

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

206 W. Campus Drive
Arlington Heights, Illinois 60004
Applicant: Ronald Mueller & Marcy Mueller
Tenant: Suburban Trim and Glass

INITIAL CONTACT: August 20, 2014

APPLICATION SUBMITTED: June 18, 2015

PLANNING & COMMUNITY DEVELOPMENT REVIEW: June 23, 2015

FINANCE DEPARTMENT REVIEW: June 24, 2015

SITE VISIT (CURRENT LOCATION): August 20, 2014 and March 18, 2015

SITE VISIT (PROPOSED LOCATION): August 21, 2014

VILLAGE BOARD REVIEW: July 6, 2015

June 26, 2015

THE DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT

The review for determination of support for County Tax abatement for the property identified as 206 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 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. Submitted as Exhibits E, F, G, and H.
- F) TRAFFIC: Complete. Approximately 20 automobiles are projected to enter/exit the facility on a daily basis as well as an estimated 13 trucks. Campus Drive is expected to be the main route of ingress and egress. The property currently offers 19 parking spaces

while the use requires 25 spaces. A land use variation from the standard parking requirements was recommended for approval by the Plan Commission on June 10, 2015.

- G) **EVIDENCE OF NEW CONSTRUCTION:** Ownerships plans to conduct a \$100,000 rehab to the facility. Efforts include floor painting and repairs, installation of new carpeting, surface paving, and electrical work throughout the facility. Submitted as Exhibit J.
- H) **EMPLOYMENT OPPORTUNITIES:** Complete. The business currently employs 11 full-time workers. By the end of the life of the Class 6b, the owner anticipates the business to employ 20-22 full-time staff. 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 Exhibit K.
- I) **FINANCIAL INFORMATION:** Complete. Submitted as Exhibit L.
- J) **FISCAL EFFECT:** Complete. Submitted as Exhibit M.
- K) **OTHER INDUCEMENTS:** Complete. No other inducements requested. Submitted as Exhibit N.
- L) **JUSTIFICATION:** Complete. Submitted as Exhibit O.
- M) **OTHER DATA:** Complete. Provided site plan, images of new property, copy of eligibility application to Cook County, affidavit verifying that the property has been vacant for over four years, and copy of real estate purchase agreement. Submitted as Exhibits B, C, I, 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 206 W. Campus Drive has not previously received a Class 6b property tax abatement and has been 100% vacant since August 2011. The applicants, Ronald Mueller & Marcy Mueller, will lease the property (one parcel) to their company, Suburban Trim and Glass. The purchase is contingent upon approval for the incentive. This contingency is highlighted in the Real Estate Agreement between Mosak Properties, LLC (seller) and Ronald Mueller & Marcy Mueller (purchaser).

14. Contingencies. This offer is contingent upon the subject property being classified as part of the 6b Property Tax Incentive Program. Purchaser shall apply for the 6b Property Tax Incentive Program after the contract is fully executed and have

sixty (60) days to obtain said approval. It being further understood and agreed that Purchaser shall have sixty (60) days from the date this contract is fully executed to obtain from the Village of Arlington Heights a Land Use Variation for the subject property to allow Purchasers' intended use for the operation of the glass business currently operated at 425 N. Rand Road, Arlington Heights, Illinois. In the event Purchaser is unable to obtain the 6b Property Tax Incentive Program or the Land Use Variation, Purchaser shall so notify Seller in writing within ten (10) days after such notice his inability to obtain same and at his option declare this contract null and void and all earnest money shall be returned to the Purchaser. Seller agrees to cooperate with Purchaser's application for 6b Property Tax Incentive Program and agrees to sign any reasonable affidavits requested by Purchaser supporting the application, all at no cost to Seller.

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. Currently the industrial/flex vacancy rate in Arlington Heights is 22.9%. Complete occupancy of this building would immediately reduce the vacancy rate to 22.5%, nearly one-half percentage point. (source: CoStar – June 2015)

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. The Law Offices of Liston & Tsantilis filed the original Class 6b application on behalf of the applicant, Ronald Mueller & Marcy Mueller, with Village Staff on June 18, 2015.

III. Correlation of Application to Comprehensive Plan

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

- Manufacturing, Fabrication, and Storage 73%
- General Office and Showroom 27%

This takes into account approximately 15,000 square feet of industrial space and an estimated 5,475 square feet of office and showroom space.

IV. Correlation of Application to Zoning

The Zoning Map revised January 1, 2015 designates the relevant parcel as an **M-1 Research, Development, and Light Manufacturing** zoning district. Within this district warehousing, distribution and development 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 a “Glass Products Made of Purchased Glass” and “Glass Cutting, Glazing & Sales” which are not permitted outright in M-1 zoning. However, on June 10, 2015, the applicant was recommended for approval by the Plan Commission regarding a land use variation for the site.

The positive recommendation from the Plan Commission also applies to parking. As proposed, the site will have a deficit of six parking spaces. Currently, Suburban Trim and Glass employs 11 people, one of which works entirely within the offices/showroom. The following chart details the proposed parking scenario at 206 W. Campus Drive (data from Plan Commission report #15-005):

Use/Business	Code Use	Square Feet	Parking Standard	Employees	Vehicles	Parking Req.
Retail/Showroom	Retail Sales	1,550	1 space/300 SF	N/A	N/A	5
Office	Offices - Business and Professional	3,010	1 space/300 SF	N/A	N/A	10
Warehouse/Assembly	Wholesale, Storage and Production	14,329	0.5 spaces/employee; 1 space/commercial vehicle	10	5	10
		18,889		SPACES REQUIRED		25
				SPACES AVAILABLE		19
				SURPLUS / (DEFICIT)		(6)

Again, if approved by the Village Board on July 6, 2015, the land use variation will apply to allow both the use type (“Glass Products Made of Purchased Glass” and “Glass Cutting, Glazing & Sales”) as well as permitting the parking deficiency.

