



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Economic Development Division

m e m o r a n d u m

TO: Bruce K. Walden, Chief Administrative Officer

FROM: Elizabeth H. Tyler, AICP, Director

DATE: August 22, 2002

SUBJECT: Redevelopment Incentive Program Revisions

Description

Urbana's existing Downtown Façade Loan Program currently offers financial incentives for businesses located within Tax Increment Financing (TIF) Districts 1 and 2 to improve their business buildings and sites. This program has worked well over the years in assisting with commercial rehabilitation projects and new and improved storefronts in the downtown area.

In recent months, with the encouragement of local business interests and Council members, staff has been investigating ways in which the Façade Loan Program can be modified and expanded so that it is more responsive to business needs, more competitive with other similar programs in the area, and more reflective of the current commercial lending environment. There is also a desire to improve the program so that it can serve as a more effective implementation tool for the recently adopted Downtown Strategic Plan. Expansion of the program into the North Cunningham Avenue Corridor is also proposed to encourage increased and improved commercial development in this area consistent with the recently adopted Cunningham Avenue Corridor Redevelopment Plan.

Discussion of a proposed revamping of the current Downtown Façade Loan Program to two new TIF Redevelopment Incentive Programs (i.e., for Downtown and for North Cunningham) has been initiated with the goals of implementing relevant plans, increasing the level of incentives available, and promoting and encouraging more businesses to take part in the program. Included in this report are summaries of the proposal and data analysis of the revised program.

Issues

There are a variety of issues that must be considered in creating and maintaining an effective redevelopment incentive program. These include responsiveness to the current business and lending environment; ability to assist in the implementation of adopted City plans and policies; effectiveness and level of use in encouraging new, improved, and expanded businesses in the area; and fiscal impact on the City. The overall goal of redevelopment incentive programs should be to encourage the economic development of the community consistent with the established tax increment financing district plans and programs.

Preliminary analysis of the proposed program conducted by staff indicate that while the costs of the program are likely to increase substantially, it can be implemented and sustained at some level within our current TIF District and Economic Development budget limitations. Preliminary discussions with local lenders indicate a willingness to participate under the proposed new interest and loan limit guidelines described below.

Background

The existing Facade Loan Program is regulated by the following criteria and guidelines:

- A business located in either Tax Increment Finance District One or Two can apply for a loan to rehabilitate its building, landscaping, site or remodel enclosed commercial mall space.
- The loan amount must range from \$5,000 to \$40,000.
- The interest rate is a 2.0% fixed rate, with the City of Urbana paying the differential interest amount to the participating lending institution.
- The term of the loan is 5 years; 60 payments.
- At least 50% of the loan proceeds must be used on the exterior of the structure under rehabilitation, except in the case of enclosed mall space renovation.
- Loans cannot be used for working capital, property acquisition, or refinancing of an existing debt.
- Applicants must be the owner of record, mortgagor, contract purchaser, or long-term lessee and must receive approval of their application by the City of Urbana and the participating lending institution.
- The lender establishes all underwriting criterion.

As described in the attachment, the revised TIF Redevelopment Incentive Program would provide for a 0% interest rate loan over a five-year term, increase the maximum loan amount from \$40,000 to \$60,000, and add a grant bonus for projects that fulfill City goals and plans. The grant amount would be awarded based upon a point system reflective of priorities and policies established in the relevant redevelopment and strategic plans. A similar point system is currently employed in the City of Champaign's downtown Redevelopment Incentive Program.

Following is a summary of the criteria and guidelines of the newly proposed Program (see Attachment 1):

- A business located within Tax Increment Finance District One, Two, or Four can apply for a loan to rehabilitate its building, landscaping, site or remodel enclosed commercial mall space (see Attachments 2 & 3).
- The loan amount must range from \$5,000 to \$60,000.
- The interest rate is a 0.0% fixed rate, with the City of Urbana paying the entire interest amount to the participating lending institution.
- The term of the loan is 5 years; with 60 payments.
- At least 50% of the loan proceeds must be used on the exterior of the structure under rehabilitation, except in the case of enclosed mall space renovation.
- In addition to the loan amount, businesses may also be eligible for a grant of up to \$6,000, based upon how many of the grant criteria are met for interior or exterior improvements to the real estate (see Attachments 4, 5, & 6).
- Loans cannot be used for working capital, property acquisition, or refinancing of an existing debt.
- Applicants must be the owner of record, mortgagor, contract purchaser, or long-term lessee and must receive approval of their application by the City of Urbana and the participating lending institution.
- The lender establishes all underwriting criterion.

