



MEMORANDUM

TO: Bill Johnston, Chairperson
Economic and Community Development Committee

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

DATE: August 10, 2015

SUBJECT: **Lombard Economic Incentive Policy – Initial Overview**

At the June and July ECDC meetings, staff stated that a goal of the ECDC was to develop a formal incentive policy. To that end, attached for discussion purposes is a background narrative and framework that can be utilized for this purpose. This effort ties in with a larger Village Board strategic planning initiative that is currently being undertaken by the Village Board.

At the August 10 ECDC meeting, staff will discuss this document introduction in greater detail. Specifically, staff will seek the input of the ECDC on the draft general policies and the framework which the formal policy should be undertaken. The comments by the ECDC will be incorporated into a final draft document for consideration at a following meeting. Staff will also identify all recent past and proposed incentive opportunities and will prepare individual goals and policies. Each program will also be specifically identified and will include a full overview including, the incentive type, description, authorization, eligible activities, legislative and financing processes, specific policies and the approval process. Additionally, a section will be offered to identify in-kind services than can be provided by the Village to facilitate such development activity.

The ECDC input will also provide direction to staff and elected officials in consideration of the overall policy adoption. Any subsequent applications that follow based upon the policy document

For further reference purposes, staff is attaching a summation of past economic incentive agreement that the Village adopted and implemented since 2000 as well as the adopted 2011 Economic Strategies Plan

LOMBARD ECONOMIC INCENTIVE POLICY

Introductory Chapter and Background Narrative for Discussion Purposes

Introduction

The Village of Lombard, through its adoption of its Economic Development Plan in 2011, has identified a number of strategies that should be undertaken to assist the private sector in the development of key properties and/or attracting key desired businesses to the community. Specifically, the Plan noted the Village Board's desire to "continue to expand economic development strategies to attract, maintain or expand business opportunities within the community, to include creating innovative solutions to fill commercial vacancies and innovative solutions to vacant lot development." To that end, the Village, through its Community Development Department, is proceeding in the formal implantation of the Plan, which will address the "explore all options" approach within the community. The Plan identified four economic development goals:

- Retain, expand and attract commercial and industrial businesses
- Promote general economic development and business growth
- Increase municipal revenue sources and identify incentives for specific development opportunities
- Encourage redevelopment along key commercial corridors

As a precursor to this effort, the Village offers a framework for providing for economic incentives to foster additional interest in the community. The framework is also intended to set specific policies pertaining to incentives that can be used by Village officials to entice such additional investment. The following information summarizes various financing and economic development programs, including the Village's implementation policies for each. Potential funding options for these programs can be divided into the following types of categories:

- Performance based local incentives (excluding opportunities available by/through other governmental resources), which would include programs such as Sales Tax Reimbursement Incentives or Programs that would result in a measured increase in equalized assessed valuations (EAV).
- Incentives Associated with Public Capital Improvements
- Incentives to advance the goals of a proposed or established Tax Increment Financing or Business Improvement District

General Policies for Discussion (All Incentive Programs):

It is critical for all parties to understand the general parameters pertaining to incentive programs. This can help ensure prospective developers and businesses to understand the role of the Village and what could be favorable considered by Village Board policy. It also reduces the amount of speculation or uncertainty that may occur absent such a formalized policy. Such general policies, that would be applied to any incentive are:

1. It is the policy of the Village to consider the judicious use of incentives for projects which demonstrate a substantial public benefit in support of developments that create new jobs, eliminate blight, strengthen the employment and economic base of the Village, increase property values and tax revenues, create economic stability, and attract businesses that the Village deems to be desired. Such efforts are intended as tools to implement the Village's Comprehensive Plan and Economic Development Strategy Plan and the Village Board adopted strategic planning efforts.
2. Developers and businesses are strongly encouraged to discuss their projects with staff prior to seeking approval of any incentives.
3. Village staff shall meet with taxing jurisdictions that will be affected by any incentive that would have a direct impact upon their operations.
4. All discretionary incentives will be subject to a "but for" test. There should be a finding by the Village that the project and the incentive is necessary, otherwise it would:
 - a. not occur,
 - b. only occur in a less beneficial manner,
 - c. not be financially feasible or stable, or
 - d. not result in an overriding public benefit or a reduction in costs that would otherwise be paid by the Village.
5. Incentives will be granted only at the level necessary to make the project financially feasible, with a focus upon new business establishments rather than ongoing business operations.
6. To encourage corporate businesses, innovative research and development, and desired industrial activities, the Village can consider additional incentives for large-scale projects that significantly create quality jobs that pay wages and benefits equal to or higher than the regional averages.
7. Businesses that strengthen the overall economic climate of the community by introducing a new establishment that will significantly reduce an existing market leakage in retail sales tax dollars can be favorable considered for incentives.
8. Taxes or revenues historically received by the Village will not be reduced below the base year of any incentive, as established by the individual redevelopment plans, after an incentive is approved.
9. The Village will not waive permit or development fees, but such fees may be considered as part of the overall pro-forma as part of the overall construction/development cost that can be used as a basis for an economic development incentive.
10. All projects receiving incentives must be consistent with adopted Village plans and must comply with all applicable Village codes.

