MEMORANDUM

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

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

DATE: January 5, 2011

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. This memo is intended to provide the committee with a review of their comments from the December 1, 2010 meeting. Also attached is a draft of the revised program reflecting the latest comments from the ECDC.

Please note that at the request of the ECDC, staff did send notices out to the 63 commercial property owners within the Downtown TIF and TIF 1 West inviting them to the January 5, 2011 ECDC meeting.

PROPOSED OPTIONS

1. **Payments and Reimbursement**- Based on the comments generated by the committee, staff has revised the draft program to include the following:

    - Revised the DRBG program to allow 50% of the approved grant amount to be paid up front.
    - Created a provision which allows restaurants the ability to receive the full grant amount upfront (up to $20,000), after improvements are completed. No lien would be required for restaurants.
    - A forgivable lien will be placed on the property to cover only the capital costs that are being reimbursed up front. 20% of the lien would be forgiven for every full year the business is in operation. 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.
    - The remaining 50% of the grant amount approved will be paid out over a 5 year period (20%/year), so long as the business is in operation.
    - Staff has also clarified what is considered capital costs and soft costs. Staff suggests that soft cost be capped at 25% of the total eligible expenditures.
    - Capital improvements made to a building within 18 months of an eligible business making a grant request for that tenant space may seek to include those capital costs as part of their grant request.
    - A worksheet was created to show how eligible costs are determined.

2. **Service Businesses**- 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.
    - Expanding service businesses with a retail component can only receive reimbursement for eligible expenses for improvements in the retail area only.

3. **Village Board Approval**- The draft program requires that the Village Board approve all grant requests, regardless of the dollar amount.

4. **Clarifying Business Expansion**- Based on the comments generated by the committee, staff has revised the draft program to include the following:
    - 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**- The draft program requires that all new businesses utilize the services of the College of DuPage's Small Business Development Center (SBDC) prior to receiving grant approval.

6. **Staff Review**- The draft program 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.

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

	Fast Food Restaurants		Other Retail		Service w/ ≥25% Retail		Service w/ <25%		Vacant Tenant Spaces		Expanding Businesses	
	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
Property Eligibility	All tenant spaces eligible	All tenant spaces eligible	All tenant spaces eligible	All tenant spaces eligible	All tenant spaces eligible	All tenant spaces eligible	Not eligible	Not eligible	Not eligible	**All tenant spaces eligible, provided a tenant is located within 18 months**	All tenant spaces eligible	All tenant spaces eligible
Minimum Investment	None required	None required	None required	None required	None required	None required	NA	NA	NA	**None required**	None required	**$10,000**
Maximum Grant Award	$20,000	$20,000	$20,000	$20,000	$10,000 startup + $10,000 after one year	$10,000 startup + $10,000 after one year	NA	NA	NA	**$20,000**	$20,000	$20,000
Upfront Award	Up to $20,000 (100% of grant amount)	**Up to $20,000 (100% of grant amount)**	Up to $20,000 (100% of grant amount)	**Up to $10,000 (50% of grant amount)**	Up to $10,000 (100% of grant amount)	**Up to $10,000 (50% of grant amount)**	NA	NA	NA	**Varies by future business type**	Up to $20,000 (100% of grant amount)	**Varies by business type**
Lien Requirement	None required	None required	None required	**Capital cost portion of upfront award forgiven over 5 years**	None required	**Capital cost portion of upfront award forgiven over 5 years**	NA	NA	NA	**Capital cost portion of upfront award forgiven over 5 years**	None required	**Capital cost portion of upfront award forgiven over 5 years**
Occupancy-Based Reimbursement	NA	NA	NA	**Up to $10,000 (50% of grant amount) disbursed over 5 yrs**	Up to $10,000 after one year of operation (requires 2nd application)	**Up to $10,000 (50% of grant amount) disbursed over 5 yrs**	NA	NA	NA	**Varies by future business type**	NA	**Varies by business type**

DOWNTOWN RETAIL BUSINESS GRANT PROGRAM
May 21, 2009 (last revised January 5, 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.

