4. Should the project occur, it is anticipated that it could generate approximately \$450,000 in annual sales taxes between the fuel sales and the store sales, based upon developer representations. Attached are three development options that depict the anticipated costs under three development scenarios, which justify the intent of the review. Under the first Scenario, no revenues would be derived by the project until it is annexed into the Village (we modeled 5-years, but that should not be considered an absolute date). Under Scenario 2, the anticipated base retailer's sales tax generated by the project going back to the local government(s) would then need to be divided evenly between Lombard and Glen Ellyn. With annexation, Glen Ellyn would also receive property tax revenues plus any other business license and other permit revenues.
5. Lombard and Glen Ellyn are also discussing the possibility of incorporating a sharing component of Glen Ellyn's Home Rule Sales tax provisions (Scenario 3). If Lombard annexed the property in the future, the dollars Lombard would receive from the non-home rule sales tax component would need to be specifically allocated to capital improvement funds and not the General Fund, while Glen Ellyn would only receive 50% of the Retailer's Occupation Tax and none of the Non-home Rule sales tax dollars. Whereas, if the property is annexed into Glen Ellyn, as a home rule community, Glen Ellyn would receive the unencumbered Home Rule taxes, which could be redistributed to their general fund as well as back to Lombard, as negotiated. Recognizing that it is highly probable that this property would remain within the corporate limits of the Glen Ellyn in the future, Lombard wanted a provision to address future opportunity costs.
6. As envisioned, no incentive will be passed to the developer for the project and the developer would pay for all costs of construction associated with the project.

### **ACTION REQUESTED**

Staff is bringing this item before the ECDC for a recommendation for the Village Board. Given the constraints associated with the site and in order to derive an economic benefit from this development in the immediate term, staff recommends that the ECDC support the proposed Second Amendment to the Development Agreement.

**Bucky's Glen Ellyn  
Scenario 1  
Property Remains Unincorporated and is Annexed to Lombard in 5 Years  
Sales Tax (Note 1)**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total Gasoline/Convenience Store Sales	5,500,000	5,582,500	5,666,238	5,751,231	5,837,500	5,925,062	6,013,938	6,104,147	6,195,709	6,288,645
Tax Rate	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Sales Tax Generated	55,000	55,825	56,662	57,512	58,375	59,251	60,139	61,041	61,957	62,886
Non-Home Rule Sales Tax Generated					59,251	60,139	61,041	61,957	61,957	62,886
To County	55,000	55,825	56,662	57,512	58,375	-	-	-	-	-
Cumulative to County	55,000	110,825	167,487	225,000	283,375	283,375	283,375	283,375	283,375	283,375
Sales Tax to Lombard	-	-	-	-	-	29,625	30,070	30,521	30,979	31,443
100% NHR Sales Tax to Lombard	-	-	-	-	-	59,251	60,139	61,041	61,957	62,886
Cumulative To Lombard	-	-	-	-	-	88,876	179,085	270,647	363,583	457,913
Sales Tax To Glen Ellyn	-	-	-	-	-	29,625	30,070	30,521	30,979	31,443
Cumulative To Glen Ellyn	-	-	-	-	-	29,625	59,695	90,216	121,194	152,638

Notes:

- (1) For Sales growth, assumes 1.5% long-term growth for future years; this is consistent with overall Village sales tax
- (2) Assumes first 5 years unincorporated, and then incorporated into Village of Lombard in Year 6
- (3) Assumes 50/50 split of Sales Tax between Lombard and Glen Ellyn
- (4) Assumes Village of Lombard keeps 100% of NHR Sales Tax Year 6 and after
- (5) Assumes \$5.5M in annual sales

