



# Retail 1-2-3

A WORKBOOK FOR LOCAL OFFICIALS  
AND COMMUNITY LEADERS



# Welcome to Retail 1-2-3:

## A WORKBOOK FOR LOCAL OFFICIALS AND COMMUNITY LEADERS

**H**istorically, economic development has meant attracting and retaining major corporate and manufacturing jobs for a community, with less emphasis on retail potential. Indeed, for generations, rooftops followed jobs and retail followed the rooftops. However, as global forces reduce America's industrial and manufacturing jobs, communities are looking to the growing service and retail sectors to strengthen local economies. Simultaneously, the face of retail is changing with the modern tastes and needs of shoppers, retailers, and developers. Terms and expressions — “the shopping experience,” “big box,” and “lifestyle center” — unheard of 20 years ago, are today a part of our lexicon. Without a clear understanding of how retail fits into economic development in the new millennium, communities can find themselves at a competitive disadvantage.

Many communities seek economic development assistance, particularly with growing their retail options. Recognizing that retail development, economic development, and redevelopment are vitally important to the future of communities, the Campaign for Sensible Growth, International Council of Shopping Centers (ICSC), Metropolitan Mayors Caucus, and Metropolitan Planning Council, worked cooperatively to produce *Retail 1-2-3: A Workbook for Local Officials and Community Leaders*. This guidebook harnesses the experience, resources and expertise of ICSC and its members, and the policy research, contacts, and regional perspective of the Planning Council, Caucus, and Campaign.



A current trend in retail development, particularly in downtown settings, mixed use maximizes a property's potential by pairing retail with residences, offices, or other uses. This mixed-use development in Highland Park, Ill., reflects the community's goals and plans. Retail 1-2-3 will introduce you to the importance of planning and setting, as well as to many of the major trends, trouble spots, and other aspects of retail development.

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**R**etail 1-2-3 is a toolkit for local elected and appointed officials, citizen leaders, and the development community to help attract and retain valuable businesses while honoring the unique vision and goals of local governments. *Retail 1-2-3* is the third in a series of workbooks to help local governments. *Sensible Tools for Healthy Communities*, released in 2004, leads local and elected officials through the development process using 10 principles of sensible growth. *Planning 1-2-3*, released in 2006, is a step-by-step guide to comprehensive planning in Illinois.

### INCLUDED IN RETAIL 1-2-3:

#### Chapter 1, “Planning for Retail Development,”

highlights the value of incorporating retail into your community’s economic development plan. It details the basics of writing an economic development plan with an emphasis on retail, including conducting an economic baseline analysis and market assessment, which is the first step toward retail success.

#### Chapter 2, “What Do You Want from Retail?,”

stresses the importance of setting clear and well-informed goals. A thorough explanation of retail’s four Rs — recruitment, retention, revitalization, and replacement — demonstrates why all retail development is not the same. This chapter also explores current trends in retail development as well as the different types of retail.

#### Chapter 3, “What Do Retailers Want from You?,”

outlines the ways a community can improve its place in the market. By understanding the actors involved, importance of clarity and efficiency, and prudent use of tangible and financial incentives, a community can get the retail it wants without sacrificing its goals or integrity.

#### Chapter 4, “Organizing for Retail Success,”

offers a thorough explanation of organizational structures for retail development that can lend clarity, efficiency, and predictability to your community’s efforts. This chapter also explores the art of retail recruiting.

#### Chapter 5, “Measuring Success and Looking Ahead,”

explores different means by which your community can evaluate its progress. This chapter provides valuable case studies of successful retail development in different kinds of communities and examines future trends to watch that may impact your community’s goals.

Chapter 6 offers an extensive list of resources for organizations to contact for assistance and appendices with valuable information.



*Retail around Metra station in Elmhurst, Ill., provides easy, walkable access for residents and attracts shoppers from other communities.*



# 1. Planning for Retail Development

Incorporating retail into a larger comprehensive plan will enable your community to more cohesively manage the interrelated elements of land use, natural resources, transportation, housing, and economic development. Recruiting or retaining the retail you want requires prioritizing your goals, analyzing your community's current market and market potential, and developing a pragmatic strategy. This chapter will illustrate the importance of clarity and specificity, highlighting examples from Austin, Tex., and Portland, Ore., as well as the basics of how to plan for retail development.

## RETAIL'S ROLE IN ECONOMIC DEVELOPMENT

Retail recruitment and retention are components of a comprehensive economic development strategy. Providing retail opportunities is important to local communities because it means giving residents access to goods and services, expanding sales tax revenue to support local services, and enhancing the identity of the area. The type of retail your community desires and what is realistically attainable depends on many factors, including the local industrial base, transportation, and housing stock. Planning for retail growth without accounting for other sectors of your economy (and vice versa) leads to uneven development patterns.

An economic development plan is the place to begin contemplating the appropriate type and location of retail, always remembering that demographics, geography, and infrastructure will drive the answers. An economic development plan can either be a stand-alone product or an element of a larger comprehensive plan. An economic development plan is generally more thorough — it provides greater specificity and a market assessment that accounts for local nuances — than the economic development element of a comprehensive plan.

The bulk of this chapter will focus on economic development plans that emphasize retail. Economic development as an element of comprehensive planning is discussed near the end of the chapter. *Planning 1-2-3* covers the full range of elements needed to draft a comprehensive plan and is a valuable resource for any community seeking to better manage its future.

## WRITING AN ECONOMIC DEVELOPMENT PLAN

Every community offers unique assets and challenges: some face serious disinvestment and population loss, which generally deters retail, while others are growing rapidly and need to focus on channeling retail to appropriate parts of town. An economic development plan should outline a blueprint for your community's future economic activity.

### WHAT TO GAIN FROM THIS CHAPTER:

- Understand how retail fits into an economic development strategy.
- Learn the basics of writing an economic development plan with an emphasis on retail.
  - Develop a vision statement and goals.
  - Conduct an economic baseline analysis.
  - Conduct a market assessment.
    - ♦ shopper intercept surveys
    - ♦ leakage analysis
    - ♦ trade area analysis
    - ♦ additional questions
  - Develop strategies for economic development.
  - Develop an action plan.
- Understand economic development as a component of comprehensive planning.
  - The disadvantages of planning for economic development in a vacuum.



*The Glen, in Glenview, Ill., is a 1,121-acre mixed-use district with new homes, offices, and retail space, developed on the site of the former Glenview Naval Air Station. The Glen is the outcome of a comprehensive planning process.*

### Important Tip: Be realistic about market potential and market areas

Realistic expectations are important. For example, your community wants a large shopping complex. But can it support one? That depends on the market potential of the store and the site.

A project's market potential is defined by several factors, only one of which is population. Market areas are a complex combination of travel time, competition, and population within specific geographic boundaries. Consumer expenditure data, proximity to major roads, traffic counts, and other factors also matter.

Oak Brook, Ill., has only 8,835 people, and so could never support Oakbrook Center, the nation's largest open-air shopping center, by itself. However, easy access from major roads and other population centers generated great market potential.

### The vision statement for the Village of Northbrook, Ill.:

"Our common economic development vision is that the Northbrook community will foster an attitude and process that continually strives to maintain and enhance a diverse tax base mix of retail, office, and industrial businesses to ensure the resources to support the high quality public services that our community deserves."

Whether it is an end in itself or an element of a larger vision, a good economic development plan will allow you to create realistic goals and expectations regarding economic development potential and help municipal officials understand the complexities of retail development early on. A good way to keep the planning process realistic is by involving such stakeholders as community residents, major employers, and developers.

An economic development plan will outline community intent and goals to potential developers and retailers and to the community at large. Retailers do not like surprises, and an economic development plan improves predictability. The community that can guarantee a standardized review process will be in a better position to attract the development it wants. Likewise, because a plan establishes what your community does not want, you save time and energy by discouraging proposals that are clearly incompatible with your interests.

A plan will also set the stage for districts with specified purposes or redevelopment activities. The creation of an entertainment district, mixed-use waterfront, transit-oriented restaurant and retail area, and other special districts often requires substantial preparatory work such as zoning, infrastructure improvements, or land acquisition. By setting goals in an economic development plan, your community will have a clear idea of the steps needed to realize its vision.

See Appendix A, pg. 83 for an expanded set of suggestions for the elements of an economic development plan.

## 1. Develop a vision statement and goals

Vision statements are generally broad and encapsulate collective aspirations for a community's future.

The goals of an economic development plan will vary among communities, depending on local resources, capabilities, and desires. It is important to understand your community fully before establishing economic development goals.

## 2. Conduct an economic baseline analysis

Prospective developers and retailers will need detailed information about your community regardless of whether that information is tied directly to retail. An economic baseline analysis explores job trends by sector, existing labor force characteristics, local and regional access to transportation and external goods and services, assessment of quality of life, unemployment patterns, inventories of vacant or underutilized land, and government regulations and permitting procedures that might affect a retailer or retail developer.

An economic baseline analysis need not be an expensive undertaking, though professional services are available. A number of low-cost demographic research tools that provide extensive information about a trade area are available on the Internet. You might also focus on a few key neighborhoods, rather than the entire municipality.

The baseline analysis will reveal opportunities and constraints for your community. According to *Planning 1-2-3*, these “will be affected by your community’s geographic location in the region, amount of available land, size, type of physical infrastructure, amenity levels, and desires of the citizenry, among others.” The strategies and action plan that you develop should reflect these opportunities and constraints, but also take into account your community’s capacity to address them adequately.

### 3. Conduct a market assessment

Local officials who want more or better stores first need to put themselves in the shoes of the retailers: Why should they want you? Whether the need is for large-scale retail, neighborhood shopping centers, locally owned businesses in a neighborhood retail district, or town center redevelopment, cities and villages must study themselves — determining strengths, weaknesses, and potential for improvement — while also determining the type of retail needed and its location.

Communities focusing on retail development should include market assessments as part of their economic development plans to provide some assurance the plan’s vision and goals will adhere to local and regional market conditions. Market assessments examine factors such as household income, housing, traffic patterns, and current retail sales — both locally and in nearby towns — to measure leakage of local buying power.

The Internet offers a wide array of demographic research tools, some of which can be very cost-effective.

Claritas • [www.claritas.com](http://www.claritas.com)

DemographicsNow • [www.demographicnow.com](http://www.demographicnow.com)

Growthink • [www.growthink.com](http://www.growthink.com)

LISC MetroEdge • <http://metroedge.lisc.org>

Scarborough Research • [www.scarborough.com](http://www.scarborough.com)

Social Compact • [www.socialcompact.org](http://www.socialcompact.org)

Urban Markets Initiative • [www.brook.edu/metro/umi/htm](http://www.brook.edu/metro/umi/htm)

“It is vital to understand the suburban business district’s position and potential in the market vis-à-vis other competing districts in the region. The essential foundation for any strategic plan for reinventing a suburban business district is an understanding of the demographic and market trends.”

SOURCE: URBAN LAND INSTITUTE, TEN PRINCIPLES FOR REINVENTING AMERICA’S SUBURBAN BUSINESS DISTRICTS



*Big Box retail, such as this Home Depot on Clinton Street in Chicago, can generate significant amounts of new tax revenue. However, it can also lure shoppers away from pre-existing businesses, particularly locally owned shops. By researching your market area and making informed decisions your community can ensure it gets the retail mix that it wants.*

**Economic development goals often include:**

- Expanding and diversifying the local economic base.
- Retaining and strengthening existing local businesses.
- Initiating partnerships with local businesses and educational institutions to encourage economic development training.
- Capitalizing on location advantages, such as transportation access or recreational amenities.



*By surveying shoppers, such as this woman strolling with her child in downtown La Grange, Ill., communities can discover critical information about consumer preferences for specific retail areas.*

### What's your economic baseline?

Analyzing a community's economic baseline is essential because the community is positioning itself among other local governments. The analysis should include broad economic trends, the local business mix, land supply, labor force, and other economic characteristics. The analysis is dictated by the types of businesses and industries the local government wishes to attract and retain.

The following studies are typically part of an economic baseline analysis, each providing a clearer picture of what the community can offer.

- Job trends by industry sector, and identification of businesses that could reasonably be expected to locate within the local jurisdiction
- Existing labor force characteristics and future labor force requirements for existing and potential commercial and industrial businesses in the state and the region
- Local and regional access to transportation and external markets for goods and services, including natural resources, technology, education, and human resources
- Assessments of quality-of-life factors, including schools, colleges, parks and recreation, access to health care, and cultural institutions
- Opinions of the public and business leaders — obtained through surveys, public hearings, or outreach to local businesses — regarding the appropriate role of the local government in economic development and desired types of economic development
- Unemployment patterns
- Inventories of commercial, industrial, and institutional land within the jurisdiction that is vacant or significantly underused. Such inventories identify the size of sites, public services and facilities, and site constraints, such as location in a floodplain, steep slopes, weak foundation soils, or environmental contamination (i.e., a brownfield)
- Assessments of organizations within the local community that could be used for encouraging economic development
- The potential for cooperation with other local governments
- Adequacy of the existing and projected housing stock for employees of existing and potential businesses
- Assessments of regulations and permitting procedures imposed by the local governments on commercial and industrial enterprises and institutions, and their effect on the costs of doing business, and on the attraction and retention of jobs and firms

SOURCE: PLANNING 1-2-3



**SHOPPER INTERCEPT SURVEYS**

Gathering basic information about shopping patterns from area residents, shoppers, and employees will help you assess your market strengths and weaknesses. There are many affordable ways to do this.

One technique to better understand target markets is a shopper intercept survey, where individuals are questioned about their community, including what they like and dislike about the shopping environment. While many respondents will invariably express a desire for stores that are unrealistic for their communities, the technique can still yield valuable information about shopper buying patterns, including preferred location. The survey can be done by mail, telephone, or in-person.

“Going after retail development without first having a strong and effective economic development strategy is like making frosting for a cake when you don’t yet have any flour.”

Ivan Baker, Economic Development Director, Village of Tinley Park, Ill.

**One approach for a shopper intercept survey is for participants to rank various aspects of a community’s retail opportunities as “strong,” “average,” or “weak.”**

Category	Strong	Average	Weak
General appearance			
Range of retail stores and goods			
Range of “quality” restaurants			
Range of personal services			
Traffic flow and circulation			
Parking availability			
Availability of business services			
Retail development programs			
Adequate hotels/motels			
Adequate conference/meeting facilities			
Cultural activities and facilities			
Other entertainment options			

**LEAKAGE ANALYSIS**

“Leakage” is a measure of how much local resident income flows to out-of-town stores. Identifying unmet retail demand leads to estimates of how much additional retail and sales tax your community can attract. In other words, leakage measures the lack of local retail opportunities.

To measure leakage, a municipality must first determine how much money is spent on local retailing. Sales tax information is readily available through the Ill. Dept. of Revenue.

The next step is to compare local retail expenditures to estimates of potential expenditures. Communities facing a budget crunch could have a local commercial real estate broker conduct a trade area analysis pro bono. Many brokers will oblige, hoping for the opportunity to market space at a later date.

The table below compares estimated expenditure potential to retail sales in Des Plaines, Ill. (pop. 56,551), in 2004. The table shows that Des Plaines exceeded its total expenditure potential, most likely indicating that residents from other

communities were shopping there. During 2004, however, the city suffered significant leakage in several retail sectors — primarily apparel and accessories, restaurants, and home furnishings. The analysis helps economic development officials determine the type of retail to target and where to focus development initiatives.

**TRADE AREA ANALYSIS**

The trade area analysis will often be the most important piece of information for a retailer or developer. Trade areas transcend municipal

EXPENDITURE POTENTIAL		TAXABLE RETAIL SALES (FROM ILL. DEPT. OF REVENUE)		SALES IN EXCESS OF POTENTIAL (LEAKAGE)
Category	Estimated Potential	Description	Sales	
Apparel and Accessory Stores	\$42,322,551	Apparel and Accessory Stores	\$2,027,145	(\$40,295,406)
Automotive Dealers/Gasoline Service Stations	\$195,834,441	Automotive and Filling Stations	\$188,702,457	(\$7,131,984)
Drug and Proprietary Stores	\$52,628,837	Drugs and Misc. Retail	\$96,348,194	\$43,719,357
Eating and Drinking Places	\$86,885,747	Drinking and Eating Places	\$67,689,011	(\$19,196,736)
Food Stores	\$99,375,678	Food Stores	\$97,536,943	(\$1,838,735)
Furniture and Home Stores/Home Appliance, Radio, and TV Stores	\$44,632,953	Furniture, Household, and Radio	\$9,072,989	(\$35,559,964)
General Merchandise Stores	\$82,629,581	General Merchandise Stores	\$75,693,674	(\$6,935,907)
Hardware, Lumber, and Garden Stores	\$33,084,486	Lumber, Building, and Hardware	\$32,004,002	(\$1,080,484)
Misc. Retail	\$107,397,117	Agriculture, Manufacturing, etc.	\$211,538,830	\$104,141,713
<b>Total Retail Sales</b>	<b>\$744,791,391</b>	<b>Total Taxable Retail Sales</b>	<b>\$780,613,245</b>	<b>\$35,821,854</b>

SOURCE: CITY OF DES PLAINES

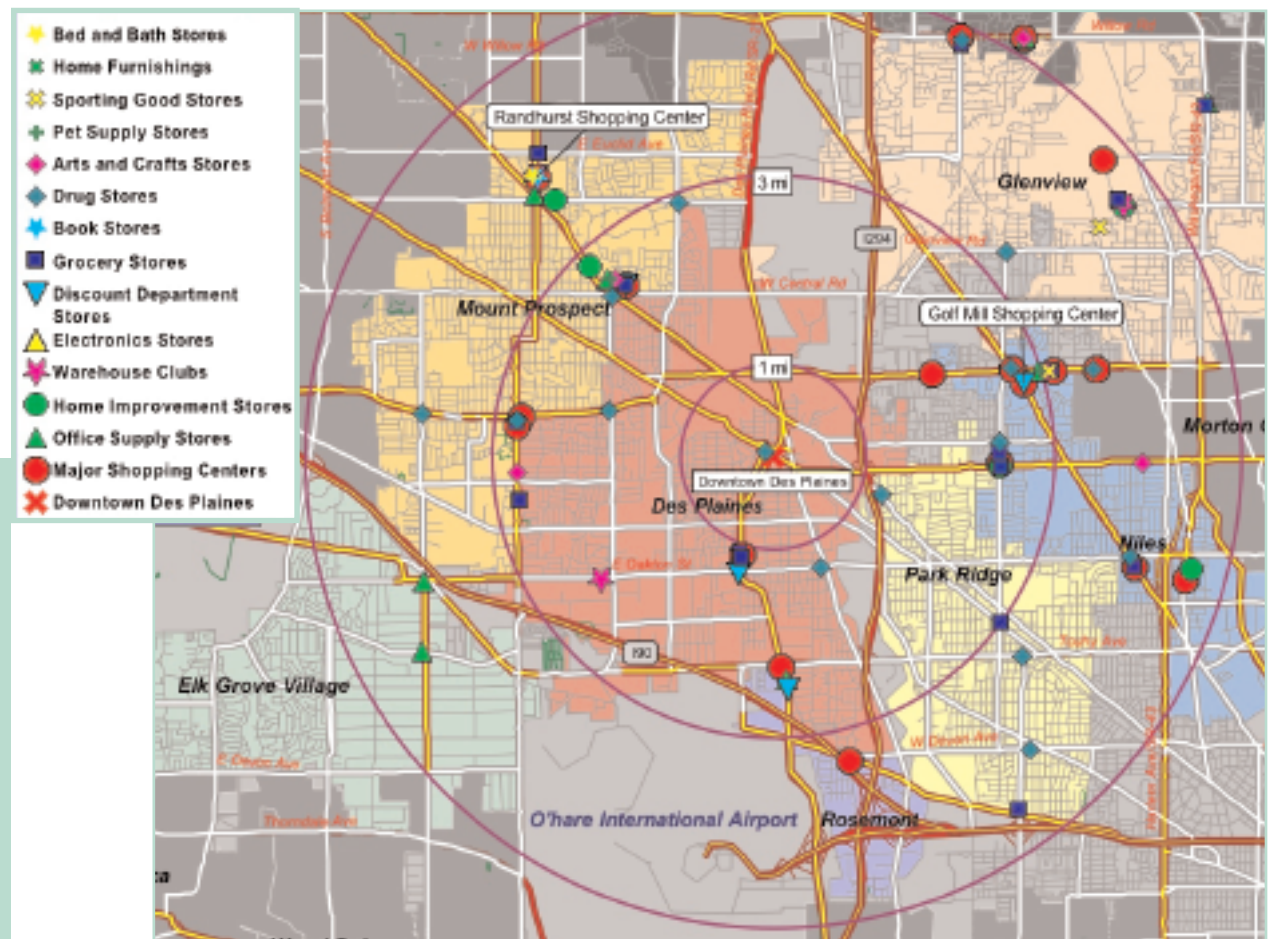
boundaries, and usually overlap. Even the central business district of an affluent municipality could struggle if wedged between adjacent communities with prosperous downtowns or if it is near a regional shopping mall. Furthermore, Town B will have difficulty attracting a Target, for example, if nearby Town A already has one. Long-term planning will take into account the economic and retail condition of areas beyond the city limits.

A site must meet a retailer’s criteria for the project to move forward. Retailers have formulas; they want X number of rooftops with X median income within X miles of their site. A clothing store catering to tall men will have a larger trade area than an everyday convenience use such as a dry cleaner or a coffee shop. Consequently, if a community hosts a tall men’s shop, nearby towns probably will not get one because consumer needs are covered by the trade area of the first store.

**Important Tip: Share market research**

A little creative thinking goes a long way. Municipalities conducting research in-house may want to consider partnering with utilities, shopping center owners, professional associations, and regional planning or governmental entities. Such resources can provide inexpensive or free market analysis information that is both current and transferable to other development sites in your community.

To assess competition, a community should begin with a simple area map delineating nearby shopping centers of all types. The map below illustrates the location and trade radii of competitors for different types of retail. By collecting the necessary data and drawing such a map, your community will have a better idea of local market allowances and what types of retail and retailers it should target.



Des Plaines, Ill., trade area analysis map, showing the location and proximity of retail competitors.

### ADDITIONAL QUESTIONS

Retailers determine a location much the same way coaches decide which player makes the team: the obviously unqualified are cut; the others get a more careful look, but the group is gradually winnowed down. When site selectors reach this stage, they will want more detailed information, such as:

**Demographics.** Objective classifications of consumers such as age, sex, education, household size, and percentage of home ownership. The economic development planning process will have already produced most of this information.

**Spending Patterns.** Who buys how much of what and where? Spending patterns are studied by types of goods, income, and age. This type of research has evolved from relatively simple demographics to “psychographics,” which classify consumers by their subjective attitudes or opinions. For example, demographics could help determine whether an area is wealthy enough to support a boat shop; psychographics would address whether local consumers prefer sailboats or speedboats.

**Retail Inventory.** Prospective new retailers need to know certain facts about the existing retail market.

- The retail type already present and its distance from the proposed area, whether something is missing, and whether more is planned.
- Whether existing retail is thriving or struggling.

- If new retail (especially big box) will absorb sales from existing stores.
- Whether there are site constraints or traffic issues.

**Public Sector Issues.** Prospective new retailers need to know about the local government.

- Does municipal government encourage development? If so, what kind and under what circumstances?
- What is the political environment? Do the city council and mayor cooperate? Do they usually support staff recommendations? When is the next election? How long has the city manager been on the job?
- Will the economic development office facilitate a good working relationship between the developer and agencies such as the railroads and the Ill. Dept. of Transportation, energy providers such as Commonwealth Edison and Nicor, and public transportation agencies including Pace, Metra, and the Chicago Transit Authority?
- Will the municipality participate in recapture agreements?
- Is the proposed site in a TIF district, Enterprise Zone, or other commercial business incentive district? If not, is one possible?
- Are there other financial incentives such as grants or loans to renovate old buildings? Will City Hall land bank or otherwise help with site assembly?

- Is there a public investment incentive for brownfield sites? Who pays for environmental mitigation?

**Infrastructure Inventory.** By analyzing and mapping your community’s infrastructure you can create a “geography of capacity” (see Austin case study, pg. 11), which facilitates a clear and common understanding of strengths, shortcomings, and opportunities. Your inventory should detail stormwater drainage, water supply, wastewater, electrical supply, parking, public transportation, streets, and sidewalks, cellular phone coverage, and Internet accessibility (including Wi-Fi coverage). The analysis should answer whether existing infrastructure supports the potential development, and if any infrastructure improvements, such as a bridge replacement, are imminent.



*These sidewalks in Evanston, Ill. (left) and Elmhurst, Ill. (right) were upgraded in advance of planned retail development. The attractiveness and durability of these sidewalks can increase the market potential around them.*

## FOCUS ON AUSTIN, TEX.

A thorough market assessment analysis will invariably reveal retail development barriers. For example, by analyzing the local economy and market potential, Austin officials were able to identify barriers to retail development. The city's implementation plan was designed to overcome these barriers.

### Private market barriers

- Retailers and shoppers were unaware of new shopping, parking, store hours, and downtown events. The proposed solution was a “consistent, energetic, well-documented marketing campaign that can demonstrate the breadth of market potential.”
- Parking was available but hard to find, one-way streets were disorienting, signage lacked uniformity, and the shopping environment was not pedestrian-friendly.
- The city's downtown had over 500 property owners, making it “difficult to create a unified environment and a level playing field for retail recruitment.”

