RESOLUTION 2016-103 PASSED: SEPTEMBER 12, 2016

AUTHORIZING AN ARCHITECTURAL IMPROVEMENT PROGRAM (AIP) ECONOMIC INCENTIVE FOR DQI PROPERTIES, DBA DAIRY QUEEN, 1780 SYCAMORE ROAD

WHEREAS, the City of DeKalb is a home-rule municipal corporation with all power and authority derived under the law; and,

WHEREAS, within the corporate limits of the City is a Dairy Queen restaurant establishment located at 1780 Sycamore Road ("the Premises"), owned and operated by DQI Properties, Inc. ("Owner") and its President Robert Clark, and,

WHEREAS, Owner has advised the City that the building located on the Premises is outdated and no longer suitable for compliance with corporate franchise standards, and is otherwise obsolete; and,

WHEREAS, Owner has proposed to commit a substantial sum of funds to the completion of renovation of the building on the Premises, subject to the City's commitment to provide economic development grant funding for this project; and,

WHEREAS, the City Council of the City of DeKalb has determined that it is necessary and advantageous and supports the public health, welfare and safety to provide an economic incentive to ensure the revitalization of an otherwise obsolete property;

NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL of the City of DeKalb, Illinois:

Section 1. The City Council of the City of DeKalb hereby approves of the provision of a City-funded Incentive in an amount not to $37,500, for the above-described project. Said incentive shall be provided to the Owner as a reimbursement of Tax Increment Financing District ("TIF") eligible project costs, to be provided upon completion of the project (after submission of appropriate project cost documentation in form and content acceptable to the Community Development Director, and after issuance of a final, unconditional Certificate of Occupancy). Said incentive shall be processed by the City as a TIF-funded Architectural Improvement Program grant, repaid as a forgivable loan as described below.

This incentive is provided contingent upon the following conditions:

a. The Owner shall invest not less than $95,000 on exterior improvements to the Premises, and shall invest a cumulative total of not less than $200,000 on all improvements to the Premises, and such improvements shall be completed within one year of the date of passage of this Resolution;
b. The Owner shall execute an Architectural Improvement Project agreement in form and content acceptable to the Mayor of the City of DeKalb with the recommendation of the City staff. Said agreement shall be executed within thirty days of the date of passage of this Resolution.

City staff shall be authorized and directed to prepare and negotiate such agreement, and the Mayor shall be authorized and directed to sign the same. Said agreement shall memorialize the conditions of reimbursement, and shall include language providing for the incentive to be processed as a seven-year forgivable loan. Said incentive shall be pro-rata forgiven on a monthly basis, with forgiveness calculated at one-seventh of the principal incentive amount per year (1/84th per month), and said incentive shall not bear interest. Provided that the Owner keeps the Premises in full operation as a retail restaurant establishment Dairy Queen franchise for the seven year term, the Owner shall be entitled to full forgiveness.

The agreement shall provide for the preparation and execution of a promissory note, and the recording of a mortgage against the Premises for the full amount of the incentive. The agreement shall also provide a process whereby the Owner solicits competitive bids for the performance of work on the project, and agrees to utilize the lowest responsible bidder.

c. The City's reimbursement shall be provided within sixty days after the Owner obtains a final, unconditional certificate of occupancy and provides the City with complete documentation of eligible project costs in form and content acceptable to the Community Development Director.

d. The Owner shall comply with the AIP Project guidelines (page 5 and 6 of the Business Incentive Guidelines) attached hereto as Exhibit A, except where specifically in conflict with this Resolution.

e. The project and the Premises shall comply with all applicable codes, ordinances, regulations and restrictions.

Section 2. That the City Clerk of the City of DeKalb is authorized and directed to attest the Mayor's signature.

Section 3. Thereafter, City staff are directed to fully comply with the terms of the Agreement, and to undertake the obligations contained therein. The City Council expressly approves of the provision of the funding contemplated therein without requirement of further Council approval. Provided that the work performed under the Agreement is performed in accordance with the Agreement, the City Council waives any otherwise applicable requirement for City Council approval of bids or vendors utilized by Owner and waives any applicable competitive bidding requirement (except to the extent required under the Agreement).

PASSED BY THE CITY COUNCIL of the City of DeKalb, Illinois, at a regular meeting
thereof held on the 12th day of September, 2016, and approved by me as Mayor on the same day. Passed by a roll call vote of 7-0-1. Aye: Finucane, Marquardt, Snow, Noreiko, Baker, Faivre, Rey. Nay: None. Absent: Jacobson.

