

Heritage Cadillac Inc. Business Retention Economic Incentive Agreement

APRIL 21, 2022 VILLAGE BOARD MEETING







Business Retention Policy - Background

Business Retention Policy Efforts approved in 2021 pertaining to business retention strategies:

1. A Finance Policy establishing an Economic Development Fund.
2. A Business Retention Policy supplementing the existing Economic Incentive Policy (EIP) to address properties and businesses that warrant further consideration to stabilize or retain selected retail sales generating business establishments.

Business Retention Policy – Goals and Policy Statements

Eligible businesses must undertake a significant capital investment to improve or expand their facility/business and meet one of the two following categories:

- a) Be located within an identified Key Development Site, as approved by the Village; or
- b) Identified as being among the Top 25 retail sales tax generating businesses during one of the preceding three years.

Business Retention Policy – Key Points

- **Performance-based:** metrics must be determined, quantifiable and negotiated
- Lombard is a Non-Home Rule municipality: Per 65ILCS 5/8-11-20, **direct generated sales tax reimbursement provisions cannot be applied** – alternate metrics must be identified and used
- Retention incentive requests must be vetted and **not a “one size fits all”**
- **Capital improvements** a component of an incentive

Heritage Cadillac Property Background

- Heritage Cadillac: 55 years of business in Lombard
- Looking to make significant capital investments to their dealership
- New construction and renovation items, property maintenance upgrades and **Electronic Vehicle Conversion upgrades** (estimated cost of approximately \$5,500,000 to \$7,000,000)
- Business consistently within the Top 25% of businesses relative to generated retail sales tax

Heritage Cadillac Property Background

- Sought assistance from the Village in an **lesser** amount of 50% of the proposed additional capital investment to their facility for 20 years, up to a cap of \$3,500,000
- Represented that they were considering relocation outside of Lombard due to Corporate requirements to upgrade – **loss of existing revenues**
- Reviewed at the November 17, 2021 ECDC meeting – directed staff and Counsel to draft a negotiated agreement per Policy
- “But-for” provisions would be applied

Controlling Elements

Illinois Municipal Code (65 ILCS 5/8-1-2.5) (the “Economic Development Statute”) to appropriate and expend funds for economic development purposes

Ordinance 7990 “An Ordinance Establishing an Economic Development Fund,” to provide a Village funding source for business retention activities

Ordinance 7991 “An Ordinance Authorizing Additions and Amendments to the Village of Lombard Financial Policies Regarding the Year End General Fund Reserve Maintenance Policy adopted July 21, 2016,” providing funds into the Economic Development Fund

Ordinance 7992 “An Ordinance Approving a Lombard Business Retention Economic Incentive Policy,” to provide for economic incentives to retain businesses

Key Performance Dates

1. Within 120 days, Heritage shall provide the Village with the construction plans and associated costs.
2. Within 180 days, Heritage shall provide the Village with a construction schedule.
3. Before December 31, 2022, Heritage shall apply for zoning approvals needed to construct the project. (*Filed for Plan Commission public hearing last week*).

Key Performance Dates

4. Before the later of April 1, 2023 or granting of the zoning approvals, Heritage shall apply for demolition and building permits.
5. Before August 1, 2023, project construction start.
6. Before June 1, 2024, project completion.
7. Within 30 days of completion, Heritage shall supply the Village with a statement of final paid construction costs.

Heritage Obligations

- Operate as a General Motors Cadillac motor vehicle dealership, or another premium motor vehicle dealership, as approved by the Village.
- Operate a motor vehicle service and repair facility on-site.
- Employ no less than fifty (50) FTE employees
- Generate Property Taxes and Sales Taxes. All motor vehicles at the Dealership sold, transferred or conveyed to a purchaser shall produce Sales Taxes.

Heritage Obligations

- Limits to challenging the minimum equalized assessed value (EAV) for any given year.
- Operate in compliance with all applicable laws and requirements.
- Payment of all property taxes and governmental charges of general applicability.
- Provide Village information requested regarding the dealership's obligations.
- Reimburse the Village for any applicable third-party costs.

Village Provisions

- **Performance Based Incentive – Using Performance Tiers and not a Sales Tax Reimbursement**
- No up-front funds
- General Funds not being applied – use of Economic Development Reserve Fund
- Incentive reimbursement period of up to 20 years – exception sought from Policy

Village Obligations

Incentive payment shall be based on the vehicles sold during the preceding 12 month period:

Tier	Annual Vehicles Sold	Annual Amount of Public Assistance
1	1,351 or greater	\$218,000
2	1,251-1,350	\$210,000
3	1,051-1,250	\$178,000
4	1,001-1,050	\$166,000
5	951-1,000	\$158,000
6	901-950	\$150,000
7	851-900	\$141,000
8	801-850	\$133,000
9	751-800	\$125,000
10	701-750	\$117,000
11	less than 701	\$113,000

Village Obligations

If terms are met, the Village shall make incentive payments:

- Incentive Payments shall not exceed **the lesser of** 50% of the Project Costs or \$3,500,000 (“Incentive Cap”).
- If economic incentives for the electric vehicle portion of the project is received from General Motors, the State or federal government, then the Incentive Cap shall be reduced by the alternative incentive amount.
- Incentive payments shall be made until the earlier of the Incentive Cap being reached or 20 years. The Agreement shall remain in full force and effect until December 31, 2045.
- Heritage shall receive incentive payments annually from the Economic Development Fund.

Village Obligations

If terms are not met:

- If not met before CO issuance, no payments made
- If not met after CO issuance, Agreement provisions limit or preclude reimbursement
- If reduced tier sales performance – reduced reimbursements offered (either annually or through cap provisions)
- If business activity ceases – future payments eliminated (Assignment provisions are included)

Action Needed

Ordinance authorizing the Economic Incentive Agreement between the Village and Heritage Cadillac for consideration and approval on Separate Action (First Reading)

Questions ?