### Public sector barriers

- Despite streamlining its development review process to ensure greater transparency, the process itself was still very slow. Austin continued to have dated or conflicting zoning ordinances and poor public safety.

### Infrastructure

- A shortage of public transportation and questionable stormwater capacity.

As part of its 2003 Downtown Retail Market Strategy, the City of Austin performed a thorough infrastructure inventory and created a “geography of capacity.”

The results of this analysis — a GIS inventory of selected utilities and other features — were compiled into one database and posted on the city's Web site.

### See:

[http://coagis1.ci.austin.tx.us/website/COAViewer\\_downtown/viewer.htm](http://coagis1.ci.austin.tx.us/website/COAViewer_downtown/viewer.htm)

Austin's tool is easily understood by retailers and developers interested in market potential and community strengths and needs.

SOURCE: ECONOMICS RESEARCH ASSOCIATES



MOLLY ALEXANDER, DOWNTOWN AUSTIN ALLIANCE



MOLLY ALEXANDER, DOWNTOWN AUSTIN ALLIANCE

*By identifying barriers to retail success, then devising means to overcome them, the Downtown Austin Alliance was able to create a downtown that is more distinctively “Austin.”*

“The demand analysis the City and the Downtown Austin Alliance conducted helped solidify downtown Austin had a demand for up to 900,000 sq.ft. of retail by 2008. This information coupled with an implementation strategy, a merchandising mix strategy, and the hiring of a retail recruiter has allowed us to have a positive impact on retail downtown. It has been critical to our success to have someone recruiting the kind of soft-goods retailers we want downtown and bring them to the property owner and their representatives. The most difficult part of the deal has been to convince the property owners and the brokerage community that retail can be successful since we are forging new territory. Deal by deal, meeting by meeting, we are making a significant impact on the retail environment in downtown Austin.”

Molly Alexander, Downtown Austin Alliance

### Seven questions to answer when formulating an economic development strategy:

- 1) What are the direct costs of the strategy?
- 2) How will it be funded?
- 3) Who will implement the strategy?
- 4) How stable or accessible is the funding?
- 5) What are the benefits, and can they be quantified?
- 6) Do strategies need to be implemented in any particular order?
- 7) Does the local government have clear legal authority to carry out the strategy?

SOURCE: PLANNING 1-2-3

### The importance of zoning ordinances

Supportive zoning controls are essential to achieving most economic development goals. Your zoning will establish the type and location of permitted land uses, the general appearance of buildings, and other details that shape community viability for retail growth. Thoughtful, strategic zoning ordinances have clearly specified explanations of variance and rezoning processes, and can communicate to potential retailers and developers a willingness for reasonable flexibility — as long as variations will work for everyone's benefit. Your zoning code and economic development plan should be revisited periodically to ensure they remain in sync with community vision, market conditions, and other trends.

### Develop strategies for economic development

The common strategies for promoting economic development listed below are discussed in greater detail in chapters 3 and 4.

- Establish a clearly defined structure for coordinating economic development programs. This brings efficiency and transparency to planning, and often includes streamlining permit review and processing.
- Providing development incentives and financing, such as façade improvement grants or a revolving loan, can be the difference maker in attracting retail.
- Engage in business attraction and retention. Partnering with community organizations such as a merchant's association often demonstrates a community's commitment to development.
- Ensure adequate land supply for development. This will often entice developers and retailers, many of whom have set land requirements.
- Provide adequate infrastructure, and offer streetscape renovations and other community improvement projects to create a better retail environment.
- Reform the zoning code if it is necessary to ensure that community goals are consistent with permitted land uses.



*As your community decides on strategies for economic development be sure to consider your assets. Busy commuters create a market for staples and convenience goods, but they also appreciate restaurants, entertainment, and residential opportunities in close proximity to transit.*

### Develop an action plan

An action plan identifies the specific tasks required to make goals a reality. Establish a priority of action steps so that your residents, staff, and potential developers and retailers understand your intentions. It is also important to specify which members of the community or staff will take the lead on each step, and identify the resources each step requires.

A matrix is a useful tool for structuring such a plan. It is clear and concise, and outlines the priority, responsible parties, and resources for every step. The example below outlines the needs of a hypothetical community seeking to improve the retail mix near its commuter rail station.



Signs and banners such as these in Wilmette, Ill., and in Chicago's Pilsen neighborhood (right) play two functions: they often convey important information, but they also contribute to a unique identity for the community, which is a goal of many economic development plans. Improvements such as these can markedly improve your retail environment.



JOSH HAWKINS

SAMPLE ACTION PLAN MATRIX

Priority	Action Steps	Lead Entity	Village Resources
1	Address infrastructure needs in the Main Street Station area, including stormwater management, lighting, and pedestrian crossings.	Department of Planning	Staff time, public infrastructure costs
2	Encourage infill development of multiple properties adjacent to Main Street Station.	Economic development committee, village staff	Staff time, community marketing materials, forgone tax revenue given as incentives
3	Re-examine and amend, as needed, existing plan and zoning designations in the district to be consistent with and supportive of the recommended retail concept.	Zoning commission, Department of Planning, economic development committee, village staff	Staff time

## FOCUS ON PORTLAND, ORE.

Because of their size and complexity, municipal officials focus on defined areas for retail development. Portland's Retail Merchandising Mix Plan divides the city's downtown into several well-defined districts, and analyzes the opportunities, barriers, challenges, and proposed actions for retail development in each of them.

Portland uses a table to identify the existing and recommended retail mix. It is easy to understand, and clearly specifies desired outcomes for each facet of the district in question. Including a feature like this in your plan can give everyone involved — citizens, government, and the retail community — a better idea of the district's future.



GREGG CALBRATH FOR RED STUDIO, INC.

*Downtown Portland includes large format retail, locally owned businesses, transit, cultural venues, and residential opportunities. Focusing on a distinct district, rather than on the community as a whole, allows for greater specificity and contextual nuance.*

EXISTING RETAIL DISTRICT CHARACTERISTICS	RECOMMENDED RETAIL MERCHANDISING MIX
<p><b>Approximate boundaries</b> Salmon, 9th/10th, Burnside, Stark, Naito</p> <p><b>District defining characteristics</b> Traditional downtown retail center, hotels, non-traditional movie theaters</p> <p><b>Retail inventory and composition</b> Est. 1.4 million sq. ft.; 58% specialty retail, 29% dept./anchor stores, 8% eating and drinking, 4% other retail</p> <p><b>Location concentration and nature of the shopping place</b> Dept. Stores: Meier &amp; Frank, Nordstrom, Sak's 5th Ave. Shopping complexes: Pioneer Place, Galleria Street Retail: Alder, Morrison, and Yamhill from 2nd to Park</p> <p><b>Tenant mix</b> 30%-40% local/regional • 60%-70% national/brand</p> <p><b>Merchandising mix</b> Major dept. stores, upscale national specialty stores</p> <p><b>Price points</b> Moderate to high</p> <p><b>Current primary user markets</b> Close-in residents, downtown workers, tourists, weekend shoppers</p> <p><b>Existing challenges</b> Insufficient parking, inadequate public transit on evenings and weekends, scattered surface parking lots, pockets with no retail frontage, increasing rents, expensive rehab of upper floors</p>	<p><b>Approximate boundaries</b> Salmon, 9th/10th, Burnside, Stark, Naito</p> <p><b>Role</b> Be a nationally recognized, first-tier downtown</p> <p><b>Size and composition of opportunity</b> +100,000 to 150,000 sq. ft. 80% general merchandise, apparel, furniture, other 20% eating and drinking Total = 1.5- 1.55 million sq. ft.</p> <p><b>Recommended theme</b> Upscale, traditional retail center</p> <p><b>Desired nature of the shopping place</b> Shopping complexes (including upgraded Galleria), street retail</p> <p><b>Desired future location concentration</b> In addition to existing, west end of Morrison, renovated Pioneer Courthouse Square, smart park garages</p> <p><b>Desired tenant mix</b> 20%-30% local/regional • 70%-80% national/brand</p> <p><b>Desired merchandising mix</b> Expanded Dept. stores, large format apparel, electronics</p> <p><b>Enhancements needed to benefit retail</b> More public transportation and parking, downtown lighting district, extended and coordinated shopping hours, signs and information kiosks, transit mall rehab, street activities (flower vendors, street artists, etc.)</p>



## ECONOMIC DEVELOPMENT AS AN ELEMENT OF COMPREHENSIVE PLANNING

*Planning 1-2-3* defines a local comprehensive plan as “the vision of what the community wants to become and the steps needed to meet the goal.” The comprehensive plan involves much more than retail development, or even economic development. The five common elements of a plan in Illinois are:

- Land Use
- Natural Resources
- Transportation
- Economic Development
- Housing

Depending on your community, you may also include historic preservation, agriculture and farmland protection, urban design, digital infrastructure, educational and other public facilities, or a focus on subareas such as transportation hubs. While each plan will vary depending on context, what should never vary is the degree to which planning for one element is related to and even dependent upon planning for the other elements.

In other words, in a high-quality, effective comprehensive plan community, individual and market decisions concerning the five elements listed above are intimately bound together; planning for one element cannot happen without consideration of the other four.

What does this mean for economic development, and particularly for retail?

By including economic development — and, more specifically, retail development — in a comprehensive plan, you can guide the requirements of each planning element. For example, by accounting for housing needs in your suburban mall development goals, or recognizing the potential environmental effects of a desired downtown riverwalk, your community will be better able to mitigate undesired consequences such as inadequate stormwater management. A comprehensive, holistic approach to planning allows a community to communicate its vision to developers and retailers.

Communities can justifiably undertake an economic development plan by itself. However, planning for retail growth and economic development in a vacuum, without accounting for land use, natural resources, transportation, and housing, may mean greater susceptibility to a wide array of unforeseen consequences, including insufficient water supplies, the wrong amount of parking, and poor matching of employment and housing opportunities. This approach could also result in missing critical action items for transportation, housing, cultural amenities, technology, and natural resources, all of which could greatly enhance the local economy.

“The elements must reinforce and not conflict with each other. For example, a comprehensive plan whose economic development element anticipates substantial employment growth must address housing needs for the new employees. If that is not done, the need for new housing will impact nearby communities and traffic congestion will increase.”

Source: *Planning 1-2-3*



*A comprehensive plan should outline community goals in land use, natural resources, housing, transportation, and economic development, while other goals will be included based on the community's preferences. For example, historic preservation is a focus in Woodstock, Ill., seen here, but it may not be the right choice in some communities.*

## LOOKING AHEAD

Having examined the basics of an economic development plan in this chapter, the next chapter, “What Do You Want From Retail?,” explores four basic retail development types — recruitment, retention, revitalization, and replacement — as well as several important trends to watch. It will help you clarify what the community wants from retail.



### PLANNING FOR ECONOMIC DEVELOPMENT AS PART OF A COMPREHENSIVE PLAN: BENEFITS AND DISADVANTAGES

#### Benefits

- Assumes connection between economic development, land use, transportation, and other comprehensive plan elements; more effectively anticipates cross-linkages
- Can signal to long-term residents and retailers that the community is serious about sustaining a positive living and economic environment
- Eligible for a wider range of outside funding, including funding for economic development

#### Disadvantages

- More expensive
- Requires more research, resources, time, and effort
- Longer process
- More likely to be politically charged



*A woman strolls with her afternoon coffee (above) as she surveys shop windows in downtown Geneva, Ill. The sidewalks, planters, attractive facades, and range of stores make for an enjoyable walking experience for residents, workers, and visitors. Blue Island, Ill.'s, main street (left) is accented with signs and banners, and consistent design elements give a vintage feel to a district known for its antique shops.*

## 2. What Do You Want from Retail?

There are many kinds of retail, from regional power centers to ethnic neighborhoods. There a variety of trends in retail development that will affect the goals you set and influence the outcome of your decisions. Being clear about what you want from retail will help you determine the proper strategy for achieving your goals.

### THE BENEFITS OF RETAIL

Retail development can cause many positive effects, including:

- Retail development can revitalize underserved communities by creating a better housing market, safer streets, jobs and career advancement opportunities, and a rejuvenated sense of place. In underserved urban communities and older suburban communities, retail development is a major step toward economic revitalization.
- Strong retail generates sales tax revenue that allows communities to provide essential services, such as police and fire, without raising municipal taxes. Illinois municipalities receive at least one penny for every dollar spent locally on general merchandise — clothes, vehicles, restaurant meals, etc. If a regional mall has \$100 million of sales annually, the municipality receives \$1 million (more if an additional local sales tax is applied).

- If retail development is concentrated in the heart of rapidly growing suburban communities, it can slow greenfield development, preserve open space, reduce auto-dependency, and create a unique downtown character. Retail development can also narrow the gap between suburban residential and employment opportunities which has led to increasing traffic.

These scenarios illustrate the potential benefits of retail, but your community's plans should be realistic. An economic development plan and a market assessment increase the likelihood that retail development objectives will be supported by community circumstances, demographics, assets, geography, and capacities.

For example, residents in an underserved community might want a gourmet grocery store, but the store will locate only where the average annual household income exceeds \$100,000. This requirement would rule out most communities. This does not mean communities with significant needs must limit themselves with humble goals, while their prosperous neighbors continue to aim high. It merely means that communities need to compare what is possible with what is desirable and then pursue the most appropriate match.

### WHAT TO GAIN FROM THIS CHAPTER:

- Learn about the benefits of retail.
- Learn the four “Rs” of retail development.
  - Recruitment
  - Retention
  - Revitalization
  - Replacement
- Understand the importance of location.
  - Retailer concerns
  - Community concerns
- Know the trends in retail development.
  - Mixed-use
  - Transit-oriented
  - Big box
  - Infill
  - Adaptive reuse
  - Shopping as an “experience”
  - Increasing ethnic diversity
- Learn the typology of retail.
  - Shopping centers
  - Downtown districts



JOSH HAWKINS

*Elmhurst, Ill., set clear, realistic goals for retail development and is now home to a healthy mix of local entrepreneurs and national retailers.*

**Fill in the blank:**

“What this town needs is a \_\_\_\_\_.”

- a. Starbucks
- b. Funky independent coffee shop
- c. Home Depot
- d. Local hardware store with helpful staff
- e. All of the above and more

For most mayors, managers, city council members, and village trustees, the answer is a resounding “e!” Nearly everywhere they go someone is telling them what their town does not have, but should.

**Important Tip: Link goals to strategies**

Community goals need to be reflected in the strategies to achieve them. For example, if a primary goal is brownfield redevelopment then strategies should be explicitly directed toward that. Creating a merchant’s association or a façade improvement program will be less effective than establishing a TIF district, land banking, or other strategy more clearly tied to redevelopment.

## THE FOUR “RS” OF RETAIL DEVELOPMENT

Specificity is vital to establishing retail development goals. Are you trying to bring a community back to life? Are you trying to create a downtown shopping “experience” in an unremarkable downtown? Are you trying to conserve existing, locally owned and operated retail establishments while augmenting the mix with notable national chains? Your retail development goals likely include some mix of recruitment, retention, revitalization, and replacement.

Perhaps your plan has three equally important priorities: recruiting new businesses, retaining existing businesses, and replacing businesses that are not consistent with your plan’s vision. Perhaps your plan leans almost entirely toward revitalizing your retail district to increase foot traffic and market an identity to attract shoppers. No matter the case, it is important to understand the differences between the four “Rs” of retail.

### Recruitment

Retail recruitment is what most people think of when they hear “retail development.” It is the process of attracting new businesses to an existing or newly developing retail area.

Be prepared to provide retailers with information about the area’s demographics, location of the competition, and identity of the area’s current retailers. The municipality should inform prospective retailers about new infrastructure (including transportation improvements), beautification plans, the type and style of surrounding development, and other planned municipal projects that would improve the attractiveness of the site. Prospective retailers will also want to know about financial incentives for specific sites, such as sales tax rebates or fee waivers.

Recruiting retailers to a new area can be challenging. Communities may want to hire a local retail broker to market available properties. Most brokers are compensated only if a deal is consummated, so there are few upfront costs. Finding an experienced broker is not difficult. Ask neighboring communities that have successfully recruited retailers if they used a broker, if it was a positive experience, and whether they recommend that broker. Another option is to contact retailers directly about which brokers they work with in your area. Most regional development assistance agencies can provide a list of brokers (see Appendix D, pg. 86). Finally, involvement and membership in trade organizations such as International Council of Shopping Centers can help facilitate the recruitment process.



*Andersonville, a neighborhood on Chicago's north side known for its unique locally owned businesses, has long been committed to business retention.*

## Retention

Keeping long-standing businesses is easier and less expensive than recruiting new ones. Independent retailers can greatly enhance the uniqueness of your community establishments. Also, local stores may be more willing to support local causes, keep their eyes on the streets, and become involved in local issues. For example, a recent report by the Campaign for Sensible Growth and Urban Land Institute-Chicago shows that by nurturing locally owned retail, Andersonville, a neighborhood on the north side of Chicago, has become a model for unique retail development. (See Chapter 5, pg. 76 for a detailed case study.)

Many economic development agencies conduct business retention surveys, which give business owners a chance to tell public officials what they like and dislike about their locations. For retail-

ers, concerns could range from trash removal to condition of sidewalks and streets to government support for festivals and other activities that bring people to the commercial area. These surveys also provide public officials with insight into local retailer attitudes about the current retail environment.

A less formal but effective approach is to host events for business owners such as a “Breakfast with the Mayor.” This demonstrates concern for the local business climate and gives both sides the chance to listen and learn from each other. Many communities, such as Yorkville (pop. 10,791) and Roselle, Ill. (pop. 23,115), host monthly “Coffees” with elected officials to give the entire community a chance to discuss local issues.

The added benefit of direct contact with business owners is that municipal officials become aware of such problems as outdated zoning ordinances or cumbersome regulations. The retail market moves fast, often outpacing government. For example, for a trendy, “fix-your-own” restaurant where staff grills the food assembled by patrons, the municipality has the difficult but crucial task of classifying the establishment — is the business a sit-down restaurant, deli, or fast food place? — to determine the appropriate parking requirements.

### Important Tip: Develop an incentives policy

Decide whether to use incentives to attract retailers on a case-by-case basis, depending on the importance of that particular retailer to your project.

For example, many communities will offer incentives to the anchor tenant (Target, Wal-Mart, etc.), knowing that satellite tenants will locate around them.



*This Home Depot, on Halsted Street on Chicago's north side, anchors the local retail district, and many smaller local and national tenants have located in close proximity to it.*

Planners and economic developers need to communicate from the outset of a project to avoid costly, unnecessary mistakes. While local controls are necessary for the public welfare, outdated regulations can inadvertently curtail economic development.

Finally, the municipality should maintain ongoing public support for businesses. Public accolades through newsletters, cable TV programming, and the local media will help local business owners feel appreciated.

## Revitalization

Revitalization is the process of introducing or restoring economic vitality to a disinvested retail area. There are numerous approaches and models for revitalization. The National Trust for Historic Preservation's Main Street program has helped revitalize several downtowns in northeastern Illinois, using historic preservation as a foundation for economic development. Other communities have used tools such as tax increment financing to rejuvenate their retail districts.

Revitalization often includes infrastructure and urban design modifications and infill development. The latter is frequently mixed-use development, which increases population density and foot traffic, and, therefore, a base of shoppers. Although revitalization efforts are most prevalent in disinvested urban communities, nearly all communities have some revitalization needs.

As one section of town expands and prospers, another can easily rupture. To create a successful revitalization program, planners, economic developers, and other municipal officials need to understand and anticipate the causes of decline, barriers to reinvestment, and which assets need improvement.

Because revitalization cannot happen in isolation, look to adjacent properties or the entire neighborhood as you assess revitalization goals. Often, targeted revitalization requires efforts such as streetscaping or façade improvements within a larger area.

## Replacement

Retail replacement is less common, but no less important. In some Illinois communities, a significant decrease in pedestrian activity and related retail in the downtown shopping area was offset by a rise in tire stores, light industry and manufacturing, and auto body repair shops. These types of auto-oriented businesses are inconsistent with a pedestrian-friendly, walkable downtown. Rather than eliminate important but aesthetically deprived uses from the

town altogether, municipalities can offer to the owners of these properties incentives to relocate elsewhere in the community. This creates opportunities for new investment in more desirable retail options. Using eminent domain is another way to facilitate economic development but should be an option of last resort. See chapter 3, pg. 55 for more on eminent domain.



*The revitalization of downtown Elgin, Ill., has been made possible by a mix of infrastructure improvements, streetscaping, and financial incentives.*

## UNDERSTANDING THE IMPORTANCE OF LOCATION

It is important to consider the needs of both the retailer and community when thinking about location of a retail establishment

### Retailer concerns

Retailers' location needs are fairly simple. They want to be where commercially zoned land is available and near people with good jobs. Developers have similar needs. They want locations where land assembly is possible and entitlements will be granted quickly.

Retailers may deal directly with municipalities. "We find our own sites and build our own stores," said Dave Delach, a real estate executive for Home Depot, "but that's unusual in the retail industry." Typically, developers find a site, build the stores, and seek tenants. However, even when the economic development agency has little or no direct contact with retailers, it is still the job of the municipality to craft the concept of the particular development through its comprehensive plan.

It is also important to determine whether you have a buyer's or a seller's market. Communities that are rapidly growing, and adding new homes and high-paying jobs, are in a seller's market. They have what the retailers want.

In municipalities with less attractive demographics, the roles are reversed, and the public and private sectors have to work harder to improve the local economy — which will eventually improve the retail climate. However, this does not mean that lower-income towns or neighborhoods have to wait many years to attract retail. Densely populated urban neighborhoods have significant purchasing power. The average income might be lower, but density makes up for that in total dollars available to spend.

Chicago-based Matanky Real Estate specializes in urban retail redevelopment projects, building projects in communities with average household incomes ranging from \$25,000 to \$150,000. In lower-income areas, there is less room for error, so success comes from being "very focused on the neighborhood and where people actually come from to shop," said owner James Matanky. This means renting space to stores that sell goods affordable to nearby residents. Most trade areas also include people with higher incomes, so shopping centers may have some upscale stores.

According to Home Depot's Delach, "Most retailers can analyze the market with basic demographics." This includes number of households, and median household income within one, three, five, and 10 miles of the prospective site. "That, more than anything else, is what drives the core business," said Delach.

### Important Tip: Follow retail trends

Stay current on the changing location criteria of various retailers.

For a long time, Starbucks wanted highly populated urban locations. As that market became saturated, the company branched out into both less dense suburban markets and areas with lower median incomes. Today, Starbucks has coffee shops in locations such as diverse as a strip center in suburban St. Charles and on Stony Island Avenue on Chicago's historically underserved south side.

Elmhurst, Ill. (pop. 44,976), employs a retail consultant to maintain relationships with local entrepreneurs and national retailers so that village staff can stay up-to-date. The consultant works 10 hours a week for the city, and is paid with funds from the city's special service area.



Many of Elmhurst's thriving entrepreneurs, such as the enzee boutique, were recruited by its retail consultant. Outside expertise can help many communities achieve their retail goals.

### Location requirements for a hypothetical 100,000 sq. ft. home improvement store

Population: 50,000 within five miles

Number of households: 20,000

Median household income: At least \$40,000

Site size: 10-12 acres

Parking spaces: 400

Drive-by traffic: 20,000-50,000 vehicles daily

Retailers seek information in two areas: market considerations such as trade areas, population and income, and site considerations such as traffic counts and acreage. Economic developers can help retailers (especially national chains) that might not know about local conditions by guaranteeing current population estimates. For example, a proposed site might not have had enough nearby population when the 2000 census was taken, but has since experienced a building boom.

Market considerations take precedence over site considerations because without demand for what the retailer sells the availability of a good site is irrelevant. If an area demonstrates potential demand — enough people and money within a

certain area — retailers then might consider various sites.

Every retailer will have different demographic and site criteria. Home Depot, for example, usually wants at least 20,000 households — approximately 50,000 people with median household incomes above \$40,000, within five miles. Site selectors for other stores could seek dramatically different income levels. According to a local retail developer, the specialty grocery store Trader Joe's wants to be in areas where median annual household income exceeds \$100,000.

Retailers also like to see a map depicting nearby businesses, because the presence of major competitors changes the demographic analysis.

Retailers also consider the community characteristics of a potential site. Like most retailers, Home Depot prefers to locate where incomes are high, “but not too high,” Delach said, “because then there won't be many people doing their own work around the house. We want to be near do-it-yourselfers.” Therefore, Home Depot tends to avoid college towns, which have consumers with good incomes (i.e., university faculty), but also a large percentage of college students, who are not home remodeling enthusiasts. (College towns tend to attract bookstores and moderately priced restaurants.) Likewise, an established community with an aging population will have different needs than a newer, rapidly growing area with young families.



*While retailers, particularly national or regional large-format retailers, have a set list of desirable location parameters, most will be flexible if the market merits it. In Chicago, Trader Joe's has conceded some of its specifications for the right opportunity. Located on Ontario Street just off Michigan Avenue, the site does not meet the company's standard parking requirements, but was nonetheless attractive because of Chicago's thriving affluent downtown residential population with close pedestrian access.*

If the demographics look promising, retailers will then do a preliminary review of sites that meet their criteria. The typical 102,000 sq. ft. Home Depot store requires 10 to 12 acres along a street with a daily traffic count of 20,000 to 50,000 vehicles per day.

