


MEMORANDUM

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

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

MEETING DATE: July 8, 2019

SUBJECT: **Proposed Butterfield Yorktown Business District (BD2) – Draft Program and Policy**

As the Economic & Community Development Committee (ECDC) members are aware, staff has been working with Kane McKenna & Associates, the Village's Economic Development Consultant, on establishing a second business district (BD2) which would encompass many properties in the Butterfield Yorktown corridor. It would encompass additional properties that were not a part of the first Business District (BD), located on the southwestern portion of the Yorktown Center property.

Since staff brought the BD2 concept to the ECDC for an initial review and concurrence to proceed, a final draft of the BD2 Plan and Report has been created. Similar to Tax Increment Financing (TIF) Districts, a Business District must be established in conformance with a specific plan officially approved by the Corporate Authorities of the municipality after public hearings are held. In accordance with the Act, the Village may utilize collected funds in furtherance of an adopted plan. The Village Board will be announcing the proposed district at its July 18, 2019 Village Board meeting, with a formal discussion of the matter concurrent with a formal public hearing tentatively scheduled to be held by the Village Board on August 15, 2019.

Assuming adoption of the BD2, Village staff is beginning to establish a formal policy that will outline potential funding parameters. Attached for reference purposes are:

1. A map of the existing BD and the preliminary boundaries of the proposed BD2
2. A copy of the latest version of the Village's Economic Incentive Policy
3. A first draft of talking points and framework for a BD2 Grant Policy

BACKGROUND ON BUSINESS (IMPROVEMENT) DISTRICTS

As previously noted to the ECDC, a business district 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 districts create a funding source for a myriad of infrastructure improvements (e.g., water and sewer main reconstruction and ring road traffic improvements). It can also provide an economic development tool and funding mechanism for potential eligible projects beyond that which otherwise through other traditional funding sources such as Tax Increment Financing (TIF) or even other sales tax rebate programs.

The establishments within a business district will generate sales tax revenues to fund the eligible improvements, while the Village will receive the additional benefit of its Village-wide one percent sales tax that will be earmarked to pay for enumerated services. Business Districts maximize the potential benefit for Lombard residents at the minimal cost of a one percent sales tax, to be paid largely by consumers from throughout the region. The BD2 is intended to achieve the following goals and objectives:

Village Goals

- 1) To provide for implementation of economic development and redevelopment strategies that benefit the Village and its residents.
- 2) To encourage positive and feasible redevelopment of vacant properties and/or underutilized facilities.
- 3) To provide public infrastructure improvements within the Village to promote growth.
- 4) To strengthen the property tax base and sales tax base of the Village.
- 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

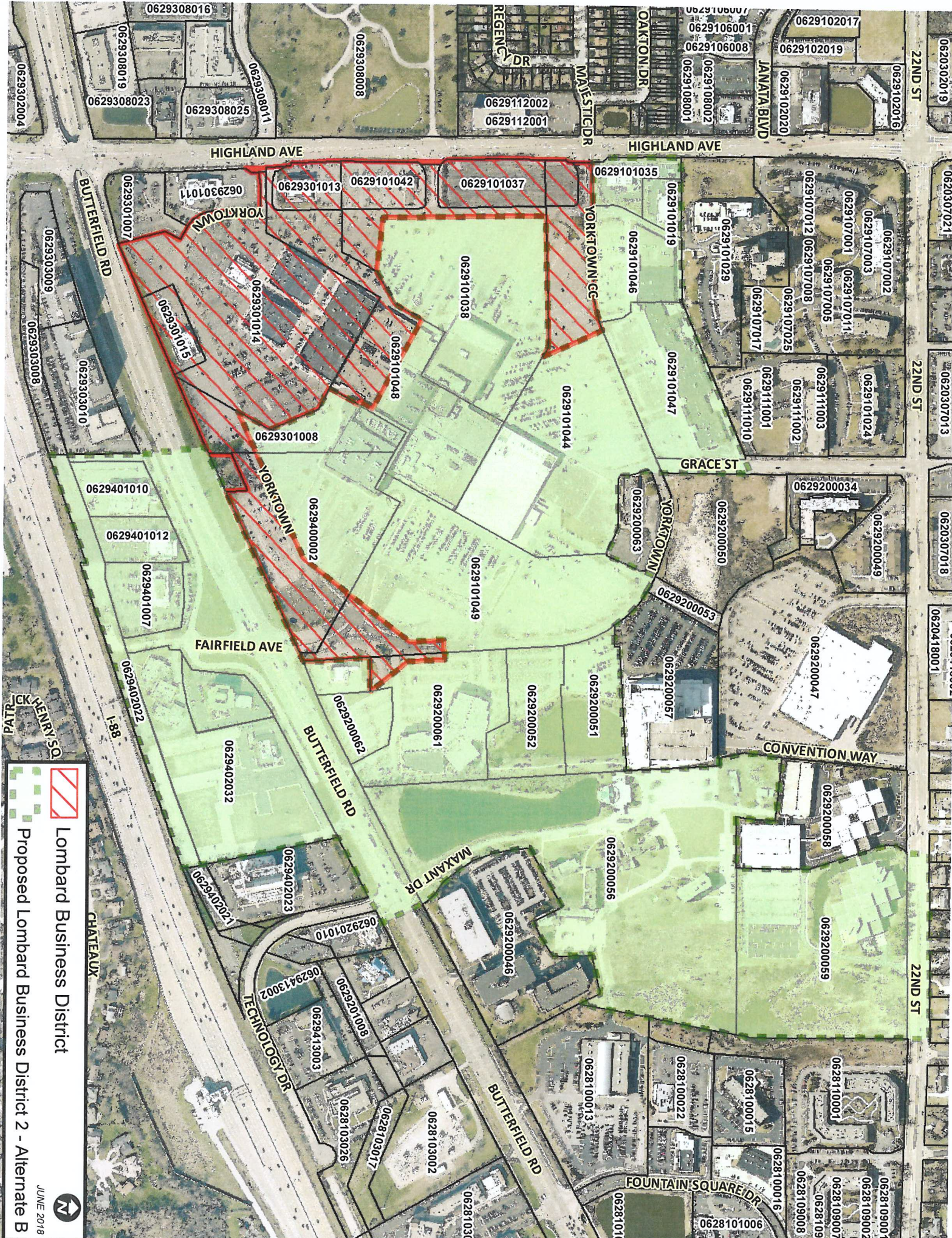
- 1) Encourage the redevelopment of the former Carson's tenant spaces/properties.
- 2) Stabilize retail operations in the space located in the Yorktown Center and explore options for reuse or repositioning of the properties.
- 3) Encourage the development of outlots within the Business District.
- 4) Improve roadway and utility infrastructure within the Business District.
- 5) Encourage redevelopment of properties south of Butterfield Road and east of Yorktown Center (most notably the former Northern Seminary site).
- 6) Coordinate aesthetic improvements relating to facades and lighting.
- 7) Coordinate parking and access/egress related agreements within the Business District, as well as the adjacent areas.