ATTEST:

JENNIFER JEEP JOHNSON, City Clerk

JOHN A. REY, Mayor
BUSINESS INCENTIVE PROGRAM

Vision Statement: “DeKalb will be recognized for its commitment to economic and environmental sustainability, its variety of cultural and entertainment opportunities, its regional leadership in educational and medical resources that welcomes the development of synergistic business enterprises.”

The City of DeKalb’s business incentives program is intended to help build a sustainable local economy that grows at a sufficient rate to meet the needs of the City’s present and future citizens. The program offers different packages of incentives depending on whether or not the enterprise is retail, industrial, commercial or a downtown business entity. Each package is intended to create jobs, build the tax base, or enhance the cultural environment of the City.

Program Goals:

- Encourage the strengthening of existing commercial areas and the development of new business areas at appropriate locations.
- Promote, preserve, and enhance industrial areas within the existing City limits and unincorporated areas adjacent to the City.
- Enhance the local economic, social and cultural climate to ensure that DeKalb is a community that is a desirable place to live, work and conduct business.
- Develop and implement plans, activities, and improvements necessary to facilitate and service quality growth as well as protect the public’s health, safety, and welfare.
- Retain and attract a diverse mix of quality industrial enterprises to protect, expand and diversify DeKalb’s economic and employment bases.
- Retain, attract, educate and train a diverse quality labor force to meet the employment needs of existing, expanding and new businesses, enhance the availability of quality jobs and provide a full range of employment and advancement opportunities to DeKalb residents.
- Retain, expand and enhance retail and commercial opportunities within DeKalb so as to maximize local retail activity and provide for a full range of shopping and service opportunities within the DeKalb market area.

Application Process:

1. Applicants must complete an Application and return it with required documentation (listed on the application) to:
   Ellen Divita, Community Development Director
   City of DeKalb
   200 South Fourth Street
   DeKalb, Illinois 60115

   The Application and additional documents will be reviewed by City Staff; The Applicant’s personal and/or business financial information will be kept confidential. However, the application, along with the business plan will be distributed as part of the public record.

2. Preliminary meeting will be scheduled by Staff with applicant to discuss the Project. Applicant will submit any additional information requested.
3. Upon completion, the Project will be presented to Economic Development Committee (EDC) for their review and recommendation.

4. Once the Project receives a recommendation from the EDC, Staff will present the project for City Council deliberation first as a consideration and then final approval in Resolution form at a minimum of two Regular City Council meetings.

5. Payment to Applicant shall be made in the form of a lump sum payment reimbursing the actual costs of the building improvements, including but not limited to façade renovation, purchase of building supplies, demolition and disposal of construction material, landscaping and signage, subject to compliance with the Illinois Compiled Statutes for eligible TIF-related expenses, and upon completion of the improvements. Applicant shall submit copies of all bills, statements, lien waivers, and similar documentation for said improvements to the City prior to payment. This shall be strictly a reimbursement arrangement, and the City shall not be responsible for payment to any contractors or subcontractors.

6. Applicant shall complete all improvements subject to the City's development standards and building codes, and shall secure all permits and approvals to proceed with the necessary work.

7. Applicant is responsible for any and all contracts for services rendered for this Redevelopment Project, and is responsible for relocation of individuals, if any, that could be considered tenants under the Uniform Relocation Assistance and Real Property Policies Act of 1970.

8. Any work begun on project prior to City Council approval is automatically forfeited from the list of eligible expenses of the project and therefore will not be considered a reimbursable expense.

Definitions:

1. **Adult Oriented Use** Any use which is predominately occupied by the sale, rental, lease, inspection, or viewing of media (whether print, electronic, magnetic or other) depicting or describing "specified sexual activities" or "specified anatomical areas" (which are further defined in Article 7.13), sale of materials used for "specified sexual activities", the provision of live entertainment which depicts, describes, or characterizes "specified sexual activities" or "specified anatomical areas", or any combination thereof. (ORD 97-10)

2. **Central Business District (CBD)** ("downtown") This area shall be generally described as that area between the First and Seventh Streets, Grove to Locust. Two sub areas within this region are further defined as that area between First and Fourth Streets, and that area between Fourth and Seventh Streets.

3. **Commercial Use** An occupation, employment, or enterprise that is carried on for a profit by the owner, lessee, or licensee.