Home Depot also wants at least four parking spaces for every 1,000 sq. ft of store space, which is in line with what many zoning ordinances require. Costco wants five spaces per 1,000 sq. ft, according to one expert, and those spaces should be 10 ft. wide by 20 ft. long, instead of a more traditional 9 by 18 ft. Trader Joe's wants 80 parking spaces for its buildings,



### Location options for retail development in built-up communities

- Brownfield site (former industrial)
- Underused or aging strip center, big box store, or shopping mall
- Urban infill site between existing structures or uses
- Empty or derelict lots or buildings, such as former factories, military bases, or row housing
- Underperforming older suburban or village main street
- Suburban bedroom community or inner city neighborhood with little or no shopping/retail development to serve the local population
- Underutilized or declining downtown commercial/retail strip or central business district
- Historic district
- Neighborhood center

SOURCE: INTERNATIONAL COUNCIL OF CHOPPING CENTERS,  
INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL,  
*RETAIL AS A CATALYST FOR ECONOMIC DEVELOPMENT*

which are generally 10,000 to 12,000 sq. ft. The company also wants at least 85 feet of frontage. The site must be big enough to accommodate 65-foot trailers and provide 1,000 to 1,200 amp electrical service.

### Community concerns

Retailers may seek out locations that yield profits, but community concerns are typically more varied and reflect greater economic development goals and community vision.

Perhaps the focus of retail development is confined to one section of the community. The visions, goals, strategies, and plans change from location to location. Furthermore, there is no one-size-fits-all rule for retail development. Choosing the best location means asking tough questions, the answers to which reveal a great deal about a community's potential for retail development, the viability of its retail goals, and to what degree the two are in sync.

The questions may include:

Where does your market assessment indicate retail would be profitable? Where does the trade area analysis suggest there are retail holes you can fill?

- Is the kind of retail that would likely prosper in these areas compatible with the kind of retail you want?

What areas of the community could handle retail development without substantial investment in infrastructure? Environmental clean-up? Land assembly?

- Based on those answers, does retail development in these areas mesh with community goals (e.g., developing a greenfield site might conflict with open space preservation or infill redevelopment goals)?

What areas of the community are currently zoned for retail?

- Does retail development in these areas fit with community goals?
- Does the zoning code in other areas allow the kind of retail development we want? If not, which is more important to you: the zoning code or the retail?

Are there areas of the community suitable for revitalization and redevelopment?

- If so, is that something you want to invest time, energy, and money to do?
- If not, are there areas suitable for recruitment?

Leakage analyses may tell you that shoppers are spending money in the town next door, in which case you will want to develop retail to capture those dollars. However, it is also possible the analysis will tell you that both communities are losing revenue to a third community. Retail development in either one of your communities could bring that money closer to home.

Cooperation might benefit you and your neighbor. There are many advantages to boundary

## Challenges of the Prototype

Just because a building has the right size, location, and price for a retailer, does not mean the deal is done.

To operate efficiently and profitably, retail stores are, in many ways, designed from the inside out. The prototype plan will dictate everything about the interior of the store, including the location of the entrance, the loading area, merchandise display area, cash register location, storage area, drive-through window, and any other operations-related requirement of the building space plan. As a result, if a space is unable to accommodate the prototype requirements, it may be unusable for that retailer.

No space will ever be perfect, even if it is a free-standing, build-to-suit structure. Depending on the retailer, some have multiple prototypes to increase the universe of workable spaces and some retailers are better able to adapt their prototypes to work within the constraints of a particular space. Any change in a retailer's prototypical plans that will impact the operation (and therefore the profitability) of that location will require a reassessment of whether this location can still be profitable after incorporating the change in the prototype.

agreements, and your community may find it in your interest to contact your neighbor and propose the idea. Boundary agreements can delineate who is responsible for planning, development review, services, and other interjurisdictional considerations.

Depending on your project's geography, there may be strain on your neighbor's infrastructure, ranging from increased traffic to damage to a shared watershed. The additional sales tax revenue from your retail development will enable your neighbor to better respond to these challenges, which in turn might create a better retail environment for you.

The best available site for retail development may border your neighbor or even straddle that border. In this case, developing the retail cooperatively could maximize the potential of the shared property.

For example, the City of Champaign, Ill. (pop. 71,568 ), and the neighboring Village of Savoy (pop. 4,839), entered into a revenue-sharing boundary agreement in 1992 after Champaign's plans to develop along the border between the two communities began impacting Savoy with increased traffic flow and other infrastructure stresses. Now a portion of Champaign's tax revenue from the project is used to compensate Savoy.

By sharing the revenue from sales taxes that result from retail development or forging some other agreement, both communities can increase customer traffic.

## RETAIL DEVELOPMENT TRENDS

### Mixed-use

Incorporating different land uses on the same parcel of land can be a boon for retail. The most common example of mixed-use development is

“Mixed uses create critical mass and a sense of place by affording the community a wider range of goods, services and experiences at one location, thereby increasing connectivity and choice and reducing trip generation rates. The diversification of use within projects hedges a district’s income stream and makes for proper and balanced risk management of property investments.”

URBAN LAND INSTITUTE, *TEN PRINCIPLES FOR REINVENTING AMERICA’S SUBURBAN BUSINESS DISTRICTS*

first-floor retail with upper-floor office or residential space. Mixed-use effectively supplements commercially tenuous areas by increasing the population base and foot traffic in commercial downtowns and neighborhood shopping districts. Housing in and around commercial districts also provides some security to a district should the economy falter.

Mixed-use can work to your benefit, but might require a significant update of your zoning code. Single-use (or Euclidean-style) zoning, which permits only one use on a parcel of land, is still the norm throughout this country and creates significant challenges for developers, retailers, and community officials attempting more complex projects. Mixed-use intentionally creates greater community density, which frequently generates opposition from some existing residents and retailers. It is important to clearly and carefully demonstrate the many benefits of mixed-use development in order to create community support.

### Embracing mixed-use involves:

- Removing planning and regulatory barriers in the form of land-use controls and onerous parking requirements that prohibit mixed-use development.
- Encouraging government and community incentives and support for mixed-use development by providing parking garages, public domain improvements, streetscaping, and transportation choices.
- Designing the reinvented ... district so that pedestrian paths offer opportunities and choices in location of retail, education, community, and residential land uses.
- Clustering and interconnecting activities that benefit from colocation and mixed use, such as office, retail, residential, and transit-oriented uses.
- Providing community infrastructure and facilities within reinvented districts rather than on stand-alone sites in greenfield locations accessed only by automobile.



*Mixed-use development in Highland Park, Ill., where a mix of shops, offices and residences increase foot traffic, reduce congestion, and extend the shopping day.*

SOURCE: URBAN LAND INSTITUTE, *TEN PRINCIPLES FOR REINVENTING AMERICA’S SUBURBAN BUSINESS DISTRICTS*

## Transit-oriented development

Transit-oriented development (TOD) is best described as development focused around transit stations that is designed to improve transit use and neighborhood walkability. TOD stresses the importance of density. By developing or redeveloping the target area with jobs, homes, and retail options close to transit, you can increase foot traffic, lengthen the retail day, reduce automobile congestion, and create a unique identity that visitors can enjoy.

## Big box

Big-box retail centers are the large-scale retail developments anchored by large format retailers such as Wal-Mart, Home Depot, and Target. Historically a suburban phenomenon, they are now common in urban settings.

Big boxes bear costs and provide benefits. These stores can range in size from 20,000 sq. ft. to 250,000 sq. ft; locations on the upper end of this scale require high parking ratios, large access roads, and often outdoor display spaces for such goods as plants, lumber, or prefabricated buildings. Until very recently, most big boxes required greenfield development, resulting in the loss of open space or agricultural land. However, big boxes in urban locations, such as Target on Chicago's Roosevelt Road or Home Depot on Chicago's North Avenue, have thrived, setting a precedent for infill development.



*Large format retailers, such as big and medium boxes, are no longer a purely suburban phenomena. This Whole Foods is in the heart of Portland, Ore. Big boxes can be risky, but they can also be rewarding, and it is often thorough planning that makes the difference.*

Big boxes have been labeled “category killers” because they can potentially drive smaller, locally owned establishments out of business. But they also create many new jobs and attract additional retailers. In fact, many communities will offer significant incentives to big boxes, knowing their presence is incentive enough to attract smaller retailers.

Many communities are attractive to big boxes, but it is often the case that neither standard zoning policies nor other municipal regulations accommodate for them. Some U.S. communities have created zoning regulations that explicitly

forbid large-scale retail development, but others have found ways to reap the potential benefits of big boxes without losing sight of the vision established by their economic development plans. Some communities have had negative experiences with big boxes for a variety of reasons — a lack of planning, insufficient market demand, conflict between corporate and community interests, etc. — but big-box retail is not inherently evil. A big-box retail development may be the right choice for your community, but it is a choice that should be made with a thorough understanding of the of the upside potential and the downside risk.

## TOD Best Practices

A review of practices from cities across North America indicates that TOD is a unique form of urban development. No two stations are the same. How a station area is planned and developed will depend on the particular attributes of that station and surrounding community. However, several key components are commonly found to be critical to the success of any TOD.

### Get the land uses right.

- Ensure transit supportive uses; encourage a mix of uses; locate the uses as close to the station as possible.



The TOD around Palatine, Ill.'s, Metra station includes mixed-use retail and housing (under construction in the background), office space, entertainment, and both street-level and structured parking.

### Promote density.

- Adopt a minimum residential density around stations that is sufficient to support higher transit frequency.

### Ensure good urban design.

- Relate the ground level to pedestrian uses; have all-season design, and employ lighting, landscaping, and signs.

### Create convenient pedestrian connections.

- Emphasize short walking distances and continuous walking paths, and minimize vehicular and pedestrian meetings.

### Create compact development patterns.

- Build a compact street network, cluster buildings together, and leave room to grow by placing buildings on the sides of parcels rather than in the middle.

### Manage parking.

- Accommodate the automobile without catering to it; locate parking to the rear or sides of buildings, and do phased parking from surface lots to structures.

### Make each station a “place.”

- Create a destination with landmarks and open spaces, create sight lines to and from the stations, and orient buildings to the street.

SOURCE: CITY OF CALGARY, ALBERTA, CANADA

## Zoning for TOD:

### Design for transit and pedestrians

- Zoning can maximize the accessibility of transit.
- Some community zoning codes dictate that new subdivisions must be designed to provide “safe, convenient, and direct” access to retail, transit, schools, and parks within one-quarter mile.

### Promote density

- Use zoning codes to establish minimum and maximum densities.
- Establish multifamily housing districts along transit corridors, with single-family housing on the periphery.
- Set smaller lot sizes for single-family homes.

### Mix uses

- Housing should be permitted in TOD zones.
- Auto-dominated uses detract from TOD, and should not be allowed.
- First-floor retail with upper-story housing or office space is often a key to TOD success.

### Limit parking

- Use zoning to reduce the amount of parking within a certain radius of transit routes.
- Dictate that parking must be behind or next to buildings.

SOURCE: IDEAS@WORK, VOL. 2 NO 4, 2002

TOD by Community Type					
Community Type	Land-Use Mix	Minimum Housing Density	Regional Connectivity	Transit Frequencies	Examples
Urban Downtown	Office center Urban entertainment Multifamily housing Retail	>60 units/acre	High: Hub of radial system	<10 minutes	Printer's Row, Chicago
Urban Neighborhood	Residential/retail Class B commercial	>20 units/acre	Medium: Access to downtown, subregional circulation	10 minutes peak 20 minutes off-peak	Hyde Park, Chicago
Suburban Center	Primary office center Urban entertainment Multifamily housing Retail	>50 units/acre	High: Access to downtown, subregional Hub	10 minutes peak 10-15 minutes off-peak	Arlington Heights, Ill.
Suburban Neighborhood	Residential Neighborhood retail Local office	>12 units/acre	Medium: Access to suburban centers and downtown	20 minutes peak 30 minutes off-peak	Hinsdale, Ill.
Commuter Town Center	Retail center Residential	>12 units/acre	Low: Access to downtown	Peak service demand-responsive	Grayslake, Ill.

SOURCE: ADAPTED FROM DITTMAR, ZONING PRACTICE 08.04

“Getting the codes right and distinguishing development around transit from auto-oriented development will enable these projects to be entitled more quickly and financed more easily, and, hopefully, to perform better. Coding for TOD involves understanding that there is interplay between density and land-use mix and levels of transit service.”

SOURCE: DITTMAR, ZONING PRACTICE 08.04

**When planning for large-scale retail developments, municipal governments should consider the following:**

- The amount of land (acres and sq. ft.) in the community that is currently used for retail. Compare this amount with other cities in the region.
- The amount of land zoned for future retail use. Consider whether the city is over or under-zoned for retail, and if the amount and type of retail development is in line with the community's vision for its future.
- The location of big-box developments and the reasons for choosing such locations. Determine whether these locations are in line with the goals of the comprehensive plan and intent of the zoning ordinance. If not, consider an audit of the city's plan and regulations, and perhaps, even a moratorium.

**When courting (or being courted by) large-scale retailers:**

- Consider using abandoned or obsolete industrial zones or facilities as infill opportunities for large-scale retail.
- Look for underserved sections of town that have a difficult time attracting small, local businesses such as grocery markets. Such areas may do well with a big-box retail development.
- Develop a plan for white elephants before they become a problem. How can existing retail sites be adapted for future use should vacancy or abandonment occur?
- Look at the community's existing regulatory options for big-box retail. For example, does the community have a triggering device (e.g., permit applications for construction, rehabilitation or expansion of an existing use) for design review? Does it have an adequate "catalog" of design alternatives, including photographs, to help retailers and citizens choose a design that is right for the community?

SOURCE: JENNIFER EVANS-CROWLEY, *ZONING PRACTICE*, 12.05

**Larger-scale retail opportunity, Des Plaines, Ill.**

Below is an excerpt from Des Plaines' 2005 Market Assessment. Having conducted a leakage analysis, the village determined it did not suffer from significant leakage but had opportunities for large-scale retail development. By capitalizing on existing competition between large-scale retailers, Des Plaines positions itself to develop this form of retail consistent with community vision and goals.

"Increasingly, retail development is being driven by retailers who have a strategic reason to open up a new store in a given market. New stores in prime locations can, and do, take sales away from existing stores. Some retailers may be looking to increase their market shares by locating near a competitor or introducing a new store format. While apparel stores will be more likely to cluster near existing malls, the following types of stores might be willing to locate along the major commercial arteries in Des Plaines, given its growing population and favorable demographics:

Electronics • Home Improvement • Books • Office Supply • Crafts • Pet Supply • Housewares and Home Furnishings

If appropriate sites were assembled on major arteries, and an anchor tenant, such as a home improvement store, could be secured, it is reasonable to assume that four or five additional large format stores could be attracted to Des Plaines."

SOURCE: GOODMAN WILLIAMS GROUP

### Common zoning impediments to redevelopment

The APA cites four common impediments to redevelopment that often stem from municipal zoning codes. If your zoning codes share these attributes, redevelopment may be unnecessarily difficult in your community.

- Setback requirements that fail to recognize zero lot line development as a common, often desirable, style in downtowns.
- Floor area ratios or units-per-acre based on bulk and density regulations that do not allow enough upper-floor residential development to achieve economic feasibility, and do not allow flexibility for mitigating factors such as quality architecture, upper-floor setbacks to hide bulk and building façade articulation.
- Minimum parking ratios that do not recognize the reduced off-street parking need in downtowns because of on-street parking availability, potential for shared parking between complementary uses, and (if applicable) public transit availability.
- Onsite stormwater detention requirements for redevelopment — even though redevelopment generally does not increase the amount of impervious surface on the site.

SOURCE: TONY SMITH AND STEVE FRIEDMAN, *ZONING PRACTICE* 2.06

### Infill

Redeveloping properties on previously vacant or underused land in built-up areas is, in principle, both environmentally and economically desirable. It leads to the clean-up and reuse of existing parcels of usable land, rather than using irreplaceable open space. According to the Northeast-Midwest Institute, “successful infill development channels economic growth into existing urban and suburban communities and conserves natural resources at the periphery of the metropolis.” Infill sites, unlike those on the periphery of urban centers, are often closer to transportation corridors, waterfronts and rivers, and historic neighborhoods, all of which are very attractive to retailers and developers.

Infill can be a major part of retail development, particularly in older and disinvested communities. However, these neighborhoods “may be at a disadvantage if existing streets and other infrastructure are in poor repair, or if existing land-use patterns, lot configuration or size, or street

### Infill development challenges

A major challenge in selecting and acquiring an infill development site is finding a location that can meet the complex and, at times, conflicting objectives for a project to:

- Accommodate the density of development needed to make the project financially feasible and generate the developer’s expected return.
- Be designed to a size and scale that is consistent with market demand and the desired character of the neighborhood.
- Provide the landscaping, parking, lighting, security, and other amenities demanded by the target market.

The availability of infill development sites that can meet all of these objectives may be limited in some urban neighborhoods.

SOURCE: NATIONAL ASSOCIATION OF REALTORS, *BEST PRACTICES TO ENCOURAGE INFILL DEVELOPMENT*



This Riverdale, Ill., CVS is the result of a complex infill development strategy adjacent to a Metra commuter station.

grids do not easily lend themselves to the type of infill development that is demanded by the submarket,” stated the National Association of Realtors in *Best Practices to Encourage Infill Development*. Infill development sites that are large enough to attract developers’ attention can be difficult to find, so potential for land assembly (discussed below) often becomes increasingly important when considering infill.

Brownfield development, a type of infill, refers to the rejuvenation of land contaminated from past industrial or commercial activity. Brownfield development does not occur regularly in downtown settings, though the sites of former gas stations, auto shops, and dry cleaners are often prime for revitalization.



## Adaptive reuse

Adaptive reuse is an increasingly common technique for creating a unique retail environment by reusing existing buildings. This not only preserves a link to the past, but is often environmentally and economically sound. It eliminates the need for clearing new ground or assembling parcels of land for construction, and restoration costs are often lower than those for new construction. Even if a building is not suitable for retail, its reuse may enhance a retail environment. For example, the Illinois State Museum's Lockport Gallery in Lockport, Ill. (pop. 22,161), is located on the first floor of a massive limestone structure, the Norton Building, built around 1850 on the banks of the Illinois & Michigan Canal. The gallery was restored in 1989, and today draws a regular stream of visitors who also frequent the adjacent shops and restaurants. The Norton Building also houses residential lofts, offices, and commercial space.

## Shopping as an “experience”

Twenty years ago, shopping at a mall was a favorite pastime. Today, outlet malls, lifestyle centers, and downtown commercial districts combine shopping and entertainment to create an experience much different from “hanging out at the mall.”

Retailing and entertainment can meet in expansive malls featuring carnival rides, performers and memorabilia, along with food and national chain stores. Retailers such as Gap, Children's



*Once the site of the State Bank of Geneva, Tuscana, an Italian restaurant in Geneva, Ill., is a local example of adaptive reuse.*

Place, and Banana Republic have replaced mainstays like Montgomery Ward's, Marshall Field's, and Lord & Taylor, and restaurants such as Rainforest Café provide entertainment and food. The newest regional mall to open in metropolitan Chicago was the Chicago Ridge Mall, and that was in the early 1980s. Today's retail outlets are lifestyle centers, such as Geneva Commons, which are not enclosed and feature public art, fountains, and landscaping. Keeping track of these trends is an important part of an ongoing economic development program.

When someone says he “spent the day on Devon Avenue” you have as clear an idea of what he saw, ate, and bought as if he had said he spent the day at Navy Pier. Neighborhood retail districts with distinct identities offer another kind of

experience. Sometimes it is ethnic, like Chicago's Devon Avenue (a mix of Indian, Pakistani, and Russian); others are branded downtowns with recognizable symbols, slogans, and design themes. Both St. Charles and Woodstock have cultivated distinct identities using planters, signs, and street festivals.

Creating such a shopping experience is often the result of planning, patience, and persistence. Depending on your community's goals, this may be a model for you.



*Devon Avenue, on Chicago's north side, is a mix of Indian, Pakistani, and Russian influences, with a mix of food, apparel, and entertainment options.*

## Use demographic data carefully

Using outdated demographic information can result in a project that no longer fits the community.

Urban planner Grace Bazylewski, a native Chicagoan of Polish ancestry, tells the story of a national grocery chain that opened a store a few years ago and marketed to the Polish community. However, the grocer made this decision based on demographic data from the 2000 U.S. census. “By the time the store opened, the neighborhood was changing, with many European immigrants moving out,” she said. “The neighborhood is quickly turning Latino, a trend that a closer look would have identified.”

As has been the case for many years, some Chicago neighborhoods are ports of entry where immigrants move upon arriving here. Bazylewski said many Poles eventually move to the northwest and southwest suburbs. “They should have tried Lemont, Lombard, or Addison for a store targeted toward Poles,” she said.

Also, many immigrants rapidly embrace the culture of their new home. “As immigrants settle into a new environment, they will assimilate local habits; the longer they live somewhere the more local they become. The Poles staying in that area are ‘Americanized’ and shop outside their culture already,” Bazylewski explained.

What should this retailer have done? “They should have partnered with an established regional Polish organization like the Polish National Alliance,” Bazylewski said. “And perhaps through membership studies and focus groups figured out where the newest immigrants are settling.”

## Increasing Ethnic Diversity

Foreign-born residents and their American-born children are an increasingly powerful economic force in the United States. Immigrants are especially important in metropolitan Chicago, where they represent one-third of the growth of owner-occupied housing. Therefore, increasing ethnic diversity is both a demographic reality and a market opportunity.

Between 1970 and 2004, Latinos accounted for 96 percent of the Chicago region’s population growth. In fact, with 1.6 million people, Latinos are now the largest ethnic or racial minority group in metropolitan Chicago. Latinos have a



*The Latino entrepreneurial tradition is alive and well in Chicago’s Pilsen neighborhood, where colorful public art (below) and authentic foods and other goods are major draws for visitors and locals alike. Of particular note is Nuevo Leon, at 18th Street just east of Ashland Avenue, which is painted with traditional motifs inside and out.*

strong entrepreneurial tradition, demonstrated along the thriving commercial streets in

Chicago’s Pilsen and Little Village neighborhoods. The Latino influence is felt throughout the region in such places as Cicero and Melrose Park, where most residents are of Hispanic origin.

Latino buying power has also increased. According to *The State of Latino Chicago*, by the University of Notre Dame Institute for Latino Studies, between 1990 and 2003, the aggregate household income for Chicago-area Latinos increased from \$5.8 billion to \$20 billion.

JOSH HAWKINS



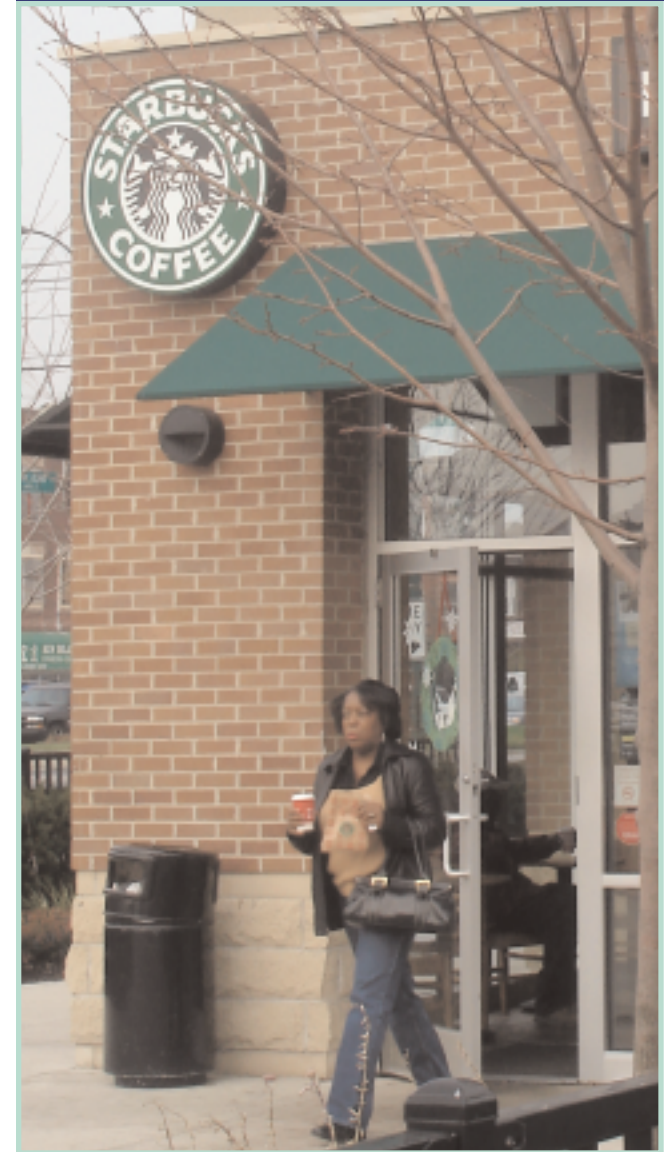
While Latinos are the largest immigrant group they are not the only one affecting retail. West suburban Naperville now has a grocery store — Asia Supermarket — catering to the Asian clientele located in the area. The Bobak Sausage Company's Eastern European supermarkets and delis in Naperville, Burr Ridge, Chicago, and Orland Park, as well as Arlington Heights' new Mitsuwa Marketplace Japanese supermarket reflect similar efforts to serve specific ethnic groups.

It is important to keep track of the latest trends in immigration to understand settlement patterns. Demographics often change more rapidly than developers and retailers are aware, particularly if assessments are based on the U.S. Census or the American Community Survey (which occurs more frequently than the Census, but is less descriptive).

