

THE DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT

The review for determination of support for County Tax abatement for the property identified as 3933 N. Ventura 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 the Village Board 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 and one truck will enter/exit the facility on a daily basis. Ventura Drive is the main route of ingress and egress, via Wilke Road. The property offers 80 parking spaces. The business currently employs 19 people, one of whom is part-time. Over the next five years, the business expects to employ 50 employees total and utilize three commercial vehicles. This will require 49 standard parking spaces by Code. The 80 available spaces are more than adequate for this business use. See Section IV for more information.

- G) EVIDENCE OF NEW CONSTRUCTION: Complete. The applicant plans to replace the facility's roof, install a new HVAC system in the building, conduct repairs to the parking lot, paint the building's exterior, and upgrade interior lighting. The estimated cost for this work is approximately \$510,000. Submitted as Exhibit J.
- H) EMPLOYMENT OPPORTUNITIES: Complete. The business currently employs 18 full-time workers and one part-time worker. By the end of the life of the Class 6b, the owner anticipates the business to employ at least 49 full-time staff in addition to the one part-time worker. The applicant does not currently meet the minimum number of total employees per the application requirements (25), but expects exceed that within three years. The business employs three Arlington Heights residents, which does not meet the application requirement of ten Village residents. The applicant is requesting an exemption from these aspects of 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 Exhibits O and Q.
- M) OTHER DATA: Complete. Provided aerial of site and copies of floor plans. Submitted as Exhibit C.

II. Synopsis

Applicant wishes to obtain a Cook County Class 6b Property Tax Classification upon which the purchase of the property was contingent. Ownership has expressed a likely inability to remain in this facility should a Class 6b designation not be granted. 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.

The site was approved for a Class 6b tax abatement in March 1997 by the Village Board and renewed for the first time in May 2007. This was when the property was occupied by 3e Marketing Communications, which vacated the property in October 2014. With approval, the property would be assessed at 10% for the next ten years, before rising to 15% in the 11th year, and 20% in the 12th year. This represents a substantial reduction in the level of assessment and results in significant tax savings. Barring the approval of another incentive renewal, the property would return to paying the standard 25% assessment after the 12th year.

In the absence of this incentive, industrial real estate would normally be assessed at 25% of its market value. The industrial/flex vacancy rate in Arlington Heights was 17.9% in June, when the business relocated to Arlington Heights. By re-occupying the property, this decreased the vacancy rate by 0.5% to 17.4%. (Source of Vacancy Rate: CoStar).

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, Bristol North Ventura LLC, the purchasers of the property.

III. Correlation of Application to Comprehensive Plan

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

- Design, Manufacturing, and Warehouse 71%
- General Office 29%

This takes into account approximately 25,000 square feet of industrial space and an estimated 10,000 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-1 Limited Heavy Manufacturing** zoning district. Within this district warehousing, packaging, and distribution and development are allowed. The proposed use of the subject site falls under the Zoning Code Permitted Use Table as a "Tool & Die Shop", which is permitted outright in M-1 zoning.

As proposed, the site will have a surplus of 31 parking spaces. Currently, DevLinks employs 19 people. This is expected to increase to 50 people over the next three years. The following chart details the proposed parking scenario at 3933 N. Ventura Drive at the end of the incentive:

Use/Business	Code Use	Square Feet	Parking Standard	Employees	Vehicles	Parking Req.
Machinery Design & Manufacturing	Tool & Die Shops	25,038	0.5 spaces per employee; 1 space/commercial vehicle	26	3	16
Office	Offices - Business and Professional	10,000	1 space/300 SF	24	N/A	33
		35,038		SPACES REQUIRED		49
				SPACES AVAILABLE		80
				SURPLUS / (DEFICIT)		31

V. State of Economy of Industry Making Application

DevLinks is a company that designs and manufactures machines to operate in manners specified by individual clients. The company relocated from a 25,000 square foot facility on Malmo Drive, just outside the Village's municipal boundaries. Due to the company's anticipated growth, they need a much larger facility. They have relocated to 3933 N. Ventura Drive, but the anticipated property taxes on the building would make the long-term relocation cost-prohibitive compared to similar buildings in Lake County.

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. DevLinks has a total of 18 full-time employees (and one part-time worker) which does not meet the minimum threshold for number of employees. As this falls below the Village's employment criteria for the Class 6b, the company is requesting an exemption from this particular requirement. However, the company anticipates employing 49 full-time and one part-time employee in the next three years.