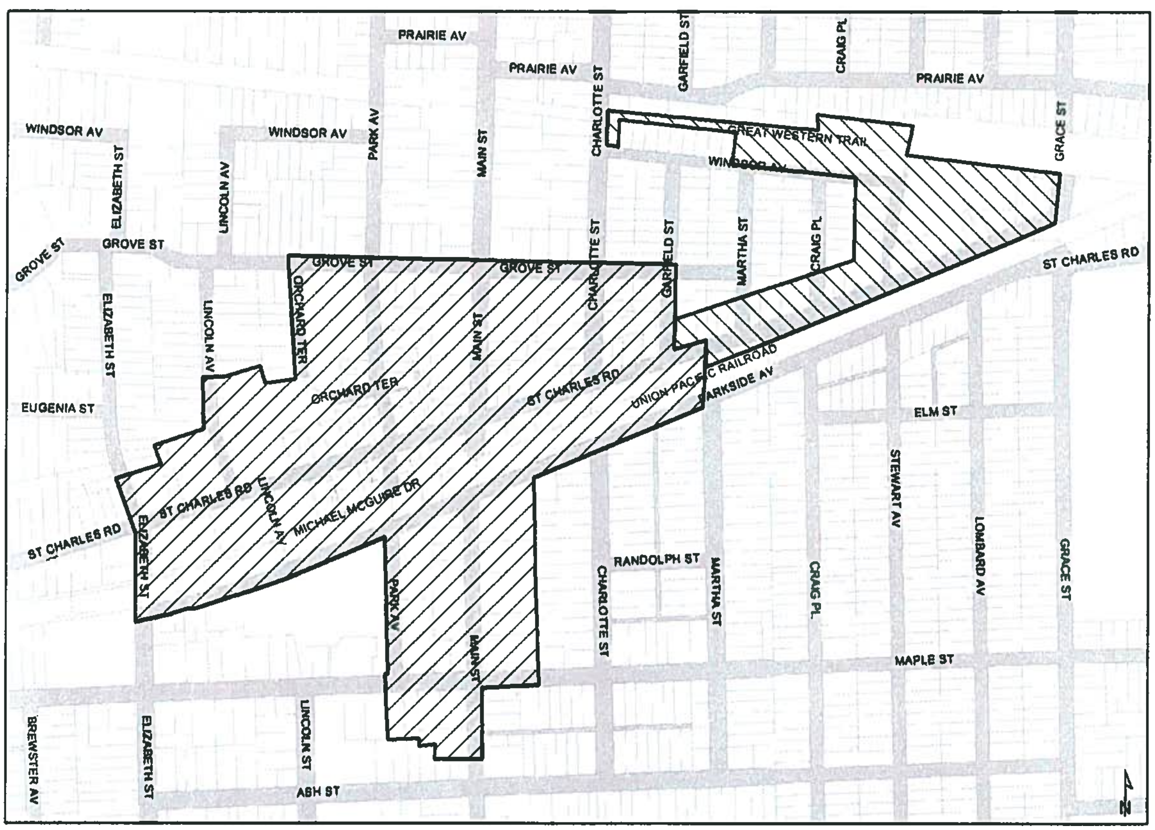
Eligible TIF Districts

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

Lombard Downtown TIF District

Lombard St. Charles Road TIF I (West)



Program Eligibility
Eligibility requirements are as follows:

1. **Expenditures.** The following items shall be considered ~~E~~eligible expenditures:

Capital Costs- Those costs associated with improvements which are permanently affixed to the building and which is not specific to the use and does not restrict the future use of the building. Some examples include, but are not limited to: life safety and Americans with Disabilities Act accessibility code requirements, repair/replacement of roof, floors or structural walls; repair/replacement of electrical, plumbing, heating or cooling system; installation of an elevator, sprinkler and fire or smoke alarm system.

Soft Costs- For purposes of this grant, the following items shall be considered soft costs and may be eligible for the Program: 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). Soft costs shall not exceed 25% of the total 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 the total eligible expenditures 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 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 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 (~~3~~5) 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), t~~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. **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 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 and a Final Certificate of Occupancy has been issued. Retail businesses who receive grant dollars upfront shall be subject to a lien on their property in an amount equal to their proportionate share of capital costs paid upfront 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 and a Final Certificate of Occupancy has been issued. For every full year the business is in operation, 20% of the remaining amount of the grant shall be paid to that business. In the event the business were to close within the 5 years, the Village shall have not obligation to payout any remaining portion of the grant. *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 upon issuance of the Final Certificate of Occupancy. The remaining $10,000 would be provided over a 5 year period ($2500/year) for every full year the business is 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.

14. **Property Lien**. All businesses and properties, except restaurants, who receive upfront grant money shall be subject to a lien to cover the pro rata share of capital costs paid upfront. One-fifth (1/5) of the lien shall be forgiven for each full year that the 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.

~~12.~~15. **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.~~16. **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.

N. Capital costs associated with eligible capital improvements made to a tenant space within 18 months of an eligible business making a grant request for that particular tenant space may be seek to include those capital costs as part of their future grant request. This shall only be applicable if the grant request is made in advance of the improvements being completed and is subject to review by the ECDC and approval by the Village Board. Grant dollars shall not be guaranteed and are subject to availability for that fiscal year.

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