4. **Desirable Business** High end merchandise not significantly available locally, for example: kitchen, bath and specialty home & commercial improvement sales & manufacturing; children’s, women’s and men’s fashion apparel; white table cloth restaurants; new auto and truck sales; furniture and home furnishings; hunting, fishing, camping and recreational products (boats, 4-wheelers, motorcycles, snowmobiles, etc.); and other high end retail merchandise not available locally that will generate significant sales tax or be a magnet for other retailers.
5. **Forgivable Loan** As it pertains to the City of DeKalb, assistance extended by the City of DeKalb to the applicant/owner is subject to a standard legal agreement, mortgage on the improved property, and a promissory note to the City of DeKalb. The loan is generally reduced 20% each year after reimbursement until the end of the term (5 years) at which time it is considered "Paid in Full." Specific terms and conditions apply.

6. **Hard Costs** Included in hard costs are all of the costs for the visible physical improvements; i.e. brick and mortar. Also included is the gross value of all committed lease payments for the term of the lease (including options to renew), for a minimum lease commitment of at least 3 years, and for a maximum of 10 years lease payments per project.

7. **Home Occupation** An occupation, profession, or other business activity that is clearly a customary, incidental, and secondary use of a residential dwelling unit which does not alter the exterior of the building or lot or affect the residential character of the neighborhood.

8. **Industrial Companies** As defined herein, are enterprises where the manufacturing or assembling of goods occurs.

9. **Knowledge-Based Companies** As defined herein, are enterprises that are research oriented and that require a highly skilled workforce, typically in high technology fields such as biotechnology, electronics and telecommunications or in professional services such as engineering, architecture, finance, and law. Technical training and vocational schools are excluded from this definition.

10. **Logistic Companies** As defined herein, are warehousing and distribution businesses that are engaged in the storage and packaging of goods and move products from a point of origin to point of consumption.

11. **Sales Tax Rebates** Rebates may be made from sales, use, property and utility taxes paid during the time periods defined in the agreement between the business and the City. Remittance of the taxes to the business will be based on evidence that the taxes have been received by the City, and documentation of the amounts collected. The City will remit the rebate to the business within thirty (30) days of receiving the request and complete documentation.

12. **Small Business** One that is independently owned and operated and which is not dominant in its field of operation.

13. **Soft Costs** Included in soft costs are all fees or reports generated for a specific site or project, including environmental remediation measures.
I. SMALL BUSINESS DEVELOPMENTS - Retail/Commercial/Industrial

Small Business projects will be provided with up to Five Thousand Dollars ($5,000) in matching funding on a dollar-for-dollar (1:1) basis. Funding for Small Business projects is provided as reimbursement in the City’s TIF Districts after all project costs have been prepaid, and as a forgivable loan subject to a standard legal agreement, mortgage, & promissory note with the City of DeKalb. As an alternative in both the TIF Districts, and non-TIF areas of the City, the funds may be a rebate to the business quarterly, based upon the submission of sales tax returns that are paid to the Illinois Department of Revenue or the City. An individual/business may only receive funding for one (1) project every two years.

Project Evaluation Criteria:
Projects are limited to for-profit business and are considered on a first come, first served basis per fiscal year (July 1-June 30). The City shall consider all aspects of a proposed project, including its financial feasibility, the type of project being proposed, its location within the community, the number of jobs created, and the amount of projected tax (sales, property, & utility) revenues.

Priority Locations:
- West Lincoln Highway
- East Lincoln Highway
- Northwest DeKalb Neighborhood (Hillcrest, Annie Glidden, and Lucinda)
- North and South Fourth Street (IL 23)
- Central Business District
- Sycamore Road Corridor
- Peace Road Corridor
- Glidden Crossing and South Annie Glidden Road
- North First Street and Hillcrest Drive
- Pleasant Street District

Eligible Uses of Funds:
1. Land Acquisition
2. Demolition
3. Street (Re) Construction & Related Improvements
4. Building Rehabilitation
5. Environmental Remediation Activities
6. Storm Sewer, Sanitary Service & Water System Improvements
7. Architectural/Engineering Services
8. Relocation Expenses of Expanding Businesses

Ineligible Businesses:
The following business uses shall not be eligible for funding assistance through this program unless otherwise directed by the City Council:

