

MEMORANDUM

TO: William "Bill" Ware, Chairperson
Economic and Community Development Committee

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

DATE: November 3, 2010

SUBJECT: Retail Grant Program Assessment

At the last meeting, staff introduced several proposed revisions to the Downtown Retail Business Grant (DRBG) program for the committee's consideration. Since several of the members were unable to attend last month's meeting, this memo is intended to provide the committee with a review of their comments (from the September 1, 2010 and October 6, 2010 meetings) and offer some additional options for the committee to consider. Also attached is the first draft of the revised program reflecting the latest comments from the ECDC.

PROPOSED OPTIONS

At the last meeting, staff introduced six (6) revisions to the DRBG program for the committee to consider. The following is a summary of the comments generated by the members along with some additional considerations from staff.

1. **Performance Based Reimbursement for 50% of the grant amount approved**- At the last meeting, staff suggested that the DRBG program should consider a performance based reimbursement for 50% of the grant amount approved. The reimbursement would be based on the Village's share of sales tax generated by that business, but the funds would be drawn out of the respective TIF account.

ECDC Comments from the September 1, 2010 and October 6, 2010 meetings

- o Several members suggested that the reimbursement years be capped.
- o Most members supported the performance based reimbursement.
- o All members agreed that the grant should require some type of property owner investment/involvement and tied specifically to improvements to their building.
- o A few members expressed a concern about losing our competitive advantage to attract businesses to the downtown with upfront "seed money", especially for highly desirable businesses such as restaurants.
- o Several members expressed a concern about the 5 year reimbursement. They felt that 5 years may not be long enough to get reimbursed the maximum \$10,000. They said most of the businesses do not have enough gross revenue to generate the \$250,000/year. Therefore, the committee suggested that if after five years the

business has not received the full reimbursement, they could receive the remaining balance as a retention bonus for being open during that time.

Summary and recommendation for option 1

Based on the comments generated by the committee, staff has revised the draft program to include the following:

- Revised the DRBG program to a 50% performance based reimbursement, as previously outlined for all retail establishments.
- Created a provision which allows restaurants the ability to receive the full grant amount upfront, after improvements are completed.
- Capped the years for reimbursement to no more than five (5) years. If after the five years, the business was unable to achieve enough sales to receive its fully approved share of the 50% reimbursement, the business may, after review of the Economic and Community Development Committee and approval by the Village Board, receive any outstanding balance provided that the same retail business is still in operation.
- A maximum 5 year lien will be placed on the property to cover the up front grant approved (first 50%). 20% of the grant money provided up front would be forgiven for every year that the business is open. In the event that a business was to close within that first 5 years, property owners will be given a 1 year grace period to find another tenant to fill the space. Once the space has been filled with a new tenant (retail or service), the remaining years left on the lien would be forgiven for every year that business remains open.
- Once a property receives a DRBG, it can not apply for another DRBG for five (5) years, unless it is for a restaurant.

2. **Service Businesses**- At the last meeting, staff recommended that substantial retail component shall be redefined to be 25% of the floor area ***open to the public*** **AND** 25% gross revenue. In addition staff recommended that service businesses with a retail component can only receive reimbursement for eligible expenses for improvements in the retail area only. Lastly, staff recommended that 100% of the grant should be a performance based reimbursement based on the actual sales tax they generate, as outlined above in #1 above.

ECDC Comments

- Most members supported the 100% performance based reimbursement for service businesses, especially if there is no property owner investment. They also strongly encouraged that the business owners provide specific sales tax data.
- A few members wanted to explore creating a service only business grant (i.e. Vocational School).

Summary and recommendation for option 2

Based on the comments generated by the committee, staff has revised the draft program to include the following:

- Revised the definition of substantial retail component to be 25% of the floor area ***open to the public*** **AND** 25% gross revenue.
- All service businesses with a substantial retail component can only receive grant money for their eligible expenses through a performance based reimbursement.

- Capped the years for reimbursement to no more than five (5) years. Service businesses with a substantial retail **would not** be eligible for the retention bonus should they not achieve enough sales to receive its fully approved share of the grant.
 - Because of the performance based reimbursement, no lien will be required.
3. **Village Board Approval**- Staff recommended that the Village Board approve all grant requests, regardless of the dollar amount.

