



CITY OF WASHINGTON, ILLINOIS City Council Agenda Communication

Meeting Date: February 19, 2024

Prepared By: Jon Oliphant, AICP, Planning & Development Director

Agenda Item: Washington Commercial Building and Property Improvement Grant Program Guidelines

Explanation: The FY 23-24 budget includes \$250,000 in the ED/Tourism Fund that is earmarked for private development expenses. None of the budgeted funds has been utilized yet. This was discussed at the December Committee of the Whole agenda for its use and communicating its availability. An item was scheduled at the February 12 COW meeting for the first application, which was to assist with the repair of the parking lot at Countryside Banquet & Catering at 659 School Street. The consensus was to table that consideration until more specific grant program guidelines could be discussed.

At the current time, the intention of the budgeted funds is to have supplemental means to assist with non-residential projects throughout the city and outside of the Square TIF district. Discussion at the February COW meeting implied a preference to use the funds for exterior property improvements rather than for interior building modifications. Many Illinois municipalities have programs to financially assist with non-residential building and property improvements. With that as a base, staff would recommend the following guidelines for the Washington Commercial Building and Property Improvement Grant Program:

- The proposed improvements must be on properties that are zoned for and operate as a permitted commercial use and not be located within the Square TIF District. Home occupations and non-commercial properties are ineligible.
- Eligible buildings must be at least 10 years old.
- Mixed-use properties are eligible, though funds can only be used for eligible improvement expenditures on the commercial portion of such properties. At least 50% of the total floor space must be devoted to a commercial use(s).
- Vacant commercial properties are eligible, though the applicant must submit an executed lease or purchase agreement.
- A business must have 50 or fewer full-time equivalent employees at the time of application and be independently owned, operated, and controlled.
- The applicant must be either a property owner or business operator (with the consent of the property owner) of commercial space in the Washington city limits. Property owners (if different from the business operator) are eligible to apply if the proposed use of funds is solely for eligible improvements identified below for the property that is identified on the application.
- The property owner and business operator must be current on the payment of Tazewell County real estate taxes. The property owner and business operator must be current on the payment of City of Washington water bills and license fees.
- At least one cost estimate for the proposed improvements must be submitted.
- Funding emphasis will be given to businesses that generate sales tax and for improvements that may increase the equalized assessed value. Emphasis will also be given to projects that lead to improved curb appeal.
- The minimum eligible cost is \$5,000.
- The City's participation is capped at 50% of the eligible costs and \$25,000 in any fiscal year.
- The City Council will review applications on a first-come, first-served basis starting on May 1 of each year.
- Applications are considered on a case-by-case basis and the City Council can use its discretion on how much, if any, to award depending on the availability of funds.

- The Illinois Prevailing Wage Act applies to any improvements that are subject to the grant award.
- Following a City Council recommendation, a grant agreement will be drafted for approval by the Council.
- Projects cannot begin until Council agreement approval and after the issuance of a building permit, if applicable. Pre-award expenses are not reimbursable.
- The project must be completed and receive an approved final inspection, if applicable, within six months of approval of the agreement unless otherwise authorized by the City Council in its sole discretion. A maximum extension of six months may be granted if justified by extenuating circumstances. If the project is not completed by the end of the extension period, the City's obligation to reimburse the applicant for the project would be terminated.
- This is a reimbursable program. A single reimbursement would be made within 60 days of the completion of the project and the submittal of the paid invoices.

Eligible Improvements/Expenditures:

- Exterior façade improvements to existing buildings including installing or restoring architectural elements and tuckpointing.
- Exterior façade improvements for new buildings that are beyond the minimum standards specified in the City's building design guidelines (a minimum 35% of the front façade must contain an acceptable type of decorative masonry)
- Door and window replacements
- Awning replacements
- Permanent monument or wall signage installation
- Parking lot improvements
- Non-flat roofing repairs that are not covered by insurance.
- Structural renovations
- Sidewalk repairs or replacements on private property that ensure ADA compliance.
- Installing exterior lighting to highlight architectural features or to enhance employee and customer safety, provided that it is not routine maintenance.
- Stairs, porches, and railings improvements
- Permanent landscaping and streetscaping installation in front of or on the side of the building
- Exterior painting
- Demolition cost for buildings to be replaced by new construction. A building permit for the new construction must be issued within 60 days following the completion of the demolition.
- Labor costs if performed by licensed and insured contractors. Proof of insurance is required.
- Soft costs including design work, architectural, engineering, planning, and other professional fees.

Ineligible Improvements/Expenditures:

- New construction except as noted above (the Enterprise Zone provides a significant incentive through the 5-year property tax abatement, sales tax waiver, 50% utility connection fee reduction, and 50% building permit fee reduction)
- Flat roof repairs and non-flat roof repairs that are covered by insurance
- Interior improvements except for structural renovations
- Business supplies and equipment
- Routine building or property maintenance
- Movable or temporary landscaping
- Sidewalk construction or repairs within right-of-way
- Fencing
- Non-fixed building elements
- Code enforcement remediation
- Labor cost if performed by non-licensed or uninsured contractors or employees of the business(es) located at the address identified on the application.
- Building permit fees and legal fees

Fiscal Impact: Targeting funds to exterior improvements would ensure greater visibility to the general public and potentially increase the property's assessed valuation. It is important to note that the Enterprise Zone would abate the property tax assessment increase for five years upon the completion and full assessment of any building improvements. Depending on the particular business, certain improvements could lead to greater sales tax generation and/or increased employment opportunities. It is recommended to exclude new construction except for assisting with new facades that would provide greater decorative masonry than required by City Code because of the greater impact that the Enterprise Zone incentives typically have compared to existing building renovations. Additionally, a program with a maximum City assistance level of \$25,000 would allow for at least ten projects to benefit from the budgeted funds given the lower project cost. It is also recommended to carry over any funds not expended within a particular year.

Action Requested: Feedback at the February 19 City Council meeting on the framework for the use of the funds to allow for any modifications to the program. The program guidelines could be further modified by adopting any or all of the following:

- Identifying a specific geographical area. With the exception of the exclusion of the Square TIF district, staff initially recommends any commercial property as identified above be eligible.
- Limiting grant awards to any particular business over a 5-year period. Staff initially recommends to not impose such a limitation until time has been given to determine the interest in the funding and the possibility of making any amendments to the program.
- Limiting improvements to facades that directly front a public right-of-way. Staff initially recommends not imposing such a limitation.
- Increasing the maximum City grant contribution to \$50,000. Staff initially recommends capping the contribution at \$25,000 to expand the number of possible projects. Depending on the program interest, particularly for larger projects, increasing the City's contribution could lead to more significant building and property improvements.
- Require that the building be occupied for a minimum period of time and/or to remain occupied as the current or planned use. Staff does not recommend having such a clause, as that could deter property owners from undertaking the improvements without being able to guarantee the longer-term viability of a business(es).
- Increasing or decreasing the percentage of the City's financial share based on the particular property improvement. Staff does not recommend that in order to streamline the program as much as possible and place equal emphasis on the eligible improvements.