Maps depicting the boundaries to be covered by the Downtown Loan/Grant Program (TIF Districts 1 & 2) and by the North Cunningham Loan/Grant Program (TIF District 4) are shown in Attachments 2 and 3.

Attachments 4 and 5 present proposed criteria for award of the grant component. For the downtown area, the full grant amount of up to \$6,000 will automatically be awarded to those projects that are eligible retail or entertainment uses or that achieve the major goals and objectives of the Downtown Strategic Plan. In addition, variable points are awarded for fulfillment of criteria including encouragement of entertainment uses, provision of upper story residential uses, site improvements, building re-use, historic preservation, exterior improvements, new construction, code improvements, and minor exterior improvements.

For the North Cunningham area, variable points toward achieving the full grant amount of up to \$6,000 are awarded for fulfillment of criteria including compliance with the Cunningham Avenue Corridor Redevelopment Plan, economic benefit to the community, encouragement of visitor-serving uses, new construction, exterior improvements, streetscape beautification, site improvements, provision of usable open space/greenway connections, code improvements, building re-use, and minor exterior improvements.

An example of a hypothetical TIF Redevelopment Incentive Project award is shown in Attachment 6. The criterion presented in Attachments 4 & 5 are in draft form and may be modified depending upon review comments and the results of additional testing with examples. Attachment 7 provides a draft of the application.

Once the TIF Redevelopment Incentive Program modifications have been finalized, a marketing effort will be undertaken to advertise the benefits of the new program and to encourage participation.

Recommendations

Staff requests policy direction from the City Council to proceed with the proposed modifications to the existing Facade Loan Program, along with any additional suggested changes. The modified program can then be put into effect immediately upon final agreement from our banking partners. Necessary TIF budget amendments will follow in order to maintain the implementation of the revised program.

Attachments: 1: New Program Highlighted Changes
 2 & 3: TIF District 1 & 2, 4 Maps
 4 & 5: Downtown (TIF 1,2) & North Cunningham (TIF 4) Grant Criteria
 6: Financial Example of Facade Loan
 7: Sample Application

Prepared by:

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CITY OF URBANA

TIF REDEVELOPMENT INCENTIVE PROGRAM

In coordination with local area banks, the City of Urbana is offering a revision to its successful commercial façade loan program that will offer more flexible and attractive incentives for investment in properties within some of Urbana's TIF districts (TIF's 1,2, & 4). Some of the highlights of proposed changes include:

1. 0% interest rate over a five year term

Currently, the City offers a 2% interest rate over the five-year term of 60 monthly payments. The City writes down the interest cost from 5.5% (financial institution's agreed rate) to 0%. This represents the same 5.5% difference that the city pays with the current program (or about \$5,000 for a \$40,000 loan).

2. Bump maximum loan amount up from \$40,000 to \$60,000

Urbana currently requires a minimum of \$5,000 for the loan and allows a maximum of \$40,000. Over time, inflation has made the maximum loan amount seem relatively low and less attractive to business owners looking to invest in their properties. The loan will still require a 50/50 ratio of exterior to interior renovations up to \$40,000, but above that, more money will be allowed to be spent on interior work, up to a 25/75 exterior/interior ratio up to the \$60,000 max loan amount.