ECDC Comments

- The committee unanimously supported this option.

Summary and recommendation for option 3

- Staff has included this revision in attached policy guide.

4. **Clarifying Business Expansion**- Staff raised a concern that existing service businesses could just add a retail area meeting the minimum requirements in order to receive a grant. While limiting the eligible expenses to the retail area will help to address this concern, staff recommended that a minimum investment of \$10,000 in total improvements also be provided. Furthermore, if it is for an expansion of new retail for an existing service business, the **total floor area** for the new retail component shall be at least 25% of the total leasable area for that business.

ECDC Comments

- The committee unanimously supported this option, provided that the building owner/landlord are involved.

Summary and recommendation for option 4

- Staff revised the definition of expansion to a minimum investment of \$10,000 in total improvements.
- All expansions must meet both the 25% area and the 25% gross revenue requirements for service businesses with a substantial retail component.
- Expanding businesses will be required to provide financial statements for the past 3 years demonstrating revenue from both retail and service activities

5. **Business Plan**-Staff recommended that all new business owners utilize the services of the College of DuPage's Small Business Development Center (SBDC) prior to receiving grant approval.

ECDC Comments

- The committee unanimously supported this option. They also said recommended that it be a requirement, unless waived by the Village.

Summary and recommendation for option 5

- Staff has included this revision in attached policy guide.

6. **Staff Review**- Staff recommended adding a provision which allows the Director of Community Development to not allow requests to be heard before the ECDC until all items outlined in the criteria are met and a complete application has been submitted. A checklist

would be provided to applicants. A statement could be added that allows the Director of Community Development to waive certain items if deemed unnecessary.

ECDC Comments

- The committee unanimously supported this option.

Summary and recommendation for option 6

- Staff has included this revision in attached policy guide.

Action Requested

Staff recommends that the Economic and Community Development Committee approve the proposed amendments to the DRBG Program Policy.

DOWNTOWN RETAIL BUSINESS GRANT PROGRAM

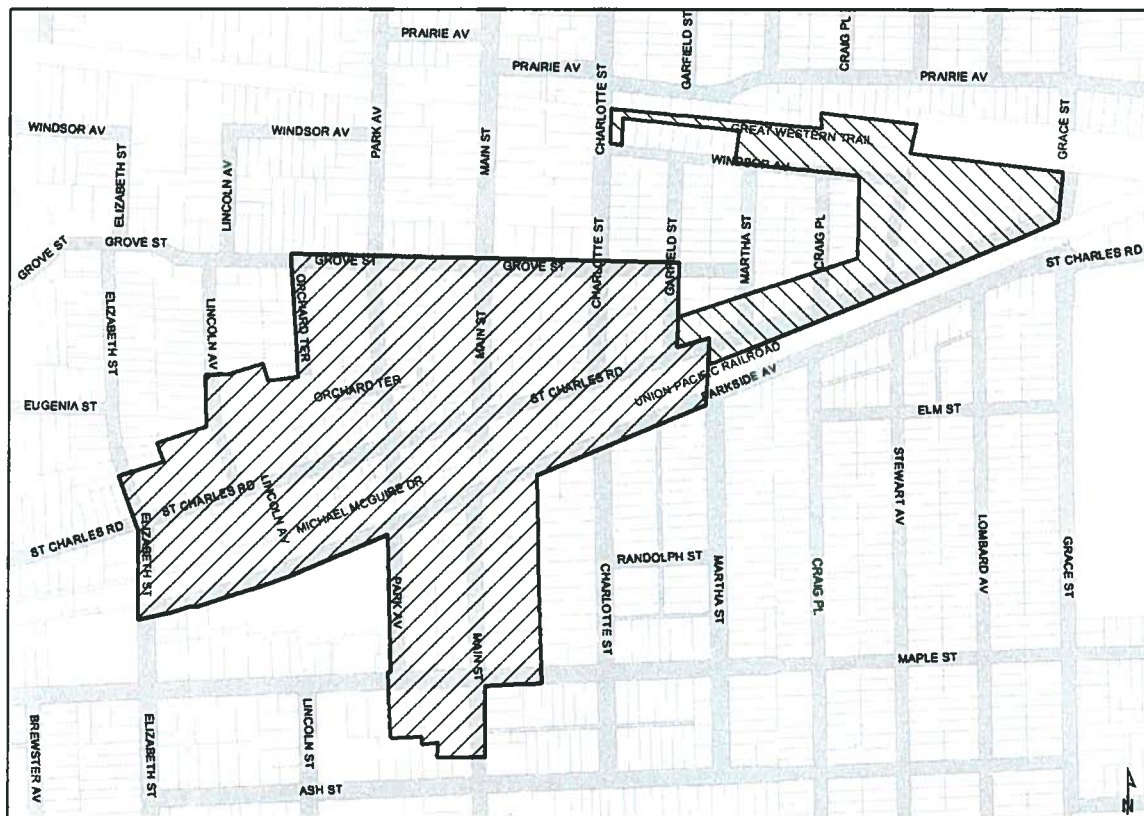
May 21, 2009 (last revised October 27, 2010)

