	AGENDA ITEM EXECUTIVE SUMMARY					
	Title:	Recommendation to Approve a Proposed Downtown Business Economic Incentive Program				
	Staff:	Matthew O'Rourke, Economic Development Division Manager Rita Tungare, Director of Community & Economic Development				
<i>Please check appropriate box:</i>						
	Government Operations		Government Services			
X	Planning & Development (1/12/2015)		City Council			
Estimated Cost:		Budgeted:	YES		NO	
If NO, please explain how item will be funded:						
Executive Summary:						
Background: In recent years, staff has worked with retailers, commercial brokers, and business owners to locate in downtown St. Charles. Through these interactions staff has noticed that the initial investment costs in downtown St. Charles buildings can sometimes act as a deterrent. In particular, potential business owners may have difficulty making significant investments to update old plumbing and electrical systems to comply with codes, install fire sprinklers and alarms, or update spaces to meet the requirements of the Americans with Disabilities Act.						
Proposed Incentive: In order to promote the vision and goals of a vibrant downtown St. Charles, and create new opportunities to attract retail and service businesses, staff is proposing the creation of a Downtown Business Economic Incentive Program. The program will focus on adding value to downtown's building stock through interior physical improvements/upgrades, while attracting new businesses to locate in St. Charles. The general structure of the program is proposed as follows:						
<ul style="list-style-type: none"> • Only Retail Sales, Personal Services, and Restaurants are eligible for the basic award. • Laundry and dry cleaning, Funeral Homes/Mortuaries, Tanning Salons, Tavern/Bar - (<i>Or restaurants that request/obtain a 2:00 AM liquor license</i>) are not eligible for an award. • Eligible properties must be located in the Downtown Special Service Area -1B (SSA-1B), be located on the 1st/ground floor of the building, and be the primary point of sale for the majority of merchandise or service sold. • All awards will match applicant expenditures on a 50/50 basis for eligible improvements. • Base level awards will have maximum value of \$10,000 and be approved by staff. • Additional awards of up to \$15,000, <i>for Retail Sales uses only</i>, will be approved by City Council. 						
Attachments: <i>(please list)</i>						
Downtown Business Economic Incentive Program Description Map of Special Service Area – 1B (SSA-1B)						
Recommendation / Suggested Action <i>(briefly explain):</i>						
If the Committee feels that they have sufficient information to make a recommendation, staff is requesting approval of the proposed program.						
<i>For office use only:</i>		Agenda Item Number: 5a				

Community & Economic Development
Economic Development Division

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ST. CHARLES
SINCE 1834

STAFF REPORT

TO: Chairman Daniel P. Stellato
And Members of the Planning & Development Committee

FROM: Matthew O'Rourke, AICP
Economic Development Division Manager

RE: New Downtown Business Economic Incentive Program Proposal

DATE: January 9, 2015

I. GENERAL INFORMATION

Project Name: Downtown Business Economic Incentive Program

Purpose: To create a new Downtown Business Economic Incentive Program that focuses on attraction of new retail and service oriented businesses to downtown St. Charles.

II. BACKGROUND

The City of St. Charles has an established downtown serves as the hub for a mixture of business, recreation, and residential activity. To preserve this environment, the City of St. Charles developed policy documents to establish direction for preserving, enhancing, and promoting downtown St. Charles. These documents are the 2000 Downtown St. Charles Strategy Plan, 2002 River Corridor Master Plan, and 2013 Comprehensive Plan. All three documents highlight the need to foster continued investment in existing buildings while attracting new retail and service businesses to downtown.

In recent years, staff has worked with retailers, commercial brokers, and business owners to locate in downtown St. Charles. Through these interactions staff has noticed that the initial investment costs in downtown St. Charles buildings can sometimes act as a deterrent. In particular, potential business owners may have difficulty making significant investments to update old plumbing and electrical systems to comply with codes, install fire sprinklers and alarms, or update spaces to meet the requirements of the American with Disabilities Act.

The Downtown St. Charles Strategy Plan and Comprehensive Plan state the following goals that provide direction to assist with these goals:

Downtown Strategy Plan

Policy Direction - Current programs available from the City and local financial institutions are focused almost exclusively on façade improvements. New, enhanced and targeted incentives should be considered as a means of pursuing business development strategies.

