


## MEMORANDUM

**TO:** Trustee Anthony Puccio, Chair  
Economic & Community Development Committee Members

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

**MEETING DATE:** October 14, 2019

**SUBJECT:** **Butterfield Yorktown Business District (BD) – First Amendment to District Boundaries (Carlisle Banquets - 435 E. Butterfield Road)**

At the July 23, 2018 meeting of the Economic & Community Development Committee (ECDC), staff introduced the concept of enhancing restaurant and retail business activity within the Butterfield Road corridor by establishing a second Business District (BD) (also referenced in common parlance as a Business Improvement District). It would encompass selected properties along Butterfield Road and in the Yorktown planned development area not already located within the existing Yorktown BD area (see Attachment D).

Through 2019, staff engaged Kane McKenna Associates to develop a formal Business District Plan, which is a requisite step as required by State Statutes. Through this ongoing effort the Plan was completed and the Village Board took steps to implement the district as well as establishing a one-percent (1%) tax what would be placed upon applicable and eligible retail sales activity. The tax will go into effect on January 1, 2019. A copy of the approved Plan will be provided to the ECDC members at the meeting.

As part of the public hearing for the BD creation, one business entity (the Carlisle Banquet Hall) expressed concerns about the district and its impact on their business. In addition to the testimony they presented at the Village Board meeting, attached are correspondences the Village received (Attachments B & C) from the Carlisle expressing their concerns relative to their inclusion within the district and their specific request to have their property removed from the district boundaries. As this request would require the Village Board to follow the same process as creating the BD, the request is being brought before the ECDC for initial review and recommendation.

### **BACKGROUND**

Staff and the ECDC were tasked to undertake the “explore all options” approach to future incentive opportunities. The approved BD was established to allow the Village to create an additional economic incentive opportunity to broaden the Village’s kit-bag of economic incentive possibilities for tenants and property owners.

A BD is a specified and defined geographical area in which businesses are required to pay an additional tax to fund identified projects within the district's boundaries. The concept is that it will

create a significant improvement to the area without any imposing any direct tax burden upon residents or other property owners. The establishments within a BD generate sales tax revenues to fund the eligible BD improvements. The Village is obligated to allocate any collected funds back to the entities and properties within the defined area and paying into the fund. The funds must be associated with eligible improvements such as infrastructure improvements, building renovations and construction activities and other eligible capital improvements.

For reference, the first Yorktown BD was established for selected properties along the western and southern end of Yorktown Center in 2005. The purpose of the original District was to provide a funding source for significant public water and sewer capital improvements, all in an effort to facilitate additional Ring Road retail/restaurant development and the redevelopment of the former Montgomery Ward store with the Shops on Butterfield. The District established an additional one-percent tax on all applicable purchases in the boundaries of the District.

The second BD was adopted as a means to achieve the following goals and objectives:

#### Village Goals

- 1) To provide for implementation of economic development and redevelopment strategies.
- 2) To encourage positive and feasible redevelopment of vacant properties and/or underutilized facilities.
- 3) To provide public infrastructure improvements to promote growth.
- 4) To strengthen the property tax base and sales tax base.
- 5) To create new jobs and retain existing jobs for the Village and area residents.
- 6) To coordinate all redevelopment within the Village in a comprehensive manner.

#### Village Objectives

- 1) Encourage the redevelopment of the Carson's properties.
- 2) Stabilize retail operations in the space located in the Yorktown Center and explore options for reuse or repositioning of the properties.
- 3) Encourage the development of outlots.
- 4) Improve utility infrastructure.
- 5) Encourage redevelopment of properties south of Butterfield Road and east of Yorktown Center (most notably the Northern Seminary site).



- 6) Coordinate aesthetic improvements relating to facades and lighting.
- 7) Facilitate transportation improvements, parking and access/egress.

The funds collected through the new BD would be allocated in a manner that meets these goals and objectives. Staff included the southern properties along Butterfield Road as part of the BD as those identified properties could also be the beneficiary of the funding source to address public and private improvements. Items that have been mentioned to staff in the past include, but are not limited to:

- 1) Address intersection improvements at Butterfield Road and Fairfield Avenue as well as Fairfield Avenue and the frontage roads;
- 2) Provide for cross-access and parking improvements on the existing NiCor right-of-way along Interstate 88;
- 3) Provide opportunities for enhanced wayfinding signage for businesses along the frontage road;
- 4) Provide for other roadway enhancements or infrastructure improvements along the frontage road; and
- 5) Provide an additional “built-in” incentive opportunity for the property at 625 E. Butterfield Road that would functionally replace the previously approved economic incentive that was previously a part of a major redevelopment proposal (Sam’s Club).

