

THE DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT

The review for determination of support for County Tax abatement for the property identified as 703-723 W. Algonquin Road (excluding 711 W. Algonquin Road) will be conducted as follows:

- I. Item by item review as per Village Procedures and Application Form
- II. Synopsis of application
- III. Correlation of application to Comprehensive Plan
- IV. Correlation of application to zoning
- V. State of economy of industry making application
- VI. Site visit summary
- VII. Site specifics of property requesting abatement
- VIII. Relationship of property tax abatement goals to application
- IX. Relationship of Village guidelines to application
- X. Finance Department review
- XI. Adherence to Zero Interest Loan program / economic program requirements
- XII. Department of Planning and Community Development recommendation

This particular approach is being utilized so as to provide ease to Village Administration and Trustees with the review of the application submitted. It is hoped that this method will encourage a realistic understanding of the application and relationship of such to the community and local economy.

I. Review Item by Item of Application

- A) INTRODUCTION: Complete. (Applicant asserts that computations are to the best of its knowledge based on current value.)
- B) PROPERTY DESCRIPTION: Complete. Submitted as Exhibit A.
- C) IDENTIFICATION OF PERSONS: Complete. Submitted as Exhibit D.
- D) PROPERTY USE: Complete. Submitted as Exhibits E, F, G, and H.
- E) TRAFFIC: Complete. Approximately 112 automobiles are projected to enter/exit the facility on a daily basis as well as an estimated 57 truck trips (32 in the morning and 25 in the late afternoon). Algonquin Road, via Arlington Heights Road and I-90, will be the main route of ingress and egress for most vehicular traffic. Per the Staff Report to the Plan Commission, 25% of the trucks entering the site will enter from Golf Road to Meijer Drive from the west (located in Rolling Meadows) and 75% will enter from Algonquin

Road to Meijer Drive to the east (located in Arlington Heights). All trucks leaving the site will utilize the existing traffic signal at Algonquin Road and Meijer Drive. When complete, the site will offer 309 parking stalls, but estimates are for only needing to utilize 169 of them, per Code. Therefore, the use meets parking requirements.

- F) **EVIDENCE OF NEW CONSTRUCTION:** Ownerships plans to construct a \$13 million spec industrial development over two phases. The first phase would result in a 140,000 square foot building, with the second phase adding an additional 190,000 square feet. Submitted as Exhibit J.
- G) **EMPLOYMENT OPPORTUNITIES:** Complete. Does not yet apply. The applicant is purchasing the property to demolish the existing buildings and attract multiple users for the proposed 330,000 square foot facility. Per the applicant's Plan Commission submittal, they estimate approximately 130 employees working on-site when the development is complete and reaches 100% occupancy.
- H) **FINANCIAL INFORMATION:** Complete. Submitted as Exhibit L.
- I) **FISCAL EFFECT:** Complete. Submitted as Exhibit M.
- J) **OTHER INDUCEMENTS:** Complete. No other inducements requested. Submitted as Exhibit N.
- K) **JUSTIFICATION:** Complete. Submitted as Exhibit O.
- L) **OTHER DATA:** Complete. Provided site plan and building dimensions. Submitted as Exhibits B and C.

II. Synopsis

Applicant wishes to obtain a Cook County Class 6b Property Tax Classification. The Class 6b classification is designed to encourage industrial development throughout Cook County by offering a real estate tax incentive for the development of new industrial facilities, the rehabilitation of existing industrial structures, and the industrial reutilization of abandoned buildings. The goal of Class 6b is to attract new industry, stimulate expansion and retention of existing industry, and increase employment opportunities.

The property at 703-723 W. Algonquin Road (excluding 711 W. Algonquin Road – separate ownership) has not previously received a Class 6b property tax abatement. Currently the site has two office tenants. These tenants would relocate from the property before demolition of the existing structures commences. Planning & Community Development Staff has reached out to assist these businesses in terms of potential relocation within Arlington Heights. The developer, which also owns the property, has indicated to Staff that redevelopment of the site is contingent upon approval of the Class 6b property tax abatement. The incentive would not become active until at least 50% of the first phase of the redevelopment is occupied.

