


MEMORANDUM

TO: Trustee Bill Johnston, Chair
Economic & Community Development Committee Members

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

MEETING DATE: July 23, 2018

SUBJECT: **Proposed Butterfield Yorktown Business District (BD2)**

At the April 9, 2018 meeting of the Economic & Community Development Committee (ECDC), staff introduced a memorandum discussing possibilities and options pertaining to enhancing restaurant and retail business activity within the Village. As we noted, sales tax and places for eating tax are key components in the Village's overall budget and enhancing such business activity can also strengthen our ability to broaden the Village's kit-bag of economic incentive possibilities for tenants and property owners. Staff and the ECDC are tasked to undertake the "explore all options" approach to future incentive opportunities.

Over the past two months, Village staff has been working collaboratively with the Kane McKenna & Associates (KMA) to explore the possibility of creating a second Business District (BD2). 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 and provided a funding source for a myriad of infrastructure improvements (i.e., water and sewer main reconstruction and ring road traffic improvements).

Attached for reference purposes is a map of the existing BD and the preliminary boundaries of the proposed BD2. As the study continues, the boundaries can be subject to change.

BACKGROUND ON BUSINESS (IMPROVEMENT) DISTRICTS

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 concept is that it will create a significant improvement to the area without any imposing any direct tax burden upon Lombard residents. The establishments within a BD will generate sales tax revenues to fund the eligible BD 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. The BD maximizes 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.

In order for a BD to be established, the Village must meet the provisions set forth within State Statutes. Similar to Tax Increment Financing (TIF) Districts, a BD 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.

PAST BUSINESS DISTRICT ACTIVITIES IN LOMBARD

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.

Justification for the original BD was predicated upon the following factors:

- available outlots around the ring road that remained undeveloped for 40 years;
- undersized watermains urgently in need of replacement;
- limited access to the property (resulting from State of Illinois improvements to the adjacent right-of-way that removed an access drive into the mall);
- needed parking lot lighting and aesthetic improvements to the mall façade; and
- the expiration of the reciprocal easement agreements controlling the mall (providing for cross-parking rights, ingress-egress rights, land development approvals, and cost maintenance sharing provisions among the mall tenants).

The original BD qualified as a “blighted area” under the Act and any future BDs must meet the “blighted” criteria. Previous Yorktown Mall ownership (Pherson Long) desired to redevelop the area of the proposed BD, however, this investment was only possible with the development assistance provided for under the Act. It was estimated that Yorktown Mall ownership and the Village could incur up to \$32 million in expenses eligible for reimbursement. The term of BD will end after all eligible expenses have been repaid but will in no case extend beyond 23 years (i.e., 2028). The Village did not bond any debt for the project and will only reimburse the developer as funds are received from the additional one percent sales tax that is imposed on the district.

The former Ward’s space was demolished and construction was completed on the 225,000 square foot The Shops on Butterfield open-air lifestyle center. Yorktown had numerous challenges to be addressed and the BD was the most practical means to address those challenges with no financial impact upon the Village or any other governmental unit.

In 2012, the properties within the BD were sold to YTC Butterfield Owner LLC (Pacific Retail Capital Partners (PRCP), with their investment partner Kohlberg Kravis Roberts (KKR)). Prior to the sale, the Village entered into a First Amendment to the companion BD Redevelopment Agreement to remove the obligations and the corresponding redevelopment project costs reimbursement eligibility. This amendment reduced the original redevelopment note by \$1,400,000 from the previously established \$13,658,425 (the original redevelopment project costs) to \$12,258,425. The overall maximum reimbursement amount, which also includes interest payments, was reduced from \$25,000,000 to \$22,437,479 accordingly. All other provisions associated with the BD agreement not amended, remained in full force and effect. As part of the sale the BD rights were assigned to the new ownership.

ANTICIPATED BD2 GOALS & OBJECTIVES

Staff is exploring the BD2 concept as a means 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 Carson's properties, which will become vacant later this summer.
- 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 utility infrastructure within the Business District.
- 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) Coordinate parking and access/egress related agreements within the BD, as well as the adjacent areas.

In addition to specific goals relating to commercial development and planning, the Village also has developed a strong economic development orientation. Diversified economic growth within the Village is essential to the community's development. Economic growth is important since it provides both employment opportunities for residents and strengthens the Village's tax base. The BD2 concept is intended to be an additional tool to address this broader goal.

As the ECDC members are aware, the Village Board approved the Butterfield/Yorktown TIF in November, 2017 to address longer term redevelopment and enhancement activities. However, the proposed BD2 is anticipated to be a more useful tool to address matters such as retail space occupancy and build-out – items that TIF provisions do not provide for at a level that may be needed or desired in the future.

