What are Business Improvement Districts: Municipal Experiences

Village of Lombard Presentation to the Illinois City/County Management Association (ILCMA)

February 6, 2019
What is a Business District?

- Tool for home and non-home rule communities to address funding of capital improvements

- Concept growing in use and popularity as an alternative way to address improvements without impacting traditional financing resources

- “Self-tax” Discretionary Concept

- Performance Based
Lombard Business District

- Specified geographical area in which businesses are required to pay an additional sales tax to fund identified projects within the district's boundaries.

- Create a significant improvement to the defined area without any direct tax burden upon Lombard residents.

- Developer assumes risk
Lombard Location
Lombard – Yorktown Area
Lombard Business District 1 - 2005

Blight Factors:

- Vacant 218,000 sq. ft. anchor tenant space negatively impacting adjacent mall wing
- Outlots remained undeveloped
- Watermains throughout the mall needed replacement
- Limited access caused by State highway improvements
- Aesthetic improvements needed
History: Lombard Business District 1

- Up to $32 million in requested eligible expenses
- Developer to be reimbursed only from funds generated by additional 1% sales tax
- Anticipated sales tax to be generated annually to the Village from Business District $1.5 million
- Village reimbursed for expenses in the Business District
Lombard – Pre-Business District
History: Lombard Business District 1

**Financed Improvements**

- Watermain, utilities reconstruction
- Ring Road Improvements
- Financing costs (7%NIR; $12.4M incentive through 2023; revised $22.4M cap)
- $71M total construction costs
Lombard Business District 1
Tax Generation Measurements (2017 data)

- $789,430 annual sales tax
- $411,460 in Places for Eating (PFE) Tax

These figures are both in addition to the 1% Business District Tax

- Also increased property tax assessment 2005-2017
Projected Revenues higher than Actual Revenues

2007-2017 projected: $14,360,000
2007-2017 actual: $ 6,400,360

Largely attributable to Great Recession, changing market conditions (local and national)
History: Lombard Business District 1

Measurements of Accomplishment

- Sale of Yorktown to KKR – 2012 ($192,000,000)
- KKR private investment >$25M
- Significant Private Investment (most without any other public assistance) >$225,000,000
Lombard Business District 1

External Adjacent Development within Yorktown:

- Outlot development (Chase Bank -2011 & Dunkin Donuts 2015)
- AMC remodel (2015)
- Health & Beauty Precinct (2017-18)
- Residential (2015 Yorktown Commons Planned Development, Form Based Code) ongoing
Yorktown Commons
Proposed 2019:

Lombard Business District 2
Lombard Business District 2

Considerations

- Carson's closing
- Yorktown Center transitioning
- Northern Seminary property sale/redevelopment possibilities
- Sam’s Club project stalled – future development options for Hamilton Partners site
Lombard Business Districts 1 & 2
Retail Tenant Space Transition (Yorktown Center)

2016 Leases

- Retail: 89%
- Service: 4%
- Food: 7%

2017 Leases

- Retail: 85%
- Food: 7%
- Service: 1%
- Exercise: 1%
Lombard Business District 2

Considerations:

- Yorktown ownership request/support

- Lombard Approved new Butterfield/Yorktown TIF District in late 2017

- Limited ability under current programs to help assist for requisite capital improvements
Lombard Business District 2

- “Built-In” Economic Incentive
- Can be used to finance capital improvements (types to be identified within the requisite plan)
- Would apply to identified properties
- Provides greater flexibility than TIF Districts
- Must Prove “Blight Factor”, as defined by Statute
Lombard Business District 2

- Funds for Capital Public & Private Improvements
- Focus upon attracting & retaining retail and restaurants
- Focus on businesses that create support/synergy with existing businesses (entertainment, recreation, hospitality related uses)
- Infrastructure Enhancements
Lombard Business District 2

- Working with consultant on requisite plan
- Secured ECDC/Village Board support of concept
- Require notices and public hearing by Village Board and Board approval before implementation
- Anticipated to be Finalized in FQ1 2019
Business Districts: Takeaways

- Build in community support
  - Affected businesses
  - Taxing Bodies (as an informational item)
  - Demonstrate Track Record (building on TIF engagement & approval)

- Tie to Larger Policy Initiatives
  - Village Economic Strategy Study (2011)
  - Comprehensive Plan (2014)
  - Economic Incentive Policy (2015 & 2016)
  - Total Costs of Development - Regulations
Business Districts: Takeaways

- Approval of BD is Not an Obligation to Spend

- Establish an Internal Policy for Future Expenditure Requests (through subcommittees and the like)

  https://www.villageoflombard.org/729/Economic-Development-Programs

- Define Measurements of Success (direct or indirect)
Business Districts: Takeaways

- Market as a Tool-kit Item for the Development Community
- Provide “Cover” for Elected Officials – BD concept can be a pro-active element to anticipate future needs as well as a re-active approach to private sector gap needs
- May be more palatable as a type of “voluntary tax”
Questions?

William J. Heniff, AICP
Lombard Director of Community Development

255 E. Wilson Avenue
Lombard, IL 60148

(630)620-3599

heniffw@villageoflombard.org