Under the incentive provided by Class 6b, qualifying industrial real estate would be eligible for the Class 6b level of assessment from the date that new construction or substantial rehabilitation is completed and initially assessed or, in the case of abandoned property, from the date of substantial re-occupancy. Properties receiving Class 6b designation will be assessed at 10% of market value for the first 10 years, 15% in the 11th year and 20% in the 12th year. This constitutes a substantial reduction in the level of assessment and results in significant tax savings. In the absence of this incentive, industrial real estate

would normally be assessed at 25% of its market value. Again, the abatement would not take effect until at least 50% of built space is occupied by tenants.

Eligibility Requirements

Real estate is eligible for Class 6b status under the following conditions:

1. The real estate is used primarily for "industrial purposes".
2. There is either: (a) new construction, (b) substantial rehabilitation, or (c) substantial re-occupancy of "abandoned" property.
3. An Eligibility Application and supporting documents have been timely filed with the Office of the Assessor according to deadlines as set forth in the "What Must Be Filed" and "Time for Filing" sections.
4. The municipality in which such real estate is located (or the County Board, if the real estate is located in an unincorporated area) must, by lawful resolution or ordinance, expressly state that it supports and consents to the filing of a Class 6b Application and that it finds Class 6b necessary for development to occur on the subject property.

The applicant wishes to obtain a Cook County Class 6b Property Tax classification. The Law Offices of Crane & Norcross filed the original Class 6b application on behalf of the applicant, Arlington Heights1, LLC (Hamilton Partners).

III. Correlation of Application to Comprehensive Plan

The General Comprehensive Plan indicates that this property should be research, development, manufacturing and warehouse.

- Storage, Assembly, and Light Manufacturing 97%
- Offices 3%

This takes into account the planned development of 319,000 square feet of industrial space and an estimated 11,000 square feet of office.

IV. Correlation of Application to Zoning

The Zoning Map revised January 1, 2018 designates the relevant parcel as an **M-2 Limited Heavy Manufacturing** zoning district. Within this district warehousing, distribution, and development are permitted, as well as some heavy manufacturing. As anticipated, the primary uses of the subject site fall under the Zoning Code Permitted Use Table as "Wholesale, and Warehouse Facility" which is permitted outright in M-2 zoning. Per estimates from the Plan Commission Staff Report, the site will have a surplus of 140 parking spaces above Code. The following chart details the proposed parking scenario at 703-723 W. Algonquin Road, incorporating planned growth over the next 10 years:

PHASE	PARKING CODE USE	NUMBER OF EMPLOYEES	NUMBER OF VEHICLES	SQUARE FEET	PARKING RATIO	PARKING REQUIRED
Phase I	Office	N/A	N/A	5,460	1 space per classroom plus two space per employee	18.2
	Warehouses and Storage	65	26	N/A	1 space per vehicle plus 1 space per every two employees	58.5
Phase II	Office	N/A	N/A	5,460	1 space per classroom plus two space per employee	18.2
	Warehouses and Storage	65	42	N/A	1 space per vehicle plus 1 space per every two employees	74.5
Total Parking Required						169
Total Parking Provided						309
Parking Surplus/(Deficit)						140

V. State of Economy of Industry Making Application

The properties of 703-709 / 715-723 W. Algonquin Road represent 15.4 acres with two buildings of a cumulative square footage of 200,000. Currently the facility at 703-709 W. Algonquin is 100% vacant and has been for several years. The other building, adjacent to the south of the former, is approximately 50% vacant with two existing tenants.

Hamilton Partners has purchased these two properties and aims to demolish the existing buildings in order to construct a 330,000 square foot spec industrial facility. This is due to the site's access to I-90, as well as the obsolescence of the existing buildings. This facility would be completed in two phases, with the initial 140,000 square feet to be constructed on the northern half, while the remaining 190,000 square feet are to be built upon the first phase achieving some occupancy. This project has been approved by the Village Board and is awaiting final plat approval as well before beginning construction.

The Village's Class 6b guidelines suggest that the applicant have a minimum employment threshold of 25 employees. As the property has not yet been redeveloped, it is impossible to know exactly how many workers the new building will generate. That being said it is highly likely a 330,000 square foot facility will attract more than 25 employees. Per the Plan Commission staff report for this development, in discussions with the developer, and in order to help analyze the parking requirements for the property, it was gauged that approximately 130 workers would be standard for a development of this scope. This would far exceed the minimum 25 employee municipal requirement for the incentive.

