

REVIEW FOR VILLAGE OF ARLINGTON HEIGHTS
DETERMINATION OF VILLAGE TAX ABATEMENT FOR

1315-1317 E. Davis Street
Arlington Heights, Illinois
G&J Associates DBA Signs By Tomorrow

INITIAL CONTACT: August 26, 2014

APPLICATION SUBMITTED: March 26, 2015

PRE-APPLICATION REVIEW: N/A

PLANNING & COMMUNITY DEVELOPMENT REVIEW: April 9, 2015

FINANCE DEPARTMENT REVIEW: April 1, 2015

SITE VISIT (OLD LOCATION): September 23, 2014

SITE VISIT (NEW LOCATION): April 9, 2015

VILLAGE BOARD REVIEW: May 4, 2015

April 8, 2015

THE DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT

The review for determination of support for County Tax abatement for the property identified as 1315-1317 E. Davis Street 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. Submitted as Attachments E, F, G, and H.
- F) TRAFFIC: Complete. Approximately 3-7 automobiles are projected to enter/exit the facility on a daily basis and 1-2 trucks per week. Northwest Highway is expected to be the main routes of ingress and egress. The property currently offers 11 parking spaces. However, the owner intends to convert part of the building into five additional covered

parking spaces, for a total of 16 parking spaces on the site. By Code, this is sufficient to meet the parking demand required by this business.

- G) **EVIDENCE OF NEW CONSTRUCTION:** Ownerships plans to conduct a \$150,000-\$250,000 remodeling of the facility. Rehab efforts include: conversion of 2,400 square feet of building space into a car port, remodeling of office space, and conversion of the back area into a sign production area. Submitted as Attachment J.
- H) **EMPLOYMENT OPPORTUNITIES:** Complete. The business currently employs seven people (five full-time, one part-time, and one intern). By the end of the life of the Class 6b, the owner anticipates the business to employ 12 staff. Currently one employee resides in Arlington Heights with another employee slated to move to the community shortly. The applicant does not meet the minimum number of employees per the application requirements (25) or the number desired to reside in Arlington Heights (10). The applicant is requesting an exemption from the employment requirements of the Village's Class 6b guidelines. Submitted as Attachment K.
- I) **FINANCIAL INFORMATION:** Complete. Submitted as Attachment L.
- J) **FISCAL EFFECT:** Complete. Submitted as Attachment M.
- K) **OTHER INDUCEMENTS:** Complete. No other inducements requested. Submitted as Attachment N.
- L) **JUSTIFICATION:** Complete. Submitted as Attachment O.
- M) **OTHER DATA:** Complete. Provided site plan, copy of eligibility application to Cook County, affidavit verifying that the property has been vacant over four years, and copy of real estate purchase agreement. Submitted as Attachments B, C, and P.

II. Synopsis

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 1315-1317 E. Davis Street has not previously received a Class 6b property tax abatement. The site was formerly occupied by Ultra Print, but has been 100% vacant since 2009. Ownership of Signs By Tomorrow has purchased the property (four parcels) at 1315-1317 E. Davis Street. The intent is to expand their business by increasing their workspace to 4,000 square feet (they utilize 1,430 square feet at their current location – 1050 S. Arlington Heights Road in Arlington Heights), and adding approximately five new employees over the course of the 12-year incentive. Furthermore, they will renovate the building to bring up to current Code standards and convert 2,400 square feet to a five-vehicle car port to allow for adequate parking and improve the property's value in the long-term.

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 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.

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 (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.

Planning and Community Development Staff, as well as the petitioner, contacted Cook County for a determination as to whether the use would qualify under the Class 6b program. As confirmation was received from the County in March that the use was indeed eligible, the applicant wishes to obtain a Cook County Class 6b Property Tax classification. Ennes & Associates, Inc. filed the original Class 6b application on behalf of the applicant, G&J Associates DBA Signs By Tomorrow, with Village Staff on March 26, 2015.