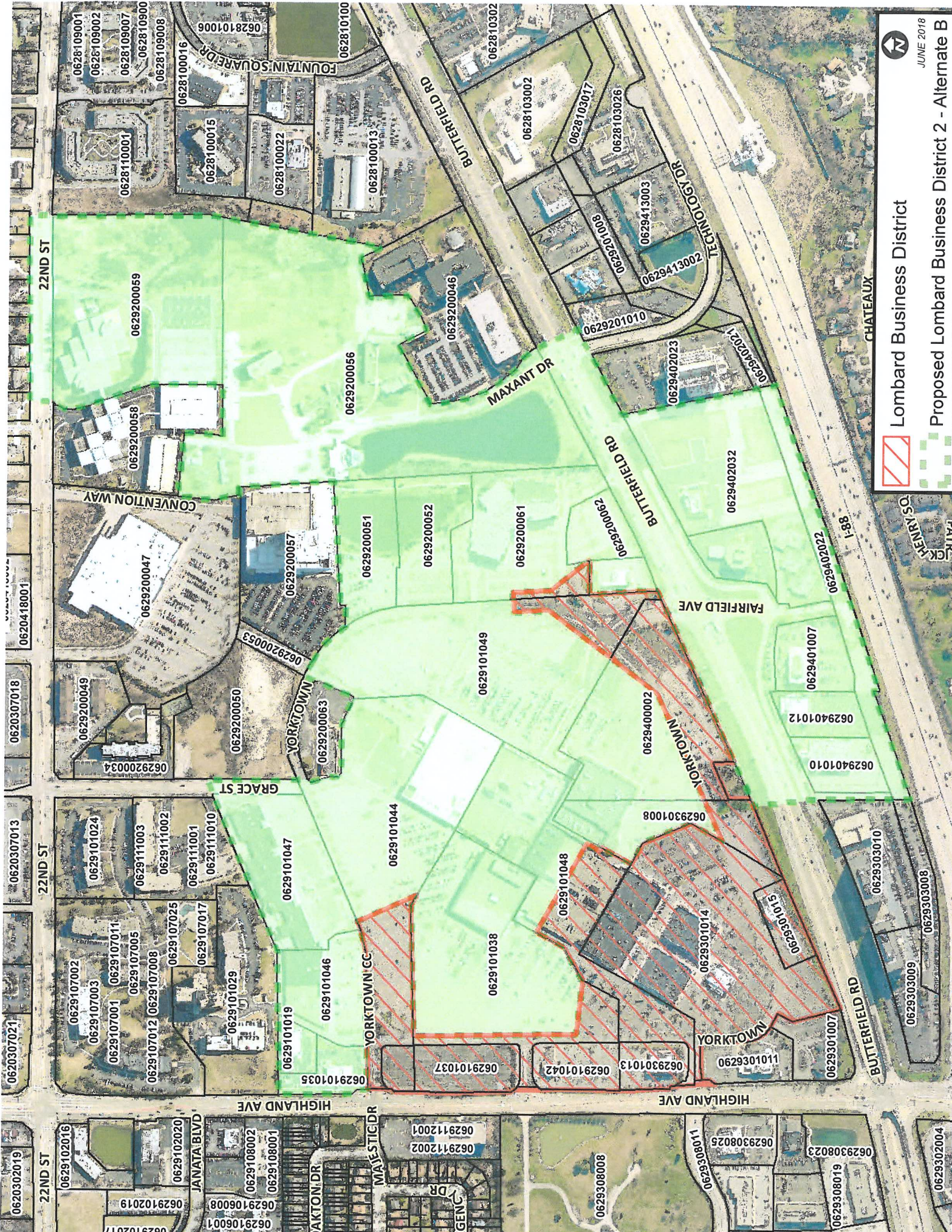
APPROVAL PROCESS

Unlike TIF Districts, the BD approval process is simplified as all other taxing districts are not impacted by the BD. However, an Eligibility Study & Report is required. Once completed requisite notifications to the property owners will be undertaken and a public hearing before the Lombard Village Board will occur prior to final consideration of any new BD is undertaken. KMA has represented that based upon their preliminary review, the proposed BD2 will meet the criteria for establishing a BD.

Staff has had conversations with Yorktown Center representatives regarding the BD2 concept and they have not raised any objections to date. The BD2 concept has also been initially broached with representatives of Hamilton Partners (the previously envisioned Sam's Club site and the Northern Seminary property).

ACTION REQUESTED

As creating BD2 is a type of economic incentive, staff will be following the guidance and direction of the ECDC through the previously adopted Village-wide Economic Incentive Policy for redevelopment activity and are bringing this new incentive concept forward for committee consideration. To that end, staff is seeking initial input and a recommendation of support to proceed with the BD2 concept, which will ultimately be considered by the Village Board.



JUNE 2018

Lombard Business District

Proposed Lombard Business District 2 - Alternate B