Over the 12-year life of the incentive, the applicant estimates that the property will generate over \$260,000 more in property taxes with the Class 6b designation than if it were to be vacant for the same period, although it is unlikely that the building would remain vacant for 12 years. Even with the abatement, the applicant expects the property to generate \$885,000 in total property tax revenue from 2016-2027.

VI. Site Visit

Planning and Community Development Department Staff met with representatives of DevLinks for this application, touring their location on Malmo Drive. They have a multi-faceted operation in terms of office workers and manufacturing operations. Due to their business growth the company is in need of more Staff and space to conduct their operation, and the Arlington Heights facility provides the opportunity to expand in all facets of their operation.

VII. Site Specifics of Property Requesting Abatement

The building at 3933 N. Ventura Drive is 35,038 square feet. The applicant is applying for a Class 6b property tax abatement that would permit DevLinks to stay in this location. The site specifics are provided below:

- A. The site had been 100% vacant for approximately 14 months prior to DevLink's reoccupation.
- B. The property tax rate is approximately \$4.07 per square foot at this property. The applicant is would paying \$1.69 per square foot at a similarly-sized Lake County facility. A Class 6b designation would make 3933 N. Ventura Drive much more competitive at \$1.63 per square foot, allowing the company to remain at this site.
- C. The tenant is projecting immediate employment growth. The company currently employs 18 full-time staff and one part-time employee. By just the third year of the Class 6b incentive for 3933 N. Ventura Drive they anticipate formally employing 49 total full-time employees and one part-time worker.

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. The district should be accessible to an arterial street 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 DevLinks falls under (“Tool & Die Shops”) is permitted outright in M-1. The business designs and manufactures machinery, which 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 35,000 square foot building that was vacant beginning in November 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 the continued re-occupancy of a building previously vacant for over one year. Economic impact would be shown in the employment growth, an increase in local consumer spending, and the complete re-occupancy of the 35,000 square foot facility. The amount of property tax revenue gained from the businesses obtaining a Class 6b designation, as opposed to a vacant site, is estimated at approximately \$261,500 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 71% of the floor space is dedicated to manufacturing, with the remaining 29% dedicated to office space. Guideline #4 is not currently met as the prospective tenant, DevLinks, only employs 19 workers. However, the applicant is requesting an exemption from this requirement, as well as the requirement of at least ten workers residing in Arlington Heights, as they will employ 50 people within the next three years. Guideline #5 is met by the re-occupancy of a 35,000 square foot industrial vacancy, greater property tax revenue with the incentive than if it were to be vacant, and the attraction of a growing company to Arlington Heights.

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, 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 3933 N. Ventura 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 bringing a new employer to the community, along with 19 jobs. The tenant, DevLinks, is expected to create 31 new jobs over the next three years as well, with the possibility of more employment opportunities created during the 12-year life of the incentive. Also, 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 be 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 property taxes between Cook County and Lake County (where the tenant is currently located) follows:

For use as an EXAMPLE:

	<u>COOK</u>	<u>COOK (W/CLASS 6B)</u>	<u>LAKE</u>
Market Value	\$ 1,706,630	\$ 1,706,630	\$ 1,706,630
Assessment Level	x .25	x .10	x .33
Assessed Valuation	\$ 426,658	\$ 170,663	\$ 563,188
Equalization Factor	x 2.7253	x 2.7253	x 1.0000
Equalized Value	\$ 1,162,770	\$ 465,108	\$ 563,188
Tax Rate (per \$100)	x 12.27%	x 12.27%	x 10.54%
Taxes	\$ 142,672	\$ 57,069	\$ 59,360

Lake County taxes for a similar building are \$83,312 lower than Cook County taxes. In other terms, Lake County property taxes are approximately 140% lower than Cook County industrial property taxes in this example. With the Cook County 6b abatement, property taxes become exponentially more competitive (3.6% lower than Lake County property taxes) in this instance.

The net result of encouraging Class 6b tax abatement incentives will provide for a more aggressive atmosphere for economic development in Arlington Heights than other communities in the six-county region. DevLinks is a growing company looking to invest in Arlington Heights. Support of this incentive request will help the company thrive in the long-term and continue occupation of a 35,000 square foot building to ensure its ability to serve an Arlington Heights business in the present and in the future.