III. Correlation of Application to Comprehensive Plan

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

- Production and Assembly 81%
- General Office and Showroom 19%

The building will offer 4,000 square feet of workable space. This breakdown takes into account 3,240 square feet of industrial space and 760 square feet of office/design room space. The site will also include a 2,400 square-foot carport for employee parking.

IV. Correlation of Application to Zoning

The Zoning Map revised January 1, 2015 designates the relevant parcels as a **B-4 Limited Service** zoning district. On November 20, 2014, Staff contacted the owner of Signs By Tomorrow. This outreach was to inform him that the business type was zoned appropriately for the B-4 district, per the business description and operational information requested and provided by Signs By Tomorrow. Upon receiving this information, Staff determined that the most appropriate designation for Signs By Tomorrow, per the Zoning Code and permitted use tables, was most similar to a "Sign Painting Shop, if conducted wholly within a completely enclosed building".

Please note that the B-4 zoning does not permit processing and manufacturing. However, sign painting and today's fabrication technology is a permitted use as described by the business owner. As a result of outreach, the County has characterized the business for their purposes as an industrial user. Khang P. Trinh, Cook County's Legal Department Director, confirmed to the business owner and his property tax representatives (March 18, 2015) that the business use is considered "industrial", and would be eligible for the Class 6b incentive. Additionally, the applicant asserts in Attachment G that the operation would not have a negative impact in terms of noise or odor on the surrounding properties.

The property at 1315-1317 E. Davis Street is currently designated by Cook County as Class Code 5-93. The County defines Class Code 5-93 as: *Major Class 5B Industrial (25% level of assessment) - Industrial Building*. Approval by the County for the incentive would re-designate the property as Class Code 6-63: *Industrial Incentive Classes (6B) - Industrial Building*, until the expiration of the incentive. This is the County designation for property tax purposes and has no impact on, or change to, the current B-4 (Limited Service District) zoning designation.

At its proposed peak, Signs By Tomorrow expects to have 12 employees. Per Code, this type of use requires one parking space for every two employees, resulting in a need for 6 parking spaces. The business does not have any commercial vehicles, and therefore does not require additional parking in that regard. The office and design spaces require one parking space per 300 square feet. This aspect of the business will occupy 760 square feet and therefore require three parking spaces. With the carport, the site will offer 16 parking spaces, therefore resulting in a surplus of seven parking spaces. The applicant asserts that this operation complies with zoning regulations.

V. State of Economy of Industry Making Application

Signs By Tomorrow is a company that produces custom-ordered signs from start to finish. This involves taking previously manufactured materials (metals, plastics, paper, etc.) and forming them to the specifications of the customer. Additional services, such as adding imagery and lettering, are also done by Signs By Tomorrow. The company has already relocated from their previous location in south Arlington Heights to 1315-1317 E. Davis Street.

The Village guidelines suggest that the applicant have a minimum employment threshold of 25 employees, and of that total, 10 employees should reside in Arlington Heights. Signs By Tomorrow has a total of seven employees and anticipates the hiring of five more during the 12-year life of the incentive. Currently, one employee resides in Arlington Heights with at least one other employee planning to move to the community in the near future. As this falls below the 25-employee threshold, with 10 employees residing in the Village, the company is requesting an exemption from this requirement.

VI. Site Visit

Planning and Community Development Department staff has met with Signs By Tomorrow staff, visiting both their previous and current locations. Previously, their operation was very condensed, with limited space for growth or addition of materials. The new site on Davis has increased their functional square footage by 280%, not including the 2,500 square-foot carport. This additional space will allow Signs By Tomorrow to take on more work, operate more efficiently, and accommodate a future growth in employment. Signs By Tomorrow has been in operation in Arlington Heights for over 15 years and wishes to continue growing within the community.

