

THE DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT

The review for determination of support for County Tax abatement renewal for the property identified as 311 W. University 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. Relationship of property tax abatement goals to application
- VI. Relationship of Village guidelines to application
- VII. Finance Department review
- VIII. Adherence to Zero Interest Loan program / economic program requirements
- IX. 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 Exhibits A, B, C.
- C) IDENTIFICATION OF PERSONS: Complete. Submitted as Exhibit D.
- D) PROPERTY USE: Complete. Submitted as Exhibits E, F, G.
- F) TRAFFIC: Complete. Petitioner asserts that there are 40 passenger vehicles per day entering and existing the site for employees and 3-4 trucks per day.
- G) EVIDENCE OF NEW CONSTRUCTION: This request is for a renewal extension to the 6B previously granted for the building addition completed in 2007. No additional construction is planned.
- H) EMPLOYMENT OPPORTUNITIES: Complete. Hommer Tools currently employs 41 persons. Over the next several years they estimate increasing employment from 41 to 48. Submitted as Exhibit K.

- I) FINANCIAL INFORMATION: Complete. Proprietary.
- J) FISCAL EFFECT: Complete. Submitted as Exhibit M.
- K) OTHER INDUCEMENTS: Complete. No other inducements requested.
- L) JUSTIFICATION: Complete. Submitted as Exhibit O.
- M) OTHER DATA: NA.

II. Synopsis

Applicant wishes to obtain a renewal of their Cook County Class 6b Property Tax Classification for their building addition, which was originally approved by the Village Board in 2002, however it did not take effect until 2007 once the building addition was completed and on the tax rolls.

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 2002 (effective in 2007), the property at 311 W University Drive has received a 6b abatement in 1994, which was renewed in 2002. The site is currently in the 10th 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.

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.

III. Correlation of Application to Comprehensive Plan

The General Comprehensive Plan designates this property as research, development, manufacturing and warehouse. The current use is consistent with that designation.

IV. Correlation of Application to Zoning

The Zoning Map revised January 1, 2016 designates the relevant parcel as an **M-1 Research Development Light Manufacturing** zoning district. The existing business use is permitted and the site meets zoning requirements.

V. 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.

VI. 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.

The application meets the Village's guidelines except for the guideline that 10 or more employees reside in the Village.

VII. Finance Department Review

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

VIII. 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.

IX. 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 in order to promote employment growth from 41 to 48 employees.

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	x .25	x .10	x .33
Assessed Valuation	\$ 2,500,000	\$ 1,000,000	\$ 3,300,000
Equalization Factor	x 2.7253	x 2.7253	x 1.0
Equalized Value	\$ 6,813,250	\$ 2,725,300	\$ 3,300,000
Tax Rate (per \$100)	x 10%	x 10%	x 10%
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.