### **CARLISLE REQUEST**

In discussions with the Carlisle representatives, they expressed their primary concerns that their business model (a banquet hall) is markedly different than other business entities that are part of the BD, in the following respects:

- 1) Their customer base is more price sensitive, as they only have 200 customers a year, each of which are paying for all meals and incidentals. For an individual diner at a restaurant, a 1% tax on a \$100.00 bill would be \$1.00, while 1% tax on a \$30,000.00 wedding would be \$300.00. This may make their business more like an automobile establishment as opposed to a restaurant.
- 2) They expressed concerns that their market competition would not be subject to such a tax – staff and the Carlisle noted the sales tax differentiations between their establishment (See Attachment A)
- 3) They expressed no real value in return for a being a part of the BD.

Staff has reviewed the request and offers its comments, as follows:

- 1) While they have not identified any building or site improvements at this time, removal of the property would eliminate utilization of such BD funds for any improvements in the future. This provision would apply even if the property was sold or redeveloped into another land use type.
- 2) Removal of the property would likely not impact the overall qualification factors associated with the original BD creation. This will be confirmed by Kane McKenna & Associates (KMA) as part of a supplemental memorandum and plan report prior to the Village Board taking any action.
- 3) As the property is the last lot with a retail business along the frontage road, their removal would not impact many of the items that were initially identified within the initial justification for the BD.

To that end, and given the unique geographical location within the TIF as well as the unique business model of the Carlisle, the removal of their property could be warranted.

**ACTION REQUESTED**

Staff is placing Carlisle's request for removal of their business and property from the Butterfield Road Yorktown Business District on the October 14, 2019 ECDC agenda for consideration and a recommendation to the Village Board. Should the property be proposed to be removed, formal steps will be initiated per State Statutes to set requisite hearing and draft Ordinances forward accordingly.

**Attachment A**  
**Sales Tax Data for Selected Banquet Hall Facilities**

Diplomat West – Elmhurst	9% Total; 8% Sales Tax + 1% PFE (no BD)
Abbingdon – Unincorporated DuPage County	7% Sales Tax (no PFE or BD)
Drake – Oak Brook	7.5% (no PFE or BD)
Drury Lane –Oakbrook Terrace	8% Sales tax; (no PFE or BD)
Millhurst – Oakbrook Terrace	8% Sales tax; (no PFE or BD)
Empress – Addison	8% Sales Tax (no PFE or BD)
Oakbrook Bath and Tennis – Oak Brook	7.5% (no PFE or BD)
Carlisle – Lombard (current)	10% Total; 8% Sales Tax and 2% PFE.

PFE – Places for Eating tax (currently 2% in Lombard)

BD – Business District



## Attachment B

### Response to Staff Questions by Carlisle

1. The Village would like to quantify the nature of activities there. There are four categories of the varying types of activities that occur at the Carlisle
  - a. Evening banquet events such as weddings, holiday dinners, special event dinners (like the Lilac Ball)
  - b. Business luncheon gatherings
  - c. Conference/meeting activities in which the food/drink is an ancillary function of the gathering activity, and/or
  - d. Special traditional dining events such as Mother’s Day and Easter brunches

To that end, can you offer a breakdown as to general number of each type of event that occur in a given year? Also, if you could offer in percentage terms how revenues compare for each of these types of events? What is your average event tab for each one of these elements?

**Answer:**

The Carlisle breaks down their events between corporate, weddings and social events. Corporate events would include any business-related function. The term “business” is broadly defined to essentially mean any non-personal event. Thus, school events are included in the definition of a “business” function. Social events include engagement parties, showers, birthdays, anniversaries, funeral luncheons, brunches and the New Year’s Eve events.

2. Are there any event activities that occur at the Carlisle that are not accounted for in the above listings? If so, can you note and offer the same information?

**Answer:**

The outliers here are the three open to public events we host: Mother’s Day, Easter and New Year’s Eve events. All of these would be subject to the increased sales tax.