3. Provide grant bonus to projects that fulfill city goals and plans

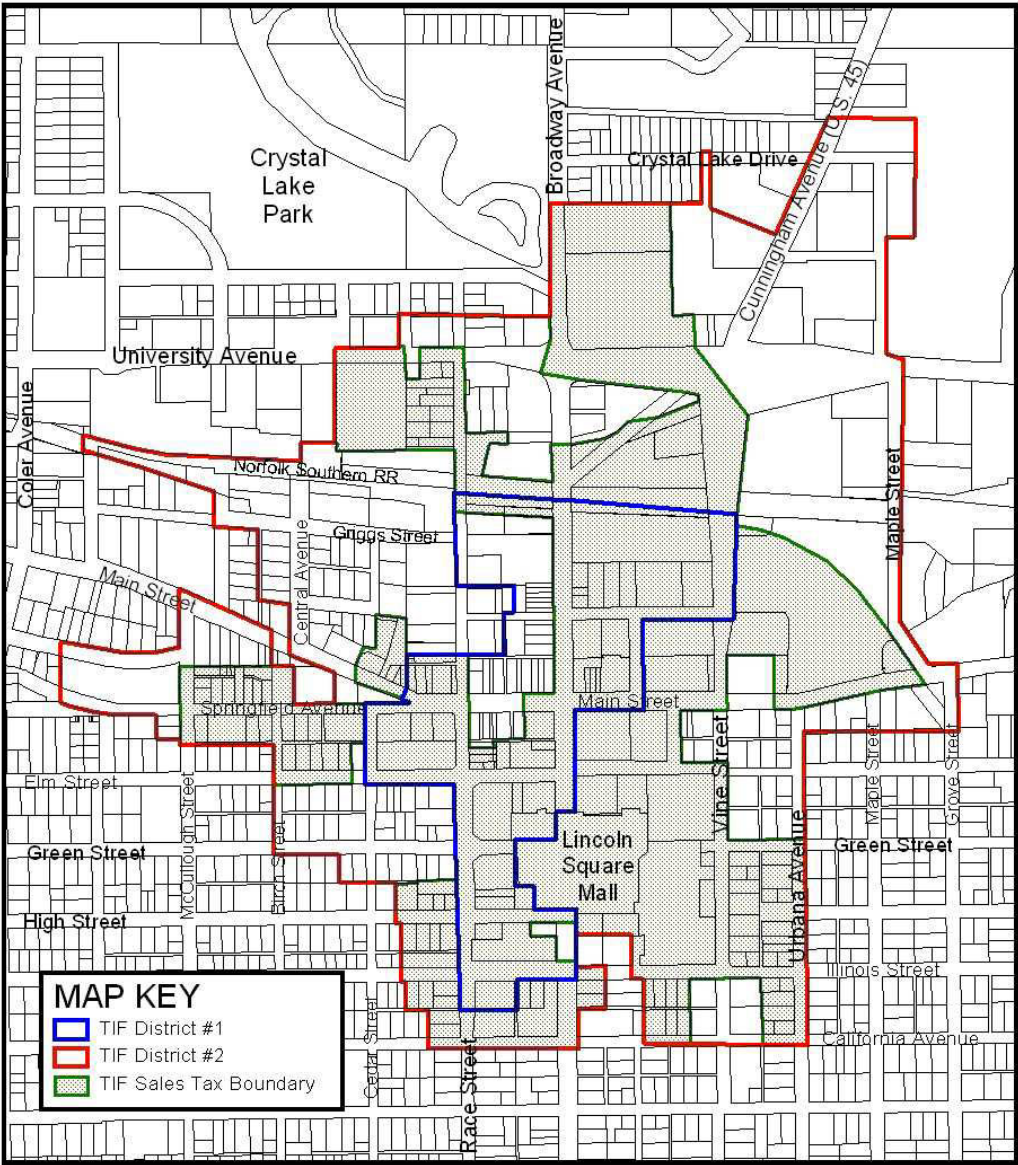
Projects that fulfill certain criteria will be eligible for grant bonuses on top of their received loan amount. Grant bonuses will target projects that fulfill certain city objectives within the eligible TIF districts, especially those that fulfill aspects of the Downtown or Cunningham Avenue Corridor Plans, such as attracting new retail businesses to downtown, creating more banquet space on north Cunningham, or landscaping/streetscape improvements. For each criterion fulfilled, a business will receive points that will add a percentage of their loan amount to their construction account in the form of a grant, for up to \$6,000 in grant bonuses.