Comprehensive Plan

Chapter 3 Goals – Commercial & Office Areas, Goal 3, Objective 11 – Consider establishing a program to assist with improvements to existing buildings that bring them to current codes and standards so that they can sustain occupancy and market competitiveness.

Chapter 3 Goals –Economic Development, Goal 1, Objective 3 - Where appropriate, consider using incentives such as Tax Increment Financing as a means of fostering redevelopment in Downtown, The Charlestowne Mall site, and other areas of the City identified as priority investment locations. *PROPOSAL*

III. PROPOSAL

In order to promote the vision and goals of a vibrant downtown St. Charles, and create new opportunities to attract retail and service businesses, staff is proposing the creation of a Downtown Business Economic Incentive Program. The program will focus on adding value to downtown's building stock through interior physical improvements/upgrades, while attracting new businesses to locate in St. Charles. The main details of this program are described in the following sections (*The complete program description is attached to this memo*):

A. ELIGIBLE / INELIGIBLE USES

Eligible Uses

Staff is proposing the businesses eligible for assistance are limited to uses that specifically promote a lively downtown environment. The following uses (as defined by Section 17.030.020 of Title 17 the Zoning Ordinance) will be considered eligible:

- Retail Sales
- Personal Services
- Restaurants

Ineligible Uses

Staff has identified the following uses (currently permitted in downtown) that are proposed to not be eligible for an award:

- Laundry and dry cleaning (taken out of **Personal Services**)
- Funeral homes/mortuaries (taken out of **Personal Services**)
- Tanning salons (taken out of **Personal Services**)
- Tavern/Bar - (*Or restaurants that request/obtain a 2:00 AM liquor license*).

B. ELIGIBLE PROPERTIES

The proposed program has been crafted to further the priorities stated in the adopted downtown program documents. Therefore, any business seeking assistance must meet the following criteria:

- The property must be located in the Downtown Area as defined as the Special Service Area 1B (See Attached Map for program limits).
- The leasable space must be located on the first floor/street level of the eligible building.
- Primary point of sale for merchandise/services in the store must be the location of the physical business.

C. AWARD AMOUNTS

Basic Downtown Business Economic Incentive Awards

All awards will match applicant expenditures on a 50/50 basis for eligible improvements. The basic economic incentive award amount of \$10,000 will be available for individual businesses. Multiple businesses located in multi-tenant buildings shall all be eligible for individual awards.

Additional Funding Available for Retail Sales Businesses

Staff is proposing that extra awards be available for retail sales businesses to further encourage their location in downtown St. Charles.

Staff proposes that **Retail Sales** uses be eligible for an additional \$15,000 (**Total grant amount for any business shall not exceed \$25,000**), and the property/businesses must meet one of the following criteria:

- Additional awards are used to update building code or fire code deficiencies required by change of use such as but not limited to: ADA accessibility improvements, fire sprinkler installation, fire alarms installation, repair, or updates, accessibility ramps/elevators.
- The building or leasable space has been vacant for more than 6 months.
- The proposed business is located in the Downtown Retail Overlay District.
- Large retail spaces that need to be demised to make leasing the space more feasible.
- Extraordinary costs based on a unique physical condition or alterations of the building can be considered on a case by case basis.

D. ELIGIBLE IMPROVEMENTS

To ensure that the funds awarded through this program have a long term benefit to downtown St. Charles' building stock, staff is proposing that certain improvements are eligible for funding. These improvements are limited to upgrades that will serve the long term benefit of the building and not the individual business. *For a full list of eligible and ineligible improvements see the attached program description.*

E. APPROVAL PROCESS

In order to streamline the approvals, staff is proposing the following two tier approval process that coincides with the two proposed funding amounts:

- The Community & Economic Development Department shall accept and process all applications for Downtown Business Economic Incentive Awards.
- All applicants must request a “Chapter 34” review by the Building & Code Enforcement Division and Fire Department to determine any necessary code upgrades required due to change in use or life safety issues.
- Awards of **\$10,000** or less are approved administratively by Director of Community & Economic Development Department or designee.
- Awards in **excess of \$10,000 up to \$25,000** are required to receive City Council approval.
- City Council will be notified of all awards approved by staff.