GRANT PROGRAM & POLICY CONCEPT

The goals and objectives are intended to be achieved through the creation of a BD2 Grant Policy. As with other past policies, it is intended to provide an initial framework to prospective and eligible businesses and property owners to follow should a given project need a level of assistance. Additionally, establishing such policies is an effective tool in helping the ECDC and Village Board determine the appropriate of such grant requests. The structure of the Policy mirrors many of the concepts and structures utilized by the grant programs in Downtown Lombard TIF District. However, as BD2 funds will be utilized instead of the more limited TIF funds, special consideration will need to be a part of the Policy.

ACTION REQUESTED

Staff will be introducing the initial draft framework of a BD2 policy and will outline many of the future items the ECDC may need to consider as part of the effort, should be BD2 be established. Staff is only seeking initial comments regarding the draft Grant Program and Policy. Upon establishment of the Business District, staff will incorporate the comments of the ECDC into a final Grant Program and Policy for consideration.



Lombard Business District

Proposed Lombard Business District 2 - Alternate B



JUNE 2018

FIRST DRAFT – FOR DISCUSSION PURPOSES ONLY

**BUTTERFIELD YORKTOWN BUSINESS GRANT
PROGRAM POLICY
2019**

The purpose of the Butterfield Yorktown Business Grant Program (hereinafter the “Program”) is to increase or sustain the economic viability of the Butterfield Yorktown Corridor in Lombard by attracting targeted retail businesses and assisting existing businesses in the Butterfield Yorktown Business District 2 (BD2) areas. The program will offer a 50% matching grant in the form of a sales tax incentive rebate for eligible expenditures associated with helping the start-up of new retail businesses or the expansion of existing retail businesses. Priority will be given to businesses that best complement the retail mix and help strengthen the corridor.

This Policy is intended to supplement the latest adopted version of the Village of Lombard Economic Incentive Policy (EIP). Should any provision contained within this Policy differ from the EIP, the language in the EIP shall control.

Available Funds

This Policy pertains exclusively to funds that are derived from proceeds from the collection of funds from the established BD2 funds, and therefore priority will be given to businesses with projected and performance based tangible benefits to the BD2 area. This Policy does not pertain to nor cover any other Village funds, including but not limited to: Butterfield Yorktown TIF funds, the General Sales Tax Funds transmitted by the State of Illinois to the Village, the Village’s Non-Home Sales Tax, funds derived from the Village’s Hotel/Motel Tax revenues, the Village’s Places for Eating Tax nor the Village Amusement Tax.

Eligibility

The Policy will only be offered to businesses completed tenant improvement and occupying retail space located within the BD2 as shown on the attached graphic.

