

THE DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT

The review for determination of support for County Tax abatement for the property identified as 1400-1500 W. Dundee 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 the Village Board and Administration 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 300-500 automobiles and 40-60 trucks would enter/exit the site on a daily basis. When construction is complete, it will offer 599 parking spaces.

- F) EVIDENCE OF NEW CONSTRUCTION: Complete. Ownership and the prospective tenant are planning a complete redevelopment of the property totaling up to \$40 million when inclusive of the cost of building materials. Work includes demo of two existing vacant buildings and redevelopment of the property including two new spec industrial facilities.
- G) EMPLOYMENT OPPORTUNITIES: Complete. The development is being built on speculation, with no specific tenant in-hand at this point. The applicant estimates that approximately 125 full-time positions will be created per this development, contributing an estimated \$530,000 in employing spending to the Village's economy annually. Improvements to the site will also temporarily employ 25-50 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, and site plan. 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 1400-1500 W. Dundee Road received a Class 6b designation in 1997 that has since expired. The property was under different ownership at that time. The two buildings currently on the property have been completely vacant for several years. The developer, who would purchase the property, has indicated to Staff that the project cannot move forward without approval of the Class 6b property tax abatement. The property tax abatement would not become active until at least 50% of the useable square footage 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.

The industrial/flex vacancy rate is currently 13.0% in Arlington Heights (source: CoStar, August 2021). If the vacancy rate were to remain static, redevelopment and complete re-occupancy of this site would reduce the vacancy rate by nearly seven percent to 6.2%.

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, RPG Acquisitions LLC (now **RPG Arlington Heights Development, LLC**) with Village Staff on June 23, 2021.

III. Correlation of Application to Comprehensive Plan

The Village's Comprehensive Plan indicates that this property has been designated for "Commercial" uses. However, per the developer's Plan Commission approval, the site would be designated as "R&D, Mfg., Warehousing" on the Comp Plan moving forward. Therefore, within this designation the layout of the building is appropriate: industrial and office.

- Industrial/Manufacturing/Warehouse Space 90%
- General Office Space 10%

This takes into account approximately 459,000 square feet of industrial space, and 51,000 square feet of office space.

IV. Correlation of Application to Zoning

The Zoning Map revised January 1, 2020, designates the relevant parcels as **M-1 Research, Development, and Light Manufacturing** making up the southeast corner of the proposed development, and **B-3 General Service, Wholesale and Motor Vehicle District** encompassing the northern portion of the project. The developer was approved for a planned unit development (PUD) on September 8, 2021, in order to provide zoning allowances for the proposed industrial redevelopment on the site.

V. State of Economy of Industry Making Application

The existing development at 1400-1500 W. Dundee Road encompasses 550,000 square feet of primarily industrial space that has been 100% vacant since December 2017. The potential buyer of the property wishes to redevelop the site, demolishing the existing structures and constructing two new spec industrial buildings. One building of 305,000 square feet would be built on the footprint of the existing structure. A second building, of about 205,000 square feet, would be constructed immediately north of the exiting Lexus of Arlington dealership. Both buildings would be built on spec, meaning there is no current tenant in-hand, and the new facilities would be marketed to prospective businesses.

A previously approved Class 6b for the site has been inactive for over a decade. There is no active Class 6b on the property currently. Due to the property tax burden on the site, the buyer is requesting the property tax abatement in order to make the project financially feasible. Justification of economic benefits would include an increase in property value, a long-term increase in property taxes, and the attraction of new businesses and workers to the community. The applicant estimates that, at 100% occupancy, approximately 125 workers could be employed by the tenants. Spending by these workers at Arlington Heights businesses would be a further boon to the local economy.

VI. Site Visit

Village Staff has toured the site numerous times over the years and has verified that the existing building is obsolete based upon modern industrial needs. Staff has also worked closely with the developer on the project as a whole, including review of plans, as part of the Plan Commission process.

VII. Site Specifics of Property Requesting Abatement

RPG Arlington Heights Development, LLC is applying for a Class 6b property tax abatement that would allow them to complete a demolition of the existing buildings at 1400-1500 W. Dundee Road in order to construct two industrial spec buildings totaling 510,000 square feet of space. The site specifics are provided below:

- A. Both existing buildings have been 100% vacant for several years, with the west building being vacant for more than eight years, and the east building completely unoccupied since 2017.
- B. The property currently does not have an active Class 6b designation. A Class 6b approved for the property in 1997 has long since expired.
- C. The developer's cost of completing this project is estimated at approximately \$40 million. Since the project was initially planned, the need to construct a detention vault to support truck traffic has added an additional \$4.1 million to the project cost. Coupled with a substantial increase in the cost of steel and roofing has added \$7.5 million to the total development cost. The developer has stated that the project cannot move forward without Class 6b approval.
- D. The developer is also planning significant sustainable design features including energy-efficient LED lighting, rainwater collection via underground infiltration, and clerestory windows.
- E. The new facilities are being built on spec, and there are currently no tenants committed to leases. The developer anticipates that, when 100% occupied, the site could employ approximately 125 full-time workers who would contribute an estimated \$530,000 to the community annually.

The property will be redeveloped to replace obsolete buildings and bring new companies and newer industrial facilities to Arlington Heights. The development and prospective tenants are expected to meet zoning standards per the site's approved Planned Unit Development (PUD).

VIII. Relationship of Property Tax Abatement Goals to Application

The intent of the Cook County Class 6/7 programs are to encourage new industrial and commercial development within the county. This property tax abatement program demonstrates an ongoing desire by Cook County officials to maintain its commercial and industrial competitiveness within the Chicago metropolitan region.

In this instance, the abatement would allow for the redevelopment of a long-vacant property, and the demolition of obsolete structures nearly 50 years old, to accommodate modern facilities. Redevelopment of the property would enable multiple companies to establish an operation in Arlington Heights, taking up 510,000 square feet of new industrial space. 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 individual restrictions such as minimum number of employees or size of operation.

The Village of Arlington Heights initiated its own guidelines in May 1990, and these have been updated since that time. The current community 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 90% of the floor space is dedicated to industrial use, with the remaining 10% dedicated to office space. Guideline #4 is expected to be met with an estimated 125 full-time workers to be on-site when full occupancy is reached. Guideline #5 is met by the inevitable increase in property value, long-term property tax revenue from the proposed redevelopment, and residual spending from the tenants' 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 / Economic 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>COOK</u>	<u>COOK (W/CLASS 6B)</u>	<u>DUPAGE</u>
Market Value	\$51,125,559	\$51,125,559	\$51,125,559
Assessment Level	x <u> .25</u>	x <u> .10</u>	x <u> .33</u>
Assessed Valuation	\$12,781,390	\$ 5,112,556	\$16,871,434
Equalization Factor	x <u> 2.9160</u>	x <u> 2.9160</u>	x <u> 1.0000</u>
Equalized Value	\$37,270,533	\$14,908,213	\$16,871,434
Tax Rate (per \$100)	x <u> 10.449%</u>	x <u> 10.449%</u>	x <u> 6.037%</u>
Taxes	\$ 3,894,398	\$ 1,557,759	\$ 1,074,710

DuPage County taxes for a comparably sized and valued property are nearly \$3 million lower than Cook County taxes in this example. In other terms, DuPage County property taxes are approximately 262% lower than Cook County non-residential property taxes. With the Class 6b abatement in this instance, Cook County property taxes become exponentially more competitive (still 45% 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 redevelop an aging property, attract new businesses to Arlington Heights, and garner residual spending to support existing businesses from new employees in the community.