Without the latest information on a community's changing demographics, developers and retailers might propose projects based on dated or presupposed notions of a market's potential. For example, if developers believe a district will only support one kind of restaurant (e.g., auto-oriented fast food) because of its socioeconomic make-up, that market is likely to become oversaturated, while other opportunities (e.g., pedestrian-friendly coffee shops) will be missed. This pattern begs a question: Does Retail Type A succeed in Area B because consumers genuinely want it or because it is all that is offered?

Local economic development agencies can tell prospective retailers how the neighborhood is changing and what opportunities exist. It is not enough to attract a new store; the goal is to attract stores that meet a community's market demands and will succeed.

Starbucks is a good example of a company that has disregarded presupposed notions of a market's potential. Partnering with the Johnson Development Corporation (founded by basketball legend Ervin "Magic" Johnson), Starbucks has demonstrated there is a market for its stores in predominantly African-American low and moderate-income communities. The five Illinois Starbucks locations in traditionally underserved neighborhoods have all met or exceeded start-up expectations.



*This Starbucks, at 71st Street and Stony Island Avenue on Chicago's south side, is one of five in Illinois in traditionally underserved neighborhoods.*

## Types of Retail Development in Built-up Communities

- Enclosed downtown mall (one story or multi-level) with shops, restaurants, and entertainment facilities such as a multiplex cinema or ice rink.
- Mixed-use project combining retail with residential, hotel, and/or office elements.
- Waterfront retail/entertainment project or festival center.
- Renovation of existing retail street front or shopping mall.
- “Village center” with central piazza, pedestrian walkways, retail, and restaurants.
- Retail manufacturers’ outlet mall.
- Retail niche development of a cluster of shops selling the same or related types of merchandise, such as wedding-related retail stores or a cluster of delis and food product retailers.
- Entertainment-oriented complex with tenants such as restaurants, movie theaters, concert halls and performing arts centers, gambling casinos, record and video stores, bookstores, and crafters and craft galleries.
- “Power center” with large-format stores grouped around a parking pad, such as Poplar Creek in Hoffman Estates, Ill.
- Transit-oriented development.

SOURCE: INTERNATIONAL COUNCIL OF SHOPPING CENTERS, INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL, RETAIL AS A CATALYST FOR ECONOMIC DEVELOPMENT

## RETAIL TYPOLOGY

All retail is not equal. Understanding the different types of retail will help to clarify your goals.

### Shopping Center Types

The International Council of Shopping Centers (ICSC) offers the following definitions of shopping centers.

#### Basic configurations

**MALL:** Typically enclosed, with a climate-controlled walkway between two facing strips of stores. The term represents the most common design mode for regional and super-regional centers.

**STRIP CENTER:** Attached row of stores or service outlets managed as a coherent retail entity with onsite parking, usually located in front of the stores. Open canopies may connect the storefronts, but a strip center does not have enclosed walkways linking the stores. A strip center may be configured in a straight line or have an “L” or “U” shape.

#### Why retailers like shopping centers

Like most community endeavors, successful retail depends upon the business community and local government working together to develop an organizational framework. Retailers will expand where they see the most potential for profit and least potential for unexpected surprises. The rules are simple for retailers in most shopping centers: minimal disagreement about store hours, sign size, or which party is responsible for shoveling the snow from the front of stores. The tenant lease establishes who will do what and when. Negotiations happen at the outset or the deal falls through. When problems do arise the store manager contacts the shopping center manager.



*This neighborhood center, at the intersection of 55th Street and Lake Park Boulevard in Hyde Park, is anchored by a Walgreens, ACE Hardware, and a locally owned supermarket.*

#### Detailed configurations

**NEIGHBORHOOD CENTER:** Designed to provide convenience shopping for the day-to-day needs of consumers in the immediate neighborhood. Roughly half of these centers are anchored by a supermarket, while about a third have drugstore anchors supported by stores offering health-related products, sundries, snacks, and personal services. A neighborhood center is usually configured as a straight-line strip with no enclosed walkway or mall area, although a canopy may connect the storefronts.



PHOTO COURTESY KAREN HENRIKSON, CITY OF DES PLAINES

*This community center in Des Plaines, Ill., is anchored by a grocery store, a handful of national restaurants, and is in close proximity to residential opportunities, parking, and transit.*

**COMMUNITY CENTER:** Typically offers a wider range of apparel and other soft goods than a neighborhood center. The most common anchors are discount department stores, large bookstores, or electronics stores. Community center tenants sometimes contain off-price retailers selling such items as apparel, home improvement/furnishings, toys, or sporting goods. Typical anchor stores are up to 45,000 sq. ft. The center is usually configured as a strip, in a straight line, or “L” or “U” shape.



*Lifestyle centers such as Oakbrook Center in Oak Brook, Ill., often include the same tenants as regional malls, but in different configurations. Retailers often have unique storefronts, and landscaping, fountains, and art are prominent.*

**LIFESTYLE CENTER:** Usually 250,000 sq. ft or larger, with more outside features than community centers, such as landscaped walkways, fountains, benches, a streetscape, and public art. While retailers are often the same tenants that are found in regional malls, lifestyle centers also include such anchors as movie theaters, restaurants, and department stores.



PHOTO COURTESY VILLAGE OF SCHAUMBURG

*Woodfield Mall in Schaumburg, Ill., is a multi-story super-regional center surrounded by satellite retail in separate facilities.*

#### REGIONAL OR SUPER-REGIONAL CENTERS:

Provides general merchandise (mostly apparel) and services in full depth and variety. The main attractions are its anchors — such as Macy’s, J.C. Penney, and Sears — which are mass merchant, department, or fashion specialty stores, and typically at least 75,000 sq. ft. in size. Regional centers are generally enclosed with an inward orientation of the stores connected by a common walkway. Parking surrounds the outside perimeter. In metropolitan Chicago, regional centers include Chicago Ridge, Louis Joliet and Fox Valley malls. Regional malls face increased competition from super-regional malls such as far north suburban Gurnee Mills. Old Orchard and Oakbrook Center are former regional malls that have grown into super-regionals with more than one million sq. ft. of space.

## Ten principles for reinventing America's suburban business districts

- 1) Understand your position in the market.
- 2) Build community support.
- 3) Develop a vision and plan.
- 4) Stress results over regulation.
- 5) Break up the superblocks and optimize connectivity.
- 6) Embrace mixed uses.
- 7) Honor the human scale by creating a pedestrian-friendly place.
- 8) Think transit — think density.
- 9) Create a public/private partnership.
- 10) Share and manage parking.

SOURCE: URBAN LAND INSTITUTE, *TEN PRINCIPLES FOR REINVENTING AMERICA'S SUBURBAN BUSINESS DISTRICTS*

## Downtown districts, commercial corridors, and neighborhood retail

Municipal officials are particularly interested in developing their downtowns and commercial corridors (such as Roosevelt Road in DuPage County). Twenty years ago, most national chains avoided downtown locations, largely because of perceived parking problems. Today, many such areas are victims of their own success. In bustling downtown Oak Park, for example, the concern now is that retailers that can afford escalating rents are displacing those that cannot.

The American Planning Association's *A Planner's Dictionary* offers the following definitions of downtowns and commercial corridors.

**CENTRAL BUSINESS DISTRICT:** Major commercial downtown center of a community. An urban downtown district that has design features and a diversity of uses not found in the commercial and office districts, including government buildings, cultural facilities, hotels, apartments, retail shops, and ancillary uses.



The central business district of Evanston, Ill., hosts a diverse range of uses, including hotels, independent and chain retailers, government services, and restaurants.

**COMMERCIAL CORRIDOR:** Intended to allow auto-accommodating commercial development, while encouraging walking, bicycling and transit, with a full range of local and regional retail and service. Industrial uses are allowed, but are limited in size to avoid adverse effects and ensure they do not dominate the character of the commercial area. Ideally, these corridors promote attractive development, an open and appealing street appearance, and compatibility with adjacent residential areas. Development should be pleasant for motorists, transit users, pedestrians, and the businesses themselves. Green Bay Road, which runs north from Evanston through Winnetka, Wilmette, and many other communities, is an excellent example of a commercial corridor that accommodates autos while still complementing transit and walkability.



*A woman does some holiday shopping in downtown Woodstock, Ill. Woodstock's Main Street area features entertainment, retail and dining, along with upper-floor office space, adjacent housing, and a park.*

**MAIN STREET:** Neighborhood shopping area, frequently with a unique character that draws people from outside the area. Many Illinois communities' main streets are part of the national Main Street organization, which has specific criteria for membership (see Chapter 4 for more detail).



*Neighborhood commercial districts like 53rd Street in Chicago's Hyde Park provide retail, services, offices, and housing. Among the busiest establishments on 53rd Street is Hyde Park Produce, a locally owned grocer that also serves as an informal community center.*

**NEIGHBORHOOD COMMERCIAL DISTRICT:** A) Mix of commercial land uses typically serving more than one residential neighborhood, usually a sub-area of the city, with services and retail goods. B) Small commercial areas providing limited retail goods and services, such as groceries and dry cleaning, for nearby residential customers.

## LOOKING AHEAD

This chapter discussed the variety of retail types and configurations to help your community set more explicit, realistic goals. But what about retailers and developers? What do they want? How can you make your community more attractive to them without sacrificing your community goals?

The next chapter, “What Do Retailers Want From You?,” explores the importance of clear, efficient development review and permitting processes, as well as the many incentives available to Illinois communities.



JOSH HAWKINS



RON SCHRAMM

*Whatever your community's goals — be they downtown TOD with national retailers, as seen here in LaGrange, Ill., (right) or the kind of local entrepreneurship that Elmhurst, Ill. (left) is known for — success will often depend on how realistic those goals are.*



### 3. What Do Retailers Want from You?

**Y**our community can improve its position in the competitive Illinois retail market. Strategic use of physical and financial incentives can level the playing field between communities, or even give one side a competitive advantage. However, misuse of incentives can leave a community vulnerable.

#### UNDERSTANDING AND IMPROVING YOUR POSITION IN THE MARKET

The tools described in Chapter 1 will help you understand whether local market conditions are right for retail expansion. If the indications are that your community is not ready, there are steps you can take to improve your market potential. If you have established a concrete vision and goals through a planning process, you can identify the infrastructure, urban design, and other improvements you need. There are also a variety of incentives (many of them financial) you can offer to entice developers and retailers.

If your community is ripe for retail, retailers and developers have likely approached you with proposals. Still, a community can always improve its position.

And, even if your market looks promising, local officials need to understand that northeastern

Illinois has several hundred municipalities, all of whom want the jobs and revenue generated by successful retail. This results in a glut of retail space and stiff competition — weak shopping areas will be surpassed by younger, fresher ones. The market determines survival.

The danger of a “race to the bottom,” where you sacrifice a zoning ordinance, then an environmental protection, and so on, in order to attract developers and retailers, is real. Sacrificing too many community standards might result in retail, but quite possibly not the retail you want. This is not a suburban problem, nor is it an urban problem — it is the reality of operating in a competitive market.

Your community can make itself more attractive to retailers and developers without sacrificing your vision. This chapter explains how the strategic use of incentives and an efficient review process can improve your position among your competitors while also achieving your goals.



JOSH HAWKINS

*Communities compete for consumer dollars and developer interest. The key to retail success, as seen here in St. Charles, Ill., is to make your community attractive to shoppers and shops without sacrificing the vision and goals in your comprehensive plan.*

#### WHAT TO GAIN FROM THIS CHAPTER:

- **Understanding and improving your position in the market**
  - Understanding the players in retail development
- **The importance of clarity and efficiency**
  - Streamlining the development review process
  - Maintaining a list of available properties
- **Dealing with incentives**
  - Financial incentives
    - ♦ Tax Increment Financing (TIF)
    - ♦ Façade improvement grants and loans
    - ♦ Sales tax rebates
    - ♦ Property tax abatement
    - ♦ Revolving loan funds
    - ♦ Workforce development
    - ♦ Fee waivers
  - Physical incentives
    - ♦ Urban design/Infrastructure
    - ♦ Land assembly
    - ♦ Parking
  - Zoning relief
  - Fast-track development review and one-stop permitting
  - Incentive performance tools
- **The Catch-22 of eminent domain**

### Building community support for development

The Urban Land Institute states that community building “involves the mobilization of public and private capital to create assets that engender pride and value in a community.” In other words, community acceptance requires inclusive planning processes and communication.

Building community support involves:

- Creating a three-way partnership between the private sector, government, and the broader community.
- Establishing a process that allows each partner to be heard, thereby informing and reinforcing decisions that guide the reinvention of the business district.
- Ensuring that all partners remain fully informed of progress.
- Creating an understandable and timely permitting process.

There are many ways to create support:

- The Internet, architectural renderings, virtual computer models, public meetings, community workshops, community advisory groups, town center stakeholder meetings, local media briefings, design charrettes, and public/private partnerships combine traditional and innovative techniques to tap community advice, understanding, and support.

SOURCE: URBAN LAND INSTITUTE



An anchor store such as Target; a national chain such as Old Navy; and a local retailer such as Ribs 'n' Bibs at 57th Street and Dorchester Avenue on Chicago's south side (below) demonstrate the three primary kinds of retailers.

### Understanding the players in retail development

The different players in retail development have distinct interests. It is important to keep those interests in mind to you develop potential deals.

#### DEVELOPERS:

Communities typically deal with developers rather than retailers. Developers manage the construction or rehabilitation of retail facilities, and many oversee the leasing and marketing of space. Developers also have experience creating retail mixes appropriate to the project in question.

#### RETAILERS:

Large format retailers like Target will perform many of the developer functions, even providing financial assistance to the developer of a particularly desirable project. Generally speaking, there are three kinds of retailers:

1. Anchor stores, such as Wal-Mart or Home Depot, which serve as the key retailer in large developments. These anchors will attract cus-

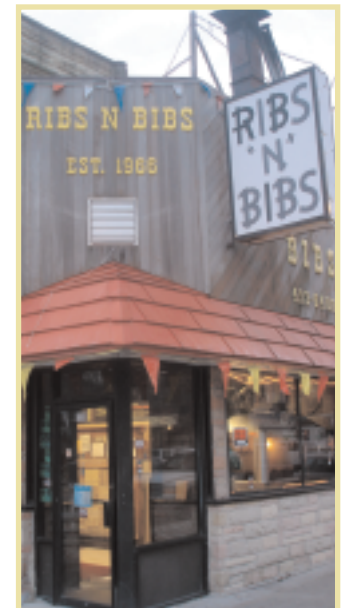


KAREN HENRIKSON, CITY OF DES PLAINES

tommer traffic, as well as other retailers that wish to tap into the customer stream generated by the anchor.

2. Credit-worthy tenants such as Menards or Gap, which are smaller than anchors but still powerful generators of customer traffic.
3. Local retailers, which provide your development with a unique identity.

**BROKERS:** Real estate brokers forge relationships with developers and retailers, and often work on commission. Many large retailers work through brokers, so you may need to work through one to attract these retailers.



**CONSUMERS:** Consumers drive revenue by creating profits and generating sales taxes. For many consumers, the shopping experience will be as important as the goods they buy. These consumers will shop in settings that appeal to them, and will travel long distances for unique or memorable shopping experiences.

The number of shoppers willing to travel long distances for convenience goods drops dramatically. A community that offers both everyday goods and destination goods will capture multiple markets.

## THE IMPORTANCE OF CLARITY AND EFFICIENCY

Providing good service is a powerful incentive. Because time is money, developers appreciate quick turnaround on permits and inspections, low fees, one-stop shopping, and recapture agreements for extending water and sewer service. A positive investment climate is crucial for any community.

### Streamline the development review process

Very little impedes community efforts to develop retail more than a confusing or disjointed development review process. Many communities will benefit from examining and revising these

“Cities need to realize they’re in the shopping center business.”

JIM KAPLAN  
JAMES KAPLAN COMPANIES,  
INC.

processes to ensure everything involved — responsibilities, deadlines, chains of communication, procedures — is clear and understood.

According to James van Hemert, executive director of the Rocky Mountain Land Use Institute and author of a 2005 *Zoning Practice* article on development review, “Local government’s tendency to divide responsibilities among various departments without strong coordination oversight [also] contributes to an organizational culture that impedes community development goals.” The uncertainties created by dated or convoluted review processes can ultimately deter investment, entrapping communities and citizens in a pattern of status quo.

### Important Tip: Check the legitimacy of a developer

When approached by a new developer you will have questions. Is this developer qualified? Trustworthy? Experienced? Make the most informed decision in order to minimize risk.

#### Inspect past projects thoroughly.

- Was each project completed on time? On budget? To the satisfaction of the community, municipal government, and retailers?
- Has the developer skillfully and efficiently completed projects similar to yours? Or is their expertise unrelated? Hiring a large-scale retail specialist for a downtown historic preservation project might be a poor choice.

#### Check bank and credit history.

- Developers completing a project for a municipal government often file a surety bond, letter of credit, or other contract to minimize the community’s risk. Ask the developer for bank or credit institution references. It is a red flag if the developer is unwilling to provide references.
- You can also check the developer’s history with the Better Business Bureau.

### What applicants want in a development review process

- 1) Predictability
  - a. Clear expectations, no surprises
  - b. Clear process and decision points
- 2) Fair treatment
  - b. No “good” or “bad” developers — offer trust and be trustworthy
- 3) Accurate and accessible information
  - a. Easy to find and understand
  - b. Clear application requirements and standards
- 4) Timely processing
  - a. Establish dates for hearings early in the process
  - b. Guaranteed review turn-around times.
  - c. Published commission and council meeting dates
  - d. Reasonable application and impact fees
- 5) Competent staff with a balance of “hard” technical skills and “soft” people skills
- 6) Consistent regulations that fit the environment, are easy to navigate, and make sense

SOURCE: VAN HEMERT, *ZONING PRACTICE*, 01.05

Also, regular meetings between applicants and a panel of city officials from various departments, including engineering, building inspections, planning, and the fire department, can flag trouble early in the process.

### Maintain a list of available properties

Public officials can facilitate site assembly without using eminent domain or land banking. This requires fostering communication between property owners and developers, and compiling current information about your community’s market potential, including demographic and economic data.

“While the potential for profits is critical to developers, they are most attracted to jurisdictions with stable elected officials and staff in place, plus a clear framework for the development process that makes projects viable and predictable. Local governments can minimize the higher level of uncertainty associated with redevelopment by providing developers with timely permitting processes, for example, or a defined timeframe for lease negotiations.”

SOURCE: INTERNATIONAL COUNCIL OF CHOPPING CENTERS,  
INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL,  
*RETAIL AS A CATALYST FOR ECONOMIC DEVELOPMENT*

A list of available properties should be a top priority. Keep the available properties list current. Providing outdated information is worse than providing nothing.

Your list of available properties — both land and retail/office sites — should include:

- Address/location
- Zoning
- Type of space (commercial or retail)
- Size of available space (acreage or square footage of building)
- Number of vacancies
- Price/rent
- Name, phone, and e-mail of contact person



*A readily accessible list of available properties can transform liabilities, such as a shuttered big box, into opportunities for development.*

## DEALING WITH INCENTIVES

Incentives can make or break a deal, so determining how many to offer is a difficult and important job.

Municipalities with lackluster economies often need to make more concessions than wealthier communities. This does not mean they must sell themselves short. Thorough research, a well-written plan, and an understanding of the market are tools that any community can use to prove its market potential. Building momentum in an underserved area is also important. Just because Business A received an incentive does not mean Business B should get the same deal. Business A's success should attract Business B, not additional incentives.

Your community's ability and willingness to offer incentives may be the deciding factor in a deal. In many cases, the incentives are necessary. They increase potential profitability and defray the costs of construction, relocation, or rehabilitation. Incentives are often needed to convince developers and retailers to invest in an older business area instead of a greenfield site. Do not offer an incentive just because the developer or retailer asks for one. Some companies will request incentives simply because they feel they can get them, or because they know that communities will typically offer them, regardless of whether the incentive is necessary.

The goal is to provide just enough incentive to attract the business. Incentives should be granted only if the project could not proceed without them. And while general guidelines are helpful, each municipality has to establish its own policies regarding economic development incentives.

### Accessing a regional economic development database

The Metropolitan Mayors Caucus and ComEd have partnered to offer an economic development tool to Chicago-area municipalities. ComEd has a license for CoStar, an extensive database providing information on available commercial and industrial buildings in the region.

Through the collaboration between ComEd and the Caucus, communities can access the database to process requests for building information. For example, if a municipality learns that a business would move there if it could find a 35,000 sq. foot warehouse with a loading dock near freight lines, it can ask ComEd to search to determine if any available properties match this description within its borders. CoStar provides current and unbiased data, which allows for specific or broad searches, and offers a standardized reporting format.

To use the database, communities should contact the Metropolitan Mayors Caucus at 312/201-4507.

### Guidelines for municipal incentive policies

- Establish policies before receiving requests to set expectations.
- Do not rely only on the developer's analysis of what incentives are needed. Consider hiring a consultant or asking a knowledgeable expert for a second opinion. Have an independent expert review the developer's projections of tax increment and sales tax revenue.
- Require the developer to make the case, including financial projections that support the request.
- Require the developer to reimburse the municipality for the cost of consultant review.
- Consider including "look-back" provisions, which permit the amount of incentive to be re-examined as circumstances change during the course of a project.
- Avoid upfront payments. Developers often seek to get the financial incentives early in the deal to help finance the project. However, if the project falls through or generates less money than projected, the municipality might not get its money back.
- Hire a developer with proven success in the type of project being proposed. Make a site visit to their other developments.

SOURCE: KEN STANDISH, EHLERS FINANCIAL ADVISORS

## FOCUS ON TINLEY PARK, ILL.

Tinley Park (pop. 57,477) has clear preferences and will sacrifice substandard proposals in favor of realizing its vision and goals. The village has a commonly understood policy for rating and prioritizing development proposals. Self-restraint ensures that Tinley Park attracts retail developments that benefit the community.

A project will be reviewed for potential incentives in the southwest suburb only if it will broaden the tax base and benefit the taxpayers of Tinley Park, plus it meets at least two of the following criteria:

**JOBS CREATED** • Does the project create at least 25 new full-time jobs paying at least \$19 an hour with full benefits?

**JOBS RETAINED** • Does the expanding corporate project retain at least 15 full-time jobs paying at least \$19 an hour with full benefits?

**CAPITAL INVESTMENT** • Does the project involve a capital investment of at least \$2 million?

**ECONOMIC MULTIPLIER** • Is the project in a high economic multiplier (3x or more) industry, such as manufacturing, research, development, technology, office, corporate campus, or healthcare?



PHOTO COURTESY OF THE REGIONAL TRANSPORTATION AUTHORITY

*Tinley Park's preferences for the design and impact of retail developments, as embodied in its criteria for financial incentives, are in line with its broader community development strategies and goals, including distinctive signage and planters (opposite page) and a walkable, livable downtown.*

**RETAIL SALES** • Does the project have annual retail sales of at least \$10 million (which would result in Tinley Park sales tax revenue of \$100,000 per year)?

**TOTAL TAX REVENUE** • Will the project result in at least \$100,000 in total annual tax revenue to the Village of Tinley Park?

**TARGET COMPANY** • Does the project meet an identified need or targeted firm for the community?

**TARGET DEVELOPMENT AREA** • Is the project locating in a targeted area for local development?

**HEADQUARTERS** • Will the project result in a regional or national corporate headquarters location with at least 25 new full-time jobs in Tinley Park?

**ENHANCEMENT** • Will the project enhance or improve the profitability and marketability of existing businesses?

Tinley Park also has extensive criteria for custom incentives:

- Incentives are provided on a case-by-case basis, in response to a request from the private sector, and as approved by the village board.
- The requestor of the incentive must demonstrate that the incentive is necessary for the development to proceed.
- Incentives are used primarily to minimize the inequality in taxes between Will and Cook counties, or to support development on Oak Park Avenue in and near the historic district.
- Incentives will be provided within the TIF districts as specified in the ordinance adopting the TIF.
- The village keeps first sales tax dollars in part to cover incremental cost increases to municipal services.
- Incentives will normally be paid based on the tax to be received as a result of the proposed development. The incentive is usually written so that if the tax increment is not realized by the village. The developer will not receive the incentive. If the tax increment received by the village is less than planned, the incentive paid to the developer is reduced accordingly.
- The village uses revenues generated by the new development to enable the project.
- The sales taxes generated by locating a business in Tinley Park would be new money to the village.
- Development of currently vacant property would add to property and school tax base.
- The business in question is considered to be an anchor to a specific area or key industry (i.e., auto dealerships, retail store, targeted office or industrial).
- The incentive has a term of 10 years.
- Incentives are based on improvements and expansions of facilities.
- The village will not provide more in incentives than it will receive from the project.

