

MEMORANDUM

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

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

DATE: April 1, 2009

SUBJECT: **Retail Grant Program Assessment**

BACKGROUND

At the March 4th ECDC meeting, the committee approved revisions to the DRBG allowing for service businesses to be eligible for the grant provided that they 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. In addition, it was agreed that some form of repayment of the grant be included in the program, if a business closes or moves elsewhere within 3 years of receiving that money. The committee members ask staff to draft the language regarding the 3 year provision for committee members review and approval prior to the next Village Board meeting. Since a majority of the members did not respond to the staff email, staff is seeking the committee's review and approval; prior to the April 16, 2009 Village Board meeting.

PROPOSED OPTIONS

Staff offers the following options for the committee to consider regards to a minimum 3 year requirement:

1. **Security Deposit**- As originally discussed at the ECDC meeting, this option would require recipients who close or relocate within 3 years after receiving grant money to ensure that their lease allows for the Village to receive the security deposit.

Staff is concerned with this approach for the following reasons:
 - a. What if the tenant also owns the building and or space? A separate security deposit may have to be provided.
 - b. Landlords may double the security deposit for the tenant, potentially making it more difficult to lease.

2. **Grant cap for 3 years**- Rather than requiring a repayment, a provision could be added that prohibits any DRBG funding on a tenant space for three (3) years, after they received a grant. For example, if a business received a grant for \$20,000 and closed/relocated 18 months after receiving the grant money, a new business seeking to enter that tenant space would not be eligible for grant money, regardless of their use, until the original 3 year time period lapsed. It is important to note that the latest revisions, if approved, would no longer allow grant money to be used on improvements made after receipt of the CO. In addition, the committee may also want to consider an alternative where if the original grant recipient received less than \$20,000, any new business that occupies that space within the 3 years would only be eligible for the remaining balance up to \$20,000.

3. **3 year commitment**- Provide a specific requirement that states any business who receives grant money is to remain open at that space for a minimum of 3 years from the time they receive the money. This is a similar requirement we have for the façade grant program however there are no

specifics for enforcement or repayment. This provision would merely put recipients on notice should they request grant money.

4. **Pro rata repayment**-This option would include a repayment provision similar to the forgivable loan. That could be as follows:

Any property that closes its businesses or relocates within 3 years after receiving grant money would be required to repay the Village. This repayment would be on a pro rata basis as follows (see attached spreadsheet):

Completion of Year 1- 50% decrease in original grant amount

Completion of Year 2- 75% decrease in original grant amount

End of Year 3- 100% decrease in original grant amount

Staff is concerned about this option because of the potential burden placed on the property owner and any future tenant.

STAFF RECOMMENDATION

Staff recommends a combination of options 2 & 3. Staff feels that these options are the best alternatives since it's easy to understand for applicants, and it avoids the need for liens, attorneys, and collection agencies. It is important to note that all applications will still require the ECDC's review and approval. At that time, the committee will be able to closely review each applicant's materials to determine the businesses viability and success. Attached is a revised program policy guide with the recommended changes. The most recent changes related to this discussion are noted in **red**.

ACTION REQUESTED

Staff requests that the Economic and Community Development Committee recommend amendments to the DRBG Program Policy to grant recipients be in operation for a minimum of three years.