V. State of Economy of Industry Making Application

Suburban Trim and Glass is a company that stores and fabricates glass and glass products. Although they provide a showroom to allow some retail sales, the great majority of their work is business-to-business. Their products vary greatly from windshields to store windows to doors. The business is currently located in a 6,000 square foot building at 425 E. Rand Road. The company has severely outgrown this location, where it has been located since 1979. The facility at 206 W. Campus Drive will provide more than three times the space that the company’s current location offers. Suburban Trim and Glass is looking to move into this facility within the next few months.

The Village guidelines suggest that the applicant have a minimum employment threshold of 25 employees, and of this total, 10 employees should reside in Arlington Heights. Suburban Trim and Glass has a total of 11 full-time employees which does not meet the minimum threshold for number of employees, although the company expects to employ up to 22 full-time equivalent workers within the

next 10 years. As this falls below the Village's employment criteria for the Class 6b, the company is requesting an exemption from this requirement.

Suburban Trim and Glass expects to have a positive economic impact on the community via this expansion. The aforementioned employees will account for consumer purchases. Also, showroom purchases are anticipated to contribute over \$24,000 in estimated sales tax revenue to the community. This revenue would be lost to the Village if the company was to relocate to another community.

Furthermore, over the 12-year life of the incentive, the applicant estimates that the property will generate over \$246,000 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. Even with the abatement, the applicant expects the property to generate \$515,000 in total property tax revenue from 2015-2026.

VI. Site Visit

Planning and Community Development Department staff has met with Suburban Trim and Glass ownership, visiting both their current and proposed locations. Today their operation is very condensed, with limited space for growth or addition of materials. The new site on Campus Drive will increase their functional square footage by threefold. This additional space will allow Suburban Trim and Glass to take on more work, operate more efficiently, and accommodate a future growth in employment. This company has operated in Arlington Heights for over 35 years and wishes to continue growing within the community.

VII. Site Specifics of Property Requesting Abatement

The building at 206 W. Campus Drive is 20,475 square feet. The purchaser is applying for a Class 6b property tax abatement that would allow a purchase of the property and completion of a \$100,000+ rehab to the facility. The site specifics are provided below:

- A. The property has been 100% vacant since August 2011.
- B. The combined cost of purchasing the property and completing interior improvements is approximately \$1.18 million. Without the abatement, the applicant has stated that they cannot afford this property.
- C. The tenant, Suburban Trim and Glass, is projecting employment growth over the next decade. The company currently employs 11 full-time staff. By the tenth year that Suburban Trim and Glass would be established at 206 W. Campus Drive (est. 2025), they anticipate formally employing 20-22 total full-time employees.

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."

Although the use types into which Suburban Trim and Glass falls under ("Glass Products Made of Purchased Glass" and "Glass Cutting, Glazing & Sales") are not permitted outright in M-1, these do comply with the mission of the Class 6b designation which is that the business and facility meets "industrial purposes" and that there is substantial rehabilitation as well as substantial re-occupancy of

"abandoned" property. As previously noted, both Staff and the Plan Commission feel that this business is appropriate for the M-1 district, and work conducted by the business meets the mission of the Class 6b tax abatement program. This is why both have recommended approval for a land use variation to allow Suburban Trim and Glass to operate at 206 W. Campus Drive.

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 Arlington Heights-based company to expand within the Village and occupy the entirety of an industrial site that has been vacant for nearly four years. The economic impact would be shown in employment growth, an increase in local consumer spending, the retention and expected growth of sales tax revenue, 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. 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 73% of the floor space is dedicated to glass fabrication and storage, with the remaining 27% dedicated to office and showroom space. Guideline #4 is not met as Suburban Trim and Glass employs 11 people with proposed growth to as many as 22 full-time staff during the life of the incentive. 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, retention and potential growth of sales tax revenue, and an inevitable increase in property taxes resulting from this re-occupancy.

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.

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 206 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. However, approval is contingent upon compliance with all Village codes, including subdivision, zoning, and design regulations. This includes Village Board approval of a land use variation for Suburban Trim and Glass to allow their business type and a parking deficiency at this location within an M-1 zoning district.

The abatement would benefit the community through re-occupancy of a long-vacant building, including over \$100,000 of rehab work to the property. Additionally, this would help retain a viable and long-standing business in the community and allow them to grow in the future, creating additional employment opportunities over the next decade. 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	\$1,184,078	\$1,184,078	\$1,184,078
Assessment Level	x <u>.25</u>	x <u>.10</u>	x <u>.33</u>
Assessed Valuation	\$ 296,020	\$ 118,408	\$ 390,745
Equalization Factor	x <u>2.6621</u>	x <u>2.6621</u>	x <u>0.9800</u>
Equalized Value	\$ 788,034	\$ 315,213	\$ 382,931
Tax Rate (per \$100)	x <u>11.6789%</u>	x <u>11.6789%</u>	x <u>9.4087%</u>
Taxes	\$ 92,034	\$ 36,813	\$ 36,029

DuPage County taxes for a similar building are \$56,005 lower than Cook County taxes. In other terms, DuPage County property taxes are approximately 155% lower than Cook County non-residential property taxes. With the Cook County 6b abatement, property taxes become exponentially more competitive (only 2.2% higher 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. Suburban Trim and Glass has been established in Arlington Heights for over 35 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 re-occupy a long-vacant building to ensure its ability to serve an Arlington Height business in the present and in the future.