*Figure 1
Butterfield Yorktown Business District No. 2*

(map to be added as BD is established)

Program Eligibility

Eligibility requirements are as follows:

1. **Expenditures.** The following items shall be considered eligible expenditures:
 - a. **Retail Use** – The Program shall be eligible for retail business establishments which are obligated to contribute retail sales tax proceeds established as part of the BD2.
 - b. **Supportive Retail Use** – On a unique case-by-case basis, the Village may consider supportive land use activities and applications that in of themselves may otherwise may not meet the retail use requirement above, but in aggregate can demonstrate that its use may result in increased sales tax revenue to BD2.
 - c. **Capital Costs**- Those costs associated with internal or external improvements which are permanently affixed to the building, which are not specific to the use, and which do not restrict the future use of the building. Some examples include, but are not limited to: life/safety and ADA/IAC accessibility code requirements, repair/replacement of roof, floors or structural walls; repair/replacement of electrical, plumbing, heating or cooling system; and installation of an elevator, sprinkler and fire or smoke alarm system.
 - d. **Business District 2 Identified Capital Improvements** – Capital improvements identified within the BD2 Plan may also be eligible for reimbursement based upon the Plan parameters and eligible funding amounts.

The Program does not cover costs associated with production equipment, media marketing/advertising, payroll, day-to-day operational costs (e.g. utilities, taxes, or maintenance), refuse, or product.

2. **Expansion.** If a business is seeking a Retail Business Grant for an expansion, a minimum investment of ten thousand and no/100 dollars (\$10,000) is required. If the expansion is associated with a service business with a substantial retail component, twenty-five percent (25%) of the total leasable floor area shall be dedicated to the new retail component, and only those costs associated with the expansion of the retail area shall be eligible. All expanding businesses shall provide financial statements for the past three (3) years demonstrating revenue from both retail and service activities.
3. **Amount.** Participants will be eligible for up to _____ thousand and no/100 dollars (\$____,000). Participants must expend verified funds and then will be reimbursed for eligible expenditures up to, but not exceeding, fifty percent (50%) of eligible expenditures. The Program shall not exceed _____ thousand and no/100 dollars (\$____,000) per participant. All Grant requests shall require Village Board approval.
4. **Ownership/Lease.** Applicants must either own or have a minimum ____ () year lease of the property in which the eligible improvements may be constructed. In some instances, approval may be contingent upon receipt of a copy of a written lease between a landlord and the applicant.

If the request is for funds to partially finance a capital improvement that would be intended to be dedicated to the Village or another governmental entity (e.g., roadway or public utility infrastructure improvements), an ownership or lease shall not be required.

5. **Occupancy-** Businesses who receive Grant funds shall remain open at the location identified in their grant application for at least five (5) years from the date of the original Grant disbursement. The Village shall be reimbursed by the applicant for any fees, including but not limited to attorney's fees associated with enforcement of this Program.
6. **Eligible Businesses.**
 - A. Priority will be given to retail businesses that best complement the retail mix within the Corridor and/or within Yorktown Center. A list of targeted retail categories is as follows: clothing stores, produce market, design/decoration/furniture, electronics, home improvement, specialty foods, crafts/toys/hobbies, custom jewelry, kitchen/home accessories, children's products, entertainment venues generating applicable sales tax funds (and/or which complement existing establishments in the Corridor), specialty retail, computer store, shoe store, and art shops/galleries. Other stores may be eligible for the Program, subject to review by the Economic and Community Development Committee (the "ECDC").
 - B. Service businesses with a substantial retail component, as defined by having twenty-five percent (25%) of its gross income and gross floor area, open to public and dedicated to retail sales activity, are potentially eligible for the Program, but would be limited to the eligible revenues collected from the business and shall not exceed the cost of the tenant improvements. The dollar amounts awarded to service businesses with a substantial retail component will be a function of the amount and nature of the retail component associated with the business.
 - C. Business Entities that may not generate at least twenty-five percent (25%) of its gross income and gross floor area, open to public and dedicated to retail sales activity, may be Grant eligible, provided that the proposed business identifies as part of their Grant application the intended and anticipated revenues to be derived by other business entities. Such information shall be reviewed by the Village to determine whether such ancillary economic benefits as part of a Grant application.
7. **Fees.** Professional, architectural, engineering, and Village permit fees may be included in the total improvement costs eligible for potential reimbursement. The Program will reimburse up to twenty-five percent (25%) or _____ and no/100 dollars (\$____), whichever is less, of architectural rendering fees prior to approval of the improvements. All requests for architectural rendering fee reimbursements prior to approval must have proper documentation and invoices.
8. **Application Fees.** The applicant shall submit a non-refundable application fee in the amount of \$_____ to cover the costs of the formal review and consideration of the Grant

request as well as any costs associated with processing and/or reimbursing the eligible party. There are no application fees associated with the Program. However, if an applicant owes money to the Village, all accounts must be brought current before any portion of the Grant is disbursed.