The purpose of the Downtown Retail Business Grant Program (hereinafter the “Program”) is to increase the economic viability of Downtown Lombard by attracting targeted retail businesses and assisting existing businesses in the Downtown. The program will offer a 50% matching grant for eligible expenditures associated with helping the start-up of new businesses or the expansion of existing businesses in the Downtown. Priority will be given to businesses that best complement the Lombard Downtown retail mix and help strengthen existing retail clusters. Grant monies derive from TIF funds, and therefore priority will be given to businesses with projected tangible benefits to the TIF area.

Eligible TIF Districts

The Program will only be offered to businesses located within the Lombard Downtown TIF District or the Lombard St.Charles Road TIF District I (West) (“hereinafter the “Eligible TIF Districts”). The boundaries of the Eligible TIF Districts are shown on Figure 1 below. An existing business in Lombard that is outside of the TIF boundaries would not be eligible for funds unless it opens an additional location within the boundaries of the Eligible TIF Districts.

Figure 1. Eligible TIF Districts



Program Eligibility

Eligibility requirements are as follows:

1. **Expenditures.** Eligible expenditures include build-out of space, first three months of rent (existing business must move into a new space in the TIF area or expand their existing space), signage, moving expenses, visual merchandising, retail consulting, and licensed space designer (ASID). The program does not cover costs associated with production equipment, media marketing/advertising, payroll, day-to-day operational costs (e.g. utilities, taxes, maintenance), refuse, or product.

2. **Expansion.** If a business is seeking a Retail Business Grant for an expansion, a minimum investment of \$10,000 of total improvements is required. If the expansion is associated with a service business with a substantial retail component, 25% of their total leasable floor area shall be dedicated to the new retail component. All expanding businesses shall provide financial statements for the past 3 years demonstrating revenue from both retail and service activities.

2.3. **Amount.** Participants will be eligible for up to \$20,000. Participants must expend verified funds and then will be reimbursed for qualified expenditures up to but not exceeding 50% of acceptable expenditures. The Retail Business Grant Program shall not exceed \$20,000 per participant. ~~The Economic and Community Development Committee may recommend amounts of less than \$10,000. Grants exceeding that amount will~~ All grant requests shall require Village Board approval.

3.4. **Ownership/Lease.** Applicants to the Retail Business Grant Program must either own or have a minimum three-year lease in a first floor retail location along a public street. In some instances, approval may be contingent upon a written lease from a landlord and the applicant.

4.5. **Occupancy-** Businesses who receive grant money shall remain open at the location identified in their grant application for at least ~~three-five~~ (35) years from the date of the original grant disbursement. The Village shall be reimbursed for any fees including but not limited to attorney's fees associated with enforcement of this provision.

5.6. **Eligible Businesses.**

A. Priority will be given to retail businesses that best complement the Lombard downtown retail mix. A list of targeted retail categories is as follows: clothing stores, produce market, cd/music store, design/decoration/furniture, electronics, home improvement, specialty foods, crafts/toys/hobbies, custom jewelry, kitchen/home accessories, children's products, entertainment venues (which complement restaurants in the downtown), 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.