3. Do items like cash bars or any other “attendee-based costs/revenues” get covered into the narrative? If so, how?

**Answer:**

On average, the Carlisle hosts 100 corporate events, 75 weddings, and 65 social events. The average corporate event is roughly \$10,000 and constitutes roughly 35% of revenues, the average wedding is \$18,500 and constitutes 50% of revenue, and the average social event is \$6,700 and makes up 15% of revenues. The averages cited above are net of all cash bar payments. Any additional services like tents or decorations are generally contracted with third party purveyors.

4. Are there special costs or services above and beyond the costs that are associated with general business operations? For example, valet parking services, ancillary tents and third-party decoration/set-up services are provided for some larger events but may not a typical business activity. How does this play in your overall operational costs?

**Answer:**

We pay \$25,000 annually for complimentary valet service that we provide to our guests.

5. Given your events above, do the actual costs of business operation stay consistent or do your operational costs vary on an event by event basis? Or in other words, to what extent are your operating costs for your business static or variable?

**Answer:**

Our labor costs do not generally vary and are fairly consistent. Obviously, the bigger an event, the more staff needed on hand. The core staff consists of the manager, office/sales representatives, chef and sous chef. On the days that there are events, the staff swells to include dishwashers, prep and kitchen staff, bus boys and servers. One of the benefits of a banquet hall is that you rarely have idle staff since you know the time and dates that you will have guests and work for staff. Accordingly, costs are predictable and consistent.

6. Would you be comfortable with offering us specific data in real terms as to the amount the Carlisle would approximately pay annual into the BD based upon your revenues over the past few years? Basically, this would be 1% of all generated revenues for your various events?

**Answer:**

We calculate that the Carlisle would have to pay between \$22,000 - \$30,000 more in sales tax a year if the Carlisle would be subject to this additional 1% tax. This money would come right out of the bottom line. Here again, it merits pointing out that the Carlisle already pays higher sales tax rates (presently at 10%) than our competitors located within Lombard. Adding an additional percentage exacerbates this problem.

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October 14, 2019  
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**Attachment C:**

**Carlisle Written Request to be Removed from Business District**

(attached on next page)



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September 13, 2019

The Village of Lombard  
255 East Wilson Avenue  
Lombard, IL 60148  
Attention: Hon. Anthony Puccio

**VIA EMAIL & UPS**

Re: Butterfield Yorktown Business District No. 2  
Carlisle Banquets

Dear Mr. Puccio,

My office represents Carlisle Banquets, Inc., an Illinois corporation ("**Carlisle**") and Jim Apostolou, its sole shareholder. Reference is made to the Village of Lombard Butterfield Road/Yorktown Business District No. 2 Plan prepared by Kane, McKenna and Associates, Inc. for the Village of Lombard dated July, 2019 ("**Plan**") that calls for the imposition of an additional one percent (1%) sales tax on businesses located within the area legally described therein (the "**Business District**") in order to create funds for economic development initiatives. The Carlisle is included in the proposed Business District. For the reasons set forth below, we respectfully request that the Carlisle be removed from the Business District.

As an initial matter, we are unclear as to the basis behind area that constitutes the Business District and the inclusion of the Carlisle within it. While we appreciate that the outlines of any Business District are inherently subjective, we note that Business District terminates with the Carlisle lot line to southwest end and does not include the remaining properties to the west of the frontage road abutting Butterfield Road. More importantly, the Business District does not include either the Embassy Suites or the Westin – two business located within Lombard that are both literally immediately adjacent to and would equally benefit from the development of the Business District. Finally, we do not believe that the Carlisle, which is across the street from the Yorktown Shopping Center, would stand to benefit from stated purpose of the proposed Business District.

It is equally important to note that both the Westin and Embassy Suites are direct competitors and, as discussed below, already pay lower sales tax today than the Carlisle. Their exclusion from the Business District provides a powerful price advantage relative to the Carlisle which is located two miles away. The exclusion of these businesses together with the Carlisle's inclusion in the Business District, not only seems arbitrary and capricious, but also results in a perverse and powerful Village-created disincentive for potential customers to book their events at the Carlisle versus the Westin and Embassy Suites. Said alternatively, without modification to the Business District, the Village will have created a significant business advantage to nationally traded companies and significant disadvantage to a family owned and operated business that has been in Lombard for decades.



