

MEMORANDUM

To: William T. Lichter, Village Manager

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

Date: May 9, 2006

Subject: **LOMBARD BUSINESS DISTRICT NO. 1 – BUSINESS DISTRICT REDEVELOPMENT AGREEMENT**

The Department of Community Development transmits for your consideration a Business District Redevelopment Agreement within the Boundaries of Lombard Business District No. 1.

This agreement provides a rebate of the one percent (1%) business district retailer's occupation tax and business district service occupation tax within the boundaries of Lombard Business District No. 1. The purpose of this tax is to assist in developing funds to provide reimbursement for approved eligible costs associated with the redevelopment of Lombard Business District No. 1. The Lombard Business District No. 1 is generally located at the Northeast corner of Butterfield Road and Highland Avenue on the Yorktown Mall property, generally consists of the former Montgomery Wards store site and surrounding areas (See attachment A).

Background:

The Village Board of Trustees at their November 17, 2005 meeting approved two ordinances - one allowing the creation of business districts within the Village of Lombard and the second in creating in Business District No. 1. Prior to that time period, the Village did approve an inducement resolution so that the potential restaurant sites could begin construction prior to the final approvals of Lombard Business District No. 1. The Village has also imposed one percent (1%) business district retailer's occupation tax and business district service occupation tax within the boundaries of Lombard Business District No. 1.

The developer of Lombard Business District No. 1, Yorktown Holdings LLC and Highland Yorktown LLC, has presented for consideration a redevelopment agreement with the Village of Lombard in which reimbursement would be made by the Village of Lombard to the developer for approved extraordinary costs associated with the redevelopment as provided for in the agreement. The above-mentioned taxes will also provide funds that could provide reimbursement to the Village of Lombard for expenditures that it has made or will make in the future as part of the redevelopment of this area as well.

Salient Points of the Business District Redevelopment Agreement:

1. The Village will agree to reimburse the owner for eligible project redevelopment costs not to exceed the sum of \$13,658,425 plus interest (7% per annum until fully paid) as provided for in the Redevelopment Note up to an aggregate amount not to exceed \$25,000,000. The eligible project redevelopment costs are as listed in Exhibit C of the Business District Redevelopment Agreement.
2. Said reimbursement shall come from the one percent (1%) business district retailer's occupation tax and business district service occupation tax within the boundaries of Lombard Business District No. 1.
3. The owner has up to June 30, 2024 to generate the necessary sale tax revenues from which to be reimbursed.
4. Prior to receipt of the initial payment of sales taxes pursuant to the Redevelopment Note and the agreement, the owner shall provide a detailed description of the redevelopment project costs that have been incurred in connection with the construction of the project, and evidence that confirms that owners have expended the amounts for which they are seeking reimbursement.

Staff Observations:

1. The Village is at no financial risk in undertaking this agreement. The revenues necessary for this agreement are created by the tenants of the owner.
2. Upon expiration of this agreement there will be five (5) years and more than \$5,000,000 in anticipated sales tax revenues that will be available to be used in the business district. The Village can utilize these funds if it so chooses to reimburse itself for eligible expenses or undertake other projects within the district boundaries.
3. The owner estimates that the total project will cost \$72,668,277.
4. The development agreement provides for a Redevelopment Note in principal amount of \$13,658,425. (Thus, every public dollar expended from the Business District sales tax results in a leveraging of more than four (4) dollars.)
5. It is also estimated that Lombard Business District No. 1 will provide the Village with sales tax revenue in excess of \$72,000,000 over the life of the district beyond the special sales tax imposed on the district itself.

Recommendation: Staff recommends that the Village Board authorize the Village President and Village Clerk to sign a Business District Redevelopment Agreement By, Between and Among Yorktown Holdings LLC, and Highland Yorktown LLC and the Village of Lombard.

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