VII. Site Specifics of Property Requesting Abatement

The building at 1315-1317 E. Davis Street is 6,400 square feet. The owner of Signs By Tomorrow is applying for a Class 6b property tax abatement that would permit the conversion of 2,400 square feet into an indoor carport. The outdoor surface lot would also be repaved. The remaining 4,000 square feet is being utilized entirely for the company's operations. The site specifics are provided below:

- A. The property had been 100% vacant since 2009 until the purchase and re-use by Signs By Tomorrow.
- B. The cost of completing the aforementioned improvements is approximately \$150,000-\$200,000. Ownership of Signs By Tomorrow has expressed that the incentive is crucial to completing the carport and allowing their operation to gain a foothold at its new location, taking into account the high cost of property taxes without the abatement.
- C. Signs By Tomorrow would employ seven people initially, with plans to employ 12 people by the incentive's expiration in 12 years. The installation of a carport would allow the business to grow by providing adequate parking for employees and their customers.

Signs By Tomorrow was approved for operation in the B-4 district as most similar to a "Sign Painting Shop, if conducted wholly within a completely enclosed building". By definition, "The purpose of the B-4 District is to provide areas for specialized services for home, business and industry. It shall also provide a buffer between existing residential areas and industrial areas". Signs By Tomorrow meets this purpose by providing a specialized service, sign design and production, to help other businesses promote themselves.

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.

Prior to this application submittal, Planning and Community Development Staff had reached out multiple times to the Cook County Assessor's office to verify that the use would be considered eligible for the Class 6b incentive. Although initially rejected, the County reconsidered when additional information was provided by the applicant's tax representatives (Ennes & Associates), and approved the applicant's use as eligible in an email dated March 18, 2015.

This abatement would allow for a growing business in Arlington Heights to maintain their operation within the Village and allow them to invest in a previously vacant property. The economic impact would be shown in employment growth, an increase in local consumer spending, and growth 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. 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. Ten or more employees must reside in Arlington Heights.
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 81% of the floor space is dedicated to sign production and assembly, with the remaining 19% dedicated to office and design room space. Guideline #4 is not met as Signs By Tomorrow employs seven people with proposed growth to 12 during the life of the incentive. Currently one employee resides in Arlington Heights with another moving to the community in the near future. The applicant is requesting an exemption from the requirement of 25+ employees with at least 10 residing in Arlington Heights. Guideline #5 is met by the retention of a long-standing business in the community, re-occupancy of a long-vacant property, and an inevitable increase in property tax resulting from this re-occupancy.

X. Finance Department Review.

The Finance Department has reviewed the application and requested verification of the benefits that the Village would receive per the incentive. Per information received from the applicant, the abatement would allow the following:

- Increase of up to five additional employees during the life of the incentive
- Re-occupation and updating of a building that has been vacant since 2009
- Addition of parking to enhance the appeal of the property in the long-term

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.

G&J Associates DB Signs By Tomorrow 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 1315-1317 E. Davis Street. 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. However, approval is contingent upon compliance with all Village codes, including subdivision, zoning and design regulations. This abatement would help the community through re-occupancy of a long-vacant building, including substantial updating of the building and property. Additionally, this would help retain a viable and long-standing business in the community and allow them to grow in the future and create additional employment opportunities in the next decade.

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 (with CLASS 6B)</u>	<u>DUPAGE</u>
Market Value (after renovation)	\$ 247,384	\$ 247,384	\$ 247,384
Assessment Level	x .25	x .10	x .33
Assessed Valuation	\$ 61,846	\$ 24,738	\$ 81,637
Equalization Factor	x 2.6621	x 2.6621	x 0.9669
Equalized Value	\$ 164,640	\$ 65,856	\$ 78,935
Tax Rate (per \$100)	x 10.4970%	x 10.4970%	x 12.3780%
Taxes	\$ 17,282	\$ 6,913	\$ 9,771

DuPage County taxes for a similar building are \$7,511 lower than Cook County taxes. In other terms, DuPage County property taxes are approximately 77% lower than Cook County non-residential property taxes. With the Cook County 6b abatement, property taxes become exponentially more competitive (41% less 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 renewals will provide for a more aggressive atmosphere for economic development in Arlington Heights than other communities in the six-county region. Signs By Tomorrow has been established in Arlington Heights for over 15 years and expects to grow, both in terms of sales and

employment. Support of this incentive request will help the company thrive in the long-term and also enhance an under-utilized building to ensure its ability to serve an Arlington Height business in the present and in the future.