9. **Retroactive Payments.** Reimbursement of construction costs that were not initially identified and approved through the Grant process are not eligible for any reimbursement through this Program.
10. **Conformance.** All improvements must conform to current Codes of the Village of Lombard. The business owner must maintain the property in compliance with all federal and local laws, ordinances, and regulations – non-compliance may result in a suspension of reimbursement of eligible funds or revocation of the Grant award.
11. **Administration.** The program will be administered by the Lombard Community Development Department. All applications will be reviewed by the ECDC. The ECDC will forward a recommendation to the Village Board, who will then determine whether the Grant should be approved. A separate request for a building permit shall be submitted to the Building Division.
12. **Evaluation.** The ECDC will review all applications on an as-needed basis. Proposals shall be evaluated on their viability, their contributions to the District's retail mix, their support to the Village tax base, the ability of the business to stabilize or strengthen surrounding business activity and their completeness and eligibility. An applicant may be required to submit a personal financial statement. A successful business plan will convey the most promising combination of financial feasibility, product and market knowledge, growth potential, job creation and financial need.
13. **Timing.** If approved, the applicant has twelve (12) months from the date of the grant approval by the ECDC or the Village Board, whichever is applicable, to start the project and eighteen (18) months from the grant approval date to complete the project. If the project has not started within twelve (12) months or completed within the eighteen (18) months from the approval of the grant, the applicant must reapply to either the ECDC or Village Board (whichever entity provided approval) for a time extension. If the applicant does not reapply, the grant approval shall automatically expire.
14. **Appeals.** If the application is rejected by the ECDC, the applicant may resubmit the application after addressing the application deficiencies, or appeal the decision. If the applicant chooses to appeal the decision, a letter of appeal and supporting documentation must be sent to the Community Development Director within ten (10) days of the rejection, with said letter stating the reason for the appeal. The letter of appeal and supporting documents will then be forwarded to the Village Board. The Village Board will address the appeal at a Village Board meeting and make a final determination relative to the application. The denial of the appeal by the Village Board shall not preclude an applicant from submitting a new application for the Program. The Village Board has the right to amend or waive Program terms and conditions to accommodate special circumstances.

15. **Payments and Reimbursement.** Grants shall be paid out as follows:

A. Retail Businesses and service businesses with a substantial retail component, shall only be eligible to receive applicable reimbursement funds of the approved Grant, after the improvements have been completed, all final inspections have been completed, and a Final Certificate of Occupancy/Zoning Certificate has been issued. The eligible Grant funds shall be reimbursed to the designated business or applicant over the prescribed reimbursement period starting from the time the improvements have been completed, and a Final Certificate of Occupancy/Zoning Certificate has been issued.

16. **Business Plan.** To supplement the Grant request, applicants are encouraged to submit business plans to supplement the request. The Village may request business plans to be reviewed by the College of DuPage Small Business Development Center (SBDC) prior to submitting same to the Village. The SBDC review requirement may be waived by the Director. The business plan should include as many of the following as possible in order to best demonstrate the need for the Grant:

- A. Description of your business and industry
 - 1. Your business
 - 2. The industry and its history
- B. Features and advantages of your product
 - 1. Description
 - 2. Competitive advantage
 - 3. Proprietary position
 - 4. Future potential
- C. Market research and analysis
 - 1. Definition of your customers and markets
 - 2. Market size and trends
 - 3. Competition
- D. Estimated market share and sales
 - 1. Market plan
 - 2. Market strategy
 - 3. Pricing
 - 4. Sales tactics
 - 5. Service and warranty policies
 - 6. Advertising, public relations and promotions
- E. Design and development plans
 - 1. Development status and tasks
 - 2. Difficulties and risks
 - 3. Costs

F. Operation plans

1. Business location
2. Facilities and improvements
3. Strategy and plans
4. Labor force

G. Management Team

1. Key management personnel (credentials/resume)
2. Management assistance and training needs

H. Overall Schedule

1. Timing of critical activities before opening (e.g. company incorporation, signed lease, suppliers ordered, employees hired, opening date)
2. Timing of critical activities after opening, (e.g. expansion, product/service extension)

I. Critical risks and problems (how will you respond?)

1. Price cutting by competitors
2. Unfavorable industry-wide trends
3. Operating cost overestimates
4. Low sales
5. Difficulties obtaining inventory or supplies
6. Difficulty in obtaining credit
7. Lack of trained labor

J. Financial Plan

1. Profit and loss forecasts for 3 years (first year monthly)
2. Cash flow projections for 3 years
3. Performance balance sheet at start-up, semi-annually in the first year and at the end of 3 years

17. **Procedural Requirements.**

- A. Applications for the Program may be obtained from and submitted to:

Lombard Community Development Department
225 E. Wilson Avenue
Lombard, IL 60148
(630) 620-5749

- B. Candidates shall submit the following documents

1. Application form;
2. Preliminary plans and preliminary cost estimates;
3. Business plan; and
4. Proof of ownership, lease, and/or owner's approval.

