

THE DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT

The review for determination of support for County Tax abatement for the property identified as 600 E. Brook 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. Submitted as Exhibits E, F, G, and H.
- F) TRAFFIC: Complete. Approximately 75 automobiles enter/exit the facility on a daily basis as well as an estimated 20 trucks. Brook Drive is the main route of ingress and egress, via Clearbrook Drive and Algonquin Road. The property currently offers 124 parking spaces for standard automobiles and 81 for commercial trucks. The business currently employs 149 people which require 74 standard parking spaces by Code (one

space per two employees). The business also utilizes 12 commercial trucks, which require 12 parking spaces (one space per commercial vehicle). The 81 available spaces for commercial trucks are more than adequate for this business use.

- G) **EVIDENCE OF NEW CONSTRUCTION:** No construction is planned for the building during the 12-year life of the incentive renewal. Submitted as Exhibit J.
- H) **EMPLOYMENT OPPORTUNITIES:** Complete. The business currently employs 148 full-time workers and one part-time worker. By the end of the life of the Class 6b renewal, the owner anticipates the business to employ 233 full-time staff. The applicant meets the minimum number of total employees per the application requirements (25). The business employs five Arlington Heights residents as well, which is less than the application requirement of 10 Village residents. The applicant is requesting an exemption from this aspect of the employment requirements from 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 copy of renewal application to Cook County, aerial of site, and marketing brochure for property. Submitted as Exhibit C.

II. Synopsis

Applicant wishes to obtain a renewal of their Cook County Class 6b Property Tax Classification which was originally approved by the Village Board in January 2005 to DPI Warehouse & Distribution.

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.

Besides the aforementioned approval in January 2005, the property at 600 E. Brook Drive has not received any other Class 6b property tax abatements in the past. The site is currently in the 11th year of its initial Class 6b, meaning that without renewal, the site's assessment level would rise from 10% to 15% this year. It would then rise to 20% next year, before returning to the standard 25% annual assessment of market value for Cook County industrial properties. With renewal, the property would remain assessed at 10% for the next ten years, before rising to 15% in the 11th year, and 20% in the 12th year. 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 21.9%. Should the tenant leave, this would immediately increase the vacancy rate by two points to 24%. (source: CoStar – January 2016)

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, GPT Arlington Heights Owner LLC, with Village Staff on January 25, 2016.

III. Correlation of Application to Comprehensive Plan

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

- Warehouse and Distribution Operations 90%
- General Office 10%

This takes into account approximately 107,509 square feet of industrial space and an estimated 11,945 square feet of office space.

IV. Correlation of Application to Zoning

The Zoning Map revised January 1, 2016 designates the relevant parcel as an **M-2 Limited Heavy Manufacturing** zoning district. Within this district warehousing, wholesale, and distribution and development are allowed. The proposed use of the subject site falls under the Zoning Code Permitted Use Table as a “Wholesale, and Warehouse Facility”, which is permitted outright in M-2 zoning.

As proposed, the site will have a surplus of 60 parking spaces. Currently, European Imports employs 149 people, 65 of which work entirely within the office. This is expected to increase to 234 people over the next 12 years. The following chart details the proposed parking scenario at 600 E. Brook Drive at the end of the incentive:

Use/Business	Code Use	Square Feet	Parking Standard	Employees	Vehicles	Parking Req.	
Warehouse/Distribution	Wholesale, Storage & Production	107,509	0.5 spaces per employee; 1 space/commercial vehicle	164	25	107	
Office	Offices - Business and Professional	11,945	1 space/300 SF	70	N/A	40	
119,454				SPACES REQUIRED		147	
						SPACES AVAILABLE	205

V. State of Economy of Industry Making Application

European Imports is a company that stores and distributes specialty food items throughout the country. The company has multiple locations across the U.S. and moved from Chicago to its current Arlington Heights location in April 2014. Due to the anticipated high tax rate on the property at the expiration of the current Class 6b incentive (\$4.45/SF), the company is seeking a renewal to keep the tax rate (and therefore rent rate) at a price which it can afford. Otherwise, European Imports will consider Lake County locations that offer more competitive property tax rates.

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. European Imports has a total of 148 full-time employees (and one part-time worker) which meets the minimum threshold for number of employees. Currently, five of these workers reside in Arlington Heights. As this aspect falls below the Village's employment criteria for the Class 6b, the company is requesting an exemption from this particular requirement.

