



MEMORANDUM

TO: Trustee Bill Johnston, Chairperson
Economic and Community Development Committee

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

MEETING DATE: April 9, 2018

SUBJECT: **Restaurant & Retail Business Incentive Program**

As the Economic and Community Development Committee (ECDC) is aware the Village has previously established an Economic Strategies Plan (2011) and an Economic Incentive Policy (2015) to assist the private sector in growing business activity within the Village. The Village has had some success to date through existing programs, as evidenced by the Mariano's, Thornton's and Yorktown Commons projects. However, a 2018 goal for the community development department is to offer opportunities to attract additional retail and/or restaurants to maintain or supplement the existing retail sales tax base. The need to consider additional programs is partially predicated upon the Village's reliance upon sales tax dollars as one of the key sources of government revenue. Additionally, given trends in the retail marketplace, the opportunity and need to offer enhancements may be required to attract retail establishments. To that end, staff and the ECDC will be tasked to undertake the "explore all options" approach to future incentive opportunities. While non-home rule jurisdictions like Lombard are much more limited to entering into sales tax agreement and other economic incentive programs, the challenge will be to develop program that can be legally defensible while actually resulting in measurable activity.

Staff offers the following overview of areas to be reviewed which would supplement our existing programs.

State Economic Development Authorization

As a Non-Home Rule community, Lombard would not be able to undertake a straight sales tax rebate program. The statutes provide an ability to undertake economic development and incentive activities, but does not directly authorize communities like Lombard to undertake a sales tax program. Absent changing State Statutes, the Village could further use the Provisions within the 65 ILCS 5/8-11-20, where applicable and meeting the 9 criteria below.

1. *As to the vacant portion of a Subject Property:*
 - (a) *said portion has remained vacant for at least one (1) year; or*

- (b) any buildings that were located thereon were demolished within the last year, and would have been found to qualify under subsection 2 below;*
- 2. *As to the developed portion of the Subject Property, the buildings located thereon:*
 - (a) no longer comply in all respects with current building codes; or*
 - (b) have remained less than significantly occupied or utilized for a period of at least one (1) year;*
- 3. *The Project is expected to create job opportunities within the Village;*
- 4. *The Project will serve to further the development of adjacent areas;*
- 5. *Without this Agreement, the Project would not be possible;*
- 6. *The Developer meets/will meet the criteria set forth in 65 ILCS 5/8-11-20(6)(A), (B) and/or (C);*
- 7. *The Project will strengthen the commercial sector of the Village;*
- 8. *The Project will enhance the tax base of the Village; and*
- 9. *This Agreement is made in the best interests of the Village.*

Places for Eating Tax Rebate/Reimbursement

The Village currently collected a two-percent tax on applicable restaurant food and beverage sales. As Places for Eating (PFE) Taxes are not constrained, the Village could develop a rebate program to offer reimbursements on these figures to offset start-up capital costs. This could operate very similarly to our downtown grant program in that we ask for an analysis regarding the improvements proposed, we determine the eligible funds we want to make available, based upon our Economic Incentive Policy, and complete our analysis. The upside is the Village could make the program available Village wide through a policy adoption. The challenges will be through the evaluation of want versus necessity. Also, the Village will need to evaluate the PFE data in order to demonstrate that any such program will move the needle enough to make it an effective tool.

Property Taxes

Similarly to what the Village approved for Mariano's. As we intimated for a selected other development project, for triple-net lease commercial rental properties, perhaps there is an ability for the Village to look at improvements and reimbursements on a smaller scale for targeted

retailers. Again, capital improvements, incentive need and performance based measures are all important.

Yorktown Business (Improvement) District

The Yorktown Business Improvement District (BD) was established for selected properties along the western and southern end of Yorktown Center in 2005. The purpose of the 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 purchases in the boundaries of the District.

For the eligible properties within the Yorktown Business District, the Village may be able to look at this further as a funding source. One way to address it would be to review the identified portion of the portion of the BD that allows for the Village to keep a portion of the sales tax, after other debts have been paid, and develop a plan for projects located within the BD. However, this will be subject to further review.

COMMITTEE ACTION REQUESTED

This item is being placed on the April 9, 2018 ECDC agenda for informational and discussion purposes. Over the next few months, staff will be providing the ECDC with additional information and possibly draft grant programs for consideration to supplement the provisions of the previously adopted Economic Incentive Policy. These programs would be targeted to creating additional incentive options for restaurant and retail/sales tax generating establishments.