As the development is being completed over two phases, two incentive requests are being made, one for each phase. Over the 12-year life of the incentive, the applicant estimates that the property will generate over \$2.2 million more in property taxes with the Class 6b designation than if the property were to remain partially occupied as it is now. While the buildings may not have remained vacant for 12 more years, the intent of the Class 6b program is to facilitate industrial occupancy as quickly as possible. Furthermore, years of vacancy and disinvestment had rendered the buildings less desirable than other nearby industrial/flex properties. Even with the abatement, the applicant expects the property to generate \$5.73 million in total parking tax revenue through 2028 (payable 2029).

VI. Site Visit

As this represents new construction, and not an existing/relocating business, no site visit was conducted. Planning & Community Development Staff has worked extensively with the developer since December 2016 and assisted in regards to the Plan Commission process.

VII. Site Specifics of Property Requesting Abatement

For the proposed redevelopment of 703-709 / 715-723 W. Algonquin Road, the property owner/developer is applying for a Class 6b property tax abatement that would allow the redevelopment of the 15.4 acre site. The site specifics are provided below:

- A. The facility at 703-709 W. Algonquin Road has been 100% vacant for several years. Meanwhile, the facility at 715-723 W. Algonquin Road is currently only 50% occupied in terms of square footage. The buildings were constructed in 1978-1979 and are suffering from obsolescence.
- B. The combined cost of demolishing the existing buildings and constructing the new facility over two phases is approximately \$13 million. The owner has stated that it would not be economically feasible for completion of the project without the incentive.
- C. Although it is unknown exactly how many tenants and employees would occupy the completed 330,000 square foot facility, Village Staff and the developer estimated that approximately 130 workers would hypothetically occupy a facility of this size based upon comparable facilities around the Chicago area, including others owned by Hamilton Partners, the parent company of the applicant. The development would benefit the community in terms of residual spending from employees and clients, and a long-term increase in property tax revenue at the site.

By definition, “The purpose of the M-2 District is to provide adequate space in appropriate locations for manufacturing and other activities. This district should be accessible to major railroads and arterial streets designated on the Village Official Map or Village Comprehensive Plan Map...Performance standards protect residential areas by restricting objectionable manufacturing activities such as noises, vibration, smoke, dust, odors, heat, glare, fire hazards, and other objectionable influences.”

The proposed development would be built to house a variety of potential industrial uses (manufacturing, assembly, warehousing, etc.) Each individual business would need to apply for a business license, and Planning & Community Development Staff would determine whether the proposed user meets zoning and parking requirements.

VIII. Relationship of Property Tax Abatement Goals to Application

The initial intent of the County Assessor's revised property tax incentive plan is to encourage new industrial and commercial development within the County. Reacting to slowed development in the commercial and industrial sectors, the Assessor recognized that the property tax rates in Cook County were higher than those of neighboring counties, which were seeing gains in the previously mentioned sectors. The Class 6b Property Tax Abatement program demonstrates an ongoing desire by Cook County officials to maintain their commercial and industrial competitiveness with the rest of the Chicago metropolitan region. In this instance, the abatement would allow for the redevelopment of an antiquated and mostly-vacant property into the first spec industrial building constructed in Arlington Heights in over 10 years. The economic impact would be shown in employment growth, an increase in local consumer spending, and an increase in property value of the site.

IX. Relationship of Village Guidelines to Application

The Class 6b incentive renewal provides a 10% assessment level for the first 10 years, 15% in the 11th year and 20% in the 12th year. This constitutes a substantial reduction in the level of assessment and results in significant tax savings. In the absence of this incentive, industrial real estate would normally be assessed at 25% of its market value.

This provision requires that the applicant be a manufacturing or warehousing operation and may include high technology land uses. This incentive is available throughout Cook County, but requires municipal approval prior to County officials granting the abatement. Further, localities may adopt guidelines of their own. These specifications may place restrictions such as minimum number of employees, residency, or square feet of operation.

The Village of Arlington Heights initiated its own guidelines in May, 1990. These guidelines require:

1. The application fee shall have been paid.
2. The application form shall have been completed with attachments.
3. The business must be a manufacturing, industrial, research, warehousing, or fabricating firm for an excess of 51% of the structure's floor space or an excess of 51% of the employees.
4. The business must employ at least 25 individuals during the period when the taxes are abated.
5. The application (Section VI, VII, VIII and IX) must show a five-year financial benefit to the Village and no negative effect on any similar Village firm.

