

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 / 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 10 automobiles are projected to enter/exit the facility on a daily basis as well as an estimated 3-6 trucks. Campus Drive is expected to be the main route of ingress and egress. The property currently offers 19 parking spaces while the user currently requires only 16 by Code. Therefore, the use meets parking requirements.

- G) **EVIDENCE OF NEW CONSTRUCTION:** Ownerships plans to conduct a \$230,000-\$350,000 rehab to the facility. Efforts include window repair/installation; removal of interior walls; replacement of driveway; replacement of landscaping. Other interior work includes the construction of new offices, a conference room, as well as a kitchen and gym for employees. Submitted as Exhibit J.
- H) **EMPLOYMENT OPPORTUNITIES:** Complete. The business currently employs six full-time workers. By the end of the life of the Class 6b, the owner anticipates the business to employ 29 full-time staff, with 19 working out of the Arlington Heights office. The applicant does not meet the minimum number of employees per the application requirements (25). Applicant also does not meet the number of employees desired to reside in Arlington Heights (10). The applicant is requesting an exemption from the employment requirements of the Village's Class 6b guidelines. However, the property has been vacant for over five years and may not have sufficient parking for a 25-employee business. 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, floor plan, copy of eligibility application to Cook County, financial records, 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 was previously approved by the Village Board for a Class 6b property tax abatement in July 2015. However, that applicant never occupied the property and the incentive was not activated. The site has been 100% vacant since August 2011. The new prospective owner, W&C Timpe LLC, will lease the property (one parcel) to their company, MMI Display. The purchase is contingent upon approval for the incentive. This contingency is highlighted in documentation between Mosak Properties LLC (seller) and C&W Timpe LLC (purchaser).

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| <ol style="list-style-type: none">1. Seller agrees to cooperate with Purchaser with its application for 6B for the reduction of real estate taxes on the property.2. This contract is contingent through the financing contingency period of the contract upon Purchaser being granted its 6B application. |
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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 15.4%. Complete occupancy of this building would immediately reduce the vacancy rate to 15.0%, nearly one-half percentage point. (source: CoStar – November 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, MMI Display.

III. Correlation of Application to Comprehensive Plan

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

- Storage and Warehousing 83%
- Offices/Employee Gym 17%

This takes into account approximately 15,500 square feet of industrial space and an estimated 3,600 square feet of office. The rest will be dedicated to miscellaneous space such as bathrooms and a private employee gym.

IV. Correlation of Application to Zoning

The Zoning Map revised January 1, 2016 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 "Wholesale, and Warehouse Facility" which is permitted outright in M-1 zoning.

As proposed, the site will have a surplus of three parking spaces. Currently, MMI Display Group employs six people. The company has been made aware that, should they continue to outgrow their parking allowance (per Code), that they will be required to add more parking on-site or apply for a parking variation. The following chart details the proposed parking scenario at 206 W. Campus Drive:

Use/Business	Code Use	Square Feet	Parking Standard	Employees	Vehicles	Parking Req.
Office	Offices - Business and Professional	3,635	1 space/300 SF	2	N/A	12
Warehouse/Storage	Warehouses and Storage	15,500	0.5 spaces/employee; 1 space/commercial vehicle	4	0	2
		19,135			SPACES REQUIRED	16
					SPACES AVAILABLE	19
					SURPLUS / (DEFICIT)	3

V. State of Economy of Industry Making Application

MMI Display Group is a company that designs, stores, and distributes permanent displays. These are typically found in stores, displaying various products. MMI Display Group has been in business for 40 years, and will warehouse and assemble their product at their prospective Arlington Heights location (manufacturing is contracted out). The business is currently located in a 10,725 square foot building in Woodstock and is outgrowing this space. The facility at 206 W. Campus Drive will provide nearly double the space that the company's current location offers. MMI Display Group is looking to move into this facility as soon as possible.