The Carlisle is a banquet hall that has called Lombard home since it was built, and my client is the second owner of the land and business having acquired it in 1991. It has and continues to host a variety of functions ranging from celebrations like weddings, christenings, birthdays and anniversaries to business meetings and conferences. We are a proud member of the Lombard community, equally proud to have served countless Lombard residents, and delighted to attract people near and far to Lombard as they attend events at our facility. The Carlisle is family owned and operated and my client and his children are directly responsible for and carry out the day to day management of the business. One of the members of the family is generally there every day to meet with potential customers and manage the business.

While the Carlisle can be rented purely for space to host a function, the overwhelming majority of events involve the provision of food and beverages from our onsite kitchen and bar facilities. Accordingly, pursuant to Illinois law and the “predominant purpose” rules, the Carlisle collects sales tax on the entire balance of any event where it provides meals as part of the event. Unfortunately, we cannot permissibly bifurcate room rental (which would not be subject to sales tax) from the provision of food and beverage (which is subject to sales tax). As such, nearly every function held at the Carlisle is subject to sales tax except in instances of a pure room rental.

Unlike in a restaurant setting where a 1% increase on a \$100 bill is insignificant (if noticed at all), the sales tax rate is a factor that becomes much more noticeable and influences a customer’s decision as to which banquet hall to use since the host must pay tax on the meals for everyone at their event. Events at the Carlisle range in size, but for most events there are hundreds of guests. Most of our customers host one-time events at our facility that tend to represent significant cash outlays, and so they are hyper-conscious of all costs and taxes. As you can imagine then, every dollar counts when comparing the Carlisle to the half dozen local competitors. Here again, while on its face, a one percent (1%) sales tax increase seems inconsequential, it adds up when you are planning a wedding for your daughter, company holiday party, or philanthropic event. It becomes ever more consequential when considering that the Carlisle is already paying higher sales tax than any of its competitors.

The Carlisle is presently subject to the Village’s 2% Places for Eating Tax in addition to the 8% Sales Tax, which brings the amount of sales tax applicable to any event at the Carlisle to 10%. In addition to competing with the Westin and Embassy Suites, the Carlisle competes with various other banquet halls such as the Diplomat West, Abbington, Drake, Drury Lane, Millhurst, and Empress. ***As its stands presently, the Carlisle is already subject to a higher sales tax rate than every single competitor; adding an additional one percent so that sales tax would increase to 11% exacerbates the disparity and makes the Carlisle even less competitive.*** Our competitors pay as low as 7.5% with the average sales tax rate at 8%. We are already at a competitive disadvantage today, and the inclusion of the Carlisle in the Business District compounds this disadvantage.

Consumers will always prefer to either save or spend this money on other tangible items for their event, and we know this to be true based on our actual experience. My client operates a banquet hall in Rolling Meadows that has recently become subject to a 12% sales tax rate. Its competitors in Schaumburg and Arlington Heights are subject to a sales tax rate that is at least 3% lower. Customers who are otherwise interested in and would have had their events with us end up at our competitors because they automatically save and can apply those savings elsewhere. This phenomenon intensifies in recessionary

economic periods and has had a palpable depressing effect on revenues. While I appreciate that this is anecdotal, it is nevertheless apt as it is a direct analog that illustrates the effects of different tax rates on a banquet hall relative to its nearby competitors that pay lower sales tax rates. Simply stated and rather self-evidently, if all else is equal, consumers will pursue the course whereby they obtain the most value for the money spent on their events, and would rather spend money on themselves/their events than pay a higher sales tax.

In sum, the inclusion of the Carlisle within the Business District will certainly create an undue economic hardship to the Carlisle, a resulting reduction in revenue and concomitant reduction in sales tax to the Village. My client has been operating his business in Lombard for nearly twenty years and has built a very positive reputation as a result of his hard work, dedication and sacrifice. The inclusion of the Carlisle within the Business District invariably yields in a result where the Village puts the Carlisle at a significant competitive disadvantage. We are confident that this result is inadvertent and equally objectionable to the trustees and other municipal officials who, upon review of the matters brought up in this letter, and more considered thought, will use all of their lawful authority to ensure that the Carlisle is removed from the proposed Business District.

