

THE DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT

The review for determination of support for County Tax abatement for the property identified as 416 W. Campus 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 a one truck per week. Ridge Avenue, via Dundee Road and IL-53, is expected to be the main route of egress and ingress. The property offers 24 parking spaces. Following anticipated employment growth over the next ten years, the user will require only 19 spaces per Code. Therefore, the use meets parking requirements.

- F) EVIDENCE OF NEW CONSTRUCTION: Ownership plans to conduct \$400,000 worth of improvements to the site. This includes the installation of a white TPO roof, as well as new windows, new landscaping, and an updated façade. Submitted as Exhibit J.
- G) EMPLOYMENT OPPORTUNITIES: Complete. The business will employ 20 full-time workers in Year One of operation at this site. Over the next ten years, the owner expects the business to add an additional five full-time staff. The applicant will not immediately meet the minimum number of employees (20) per the application's requirements, but expects to by the end of the incentive period (25+ workers). 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 aerial of subject property, street view of subject property, and site market brochure. Submitted as Exhibits B, C, P, and Q.

II. Synopsis

The applicant wishes to renew an existing 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.

This is the first request for a Class 6b designation at 416 W. Campus Drive. The buyer would operate within the entirety of the building's approximately 15,000 square feet. Approval of the abatement would allow for the company to invest in this property via the installation of a white roof, and new landscaping and windows. Façade improvements may occur as well. The purchase is contingent upon approval for the incentive. The current owner, Kolbi Pipe Marker, relocated to a new property within Arlington Heights in June 2022.

Under the incentive provided by the Class 6b designation, 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 12.5%. If a new tenant does not occupy this site, and the building becomes vacant, that would increase the vacancy rate to 12.2% (source: CoStar – June 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 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. Liston & Tsantilis, 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 and development, manufacturing, and warehousing.

- Warehousing, Assembly, and Distribution 82%
- Offices 18%

This takes into account approximately 12,340 square feet of industrial space and an estimated 2,660 square feet of office.

IV. Correlation of Application to Zoning

The Village of Arlington Heights Zoning Map designates the relevant parcel as an **M-1 Research, Development, and Light Manufacturing District**. Within this district warehousing, wholesale, and distribution are permitted, as well as light manufacturing/processing.

The proposed uses of the planned businesses within subject site fall under the Zoning Code Permitted Use Table as *Wholesale and Warehouse Facility*, and *Manufacturing/Processing of Jewelry, Silverware and Plated Ware*, which are both permitted outright in the M-1 zoning district.

As proposed, the site will have a surplus of five parking spaces. In Year One of building occupancy, the tenant plans to employ 20 full-time workers. The company intends to add five or more full-time jobs over the next ten years. The following chart details the proposed parking scenario at 416 W. Campus Drive (note: additional on-site employees over the next 10 years are taken into consideration and accounted for in this analysis as well):

Use/Business	Code Use	Square Feet	Parking Standard	Employees	Vehicles	Parking Req.
Office	Offices - Business and Professional	2,660	1 space/300 SF	7	N/A	9
Warehouse/Assembly/Distribution	Warehouses and Storage	12,340	0.5 spaces/employee; 1 space/commercial vehicle	18	1	10
		15,000		SPACES REQUIRED		19
				SPACES AVAILABLE		24
				SURPLUS / (DEFICIT)		5

Incorporating projected growth over the next ten years, there is still adequate parking available to accommodate, per Code, the company's employees and one possible commercial vehicle.

V. State of Economy of Industry Making Application

Razny is a retail jewelry operation with four Chicago-area locations looking to consolidate assembly, warehousing, and distribution operations into 416 W. Campus Drive. The Village guidelines suggest that the applicant have a minimum employment threshold of 25 employees. While Razny would only employ 20 full-time workers in their first year of operation in Arlington Heights, they plan to hire at least five more employees during the life of the incentive, which would then meet the minimum threshold for number of employees.

The company expects to have a positive financial impact on the community as well. Over the 12-year life of the incentive, the applicant estimates that the property will generate over \$367,700 more in property taxes with the Class 6b designation than if it were to be vacant for the same time period. The applicant also projects an additional economic impact of \$63,563 in one year, based upon spending by employees on food, gas, and goods.