IV. **RECOMMENDATION**

Staff is recommending that the Planning & Development Committee review the proposed Downtown Business Incentive Program. If the Committee feels that they have sufficient information, staff recommends approved of the proposed program.

V. **ATTACHMENTS**

1. Draft Incentive Program Description
2. Map of Special Service Area – 1B (Program Boundaries)

City of St. Charles
Downtown Business Economic Incentive Program

1. Program Purpose

The purpose of the St. Charles Downtown Business Economic Incentive Program is to encourage the rehabilitation and investment of properties located in downtown St. Charles. This program will meet this purpose by providing the following benefits:

1. The enhancement of the overall economic vitality and character of the downtown St. Charles by attracting tenants to fill vacant commercial spaces.
2. Assist the expansion and/or relocation of existing businesses within downtown St. Charles.
3. Promoting the continued success of downtown St. Charles through the improvement and repair of historic and older downtown buildings that require maintenance and building/fire code updates.
4. The protection of the general welfare by enhancing property and vitality of downtown St. Charles.

2. Program Guidelines:

All Downtown Business Economic Incentive Program awards will match applicant expenditures on a 50/50 basis for eligible improvements. There shall be a funding amount of \$10,000 available for individual businesses. Multiple businesses located in multi-tenant buildings shall all be eligible for individual awards. All businesses must meet the following criteria:

- The property must be located in the Downtown Area (See Attached Map for program limits).
- Must be considered Retail Sales, Personal Services, or Restaurants as defined in Section 17.030.020 of Title 17 the Zoning Ordinance.
- The following uses are not eligible for this program:
 - Laundry and dry cleaning.
 - Funeral homes/mortuaries.
 - Tanning salons.
 - Tavern/Bar (or any establishment seeking a 2:00AM closing liquor license).
- The leasable space must be located on the first floor/street level of the eligible building.
- Primary point of sale for merchandise/services in the store must be the location of the physical business.
- **Retail Sales** uses as defined by Section 17.030.020 of Title 17 the Zoning Ordinance are eligible for an additional \$15,000 provided the property/businesses meets one of the following criteria: (Total grant amount for any business shall not exceed \$25,000)
 - The additional awards are used to update building code or fire code deficiencies required by change of use such as but not limited to: ADA accessibility improvements, fire

sprinkler installation, fire alarms installation, repair, or updates, accessibility ramps/elevators.

- The building or leasable space has been vacant for more than 6 months.
- The proposed business is located in the Downtown Retail Overlay District.
- Large retail spaces that need to be demised to make leasing the space more feasible.
- Extraordinary costs based on a unique physical condition or alterations of the building can be considered on a case by case basis.

4. Approval of a Downtown Business Economic Incentive Program Award Procedure:

The Community & Economic Development Department shall accept and process all applications for Downtown Business Economic Incentive Program awards.

- All applicants must request a “Chapter 34” review by the Building & Code Enforcement Division and Fire Department to determine any necessary code upgrades required due to change in use or life safety issues.
- Awards of **\$10,000** or less are approved administratively by Director of Community & Economic Development Department or designee.
- Awards in **excess of \$10,000 up to \$25,000** are required to receive City Council approval.

5. Eligible Improvements

The following improvements shall be considered eligible to receive the Downtown Business Economic Incentive Award:

- Accessibility improvements for handicapped persons.
- Creation of new exterior doors for access into new leasable commercial spaces.
- Demising walls for the purposes of creating individual leasable commercial spaces.
- Energy conservation improvements.
- Electrical work, including service upgrades.
- Fire alarm systems.
- Fire sprinkler system installation or upgrade, including any needed water service improvements.
- Heating, ventilation and air conditioning.
- Lighting.
- Plumbing.
- Restoration of historic interior architectural features, including ceilings, light fixtures, floors and architectural detailing.
- Utility service upgrades, including water and sewer.
- Improvements not specifically listed as eligible or ineligible are subject to review on a case by case basis.
- Façade improvements (*only if the Façade Improvement Program has committed all budgeted funding for the current fiscal year.*)

