



MEMORANDUM

TO: David A. Hulseberg, Village Manager

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

DATE: January 20, 2011

SUBJECT: Downtown Retail Business Grant Program Revisions

BACKGROUND

The Downtown Retail Business Grant Program was created in September 2005 with the purpose of attracting retail businesses and assisting existing businesses within the Downtown TIF and St. Charles Road TIF 1 West. Eligible businesses may receive a reimbursement of up to 50% of qualified expenditures (up to \$20,000) on build-out costs and other specified expenditures. Initially, the program was limited to retail businesses. Resale stores and service businesses were specifically excluded.

In September 2008, the program was expanded to include service businesses with a retail component. At this time the program was also amended to prohibit retroactive grant applications and require grant recipients to submit an Illinois sales tax release form.

In May 2009, the program was again modified. These revisions amended the criteria for service businesses, stating that eligible service businesses must have at least 25% of their gross income or floor area dedicated to retail sales activity, and that the amount of the grant would be a function of the size of the retail component of the business. Also at this time, the program was amended to state that grant recipients must remain open for at least three years subsequent to grant disbursement.

Proposed Changes

At the January 5, 2011 Economic and Community Development Committee (ECDC) meeting, the above program was reviewed to consider several amendments. The ECDC recommended approval (6-1) of the following changes, all of which have been incorporated into the revised Program Policy:

1. Payments and Reimbursement

- Revised the DRBG program to allow 50% of the approved grant amount (up to \$10,000), to be paid up front. The remaining 50% of the grant amount approved (up to \$10,000), will be paid out over a 5 year period (20%/year), so long as the business is in operation.
- Created a provision which allows restaurants the ability to receive the full grant amount upfront (up to \$20,000), after improvements are completed.
- Clarified what is considered capital costs and soft costs. Capped eligible soft costs to no more than 25% of total eligible expenses.
- Capital costs associated with eligible capital improvements made to a tenant space within 18 months prior to an eligible business and/or property owner making a grant request for that particular tenant space may seek to include those capital costs as part of their future grant request.
- Staff has created the attached excel spreadsheet to show how dollars are distributed and the expected amount for the lien.

2. **Lien**

- 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 receiving an upfront grant were to close within the time period that the lien is in effect, the property owner shall have a maximum of 10 years from the time the upfront grant amount was paid or immediately upon the sale or transfer of the property (which ever comes first), to repay the Village any remaining balance of the lien. If the space is legally occupied with a new tenant (retail or service), each remaining year(s) left on the lien would be forgiven for each full year that the new business(s) remains open. In the event that after the 10 years, the property owner was unable to successfully lease the space to a new tenant(s) for not less than a combined 5 years, the balance of the grant shall be paid to the Village.
- No lien would be required for restaurants.

3. **Service Businesses with a substantial retail component**

- 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.

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

5. **Clarifying Business Expansion**

- 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

6. **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. This requirement may be waived by the Director of Community Development.

7. **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.

RECOMMENDATION

The Economic and Community Development Committee recommended approval (6-1) that the Village Board of Trustees approve an Ordinance amending Title 3, Chapter 36 of the Lombard Village Code as well as adopting the revised Downtown Retail Business Grant Program Policy. Staff is requesting a waiver of first reading.