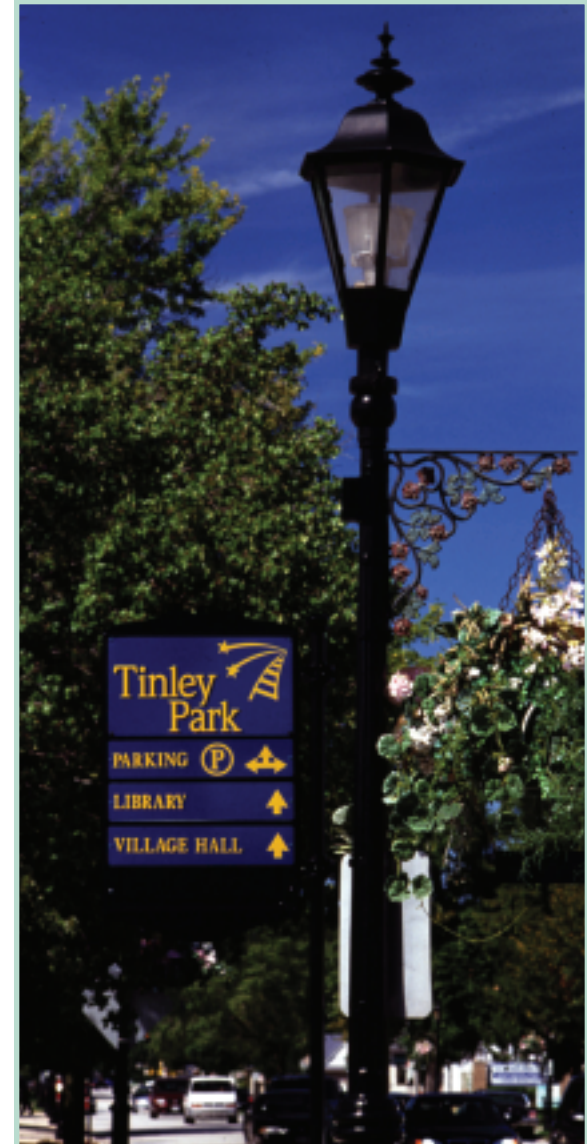


PHOTO COURTESY OF THE REGIONAL TRANSPORTATION AUTHORITY

## Communities should ask several questions before offering financial incentives

How much of an economic impact will a particular retailer or project make on my community?

- How much additional new tax revenue will it produce?
- Will it attract other retailers to locate near it? If so, how much additional revenue will they produce?
- How much community money will be needed for infrastructure, parking, land assembly, etc.?

Based on the answers to these questions, what is the net public benefit of the project?

- What is the maximum amount of money that could be used as an incentive while maintaining a positive net public benefit?

How efficient is the incentive? What is the return on every \$1 of public money or foregone tax revenue?

- How does this return compare to our community's desired per-dollar return?

Would a different project result in a higher net public benefit?

Would a different project utilize public money more efficiently?



*Because the state's definition of blight encompasses a variety of conditions and settings, TIFs can be used to restore a broad range of commercial corridors, particular sites, and municipal districts. Thus, a commercial strip such as this might be eligible for TIF beautification projects, new retail recruitment, or infrastructure improvements.*

## Financial incentives

Incentives can be a financial necessity for your community or prospective retailers. Your first step is to determine whether the proposed project could succeed without incentives. Some retailers and developers will seek unnecessary incentives, so establishing consistent criteria can minimize frivolous requests. Municipalities can also judge the worth of projects and incentives by establishing an expected return on public dollars.

## TAX INCREMENT FINANCING (TIF)

According to the Ill. Dept. of Commerce and Economic Opportunity, 389 Illinois municipalities in 77 counties administered 998 TIF districts as of January 1, 2006. TIF allows a municipality to provide initial funding for a project that is expected to generate substantial tax revenue. TIF districts enable a municipality to borrow against an area's future tax revenues to fund capital improvements for redevelopment, or pay-as-you-go investments generated by new development or increment. With TIF, affected local taxing

bodies continue to receive their share of the taxes on the initial assessed valuation of the district. The municipality can use additional taxes from increased value for eligible TIF expenditures, which include property acquisition, environmental clean-up, and other expenses in connection with private investment.

Formation of TIF districts requires the presence of "blight," which is defined by the state (see Appendix).

TIF is an incentive and organizational structure. Money generated by a TIF defrays retailer or developer costs, and a TIF district's management can offer rebates, infrastructure improvement grants, and acquire land. TIF districts cannot offer property tax abatements.

Retailers and developers like TIFs because they signal a community's investment in that area. By locating in an area currently designated as blighted, prospective investors can be sure that infrastructure, service, and other market improvements will likely follow.

Extensive use of TIF may generate criticism from taxing bodies that prefer not to wait up to 23 years to benefit from new tax revenue. However, additional tax revenue might not exist without the TIF. Establishing a TIF early in a redevelopment process is useful because it helps develop-



**Important Tip: Tie rebates to expectations**

Some sales tax rebates, such as those in Lansing, Ill. (pop. 27,324), are structured around quantifiable “extraordinary” expenses, including demolition of existing buildings, environmental clean-up and remediation, and off-site improvements. These expenses level the playing field between a clear site and one that needs rehabilitation or substantial improvement.

Limiting sales tax rebates to these tangible, quantifiable and justifiable items can make rebates more politically palatable and reduce the concerns of other constituents.



NICHOLAS CLARK ARCHITECTS

*The Skokie Theatre's façade before and after a community funded renovation project.*

ment pay for itself. However, if the increments do not pay the debt, the municipality may be left to cover the balance.

**FAÇADE IMPROVEMENT GRANTS AND LOANS**

Incentives to improve façades are useful in older commercial areas, and typically follow guidelines established by individual municipalities. For example, many communities provide free design services and matching grants to cover a portion of the building's façade renovation costs.

Skokie, Ill. (pop. 64,678), has a downtown program that provides free design services and matching grants to cover 50 percent of façade renovation costs. The maximum grant is \$50,000 for a single façade or \$100,000 for a building with two or more façades facing public property.

Downstate Normal, Ill. (pop. 49,927), has a façade improvement program that provides 50/50 matching grants for qualified façade rehabilitation, repair, or restoration. The maximum grant award is \$15,000 per 20 feet of street frontage per project. The maximum grant award increases proportionately for buildings wider than 20 feet. Grant requests must be for a minimum of \$250. Applicants must match the grant with cash (but not labor), and no building may receive more than two grants per fiscal year.

Like those in Skokie and Normal, your program should take into account the condition of your community's retail properties, municipal finances, and retail goals.

Communities raise funds for façade improvement in a variety of ways, but qualifying municipalities can receive funding from the federal Community Development Block Grant (CDBG) program. CDBG is not funded through local tax monies, which can minimize the potential for criticism (see Chapter 4).

**SALES TAX REBATES**

Illinois can rebate any portion of sales tax generated by a commercial development so long as they demonstrate a public purpose. Rebates are becoming more common, but can create controversy. For example, long-time local business owners do not appreciate prospective competitors being offered community tax revenues.

Sales tax rebates can also include utility or other municipally collected taxes. The benefit of sales tax rebates over property tax relief is that they provide direct benefit to retailers, many of whom are not property owners. Sales tax rebates create little risk for communities. Instead, the onus is on the retailer to generate the maximum amount of sales, which benefits both parties.

A program in downstate Rock Island, Ill. (pop. 38,702), offers qualifying businesses a rebate of one-half of the total amount of local retail sales taxes they paid to the city during a 12-month period. New or existing businesses qualify if taxable retail sales increase \$500,000 or more during a 12-month period. Rebates can not exceed \$30,000.

#### **PROPERTY TAX ABATEMENTS**

Property tax abatements release a property owner from the responsibility of paying some portion of property taxes. Because many smaller retailers do not own their property, this incentive is typically more appropriate for developers. A local taxing district may instruct the county clerk to abate taxes for new or expanded commercial or industrial facilities for a period of 10 years, up to a maximum aggregate abatement of \$1,000,000 for all taxing districts. Property tax abatements are not allowed in TIF districts.

Taxing districts may abate all or part of the property taxes on new or renovated improvements in an area that has been designated as an Enterprise Zone by the Ill. Dept. of Commerce and Economic Opportunity (see Chapter 4). Local governments have the authority to abate property tax on business improvements added to real estate after the creation of the Enterprise Zone.

The promise of a long-term payoff entices both small and large communities to sacrifice near-term revenue. In Prairie Grove, Ill. (pop. 1,814), trustees recently agreed to a 50 percent, 11-year sales tax abatement to annex a car dealership that had been paying sales taxes to McHenry County. The trustees also agreed to pay \$10,000 each to 17 property owners to make the car dealership contiguous to the village. The long-term benefit of the additional revenue generated by the car dealership was enough to merit this near-term expense.

#### **REVOLVING LOAN FUNDS (RLF)**

Municipalities often offer loans to for-profit and not-for-profit enterprises to improve the physical conditions of facilities or equipment. The state requires that every \$15,000 of RLF money must create or retain at least one full-time job equivalent position. Federal CDBGs fund many municipal RLFs.

#### **Revolving loan fund criteria should be based on community goals and conditions, such as these for Rock Island's Commercial/Industrial RLF.**

- Funds must be utilized for projects located within the city.
- At least one job must be created for each \$10,000 borrowed.
- At least 51 percent of the jobs created must be given to persons with low or moderate incomes.
- At least 50 percent of the total project financing must be obtained from other sources.
- Loans can be a maximum of \$100,000 and interest can be as low as 50 percent of prime for five years or less; the longer the term, the higher the rate.
- The Commercial/Industrial RLF is funded with CDBG funds. Therefore, other federal requirements are required of the borrower.

## WORKFORCE DEVELOPMENT

Funding for workforce development is another financial incentive that communities can use to improve their market potential. It can reduce the start-up costs of new businesses and keep existing firms competitive. TIF money can fund workforce development, and multiple state and federal programs exist for the same purpose. The Ill. Dept. of Human Services, Dept. of Employment Security, and Bureau of Workforce Development combine federal and state money that communities can use to assist companies with job training, search, and placement.

Many Illinois communities offer workforce development incentives to prospective or existing retailers.

- Downstate Pinckneyville, Ill. (pop. 5,452), helps businesses to negotiate the federal Job Training Partnership Act (JTPA) program, which is administered by a private firm. JTPA reimburses businesses up to 50 percent of wages of eligible individuals during on-the-job training, and subsidizes up to 100 percent of other employment and training costs.
- Riverdale, Ill. (pop. 14,588), uses TIF funds to offer \$10,000 annually in matching job training funds to each company in the TIF district.



Improvements in Palatine, Ill., — parking, landscaping, improved lighting, and signage — preceded retail development.

## FEE WAIVERS

Waiving municipal building fees reduces construction or rehabilitation costs for retailers and developers. This is a standard procedure in many communities and requires no outlay of community funds.

## Physical incentives

Not all incentives are financial. There are a number of tangible ways to improve your community's market position. These incentives — urban design and infrastructure improvement, land assembly, and parking provisions — will require your community to spend money, but will also

improve the potential earnings of new retail. Physical incentives also play a large part in retaining retail or revitalizing a community. Improving infrastructure and providing more efficient parking might appeal to current businesses, while assembling land could bolster infill development.

## URBAN DESIGN AND INFRASTRUCTURE

Many communities are willing to build and at least partially fund the cost of infrastructure improvements, including:

- Road improvements
- Extending or upgrading water and sewer facilities

- Parking
- Environmental remediation (brownfield programs)

First impressions are important. Retailers seek communities that look like they care. A common error for communities is to invest millions in street furniture — brick pavers, historic street poles, trees, and banners — while ignoring run-down buildings that prospective retailers will notice. Communities should avoid focusing on design flourishes without also addressing basic public facilities. Instead, they should develop an infrastructure inventory to understand a commercial area's capacity to handle development. This should include information about:

- Sewer and water service
- Electrical service
- HVAC service (usually gas)
- Parking
- Street capacity and traffic counts
- Telecommunications (including Wi-Fi and cell phone service)
- Impending construction projects, especially roads and bridges

Large retailers are often willing share the cost of urban design and infrastructure improvements, but only if they determine the market opportunity is worth the investment. Public-private partnerships are an excellent means of speeding infrastructure improvements along.

#### LAND ASSEMBLY

Land banking is an expensive and risky development technique to be approached with informed reservation. Larger parcels of land are attractive to prospective developers, but no community can know for sure whether a developer or retailer will be interested. If the land is not purchased, the community will be left holding the property.

Buying property enables a public agency to sell for a reasonable price, sometimes “writing down” (selling for less than they paid) to attract a certain development. This enables the public sector to provide a level playing field for economic development opportunities. A related concept is gap financing — using public incentives to fill the “gap” on the developer's pro forma.

A community can minimize the risk of not selling its assembled land by researching the market potential of the parcel thoroughly, making improvements, and maintaining communication with prospective developers and retailers.

#### PARKING

Many people use their cars for shopping, so parking is important and retailers know this. The trick is to find a balance between accommodating the automobile without sacrificing pedestrian access and safety.



*Small, vacant lots often have multiple owners, making assembly difficult for developers or retailers. Communities can ease the development process by assembling land parcels, but might be stuck with them if development does not catch hold.*

Large retail complexes, such as regional and super-regional centers, need to accommodate shoppers from a large area. Developers need proposals that account for parking needs in addition to the required land for building construction. The same is true, at a smaller scale, for more traditional mall complexes and strip centers. Ample free parking will meet the needs of large numbers of shoppers and multiple retailers.

### Best practices for parking structures:

- Locate and construct parking garages and lots that encourage ground-level activity and make pedestrian linkages attractive.
- Use parking facilities for shared parking, serving multiple uses rather than a single use.
- Provide leasable space along the frontage or on the ground floor of parking garages to generate cash flow and offset the capital cost of construction.
- Charge a nominal rental or parking fee where possible in suburban business districts, especially parking adjacent to mass transit nodes.
- Explore the option of requiring that parking for new development is purchased at cost from the government authority's stock of parking garage spaces and not provided as surface parking within the development site.

SOURCE: URBAN LAND INSTITUTE, *TEN PRINCIPLES FOR REINVENTING AMERICA'S SUBURBAN BUSINESS DISTRICTS*



KAREN HENRIKSON, CITY OF DES PLAINES

*Parking garages in Chicago's Hyde Park (top) and Des Plaines, Ill., have leasable space on the ground floor to generate revenue and better integrate the facilities into their surroundings.*

Providing and managing parking are more challenging in concentrated retail centers and downtown districts. A surplus of parking, free or otherwise, can slow travel, degrade the environment, and impede the use of older buildings that may lack required parking. However, a shortage (particularly when mass transit is not a feasible option) can make accessing retail difficult.

Communities should answer these questions before determining a parking strategy.

How does parking intersect with our retail goals?

Does currently available parking meet our needs?

- Is it the dominant feature of the retail environment? If so, does this impede our retail goals?
- Is there a consistent shortage or surplus of parking?

Is there a way to provide necessary parking without wide expanses of pavement?

- Are multiple small lots an option? Metered on-street parking? Parking garages?

Is there a way to increase the use of available parking through shared parking strategies?

- Are there uses such as churches or schools, that require large amounts of parking for only specific periods? Could this parking be used for retail at other times?

If metered parking exists, does it meet the demands of the market?

- Would higher prices encourage less traffic while also generating additional municipal funds?

Parking improvements can be difficult. Fortunately, there are many free resources that explain financing options, including the State of Maryland’s *Driving Urban Environments: Smart Growth Parking Best Practices*, which is available online at [www.smartgrowth.state.md.us](http://www.smartgrowth.state.md.us).

Once your parking strategy complements your retail development goals, communicate the quality and logic of your parking plan to retailers and developers who need to know their customers will have sufficient parking. A parking plan is a useful appendix to an economic development plan or a broader comprehensive plan. Parking will impact the shape, feel, and success of your retail development. Being explicit about your community’s parking preferences will avoid confusion and set a standard for developers and retailers. A complete understanding of the cost benefit analysis of any parking requirements will reduce the risk of implementing a policy that impedes development in your community.

### THE INTERSECTION OF PARKING STRATEGIES, OBJECTIVES, AND FACILITIES

OBJECTIVES	TYPE OF PARKING FACILITY					
	Design sites so that vehicles are not the dominant feature	Provide parking without large expanses of pavement	Minimize runoff from parking facilities	Create a vibrant street-level activity environment	Minimize costs	
Locate facility behind building	●		●	●		●
Integrate facility into site topography	●	●	●			●
Screen facility through landscaping or architectural treatments	●					●
Landscape interior parking areas	●	●	●			●
Provide on-street parking		●		●		●
Construct parking structures	●	●	●			●
Build automated parking structures	●	●				●
Reduce stall dimensions		●	●			●
Provide compact car spaces		●	●		●	●
Incorporate tandem/stacked or valet parking		●	●		●	●
Use alternative pavers		●	●			●
Break up large parking lots	●	●	●			●
Utilize open sections		●	●			●
Incorporate vegetative swales and bioretention areas on-site		●	●			●
Construct a green roof			●			●
Incorporate retail and commercial uses	●		●			●
Limit curb cuts			●			●
Provide clearly defined pedestrian corridors				●		●
Enhance bicycle and pedestrian entrances	●			●		●
Provide bicycle parking facilities				●		●
Implement a parking guidance program				●		●
Utilize low-angle, cut-off lighting				●		●

Design sites so that vehicles are not the dominant feature  
 Provide parking without large expanses of pavement  
 Minimize runoff from parking facilities  
 Create a vibrant street-level activity environment  
 Minimize costs  
 On-street parking  
 Parking lot  
 Parking structure

SOURCE: STATE OF MARYLAND GOVERNOR'S OFFICE OF SMART GROWTH, DRIVING URBAN ENVIRONMENTS: SMART GROWTH PARKING BEST PRACTICES

## FOCUS ON MARENGO, ILL.

The comprehensive plan for Marengo (pop. 7,381) is explicit about parking preferences. The community aims for pedestrian orientation and its parking standards reflect that while respecting the parking needs of retailers. Marengo's plan is easy to understand, with pictures to demonstrate desired themes. It is also accessible to prospective developers and retailers on the Internet at [www.cityofmarengo.com/compplan.html](http://www.cityofmarengo.com/compplan.html).

### Selected Marengo guidelines

- Place parking areas to the side or rear of buildings along prominent road corridors.
- Parking areas must be landscaped in the interior and perimeter areas of the site. Parking areas that accommodate a significant number of vehicles should be divided into a series of connected smaller lots, separated by open space medians, islands, and pedestrian walkways.
- The parking lot and cars should not be the dominant visual element of the site. Large, expansive paved areas located between the street and building are to be avoided in favor of multiple smaller lots separated by landscaping and buildings.
- Parking lots adjacent to and visible from public streets should be adequately screened from view through the use of rolling earth berms, low screen walls, changes in elevation, landscaping, or combinations thereof whenever possible.

SOURCE: TESKA ASSOCIATES, INC.



CITY OF PORTLAND, ORE.

*Many communities, including Marengo, have the goal of including natural barriers and other features that reduce parking's dominance of the retail environment. The City of Portland, Ore., (above) has already achieved such a goal.*

### Important Tip: Regularly review your zoning code

Dated zoning codes can impede retail development. For example, many communities continue to use Euclidean zoning, where uses remain separated, despite a desire for mixed-use projects. As you create your economic development plan it is crucial to review your zoning codes to avoid conflict.

Reviewing your zoning should not be a one-time event. The needs of retail, office, residential, and other sectors are constantly evolving, and preferences also change as the community evolves.

### Zoning relief

Zoning regulations should match the vision set forth in your economic development plan. Your zoning code will lend authority to desired standards for setbacks, residential density, building height, and other community features.

Zoning codes can also become a barrier. Some ordinances will deter retailers and developers, but do not have to derail development. In fact, zoning relief can be a powerful incentive. Any community can use this as a negotiating tool. However, too much relief can compromise the integrity of the zoning code. For example, a community should think twice before allowing a zoning variance for a curb cut along its main street. If several retailers followed suit, the main street could lose its character and eventually deteriorate in value.

### Fast-track development review and one-stop permitting

Fast-track development review streamlines approval and permit processes, saving businesses time and money. However, not every business should be granted fast-track status. Your community should establish criteria for determining which permit applicants are eligible for fast-track review and communicate those standards to retailers and developers.

One-stop permitting programs offer applicants a permit coordinator to answer questions, address concerns, and help solve problems. Permit coordinators provide front-end assistance and guide the applicant through the permitting process. Skokie's Community Development Department guides prospective and existing businesses through one-stop permitting.

### Incentive performance tools

It is important to measure the impact of incentives to help ensure that they continue to be allocated appropriately and efficiently. The first step should be to compare the community's development goals with actual results.

Have the incentives contributed as intended?

- If not, what factors derailed the intended outcome of your incentive package?
- Who is responsible for those factors?

### Fast-track criteria for Riverside County, Calif.

To qualify for the Fast-Track Program, a project must meet one of the following criteria.

- Create a minimum of 75 permanent, full-time jobs.
- Invest a total of at least \$10 million in land, buildings, and/or equipment.
- Produce \$25 million in taxable annual sales.

### How it works

- Qualified commercial and industrial projects can go to public hearing in as few as 60 days.
- Grading and building plan checks can be reviewed in as few as five days.
- A business-friendly Economic Development Agency (EDA) professional will shepherd projects through the development review process.
- Pre-development meetings, initiated by your EDA representative, play a vital role in eliminating unexpected delays during the development review process.

Anheuser-Busch, Nestle Food Company, Millard Refrigerated Services, Meldisco Corporation, Spacemasters Corporation, Home Express, and Cutler-Hammer are just a few examples of companies that brought greater prosperity to Riverside by participating in the Riverside County EDA Fast-Track Program.



In hindsight, did the market conditions in your community necessitate incentives? Did the incentives serve as the deciding factor in profitability?

Next, measure the outcome of your incentive package with your community's standards. What net benefit did the incentives enable? How much additional productivity did every \$1 of incentive money create?

Communities can use the following tools to ensure incentives meet desired performance standards.

- **Clawback Agreement:** This ensures incentives are directly related to specific improvements. If the improvements are not made, the incentive is returned to the community. These improvements often include new jobs, rehabilitated space, and increased tax revenue. This lessens community risk.
- **Performance-Based Incentive:** Rather than providing upfront funds, this incentive rebates a project's future tax revenue. There is no outlay of community money, making it a feasible strategy for communities with limited financial resources. Since no incentive is ever paid out, the community is never at risk. If the project is not finished or underperforms, the community loses nothing other than time. If the project succeeds, both parties benefit.

## THE CATCH-22 OF EMINENT DOMAIN

Eminent domain can be contentious, particularly in the aftermath of the U.S. Supreme Court's *Kelo v. City of New London* ruling (see Appendix for case summary). In upholding New London's action to acquire property as a part of implementing an economic development plan, the Court upheld precedent for economic development as a public good, even for the purpose of facilitating private economic redevelopment.

When practiced cautiously and judiciously, eminent domain benefits the public with infrastructure improvements, educational facilities, and private investment that creates new tax revenues, jobs, and healthy communities. Planning for development and revitalization is the responsibility of local government, and *Kelo* reaffirms the importance of planning as a first step toward making sound, unbiased local development decisions. Local governments should always strive to negotiate with property owners, and only use eminent domain as a last resort.



An aerial shot of the New London site that was the focus of the *Kelo* case. Nine properties were taken out of a total of about 115 properties in the project area. These included an oil terminal and a handful of houses (seen at the center-left edge of the picture) adjacent to Fort Trumbull State Park. New London's carefully created economic development plan demonstrated that private development of the site was in the public interest.

New London had developed a carefully considered economic development plan as a basis for action, which did not escape the attention of the Court. As stated in the decision, “The City has carefully formulated an economic development plan that it believes will provide appreciable benefits to the community, including — but by no means limited to — new jobs and increased tax revenue. As with other exercises in urban planning and development, the City is endeavoring to coordinate a variety of commercial, residential, and recreational uses of land, with the hope that they will form a whole greater than the sum of its parts.”

Private property must be protected, and recent amendments to Illinois statute require substantial public gains from any exercise of eminent domain for private economic development. Fair market compensation for property and payment of relocation expenses are sound practices, ensuring that property owners are not abused in the name of the public good. But while the community-at-large stands to benefit from the end results, there is often public criticism when municipalities consider use of eminent domain. Therein lies the Catch-22 of eminent domain. The community might love the end, but hate the means. It is a tricky situation.

Eminent domain has been and should continue to be a tool of last resort; the final option after long public discussion and careful planning. Eminent domain should be used only when public benefit is clear, which will require thorough

research to demonstrate the market potential of your retail development and the dividends that will come from its completion.

Before exercising eminent domain, communities should ask the following questions

- Has our development plan been thoroughly and carefully considered, and is it clear that the taking of the parcel is absolutely necessary to the success of the completed project and community?
- Has the planning process been sufficiently open, so that any public concerns had ample opportunity to be expressed, addressed, and, if possible, assuaged?
- Have we exhausted every other option, leaving eminent domain as the only tool available to continue the development process?

## LOOKING AHEAD

Understanding organizational and funding options will help you tailor the retail development process to your community’s needs and capabilities. There is a spectrum of models that you can adapt to your circumstances. Chapter 4, “Organizing Your Community for Retail Success,” explores common economic development organizational types, funding sources, and the basics of retail recruiting.



*Another view of the Kelo vs. the City of New London site. Eminent domain is a valuable and powerful tool, but should only be used in the right situation and as a last resort.*

## 4. Organizing for Retail Success

Having an organizational structure in place increases a community's capacity for development, and partnering with community organizations can reduce a local government's workload and eliminate redundancies. Having access to a range of funding sources will reduce risk, increase capacity, and enable a range of projects. It is especially important for communities suffering from disinvestment or a depreciated revenue base to know how to create or attract funding without further burdening local taxpayers.

Finally, recruiting retail requires preparation and communication. Be prepared to answer questions about your community's market potential and development goals.

