

THE DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT

The review for determination of support for County Tax abatement for the property identified as 3727 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 / 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 45-50 automobiles and 2-3 UPS trucks would enter/exit the site on a daily basis. The site currently offers 90 parking spaces.

- F) EVIDENCE OF NEW CONSTRUCTION: Complete. The buyer/tenant is anticipating renovation expenses totaling up to \$325,000. Work to be done includes roof replacement, installation of a compressed air system, and miscellaneous interior and electrical improvements.
- G) EMPLOYMENT OPPORTUNITIES: Complete. The company that would occupy the site, Kolbi Pipe Marker, currently employs 50 full-time and two part-time staff. The business projects employing approximately 75 full-time workers over the next five years. Improvements to the site will also temporarily employ 5-10 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 ALTA survey, site aerial, economic disclosure statement, and purchase agreement. Submitted as Attachments B, C, and D.

II. Synopsis

Applicant wishes to obtain a renewal of a Cook County Class 6b Property Tax Classification for the property, which was originally approved by the Village Board in February 2014. 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 site is currently in the seventh year of its initial Class 6b. However, the site became 100% vacant and unused in January 2021 when the previous occupant vacated. The applicant, who is currently under contract to purchase the subject property, and who has conditioned its purchase of the subject property on the Village's approval of the incentive, is seeking a renewal at this time so that they may activate the renewal in the 10th year of the property's initially approved Class 6b.

Following a reset of the abatement period to Year One in 2024 (payable in 2025), the property would remain assessed at 10% for ten years. It would then rise to 15% in Year 11, then 20% the following year, before returning to the standard 25% annual assessment of market value for Cook County industrial properties. This continues 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.

Currently the industrial/flex vacancy rate in Arlington Heights is 12.8%. With purchase and occupancy of 3727 N. Ventura, this would bring the vacancy rate down to around 12.1%. (CoStar – Dec. 2021)

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 renewal. The Law Offices of Rock Fusco & Connelly, LLC filed the Class 6b application on behalf of the applicant, Pine Tree Holdings, LLC.

III. Correlation of Application to Comprehensive Plan

The Village's General Comprehensive Plan indicates that current and future use of the property is designated for research and development, manufacturing, and warehousing.

- Light Manufacturing and Warehousing 56%
- Offices 44%

This takes into account approximately 20,000 square feet of industrial space and an estimated 16,000 square feet of office.

IV. Correlation of Application to Zoning

The Village's current zoning designates the relevant parcel as an **M-1 Research, Development, and Light Manufacturing** zoning district. Within this district warehousing and distribution 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 the printing of adhesive tags and plates for ducts and piping, which is permitted outright in M-1 zoning.

As proposed, the site will have a surplus of 23 parking spaces above Code when fully occupied. The following chart details the proposed parking scenario at 3727 N. Ventura Drive:

Use/Business	Code Use	Square Feet	Parking Standard	Employees	Vehicles	Parking Req.
Office	Offices - Business and Professional	16,000	1 space/300 SF	25	N/A	53
Printing	Processing and Manufacturing	20,000	0.5 spaces/employee; 1 space/commercial vehicle	27	0	14
		36,000				SPACES REQUIRED 67
					SPACES AVAILABLE	90
					SURPLUS / (DEFICIT)	23

V. State of Economy of Industry Making Application

Kolbi Pipe Marker, a subsidiary of Pine Tree Holdings LLC, is a company that produces adhesive tapes and tags for exposed pipes and valves. Examples include the type of liquid or gas flowing through a specific pipe, warning labels, and plates or signs that identify the function of a piece of equipment. The company has been in existence for over 50 years, 11 of which have been in Arlington Heights.



The company is currently located at 416 W. Campus Drive. However, they need a larger space to accommodate their growing business, and have identified 3727 N. Ventura as a property that can suit their ongoing expansion. The purchase agreement shows that the transaction is contingent upon receiving Class 6b approval. Should the property not be renewed for this designation, the company has said that they will relocate into a county with a lesser property tax burden.

The Village guidelines suggest that the applicant has a minimum employment threshold of 25 workers. Within the Village, Kolbi Pipe Marker employs 50 full-time workers, easily meeting the minimum threshold for number of employees. The company also plans to grow and add approximately 25 new full-time employees over the next five years.

Kolbi Pipe Marker expects to continue to have a positive economic impact on the community via this incentive. Retaining the aforementioned employees will account for ongoing consumer purchases, as will the additional employees expected to be hired over the next five years. Furthermore, over the 12-year life of the incentive, beginning in renewal Year 1 (2024), the applicant estimates that the property will generate over \$100,000 more in property taxes with the Class 6b designation than if it were to remain vacant for the same time period.