11. Proposals will be individually evaluated under the Village's goals, policies and on their overall contribution to the local economy.
12. To the greatest extent possible, incentives should have a performance based element to measure the success of an incentive. The Village shall require periodic reporting evidencing compliance with the requirements of the program and measuring the economic benefit to the community.
13. Incentive programs, which do not provide for a capital or fiscal outlay can be considered to have a higher level of interest to consider and adopt. These programs include, but are not limited to: Business Improvement Districts, Special Service Areas and Special Assessment Areas.
14. Given current limitations, such programs would not rely upon the issuance of bonds or other financial constraining tools by the Village. However, this general policy shall be reviewed should the status and ability for the Village to participate in such agreements in the future materially change.
15. The Village's General Fund, will generally not be pledged for economic development projects, as such funds are dedicated to meeting essential and basic public service needs.

Specific goals and policies are also added to each specific incentive program as they are identified.

Questions for Consideration of Incentives

In working with a party seeking an incentive, the Village needs to be aware of the general policies in considering such request and act in the best interest of the Village, residents, businesses, and taxpayers. In consideration, such questions should be raised about any such incentives and how they relate to the Village's overall economic goals. These include, but are not limited to:

1. Retain, expand and attract commercial and industrial businesses

- Are the goods or services that the new business provides a new business sector or product that is not available in Lombard now?
- Are the goods or services that the new business provides a business sector or product that is not readily available in Lombard now? Does this provide for additional opportunities for our residents or visitors?
- Is this an existing Lombard business looking to expand and grow?
- Will the existing business create additional jobs or economic growth for the Village?

2. Promote general economic development and business growth

- Does this project create or retain jobs? Additional questions will need to be answered such as: how many jobs; is this an increase or decrease to the current number of jobs on site; do the job pay a prevailing wage, minimum wage, or more; and what kind of job types are being created.

- Does the development make enhancements to better the surrounding properties? These enhancements should be above what is required through existing Code requirements.
- Will there be public improvements which would benefit the Village as a whole such as a park, traffic lights, road improvements, and/or extension of water and sewer lines?
- Will innovative development technologies be incorporated into the project, or will the project bring an existing non-conforming property into closer compliance with Village Code.

3. Increase municipal revenue sources and identity incentives for specific development opportunities

- Is the equalized assessed value (EAV) of the property projected to increase and positively impact the taxing districts?
- If sales taxes will be generated will the amount exceed what is being generated at the site currently?
- Will there be other financial benefits gained?
- Will the project generate increased stays at Lombard hotels?
- Will there be additional costs to the Village after the development is complete related to Police, Fire, Public Works, etc.?
- What is the overall amount of capital improvements that will be made in Lombard?

4. Encourage redevelopment along key commercial corridors

- Does the project address a property that has been underutilized, excessively vacant or functionally obsolete?
- Are the conditions associated with the property a function of market conditions?
- Will the improvements benefit the neighboring properties?
- Is the property called out for redevelopment and therefore consistent with the Economic Development Strategic Plan, Downtown Revitalization Guidebook, and other Village documents?
- Is the development consistent with the current Comprehensive Plan?

The aforementioned questions are intended to provide a level engagement with the incentive beneficiaries, elected officials and other interested individuals in consideration of whether such an incentive is worthy of favorable consideration.

ECONOMIC DEVELOPMENT AGREEMENTS IMPLEMENTED/ACTIVE SINCE 2000

Business Improvement District (BID) – Yorktown

Issue

Business districts may be created wherever officials wish to stimulate economic growth and provide additional supportive measure to aid development in targeted areas. In 2004, Illinois legislature approved an additional provision allowing select business districts to collect an additional 1% sales tax on purchases and allocate these funds to assist in redevelopment initiatives. The plan contributes toward the area's overall need for economic redevelopment.