4. Marketing campaign and initiation of program

An ad campaign will inform businesses, developers, commercial realtors, and finance institutions of the new program. In addition, a marketing brochure will be sent out to advertise the program to all businesses. The UBA will be encouraged to participate in joint advertising and sponsor a seminar. Efforts will be made to identify, prioritize, and assist properties in greatest need of redevelopment or improvement.

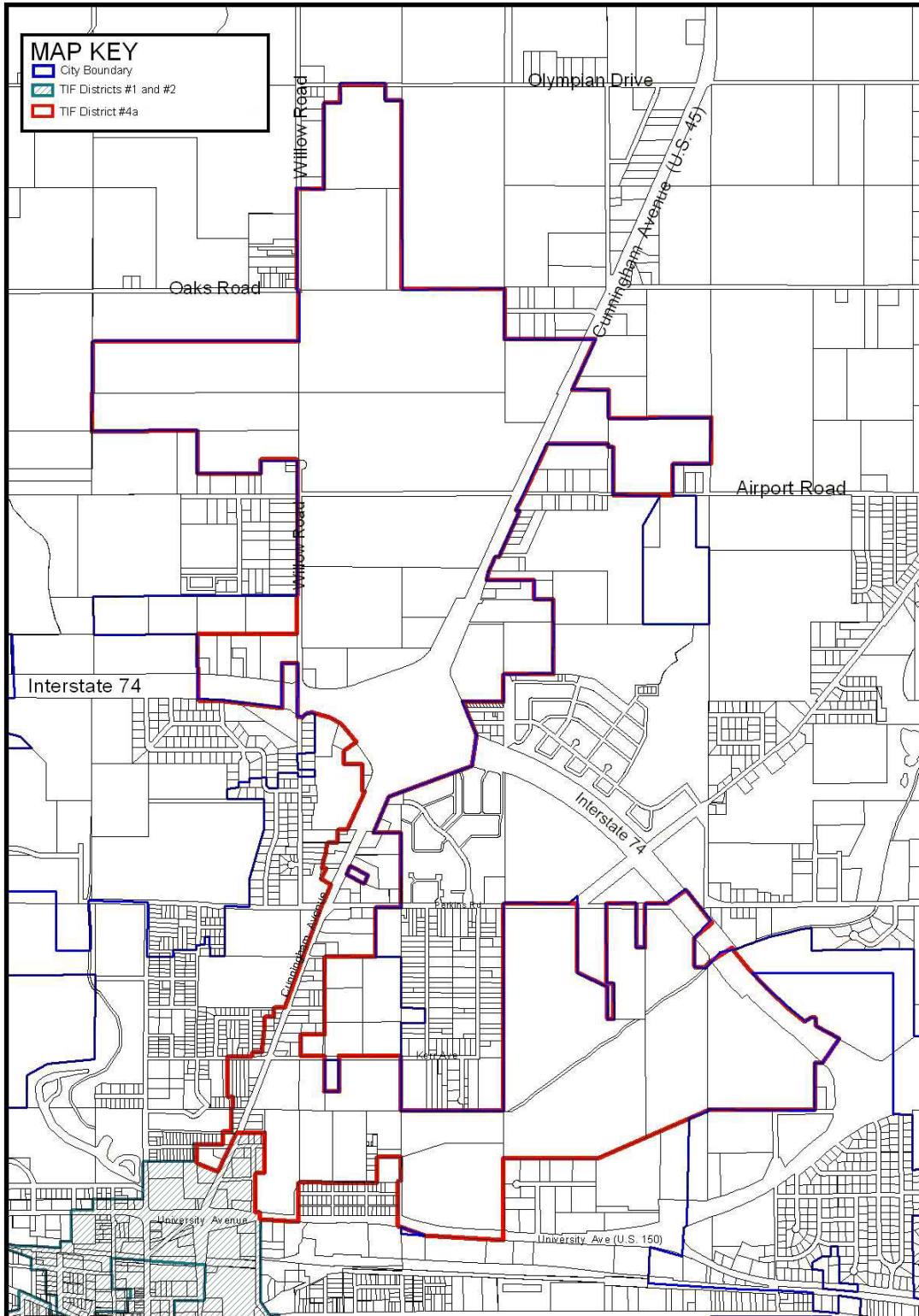
5. Budgeting

Because of the increased maximum loan amount and the additional grant bonus provision, the maximum city outlay for a project would go from \$5,000 cash for a \$40,000 loan to a total cash outlay of about \$14,000 for the maximum \$60,000 loan plus \$6,000 grant amount. This is a significant increase, which means the program will need significantly more funding in order to satisfy what will likely be increased demand for the program.

