

THE DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT

The review for determination of support for County Tax abatement for the property identified as 3722 N. Ventura Drive 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 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 Attachment A.
- C) IDENTIFICATION OF PERSONS: Complete. Submitted as Attachment D.
- D) PROPERTY USE: Complete. Identified in application and submitted as Attachment E.
- E) TRAFFIC: However, the applicant projects about 10 automobiles and 2-3 trucks would enter/exit the site on a daily basis once Witron begins occupation at this new facility. The site offers 97 parking spaces.

- F) EVIDENCE OF NEW CONSTRUCTION: Complete. Witron is planning a \$5 million to \$10 million renovation to the property at 3722 N. Ventura Drive, primarily involving the installation of an automated storage and retrieval system.
- G) EMPLOYMENT OPPORTUNITIES: Complete. The proposed Class 6b facility at 3722 N. Ventura will start with five employees relocated from their current facility at 3721 N. Ventura, possibly growing to as many as 30 over the next ten years. Meanwhile, this will enable Witron to attract up to 50 more employees at their current site.
- H) FINANCIAL INFORMATION: Complete. Submitted as Attachment L.
- I) FISCAL EFFECT: Complete. Submitted as Attachment M.
- J) OTHER INDUCEMENTS: Complete. No other inducements requested. Submitted as Attachment N.
- K) JUSTIFICATION: Complete. Submitted as Attachment O.
- L) OTHER DATA: Complete. Provided copy of eligibility application to Cook County, copy of plat of survey, and site aerial. Submitted as Attachments 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 3722 N. Ventura Drive has not previously received a Class 6b property tax abatement. Currently the site is 100% vacant. The previous tenant, *The Chicago Tribune*, vacated the property in July 2018. The prospective buyer, Witron, would expand from their current operation at 3721 N. Ventura Drive to add this location. The purchase is contingent upon the property receiving Class 6b approval:

23.14. Class 6b Designation. It shall be a condition precedent to Purchaser's obligation to proceed to Closing that the Village of Arlington Heights shall have adopted a resolution whereby (or otherwise formally confirmed that) the Property qualifies for real property assessment classification "6b" under the Cook County Real Estate Classification Ordinance. To the extent reasonably requested by Purchaser, Seller shall provide any information specifically applicable to the Class 6B Designation to Purchaser.

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.

Please note that the applicant is applying for the Class 6b under “special circumstances”, as this property will not have been 100% vacant for at least two years prior to closing. Per the *Cook County Class 6b Eligibility Bulletin*:

Abandoned property: "Buildings and other structures that, after having been vacant and unused for at least 24 continuous months, are purchased for value by a purchaser in whom the seller has no direct financial interest." An exception to this definition shall be, "if the municipality or the Board of Commissioners, as the case may be, finds that special circumstances justify finding that the property is 'abandoned' for the purpose of Class 6b."

The finding of abandonment, along with the specification of the special circumstances, shall be included in the resolution or ordinance supporting and consenting to the incentive application. Notwithstanding the foregoing, special circumstances may not be determined to justify finding that a property is deemed "abandoned" where:

- A. There has been a purchase for value and the buildings and other structures have not been vacant and unused prior to such purchase; or
- B. There has been no purchase for value and the buildings and other structures have been vacant and unused for less than 24 continuous months.

If the ordinance or resolution containing a finding of "special circumstances" is that of a municipality, the approval of the County Board of Commissioners is required to validate such a finding that the property is deemed "abandoned" for purposes of the incentive, and a resolution to that effect shall be included with the eligibility application.

The resolution must include that this Class 6b abatement was approved by the municipality supporting “special circumstances” in this instance. The applicant would like to justify this need by providing substantial improvement to an antiquated facility. Additionally, the industrial/flex vacancy rate is currently 13.6% in Arlington Heights (source: CoStar, August 2019). Complete re-occupancy of this building would immediately reduce the vacancy rate by over one-quarter percent to 13.3%.

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.

Applicant wishes to obtain a Cook County Class 6b Property Tax classification. The Law Offices of Liston & Tsantilis filed this Class 6b application on behalf of the applicant, **Witron Integrated Logistics**, with Village Staff on September 23, 2019. An original application for the current owner was filed in January 2019. However, this was withdrawn in order to accommodate Witron’s prospective purchase of the property.

III. Correlation of Application to Comprehensive Plan

The General Comprehensive Plan indicates that this property should be research, development, manufacturing, and warehouse. Within this designation the layout of the building is appropriate: industrial and office.

- Industrial/Manufacturing/Warehouse Space 85%
- General Office Space 15%

This takes into account approximately 12,650 square feet of industrial space and 2,230 square feet of office space.

IV. Correlation of Application to Zoning

The Zoning Map revised January 1, 2019 designates this parcel as an M-1 Research, Development and Light Manufacturing zoning district. Within this district warehousing, distribution and development are permitted, as are research, office, and light manufacturing uses. Although the applicant is the property owner and not a tenant, they will be conducting substantial rehabilitation to the facility in order to make it more enticing for an entity that meets zoning criteria.

V. State of Economy of Industry Making Application

Witron is a German-based company whose primary North American operation is in Arlington Heights at 3721 N. Ventura. Witron helps food companies utilize warehousing and logistics with greater efficiency. The company occupies this entire 24,000 square foot facility, but has outgrown their space in order to accommodate both their administrative/IT operations, as well as their warehousing operation.