Key Points

- Business District area includes the northeast corner of Butterfield Road and Highland Avenue (part of the Yorktown Mall property).
- Yorktown Mall challenges included:
 - Vacancies in the wing adjacent to the vacant Montgomery Wards space
 - Available outlets around outer ring road that remains undeveloped
 - Watermains throughout the mall are in need of replacement
 - Elimination of access to mall along Butterfield Road
 - Aesthetic improvements to the façade and lighting
 - Expiring reciprocal easement agreements controlling the mall
- From the creation of a business district not exceeding a period of twenty-three years, consumers purchasing within the Yorktown retail area are providing the funds for eligible improvements. This monetary amount is collected through a Business District Retailers' Occupation Tax at a rate of 1%.
- The Village is not responsible for these costs but benefit from the area's redevelopment.

Reasons

Through the creation of a Business District redevelopment expenses are reimbursed by the additional 1% sales tax. This agreement eliminates the financial impact on the Village from redevelopment efforts while adding to the Village's sales tax revenue. The creation of this business district was intended to decrease vacancies in Yorktown Mall and aid the targeted commercial area in future redevelopment efforts.

Sales Tax Rebate Agreement – Lombard Toyota

Issue

Ron Postma Auto Sales (aka Lombard Toyota) contacted the Village to inquire about the possibility of expanding onto a vacant adjacent property. This property was vacant for more than one year and experienced difficulties in maintaining stable land uses. A tax rebate incentive agreement was made between Ron Postma, President of Lombard Toyota and the Village of Lombard.

Key Points

- Ron Postma Auto Sales purchased a property that contains a vacant commercial building. They intended to demolish the structure, redevelop the site for new and used auto sales, stock, and to expand existing sales operation.
- The subject property experienced failure of various commercial uses over the past 5 years. Both parties agree that the operation and expansion of Postma Auto Sales will add towards the success of the corridor, strengthening employment opportunities and the tax base in the Village.
- The Village supported the renovations on the subject property and acknowledges that the project requires economic assistance from the Village for its completion.
- Upon compliance with the conditions of this agreement, the Village retained annually the first \$330,000 in sales tax revenue and any excess funds were redistributed to Ron Postma Auto Sales up to \$300,000 over a ten year period.

Reasons

The agreement provided financial incentive to redevelop an adjacent vacant lot. Through this project Ron Postma Auto Sales would expand their facilities. The incentive proved successful as sales increased significantly both in the short and long term, a deleterious property was redeveloped and the incentive allowed for he existed business to remain in Lombard. The incentive cap was reached within three years.

Sales Tax Rebate – Von Maur

Issue

In the mid-190s, this agreement was presented to representatives of Von Maur as two conceptual methods in which the Village offered financial assistance to Von Maur for building improvement costs necessary in updating the vacant Wieboldt's property.

Key Points

- Village goals:
 - 1) A retail sales tax abatement agreement appears to be the most desirable means for financial incentive.
 - 2) The agreement should be for a relatively short period of time, no longer than ten years.
 - 3) The agreement should provide the Village a set amount each year at least for the first five years (and increasing by a percentage every year after the fifth year of the agreement).
 - 4) The agreement would include a specified maximum of the amount of funds to be rebated.
- The first method outlined for the Village to keep a specified amount of sales tax in years one through five, with Von Maur receiving a rebate for funds over that amount during the same period.
- The second method outlined that the village would receive a specified base plus a specified percentage over that base for the entirety of the agreement.

Reasons

The subject property which is one of four main anchor stores in the Yorktown Shopping Center had been vacant for an extended period. As a number of other vacancies existed in the center, it was believed that the operation of Von Maur would contribute toward the economic viability of the shopping center, employment opportunities in the village, and an increase in the Village's tax base. Both the presence of Von Maur in this location and updates to the building provides benefits to the economic viability of the shopping center. Von Maur requested that financial assistance is necessary for the completion of the renovations set forth in the site plan for the above mentioned property. The Village provided Von Maur financial assistance for the renovations and viewed the redevelopment of an existing vacant anchor property in the shopping center beneficial to the commercial revitalization of Yorktown Mall and surrounding area.