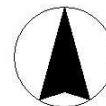


Tax Increment Finance Districts 1 & 2





Tax Increment Finance District #4





TIF REDEVELOPMENT INCENTIVE PROGRAM

DOWNTOWN GRANT CRITERIA

Recipients of TIF Redevelopment Incentive Program loans may also be eligible for additional grants if their project fulfills certain City goals. The grants will be available for up to \$6,000 (up to 10% of the maximum loan amount), based on how many of the below criteria are met. Grants will not be available for first floor office uses or for adult entertainment/retail uses. Grant money may be used for interior or exterior renovations. **The full grant amount will automatically be awarded to eligible retail and entertainment uses and to projects that aid in achieving major goals and objectives of the Urbana Downtown Plan.**

<u>Number of Points</u>	<u>Grant % of Loan Amount</u>
2	2%
3	4%
4	6%
5	8%
6	10%

CRITERION

(for non-retail uses)

	Upper Story Residential/Multi-Family – Project will create rentable or leasable upper floor residential space (apartments/condos) in downtown buildings. (2 pts.)
	Site Improvements - Project will significantly enhance the aesthetics of the site and/or streetscape, beyond what is required by zoning codes. (1 pt.)
	Building Re-Use - Project will result in re-use of a vacant or underutilized existing building or a new business to the area. Property must be vacant for 6 months to be considered a re-use. (1 pt.)
	Historic Preservation - Project will rehab or prevent deterioration of a property of historic value. (1 pt., 2 if designated local, state, or national landmark)
	Exterior Improvements - Project includes substantial improvements to the exterior of an existing building that will significantly enhance the appearance of the area. (1 pt.)
	New Construction - Project will involve construction of a new structure (not to include parking) on vacant or underutilized land. (1 pt.)
	Code Improvements - Project will allocate at least 30% of eligible costs to building and life safety code or accessibility improvements. (1 pt.)
	Minor Exterior Improvements - Project will address minor aesthetic deficiencies to a building (e.g. tuckpointing, improved signage, windows). (1 pt.)



TIF REDEVELOPMENT INCENTIVE PROGRAM

NORTH CUNNINGHAM

GRANT CRITERIA

Recipients of TIF Redevelopment Incentive Program loans may also be eligible for additional grants if their project fulfills certain City goals. The grants will be available for up to \$6,000 (up to 10% of the maximum loan amount), based on how many of the below criteria are met. This grant applies to properties located within Tax Increment Finance (TIF) District 4. Grant money may be used for interior or exterior renovations.

<u>Number of Points</u>	<u>Grant % of Loan Amount</u>
2	2%
3	4%
4	6%
5	8%
6	10%

CRITERION

	Compliance with the Redevelopment Plan - Project will aid in achieving one or more of the major plans, goals or objectives of the Cunningham Avenue Corridor Redevelopment Plan. (3 pts.)
	Economic Benefit - Project will be of significant economic benefit to the City, either through significant tax generation, creation of new jobs, or establishment of a significant new business in Urbana. (3 pts.)
	Visitor Serving Uses - Project will create a new business, service, or attraction that will serve and/or attract outside visitors to Urbana (hotels, banquet/convention space, restaurants, recreational use, etc.). (2 pts.)
	New Construction - Project will involve construction of a new on vacant or underutilized land. (1 pt.)
	Exterior Improvements - Project includes substantial improvements to the exterior of an existing building that will significantly enhance the appearance of the area. (1 pt.)
	Streetscape Beautification - Project will improve the appearance of the Cunningham Corridor through landscaping, improved signage, curb cut closures, or other types of landscape beautifications. (1 pt.)
	Site Improvements - Project will significantly enhance the aesthetics of the site and/or streetscape, beyond what is required by zoning/development codes. (1 pt., 2 if a significant recreational amenity is added, i.e. usable open space or greenway connections)
	Code Improvements - Project will allocate at least 30% of eligible costs to building and life safety code or subdivision code improvements (i.e. access, drainage, lighting, utilities, etc.). (1 pt.)
	Building Re-Use - Project will result in re-use of a vacant or underutilized existing building or a new business to the area. Property must be vacant for 6 months to be considered a re-use. (1 pt.)
	Minor Exterior Improvements - Project will address minor aesthetic deficiencies to a building that give the appearance of blight (e.g. tuckpointing, improved signage, windows). (1 pt.)