Guideline #3 is met by this application as an estimated 97% of the floor space would be dedicated to warehousing and light manufacturing, with the remaining 3% dedicated to office space. Guideline #4 is expected to be met as the applicant anticipates approximately 130 workers to occupy the property when completed. Guideline #5 is met by the redevelopment of an antiquated and mostly-vacant property into a new, modern industrial site more suited to attract businesses and bring workers to Arlington Heights.

X. Finance Department Review

The Finance Department has reviewed the application and has no objections.

XI. Adherence to 0% Interest Loan Program Requirements / Economic Development Activities

In order to receive approval from the Village of Arlington Heights for the Class 6b tax abatement, the applicant must formally execute an agreement with the Village. This agreement is a commitment to rebate 10% of the applicant's savings from the abatement to the Village over the first five years of the incentive. The savings will be placed in the Zero Interest Loan fund, to be distributed to new or expanding businesses within Arlington Heights that have applied and been approved for such a loan, or for other economic development activities. The applicant has signed the formal agreement and is willing to rebate the Village 10% of their property tax abatement savings in order to help the Village enhance its business community.

XII. Department of Planning and Community Development Recommendation

The intent of the Class 6b tax abatement program is to allow participating communities in Cook County to provide an incentive to office research, manufacturing, and warehousing firms to locate and/or expand within the County. This program provides for a renewal of the adjusted property tax in addition to new tax abatements by reducing the tax rate for a twelve-year period provided that a fiscal benefit continues to return to the host community.

The request for tax abatement is recommended for approval. The program is designed to facilitate the ongoing, long-term use of the property located at 703-709 / 715-723 W. Algonquin Road. It is imperative that the community continues to demonstrate that it is ready to aggressively assist business development provided that it does not negatively impact the Village's quality of life.

The abatement would further benefit the community by bringing new industrial development to the community, and replacing two facilities that are 40 years old (with one building having been completely vacant for the past several years). The applicant speculates that this new 330,000 square foot development could create 130 jobs from the tenants that would move in. Also, as demonstrated in the application, the Village will see a much greater return on property taxes with the Class 6b than if the buildings were to remain partially occupied, or if both were to become completely vacant, over the same period of time.

The abatement would benefit the community through \$13 million of redevelopment to the property. Additionally, this would help attract new businesses to the community and allow them to grow in the future, creating additional employment opportunities over the next decade.

As is always the case with Class 6b property tax abatement requests, the applicant finds Cook County commercial property taxes to be burdensome. An illustrative comparison of Cook County and DuPage County taxes follows:

For use as an EXAMPLE:

	<u>COOK</u>	<u>COOK (W/CLASS 6B)</u>	<u>DUPAGE</u>
Market Value	\$17,220,000	\$17,220,000	\$17,220,000
Assessment Level	x <u>.25</u>	x <u>.10</u>	x <u>.33</u>
Assessed Valuation	\$4,305,000	\$ 1,722,000	\$ 5,682,600
Equalization Factor	x <u>2.9627</u>	x <u>2.9627</u>	x <u>1.0000</u>
Equalized Value	\$12,754,424	\$ 5,101,769	\$ 5,682,600
Tax Rate (per \$100)	x <u>9.304%</u>	x <u>9.304%</u>	x <u>9.530%*</u>
Taxes	\$ 1,186,672	\$ 474,669	\$ 541,552

*Note: DuPage County tax rate based upon that of a recently developed, similarly-sized industrial facility to the one proposed for this property.

DuPage County taxes for a property valued at \$17.2 million are about \$645,000 lower than Cook County taxes in this instance. In other terms, Cook County property taxes are 119% higher than DuPage County non-residential property taxes in this example. With the Cook County 6b abatement, property taxes become exponentially more competitive (12.4% lower than DuPage property taxes) in this instance.

As with the granting of Class 6b tax abatements in general, the net result of encouraging Class 6b tax abatements will provide for a more aggressive atmosphere for economic development in Arlington Heights than other communities in the six-county region. Hamilton Partners has a long track record of quality industrial development and business recruitment. Support of this incentive request will help the property thrive in the long-term and help re-tenant a site that has been mostly vacant for several years, ensuring its ability to serve Arlington Heights businesses in the present and in the future.