While the building may not remain vacant for 12 years, the intent of the Class 6b program is to facilitate industrial occupancy or re-occupancy as quickly as possible. Even with the abatement, the applicant expects the property to generate \$1.2 million in total property tax revenue over the life of the incentive.

VI. Site Visit

Planning and Community Development Department staff met with representatives of Kolbi Pipe Marker at their current and future Arlington Heights facilities on December 15, 2021. It was confirmed that the use meets applicable zoning standards and Class 6b requirements.

VII. Site Specifics of Property Requesting Abatement

The building at 3727 N. Ventura Drive is 35,500 square feet. The property owner is applying for a Class 6b property tax renewal that would allow for the retention of a large industrial employer, and continued occupation and property tax generation from this facility. The site specifics are provided below:

- A. Kolbi Pipe Marker has been located in Arlington Heights since 2010 and is looking to relocate within the community to support their growing enterprise.
- B. The company is projecting substantial employment growth over the next five years. The company currently employs 50 full-time staff and two part-time workers. Over the next half-decade, Kolbi anticipates adding approximately 25 more full-time jobs, a 50% increase to their current workforce.
- C. The property owner will be investing \$325,000 into the property via roof replacement, installation of a compressed air system, and miscellaneous interior and electrical improvements.

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.”

As a printer/fabricator of adhesive signage, this business use meets M-1 zoning requirements. Further, it complies with the mission of the Class 6b designation which is that the business and facility meets "industrial purposes" and that there is continued re-occupancy of otherwise "abandoned" property.

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 region.

In this instance, the abatement would allow for a large Arlington Heights-based company to continue to remain within the Village, retaining 50 jobs and potentially adding 25 more over the next five years. Economic impact would be shown in the employment growth, continued local consumer spending, and overall business retention. The amount of property tax revenue gained from retaining the businesses with a Class 6b renewal is estimated at \$1.2 million, approximately \$100,000 more over the 12-year life of the abatement than if the site were to remain vacant.

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, warehousing, or otherwise “industrial” 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 56% of the floor space is dedicated to industrial use, with the remaining 44% dedicated to office space. Guideline #4 is expected to be met with an estimated 50 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 tax revenue from reinvestment in, and occupancy of, the property, as well as 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 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 put towards other economic development activities as approved by the Village. 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 3727 N. Ventura Drive. 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, especially in terms of helping existing Arlington Heights businesses grow and expand within the community. However, approval is contingent upon compliance with all Village codes.

The abatement would further benefit the community by retaining a viable business in the community and allowing them to potentially create 25 more full-time positions in the next few years. Also, it would allow for improvements to the property such as new roofing and updated interior improvements. As demonstrated in the application, the Village will see a greater return on property taxes with the Class 6b than if the building was to remain vacant over the same period of time. Furthermore, finding a replacement tenant that would bring a comparable number of employees and growth potential to the Village as Kolbi provides could be difficult.

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 (CLASS 6B)</u>	<u>DUPAGE</u>
Market Value	\$2,650,000	\$2,650,000	\$2,650,000
Assessment Level	x .25	x .10	x .33
Assessed Valuation	\$ 662,500	\$ 265,000	\$ 874,500
Equalization Factor	x 3.2234	x 3.2234	x 1.0000
Equalized Value	\$2,135,503	\$ 854,201	\$ 874,500
Tax Rate (per \$100)	x 10.446%	x 10.446%	x 9.823%*
Taxes	\$ 223,075	\$ 89,230	\$ 85,902

*Based upon tax rate for similarly sized building in Mundelein (Lake County)

Lake County taxes for a similar building are \$137,173 lower than Cook County taxes based upon 2020 tax year figures. In other terms, Lake County property taxes are approximately 160% lower than similar Cook County non-residential property taxes in this example. With the Cook County 6b abatement, property taxes become exponentially more competitive (comparable, but still 3.9% higher than Lake County property taxes) in this instance.

As with the granting of Class 6b tax abatements in general, the net result of encouraging Class 6b tax abatement renewals will provide for a more aggressive atmosphere for economic development in Arlington Heights than other communities in the six-county region. Kolbi Pipe Marker is an established industrial business in Arlington Heights with significant employment and growth potential, occupying a large space. Support of this incentive request will help the property thrive in the long-term and ensure its ability to serve an Arlington Heights enterprise in the present and in the future.