

Village of Lake in the Hills
Economic Incentive Policy

November 12, 2015

Introduction

The Village's Comprehensive Plan places a focus on strengthening the tax base through economic development efforts. The main goal for commercial development as stated in the Plan is "to maintain the quality of existing commercial development and expand the Village's tax base by creating new areas for retail, restaurant, and service uses, enhancing the identity of Lake in the Hills as a destination shopping area for adjacent communities". The Comprehensive Plan encourages the investigation of economic development tools such as small business assistance and tax rebates. In August, 2012 the Village established a Strategic Plan for Economic Development that includes goals related to promoting economic development and identifying and promoting target areas throughout the Village for best use retailers. The Village's Strategic Plan approved in 2013 establishes targets for sales tax and job growth. This Economic Incentive Policy provides the tools that are necessary to carry out the objectives of the Village's Comprehensive Plan, Strategic Plan, and Strategic Plan for Economic Development, which will provide for growth opportunities that otherwise, may not be possible without the aid of incentives.

Guidelines

The following guidelines should be followed in the implementation of the Policy.

1. The Village may approve incentive requests that include grants, local sales tax revenue sharing, fee waivers, infrastructure improvements, property tax rebates, issuance of licenses (e.g. video gaming), industrial revenue bonds and loans on a case by case basis.
2. The subject project would not move forward at the location without the incentive.
3. The decision to approve an incentive agreement must be based on sound financial information
4. A project must comply with Village Design Guidelines as set out the Comprehensive Plan.
5. The Village will not consider any requests for the waiver of the following fees or charges: recapture fees, utility fees, fees from other taxing districts, or Village consultant review fees.
6. Incentives for adult uses, home occupations, and financial institutions are not allowed.

7. The Village will review all proposals on a case by case basis and in no event will prior economic incentive agreements dictate the content of subsequent agreements.
8. The terms and conditions of the incentive shall be incorporated into an agreement approved by the Board of Trustees. An agreement must be approved prior to the construction of any improvement that is receiving financial assistance.
9. Certain areas within the Village will be given priority for incentives and include:

Retail

- Rt. 47 Corridor
- Rt. 31 Corridor
- Lakewood Road
- Ackman Road
- Algonquin Road
- Randall Road
- Rakow Road

Office/Industrial/Light Industrial

- Corporate Office/Light Industry Target Areas (Exhibit A)

10. Offer incentive opportunities for new retail sales tax generating investments to offset necessary exterior and interior remodeling and build-out expenses needed to support new retail sales-generating businesses in tenant spaces.
11. Infrastructure improvements that enhance the project and add value will be looked on more favorably for assistance than common maintenance expenses.

Submittal Requirements

All applicants requesting incentives must provide the following information.

1. Documentation indicating how the request meets the referenced Evaluation Criteria in this Policy.
2. Amount of applicant's investment in the project and projected revenues (e.g. total retail sales).
3. Level and type of incentive requested.
4. Business Plan including projected expenses and revenues and detailed development pro forma.
5. Plans and drawings showing the proposed project.

6. The Village may require additional documentation if deemed necessary including financial statements.

Evaluation Criteria

Each submittal shall be evaluated based upon the following criteria.

1. Level of benefit to the Village and other taxing bodies.
2. Level of circumstances with the property or building characteristics that create challenges to development/redevelopment.
3. Number and quality of jobs produced.
4. The applicant's level of evidence showing that but for financial assistance from the Village, the project would not otherwise be carried out.
5. The ability of the development to spur additional economic development in the area.
6. The impact of a proposed development on the existing businesses within the Village.
7. Level of applicant's ability to construct, operate, and maintain the proposed project based upon past experience, general reputation, creditworthiness and financial strength.
8. Level of compliance with any Design Guidelines as described in the Comprehensive Plan.
9. Village licenses granted to the applicant that enhances their revenues (e.g. video gaming).

Case Studies

Below are two examples of sales tax sharing agreements the Village approved with a large national membership warehouse club and a restaurant that located in a former Applebee's restaurant. These are good examples of incentives that offered a business the needed assistance and at the same time provided strong benefits for the Village.

Costco

In 2003, the Village Board was approached by Costco to build a 136,000 sq. ft store along the Randall Road corridor. The property they wanted to construct the building on presented many challenges, including steep slopes. The construction of the site would involve a tremendous amount of grading work and the construction of a large retaining wall in order to provide a suitable level building site. The Board reviewed a sales tax sharing request from Costco and approved an agreement based upon the amount of extra work needed for the development and the tremendous benefit that a Costco would provide the Village. An agreement between the Village and Costco was reached that would reimburse Costco 50% of the sales tax generated from the store on a quarterly basis until a total of \$1,600,000.00 was reimbursed. The length of time allowed in the agreement to reach this amount was no more than 12 years, however Costco was able to reach the \$1,600,000 amount within 4 1/2 years. Costco continues to be a major component of the Village's commercial base and is the number one sales tax producer in the Village.

Woods Creek Tavern

In 2013, the Applebee's Restaurant located along Randall Road closed and the Village started to assist the property owner in finding a new tenant that would be an asset to the area. A new owner emerged in late 2014 and proposed to remodel the almost 20 year old building and create a gastropub concept that serves high-end craft beer and food. The new owner planned to invest over \$1,000,000 in improvements to the interior and exterior of the building/site and requested \$169,000 from the Village, which represented the cost for the exterior work only. During their review process, the Village Board looked more favorably on the structural improvements that enhanced the project and added true value to the site compared to the improvements that were more common maintenance expenses. On September 24, 2015 the Village Board approved a financial assistance agreement with the restaurant to assist with exterior building improvements that went beyond the scope of routine maintenance including new doors, exterior stone work, new parapet walls and reconstruction of the atrium. The agreement the Village and Woods Creek Tavern reached reimburses the restaurant 50% of the sales tax generated by the business on a quarterly basis until a total of \$67,500 is received or four years elapses, whichever comes first. Woods Creek Tavern opened in August, 2015 and has been a welcome addition to the Randall Road Corridor and will help spur additional economic development activity to the area.