

VILLAGE OF HOMEWOOD



BOARD AGENDA MEMORANDUM

DATE OF MEETING: March 11, 2025

To: Village President and Board of Trustees

Through: Napoleon Haney, Village Manager

From: Angela Mesaros, Director of Economic and Community Development

Topic: Economic Development Incentives – 1953-1955 Ridge Road

PURPOSE

The Village created the Business Incentive Program to provide financial assistance for the improvement and maintenance of commercial buildings that would increase the assessed valuation and marketability of the area. The goals of this program include promoting the revitalization of properties, assisting with upgrades to buildings and retail attraction and expansion.

The applicant is a tenant of the building at 1953 Ridge, who is expanding the existing retail business into a former salon directly to the west (1955 Ridge Road). As part of the expansion, the applicant has upgrades to the space such as new floors, an upgraded electrical system, new lights to save energy, and new outdoor signage. The cost of the project is approximately \$48,000. Staff recommends approval of \$12,000 in reimbursement from the Business Incentive Program to cover 25% of the cost of the expansion of the business and upgrades to the retail space and approval of a budget amendment for the incentive payment.

PROCESS

Olusolape Ogunrinola of Royal Cultures, has applied for incentives from the Village to offset the cost of improvements to a tenant space on the first floor of 1953-1955 Ridge Road within the Village's B-2 Downtown Transition zoning district. The owner plans to invest approximately \$48,000 to expand an existing wig/hair extension retail store into the space of a former salon at 1955 Ridge Road.

Staff reviewed this application for eligibility under the Business Incentive Program, which was established to provide incentives to properties outside of a TIF district through three programs: *Façade and Property Improvements*, *Go Green*, and *Retail Enhancements*. These programs allow reimbursement of up to 50% of the eligible costs.

Retail Enhancement Incentive Program is designed to strengthen retail business activity through expansion, existing businesses with no less than a 20% increase in gross floor area are eligible,

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when the existing gross floor area is greater than 1,500 square feet. This program allows 50% reimbursement of approved expenditures up to \$10,000.

The purpose of the *Façade and Property Improvement Program* is to promote revitalization by providing financial assistance for the improvement and maintenance of existing commercial buildings. Eligible expenses include exterior signage. The total cost of the proposed signage is \$4,083.27. This program allows for 50% reimbursement of approved expenditures (up to \$25,000). The total incentive under this program is \$2,000 (50% of the signage cost).

The Village's participation in the incentive programs would be the reimbursement of 25% of the eligible renovation and expansion costs, not to exceed \$12,000.

Sourcing of Funding Incentive

The funding for the \$12,000 incentive payment will be paid from the Assigned Fund Balance. Assigned Fund Balance is a self-imposed constraint with intent to use the fund balance for a specific purpose. The Village has typically utilized assigned fund balances to fund pending or future non-TIF incentives. The process of identifying and partnering incentives and projects to *assigned fund balance* is completed annually during the audit process.

OUTCOME

The Village's participation for the incentive programs would total \$12,000. This will cover 25% of the cost of improvements to the business. The funds provided by the Village would reimburse the applicant for actual expenses incurred. Costs would be reimbursed only after receipt of the payments were submitted to and approved by staff.

In developing the recommendation, staff considered the following:

- The recommended financial incentive is approximately 25% of the total build-out costs, which is less than the 50% maximum available under the Business Incentive Program and is consistent with the level of incentives offered to previous applicants.
- Many businesses that express interest in expansion in Homewood face costs associated with modernizing spaces and bringing them into compliance with fire and building codes. The recommended funding would be used to make permanent improvements to the building that will increase the long-term viability of the space.
- The recommended funding will be used to expand a retail business. Current retail sales are \$72,000. With the expansion, the applicant estimates an increase in annual sales to \$117,000 in the first year (a 38% increase), up to \$350,000 in future years. Annual revenue to the Village of Homewood is 1% sales tax (\$17,010 in first year).

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FINANCIAL IMPACT

- **Funding Source:** General Fund Assigned Fund Balance
- **Budgeted Amount:** \$0
- **Cost:** \$12,000

LEGAL REVIEW

Completed

RECOMMENDED BOARD ACTION

Approve a budget amendment in the amount of \$12,000; and, authorize the Village President to enter into an incentive agreement with Olusolape Ogunrinola, Royal Cultures, to provide financial assistance from the non-TIF Business Incentive Program for \$12,000 for building improvements at 1953-1955 Ridge Road.

ATTACHMENT(S)

- Incentive Agreement
- Application