The intent of the Class 6b program is to facilitate industrial occupancy as quickly as possible. Bringing in new workers garners residual spending, which is something that a vacant building would not provide. Even with the abatement, the applicant expects the property to generate \$750,000 in total property tax revenue from 2023-2034.

VI. Site Visit

Planning and Community Development Department staff met with representatives of Razny at 416 W. Campus on June 9, 2022. The applicant identified and verified the improvements needed, as laid out in their application, which would be enabled by a Class 6b designation.

VII. Site Specifics of Property Requesting Abatement

The building at 416 W. Campus Drive is approximately 15,000 square feet. The owner is applying for a Class 6b property tax abatement renewal that would allow for the tenant to purchase the property and complete \$400,000 in improvements. The site specifics are provided below:

- A. The buyer has four retail jewelry locations in the Chicago area, and is planning investment in terms of building improvements and employment growth at this proposed location.
- B. The purchase of the property is contingent upon receiving the abatement and, according to the buyer, would not be economically feasible without the incentive.
- C. The planned expansion would include sustainable features such installation of a white roof, which helps reflect heat and limits usage of utilities, as well as Energy Select windows.
- D. The owner would be paying an estimated \$9.26 per square foot in property taxes without a Class 6b designation. A similar property in Lake County would pay an estimated \$2.61 per square foot.

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 an assembly and warehousing operation, this business meets M-1 zoning requirements. Further, it complies with the mission of the Class 6b designation which is that businesses and facilities meet "industrial purposes" and that there is substantial rehabilitation of the 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 with four Chicagoland retail locations to establish a new location within the Village, occupying the entirety of a 15,000 square foot industrial building. The economic impact would be shown in employment growth, an increase in local consumer spending, and an increase in property value of the site. As the property will likely not have been 100% vacant for the 24 months preceding occupancy by the new tenant, "special circumstances" are being requested through the County.

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 must show a five-year financial benefit to the Village and no negative effect on any similar Village firm.
6. The property owner will install or implement environmentally-friendly sustainable features to the building or property.

Guideline #3 is met by this application as 82% of the floor space is dedicated to warehousing, assembly, and distribution. Guideline #4 is not immediately met as the company plans to only have 20 full-time workers in Year One. However, they plan to add at least five more full-time workers over the life of the incentive. In the interim, they are asking for an exemption from this requirement. Guideline #5 is met by the attraction of a new business to the community, investment in an aging industrial facility that will increase its market value, and residual spending at local businesses by the employees. Guideline #6 is met as the buyer is planning to replace the existing roof with a white TPO roof that will help limit utility usage, as well as energy-efficient windows.

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 further 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 416 W. Campus 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 in at least 25 new jobs over the next decade.

The abatement would benefit the community through continuous occupancy of a 15,000 square foot building, including approximately \$250,000 in sustainable improvements to the facility and another \$150,000 in improvements 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 become and 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 Lake County taxes follows:

For use as an EXAMPLE:

	<u>COOK (No 6B)</u>	<u>COOK (With 6B)</u>	<u>LAKE</u>
Market Value	\$1,650,000	\$ 1,650,000	\$1,650,000
Assessment Level	<u>x .25</u>	<u>x .10</u>	<u>x .33</u>
Assessed Valuation	\$ 412,500	\$ 165,000	\$ 544,500
Equalization Factor	<u>x 3.2234</u>	<u>x 3.2234</u>	<u>x 1.0000</u>
Equalized Value	\$1,329,653	\$ 531,861	\$ 544,500
Tax Rate (per \$100)	<u>x 10.446%</u>	<u>x 10.446%</u>	<u>x 7.1801%</u>
Taxes	\$ 138,896	\$ 55,558	\$ 39,096

Lake County taxes for a similar building are nearly \$100,000 lower than Cook County taxes. In other terms, Lake County property taxes are 72% lower than Cook County non-residential property taxes in this example. With the Cook County 6b abatement, property taxes become exponentially more competitive (still 29.6% 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 approvals will provide for a more aggressive atmosphere for economic development in Arlington Heights than other communities in the six-county region. Razny wishes to invest in the community, with plans to employ 25 full-time workers in the next ten years and conducting \$400,000 in improvements to help modernize this building and aesthetically improve the property. Support of this incentive request will help this company thrive in the long-term and also continue to reinvest in an aging building constructed over 50 years ago. This investment will allow the building to serve a new Arlington Heights enterprise, both now and in the future.