



ECONOMIC DEVELOPMENT

ECONOMIC INCENTIVE POLICY

Adopted September 2, 2014

Economic Incentive Policy

The Village of Oswego has adopted an economic incentive policy to provide guidance and direction to the development community, and to develop an internal framework for the evaluation of requests. Incentives shall only apply to development of property for business, commercial, institutional, manufacturing or mixed-use commercial/residential uses.

It is the expressed desire of the Village Board that incentives shall be used judiciously, and under circumstances that provide overwhelming justification. When the Village of Oswego makes the decision to support a specific development or business by providing an incentive, it is critical the investment of public dollars supports goals and objectives noted in this incentive policy.

This document outlines the criteria that will be considered when requests for incentives are reviewed.

Public Goals

To be considered for economic incentives a project must demonstrate that it will achieve one or more desired public goal(s). Incentive requests will be required to include a detailed narrative identifying the specific goals that would be anticipated from the development. This would include the following:

- a. Development that results in the attraction of a “targeted” or “highly desired” business per economic development market studies, strategic plan or consumer preference surveys. These business types are identified in Appendix A
- b. Expansion of local tax base (new or increased sales tax, property tax, utility tax, EAV, etc.)
- c. Expansion of employment base (new or increased number of jobs)
- d. Redevelopment of underutilized/antiquated/blighted land use including the priority sites identified in 2009 Downtown Framework Plan and the 2014 CMAP Market Analysis.
- e. Development resulting in the enhancement of public infrastructure (i.e. utility extension, utility oversizing, roadway/intersection improvements, or other desired public improvements)
- f. Synergistic development that will encourage other development
- g. Development resulting in environmental improvements
- h. Development that provides a significant amenity or enhances community image
- i. Development that will result in regional consumer attraction
- j. Retention of major business
- k. Development that attracts new/unserved consumers, without significant cannibalization of existing businesses within the Village
- l. Other public goals deemed appropriate by the Village Board

Other Considerations

- a. Is the proposed project “above market” or “non-market” (market not yet established or not yet financeable)?
- b. Is a publicly desired use not the highest and best economic use?
- c. Are there extraordinary project costs requiring gap financing, or is incentive needed to create market feasibility?

- d. Is there appropriate risk sharing, limiting public sector risk?
- e. Is the incentive cost-effective to the Village generating an appropriate return on investment?
- f. Is the Village competing with other communities as a location for the development?
- g. Is the development likely to occur without offering incentives?

Types of Incentives by Subareas

Potential incentives to attract or retain investment are listed in Appendix B. The economic needs of Village subareas are unique, resulting in a differing menu of potential options.

Review Process

Requests for incentives will be reviewed and evaluated by the Village Board. Each request will be uniquely considered with no precedence implied from past actions. Decisions are at the sole discretion of the Village Board. Conformance with the criteria established within this policy does not imply incentives will be approved.

Performance Standards/Claw-Back Provisions

If an incentive request is approved, the Village Board will negotiate the terms and conditions of an agreement. These terms and conditions may include any provisions deemed to be in the best interest of the Village, and will require specific performance standards be established for each project receiving incentives.

“Claw-back” provisions will be included in any incentive agreement if revenue or job growth does not meet estimates, or business does not continue operation for a specified minimum period.

APPENDIX A

I. Retail Recruitment Focus

Staff, with assistance from JGSC Group (a national firm specialized in consumer analytics) did an analysis of businesses present in the Village of Oswego, and also obtained ICSC data on shopping centers in the region. We analyzed the data in terms of what categories are underserved in Downtown Oswego, and in the Route 34 commercial corridor. We blended this with the economic supply and demand data, and Oswego's 2014 Market Analysis prepared by CMAP and developed the following target categories.