- C. The Community Development Department shall review the completed applications to ensure all required items have been submitted prior to scheduling the item for review by the ECDC. Incomplete applications will not be processed until all items have submitted. The Director may waive certain items if deemed necessary.
- D. After review by the ECDC, and approval of the Grant by either the Village Board, a “Certificate of Eligibility” will be forwarded to the owner/applicant.
- E. Upon receipt of the “Certificate of Eligibility”, the owner and/or applicant shall proceed as follows:
 - 1. Submit final plans and cost estimates to the Community Development Department of and apply for proper building permits.
 - 2. Submit three (3) contractor bids for the work outlined in the application. Also, indicate the preferred contractor.
 - 3. Submit a fully executed Grant Agreement.
- F. Upon receipt of the items set forth above, a “Notice to Proceed” shall be forwarded to the owner/applicant by the Community Development Department.
- G. Upon issuance of the “Notice to Proceed”, improvements and renovations may start after the required building permits have been issued. All necessary inspections should be coordinated through the Village’s Building Division.
- H. No Grant funds shall be disbursed unless all Project-related activities are undertaken in compliance with all applicable provisions of both the Program Policy and Village Code and until the Village receives an affidavit from the Grant recipient containing his or her sworn statement that he or she has paid the approved cost of the Project. Original paid receipts and final waivers of lien must be attached to the affidavit. Upon receipt of the approved affidavit, receipts, and final waiver of liens the Village will release Grant funds in accordance with the Program, subject to proper documentation.
- I. Upon completion of the project and after all final inspection from the Building Division have passed, the improvements will be inspected for conformance with the approved application.
- J. Once a Certificate of Occupancy/Zoning Certificate has been issued for a business, the business is no longer eligible to apply to the Program unless the application is for an expansion meeting the Program criteria.

For further information contact:

**Village of Lombard
Community Development Department
255 E. Wilson Ave., Lombard, IL 60148
(630) 620-5749**

LOMBARD ECONOMIC INCENTIVE POLICY

September, 2016

The Village of Lombard, through its adoption of its Economic Development Plan in 2011, has identified a number of strategies that should be undertaken to assist the private sector in the development of key properties and/or attracting desired businesses to the community. The Plan recognizes the Village Board's desire to "continue to expand economic development strategies to attract, maintain or expand business opportunities within the community, to include creating innovative solutions to fill commercial vacancies and innovative solutions to vacant lot development." The Plan identifies four economic development goals:

- Retain, expand and attract commercial and industrial businesses
- Promote general economic development and business growth
- Increase municipal revenue sources and identify incentives for specific development opportunities
- Encourage redevelopment along key commercial corridors

The Village has developed an Economic Incentive Policy, which implements the "explore all options" approach.

Overall Professional Standards and Practices

In consideration of any incentive policy, the Village recognizes that such activity should include sound principles to help ensure that any future considerations are based upon accepted national professional standards. The Government Finance Officers Association (GFOA) recommends "jurisdictions using or considering the use of economic development incentives create a policy on the appropriate parameters for use of such incentives and that the finance officer play an active role in the creation of the policy." The consideration of any incentive agreement should jointly include input from the Village Manager's Office, the Community Development Department as well as the Finance Department. Any incentive should address the following general principles, as expressed through the GFOA, and serve as part of the basis for the Village policy:

1. ***Goals and Objectives.*** *Goals and measurable objectives create a context and accountability for the use of economic development incentives. Common goals used in economic development include: target economic sectors, business retention and/or recruitment, geographic focus, job creation, blight mitigation, improving economically distressed neighborhoods, and environmental improvements.*
2. ***Financial Incentive Tools and Limitations.*** *An economic development policy should define the types of incentives and the extent to which the jurisdiction will use them. For*

example, governments may choose to grant an entitlement to any firm that meets minimum qualifications, or may choose to provide incentives based on an assessment of individual firms. Governments may also establish maximum funding for a particular program.

3. **Evaluation Process.** *A clearly defined evaluation process should be outlined in an economic development policy for the purposes of consistency and transparency. Evaluation activities and factors typically include:*
 1. *How a proposal measures up to established economic development criteria*
 2. *A cost/benefit analysis (with defensible figures and including a worst case scenario analysis)*
 3. *An evaluation of tax base impact, both in terms of increases in taxable value and, where a TIF is proposed, the impact on all overlapping taxing jurisdictions. Such analyses should take into consideration property taxes, sales taxes and any other revenues generated via taxes as well as job creation.*
 4. *Analysis of the impact of a project on existing businesses*
 5. *A determination of whether the project would have proceeded if the incentive is not provided (the “but-for” provision). A jurisdiction may also wish to include in its policy a list of required documentation for the economic development application and the officials who are a part of the review.*

4. **Performance Standards.** *An economic development policy should require that specific performance standards be established for each project receiving incentives. Not only will these performance standards help a jurisdiction gauge the effectiveness of its overall economic development program, but may also be used to recover promised financial benefits, through clawbacks or linkage agreements, of recipients failing to fulfill their commitments. Such incentives should be performance based and should not be guaranteed.*

5. **Monitoring and Compliance.** *A process should be established for regular monitoring of the economic development incentives granted and the performance of each project receiving incentives. The policy should also provide for organizational placement and staffing of this activity. The monitoring process should examine performance standards relative to each economic development agreement and determine whether the goals for each project are achieved within the defined timeframe. Ongoing monitoring of these projects should become part of an overall economic development program.*