Sales Tax Rebate – Watermain on Roosevelt (O'Reilly Auto Parts)

Issue

The property owner petitioned for annexation and the property was identified as a high priority for annexation. The owner expressed their intent to secure B3 Community Shopping District zoning and connect to Village water services believed to be located in front of the property. Upon further exploration it was found that there was a gap in the public watermain network and the line would need to be extended to an adjacent property for access to Village water services. The Economic and Community Development Committee members recommended the Village Board approve the Watermain Construction Reimbursement Agreement where the owner would complete the work required to connect to Village water in exchange for the potential to be reimbursed for the public section of the line through the Retailers' Occupation Tax Act.

Key Points

- Property owner at 601 E. Roosevelt Road petitioned for annexation and desired to connect to Village water services. The Village supported their annexation.
- It was found that no watermain existed in front of the property. There would need to be a line extended 150 feet beyond their property line to connect to an existing main adjacent to the High Point Shopping Center.
- With annexation it was thought that public water would be available from the Village and this was determined to be beneficial to both the Village and property owner.
- The Watermain Construction Reimbursement Agreement was made between the property owner and Village and states the owner would connect to Village water in exchange for the potential to be reimbursed for the public section of the line.
- The owner completed the work to close the gap in the watermain network and access the Village's water services. They submitted the cost for the public watermain to the Village and were reimbursed by the

Village over the following 5 years, provided the building does not remain vacant or occupied by a non-retail use.

Reasons

The agreement provided financial compensation to partially offset the owner's expense for completion of work to obtain access to Village water services. The owner completed the work to close a gap in the Village's watermain network and obtain access to Village water.

Downtown TIF – Lombard Park District IGA – 143 W. St. Charles Road

Issue

This 2003 agreement acknowledged that the Lombard Park District would relocate a maintenance facility located in the Downtown TIF District and the Village compensated the Park District for this parcel. This agreement provided that the developer will provide a financial tax incentive to the Village and in turn the Village passed on a financial incentive to the park district.

Key Points

- The Village entered into an agreement with the district in regard to the relocation of their maintenance facility.
- The Village created a redevelopment agreement with Norwood-Lombard LLC for 129-143 W. St. Charles Road. Norwood purchased 143 W. St. Charles for \$820,000 guaranteeing to create a new tax increment in excess of \$1,200,000. The developer will construct a 4-story masonry mixed-use structure consisting of 39 market rate condos and 3,600 square feet of commercial space.
- Norwood Builders provided a financial guarantee that this project would generate \$1,200,000 in tax increment. After two years of meeting the tax increment threshold for fully occupied units they will fulfill their obligation.
- The Park District desired to build a new maintenance facility outside the Downtown TIF District (i.e., 995 S. Columbine Av.).
- The Village and Park District entered into an agreement where the Village will reimburse the Park District for the costs relevant to the relocation of their maintenance facility.

Reasons

The Village had interest by developers in redevelopment of the property. With the relocation of the maintenance facility this property would be able to be developed by a private developer. The developer will provide a monetary tax incentive for a limited period of time to the village. In turn the Village will provide a financial incentive to the park district for a limited time to help offset the relocation costs of the above mentioned maintenance facility to an area outside the downtown TIF District.

TIF – Elmhurst Hospital

Issue

This agreement acknowledged the redevelopment improvements by Elmhurst Memorial Healthcare (EMHC) and the conditions of the agreement between EMHC and the Village.

Key Points

- The Village sold 10 W. Maple Street (vacant lot) and 24 W. Maple Street (commuter parking lot) properties to EMHC. EMHC pays \$225,000 for properties.
- EMHC acquires the property at 29-37 E. St. Charles Road and assumed responsibility for the outstanding Village liens.
- The Village acquired access to 44 parking spaces on the 24 W. Maple site for the use by the library. EMHC assumed responsibilities for maintenance costs and the library paid a proportion of costs associated with these 44 parking spaces.
- The Village would lease the Maple Street commuter lot from EMHC prior to the construction of the proposed Hammerschmidt parking lot.

Reasons

This agreement provided for a wholesale redevelopment of an underperforming block face, provided for redevelopment opportunities along East St. Charles Road, address commuter and library parking concerns and provided for a major destination center use in the downtown that otherwise would have not located there.

TIF – St. Charles/Grace (Oakview Estates)

Issue

As part of the TIF Development Agreement for the Oakview Estates Condominium Development approved in 2004 the developer would be entitled to a reimbursement of up to \$400,000 to offset the costs of utility relocation and other infrastructure costs provided the conditions of the agreement are met. The project's public infrastructure improvements were completed in 2006 with units being sold in 2007 and 2008. The original developer then sold the second phase of development to a new developer. While the project has been taken over by a bank, the development framework remains in place for future residential development.