B. Service businesses with a substantial retail component, as defined by having 25% of its gross income ~~and/or~~ gross floor area, open to public and dedicated to retail sales

activity, are potentially eligible for the Program. 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. For start-up new service businesses with substantial retail components, up to half of the maximum possible grant award (i.e., no more than \$10,000) of can be awarded with the start-up of the business. Notwithstanding the procedural requirement that prohibits applications after a Certificate of Occupancy has been issued, a start-up new service business applicant who is granted half of an award has the ability to make a second application for an additional half of an award (i.e., no more than \$10,000) after a one year period of time, with the ECDC considering the retail sales tax figures as part of the second application.

C. Resale stores and service businesses without a substantial retail component are not eligible for the Program.

6.7. **Fees.** Professional, architectural, engineering, and Village permit fees may be included in the total improvement costs. The Program will fund up to twenty-five percent (25%) or one thousand five hundred dollars (\$1500), whichever is less, of architectural rendering fees prior to Project approval of the improvements. All requests for architectural rendering fees prior to approval must have proper documentation and invoices. 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.

7.8. **Main Street Organization.** Recipients of a Grant through the Program must maintain an active membership in the Lombard Town Centre Organization.

8.9. **Conformance.** All improvements must conform to current building and zoning codes of the Village of Lombard. Any exterior improvements completed in the Lombard Downtown TIF District must conform to the *minimum design criteria* outlined in the "Downtown Lombard Improvement Plan" dated March 26, 1987. The business owner must maintain the property in compliance with all federal and local laws, ordinances, and regulations.

9.10. **Administration.** The program will be jointly administered by the Department of Community Development and the Lombard Towne Centre. All Applications will be reviewed by the Economic and Community Development Committee. ~~If the amount of the grant is less than ten thousand dollars (\$10,000) or less, the Economic and Community Development Committee has the authority to approve the grant. If the amount of the grant is greater than ten thousand dollars (\$10,000),~~ The Economic and Community Development Committee 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, an electrical permit and/or other permits and licenses shall be submitted to the ~~Bureau of Inspectional Services~~ Building Division.

10.11. Evaluation. The Economic and Community Development Committee will review all applications on an as-needed basis. Proposals shall be evaluated on their viability, their contributions to the TIF districts retail mix, their support to the Village tax base and their completeness and eligibility. An applicant may be required to submit a personal financial statement. A successful business plan will be the one that conveys the most promising combination of financial feasibility, product and market knowledge, growth potential, job creation and financial need.

11.12. Appeals. If the application is rejected by the Economic and Community Development Committee, 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 Director of Community Development 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.

13. Upfront Payments and Performance Based Reimbursement. Grants shall be paid out as follows:

A. Retail Businesses, excluding restaurants, shall only be eligible to receive a maximum of 50% of the approved grant amount upfront (maximum of \$10,000), after the improvements have been completed and all final inspections have been completed. Retail businesses who receive grant dollars upfront shall be subject to a lien on their property in an amount equal to the upfront grant dollars paid by the Village. The remaining 50% (maximum of \$10,000) shall be reimbursed to the business over a 5 year period, starting from the time the improvements have been completed and all final inspections have been completed. The reimbursement shall be based on the Village's total local share of sales tax generated by the business, but the funds would be drawn out of the respective Tax Increment Financing (TIF) District account. For example, if a Retail Business Grant were approved for a new retail business in an amount of \$20,000, the businesses owner could get the first \$10,000 once all the improvements are completed. The remaining \$10,000 would be provided over time based upon the Village's total local share of sales tax that is being generated by the business. If after the five years, the business was unable to achieve enough sales to receive its fully approved share of the 50% reimbursement, the business may, after review by the Economic and Community Development Committee and approval by the Village Board, receive any outstanding balance provided that the same retail business is still in operation.

B. All restaurants shall be eligible to receive the maximum grant amount of \$20,000 upfront after the improvements have been completed and all final inspections have been completed.

C. Service Businesses with a substantial retail component shall only be eligible to receive their grant payments over a maximum 5 year period, starting from the time the improvements have been completed and all final inspections have been completed. The payments shall be based on the Village's total local share of sales tax generated by the business, but the funds would be drawn out of the respective Tax Increment Financing (TIF) District account.

