

## THE DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT

The review for determination of support for County Tax abatement for the property identified as 1455 W. Shure 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: The applicant projects about 150-200 automobiles and 180-260 trucks would enter/exit the site on a daily basis. The truck departures will be staggered so that they are not all departing from the site at the same time. When site renovations are complete, it will offer 738 parking spaces.

- F) EVIDENCE OF NEW CONSTRUCTION: Complete. Ownership and the prospective tenant are planning a rehab/renovation of the property totaling up to \$4.4 million. This includes interior demo, build-out of office space, installation of dock equipment, parking lot expansion, and installation of new HVAC and alarm systems.
- G) EMPLOYMENT OPPORTUNITIES: Complete. The tenant will employ 20-30 full-time management workers, 130 part-time package handlers, and 181 delivery drivers. Improvements to the site will also temporarily employ 230 construction jobs. The applicant has verified that these workers will be paid prevailing wage.
- H) FISCAL EFFECT: Complete. Submitted as Attachment M.
- I) OTHER INDUCEMENTS: Complete. No other inducements requested. Submitted as Attachment N.
- J) JUSTIFICATION: Complete. Submitted as Attachment O.
- K) OTHER DATA: Complete. Provided copy of Cook County eligibility application, ALTA land title survey, site aerial, and last five years of tax payment history (per the Count Assessor's website). 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 1455 W. Shure Drive has an active Class 6b property tax abatement, last renewed by the Village in March 2013. The applicant is requesting a new Class 6b designation, having 2020 be considered Year 1 of the 12-year incentive, as a contingency made by the proposed tenant. Currently the site is 100% vacant. The previous tenant, Nokia, vacated the property in December 2017. The contract purchaser, The GC Net Lease (Arlington Heights), would lease the entire 215,000 square foot facility to the one tenant. Again, 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 there has been no purchase for value (i.e. the current property owner will maintain ownership and lease to the prospective tenant). 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 a \$4.4 million investment in the property. Additionally, the industrial/flex vacancy rate is currently 16.3% in Arlington Heights (source: CoStar, January 2020). Complete re-occupancy of this building would immediately reduce the vacancy rate by over four percent to 12.2%.

### ***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, **THE GC NET LEASE (ARLINGTON HEIGHTS) INVESTORS LLC**, with Village Staff on January 27, 2020.

### 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 95%
- General Office Space 5%

This takes into account approximately 204,500 square feet of warehouse and logistics space, and 10,500 square feet of office space.

### IV. Correlation of Application to Zoning

The Zoning Map revised January 1, 2020, designates the relevant 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. The proposed use of the subject site falls under the Zoning Code Permitted Use Table as a “Wholesale, and Warehouse Facility” which is permitted outright in M-1 zoning.

### V. State of Economy of Industry Making Application

The facility at 1455 W. Shure Drive is a 215,000 square foot industrial/office facility that has been vacant since December 2017, when it was vacated by Nokia. Prior to being a site of operations for Nokia, it had been part of a larger campus for Motorola. Ownership of the property wishes to re-tenant the building with the operation of a national corporation, which has requested confidentiality at this juncture. This company would use the entirety of the building for distribution of product. There would be no manufacturing on-site, strictly short-term warehousing (less than 24 hours) and distribution.

There is an existing Class 6b on the site, which was approved as a renewal in 2013. Due to the property tax burden on the site, the company’s lease is contingent upon approval of a new Class 6b designation, which would restart the 12-year incentive period at Year 1. The company has stated that they will bring 20-30 full-time management-level positions to the site. As the property at 1455 W. Shure Drive is not being purchased for value, 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, attraction of a national company to the Village that will reoccupy a significant amount of vacant space, and housing over 200 workers throughout the day.

### VI. Site Visit

Planning and Community Development Department and Building Department staff met with representatives of the contract purchaser on October 11, 2019 to walk through the facility in its current state. Ownership plans to do interior demo to much of the office space in order to get the building into a state to house an operation more geared towards warehousing and distribution. Total improvements to the site are estimated at around \$4.4 million. Staff from Planning and Community Development met with representatives of the prospective tenant on January 23, where the plans for the use of the site were divulged and discussed.

## **VII. Site Specifics of Property Requesting Abatement**

The building in question, 1455 W. Shure Drive, is 215,000 square feet in size. THE GC NET LEASE (ARLINGTON HEIGHTS) INVESTORS LLC is applying for a Class 6b property tax abatement that would allow them to complete a demolition/renovation to the interior to accommodate their potential tenant's build-out. The site specifics are provided below:

- A. The property has been 100% vacant since December 2017 when the tenant, Nokia, ceased operations at this site. The applicant is applying for "special circumstances" through the County since the property is not being purchased for value (i.e. current ownership will remain and lease the building to the new tenant).
- B. The property currently has an active Class 6b designation that was renewed in March 2013 for Nokia. The site was previously approved for Class 6b designations in 1988 and 2000 to accommodate Motorola.
- C. The buyer's and tenant's cost of completing improvements is estimated at approximately \$4.4 million. Without restarting the abatement in Year 1, the prospective buyer has said that they cannot move forward with improvements, nor get a commitment from their prospective tenant.
- D. The tenant anticipates employing 20-30 full-time management-level staff. Additionally, the company will employ 130 part-time warehouse workers, and 181 commercial drivers.

The building will be renovated to help a large company grow within the northwest suburban market and establish a location in Arlington Heights. The company 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 renovation and re-occupancy of a building that has been completely vacant for over two years. Rehab to the property would enable a company to establish an operation in Arlington Heights, taking up 215,000 square feet of vacant space. This includes interior demo, build-out of office space, installation of dock equipment, parking lot expansion, and installation of new HVAC and alarm systems. 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 95% of the floor space is dedicated to industrial use, with the remaining 5% dedicated to office space. Guideline #4 is met in that the company will provide 20-30 full-time workers on-site, along with over 300 part-time warehouse workers and commercial drivers, who will be working 5-6 hours per day. Guideline #5 is met by the inevitable increase in property value, long-term property tax revenue from the proposed renovations, and residual spending from the company's employees within the Village.

## **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. The contract purchaser has 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><b>COOK</b></u>	<u><b>COOK (W/CLASS 6B)</b></u>	<u><b>DUPAGE</b></u>
Market Value	\$17,408,132	\$17,408,132	\$17,408,132
Assessment Level	x .25	x .10	x .33
Assessed Valuation	\$ 4,352,033	\$ 1,740,813	\$ 5,744,684
Equalization Factor	x 2.9109	x 2.9109	x 1.0000
Equalized Value	\$12,668,333	\$ 5,067,333	\$ 5,744,684
Tax Rate (per \$100)	x 11.684%	x 11.684%	x 9.290%
<b>Taxes</b>	<b>\$ 1,480,168</b>	<b>\$ 592,067</b>	<b>\$ 533,681</b>

DuPage County taxes for a comparably valued and renovated building are nearly \$950,000 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 attract a national company to Arlington Heights, as well as help rehab a property that has been vacant for two years.