### ASSEMBLING YOUR ECONOMIC DEVELOPMENT TEAM

Organization matters. Your community's organizational structure for developing retail should be transparent and easy to understand. Clarity, efficiency, and predictability pique the interest of retailers and developers.

The organizational structures featured here are not mutually exclusive. Communities should customize economic development efforts based on local conditions, including the age and location of the community.

For example, EVMARK, a nonprofit organization that provides marketing, centralized management, and maintenance for Evanston, Ill. (pop. 75,236), aids economic development efforts. EVMARK is funded by a Special Service Area (SSA, see pg. 62). In contrast, south suburban Blue Island, Ill. (pop. 22,788), has an active chamber of commerce and a new Main Street program to complement its small planning department.

A critical function of your economic development arm (whether it is an internal department or an external entity) is its capacity to facilitate communication among the right stakeholders, building bridges between the private and public sectors.

### WHAT TO GAIN FROM THIS CHAPTER:

- **Economic development organization options**
  - Municipal economic development departments
  - Economic development corporations
  - Merchant associations
  - Chambers of commerce
  - Main Street programs
  - Enterprise Zones
- **Funding**
  - Local
    - ♦ Business Improvement Districts
    - ♦ Special Service Areas
    - ♦ Special Assessment Districts
    - ♦ Tax Increment Financing Districts
  - State
  - Federal
- **Retail recruiting**
  - Economic development checklist
  - Making connections



KAREN HENRIKSON, CITY OF DES PLAINES

*Economic development organizations, whether part of the municipal government or not, can encourage and improve your community's retail environment in many ways. A street fair or a farmer's market, like this one in Des Plaines, Ill., attracts a lot of foot traffic, creates a greater sense of community, and builds familiarity between customers and retailers.*

### Important Tip: Balance bureaucratic interests

Problems can arise when multiple government agencies involved in economic development have different priorities.

For economic development groups, the priority is primarily growth: attracting jobs and increasing the tax base. Other municipal employees charged with protecting public health and safety — building code enforcers, health and fire inspectors — have different priorities.

Agency managers and elected officials need to find the proper balance. The comprehensive plan is an important public policy statement that explains the community's desire to encourage economic development and private investment, and to make the community inviting to development and residents.

Sometimes local regulations need to be re-examined in order to resolve potential conflicts. One city's downtown redevelopment specialist encouraged the owner of a used book store to display his wares on a sidewalk table. This increased sales but also attracted the attention of city inspectors, who pointed out that it was illegal to set up a table in the public right-of-way. The municipality changed the law, but a proactive approach could have avoided the situation.

Every community will mix and match the options differently, but common economic development organizations in Illinois include:

- Municipal economic development departments
- Economic development corporations
- Merchant associations
- Chambers of commerce
- Main Street programs
- Enterprise Zones

### Municipal economic development departments

The most common model is a municipal economic development department. The economic development department is usually part of the community development or city planning department, which is responsible for administering most land-use regulations. However, this model can expose long-term community development to short-term political changes — either a new mayor or new council members — which can lead to a dramatically different environment for retail development.

Municipal departments often establish advisory committees of private sector representatives — such as the 25-person Business Development Commission of Schaumburg, Ill. (pop. 72,805), which review requests for industrial revenue



*Blue Island's Main Street program coordinates summer picnics that draw foot traffic downtown on weekday afternoons.*

bonds and Cook County tax abatements — to mitigate some of the short-term impacts of political shifts, and also ensure a shared vision for community development.

### Economic development corporations (EDCs)

An EDC is a public-private partnership — typically nonprofit — that helps attract and retain business. Some EDCs have the authority to acquire land, demolish buildings, and make site improvements, while others focus more on business retention and leadership training. Funding for EDCs comes from the municipal government and member donations. The EDC board chair is often from the private sector, and serves as a bridge between local government and the business community.

**Important Tip: Assign a point person**

Every deal is unique, and many communities will benefit from assigning a point person to be the principal liaison to the developer, retailer, or broker.

Having one person represent the community can engender trust and clear lines of communication and information sharing. The nuances of every deal merit this kind of specialization.

“Retailers go where life is easiest, where they have the best chance of making a profit with the fewest hassles.”

STEVE HOVANY, STRATEGY PLANNING

EDCs range in size, authority, and capacity:

- The EDC in Glen Ellyn, Ill. (pop. 27,193), provides an available properties list, demographic data, and facade improvement programs. It also offers site evaluation assistance, networking opportunities, and permit process navigation. It is funded by the village and a Special Service Area (SSA, see pg. 62).
- The EDC in Plano, Ill. (pop. 7,338), is similar, but also administers a community-wide business retention survey and business assistance programs to ensure the town's existing employers have what they need. Plano's EDC is also involved in developing a municipal incentive policy.

GLEN ELLYN ECONOMIC DEVELOPMENT CORPORATION



GLEN ELLYN ECONOMIC DEVELOPMENT CORPORATION



*The EDC in Glen Ellyn, Ill., works to provide an environment conducive for attracting and retaining business and serves as a clearinghouse of information. Whether headed out for lunch (top) or to the downtown movie theater, Glen Ellyn's residents and visitors reap the benefits of the EDC's work.*

### Oak Park Retail Support Program

Oak Park, Ill. (pop. 50,757), offers a matching grant to reconfigure outdated retail spaces and make existing businesses more attractive. For the village, as a financial partner with the grant recipient, the program represents an investment in Oak Park's commercial building stock, with the added benefits of increased sales tax revenue and improved quality of life for residents. Any Oak Park retail business is eligible for the program.

To participate in the Oak Park Retail Support Program, a business must:

- Earn at least 51 percent of its gross income from retail.
- Be an active member in the business association.
- Blend and complement the area's established retail mix.
- Comply with the Americans with Disabilities Act.
- Obtain bids from WBE/MBE contractors.
- Pay two-thirds of project costs (the village pays up to one-third).

Eligible expenses for the program include, but are not limited to:

- Repair work to floors, walls, and ceilings.
- Upgrading/retrofitting mechanical systems.
- Demolition or reconfiguration of work space.
- Installation of permanent fixtures.
- Finishing work (i.e., painting; coverings for ceilings, walls, and floors).
- Soft costs (i.e., building permits, space/floor plans).

SOURCE: VILLAGE OF OAK PARK

### Merchant associations

Merchant associations focus on cooperative activities such as sidewalk sales, civic events, group advertising, and consensus around uniform hours. They also provide input into such issues as parking and police protection. Merchant associations help retail recruitment efforts by fielding questions from prospective retailers, offering site evaluation assistance, and helping with navigation of the permitting process.

#### There are many merchant associations in Illinois.

- The Downtown Merchants Association in Mount Prospect, Ill. (pop. 54,482), markets the community's retail core by providing joint event planning, issuing media releases, purchasing advertising, and cross-promoting downtown merchants. According to its Web site, "Many communities like Mount Prospect have found success in organizing their downtown merchants into a cohesive group that collectively promotes the area, hosts family-oriented, pedestrian-friendly events, and provides cross-marketing and promotional opportunities for a minimal investment."
- Glen Ellyn's new Downtown Alliance is a cooperative effort of the EDC, chamber of commerce, village government, and retailers. The alliance is funded equally by the groups, and its focus is on events and marketing to increase the number of downtown shoppers.

### Important Tip: Partner to deliver services

Chambers and other non-governmental organizations can partner to deliver services under contract with governments. These partnerships may deliver services cheaper than governments can, as well as provide extra resources for the non-governmental group to use on other projects. Grayslake, Ill. (pop. 21,099), contracts for certain EDC services with its chamber of commerce, including recruitment support and festival organizing.

### Chambers of commerce

Similar to an EDC, a chamber fosters communication between local business and government. The difference is that chambers are independent organizations managed by local businesses.

Chambers provide a place for business and government to communicate, and they connect retailers to other segments of the business community and local government. They also serve as an independent voice to advocate for the needs of local businesses within their community and beyond.

The chamber in Elgin, Ill. (pop. 98,645), provides limited economic development assistance, including demographic reports and municipal contacts, and facilitates site searches through the LocationOne system, an online searchable database of information on available buildings, sites, and locations for businesses looking to expand.

## Main Street programs

Developed in the mid-1980s by the National Trust for Historic Preservation, the Main Street program uses historical preservation of downtown centers as the catalyst for economic renewal, which may be appropriate for some retail development projects. Northeastern Illinois currently has approximately 20 Main Street communities, in locales as diverse as Momence, Blue Island, St. Charles, and Libertyville. Main Street principles are also applicable for commercial areas beyond the downtown, including highway commercial strips.

## Enterprise Zones

The Illinois Enterprise Zone Act was designed to generate economic growth and neighborhood revitalization in economically depressed areas. Enterprise Zones are an organizational structure and incentive plan requiring local and state cooperation, and are administered by the Ill. Dept. of Commerce and Economic Opportunity (DCEO). The act authorized 91 initial zones in 1982, and the state legislature can authorize additional zones. There are currently 94 throughout Illinois. Enterprise Zones must be contigu-



*The Main Street program in Momence, Ill., holds an annual Dixie Daze Festival in June in conjunction with the regional "Drivin' the Dixie" auto tour. There are food vendors, children's games and activities, bingo, and live music. Historic downtown Libertyville, Ill., (inset) has prospered because of the Main Street program.*

ous, between one-half and 12 square miles in size, and economically depressed.

Businesses in an Enterprise Zones are eligible for several state incentives, including a 6.25 percent state sales tax exemption on building materials and a state utility tax exemption for businesses making a \$5 million investment and creating 200 full-time equivalent jobs, or investing \$20 million for the retention of 1,000 full-time jobs.

Local governments may also offer incentives within Enterprise Zones, and many of these local packages include the tools discussed in the "Financial incentives" and "Physical incentives" sections of Chapter 3.

## The Main Street approach

"The Main Street approach is a community-driven, comprehensive methodology used to revitalize older, traditional business districts throughout the United States. It is a common-sense way to address the variety of issues and problems that face traditional business districts. The underlying premise of the Main Street approach is to encourage economic development within the context of historic preservation in ways appropriate to today's marketplace. The Main Street approach advocates a return to community self-reliance, local empowerment, and the rebuilding of traditional commercial districts based on their unique assets: distinctive architecture, a pedestrian-friendly environment, personal service, local ownership, and a sense of community."

The four points:

1. Organization: Establishing common goals and assembling people and funding.
2. Promotion: Fostering a positive image and sponsoring events to bring people into the business district.
3. Design: Getting the business district in top physical shape. In addition to building rehabilitation, this includes window displays, parking, landscaping, sidewalks, and street furniture.
4. Economic restructuring: Recruiting new businesses and finding new uses for old buildings.

SOURCE: WWW.MAINSTREET.ORG

## FUNDING

Illinois communities have many local, state, and federal options for funding retail development.

### Local funding

Even without a special economic development organization, communities should have some assets to reach retail goals. These include:

- General municipal revenue. Generated through taxes and fees not necessarily related to retail, this revenue is pooled into a general fund and used to finance economic development
- Taxes on hotels and restaurants. This strategy relieves the local community of some of the burden of paying for economic development.
- Membership dues from businesses. This includes funds from member organizations like Business Improvement Districts, Main Street programs, etc.

Independent development corporations usually receive significant funding from local government. In Glen Ellyn, the EDC is funded by the village and an SSA tax levied on commercial properties. Economic development organizations can argue — fairly convincingly — that municipalities need to spend money to make money, and upfront funding of economic development ultimately benefits the entire community.

Four options — Business Improvement Districts, Special Service Areas, Special Assessment Districts, and Tax Increment Financing — are funding sources with built-in organizational structure.

### BUSINESS IMPROVEMENT DISTRICT (BID)

A BID is a districts in which property owners voluntarily tax themselves to fund an improvement association for a specified area. The impetus for creating a BID generally comes from business and property owners hoping to attract new customers by making public improvements such as increased sanitation, better lighting, etc. BIDs require a critical mass of business owners willing to pay for better municipal services, which often generates criticism. Some business owners feel that existing taxes should provide sufficient public services.

Hoffman Estates, Ill. (pop. 52,046), has a BID, as does Chicago's Lincoln Square neighborhood. Lincoln Square's program, which is coordinated by the local chamber of commerce, overlaps with an SSA. It provides services within a defined area where property owners have agreed to a special tax assessment.

### SPECIAL SERVICE AREA (SSA)

An SSA enables a community to provide services beyond its basic municipal capacity, and is a common organizational structure for improving



Shop owners in downtown Batavia, Ill., open their doors for "BatFest," an annual Halloween celebration. Batavia's Main Street program, which is made possible by an SSA, organizes a variety of sales, festivals, and other events to draw patrons to Batavia's shops.



downtown shopping areas. SSAs are funded by the property taxes of a defined area, which are collected and managed by the municipality. Every business property within the district contributes, and they all benefit equally from the additional services. SSAs allow local governments to deliver services to limited areas without the broader population incurring an additional tax burden.

On the north side of Chicago, the Wicker Park and Bucktown SSA levies an additional 0.30 percent property tax on all business properties. These funds are used for special events, street cleaning and snow removal, security patrols, landscaping, and other services.

Steady income can make SSA boards quite powerful. Every SSA has a commission that manages expenditures and markets the retail area. For example, Downtown Oak Park — which does promotions, advertising, cultural events, and public area enhancements — is a corporation comprised of property owners and retailers within a village SSA. In Batavia, Ill. (pop. 27,172), an SSA funds the Main Street program.



A map of TIF districts (in brown) in Des Plaines, Ill. This map is provided free on the city's Web site, making it easily accessible for potential retailers or developers.

A good source of information on creating, managing, marketing, and monitoring the performance of TIFs is the Illinois Tax Increment Association, online at [www.illinois-tif.com](http://www.illinois-tif.com).

### TAX INCREMENT FINANCING DISTRICT (TIF)

A TIF district is “used in specially designated districts that are created to improve economically stagnant or disinvested neighborhoods. For these areas, cities, counties, and redevelopment agencies are permitted to use tax increments to finance their activities within a specific time frame.” (International Council of Shopping Centers, *Retail as a Catalyst for Economic Development*)

TIF funds enable a community to pay for land acquisition, demolition and site preparation, infrastructure, building rehabilitation or remodeling, studies, surveys, plans, and specifications.

With so many TIF districts in Illinois, it is not surprising communities have devised a variety of ways to use them.

- Chicago Heights, Ill. (pop. 31,373), a southern suburb of Chicago that has struggled with disinvestment, created a TIF on the former site of Calumet Steel in 2006. It is expected to generate more than \$2 million over its 23-year lifespan. Chicago Heights plans to use the funds to make significant infrastructure improvements to the former industrial site and provide workforce training for local residents.

- In 1986, Warrenville, Ill. (pop. 13,217), used a TIF to develop Cantera, a multi-purpose retail, research, office, and entertainment center on the site of a former limestone quarry. The equalized assessed value (EAV) for the property included in the Cantera TIF was \$2,640,972 in 1986. By 2005, this figure was \$144,948,911. Warrenville has thus far received \$26,759,411 in net TIF revenue from the Cantera TIF.



COURTESY OF THE CITY OF WARRENVILLE AND DUPAGE COUNTY

The Cantera TIF in Warrenville, Ill., in 2000 (left) and 2005 (right). Once a limestone quarry, the site now hosts an AMC movie theater, a Super Target, multiple hotels, and many other stores and restaurants.

## **State funding sources for economic development**

Illinois has numerous programs to augment local funds for economic development. These programs can be used to provide direct incentives to prospective retailers or developers; others can be used to make a community more attractive, improve its market potential, or reduce local costs for infrastructure improvements, which frees up local funds for other uses.

Unless otherwise specified, these state programs are administered by the Ill. Dept. of Commerce and Economic Opportunity (DCEO).

### **Community Development Assistance Program for Economic Development**

Provides grants to local governments outside metropolitan areas for economic development activities related to business retention or expansion. Local governments use these funds to make loans of up to \$750,000 to businesses locating or expanding in their communities. Communities in metropolitan areas may receive funding directly from the federal government and are ineligible for participation in this program.

### **Competitive Communities Initiative**

Helps local governments develop organizational structures for economic development that emphasize self-assessment and create an implementation plan. Initiative specialists work with municipalities, counties, and neighborhoods.

### **Revolving Fund**

In conjunction with the Community Development Assistance program, the revolving fund is a source of loans for new or existing businesses. As the Community Development Assistance loans are repaid to local communities by the beneficiary businesses, these funds are placed in a revolving loan fund, rather than returned to the state. An estimated \$100 million is in circulation, helping more than 3,300 businesses obtain needed capital.

### **IDOT Economic Development Program**

Provides local governments with 50 percent matching grants for public roadway construction and engineering administered through the Ill. Dept. of Transportation.

### **IDOT Illinois Tomorrow Corridor Planning Grant Program**

Helps urban areas fund activities that integrate land development, transportation, and infrastructure needs. Applications for grants are evaluated based on how they address congestion relief, minimization of infrastructure costs, and other IDOT priorities.

### **Municipal Brownfields Redevelopment Grant Program**

Provides financial assistance to municipalities for brownfield cleanup and redevelopment activities through the Ill. Environmental Protection Agency. Funds enable communities to assess, remediate and, clean up contamination. Grants max out at \$240,000.

### **Illinois Development Finance Authority Direct Loan Program**

Provides competitive financing to creditworthy small businesses. Small and medium-sized businesses can obtain supplemental financing of up to \$250,000 for projects that create or retain jobs. Up to 90 percent of the project may be financed with long-term (10-year) loans.

## State funds to support businesses

The state administers several programs to support businesses. Your community may benefit by acting as a broker between the state and eligible businesses. DCEO operates the following:

### THE ILLINOIS CAPITAL ACCESS PROGRAM (CAP)

Designed to encourage financial institutions to make loans to small and new businesses that do not qualify under conventional lending policies. CAP is a form of loan portfolio insurance, which provides additional reserve coverage to the lender on loan defaults.

### PARTICIPATION LOAN PROGRAM (PLP)

Small businesses (<500 employees) may apply for loans of between \$10,000 and \$750,000. Funds can be used for working capital, land acquisition, and other functions. Loans cannot exceed 25 percent of the total project and may not be used for debt refinancing.

### MINORITY, WOMEN, AND DISABLED PARTICIPATION LOAN PROGRAM (MWD/PLP)

Similar to the PLP program described above, MWD/PLP is tailored to Illinois small businesses that are 51 percent owned and managed by persons who are minorities, women, or disabled, with loans up to \$50,000 or 50 percent of the total project.

### REVOLVING LINE OF CREDIT PROGRAM (RLOC)

Appropriate for small businesses (<500 employees) that have seasonal working capital demands. A business may borrow the amount of money needed to meet the demand for its product/service sales and repay the loan from sales revenues. Generally, the program provides credit at attractive interest rates for up to 25 percent of the total amount, but not less than \$10,000 or more than \$750,000.

### EMPLOYER TRAINING INVESTMENT PROGRAM (ETIP)

ETIP grants can reimburse new or expanding companies for up to 50 percent of the cost of training their employees. Grants may be awarded to individual businesses or intermediary organizations operating multi-company training projects.

For more information, visit the DCEO Web site at [www.illinoisbiz.biz/dceo](http://www.illinoisbiz.biz/dceo).

## Federal funding sources for economic development

### Community Development Block Grant (CDBG)

Administered by the U.S. Dept. of Housing and Urban Development (HUD), the CDBG program is one of the federal government's primary means of fostering economic development. Smaller communities can receive CDBG funds through the state government (see the Community Development Assistance Program for Economic Development described on pg. 65).

To receive CDBG funds, an applicant must be a:

- Principal city of a metropolitan statistical area (MSA).
- City within other MSA with population of at least 50,000.
- Qualified urban county with population of at least 200,000.

To receive its annual CDBG entitlement grant, a grantee must develop and submit a comprehensive plan.

At least 70 percent of CDBG funds must be used for activities that benefit people of low and moderate means. In addition, each activity must meet one of the following federal national objectives: benefit low and moderate-income persons, prevent or eliminate slums or blight, or address immediate threats to the health or welfare of the community.

### Section 108 Loan Guarantee Program

Section 108 is the loan guarantee provision of the CDBG program, also administered by HUD, to provide communities with an additional source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects.

### Brownfields Economic Development Initiative (BEDI)

Another HUD program, BEDI funds redevelopment of brownfield sites to increase economic opportunities for low and moderate-income persons through the creation or retention of businesses and jobs and increases in the local tax base.

For more information on the CDBG program and other HUD initiatives, please contact the Chicago Regional Office:

U.S. Dept. of Housing and Urban  
Development  
Chicago Regional Office  
Ralph Metcalfe Federal Building  
24th Floor  
77 W. Jackson Blvd.  
Chicago, IL 60604-3507

Phone: 312/353-1696 ext. 2713  
Fax: 312/353-5417  
www.hud.gov

Brownfields clean-up and redevelopment

The U.S. Environmental Protection Agency has several grant programs that provide funding for brownfields assessment, clean-up, and environmental job training.

See the EPA Web site at  
[www.epa.gov/swerosps/bf/pilot.htm](http://www.epa.gov/swerosps/bf/pilot.htm)

### U.S. Small Business Administration (SBA) 504 Loan Program.

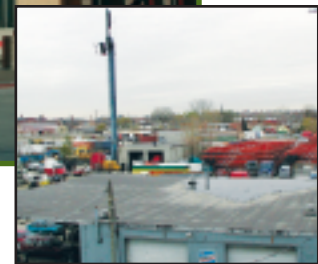
SBA provides loans for 40 percent of the costs, up to \$750,000, to purchase, construct, or improve fixed assets. A private lender (usually a bank) lends up to 50 percent of the project's total cost while the business must provide the remaining 10 percent.

### SBA Basic 7(a) Loan Guaranty

Through this program, SBA encourages loans to small businesses unable to obtain conventional financing at reasonable rates and terms by providing long-term loan guarantees for fixed assets. The Illinois State Treasurer's office also provides incentives for local financial institutions to make SBA loans.

### U.S. Dept. of Commerce Economic Development Administration (EDA)

The EDA offers two programs to assist communities with struggling economies: the Public Works and Economic Development Program and the Economic Adjustment Assistance Program. Both programs provide technical assistance to communities seeking to attract or retain jobs and improve market competitiveness.



*Brownfield sites often present great economic opportunity, and can result in striking before-and-after images. This Target, off I-55 on Damen Avenue on the southwest side of Chicago, is the result of a brownfield clean-up and redevelopment project (inset).*

## RETAIL RECRUITING

### Getting ready

According to Mike Ellis, village manager of Grayslake, Ill. (pop. 21,099), “attitude is the essential start point [for retail recruiting]. Getting the entire team ready and willing to treat applicants as valued customers is vital. This is a very important aspect of making a community attractive to developers. To us the key is to bring the various disciplines (building code/architectural, zoning, and planning issues/site engineering) together to facilitate an applicant’s process. Concurrent reviews, rather than consecutive, are also key. We have pre-application meetings to discuss the applicant’s project and any specific issues to consider, and application meetings to review the materials for submittal and set the clock running for defined municipal response times for applicants.”

Making a community attractive to developers and recruiting retail requires preparation. Before contacting retail developers, use the Economic Development checklist (right) to make sure you are ready.

### ECONOMIC DEVELOPMENT CHECKLIST

- Our comprehensive plan is less than seven years old.  yes  no
- Our plan includes economic development section.  yes  no
- The economic development section covers retail.  yes  no
- We have adopted a commercial district plan.  yes  no
- Our economic development program is in place.  yes  no
- Our economic development program is staffed.  yes  no
- We have established relationships with local brokers.  yes  no
- We have adopted a capital improvement/urban design plan.  yes  no
- The urban design plan has been implemented.  yes  no
- Our zoning and other codes encourage economic development.  yes  no
- We have streamlined the development review process.  yes  no
- We can provide local incentives.
- Infrastructure improvements  yes  no
  - Land acquisition  yes  no
  - TIF district  yes  no
  - Other districts  yes  no
  - Façade improvement grants and loans  yes  no
  - Other financial incentives  yes  no
- We have a list of available properties with the following information:  yes  no
- Size; parking; traffic counts
- We have gathered our demographic information, including:  yes  no
- Population and households  yes  no
  - Median family income  yes  no
  - Unemployment, poverty rate  yes  no
- We have community marketing materials.  yes  no

## Making connections

Establishing relationships between communities and prospective retailers or developers creates momentum and support. For example, some suburbs conduct pre-construction meetings with multiple stakeholders, including utilities and IDOT, early in the review process so these agencies will understand the scope of the project.

These types of relationships paid off in La Grange, Ill. (pop. 15,482), where a central business district redevelopment project required removal of underground storage tanks. When an adjacent electric pole needed to be supported to complete the removal, a village official called a contact at Commonwealth Edison, which took care of the matter within an hour, averting a possible two-week delay. This quick solution was possible because of a pre-existing relationship.

Here are some tips for creating relationships:

### Stay in touch with commercial brokers

They understand retailers and developers, and depend on good business relationships with local public officials. Bartlett, Ill. (pop. 38,479), for example, lists the broker on its roster of available properties.

### Contact consultants

They work in many communities, making them good sources for information on various developers, retailers, and projects.

### Be active in professional organizations and attend conventions

Attend events sponsored by the International Council of Shopping Centers, National Association of Realtors, Urban Land Institute, and American Planning Association, which bring together retailers, developers, mayors, economic development department heads, etc.

### Send RFPs and RFQs

The responses to these requests for proposals (RFP) and requests for qualifications (RFQ) will reveal key information about the marketplace. However, only send these to developers when the economic development agency has a firm project proposal without site assembly issues.