- Gas Stations
- General Purpose Grocery Stores
- Body Piercing
- Adult oriented uses
- Home occupations
- Financial institutions
Incentive Parameters:
1. Applicant/owner must be opening a new business and/or expanding an existing business within the City of DeKalb.
2. Creation of a minimum of one (1) full-time permanent position (beyond the business owner) or two (2) equivalent part-time positions (beyond the business owner) and retained for the life of the loan.
3. Small Business projects will be provided with up to Five Thousand Dollars ($5,000) in matching funding on a dollar-for-dollar (1:1) basis.
4. Funding for Small Business projects is provided as reimbursement after all project costs have been prepaid, and as a forgivable loan. As a sales tax rebate, funding will be provided as a grant of up to 50% of sales taxes paid for that quarter, until the grant is fully paid to the business.
5. All monies extended by the City shall be subject to repayment by the applicant/owner to the City should the business fail to meet its agreed upon goals. The amount due and payable shall be the difference between the amount reimbursed and the actual amount of sales, property, or utility tax revenues generated by the property between the times of its occupancy and a period of 5 years from the date of occupancy. Applicant/owner must supply evidence of the taxes generated. The terms and conditions of such repayment shall be incorporated into the final legal agreement.
6. An individual/business may only receive funding for one (1) project every two years.

II. ARCHITECTURAL IMPROVEMENT PROGRAM

The City of DeKalb Architectural Improvement Program (AIP) is designed to promote the continued use and maintenance of commercial buildings in the Downtown area by making funds available for appropriate quality exterior and limited interior rehabilitation of eligible structures. This program, provided through matching funds, has been approved by the City Council in recognition of the positive impact that individual architectural improvement can have on the overall appearance, quality and vitality of the Downtown.

CENTRAL BUSINESS DISTRICT
To be eligible for funding under the Architectural Improvement Program, existing commercial buildings in must be located in the following geographic areas:

- Commercial buildings in the traditional CBD (Central Business District).
- Commercial buildings in the City’s Tax Increment Finance Districts
- Commercial buildings outside the City’s Tax Increment Districts that are 20 years old, or older.

This program is focused on historic preservation of existing Downtown buildings, projects consisting largely of new construction, business expansion, or residential improvement will not be considered, and should be directed to other programs.

Outside of the Downtown, applicants may consult with City planning and development staff regarding architectural guidelines that may have been developed for the commercial neighborhood.

**Standard Projects**
Standard projects will be provided with up to $25,000 in matching funding on a dollar-for-dollar (1:1) basis. Funding for standard projects is provided as reimbursement after all project costs have been prepaid, and as a forgivable loan subject to a standard legal agreement, mortgage, & promissory note with the City of DeKalb.

Sales tax rebates may be used to reimburse eligible costs, based on evidence of increased sales tax revenues compared to the base period, which would be the year before the improvement was constructed. Sales tax returns shall be submitted for the most recent quarter, and the base year quarter, and new sales tax revenues will be paid to the business until eligible costs are recovered for up to 7 years from the conclusion of the project.
III. GENERAL RETAIL DEVELOPMENTS

Sales tax revenues are the primary source of funding for the general municipal operations of the City of DeKalb. As such, developments that have the greatest potential in producing these types of revenues shall be given priority when evaluating multiple funding requests.

Project Evaluation Criteria:
The City shall consider all aspects of a proposed project, including its financial feasibility, the type of project being proposed, its location within the community, and the amount of estimated sales tax revenues. For retail/commercial projects, the following shall be considered as priorities of the City and as such, projects meeting one or more of the following criteria shall be given priority when considering multiple funding requests:

Priority Businesses:
- Home Electronics
- “Higher End” Merchandise
- Furniture
- New Car & Truck Dealerships
- Clothing or Apparel
- General Merchandise stores
- Fashion Accessories and Cosmetics
- Furniture and electronics
- Office supplies
- Special purpose grocery (examples: Trader Joe’s, The Fresh Market, and Mariano’s Fresh Market — generally under 30,000 sq. ft.)
- Full Service Restaurants (Full menu, wine or liquor, and seating for guests)
- Arts, crafts and specialty store (CBD)
- Hotels (business class and full service)
- Professional, finance and service businesses in the CBD (these businesses may provide more benefit through job creation, and generate payroll that will be spent for hospitality and retail in the CBD)

Priority Locations:
- Peace Road Corridor (Bethany Road to I-88)
- Sycamore Road Corridor
- West Lincoln Highway
- East Lincoln Highway
- Northwest Neighborhood (Hillcrest & Annie Glidden Roads)
- South 4th Street (Taylor Street south to City limits)

