

MEMORANDUM

TO: Trustee Dana Moreau, Chairperson
Economic and Community Development Committee

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

DATE: March 4, 2009

SUBJECT: Retail Grant Program Assessment

BACKGROUND

At the November 5, 2009 meeting, the ECDC discussed the proposed revisions to the Downtown Retail Business Grant program (minutes attached). It was agreed that the committee would wait to vote on any of the proposed changes until the LTC had a chance to submit their recommendations based on the market study they were completing. Staff attended the LTC's Board meeting on February 24, 2009 where they discussed the findings of their market study along with making recommendations for revisions to the DRBG. Members from the LTC will present their findings to the committee as it relates DRBG at the March 4, 2009 ECDC meeting.

SUMMARY OF PROPOSED CHANGES

The following is a summary of the proposed revisions to the DRBG:

September 3, 2008 ECDC Meeting

At its September 3 meeting, the ECDC recommended a number of changes to the DRBG Program Policy. These were considered at the September 18 Village Board meeting. The Village Board expressed support for the following proposed changes:

- All future grants shall be required to complete an Illinois sales tax release form; and
- Retroactive grant applications are not permitted. Once a Certificate of Occupancy has been issued for a business/property, the business is no longer eligible, unless the application is for a future modification to the building or use meeting the program criteria.

However, the Village Board remanded the changes back to the ECDC for further discussion and clarification of the term "**substantial retail component**." This affects following proposed changes:

- "Service businesses with a **substantial retail component**" are now denoted as a type of business that is potentially eligible for a DRB Grant;
- 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; and
- For start-up new service businesses with **substantial retail components**, up to half of the eligible grant award (i.e., no more than \$10,000) can be awarded with the start-up of the business. Notwithstanding the item below, the applicant does have the ability to apply for an additional half

of an award after a one year period of time, with the ECDC considering the retail sales tax figures as part of the application.

SUPPORTING DOCUMENTS

For your reference, the following documents pertaining to the history of the DRBG revision are attached:

- November 5, 2008 ECDC memo
- Minutes from the November 5, 2008 ECDC meeting
- September 18, 2008 Village Board memo
- August 6, 2008 ECDC memo
- September 2005 DRBG Program Policy
- September 2008 DRBG Program Policy, last revised March 4, 2009 (proposed changes in **bold**, remanded changes on p.2)

STAFF RECOMMENDATION

As staff noted in the November 5, 2008 ECDC memo, to meet the Village Board's request for a definition of "substantial retail component," staff suggests adding a minimum threshold of 25 percent. To qualify, a service business would need to either devote a minimum of 25 percent of its gross floor area to retail sales or demonstrate that at least 25 percent of its gross income comes from sales tax-generating activities. (This 25 percent requirement is consistent with the Village's definition of ancillary uses as opposed to principal uses.) The LTC discussed this item at their February 24, 2009 and concurs with staff recommendations.

Such a requirement creates the need for annual follow-up and enforcement. Service businesses with retail components that qualify based on their sales income will need to provide the Village with an annual financial statement to demonstrate their continued eligibility. The DRBG Program does not currently require grant recipients to remain in business for any length of time. The Downtown Restaurant Forgivable Loan Program has a 10-year scope, with one-tenth of the loan amount being forgiven each year for 10 years. The Downtown Improvement and Renovation Grant Program has a requirement that, in exchange for grants in excess of \$10,000, the business owner and any subsequent owner agree to not substantially change the use of the business for which the grant was received for a period of not less than three years. Failure to comply with the duration requirements results in the full repayment of grant funds to the Village. Staff recommends that a similar three-year time period be added to the DRBG Program.

Please note that if applicant meets the minimum criteria of the DRBG, that request would still require the review by the ECDC and/or the Board of Trustees.

ACTION REQUESTED

Staff requests that the Economic and Community Development Committee recommend amendments to the DRBG Program Policy to require grant recipients to authorize the Village to receive detailed sales tax collection information for the proposed business, prohibit retroactive grant applications, open the grant program to service businesses with a substantial retail component (as defined by having 25% of its gross income or gross floor area dedicated to retail sales activity), and require the use to be maintained for at least three years.