## Important Tip: Create a marketing mindset

Marketing matters. Retailers and developers want to know that you are serious about your goals and committed to developing a mutually beneficial relationship.

- Make it clear marketing is a top priority of the chief administrator and elected officials.
- When hiring key staff seek out service-oriented people who will enhance a customer-oriented corporate culture; give these people direct access to policymakers such as the mayor, manager, and city council.
- Provide customer service training to all employees involved in economic development.
- Examine each phase of the development process to ensure it is conducive to economic development while maintaining quality municipal standards.
- Keep stakeholders informed of community improvements.

## LOOKING AHEAD

Having come this far, how should you measure success? Are there models you can look to for guidance? What existing trends might impact your retail development in the near future? Chapter 5, “Measuring Success and Looking Ahead,” examines these questions.



Organization matters. Three distinct kinds of retail in Chicago — a row of local entrepreneurs in Rogers Park (center), a mixed-use block in Hyde Park (far left), and a new Target on Peterson Avenue (right) — demonstrate a range of possible retail projects. Whatever your community's goals are, economic development organizations can increase your capacity, improve access to funding, and eliminate redundancies.

JOSH HAWKINS

TARGET CORPORATION



## 5. Measuring Success and Looking Ahead

Your retail goals are the criteria for measuring success. If your goal is increased revenue, then measure the return on your investment dollars. If your goal is a unique shopping identity, then survey shoppers to gauge their thoughts. The case studies in this chapter demonstrate the variety of retail goals and metrics that must be used to determine success.

As you move forward, your retail development will be affected by external changes, such as Internet shopping or regional transportation service, as well as by internal changes, including demographics and evolving community priorities. Retail development is not a one-time process, but requires repeated self-assessment and information gathering to ensure long-term prosperity.

### HOW TO MEASURE SUCCESS

The goals of an economic development plan are the criteria by which success should be measured. Judge yourself by the goals you have set.

In many situations, you can determine the effectiveness of development strategies by measuring the return on municipal investment in dollars. For example, X amount of infrastructure improvements will generate Y amount of revenue. Whether that return is sufficient will depend on community circumstances and the project.

Absolute revenue gain is important, but many retail development goals cannot be measured easily in monetary terms. Developing a unique shopping experience, increasing the retail mix, rehabilitating historic facades — these strategies do not translate easily into dollars. In such cases, find other metrics of success. One way is to engage and ask retailers and the public.

### WHAT TO GAIN FROM THIS CHAPTER:

- Learn how to measure success
  - Survey your base
- Learn from models of success
  - Matteson: Incentives and communication working together
  - Elmhurst: The rejuvenation of a downtown
  - Andersonville: Retail vitality through commitment to locally owned businesses
- Recognize trends to watch
  - Internet
  - Sales tax abstainers
  - New transportation facilities
  - “White elephants”
- Understand the ongoing retail development process



JOSH HAWKINS

*A regular review and update process can ensure that retail plans adapt to changing community goals and market.*

### Determine the effectiveness of your retail development strategies by asking stakeholders.

- Survey new retailers. What was the ultimate motivating factor for locating in your community?
- Survey retailers and developers who opted not to locate in your community. Why did they choose to go elsewhere?
- Survey existing retailers. How do they feel about changes to the retail environment?
- Survey shoppers. How do they feel about the changes you have made?

### Important Tip: Continually assess your market

A new market assessment will indicate whether leakage remains a concern and what your community's competitive advantage may or may not be vis-à-vis your neighbors.

### Survey your base

#### New retailers

- What convinced them to move in and open shop?
  - ♦ Was it the market?
  - ♦ Was it a strategic decision by the company?
  - ♦ Was it spurred by some change the community made? Was it an infrastructure improvement or a financial incentive? Was it your community vision? Something else?

Maintaining communication with new retailers will generate valuable information about the strengths and weaknesses of retail development. It will also show the community's interest in preserving a productive retail environment.

#### Retailers and developers who did not locate in your community

- Why did they not choose your community?
  - ♦ What could you have done differently?

Keep in mind that another community may have been willing to sacrifice more, which is not necessarily a failure for your community. Maintaining a dialogue with developers and retailers can lead to future deals, particularly if they sense your genuine interest in cultivating a positive market environment while also staying true to your community's retail vision.

#### In-town retailers

- What do they think about the changed retail environment?
- Is the retail environment still attractive for them?
- Have they benefited from your community's actions?
- Have they suffered because of your community's actions?

Some retailers may see new retail development as an affront while others see opportunity. Business retention is relationship-driven, which depends on communication. Current retailers will appreciate being consulted on the changing retail environment, and you will learn something from them.

#### Shoppers

- How do they feel about the changed retail environment? This is similar to the shopper intercept surveys discussed in Chapter 1.
  - ♦ Do they enjoy the retail environment more or less?
  - ♦ Do they notice the changes?

Compare these with the results of the surveys conducted during the market assessment. Is there a substantial difference? If so, how does that difference relate to community goals?

Again, success depends on goals, vision, and your timeline for change. The economic development plan is invaluable in this, telling you what to examine and how to evaluate change.

## MODELS OF SUCCESS

### MATTESON, ILL.

#### Incentives and communication working together

With kept promises and no demographic surprises, a partnership between public officials and a developer can benefit both parties. In Matteson, Ill. (pop. 15,675), a southern suburb of Chicago, persistence and dialogue led to the revitalization of a defunct big-box shopping center. Matteson's story is site-specific, but exemplifies how communication, relationships, and the strategic use of incentives can create success.

Despite the significant upfront expenses of opening a large store, national parent companies will quickly pull the plug on a laggard sales performer, even with several years left on a lease. This often results in "ghost stores," empty hulks that can give the impression the community has fallen on hard times.

In 2000, Matteson was grappling with just such a ghost store (Kmart) at the major intersection of Cicero Avenue and Lincoln Highway (Route 30). When the store "went dark," Hildy Kingma, then the village's community development director, contacted the shopping center owner, hoping to work together to find a new tenant. Because Kmart was still paying the rent, she was greeted with little enthusiasm, she said.

Fortunately for Matteson, the Kmart chain filed for bankruptcy, which terminated the lease on the empty store. Also, Kimco Realty Corporation, the center's owner, put a new executive, Robert Nadler, in charge of its metro Chicago properties.

Faced with a major vacancy in a prominent location, Kingma and other public officials started a letter-writing campaign, urging retailers such as Borders Books & Music to open stores in Matteson. Residents also wrote letters complaining to retailers whose Matteson stores were not well-maintained or offered inferior customer service.

After several months, Kingma met with a Borders official at an ICSC meeting in Chicago. "The letter-writing campaign had gotten us noticed," Kingma said. The attention helped Nadler put together a deal with Borders, Linens & Things, and SportMart to anchor what today is the 150,000-square-foot Matteson Center, which opened in 2003. "The center is 100 percent leased," Nadler said.

The developer invested \$8 to \$10 million in the redevelopment. In exchange, the village made infrastructure improvements (new sidewalks and storm sewers) and agreed to a \$2 million sales tax rebate. The village also supported Kimco's application for a Cook County Class 8 property tax designation, thus reducing property tax assessments for 12 years.

While physical and financial incentives cemented the deal, Matteson's success is largely the result of creativity and communication. Cooperation between the public and private sectors is often the key to retail success.



*This Borders anchors the 150,000 sq. ft. Matteson Center, which also includes Linens & Things, SportMart, and Panera Bread. Only a few years ago, the site was empty following the bankruptcy of Kmart. Through the strategic use of incentives Matteson was able to revive this now bustling shopping center.*

## ELMHURST, ILL. The rejuvenation of a downtown

Despite a downtown Metra station, proximity to O'Hare International Airport and four expressways, and a median income well above the regional average, Elmhurst, Ill. (pop. 44,976), struggled to make its central business district a destination for shoppers, retailers, and developers. The city suffered from disinvestment and TIF-defined blight. By the mid-1980s, community leaders and residents wanted change.

Entrepreneurship, citizen involvement, and the city government's strategic use of physical and financial incentives were central to the rejuvenation of the downtown. The success of this partnership, and its positive effects on the rest of the community, have not gone unnoticed. *Chicago* magazine recently ranked Elmhurst the region's most livable suburb.

The city's ability to enhance its central business district is due in large part to the vision of its mayors, including Abner Ganet, Robert Quinn, Charles Garrigues, and Thomas Marcucci, and its city council members. Much of the community's success can also be attributed to a cooperative effort between the municipality and Willis Johnson of Classic Cinemas. In 1991, the city assisted Johnson with a \$400,000 loan to purchase the York Theater, an investment that has paid substantial dividends. After multiple renovations and expansions, the theater now houses nine screens. The traffic from multiple evening

and weekend showings has created a thriving downtown restaurant and retail culture.

The city's loan was a precursor of the current grant program for eligible businesses in the central district. Any new or existing businesses that conform to targeted retail categories and complement the downtown retail mix can apply. These grants have enabled many local entrepreneurs to open successful new businesses.

Elmhurst's recent history of entrepreneurship was sparked by its proximity to Oakbrook Center, a prominent lifestyle center in nearby Oak Brook, Ill. (pop. 8,835). According to Emily Bradley, Elmhurst's economic development manager, many residents originally thought the city would be best served by retailers such as Gap and Talbots. Because the chains already had stores in Oakbrook Center, they were unwilling to consider downtown Elmhurst. So, the city looked instead to niches — primarily entertainment and apparel — and began recruiting independent merchants. The resulting mix gives Elmhurst its own identity, a loyal customer base, and opportunity for additional growth. Chocolate Moon coffee house, Salt Creek Pottery, Sushi Nest, and trendy boutiques such as redE and enzee have larger trade areas because of their unique characters.

Cooperation among the chamber of commerce, merchant's association, and city government has paid dividends. Together, they employ a part-time retail consultant, who follows retail trends, visits



*Elmhurst's downtown centers on the York Theater and Metra station, with independent retailers and restaurants lining York, First and Park streets.*

other communities to assess the competition and new ideas, and maintains relationships with retailers and developers. Elmhurst's consultant was a key contributor in several downtown successes, including the opening of a Panera Bread on the northern end of York Street and a Seven Ten adjacent to the York Theater. Seven Ten — which is part restaurant, part bowling alley — filled an underutilized building (previously a telemarketing call center) and now complements the York Theater's entertainment atmosphere.

In addition, Elmhurst worked with other governmental entities to address how its economic development affected the community as a whole. The city signed an innovative intergovernmental

agreement with Elmhurst School District 205 to address concerns regarding how TIF districts were impacting school funding. Facing a budget deficit, the school district asked the city for assistance in exploring options to increase revenues. Municipal and education officials worked together to agree to release nine parcels back onto the tax rolls to meet much of the school district deficit, and to extend the life of one of the TIFs to compensate for the loss of those parcels.

Elmhurst City Centre administers a Main Street program, which is funded by two downtown Special Service Areas (there is also a downtown TIF district). The city has improved sidewalks, installed lighting and streetscaping, constructed



Elmhurst's Fifth Third Bank, adjacent to the Metra tracks at the corner of York Street and Park Avenue, houses two restaurants and a prepared foods store on its first floor.

wayfinding signs, improved access to the Metra station, and constructed parking decks off the main pedestrian thoroughfares. Elmhurst City Centre also hosts an array of festivals, theme nights, and other events, all of which draw shoppers and contribute to the community's identity.

While Elmhurst has a limited amount of mixed-use development, residential construction near the retail district has substantially increased downtown density. Pedestrian traffic is on the rise, retail vacancy is on the decline, and independent retailers continue to show interest in the community. The city has plans for further development north of the commercial district, and more mixed-use development in early 2007.

Other tools Elmhurst has used include a façade grant program for building owners in the central business district. The city's economic development office has extensive marketing materials available for prospective retailers and developers, and lists of available properties, demographics, and development resources are available through the city's Web site.

The Elmhurst Downtown Plan, a component of the city's comprehensive plan, has been updated and adopted by the city council. It includes an analysis of existing conditions, a vision for downtown development, alternative plans and projects, and implementation recommendations.

JOSH HAWKINS



Tannins and McNally's Irish Pub are two of the many locally owned businesses that have benefited from Elmhurst, Ill.'s, development programs, including façade improvement grants and loans for local entrepreneurs.

Even though Elmhurst has not attracted Gap or Talbots, the city opened the door for entrepreneurs and a unique experience in its downtown. Working with non-governmental organizations, the city has nurtured its entrepreneurs, improved the retail environment, and widely marketed its success. The rebirth of Elmhurst's downtown is the result of cooperation, preparation, and strategic government intervention.

## CHICAGO'S ANDERSONVILLE

### Retail vitality through commitment to locally owned businesses

The heart of Andersonville, a pedestrian-friendly neighborhood on Chicago's North Side, has several independent retailers lining Clark Street, the neighborhood's primary commercial district.

Trendy clothing stores, unique bookstores, and quiet coffeehouses are intermixed with Swedish bakeries, delis, and even a Swedish museum. The street also has upscale Middle Eastern restaurants, small taquerias, and trendy fusion restaurants. Andersonville is one of Chicago's "hot" neighborhoods and property values are skyrocketing. Andersonville has kept national retailers and formula restaurants at bay in favor of local operators, but with rising property values and increasing attractiveness, the climate could change.

Twenty years ago, Andersonville's situation was markedly different. Founded by Swedish

immigrants in the wake of the Great Chicago Fire of 1871, the history of Andersonville is one of locally owned and ethnically distinct retail. As the immigrant population prospered and moved to the suburbs, the North Clark Street retail corridor suffered. Stores closed, long-time tenants moved out, and the 1970s and 1980s marked a low point in the neighborhood's history.

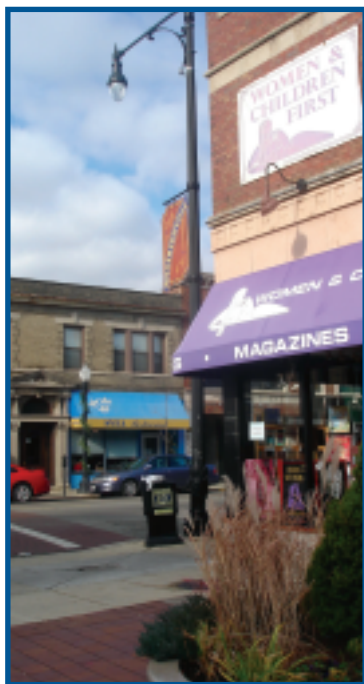
Much of Andersonville's resurgence in the late 1980s was spearheaded by community leaders. The Community Bank of Edgewater began offering loans to local start-ups, including the Landmark of Andersonville in 1987. For nearly 20 years, the Landmark was a co-op where small, locally owned businesses could get started while sharing resources and costs. As a small business incubator, the Landmark was very successful, spawning several businesses — Toys and Treasures, Arcadia Knitting, Ruff N Stuff, Chicago Dance Supply, and Painted Light Photos and Framing — that remain open today.

In 2000, the Andersonville Chamber of Commerce led the planning process for new streetscaping, new streets and sidewalks, beautification elements, and a branding campaign around the community's Swedish heritage. Special Service Area funds allowed for sidewalk cleaning, snow removal, and landscaping, as well as marketing, safety, and parking initiatives. The chamber's strategy to revive the local economy is focused on commitment to locally owned businesses. While many Swedish business leaders were replaced by Hispanic, Korean, Middle



The contrast here, between a Starbucks and the locally owned Pars Grocery, a Persian food store, is an increasingly common one in Andersonville and other gentrifying neighborhoods.

Eastern, and gay and lesbian entrepreneurs, the neighborhood's unique feel and business ownership patterns have remained consistent. Funded by the SSA, the chamber commissioned a retail economic study to determine whether locally owned businesses contributed more or less to local economies than comparable national competitors. The study, by the Austin, Tex., and Andersonville-based Civic Economics, revealed that locally owned businesses contribute "70 percent greater local economic impact than chains per square foot, or 58 percent by revenue."



Andersonville's locally owned businesses cater to many interests. Traditional Swedish colors of blue and yellow adorn a Swedish restaurant on one side of the street, while the popular Women and Children First bookstore is a destination for many of Chicago's north side residents.

Andersonville's success in cultivating a unique local flavor and strong local economy has, ironically, created a predicament for the future that many upwardly moving neighborhoods and communities will soon face: maintaining local character while managing gentrification. As the neighborhood's retail market and reputation continue to improve, its commercial rents rise, higher-income residents move in, and some of the locally owned businesses may no longer suit the environment or consumer demand. The benefits of locally owned businesses are clear, but the market and shifting demographics may be moving the community in another direction.



*Andersonville's many locally owned businesses, such as White Attic at the intersection of North Clark Street & Farragut Avenue, continue to thrive, attracting a diverse stream of shoppers.*

### Preserving, supporting, and extending local retail

In Sept. 2005, Chicago Ald. Mary Ann Smith (48th Ward) invited ULI Chicago and the Campaign for Sensible Growth to conduct a two-day Technical Assistance Panel (TAP) to develop recommendations for nurturing local businesses and reviving a long stretch of North Clark Street, from Andersonville extending north through Edgewater.

The TAP made recommendations on a range of issues.

**Business incubation:** Enhance services and products for local businesses, including identifying leaks in retail spending, providing training through mentoring entrepreneurs, developing youth entrepreneurship skills, creating physical incubators for small businesses, linking with area universities, and investing capital in start-up businesses.

**Parking and traffic:** Make parking in the heart of Andersonville more accessible and explore shared use agreements. Consider creating a parking improvement district to better manage parking availability. Continue to enhance the pedestrian environment. Change wider one-way neighborhood streets to two-way.

**Density:** Small-scale retail depends on density of housing and commercial activity to create foot traffic and buyers on the street. Encourage development above existing one-story structures worthy of preservation. Resist efforts to downzone that make it more difficult to develop mixed-use, appropriate projects that will support neighborhood retail.

SOURCE: PRESERVING, SUPPORTING AND EXTENDING LOCAL RETAIL: ANDERSONVILLE AND NORTH CLARK STREET

### Healthy Mix

What every community should be striving for — be it a suburban or urban location — is a healthy mix of local, regional, and national retailers. Regardless of demographic trends, communities that can provide the widest variety of goods and services for surrounding residents will retain their unique character without sacrificing selection by preferring one type of retailer over another.

## TRENDS TO WATCH

In retail, there is always something new. Here are some areas to watch, as they might affect your plans and goals.

### Internet

A great deal of shopping today is done online. Some specialty retailers do a thriving Web business while also keeping their “bricks & mortar” facilities packed with customers. Perhaps the Internet is becoming a digital version of the old Sears catalogs, providing a multitude of choices for people who do not live near retail centers, as well as encouraging people to see the merchandise in person.



*You can buy drums online, but the unique experience of an impromptu lesson, like this one in Batavia, Ill., is harder to find on the Internet. A retail district with a mix of goods and individual character can continue to attract shoppers despite increased online buying.*

BRITTA MCKENNA BATAVIA MAIN STREET

However, the Internet merely allows buying — not a shopping experience. Unique retail districts can draw shoppers throughout the year by providing human contact and individual character. Furthermore, the Internet is seldom used for everyday convenience goods (with online grocery shopping as a notable exception). A retail district that offers a mix of convenience and shopping goods will be less susceptible to shopper droughts.

### Sales tax abstainers

Most commercial districts have businesses that do not pay sales tax, including banks, realtors, and medical offices. Some argue they need to share a greater portion of the tax burden because local governments invest taxpayer money in their downtowns — providing everything from sewers to trees — with the expectation that sales tax revenues will make the expenditures worthwhile. Banks and the like do attract potential shoppers, but they also take up valuable space. This is particularly true for free-standing banks with drive-thru access; these auto-oriented facilities increase the amount of traffic, but often not to the benefit of retail.

However, communities can use sales tax abstainers to the advantage of retail. Mixed-use developments with ground-floor retail often include upper-level space that is ideal for offices. Likewise, many downtown bank buildings have been redesigned to accommodate ground-floor



*The Hyde Park Bank Building, on 53rd Street on Chicago's south side, is home to a Binny's, GNC, and several other small retailers, second-floor bank facilities, and an array of offices above. Even though the bank does not contribute sales tax revenues to the city, the property does.*

retail with street frontage. For example, the Hyde Park Bank building, on 53rd Street on Chicago's south side, is home to several small retailers at the street level, walk-in bank facilities on the second floor, and a variety of offices on upper floors. Not only do building owners benefit from the rent, but the community's sales tax revenues continue to increase despite the presence of sales tax abstainers.

### New transportation facilities

Retail follows rooftops, which follow jobs, which follow major transportation facilities. Therefore, it is essential to keep track of major changes, such as the extension of Metra service to Elburn and Antioch, which is drawing these ex-urbs into the metropolitan orbit. Likewise, the extension of the I-355 North-South Tollway could influence growth patterns in the southwest suburbs.





This “white elephant” is in a northwestern suburb; many retail corridors have one. Fortunately, there are proactive strategies to avoid them.

Municipal officials and retailers should be proactive on transportation. Retail development is time-consuming; municipalities with emerging transportation opportunities should begin planning for new retail early to get ahead. The same is true for communities that might stand to lose from transportation shifts. If the development of an expressway parallel to a major commercial artery will likely cost you valuable auto traffic, perhaps now is the time to start planning for retail that is less dependent on that traffic and more focused on walkability.

### “White Elephants”

Not every large-scale retail development succeeds. When they fail, the result can be a “white elephant,” another name for the abandoned “ghost store” phenomena seen in Matteson (described on pg. 73). Large-scale operations close because of changing market conditions, demographic shifts, strategic decisions of the retailer, and intense competition. Many leases for big boxes have historically had “negative use restrictions,” which stipulated that when retailers leave competitors cannot move in. This means that one grocery store cannot replace another grocery store, even though the space is suitable. The City of Chicago recently adopted an ordi-



In Skokie, Ill., a former Venture was rebuilt into a Jewel and Old Navy in the 1990s. By reusing the space, Skokie was able to save itself the expense of demolition.

nance forbidding such restrictions, and home rule communities should have the ability to follow suit, if they wish. For non-home rule communities, legislation has been introduced in the Illinois General Assembly that would enable them to also ban this type of restrictive covenants.

For communities that already have “white elephants,” there are a number of strategies for dealing with them. Some communities require demolition bonds for large-scale retailers when they remain vacant for a predetermined period of time. Forsyth County, Ga., requires a demolition bond for any vacancies over 12 months. Development applicants must post a bond valued at 110 percent of the current cost of demolishing a property similar to the one they are proposing. The bond must be renewed annually, with business license suspension as a punishment. If a property remains vacant for more than 12 months, the city uses the bond money to demolish the structure, creating a property that might be ideal for redevelopment (see Evans-Cowley, *Zoning Practice*, 12.05).

Opponents argue that such bonds are unfairly targeted and might even dissuade development of large-scale retail. However, if the bond process

is clear, predictable, and easy to understand, and the local market really is prime for large-scale retail development, then demolition bonds are useful tools.

Wauwatosa, Wis., requires large-scale retailers (defined as 50,000 sq. ft. or more) to contribute to a demolition fund in case of abandonment. The fee was set at \$0.20 per sq. ft., and, according to local officials, the fee was supported by the retail and development community because it “represented a specific amount that could be included in the development costs of the site” (see Evans-Cowley, *Zoning Practice*, 12.05). The retailer must submit a demolition or reuse plan within 12 months of closure, or the municipal government will use the funds.

Adaptive reuse is another option, but one that requires a great deal of creativity. Schools, recreational facilities, call centers, medical facilities, worship halls, technical schools, and other large-format purposes can make use of abandoned big boxes if no suitable retailer is interested. Unfortunately, the buildings and connected property may simply be too large for many purposes. However, some retailers will work with community leaders to ease the transition if a closure is expected. Wal-Mart’s policy is to notify the municipal government approximately two years in advance of a closure, and then to work with local leaders to find a suitable replacement or new use (see Evans-Cowley, *Zoning Practice*, 12.05).

## THE ONGOING RETAIL DEVELOPMENT PROCESS

Maintaining a healthy retail environment requires constant adaptation to market trends, community demographics, and regional change. It is important to remain vigilant, maintain lines of communication, and stay informed. Your community needs to be responsive and attuned to changing market conditions.

You should revisit your economic development plan periodically to measure success or failure, and assess relevance. A regular review cycle can ensure your plan, vision, and goals remain current.

Keep an eye on the market in your community, and be mindful of the following.

- Have your community's demographics changed?
  - ♦ What impact has immigration had on your community?
  - ♦ Is your population growing or shrinking, and why?
  - ♦ Has the buying power of your community changed?
  
- What is your current market leakage?
  - ♦ Are you attracting dollars or losing them?
  - ♦ What are your neighbors doing? Are you competing for dollars? If so, could you cooperate?

- Do your economic development goals continue to reflect community interest?
  - ♦ Do they continue to be realistic, given demographic and market changes?
  
- Is the quality of your infrastructure sufficient?
  
- Have your incentive packages worked in an efficient and productive manner?
  - ♦ Have they produced their intended results?
  - ♦ If not, are there other strategies you could adopt?

You may set a 20-year window for retail development in your economic development plan, but regional changes, market shifts, and other factors will very likely require you to modify your vision, goals, strategies, and actions before that window closes. By maintaining frequent and substantive communication with retailers and developers, staying up-to-date on demographic trends within your community and in your surrounding region, and following market trends and retail innovations, you are more likely to achieve sustainable, successful, long-term retail growth and vitality.