Overall Lombard Goals and Policies

It is critical for all parties to understand the general parameters pertaining to incentive programs in order to understand the role of the Village and what could be favorably considered by Village Board policy. It also reduces the amount of speculation or uncertainty that may occur absent such a formalized policy. Such general policies that would be applied to any incentive are:

1. It is the policy of the Village to consider the judicious use of incentives for projects which demonstrate a substantial public benefit in support of developments that create

new jobs, eliminate blight, strengthen the employment and economic base of the Village, increase property values and tax revenues, create economic stability, and attract businesses that the Village deems to be desired. Such efforts are intended as tools to implement the Village's Comprehensive Plan and Economic Development Strategy Plan and the Village Board adopted strategic planning efforts.

2. Developers and businesses are strongly encouraged to discuss their projects with staff prior to seeking approval of any incentives.
3. Village staff shall meet with taxing jurisdictions that will be affected by any incentive that would have a direct financial impact upon received or retained tax revenues.
4. All discretionary incentives will be subject to a "but for" test. There should be a finding by the Village that the project and the incentive is necessary, otherwise it would:
 - a. not occur,
 - b. only occur in a less beneficial manner,
 - c. not be financially feasible or stable, or
 - d. not result in an overriding public benefit or a reduction in costs that would otherwise be paid by the Village.
5. Incentives will be granted only at the level necessary to make the project financially feasible, with a focus upon new business establishments rather than ongoing business operations.
6. To encourage corporate businesses, innovative research and development, and desired industrial activities, the Village can consider additional incentives for large-scale projects that significantly create quality jobs that pay wages and benefits equal to or higher than the regional averages.
7. Businesses that strengthen the overall economic climate of the community by introducing a new establishment that will significantly reduce an existing market leakage in retail sales tax dollars can be favorable considered for incentives.
8. Taxes or revenues historically received by the Village will not be reduced below the base year of any incentive, as established by the individual redevelopment plans, after an incentive is approved.
9. The Village will not waive permit or development fees, but such fees may be considered as part of the overall pro-forma of the overall construction/development cost that can be used as a basis for an economic development incentive, or if the Village determines that including the permit costs in the incentive creates a net economic benefit to the Village.
10. All projects receiving incentives must be consistent with adopted Village plans and must comply with all federal regulations, State Statutes and adopted Village codes.

11. Proposals will be individually evaluated under the Village's goals, policies and on their overall contribution to the local economy.
12. To the greatest extent possible, incentives should have a performance based element to measure the success of an incentive. The Village shall require periodic reporting evidencing compliance with the requirements of the program and measuring the economic benefit to the community.
13. Incentive programs, which do not provide for a capital or fiscal outlay can be considered to have a higher level of interest to consider and adopt. These programs include, but are not limited to: Business Improvement Districts, Special Service Areas and Special Assessment Areas.
14. Given current limitations, such programs would not rely upon the issuance of bonds or other financial constraining tools by the Village. However, this general policy shall be reviewed should the status and ability for the Village to participate in such agreements in the future materially change.
15. Sales tax revenues that are derived from an existing business establishment, and which are currently allocated into the Village's General Fund, will generally not be pledged for economic development projects, as such funds are dedicated to meeting essential and basic public service needs.
16. Each agreement will be considered individually, based solely upon the merits of the project as defined at that time of the agreement consideration. No previous proposal or agreement should be considered as a precedent for which other projects will be considered upon.

Specific goals and policies are also included for each incentive program as they are identified.

Types of Village Incentives

The Village provides the opportunity for economic incentives to foster additional interest in the community and has set specific policies pertaining to incentives that can be used to entice such additional investment when warranted. The various financing and economic development programs are divided into the following categories:

Performance Based Local Incentives

This category includes programs such as Sales Tax Reimbursement Incentives that only result in an incentive benefit that results from the grantee successfully undertaking their business activity and performing at measured levels. The advantage of such programs is it also creates a performance incentive for the grantee. However, such programs and the need for consideration of such programs must be reviewed very carefully and should not be generally available absent review of the request and compliance with the goals set forth herein.