Furthermore, over the 12-year life of the incentive, the applicant estimates that the property will generate over \$670,000 more in property taxes with the Class 6b designation than if it were to become vacant for the same period. While the building may not remain 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 \$4.5 million in total property tax revenue from 2016-2027.

VI. Site Visit

Planning and Community Development Department Staff has met with a representative of European Imports and their financial representative for this application, touring their current location. They have a thriving three-shift operating involving the importing, storage, and distribution of unique food items. Due to growth in the industry, the company is in need of more Staff to assist primarily in these operations. There is currently enough space in European Imports' facilities to accommodate additional product.

VII. Site Specifics of Property Requesting Abatement

The building at 600 E. Brook Drive is 119,454 square feet. The owner is applying for a Class 6b property tax abatement that would allow the current tenant, European Imports, to remain at the location. The site specifics are provided below:

- A. European Imports relocated to the previously-vacant site in April 2014. The site had been vacant for approximately 18 months prior.
- B. The property tax rate is expected to climb from \$1.78/SF to \$4.45/SF when the current Class 6b designation expires this year. Without the abatement renewal, the applicant has stated that the tenant will not be able to afford renting from this property.
- C. The tenant, European Imports, is projecting employment growth over the next decade. The company currently employs 148 full-time staff and one part-time employee. By the tenth year of the Class 6b incentive renewal for 600 E. Brook Drive (est. 2025), they anticipate formally employing 233 total full-time employees.

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...Performance standards protect residential areas by restricting objectionable manufacturing activities such as noises, vibration, smoke, dust, odors, heat, glare, fire hazards, and other objectionable influences.”

The use type into which European Imports falls under (“Wholesale, and Warehouse Facility”) is permitted outright in M-2. Although not a manufacturing use, the business is a major warehouse and distribution enterprise that complies with the mission of the Class 6b designation. The business and facility meets "industrial purposes" and that there is substantial re-occupancy of a 120,000 square foot property that was vacant prior to April 2014.

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, adding an estimated 85 employees over the next ten years. Economic impact would be shown in the employment growth, an increase in local consumer spending, and business retention. The amount of property tax revenue gained from retaining the businesses with a Class 6b designation, as opposed to allowing it to become vacant, is estimated at nearly \$675,000 over the 12-year life of the abatement.

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 90% of the floor space is dedicated to warehouse and distribution, with the remaining 10% dedicated to office space. Guideline #4 is partially met as European Imports employs 149 people with proposed growth to as many as 233 full-time staff during the life of the incentive. The applicant is requesting an exemption from the requirement of at least 10 workers residing in Arlington Heights. Guideline #5 is met by the retention of a large employer in the community, continued occupancy of a property with a significant physical footprint, and greater property tax revenue with the incentive than if it were to become vacant.

X. Finance Department Review

The Finance Department has reviewed the application and has no objections.

XI. Adherence to Zero Interest Loan Program / Economic 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 or economic development fund, to be distributed to new or expanding businesses within Arlington Heights that have applied and been approved for such a loan or other economic development programs that may be developed.

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 600 E. Brook 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.

The abatement would further benefit the community by retaining nearly 150 jobs. Additionally, this would help retain a viable business in the community and allow them to grow in the future, creating as

many as 85 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 Lake County taxes follows:

For use as an EXAMPLE:

	<u>COOK</u>	<u>COOK (W/CLASS 6B)</u>	<u>LAKE</u>
Market Value	\$10,000,000	\$10,000,000	\$10,000,000
Assessment Level	<u>x .25</u>	<u>x .10</u>	<u>x .33</u>
Assessed Valuation	\$ 2,500,000	\$ 1,000,000	\$ 3,300,000
Equalization Factor	<u>x 2.7253</u>	<u>x 2.7253</u>	<u>x 1.0</u>
Equalized Value	\$ 6,813,250	\$ 2,725,300	\$ 3,300,000
Tax Rate (per \$100)	<u>x 10%</u>	<u>x 10%</u>	<u>x 10%</u>
Taxes	\$ 681,325	\$ 272,530	\$ 330,000

Lake County taxes for a similar building are \$350,000 lower than Cook County taxes. In other terms, Lake County property taxes are approximately 106% lower than Cook County industrial property taxes in this instance. With the Cook County 6b abatement, property taxes become exponentially more competitive (21% lower 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. European Imports has invested in Arlington Heights 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 maintain a 120,000 square foot building to ensure its ability to serve an Arlington Heights business in the present and in the future.