*The Laundry Mall in Winnetka, Ill., is a multi-level retail center in a refurbished light industrial facility. It was converted for reuse in 1980.*

## 6. Resources and Appendices

### WHO TO CONTACT FOR HELP

Many municipalities lack funding for staff or ambitious planning efforts. Fortunately, there are several other resources available.

**Campaign for Sensible Growth:** Helps communities plan for growth while maximizing transit opportunities and conserving natural resources.  
[www.growingsensibly.org](http://www.growingsensibly.org)  
 312/863-6009

**Chicago Metropolitan Agency for Planning:** Northeastern Illinois' land-use and transportation entity. Provides limited technical assistance and can help interpret census and other relevant data.  
[www.chicagoareapanning.org](http://www.chicagoareapanning.org)  
 312/454-0400

**Illinois Department of Commerce and Economic Opportunity:** The state's main economic development engine. Administers several programs for small businesses and workforce development.  
[www.commerce.state.il.us/dceo](http://www.commerce.state.il.us/dceo)  
 312/814-7179

**Illinois Department of Revenue:** Can provide data on taxable retail sales, which help both municipalities and prospective retailers see how much money is being spent locally, and on what.  
[www.revenue.state.il.us](http://www.revenue.state.il.us)  
 800/732-8866

**Illinois Environmental Protection Agency:** The Office of Brownfields Assistance manages grant and loan programs and offers technical support to communities.  
[www.epa.state.il.us/land/brownfields](http://www.epa.state.il.us/land/brownfields)  
 888/372-1996

**Illinois Tax Increment Association:** Maintains information about how TIF districts work, where they are currently in use, and relevant statistics.  
[www.illinois-tif.com](http://www.illinois-tif.com)  
 217/523-4905

**International Council of Shopping Centers:** Offers public agencies a wide range of information and opportunities, including its annual spring convention.  
[www.icsc.org](http://www.icsc.org)  
 646/728-3800

**International Economic Development Council:** Offers advisory services and continuing education.  
[www.iedconline.org](http://www.iedconline.org)  
 202/223-7800

### INCLUDED IN THIS CHAPTER:

- Who to contact for help
- Appendices
  - Other elements of an economic development plan
  - State of Illinois criteria for tax increment financing
  - Summary of *Kelo v. City of New London*
  - How to find consultants
  - What to include in an RFP/RFQ
- Bibliography of resources

**Local Initiatives Support Corporation:** Assists community organizations to revitalize distressed neighborhoods.

[www.lisc.org/chicago](http://www.lisc.org/chicago)  
312/360-0800

**Metropolitan Mayors Caucus:** The Caucus and its nine member Councils of Governments (COGs) can point communities looking for economic development assistance in the right direction.

[www.mayorscaucus.org](http://www.mayorscaucus.org)  
312/201-4505

- DuPage Mayors and Managers Conference  
[www.dmmc-cog.org](http://www.dmmc-cog.org)  
630/571-0480
- Lake County Municipal League  
847/270-3126
- McHenry County Council of Governments  
[www.mchenrycountycog.org](http://www.mchenrycountycog.org)  
847/960-7494
- Metro West Council of Governments  
[www.metrowestcog.org](http://www.metrowestcog.org)  
815/753-3499
- Northwest Municipal Conference  
[www.nwmc-cog.org](http://www.nwmc-cog.org)  
847/296-9200
- South Suburban Mayors & Managers Association  
[www.ssmma.org](http://www.ssmma.org)  
708/206-1155
- Southwest Conference of Mayors  
[www.swmayors.com](http://www.swmayors.com)  
708/403.6132

- West Central Municipal Conference  
[www.westcook.org](http://www.westcook.org)  
708/450-0100

- Will County Governmental League  
[www.wcgl.org](http://www.wcgl.org)  
815/722-7280

**Metropolitan Planning Council:** Provides technical assistance and public policy guidance.

[www.metroplanning.org](http://www.metroplanning.org)  
312/922-5616

**National Trust Main Street Center:** Offers many relevant work samples and forms, along with technical assistance.

[www.mainstreet.org](http://www.mainstreet.org)  
202/588-6219

**U.S. Department of Labor, Bureau of Labor**

**Statistics:** Maintains wealth of information on consumer spending.

[www.bls.gov](http://www.bls.gov)  
202/691-5200

**World Business Chicago:** Promotes metropolitan Chicago as a business-friendly environment. Provides free economic and industry data, information on site location, state and local incentives, and contacts to the region's private, public, and nonprofit sectors.

[www.worldbusinesschicago.com](http://www.worldbusinesschicago.com)  
312/553-0500

## APPENDIX A: OTHER ELEMENTS OF AN ECONOMIC DEVELOPMENT PLAN

	<b>DATA GATHERING &amp; ANALYSIS ACTIVITIES</b>	<b>PLANNING &amp; IMPLEMENTATION ACTIVITIES</b>	<b>RESOURCE IDENTIFICATION ACTIVITIES</b>
Organizational Development	<ul style="list-style-type: none"> <li>- Develop common vision</li> <li>- Create strategic plan with measurable objectives</li> <li>- Perform community economic analysis to identify market forces</li> </ul>	<ul style="list-style-type: none"> <li>- Develop action plan (include what, who, when &amp; sequence)</li> <li>- Explore regional opportunities for collaboration</li> </ul>	<ul style="list-style-type: none"> <li>- Explore stakeholder interest &amp; potential for investment: city, county, state, federal, private</li> <li>- Determine human resources necessary &amp; available for implementation</li> </ul>
Infrastructure Development	<ul style="list-style-type: none"> <li>- Collect data on infrastructure capacity, water, sewer, utilities, etc,</li> <li>- Inventory business parks, sites, buildings &amp; brownfields</li> <li>- Identify gaps in facilities or capacity, area of growth, needed improvements</li> <li>- Include infrastructure upgrades in action plan</li> <li>- Create development plan for identifying or assembling sites suitable for development</li> </ul>	<ul style="list-style-type: none"> <li>- Include infrastructure upgrades in action plan</li> <li>- Create development plan for identifying or assembling sites suitable for development</li> </ul>	<ul style="list-style-type: none"> <li>- Identify capital resources (revolving loan funds, angel networks, venture capital, development authorities etc.)</li> <li>- Identify resources and capacities for residual development such as housing, education, health care, etc.</li> </ul>
Business Development	<ul style="list-style-type: none"> <li>- Identify current efforts at retention &amp; expansion</li> <li>- Identify current support for entrepreneurial development</li> <li>- Identify efforts for new business attraction</li> <li>- Describe programs for downtown development</li> <li>- Identify gaps or improvements needed in any of above</li> <li>- Perform industry analysis to identify types of business suitable for clusters</li> </ul>	<ul style="list-style-type: none"> <li>- Include business retention &amp; expansion; entrepreneurial development; business growth/attraction in Action Plan</li> <li>- Create plan for downtown development</li> </ul>	<ul style="list-style-type: none"> <li>- Search local, regional, state, &amp; federal government agencies for financial resources to meet implementation/action plan</li> </ul>
Workforce Development	<ul style="list-style-type: none"> <li>- Conduct a labor market analysis</li> <li>- Study community demographics and trends</li> <li>- Analyze capacity of education system to meet needs of current and future workforce</li> </ul>	<ul style="list-style-type: none"> <li>- Form partnerships with local, regional &amp; state organizations to assist in matching trained workforce with future jobs</li> <li>- Create and promote lifelong learning opportunities</li> </ul>	<ul style="list-style-type: none"> <li>- Investigate financial &amp; technical assistance programs to assist in implementation of workforce</li> </ul>
Community Cash Flow Development	<ul style="list-style-type: none"> <li>- Inventory sites &amp; attractions for tourism</li> <li>- Inventory services &amp; facilities attractive to seniors</li> <li>- Study economic data to identify primary sources of income and wealth in the community</li> <li>- Inventory &amp; classify existing industries by type</li> <li>- Interview local industries to identify support/supplier systems used &amp; needed</li> </ul>	<ul style="list-style-type: none"> <li>- Create a marketing &amp; development plan for tourism and residents</li> <li>- Target support &amp; supplier industries for business attraction of current base</li> <li>- Create plan for pursuing outside investments in current economic activity</li> <li>- Create plan to meet needs for new products and services</li> </ul>	<ul style="list-style-type: none"> <li>- Investigate financial &amp; technical assistance programs to assist in implementation of community cash flow development, tourism, marketing, healthcare development, etc.</li> <li>- Pursue state &amp; federal grants to support industries</li> </ul>

## APPENDIX B: STATE OF ILLINOIS CRITERIA FOR TAX INCREMENT FINANCING

Illinois law includes three sets of conditions to qualify an area as a TIF district:

- blighted conditions;
- conservation conditions; or
- industrial park conservation conditions.

### To be designated as a blighted area:

IMPROVED PROPERTY (land that is not vacant) must contain at least five of 14 factors that make it detrimental to the public safety, health, or welfare of the community. These factors must be present and documented to a meaningful extent so that a municipality may reasonably find that each factor is clearly present and reasonably distributed throughout the improved part of the area. These factors are:

- Dilapidation
- Obsolescence
- Deterioration
- Illegal use of individual structures
- Structures below minimum code standards
- Excessive land coverage and overcrowding of structures and community facilities
- Lack of ventilation, light, or sanitary facilities
- Inadequate utilities
- Excessive land coverage
- Deleterious land use or layout
- Environmental contamination
- Declining equalized assessed value
- Lack of community planning

VACANT LAND must have at least two of the following six factors that impair sound growth of the area, using comparable standards of evidence as for improved areas:

- Obsolete platting
- Diversity of ownership
- Tax and special assessment delinquencies
- Environmental contamination
- Declining equalized assessed value
- Deterioration of structures or site improvements on adjacent land

In addition, there are six other types of vacant land that can be designated for TIF. They include land that was blighted before becoming vacant; unused quarries, mines, or strip mine ponds; unused rail yards, rail tracks or railroad right-of-way; chronic flooding that adversely impacts on property in the area and is caused by improvements recently constructed in the area; unused or illegal disposal sites; large areas that have been previously designated as a town center and meet other requirements.

### To be designated as an industrial park conservation area:

- The municipality must have had a relatively high unemployment rate and the area to be designated must be located within the municipality or within 1.5 miles of the municipal boundaries and be annexed to the municipality; be zoned industrial prior to the establishment of the TIF and contain vacant land suitable for an industrial park and a blighted or conservation area contiguous to the vacant land.

### To be designated as a conservation area:

- At least 50 percent of the structures in the improved area must be 35 years old; and
- Three of the 14 factors for designation of a blighted area and another factor entitled "excessive vacancies" must be present.

SOURCE: ILLINOIS TAX INCREMENT ASSOCIATION  
WWW.ILLINOIS-TIF.COM

## APPENDIX C: SUMMARY OF KELO V. CITY OF NEW LONDON

SUPREME COURT OF THE UNITED STATES  
*KELO v. CITY OF NEW LONDON*  
 CERTIORARI TO THE SUPREME COURT OF  
 CONNECTICUT

No. 04—108. Argued February 22, 2005—Decided  
 June 23, 2005

After approving an integrated development plan designed to revitalize its ailing economy, respondent city, through its development agent, purchased most of the property earmarked for the project from willing sellers, but initiated condemnation proceedings when petitioners, the owners of the rest of the property, refused to sell. Petitioners brought this state-court action claiming, *inter alia*, that the taking of their properties would violate the “public use” restriction in the Fifth Amendment’s Takings Clause. The trial court granted a permanent restraining order prohibiting the taking of the some of the properties, but denying relief as to others. Relying on cases such as *Hawaii Housing Authority v. Midkiff*, 467 U.S. 229, and *Berman v. Parker*, 348 U.S. 26, the Connecticut Supreme Court affirmed in part and reversed in part, upholding all of the proposed takings.

**Held:** The city’s proposed disposition of petitioners’ property qualifies as a “public use” within the meaning of the Takings Clause. Pp. 6—20.

(a) Though the city could not take petitioners’ land simply to confer a private benefit on a particular private party, see, e.g., *Midkiff*, 467 U.S., at 245, the takings at issue here would be executed pursuant to a carefully considered development plan, which was not adopted “to benefit a partic-

ular class of identifiable individuals,” *ibid*. Moreover, while the city is not planning to open the condemned land—at least not in its entirety—to use by the general public, this “Court long ago rejected any literal requirement that condemned property be put into use for the ... public.” *Id.*, at 244. Rather, it has embraced the broader and more natural interpretation of public use as “public purpose.” See, e.g., *Fallbrook Irrigation Dist. v. Bradley*, 164 U.S. 112, 158—164. Without exception, the Court has defined that concept broadly, reflecting its longstanding policy of deference to legislative judgments as to what public needs justify the use of the takings power. *Berman*, 348 U.S. 26; *Midkiff*, 467 U.S. 229; *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986. Pp. 6—13.

(b) The city’s determination that the area at issue was sufficiently distressed to justify a program of economic rejuvenation is entitled to deference. The city has carefully formulated a development plan that it believes will provide appreciable benefits to the community, including, but not limited to, new jobs and increased tax revenue. As with other exercises in urban planning and development, the city is trying to coordinate a variety of commercial, residential, and recreational land uses, with the hope that they will form a whole greater than the sum of its parts. To effectuate this plan, the city has invoked a state statute that specifically authorizes the use of eminent domain to promote economic development. Given the plan’s comprehensive character, the thorough deliberation that preceded its adoption, and the limited scope of this Court’s review in such cases, it is appropriate here, as it was in *Berman*, to resolve the chal-

lenges of the individual owners, not on a piecemeal basis, but rather in light of the entire plan. Because that plan unquestionably serves a public purpose, the takings challenged here satisfy the Fifth Amendment. P. 13.

(c) Petitioners’ proposal that the Court adopt a new bright-line rule that economic development does not qualify as a public use is supported by neither precedent nor logic. Promoting economic development is a traditional and long accepted governmental function, and there is no principled way of distinguishing it from the other public purposes the Court has recognized. See, e.g., *Berman*, 348 U.S., at 24. Also rejected is petitioners’ argument that for takings of this kind the Court should require a “reasonable certainty” that the expected public benefits will actually accrue. Such a rule would represent an even greater departure from the Court’s precedent. E.g., *Midkiff*, 467 U.S., at 242. The disadvantages of a heightened form of review are especially pronounced in this type of case, where orderly implementation of a comprehensive plan requires all interested parties’ legal rights to be established before new construction can commence. The Court declines to second-guess the wisdom of the means the city has selected to effectuate its plan. *Berman*, 348 U.S., at 26. Pp. 13—20.

**268 Conn. 1, 843 A. 2d 500, affirmed.**

*Stevens, J., delivered the opinion of the Court, in which Kennedy, Souter, Ginsburg, and Breyer, JJ., joined. Kennedy, J., filed a concurring opinion. O’Connor, J., filed a dissenting opinion, in which Rehnquist, C. J., and Scalia and Thomas, JJ., joined. Thomas, J., filed a dissenting opinion.*

SOURCE: CORNELL LAW SCHOOL, SUPREME COURT COLLECTION.  
 WWW.LAW.CORNELL.EDU/SUPCT/HTML/04-108.ZS.HTM

## APPENDIX D: HOW TO FIND CONSULTANTS

If an agency (or municipality) decides to hire a consultant, it must develop a list of consultants from which to choose. This list can be developed by searching a number of sources: personal referrals; professional directories; award winners identified through professional organizations; news items in newsletters, newspapers and magazines; consultant calling cards; consulting firm brochures; and, as a last resort, the telephone directory.

Some agencies (or municipalities) use a more formal procedure for establishing the list of available consultants. They maintain and periodically update a list of consultants developed from procedures involving responses to requests for qualifications (RFQs). Consultants who want to be placed on the list may apply for consideration. If there are special projects that must be done for which only a few qualified consultants are listed, the agency can add to the list by using the techniques outlined below. Maintaining a formal pool is particularly useful for a large community or for any other agency that may use consultants relatively frequently. In order to make this preselected list of consultants most useful, it can be divided into specialty groups. Many consulting firms have expertise in a number of fields. Consequently, an agency that lists consultants under functional categories should cross-tabulate these consultants in all the categories in which they have expertise, a process easily accomplished with a database program.

### Solicit and file for each firm the following information:

1. Name, address and telephone number
2. Types of services for which the firm is qualified
3. Year the firm was established, as well as former firm names
4. Names of principals and key personnel and their experience and qualifications
5. Size of staff
6. An illustrative list of recent projects completed for purposes of referral

### Organize for selection

#### 1. Define the task

Perhaps the most important step an agency must take before initiating the consultant selection process is defining the problem, task, or project requiring consulting services. There are, of course, circumstances when the agency has difficulty in defining the problem, in which case it should consider retaining a consultant for that purpose. In defining the task, factors to be considered include:

- precise goals of the project
- technical, political and administrative parameters
- division of labor between agency personnel and consultant
- desired product
- timetable for completion
- total project budget
- expected problems and constraints

Developing a good definition of the task is difficult. If the task definition is too specific, it may limit the creativity of the consultant. If the definition is too general, it may result in the consultant producing something that constitutes satisfactory professional work but does not resolve the problem. If the hiring agency is uncertain how to define the task, it can provide a background description of the problem or issue as context for the RFQ or RFP processes.

#### 2. Define the roles

Defining the respective roles of consultants and staff is also important. In many cases, the community already has much of the data that will be necessary to complete a project. In other cases, little or no reliable data exists. Gathering data is expensive. Thus, a clear definition of what data the planning agency can provide from its own files or from other local departments and entities is very important in helping the consultant define the tasks. It is also important to define the level of support and review that local staff will provide for the project.

*This material is a revised and edited excerpt from *Selecting and Retaining a Planning Consultant: RFPs, RFQs, Contracts, and Project Management* by Eric Damian Kelly, AICP. It is Planning Advisory Service Report No. 443, published by the American Planning Association, February 1993. It is used by permission.*



## APPENDIX E: WHAT TO INCLUDE IN A REQUEST FOR PROPOSAL (RFP)

RFP may be accompanied by appendices, maps, drawings, and other backup material. However, the RFP itself should be a relatively brief document. Even on a rather large or complex project, the various elements can generally be covered in 10 to 25 single-spaced pages.

### (1) Cover sheet

A lengthy RFP should have a cover sheet giving the RFP title, project or program title, name of the issuing entity, and date the proposal is due.

### (2) Introduction

The introduction should identify and describe, in no more than one paragraph, the project or program for which the consultant is required and its current status. It should then briefly state the nature of the consulting assistance being sought. This should be carefully worded. If the job requires an interdisciplinary team, it is best to talk about the end product or type of activity (e.g., an environmental impact assessment or a development plan), rather than a specific type of firm. Your preferences about the type of firm can be better explained later, in the qualifications section. The introduction should state the amount budgeted for the proposed work. Finally, the due date for the proposal should be included in the introduction, with a reference to the directions for submission that will be described later in the RFP.

Describe the issuing agency and its relationship to other entities if that is not obvious. This suggestion

is not necessary for a planning department that is clearly a line agency within a municipal government. However, it can be very important for inter-governmental agencies and other entities. Names of public authorities and special districts, such as sewer districts, can be particularly misleading. Such an entity is often named after a city, town, or county with which the agency may or may not be coterminous. The difference should be pointed out, though it need not be explained in detail in the introduction.

### (3) Description of the project or program

This section should establish the context for the work to be performed and help the consultant judge the level of effort required for various tasks. If the project or program is very complex, the details can be relegated to an appendix or other attachments. The important points to cover here are:

- the purpose of the project or program (what it is supposed to accomplish and for whom)
- its basic components — management, structure, processes, and personnel
- any innovative or unusual aspects
- the site(s) or geographic area(s) involved
- a proposed schedule and present status of the project or program

### (4) Description of Services Required

This is the heart of the RFP. Take great care with it because this is the section the consultants will read again and again, weighing its every nuance. If carelessly written, this section can defeat the purpose

of the RFP by misstating the agency's needs or by conveying inaccurate signals about how the proposals will be evaluated.

Write clearly. Avoid jargon. Use commonly understood terms, rather than acronyms or abbreviations. Do not use general terms like "facilities" if you mean "roads."

Emphasize what the agency needs from the consultant. Although the RFP certainly should identify any critical or mandatory steps in the process, such as public meetings, the proposal process often works best if it leaves the work program open to suggestions from proposing consultants. Unless the purpose for hiring the consultant is simply to augment staff on a project, the same expertise that the consultant brings to the substantive aspects of the project should enable the consultant to develop a responsive work program. There are two reasons for encouraging consultants to do so. First, if the consultant has significant experience with the type of work involved, the consultant's personnel should know more about what should be in such a work program than the agency staff. Second, evaluating independently developed work programs is an excellent way to evaluate a consultant's understanding of the project and approach to the project, as well as the quality of the consultant's work.

This section also should provide a schedule for the completion of the project that identifies major project milestones. If there is a particular number of public meetings involved in the project or if the goal is to have a report or plan ready for a meeting

that already has been scheduled, that information should be included in this section of the RFP.

### **(5) Budget**

Most agencies do not include budget information in an RFP. The theory is that consultants who know what the budget is will automatically submit proposals that "spend the budget." That may be a legitimate concern. On the other hand, a consultant with no idea of the budget for a proposed project may have great difficulty in submitting a responsive proposal. Where an agency fails to specify a budget, cost proposals may range up to a high of four or five times the lowest-cost proposal. In those circumstances, there may be only one or two proposals that are within the project budget of the local government and thus only one or two proposals from which to choose. A proposal that falls far below the anticipated budget probably will include far less in the way of services than the agency wants or needs. It is very difficult to compare proposals with extreme variations in budget because there are too many variables. If two qualified firms offer exactly the same range of services at significantly different prices, the agency has something to compare. If two qualified firms offer vastly different scopes of services at the same price, the agency can select the scope of services that best suits its needs. However, when there is little in common among proposals from qualified firms, comparison is difficult, indeed.

There are few disadvantages to sharing budget information. The agency that publishes the budget can still rank proposals competitively based on which qualified consultant will provide the best value — the most appropriate package of services

within the agency's budget. If an agency's expectations of services far exceed its proposed budget, it is easier on all parties if consultants are aware of that discrepancy initially and can inform the agency of that fact without putting the consultants or the agency through the demanding process of preparing and reviewing proposals. If an agency's budget exceeds its expectations (a very rare circumstance), one or more reputable firms will bid less than the budget or offer a range of additional and perhaps unneeded services. The agency can then select one of the lower-priced proposals or negotiate a reduced contract for less than the full scope of services proposed by the selected firm.

An agency can maintain some price competition in the process and still provide guidance to consultants by publishing a budget range. However, the real issue in selecting a consultant is not price but value. If every consultant competing for a proposed project submits a budget for the same amount, the agency can easily compare the proposals to determine which offers the best value. That is a far more practical exercise than attempting to compare diverse proposals with vastly different budgets, hoping to renegotiate one of the proposals to the appropriate level of services for the budget.

### **(6) Type of contract**

Indicate what type of contractual arrangement the agency will use. Professional services contracts generally fall into one of two categories: fixed-price (also called lump sum), in which the agency receives a defined scope of services for a fixed price; and time-and-expense (also called cost-plus),

in which the agency reimburses a consultant on a fixed formula for professional time and expenses.

### **(7) Qualifications**

An agency that uses the two-part, Request for Qualifications (RFQ)/RFP process will have most of the information about qualifications it needs from the RFQ. At the RFP stage, it should ask for an update to the RFQ if there has been a significant lapse of time between the two. The agency also will want one additional set of information. The proposal should specify what personnel will work on the project. It also should include short resumes on those specific individuals, if those resumes were not included in the RFQ.

An agency that goes directly to the RFP stage should request information about qualifications as part of the proposal. That should include the specific qualifications of any personnel to be assigned to the project.

The RFP need not be very specific when requesting information on consultant qualifications. A firm that submits a standard brochure unrelated to the proposed project without other information probably will not give the project the attention that it needs and does not deserve serious consideration.

**(8) Evaluation criteria**

Explain how the proposals will be evaluated and, in general terms, by whom. It is helpful to both parties if the consultants know how much weight will be given to specific aspects of their proposals, such as cost, technical approach, relevant experience, qualifications of the project team, familiarity with the geographic area, and logistical capabilities. It also is useful to let the consultants know what type of group will review the proposals. A consultant may prepare a proposal in one way if the planning commission is to make the selection and in a very different way if technical experts from the staff will make the selection. Some consultants probably will learn who is on the selection team. Disclosing that information in the RFP keeps the process fair to all. If state law or local rule prohibits the consultants from contacting selection team members directly, the RFP should say so and selection team members should be clearly instructed to turn away (and probably report) any attempted contacts from consultants. Planning consultants typically do not attempt to lobby selection committee members, but some do. If there are rules on the subject, they should be stated clearly.

**(9) Directions for submission**

The RFP should include a simple statement of the time (date and hour) and place for submission of the proposal and the number of copies required. Since proposals are often delivered by messenger or overnight delivery service, give a street address (with office number), as well as the agency's mailing address and phone number. If there are sealed-bid requirements or if cost proposals should be submitted separately, those directions should be contained in this section.

*This material is a revised and edited excerpt from *Selecting and Retaining a Planning Consultant: RFPs, RFQs, Contracts, and Project Management* by Eric Damian Kelly, AICP. It is Planning Advisory Service Report No. 443, published by the American Planning Association, February 1993. It is used by permission.*

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