

THE DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT

The review for determination of support for County Tax abatement for the property identified as 2616 S. Clearbrook 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 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. Exhibits E, F, G, and H summarized in cover letter.
- E) TRAFFIC: Complete. Approximately 15 automobiles are projected to enter/exit the facility on a daily basis as well as an estimated four trucks. Clearbrook Drive, via Algonquin Road, will be the main route of ingress and egress. The property offers 24 parking spaces while the user will require only 20, by Code, following anticipated employment growth over the next ten years. Therefore, the use meets parking requirements.

- F) EVIDENCE OF NEW CONSTRUCTION: Ownership plans to conduct a \$175,000 rehab to the facility. Efforts include addition of bathrooms and office space, repaving of the parking lot, and construction of a vestibule. Submitted as Exhibit J.
- G) EMPLOYMENT OPPORTUNITIES: Complete. The businesses currently employ 20 full-time workers and 75 part-time workers. By the end of the life of the Class 6b, the owner anticipates the businesses to employ an additional 10 full-time and 25 part-time staff. The applicant exceeds the minimum number of employees per the application requirements (25). The applicant has offered to make a conscious effort to recruit Arlington Heights residents. Submitted as Exhibit K.
- 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 explanation of “Special Circumstances” request, County application, and business marketing materials.

II. Synopsis

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

The property at 2616 S. Clearbrook Drive has not been previously approved by the Village Board or Cook County for a Class 6b property tax abatement. The site was vacated by the previous tenant in November 2021. As the property will not have been 100% vacant for at least 365 days prior to purchase, the applicant is requesting approval under “special circumstances.”

The new prospective owner, *Wayne 22, LLC*, will purchase the property (one parcel) and lease to its subsidiary, *Elegante Cuisine*, as well as *Breezeway International* which is a trade product distributor. The purchase is contingent upon approval for the incentive, which is highlighted in the purchase agreement. 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 a 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. Currently the industrial/flex vacancy rate in Arlington Heights is 16.4%. That includes this facility, which has been listed by CoStar as vacant and available for purchase. Complete re-occupancy of this building would immediately reduce the vacancy rate to 16.1% (source: CoStar – January 2022).

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. Elliott & Associates, Property Tax Attorneys, filed the original Class 6b application on behalf of the applicant.

III. Correlation of Application to Comprehensive Plan

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

- Warehousing, Food Production and Distribution 80%
- Offices 20%

This takes into account approximately 12,000 square feet of industrial space and an estimated 3,000 square feet of office.

IV. Correlation of Application to Zoning

The Village of Arlington Heights Zoning Map designates the relevant parcel as an **M-2 Limited Heavy Manufacturing District**. Within this district warehousing, wholesale, and distribution are permitted, as well as some food production uses. The proposed uses of the planned businesses within subject site fall under the Zoning Code Permitted Use Table as *Bakery Products, Wholesale & Production* and *Wholesale and Warehouse Facility*, which are both permitted outright in M-2 zoning.

As proposed, the site will have a surplus of four parking spaces. Currently, Elegante Cuisine and Breezeway International employ 95 workers. However, the significant majority of employees work off-site, going directly to the locations to where the food is being catered. The applicant stated that the maximum number of employees who will be at the Arlington Heights facility at one time is 12-15. The following chart details the proposed parking scenario at 2616 S. Clearbrook Drive (note: additional on-site employees over the next 10 years are considered and added to this analysis as well):

Use/Business	Code Use	Square Feet	Parking Standard	Employees	Vehicles	Parking Req.
Office	Offices - Business and Professional	3,000	1 space/300 SF	10	N/A	10
Warehouse/Storage	Warehouses and Storage	12,050	0.5 spaces/employee; 1 space/commercial vehicle	20	0	10
		15,050			SPACES REQUIRED	20
					SPACES AVAILABLE	24
					SURPLUS / (DEFICIT)	4

V. State of Economy of Industry Making Application

Elegante Cuisine is a food prep and catering operation that plans to occupy about 85% of the building at 2616 S. Clearbrook Drive. The other 15% would be taken up by Breezeway International, a company that receives and distributes international trade products such as food packaging, mosaic tile, and other plastic goods. The businesses are currently located within a 10,000 square foot industrial space in Elk Grove Village and are quickly outgrowing this space. The facility at 2616 S. Clearbrook Drive will provide a 50% increase in usable space for the company. Elegante and Breezeway are looking to move into this site as soon as possible.

The Village guidelines suggest that the applicant have a minimum employment threshold of 25 employees. The companies combine for 20 full-time workers and 75 part-time employees, which easily meets the minimum threshold for number of employees. They also stated that they would like to promote future job openings to Arlington Heights residents.