Key Points

- As the public improvements set forth in the original agreement have been completed yet the second building remains incomplete the village is unable to release any TIF funds.
- This second developer seeks approval of modifications to the agreement, a lower dollar amount (amount generated by the property as of 2009 at \$193,000) and dismissing future claims to any TIF funds associated with this property.

Reasons

The initial agreement provides the developer with financial compensation for the completion of public utility and infrastructure projects for the redevelopment of their property at 400-540 E. St. Charles Road. In return this property may be developed as a condominium development with at least eighty percent units developed as market rate units (or an approved alternate plan).

Downtown TIF Programs – Façade, Interior Build Out, Relocation

Issue

The Downtown Improvement and Renovation Grant Program's main purpose is to increase the economic viability of downtown Lombard by improving the aesthetics of the buildings, improving signage and increasing the availability and ease of parking. The main goal of the Downtown Relocation Grant Program is to foster commercial development and economic stability in the downtown TIF District and attract businesses to redevelop specific properties in these targeted areas. The Restaurant Forgivable Loan Program or Downtown Retail Business Grant was created to encourage more restaurants in the downtown district and foster downtown revitalization.

Key Points

Improvement Grant

- Applicants may receive a 50% matching grant provided their storefront improvements meet the eligibility requirements, improve the property's overall appearance, and uphold the outlined vision in the Downtown Lombard Improvement Plan.
- Professional and permit fees may be included in the project improvement costs.
- The applicant must obtain guidance from the Director of Community Development and require approval from the Director, Economic and Community Development Committee, or Village Board relevant to the monetary amount requested.

Relocation Grant

- Improves redevelopment efforts in the downtown district and provide assistance to business owners to re-establish their business there.

Restaurant Forgivable Loan Program

- This program offers up to one third of the costs associated with the renovation of the storefront or office space for use as a sit down restaurant.
- Restaurants help create activity after normal business hours and increase pedestrian traffic around stores and contribute toward the economic viability within the downtown area.

Downtown Retail business Grant

- Provides up to fifty percent, or up to \$20,000 to offset the cost of desired retail establishments.

Reasons

These TIF Programs offer financial assistance to businesses. These programs put in place a set of regulations to guide the agreements for non-residential uses in these areas and help guide the Village's vision for the targeted areas.

Special Service Area – Fountain Square

Issue

As part of the overall development of the Bethany Seminary Property with the Fountain Square development, the exterior infrastructure needed to be upgraded.

Key Points

Establishment of an SSA, in consideration of the overall development approval, provided the opportunity for the costs associated with and attributable to the development to be tied to the future beneficiaries of such improvements. It also allowed the developer to focus more of their project development costs on implementing the jointly derived vision for the development.

Special Service Area – Spectrum Development (Lincoln Place)

Issue

A 2013 development proposal brought forward by Spectrum Development sought approval of an 80 unit senior housing project focused upon individuals needing assisted skilled nursing care. A concern that was raised through this process was the costs associated with Fire/Emergency Management Service (EMS) call levels. Specifically, the concern was raised that as Lombard has the highest concentration of senior assisted care units in DuPage County, the Fire Department would be overtaxed, as it directly pertains to high service call levels.

Key Points

To address the fiscal impacts the development may have upon EMS call loads, the developer consented to and the Village approved the establishment of a special Service Area to address the higher level of call volumes that may be attributed to the proposed development. This approach allowed the development to proceed while beginning to address the issue that if the development does create higher calls, the Village would be reimbursed accordingly.

IN-KIND ECONOMIC INCENTIVES

Fast Track Zoning – Fountain Square/Highlands

Issue

The Fountain Square and Highlands of Lombard projects were both unique developments and they consisted of a redevelopment of a site with a low intensity use for higher intensity uses. However, the specific businesses or users were not known by the prospective developer at the time the project was conceived. The challenge was to develop a goal and framework which would allow for projects to move forward without levels of uncertainty to the development community, the Village or neighbors.

Key Points

With the master plan approvals in place, the developer could market the property and prospective businesses would know the “rules of the game” as they advanced their individual projects. Establishing a Plan Commission Site Plan Approval process also significantly reduced the time period for projects to be favorably considered by the Village, as such submitted plans were able to receive approvals directly from the Plan Commission, in most cases.