6. Ineligible Improvements

The following items are **NOT** eligible for awards under the City of St. Charles Downtown Business Economic Incentive Award Program:

- Acquisition of land or buildings.
- Product inventory.
- Interior signage.
- Lighting fixtures.
- Hard surface materials for non-retail exterior space (parking lots, sidewalks, etc.).
- Display window enhancements (hanging grid system, lighting, display shelf, etc.).
- Media marketing and advertising.
- Ongoing business expenses such as rent, payroll, consulting work, moving expenses, etc.
- Day-to-day operational costs (e.g. utilities, taxes, maintenance, refuse).
- Exterminator services.
- Landscaping (see the City of St. Charles' Corridor Improvement Grant Program).
- Paint, tile, or other design elements.
- Furniture, cabinetry, carpets, office equipment, or similar interior finishes.
- Building permit fees and related costs.
- Sweat equity.
- Signs.

7. Commencement of Work:

Only after the Downtown Business Economic Incentive Program Agreement is approved by the City, can work commence. DO NOT START BEFORE -- YOU WILL NOT BE REIMBURSED FOR WORK DONE PRIOR TO CITY APPROVAL OF THE DOWNTOWN ECONOMIC INCENTIVE PROGRAM AGREEMENT.

8. Completion of Work:

All improvements must be completed within 270 calendar days of Downtown Business Economic Incentive Program Agreement approval, unless otherwise authorized by the City for a maximum of a one (270) day extension. If the work is not complete by the end of the extension the City's remaining obligation to reimburse the owner or tenant for the project terminates.

9. Reimbursement Payments:

Upon completion of the work, the owner or tenant must submit copies of all design invoices, contractor's statements, other invoices, proof of payment and notarized final lien waivers to the Director of Community & Economic Development, as evidence that the owner or tenant has paid the architect and contractor(s). You should use the attached forms for the contractor's statement and final lien waivers. Payment will be authorized upon completion of all work items as originally approved and receipt of all of the required documents.

The Applicant will only be reimbursed for the amount of the award once all approved work has been completed and a Certificate of Occupancy is issued by the Building & Code Enforcement Division.

The Director of Community & Economic Development may authorize reimbursement to be made in two payments, if all of the following conditions are present: 1) The first partial payment may be made upon completion of work representing at least forty percent (40%) of the amount specified in the Downtown Business Economic Incentive Program Agreement; 2) The architect's invoices,

contractor's statements, invoices, notarized final lien waivers and proof of payment for the completed work have been submitted; 3) The remaining work is expected to be delayed for thirty days or more following completion of the initial work due to weather, availability of materials, or other circumstances beyond the control of the owner or tenant.

In the case that the award covers multiple leasable spaces in one building, partial award funding can be disbursed as each individual leasable space is issued a Certificate of Occupancy. The amount of the partial disbursement shall be based on the proportion of square footage.

All Improvements shall be installed in accordance with the approved plan. Minor revisions as may be approved by a representative of the City Staff due to field conditions not known at the time of design, and similar circumstances beyond the Applicant's control. THIS IS A REIMBURSEMENT PROGRAM -- YOU MUST PAY YOUR ARCHITECT, CONTRACTORS AND SUPPLIERS BEFORE YOU RECEIVE PAYMENT FROM THE CITY.

Reimbursement awards are subject to Federal and State taxes, and are reported to the Internal Revenue Service on Form 1099. You are required to provide your taxpayer ID number or social security number as part of the Downtown Business Economic Incentive Program Agreement. Property owners and tenants should consult their tax advisor for tax liability information.

10. Maintenance Period:

The property owner and tenant shall be responsible for maintaining the improvements without alteration for five (5) years. A restrictive covenant limiting alterations may be required by the City Council at the time of approval of the Downtown Business Economic Incentive Program Agreement. A waiver from this requirement may be awarded by the City Council following a recommendation the Director of Community & Economic Development, upon submittal of evidence of hardship or unusual circumstances.