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. MMI Display Group has a total of six full-time employees which does not meet the minimum threshold for number of employees, although the company expects to employ up to 19 full-time equivalent workers in Arlington Heights 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.

MMI Display Group expects to have a positive economic impact on the community via this relocation. The aforementioned employees will account for consumer purchases. Also, the company anticipates generating \$14,000 in annual sales taxes to the Village based upon a projected \$140,000 generated in total annual sales taxes, with approximately 10% going to the Village via municipal sales tax.

Furthermore, over the 12-year life of the incentive, the applicant estimates that the property will generate over \$217,000 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 \$511,000 in total property tax revenue from 2016-2027.

VI. Site Visit

Planning and Community Development Department staff met with ownership of MMI Display at their Woodstock facility on November 15th. 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 206 W. Campus Drive is 20,500 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 \$230,000-\$350,000 rehab to the facility. The site specifics are provided below:

- A. The property has been 100% vacant since 2011.
- B. The combined cost of purchasing the property and completing interior improvements is approximately \$1.25 million. Without the abatement, the applicant has stated that they cannot afford this property.
- C. The tenant, MMI Display Group, is projecting employment growth over the next decade. The company currently employs six full-time staff. By the tenth year that MMI Display would be established at 206 W. Campus Drive (est. 2026), they anticipate formally employing up to 29 total full-time employees, 19 of which would be based out of the company's Arlington Heights office.
- D. The current owner of the property has provided a letter expressing that if a Class 6b designation is not given Village Board approval by November 23, 2016, that the contract to purchase will expire and that he will withdraw from sale of the property to this prospective buyer.

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."

As both a warehouse user and a general office, this business use meets M-1 zoning requirements. Further, it complies 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.

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 company to relocate and expand within the Village and occupy the entirety of an industrial site that has been vacant for over five years. The economic impact would be shown in employment growth, an increase in local consumer spending, additional sales tax revenue generated, 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:

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 83% of the floor space is dedicated to warehousing and storage, with the remaining 17% dedicated to office space. Guideline #4 is not currently met as MMI Display Group employs six people. The company is planning growth to as many as 29 full-time staff during the life of the incentive (19 based in the Arlington Heights location). 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 attraction of a long-standing business to the community, re-occupancy of a long-vacant property, and the addition of sales tax revenue, as well as 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.

Despite not meeting employment requirements with six workers at move-in, the company plans to aggressively expand, adding up to 13 more workers at the Arlington Heights location by the end of the incentive period. Should they not meet this projection, Staff and the Village Board can take this under consideration were the property owner to apply for a renewal at the end of the current incentive period. Additionally, this site has been vacant over five years, and the Village should aggressively work to re-occupy this 20,000 square foot facility. With limited on-site parking (19 spaces), it is unlikely the Village could recruit a tenant that would be able to meet the minimum 25-employee threshold laid out in the municipal Class 6b application.

The abatement would benefit the community through re-occupancy of a long-vacant building, including over \$200,000 of rehab work to the property. Additionally, this would help attract a viable business to the community and allow them to grow in the future, creating additional employment opportunities over the next decade. The business will also benefit the community through sales taxes generated. 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	\$1,076,250	\$1,076,250	\$1,076,250
Assessment Level	x .25	x .10	x .33
Assessed Valuation	\$ 296,020	\$ 107,625	\$ 355,163
Equalization Factor	x 2.6685	x 2.6685	x 1.0000
Equalized Value	\$ 717,993	\$ 287,197	\$ 355,163
Tax Rate (per \$100)	x 12.717%	x 12.717%	x 13.0502%
Taxes	\$ 91,307	\$ 36,523	\$ 46,349

DuPage County taxes for a similar building are \$45,000 lower than Cook County taxes. In other terms, DuPage County property taxes are approximately half of Cook County non-residential property taxes in this example. With the Cook County 6b abatement, property taxes become exponentially more competitive (21.2% lower 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. MMI Display is a quickly-growing company looking to establish a long-term footprint in the Village. 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.