Key policy statements for such incentives are:

1. The incentive shall be limited to the funds collected by the Village as part of the General Sales Tax Funds transmitted by the State of Illinois to the Village. The Village's Non-Home Sales Tax designated for capital improvements shall not be eligible as part of an incentive.
2. The Village should only consider an incentive if it will generate additional sales tax above and beyond existing revenue levels. Such incentives must also account for any cannibalism of existing business activity within the community. Offering a sales tax incentive in order to keep an existing business in operation or retain a business, absent an offsetting investment meeting the economic goals of the Village, should not be considered.
3. The Village gets paid first. Any such agreement shall be set up in such a manner that allows the Village to receive the first dollars generated by a project to pay for up-front capital improvements that are attributable to the project.
4. Unless specifically identified in the incentive agreement, any rebates should be established in such a manner that the Village receives at least one-half of the anticipated additional tax generation attributable to the project during the life of the agreement. Generally, the only exception to this provision would be if an incentive is offered to rebate a previously constructed capital improvement that was installed prior to and directly associated with the business opening.
5. The applicable period in which a sales tax incentive is offered shall generally not exceed a ten (10)-year period, unless approved by the Village Board based upon a finding that "but-for" the extended time period, the incentive will not satisfy the intent of the agreement. Such occurrences shall also meet the exception provisions of this Policy.
6. A project will be more favorably reviewed if the project:
 - a. represents significant private-sector financial investment;
 - b. promotes a higher and better use of the property as determined by the Village through its adopted plans;
 - c. provides a positive fiscal and economic impact to the Village;
 - d. adds new and unique retail business tenants to the Lombard market;
 - e. mitigates any potential negative impacts to the surrounding area;
 - f. closes an existing leakage in retail sales tax dollars within the Village; and
 - g. addresses or minimizes the impacts of consumer expenditure cannibalization from existing businesses and projects in the Village.

Property Tax Based Incentives

This category includes programs that would result in a measured increase in equalized assessed valuations (EAV) or otherwise utilize property taxes to finance private investment. Such programs are frequently referred to as tax abatement programs. The Village recognizes that its proportionate share of the overall tax structure is relative small (currently 8%) and as such, if any

consideration of a property tax incentive program is offered, it must be done in concert with any taxing bodies that would be affected by the program. For example, a possible development may have little or no impact upon the school taxing districts, but they may receive additional benefits through additional property valuations. In this scenario, consideration of an abatement program may be warranted.

Key policy statements for such abatement incentives are:

1. Any incentive shall be based upon any net increase in added EAV associated with the project. Projects that do not result in a significant increase in EAV, as determined by the Village in its discretion, shall not be considered.
2. Projects that result in an increase in anticipated services by any affected taxing district shall be carefully considered as part of any incentive. The agreement shall identify such additional service impacts and their respective associated costs within the agreement itself. This can include dollars that are currently received by the affect taxing district(s), the costs associated and attributable to the project as well as any administrative costs.
3. To the greatest extent possible, any incentive should be tied to the respective year(s) in which the tax incentive is effective. The Village should not provide such an incentive in the form of an up-front payment based upon future dollars anticipated by the project.
4. The Village shall consider any legislative modifications to the local government assessment levy adopted by the State of Illinois prior to approving any such incentives.

Incentives Associated with Public Capital Improvements

These include programs which address expenditures for improvements that would otherwise be an obligation of the Village or another taxing body to complete. Notable examples of these types of agreements include utility extension agreements, Business Improvement Districts (BID) or some Tax Increment Financing (TIF) improvements.

Key policy statements for such incentives are:

1. Each agreement will be considered individually based upon the nature of the capital improvement being undertaken as part of the project.
2. Any incentivized capital improvement advances the overall goals of the Village by providing for an enhanced infrastructure system or addressing existing infrastructure deficiencies.
3. Incentives shall generally be applied toward those activities and development obligations that are above and beyond those required as set forth within Village Code.

4. The incentive agreement shall specifically identify the methodology associated with establishing the incentive cost as well as the funding source that will be provided by or credited toward the project.

Incentives to Advance Village Goals and Policies

These incentives include programs and activities that are intended to be a catalyst for indirect investment or would otherwise enhance the prominence of the Village in the County or region. These incentives are more varied than the other types of incentives, but offer an opportunity to offer an incentive if it meets a stated policy of the Village. Such types of projects are:

1. **Major Primary Employment Projects** – Projects worthy of consideration of incentives are project that include a substantial primary employment, if the proposed project:
 - a. Represents significant new private-sector financial investment;
 - b. Results in net new employment to the Village (as opposed to business relocation);
 - c. Provides quality employment opportunities for Lombard area residents consisting of a minimum of 50 new full-time on-premises jobs at a pay rate exceeding the current Lombard Median Household Income;
 - d. Demonstrates a positive direct and/or indirect fiscal and economic impact to the Village; and
 - e. Demonstrates a long-term commitment to the Village.
2. **Prominent Redevelopment / Revitalization Projects** – These are projects that advance the Village goals for addressing blighted sights or projects that address stated redevelopment objectives. These include projects within the established TIF Districts as well as other “eyesore” properties that have code deficiencies or other obsolescence. A redevelopment and/or revitalization project may be considered for an incentive agreement if the proposed project:
 - a. Meets the Village vision, goals and objectives of the Comprehensive Plan and other approved documents;
 - b. Represents new and significant financial investment;
 - c. Provides a positive fiscal and economic impact to the Village;
 - d. Promotes a better use of the property or improves the financial performance and/or viability of the existing property;
 - e. Represents superior design aesthetics that substantially and significantly exceed current design standards and are worthy of a public incentive; and/or
 - f. Mitigates any negative impacts to the surrounding area.
3. **Business Retention Efforts** – While funds to keep an existing business as-is is not a desired goal of the incentive policy, the Village does recognize that enhancing the prominence and success of existing business is a desired goal. A past noted successful example was the expansion of the Lombard Toyota site, in order to allow the business to meet corporate needs while strengthening the business prominence. To this end, incentives may be deemed appropriate when tied to capital improvements that are required to maintain the business. Such incentives should be tied to and with the level of

private capital investment associated with the establishment. The funding source shall provide additional parameters as to the level of applicability of such efforts.

