

## MEMORANDUM

**TO:** Trustee Dana Moreau, Chairperson  
Economic and Community Development Committee

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

**DATE:** November 5, 2008

**SUBJECT: Retail Grant Program Assessment**

### **BACKGROUND**

In the fall of 2005, the Village of Lombard created the Downtown Retail Business Grant Program (DRBG). The stated purpose of the DRBG is to increase the economic viability of Downtown Lombard by attracting targeted retail businesses and assisting existing businesses in the Downtown. Along with the 2005 Downtown Restaurant Forgivable Loan Program, the DRBG was intended to provide an incentive for businesses that would create additional foot traffic and add vitality to the downtown, particularly in the evening and weekend hours when office uses are generally closed.

### **PROPOSED CHANGES**

At its September 3 meeting, the ECDC recommended a number of changes to the DRBG Program Policy. These were considered at the September 18 Village Board meeting. The Village Board expressed support for the following proposed changes:

- All future grants shall be required to complete an Illinois sales tax release form; and
- Retroactive grant applications are not permitted. Once a Certificate of Occupancy has been issued for a business/property, the business is no longer eligible, unless the application is for a future modification to the building or use meeting the program criteria.

However, the Village Board remanded the changes back to the ECDC for further discussion and clarification of the term “**substantial retail component**.” This affects following proposed changes:

- “Service businesses with a **substantial retail component**” are now denoted as a type of business that is potentially eligible for a DRB Grant;
- 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;
- For service businesses with **substantial retail components** that were previously in operation, sales data shall accompany the application; and

- For start-up new service businesses with **substantial retail components**, up to half of the eligible grant award (i.e., no more than \$10,000) can be awarded with the start-up of the business. Notwithstanding the item below, the applicant does have the ability to apply for an additional half of an award after a one year period of time, with the ECDC considering the retail sales tax figures as part of the application.

### **SUPPORTING DOCUMENTS**

For your reference, the following documents pertaining to the history of the DRBG revision are attached:

- September 18, 2008 Village Board memo
- August 6, 2008 ECDC memo
- September 2005 DRBG Program Policy
- September 2008 DRBG Program Policy (proposed changes in **bold**, remanded changes on p.2)

### **STAFF RECOMMENDATION**

To meet the Village Board's request for a definition of "substantial retail component," staff suggests adding a minimum threshold of 25 percent. To qualify, a service business would need to either devote a minimum of 25 percent of its gross floor area to retail sales or demonstrate that at least 25 percent of its gross income comes from sales tax-generating activities. (This 25 percent requirement is consistent with the Village's definition of ancillary uses as opposed to principal uses.)

Such a requirement creates the need for annual follow-up and enforcement. Service businesses with retail components that qualify based on their sales income will need to provide the Village with an annual financial statement to demonstrate their continued eligibility. The DRBG Program does not currently require grant recipients to remain in business for any length of time. The Downtown Restaurant Forgivable Loan Program has a 10-year scope, with one-tenth of the loan amount being forgiven each year for 10 years. The Downtown Improvement and Renovation Grant Program has a requirement that, in exchange for grants in excess of \$10,000, the business owner and any subsequent owner agree to not substantially change the use of the business for which the grant was received for a period of not less than three years. Failure to comply with the duration requirements results in the full repayment of grant funds to the Village. Staff recommends that a similar three-year time period be added to the DRBG Program.

### **ACTION REQUESTED**

Staff requests that the Economic and Community Development Committee recommend amendments to the DRBG Program Policy to require grant recipients to authorize the Village to receive detailed sales tax collection information for the proposed business, prohibit retroactive grant applications, open the grant program to service businesses with a substantial retail component, and require the use to be maintained for at least three years.