Eligible Uses of Funds:
1. Land Acquisition
2. Demolition
3. Street (Re)Construction & Related Improvements (e.g., signalization, turning lanes, etc.)
4. Building Rehabilitation
5. Environmental Remediation Activities
6. Storm Sewer, Sanitary Service & Water System Improvements
7. Architectural/Engineering Services
8. Relocation Expenses of Expanding Businesses
9. Site improvement costs
10. Environmental remediation costs

**Ineligible Businesses:**
The following business uses shall not be eligible for funding assistance through this program unless otherwise directed by the City Council:

1. Restaurants – Fast food and carry out restaurants, except all are eligible in the CBD
2. Auto Repair
3. Beauty Salons/Barbershops
4. Gas Stations, except eligible in the Peace Road Corridor
5. Business/Personal Service Uses (e.g., tax accounting, financial planners, attorneys, printers, funeral homes etc.), except these businesses are eligible in the CBD
6. Medical & Dental Facilities, except these business are eligible in the CBD
7. Financial Institutions, except these business are eligible in the CBD
8. Religious and Fraternal Organizations
9. Taverns
10. Movie Theatres
11. Performing Arts Theatres
12. General Purpose Grocery Stores

**Incentive Parameters:**
The total amount of assistance will be permitted for up to 20% of total project hard costs; payback must be within 7 years. Types of assistance may include, but are not limited to: grants, City sales tax rebates, and loan guaranty. All monies extended by the City shall be subject to repayment by the applicant/owner to the City should the business fail to meet its agreed upon goals. The amount due and payable shall be the difference between the amount reimbursed and the actual amount of sales, property, or utility tax revenues generated by the property between the times of its occupancy and a period of 7 years from the date of occupancy. The terms and conditions of such repayment shall be negotiated on a case-by-case basis and incorporated into the final development agreement.

Accelerated sales tax rebates for “desirable” businesses may be considered. Sales tax rebates may be accelerated to 80% in the first year followed by the same or lower amounts in following years (for example, and in other combinations equaling 50% for the entire 3-7 year term 70%/60%/50%/40%/30%, etc.). The accelerated rebate would entice a large investment that may produce potential large sales tax revenues, and reflect a willingness to entice large investments by allowing more rapid recovery.
IV. COMMERCIAL/SERVICE/INDUSTRIAL DEVELOPMENTS

To protect, strengthen and expand the City’s local economic base, the City relies upon the creation and/or retention of high quality, permanent fulltime jobs for its residents. As such, developments that have the greatest potential in producing these types of jobs shall be given priority when evaluating multiple funding requests.

It shall be a goal of the City of DeKalb to attract one or more full service hotels to the community within the next five years. Given the specialized nature of this type of development, any incentives extended shall be done so on a case-by-case basis.

Project Evaluation Criteria:
The City shall consider all aspects of a proposed project, including its financial feasibility, the type of project being proposed, its location within the community, the amount of estimated tax revenues generated and the number and type of jobs being created or retained. For commercial/service/industrial projects, the following shall be considered as priorities of the City and as such, projects meeting one or more of the following criteria shall be given priority when considering multiple funding requests:

Job Creation and Retention:
A minimum of five (5) fulltime equivalent jobs must be created and/or retained within 24 months of the project's completion to be considered eligible for funding. Further, these jobs must be permanent and fulltime in nature (e.g., at least 1950 hours annually), and fall into one of the following categories:

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Eligible Uses of Funds:
1. Land Acquisition
2. Demolition
3. Street (Re)Construction & Related Improvements (e.g., signalization, turning lanes, etc.)
4. Building Rehabilitation
5. Environmental Remediation Activities
6. Storm Sewer, Sanitary Service & Water System Improvements
7. Architectural/Engineering Services
8. Relocation Expenses of Expanding Businesses
9. Site improvement costs
10. Environmental remediation costs

Incentive Parameters:
The total amount of assistance will be limited up to 20% of total project hard costs, up to a maximum of $50,000; payback must be within 7 years. Types of assistance may include, but are not limited to: grants, City utility and property tax rebates, and loan guaranty. All monies extended by the City shall be subject to repayment by the applicant/owner to the City should the business fail to meet its agreed upon goals. The amount due and payable shall be the difference between the amount reimbursed and
the actual amount of sales, property, or utility tax revenues generated by the property between the
times of its occupancy and a period of 7 years from the date of occupancy. The terms and conditions of
such repayment shall be negotiated on a case-by-case basis and incorporated into the final development
agreement.