14. **Property Lien.** All businesses and properties who receive upfront grant money shall be subject to a lien. One-fifth (1/5) of the grant amount paid upfront shall be forgiven for each full year that the retail business has operated at the Project location. Release of the lien will be recorded by the Village (5) years after the recording of the lien, or earlier if repayment of the upfront grant amount (or applicable portion thereof) is made to the Village. In the event that a business were to close within the time that the lien is in effect, the property owner shall have a maximum of 12 months, from the time the business receiving the grant was not in operation, to find another tenant to fill the space. Once the space has been filled with a new tenant (retail or service), the remaining years left on the lien would be forgiven for every year that the new business remains open. In the event that the landlord is unable to lease the space to another tenant within 12 months, the balance of the grant shall be immediately due and payable from the property owner and the recipient of the grant.

15. **Eligible Properties.** Once a property receives the maximum grant amount of \$20,000, it can not apply for another DRBG for five (5) years, unless it is for a restaurant use.

~~12.~~16. **Business Plan.** Business plans should not exceed sixteen (16) double-spaced pages including exhibits. All business plans shall be reviewed by the College of DuPage Small Business Development Center (SBDC) prior to submitting to the Village. The SBDC review requirement may be waived by the Director of Community Development. The business plan-and should include as many of the following as possible:

- 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

13.17. Procedural Requirements. Participants in the Program must accomplish the following steps:

- A. Candidates for the Retail Business Grant Program should contact the Department of Community Development or Lombard Town Centre for applications. Applications may be obtained from and submitted to either:

Dept. of Community Development
225 E. Wilson Avenue
Lombard, IL 60148
630.620.5749

Lombard Town Centre
102 W. St. Charles Rd., Ste 2
Lombard, IL 60148
630.620.8063

- B. Candidates shall submit the following documents

1. Application form;
2. Preliminary plans and preliminary cost estimates;
3. Business plan;
4. Details of signage and/or awning design; and
5. Proof of ownership, lease, and/or owners approval.

C. The Community Development Department shall review the completed application to ensure all required items have been submitted prior to scheduling the item before the Economic and Community Development Committee. Incomplete applications will not be processed until all items have submitted. The Director of Community Development may waive certain items if deemed necessary.

C.D. After review by the Economic and Community Development Committee, and approval of the grant by either the Economic and Community Development Committee or the Village Board, depending upon the amount of the Grant, a "Certificate of Eligibility" will be forwarded to the owner/applicant.

D.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 Department of Community Development 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.

E.F. Upon receipt of the items set forth above, a "Notice to Proceed" shall be forwarded to the owner/applicant by a representative of the Department of Community Development.

F.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 ~~Bureau Inspectional Services~~ (BIS). Building Division

G.H. Prior to the issuance of any grant funds, the applicant must submit to the Village a completed Illinois sales tax release form.

- H.I. The applicant must submit an affidavit containing his or her sworn statement that he or she has paid at least one-half (1/2) of the approved cost of the Project. Original paid receipts from contracts amounting to at least one-half (1/2) of the approved Project cost must be attached to the affidavit. Upon verification of the affidavit and receipts, the Village will release fifty percent (50%) of the grant funds.
- I.J. Upon completion of the Project and after all final inspection from the ~~Bureau of Inspectional Services Building Division~~ have passed, the building will be inspected by a representative of the Community Development representative for conformance with the application.
- J.K. Upon determination of conformance, and receipt of the affidavit, the Village will process and disburse the remaining amount of the loan.
- K.L. All eligible expenditures will be matched by the Village of Lombard at 50% of costs as designated by an appropriate receipt or invoice. Overall costs may be submitted up to \$40,000 within twelve months after registering the business with the Village of Lombard or applicant approval of the Retail Business Grant Program if the business is already registered.
- L.M. All businesses must submit applications and complete review by the ECDC prior to the opening of the business in the TIF area. Once a Certificate of Occupancy has been issued for a business, the business is no longer eligible to apply to the Retail Business Grant Program unless the application is for an expansion meeting the Program criteria. A new or expanding business either must open for business or have expanded their business within nine months from the date of grant approval, or all grant funds shall be forfeited.

For further information contact:

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

or

**Lombard Town Centre
102 W. St. Charles Rd., Ste 2, Lombard, IL 60148
(630) 620-8063**