

MEMORANDUM

To: William T. Lichter, Village Manager

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

Date: September 8, 2005

Subject: Yorktown Business Improvement District – Inducement Request

This memorandum provides an overview as to what a business district is and the rationale for the creation of the same. Further, this memorandum reviews the proposed business district for Yorktown Mall and a staff recommendation of the same.

Background:

Since 1970, municipalities have had the ability to create Business Districts. These business districts may be instituted wherever the local officials wish to stimulate economic growth. A business district allows the local community to designate a particular targeted area within a municipality that is identified as being in need of “economic development” and provides for certain municipal powers within that district that do not exist in the balance of the municipality. The Village of Lombard has only created Tax Increment Financing (TIF) districts and has also initiated two sales tax rebate agreements as ways to promote economic redevelopment.

In 2004, a proposal was approved by the legislature, which provided an additional provision to business districts in Illinois. This new provision allowed certain qualified business districts to impose up to an additional 1.0% sales tax on purchases within that district. The additional 1.0% could be used to assist in redevelopment initiatives much like a TIF. Expenditures such as land write downs, infrastructure improvements, traffic enhancements, remediation assistance, demolition, site preparation, extraordinary costs, all are examples of eligible expenses.

Yorktown Mall Challenges:

Yorktown Mall has been in the process of finding a suitable and appropriate big box user for the vacant Wards’ space. As a result, the vacancy of Wards has negatively impacted the 1st and 2nd floors of the adjacent mall wing connected to that space for some time. Additional challenges include:

- available outlots around the ring road that have never been developed;
- watermains throughout the mall needing replacement;

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- access issues to the property have been limited as the State removed one access into the mall along Butterfield when it improved the Highland/Butterfield intersection; and
- aesthetic improvements to the façade and lighting of the mall are needed and the reciprocal easement agreements controlling the mall are expiring.

Inducement Resolution:

The proposed inducement resolution would provide the existing or future owners of Yorktown Mall to proceed with the redevelopment of Yorktown at this time. The inducement provides that the Village has identified an area of Yorktown Mall that it believes would qualify as a business district under the Act, including qualification for a “blighted area” designation under the Act. Yorktown Mall ownership or its successors desires to proceed with redevelopment within the Business District Area, however, because of the current condition of the Business District Area, can only do so with the development assistance provided for under the Act. The Village is in the process of proceeding with the necessary study and will be holding the required public hearings to establish and designate the Business District Area as Lombard Business District No. 1 pursuant to the Act, and thereafter approve a redevelopment agreement. Highlands Yorktown LLC has indicated if the Board of Trustees approves the Inducement Resolution that it will initiate some preliminary site preparation work within the Business District Area and move forward with said preliminary site preparation work in anticipation of the Business District Area being designated as Lombard Business District No. 1.

It is estimated that there will be up to \$25,000,000 in requested eligible expenses by Yorktown Mall ownership or its successors in making a redevelopment possible. The term of the life of Lombard Business District No. 1 would not extend beyond 18 years. The Village would not bond any debt for the project and would only reimburse the developer as funds are received from the additional sales tax that is imposed on the district. It is proposed that the full 1.0% additional tax would be levied for this district. It is conservatively estimated that the Lombard Business District No. 1 will create more than \$1,000,000 annually in direct benefit to the Village from its share of the current 1.0% retailers occupation taxes as a result of redevelopment. Prior studies in Missouri have shown that an additional sales tax of this nature does not impact consumers from purchasing behavior unless it is for white goods, high-end electronics or jewelry, and automobiles.

Recommendation:

Staff recommends approval of the inducement to create Lombard Business District No. 1. A qualified Business District utilizing the condition allows up to an additional 1.0% sales tax to be levied on the district. Thus, the Village will receive its portion without providing any sharing of those funds to the developer. Yorktown Mall has numerous

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challenges that need to be addressed. The proposed business district is the most practical means to address those challenges with no financial impact upon the Village. Further, the Village will receive economic redevelopment of this area, which will add to the revenue to the existing sales tax base. Consumers purchasing within this area will underwrite the eligible improvements at no cost to the Village.

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