



**DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES**  
*Economic Development Division*

**m e m o r a n d u m**

**TO:** Bruce Walden, Chief Administrative Officer

**FROM:** Elizabeth H. Tyler, AICP, Director

**DATE:** October 7, 2004

**SUBJECT:** Amendments to the Philo Road Business District Redevelopment Incentive Program Guidelines

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**Introduction**

This memorandum introduces a proposal to amend the Philo Road Business District Redevelopment Incentive Program (RIP), in order to make it more effective in its mission to encourage improvements and occupancy of commercial property in the Philo Road Business District. Staff proposes to expand the RIP's scope to assist development of a broader spectrum of buildings and sites in the business district and to increase the program's use. These objectives will be accomplished by offering higher grant levels, similar to the TIF incentive program, and by providing greater loan amounts and flexibility.

**Background**

The Philo Road Business District Redevelopment Incentive Program (RIP) was initially made available to businesses in southeast Urbana in 2003. The objectives of the RIP are to improve and expand the facilities of existing businesses in the Philo Road Business District and to locate new businesses in available space in the area. Amendments are now being proposed to promote better use and applicability of the program in conjunction with a new initiative to revitalize the area entitled the "Philo Road Action Plan". Since its introduction in 2003, there have been no loans issued from the RIP, although there have been numerous inquiries. The RIP currently has funds in the amount of \$50,000 remaining from the 2003-2004 budget year, which are encumbered for economic development project funding.

As proposed, the Philo Road Business District RIP would provide loans and grants for existing and new businesses to remodel and expand current and vacant location in the area. The loans leverage the commercial loans of participating lenders, which are subsidized by the RIP up to 5.5 interest percentage points. The grant amount would be for up to 10% of the leveraged loan amount (previously 5%). Loan and grant amounts would be limited by the amount of incentive funds available (previously preset amounts of \$3,00 to 60,000). This does not preclude other commercial financing.

## **Issues**

Due to the relatively high occupancy rate of smaller retail and office spaces in the Philo Road Business District, the challenge for the Redevelopment Incentive Program is to encourage use of larger available space and to promote the development of outlots, while still encouraging smaller space improvements.

To provide the flexibility and incentive to accomplish these objectives, staff proposes that the grant feature of the RIP be made available to all loans for up to 10% of the leveraged loan amount. This provision is similar to the Downtown Grant component of the TIF Redevelopment Incentive Program. Loans would be available on a “first-come first-served” basis, with loan limits based upon fund availability. These changes will provide the ability to leverage projects in larger spaces and outlots, while still being available to assist individual businesses in the Philo Road Business District.

The performance standards for retail space will remain the same and staff will continue to evaluate other uses for loans and grants. Primary uses for funds are envisioned to be retail, dining and entertainment, services and office projects. Development agreements will still be used for projects requiring more, or unique, assistance and the RIP can serve as a marketing tool to initiate these negotiations.

## **Recommendation**

Staff recommends that the Committee approve, by passing a motion, the attached guidelines as the amended Philo Road Business District Redevelopment Incentive Program Guidelines.

### **ATTACHMENTS:**

- A. Amended Philo Road Business District Redevelopment Incentive Program Guidelines
- B. Philo Road Business District Map

Prepared by:

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John G. Regetz, Manager, Economic Development Division

## ATTACHMENT A



### DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

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## Philo Road Business District Redevelopment Incentive Program Guidelines

The Philo Road Business District Redevelopment Incentive Program is designed to provide a loan/grant incentive for businesses along Philo Road (as shown in the district map) that are constructing or rehabilitating their building, landscaping, and/or site. Grants in this area are only available for specific targeted retail uses that fill an unmet need in Urbana.

Following is a summary of the criteria and guidelines of the program:

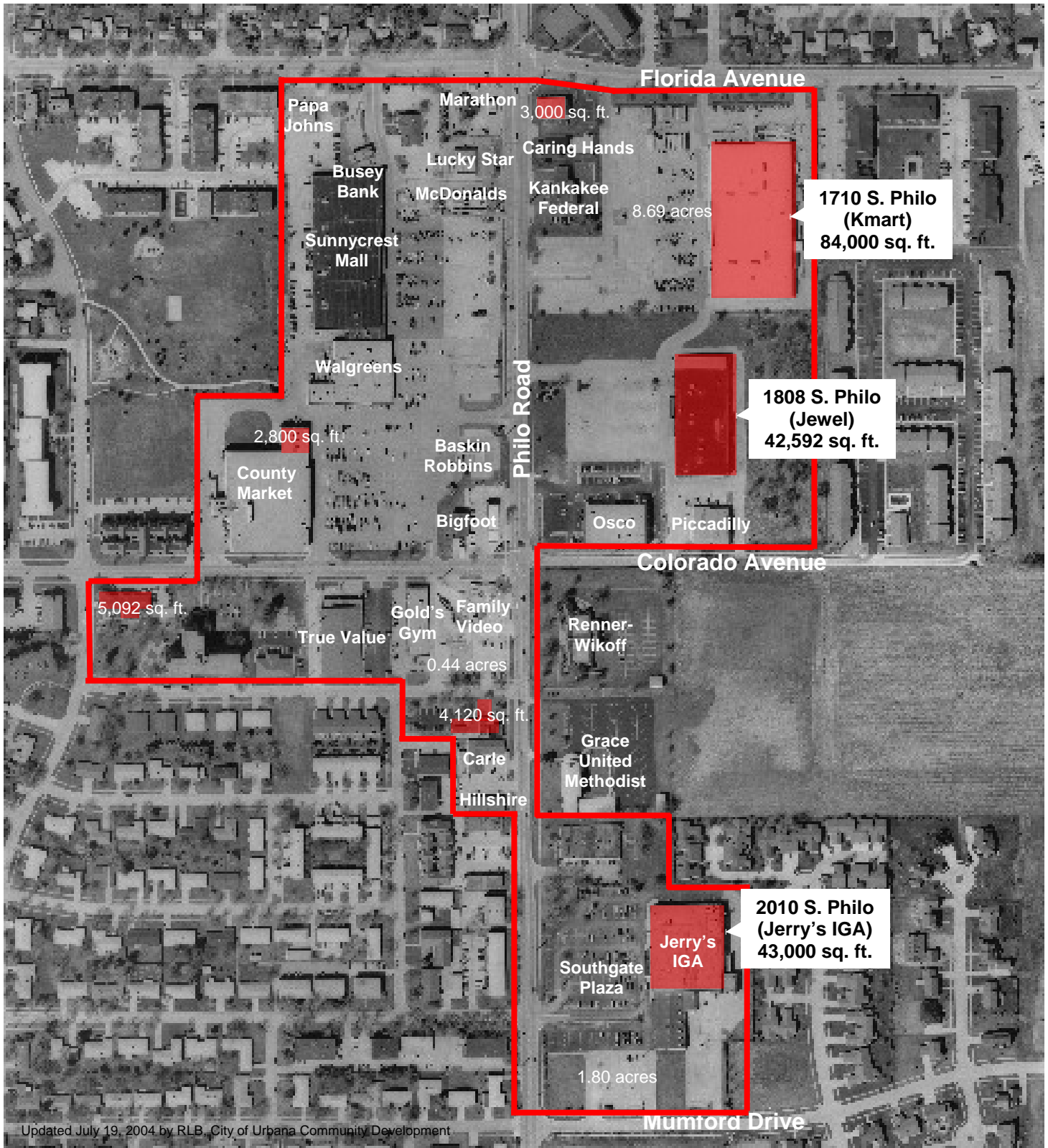
- An eligible business located within the Philo Road Business District can apply for a loan to construct, rehabilitate, or otherwise improve its building, landscaping, site, or remodel enclosed commercial mall space.
- Loan amounts are based on the availability of funds.
- The City of Urbana pays an interest subsidy amount to the participating lending institution equivalent to the interest amount on a loan of up to a 5.5% rate on the loan's present value.
- The term of the loan is 5 years; with 60 payments.
- At least 50% of the leveraged loan and grant 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 10% of the leveraged amount, based upon the targeted use of the business. The full grant amount will automatically be awarded to those projects that are eligible retail or entertainment uses.
- Retail uses must have 75% of their floor space devoted to sales/display to qualify.
- 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.
- An applicant cannot receive more than 1 City subsidized loan/grant in a 5-year period.

- Approval is based on funding availability, compliance with the above guidelines, and overall compliance with the economic development policies of the City of Urbana. Eligibility determinations are made by City of Urbana economic development staff based upon these factors.



For further information, contact:

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# PHILO ROAD BUSINESS DIST.



Updated July 19, 2004 by RLB, City of Urbana Community Development

-  Available Building
-  Area Boundary

PHILO ROAD BUSINESS DISTRICT