**Bucky's Glen Ellyn  
Scenario 2  
Property Annexated into Glen Ellyn, with Retailers Occupation Tax Sharing**

**Sales Tax (Note 1)**

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
Total Gasoline/Convenience Store Sales	5,500,000	5,610,000	5,722,200	5,836,644	5,953,377	6,072,444	6,193,893	6,317,771	6,444,127	6,573,009
Tax Rate	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Sales Tax Generated	55,000	56,100	57,222	58,366	59,534	60,724	61,939	63,178	64,441	65,730
Home Rule Sales Tax Generated	55,000	56,100	57,222	58,366	59,534	60,724	61,939	63,178	64,441	65,730
To County	-	-	-	-	-	-	-	-	-	-
Cumulative to County	-	-	-	-	-	-	-	-	-	-
Sales Tax To Lombard	27,500	28,050	28,611	29,183	29,767	30,362	30,969	31,589	32,221	32,865
Cumulative To Lombard	27,500	55,550	84,161	113,344	143,111	173,473	204,443	236,032	268,252	301,117
Sales Tax to Glen Ellyn	27,500	28,050	28,611	29,183	29,767	30,362	30,969	31,589	32,221	32,865
100% HR Sales Tax To Glen Ellyn	55,000	56,100	57,222	58,366	59,534	60,724	61,939	63,178	64,441	65,730
Cumulative To Glen Ellyn	82,500	166,650	252,483	340,033	429,333	520,420	613,328	708,095	804,757	903,352

Notes:

- (1) For Sales growth, assumes 1.5% long-term growth for future years; this is consistent with overall Village sales tax
- (2) Assumes incorporated into Village of Glen Ellyn immediately
- (3) Assumes 50/50 split of Sales Tax between Lombard and Glen Ellyn
- (4) Assumes Village of Glen Ellyn keeps 100% of HR Sales Tax
- (5) Assumes \$5.5M in annual sales

**Bucky's Glen Ellyn  
Scenario 3  
Property Annexed into Glen Ellyn with Retailers Occupation Tax and Home-Rules Sales Tax Sharing**

**Sales Tax (Note 1)**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total Gasoline/Convenience Store Sales	5,500,000	5,610,000	5,722,200	5,836,644	5,953,377	6,072,444	6,193,893	6,317,771	6,444,127	6,573,009
Tax Rate	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Sales Tax Generated	55,000	56,100	57,222	58,366	59,534	60,724	61,939	63,178	64,441	65,730
Home Rule Sales Tax Generated	55,000	56,100	57,222	58,366	59,534	60,724	61,939	63,178	64,441	65,730
To County	-	-	-	-	-	-	-	-	-	-
Cumulative to County	-	-	-	-	-	-	-	-	-	-
Sales Tax To Lombard	27,500	28,050	28,611	29,183	29,767	30,362	30,969	31,589	32,221	32,865
50% HR Sales Tax To Lombard	27,500	28,050	28,611	29,183	29,767	30,362	30,969	31,589	32,221	32,865
Cumulative To Lombard	55,000	111,100	168,322	226,688	286,222	346,947	408,886	472,063	536,505	602,235
Sales Tax to Glen Ellyn	27,500	28,050	28,611	29,183	29,767	30,362	30,969	31,589	32,221	32,865
50% HR Sales Tax To Glen Ellyn	27,500	28,050	28,611	29,183	29,767	30,362	30,969	31,589	32,221	32,865
Cumulative To Glen Ellyn	55,000	111,100	168,322	226,688	286,222	346,947	408,886	472,063	536,505	602,235

**Notes:**

- (1) For Sales growth, assumes 1.5% long-term growth for future years; this is consistent with overall Village sales tax
- (2) Assumes incorporated into Village of Glen Ellyn immediately
- (3) Assumes 50/50 split of Sales Tax between Lombard and Glen Ellyn
- (4) Assumes 50/50 split of HR Sales Tax between Lombard and Glen Ellyn
- (5) Assumes \$5.5M in annual sales

# GLENBARD ACRES JOINT JURISDICTION TERRITORY

 JOINT JURISDICTION  
TERRITORY

 BUCKY'S DEVELOPMENT  
(JJT REDEVELOPMENT PARCELS)

 LOMBARD CORPORATE LIMITS

DEC 2016