We welcome the opportunity to discuss this further with Village officials and look forward to continuing to work together toward a resolution on this matter.

Best Regards,



George Lattas



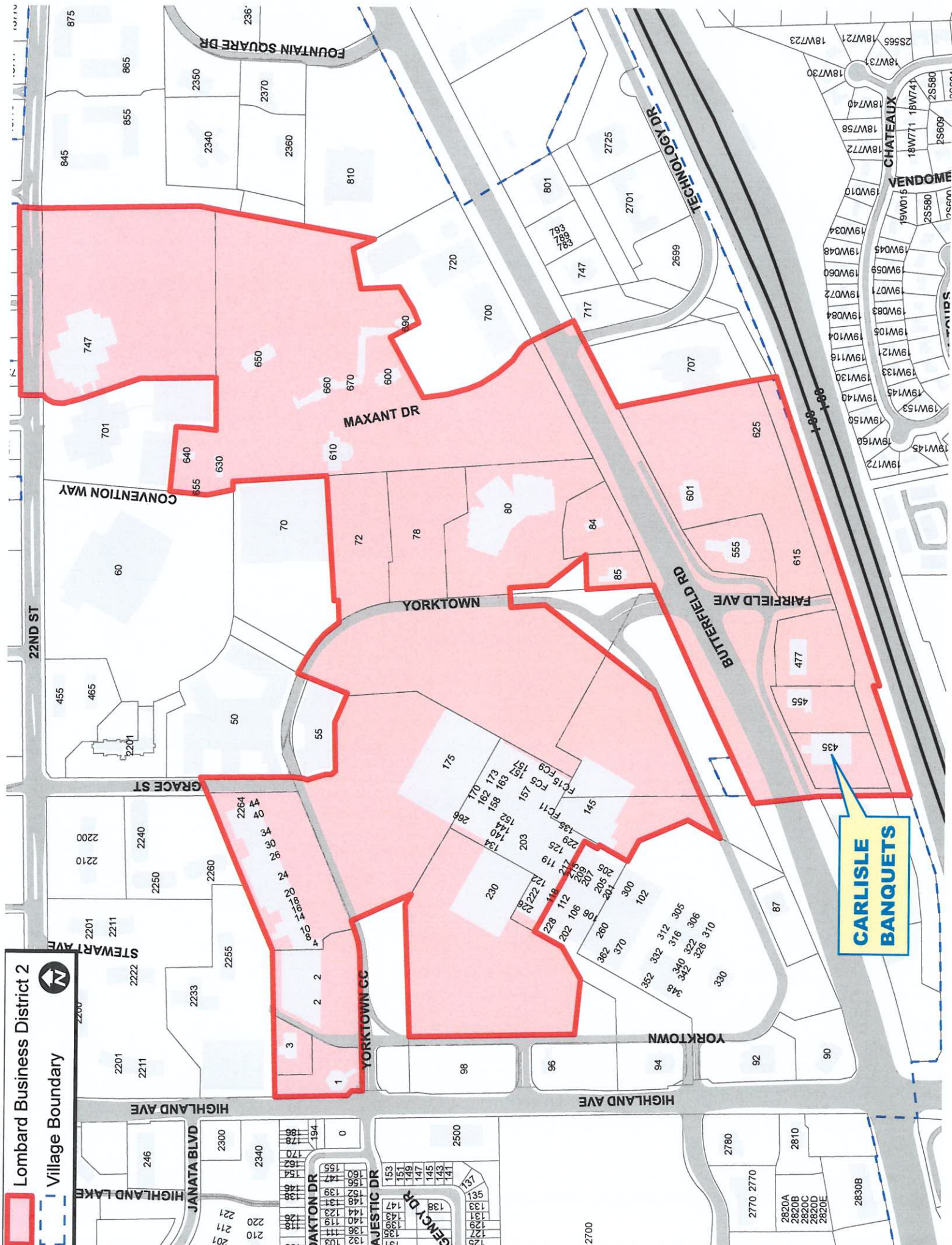
**Attachment D:**

**Butterfield Road Yorktown Business District Boundaries  
(with Carlisle Property Denoted)**

(attached on next page)

**Lombard Business District 2**

**Village Boundary**

**CARLISLE BANQUETS**