The companies expect to have a positive financial impact on the community. Over the 12-year life of the incentive, the applicant estimates that the property will generate over \$141,000 more in property taxes with the Class 6b designation than if it were to remain vacant for the same period. While the building 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. Bringing in new employees will also garner residual spending. This is something that a vacant building would not provide. Even with the abatement, the applicant expects the property to generate \$430,000 in total property tax revenue from 2022-2033.

VI. Site Visit

Planning and Community Development Department staff met with ownership of both companies at their current Elk Grove facility, as well as their planned Arlington Heights location, on December 20, 2021. Due to their business growth the companies need more space to conduct their operation, and the Arlington Heights facility provides the opportunity to expand in all facets of their operation.

VII. Site Specifics of Property Requesting Abatement

The building at 2616 S. Clearbrook Drive is approximately 15,050 square feet. The buyer is applying for a Class 6b property tax abatement that would allow a purchase of the property and completion of a \$175,000 rehab of the facility. The site specifics are provided below:

- A. The previous tenant ceased operations in November 2021. As the property has not been completely vacant for one year, the applicant is requesting “special circumstances” to allow them to obtain the Class 6b designation.
- B. The combined cost of purchasing the property and completing interior and exterior improvements is approximately \$1.16 million. The purchase is contingent upon receiving the abatement and, according to the buyer, would not be economically feasible without the incentive.
- C. The tenants, Elegante Cuisine and Breezeway International, are projecting employment growth over the next decade. The companies currently employ 20 full-time staff and 75 part-time staff. By the tenth year that the operations would be established at 2616 S. Clearbrook Drive (est. 2032), they anticipate formally employing up to 30 total full-time employees in addition to 100 part-time workers.

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. Residential and retail uses are prohibited. 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 food assembly and warehousing/distribution users, these businesses meet M-2 zoning requirements. Further, they comply with the mission of the Class 6b designation which is that businesses and facilities meet "industrial purposes" and that there is substantial rehabilitation as well as substantial re-occupancy of "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 metropolitan region.

In this instance, the abatement would allow for a growing company to relocate and expand within the Village and occupy the entirety of a vacant industrial site. 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, and have revised them multiple times. The current 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 80% of the floor space is dedicated to food production and assembly, as well as general warehousing/distribution, with the remaining 20% dedicated to office space. Guideline #4 is met as the two prospective tenants would employ 20 full-time staff, and 75 part-time staff, on day one. The companies are planning growth to as many as 30 full-time staff during the life of the incentive, in addition to 100 part-time workers. Guideline #5 is met by the attraction of a long-standing business to the community, re-occupancy of a vacant property, and residual spending at local businesses by the employees.

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 property tax 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 used for other approved 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 allows for either a renewal of the adjusted property tax, or an allowance of 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.

This request for a tax abatement is recommended for approval. The program is designed to facilitate the ongoing, long-term use of the property located at 2616 S. Clearbrook 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. The abatement would further benefit the community by bringing new employers to the community, along with several full-time and part-time jobs. The tenants, Elegante Cuisine and Breezeway International, are expected to create as many as ten more new full-time jobs, and 25 more part-time jobs, over the next decade as well.

The abatement would benefit the community through re-occupancy of a vacant building, including over \$175,000 of rehab work to the property. As demonstrated in the application, the Village will see a much greater return on property taxes with the Class 6b than if the building was to remain vacant over the same period of time.

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	\$1,160,000	\$ 1,160,000	\$1,160,000
Assessment Level	<u>x .25</u>	<u>x .10</u>	<u>x .33</u>
Assessed Valuation	\$ 290,000	\$ 116,000	\$ 382,800
Equalization Factor	<u>x 3.2234</u>	<u>x 3.2234</u>	<u>x 1.0000</u>
Equalized Value	\$ 934,786	\$ 373,914	\$ 382,800
Tax Rate (per \$100)	<u>x 8.517%</u>	<u>x 8.517%</u>	<u>x 8.4137%</u>
Taxes	\$ 79,616	\$ 31,846	\$ 32,208

DuPage County taxes for a similar building are \$47,770 lower than Cook County taxes. In other terms, DuPage County property taxes are nearly 60% lower than Cook County non-residential property taxes in this example. With the Cook County 6b abatement, property taxes become exponentially more competitive (1.1% 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 abatement approvals will provide for a more aggressive atmosphere for economic development in Arlington Heights than other communities in the six-county region. Elegante Cuisine and Breezeway International are looking to establish footprints within the community. Support of this incentive request will help these companies thrive in the long-term and also re-occupy, and reinvest in, an aging building constructed over 50 years ago. This investment will allow the building to continue serving Arlington Heights enterprises, both now and in the future.