As this is the case, Witron would like to purchase the adjacent 3722 N. Ventura Drive. This would enable the company to move their entire warehousing operation to this new facility, and grow their administrative/IT operation entirely within their current building. Witron representatives estimate that their operation in 3721 N. Ventura could add an additional 50 employees over the next decade, due to this investment. Additionally, their operation at the new building, 3722 N. Ventura, could grow from an initial five employees to as many as 30 during the life of the incentive. According to Witron representatives, they need the Class 6b designation in order to afford the new building. Without it, they will quickly outgrow their current facility and need to relocate.

As the property at 3722 N. Ventura Drive has not been 100% vacant for at least two years, the applicant is seeking “special circumstances” that would grant them the Class 6b designation. Justification of economic benefits would include an increase in property value, a long-term increase in property taxes, retention of a large and growing business in the Village, and rapid employment growth at both sites.

VI. Site Visit

Planning and Community Development Department staff met with representatives of the seller on August 5 to walk through the facility in its current state. The office space is severely outdated and in need of repair, as well as the restrooms for the facility. A new or renovated roof is also important. The warehouse portion will also likely need to be altered to suit the future tenant’s needs and a renovated parking lot is crucial. Improvements by both the owner and incoming tenant will be needed to modernize the property.

Staff from Planning and Community Development met with a representative of Witron on September 19, where the plans for the purchase of property were divulged. Staff can verify that the company is essentially maxed-out in terms of warehousing space.

VII. Site Specifics of Property Requesting Abatement

The building in question, 3722 N. Ventura Drive, is 14,880 square feet in size. Witron Integrated Logistics is applying for a Class 6b property tax abatement that would allow them to complete a renovation to the entire building to enable an expansion of their campus and accommodate their warehousing operation. The site specifics are provided below:

- A. The property has been 100% vacant since July 2018 when the tenant, *The Chicago Tribune*, ceased operations at this site. The applicant is applying for “special circumstances” through the County since the property has not been completely vacant for over 24 months.
- B. The buyer’s cost of completing improvements is estimated at approximately \$5 million to \$10 million. Without the abatement, property ownership has stated that they cannot make the required renovations to secure the site for a potential tenant.
- C. The tenant is projecting immediate employment growth. The company currently employs 50 full-time staff. By Year 10 of the Class 6b incentive for 3722 N. Ventura Drive they anticipate formally employing 20-30 workers at their new facility, and employing 80-100 at their old facility.

The building will be renovated to help Witron grow within Arlington Heights. Witron meets zoning standards as allowed by the M-1 district (Research, Development, and Light Manufacturing). By definition, “The purpose of the M-1 District is to encourage the grouping of offices, research offices and laboratories, light manufacturing uses, and ancillary business uses...performance standards protect residential areas by restricting objectionable manufacturing activities such as noise, vibration, smoke, dust, odors, heat, glare, fire hazards, and other objectionable influences.”

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 above those of neighboring counties, which were seeing a rise in the previously mentioned sectors. The Class 6b Property Tax Abatement program demonstrates an ongoing desire by Cook County officials to maintain Cook County's commercial and industrial competitiveness with the Chicago metropolitan region.

In this instance, the abatement would allow for the rehabilitation of an antiquated building that has been completely vacant for over a year. Rehab to the property would encourage the prospective buyer to occupy the restored 14,880 square foot space, and help retain this company. The economic impact would be shown in employment growth, a reduction in the Village’s industrial/flex vacancy rate, and a growth in the site’s property value.

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 the following:

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 85% of the floor space is dedicated to industrial use, with the remaining 15% dedicated to office space. Guideline #4 is not met initially as the applicant would only employ five workers, to start, at the new site. However, the possibility exists that, by the end of the incentive period, they may employ as many as 30 workers at the site, which would exceed the Village's guidelines. In the interim, they are seeking an exemption from the requirement of having 25 workers at the Class 6b site. Guideline #5 is met by the inevitable increase in property value, long-term property tax revenue from the proposed renovations, and projected growth in employment.

X. Finance Department Review

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

XI. Adherence to Zero Interest Loan Program Requirements

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. Witron representatives have signed a formal agreement expressing willingness to rebate the Village 10% of their property tax abatement savings in order to help the Village enhance its business community. Such rebate is to be placed in the Zero Interest Loan fund in order to fund such loans or other economic development activities as the Village deems appropriate or desirable.

XII. Department of Planning and 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.

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	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000
Assessment Level	x .25	x .10	x .33
Assessed Valuation	\$ 280,000	\$ 112,000	\$ 369,600
Equalization Factor	x 2.9109	x 2.9109	x 1.0000
Equalized Value	\$ 815,052	\$ 326,021	\$ 369,600
Tax Rate (per \$100)	x 11.684%	x 11.684%	x 9.290%
Taxes	\$ 95,231	\$ 38,092	\$ 34,336

DuPage County taxes for a comparable renovated building are nearly \$61,000 lower than Cook County taxes in this example. In other terms, DuPage County property taxes are approximately 177% lower than Cook County non-residential property taxes. With the Class 6b abatement in this instance, Cook County property taxes become exponentially more competitive (10.9% higher than DuPage property taxes).

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. If approved, the Class 6b designation will help retain a growing business in Arlington Heights, as well as help rehab a property that has been vacant for over one year.