CITY OF URBANA
TIF REDEVELOPMENT INCENTIVE PROGRAM

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INCENTIVE PROGRAM EXAMPLE

A service provider located in TIF 2 is applying for a \$30,000 loan for site rehabilitations that will include: improvement of business sign, resurfacing of exterior walls, new windows and doors, curb and landscape improvements, creation of handicap accessibility, and minor indoor remodeling. Since over 50% of the expenditures listed in detail on their application will include exterior renovations, and all other application criteria are met, staff approves the application and a participating lending institution underwrites the loan. The city pays the interest sum to the lending institution for the business and will monitor the business' improvements to verify Incentive Program compliance.

The grant criterion is also analyzed in relation to the business. It is noted that the maximum allowed is \$3,000, since a business can only receive up to 10% of their loan amount. The business is not retail or entertainment oriented, and will not be providing upper story residential opportunities. In addition, the business does not have historic value, has not been vacant for 6 months, and will not be adding new construction. However, the business does meet the criterion of site improvements, exterior improvements, code improvements, and minor exterior improvements, which totals four points and is eligible for a 6% grant of the loan amount. Therefore the business will receive a grant for \$1,800.



FACADE LOAN PROGRAM APPLICATION

Complete and return this application to: Economic Development Division
City of Urbana, 400 S. Vine Street, Urbana, IL 61801

1. APPLICANT INFORMATION

Name: _____

Address: _____

Phone: _____

Interest in property to be renovated (check one):

_____ Owner/Mortgagor

_____ Contractor Purchaser

_____ Tenant

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If contract purchaser or tenant, who is property owner?

If tenant, how many years are left on the current lease?

2. PROJECT INFORMATION

Business name: _____

Project address: _____

Current use of property: _____

Proposed use of property: _____

Work proposed for property: _____

Project cost estimates:	Façade Loan	Owner Equity	Other Financing	Total
Interior Renovation				
Exterior Renovation				
Site Improvements				
Total				

If other financing will be used for the project, please specify source:2

TO COMPLETE THIS APPLICATION, PLEASE ATTACH THE FOLLOWING INFORMATION TO FURTHER DESCRIBE THE PROPOSED PROJECT:

- ◆ Preliminary cost estimates (typically a copy of itemized contractor estimates/quotes). Required
- ◆ Site plan and elevation drawn to scale, with scale(s) noted, illustrating the proposed improvements. Proposed materials, colors, finishes and details, including signage (if any). Optional*
- ◆ Elevations of any façade proposed to be drawn to a scale of at least 1/8": 1'; each elevation drawing should include notations of proposed materials, colors, finishes, and details. The drawing should clearly show proposed signage (if any). Optional*
- ◆ Clear and identifiable photographs, at least 5" x 7" in size, of the building facades and facades of buildings on the same block. If more than one façade is proposed for renovation, photographs of each façade and buildings on the same block should be submitted. Optional*

*Optional means information is required unless waived by the Economic Development Division

3. CERTIFICATION

I, the undersigned, certify that all information provided herein is true and accurate to the best of my knowledge. I further certify that I have completed and attached to this application all documentation required as part of this application.

 Applicant name (print or type)

 Date

 Applicant Signature

OFFICE USE ONLY

Application is ____ APPROVED ____ DENIED

By: _____
Economic Development Division

_____ Date

Comments: _____

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