DOWNTOWN:

There are 96 retail businesses in the downtown, and of those, only 24 sell goods (66 are retail services, and 6 are eateries). The Village strives to emphasize the recruitment of retail goods vendors, and restaurants (full and limited service). We recommend avoidance of national and regional franchises, to create a distinctive dining destination environment with distinctive browse shopping in the downtown. Non-browseable categories and service categories should be avoided. These retail categories with unmet demand represent potential incentive targets:

- **Furniture**
- **Home furnishings**
- **Liquor stores** (we recommend wine shops to support downtown dining)
- **Clothing** (we recommend specialty categories only in downtown, to avoid competition with Kohl's, Lane Bryant, Target, TJ Maxx, and other clothiers in the Route 34 corridor)
- **Jewelry & Leather**
- **Sporting Goods and Hobby** (more gift/collectibles, and arts/crafts would support the two destination collectibles shops already in downtown)
- **Books and Music**
- **Department stores** (there is \$33.5 mm in unmet demand at 5-miles, and \$65 mm unmet at 10-miles; need a model that works in Oswego downtown to capture this demand?)
- **Full-service restaurants** (\$26 mm at 5-mi, \$135 mm at 10-mi, and there are only 4 FS restaurants there now)
- **Drinking places** (there is moderate leakage) There is unmet demand for limited service restaurants, including delis, non-fast food prospects, and micro-breweries.

ROUTE 34 CORRIDOR:

Fewer retail categories show unmet demand in the highway corridor; moreover, the retail selection there is extensive--we compiled the list of national and regional stores already present, to avoid their inclusion in the prospect list. This is where auto dealers, auto parts, and auto repair categories should be concentrated. In addition, unmet grocery demand is better captured with supermarkets here, rather than in the downtown. It appears that some over-supplied categories (such as electronics/appliances and office supplies) may be regional destinations that could be further capitalized upon. To do so effectively in the appliance category (where Route 34 already has Sears, Best Buy, Home Depot, and used to have Lowe's) would require something more distinctive, such as an appliance vendor that sells only upscale appliances

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(Viking, Thermador, Sub-Zero, etc.). These retail categories with unmet demand represent potential incentive targets:

- **Auto dealers** (Ford and Chevrolet already present)
- **Other MV dealers** (recreational vehicles, motorcycles and scooters, boats)
- **Auto parts and accessories**
- **Electronics/appliances** (no current leakage; however, this area appears to be a regional destination for appliances, and we recommend high-end appliance dealers to add new sub-category)
- **Lawn & Garden** (Home Depot is already present)
- **Grocery** (supermarket, particularly specialty grocery--organic, gourmet). We should seek extra prospects in this category: A 65,000 SF space became vacant late in 2013 with the closure of Dominick's (supermarket/pharmacy), and the Village would like to attract another grocery there (such as Trader Joe's, Mariano's, and Fresh Market).

II. Industrial Recruitment Focus

The Village is collaborating with Kendall County to do a market study of the comparative advantage for industrial development for each community within Kendall County including Oswego. The study should provide information to enable each community to target their industrial marketing and recruitment initiatives on specific industrial sectors, which are recommended to be target industries for consideration of incentives. The list, when developed, would include specific industries that best fit Oswego's comparative advantage.

In addition, the Oswego Comprehensive Plan underway would determine the amount of industrial land area needed to support development of targeted industries to maximize comparative advantage, especially in the Orchard Corridor. Consideration should be given to the targeted industrial-zoned land served by inadequate infrastructure (roads and utilities).

APPENDIX B

Potential Incentive Tools by Subarea

Subarea	Possible Incentive tools
Retail and Commercial Corridors: US Route 34, Route 71 and Orchard Road Corridors <i>(Retail Focus)</i>	Property tax abatements Recapture agreements Sales tax rebate agreements Special assessments Special service areas Business district Tax increment financing Façade Improvement Program Revolving Loan Fund Program Economic Development bond issue funded with sales tax of expiring sharing agreements
Industrial Subareas: Kendall Point, Highland Business Center Subarea and Stonehill <i>(Industrial Focus)</i>	Property tax abatements Special assessments Special service areas Business district Revolving Loan Fund Program
Downtown <i>(Mixed-Use Focus)</i>	Property tax abatements Recapture agreements Sales tax rebate agreements Special assessments Business district Tax increment financing Façade Improvement Program Revolving Loan Fund Program Economic Development bond issue funded with sales tax of expiring sharing agreements

Figure: Subareas and corridor locations