4. **In-kind Economic Incentives** – These incentives identify activities that the Village would undertake to advance a construction project, but may not result in a direct financial contribution to the project. These include, but are not limited to:
 - a. Additional staff assistance through the project formulation through the permitting process;
 - b. Incorporation of preliminary review activity through workshop activities before the Plan Commission and/or Village Board; and/or
 - c. Incorporation of “fast-tracking” of permit activity, if necessary to facilitate the development.
 - d. Utilization of zoning tools, such as planned development and other development entitlements to facilitate development activity

Consideration of any of these incentives, which include a financial expenditure by the Village, shall be set forth within a development/incentive agreement or other like document. Said agreement shall specifically identify the nature of the request, the rationale and justification for the request and the source of funding that is intended to be utilized as part of the project.

Exceptions to the Policy

As a policy document, it does not have the same legal standing of a legislative action. As such, it is good practice to identify the process for consideration of projects that are deemed to be worthy of an incentive consideration but are not meeting all of the parameters of the overall policy. Examples may include a “trigger” project that is anticipated to cause other development to occur, the size and/or scope of the project, the level of incremental taxes to the Village to be generated by the project or other unique circumstances). In such cases, the policies being modified should be identified and the reasons for the exceptions. Such exceptions should be noted in the evaluation process and in the resolution approving the incentive. As a non-home municipality, the Village cannot mandate that super majority of the Corporate Authorities approve such a request. However, such approval shall require a disclosure statement noting the project is not within the boundaries of the economic incentive policy. This statement shall be disclosed to the ECDC and Corporate Authorities and the request shall be placed on Items for Separate Action when reviewed by the Corporate Authorities for final consideration.

Questions for Consideration of Incentives

In working with a party seeking an incentive, the Village shall act in the best interest of the Village and its residents, businesses, and taxpayers. In consideration, such questions should be raised about any such incentives and how they relate to the Village's overall economic goals. For transparency and to provide a general understanding of the nature of the agreement, the questions raised below shall be considered by the Village prior to final consideration of any incentive agreement. These questions are based upon the Village's Economic Strategies Report Goals and include, but are not limited to:

1. Retain, expand and attract commercial and industrial businesses

- Are the goods or services that the new business provides a new business sector or product that is not available in Lombard now?
- Are the goods or services that the new business provides a business sector or product that is not readily available in Lombard now? Does this provide for additional opportunities for our residents or visitors?
- Is this an existing Lombard business looking to expand and grow?
- Will the existing business create additional jobs or economic growth for the Village?

2. Promote general economic development and business growth

- Does this project create or retain jobs? Additional questions will need to be answered such as: how many jobs; is this an increase or decrease to the current number of jobs on site; do the job pay a prevailing wage, minimum wage, or more; and what kind of job types are being created.
- Does the development make enhancements to better the surrounding properties? These enhancements should be above what is required through existing Code requirements.
- Will there be public improvements which would benefit the Village as a whole such as a park, traffic lights, road improvements, and/or extension of water and sewer lines?
- Will innovative development technologies be incorporated into the project, or will the project bring an existing non-conforming property into closer compliance with Village Code.

3. Increase municipal revenue sources and identify incentives for specific development opportunities

- Is the equalized assessed value (EAV) of the property projected to increase and positively impact the taxing districts?
- If sales taxes will be generated will the amount exceed what is being generated at the site currently?
- Will there be other financial benefits gained?
- Will the project generate increased stays at Lombard hotels?
- Will there be additional costs to the Village after the development is complete related to Police, Fire, Public Works, etc.?

- What is the overall amount of capital improvements that will be made in Lombard?

4. Encourage redevelopment along key commercial corridors

- Does the project address a property that has been underutilized, excessively vacant or functionally obsolete?
- Are the conditions associated with the property a function of market conditions?
- Will the improvements benefit the neighboring properties?
- Is the property called out for redevelopment and therefore consistent with the Economic Development Strategic Plan, Downtown Revitalization Guidebook, and other Village documents?
- Is the development consistent with the current Comprehensive Plan?

The aforementioned questions are intended to provide a level of engagement between the incentive beneficiaries, elected officials and other interested individuals in consideration of whether such an incentive is worthy of favorable consideration. To determine whether the project requires the incentive requested, the Village may engage the services of a third-party consultant to evaluate the project and the incentive requested in relation thereto. The costs associated with such third-party consultant shall be borne by the incentive requestor, required by Chapter 16 of the Village Code.