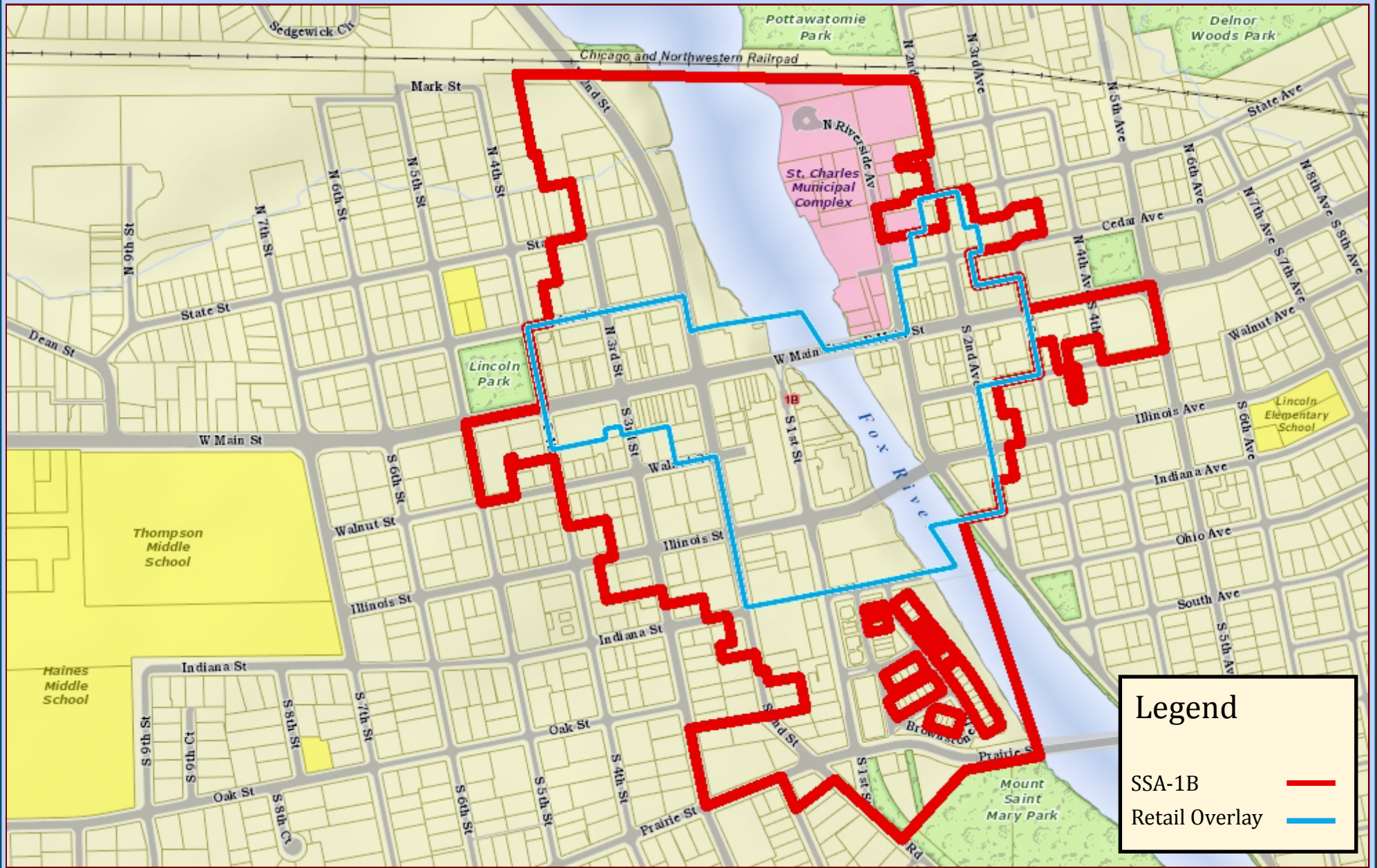


City of St. Charles, Illinois

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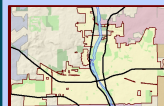
RAYMOND REGINA Mayor
MARK KOENEN City Administrator



Legend

SSA-1B —

Retail Overlay —



Data Source:
City of St. Charles, Illinois
Kane County, Illinois
DuPage County, Illinois
Projection: Transverse Mercator
Coordinate System: Illinois State Plane East
North American Datum 1983
Printed on: October 22, 2014 05:43 PM



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