



To: Dr. Charles Johns
Board of Education

From: Dr. R.J. Gravel

Date: Tuesday, October 12, 2021

Re: Newmedical Technology, Inc. 6(b) Request

Recommendation

It is recommended that the Board of Education direct the administration to submit a letter of support offered as part of Newmedical Technology, Inc.'s Application for the Cook County 6(b) Designation on an existing property.

Background

Cook County has made available a classification to encourage industrial development throughout the county, providing a real estate tax incentive for developing industrial facilities and structures. Three common goals can be fulfilled by awarding a Class 6(b) designation: attracting new industry, stimulating existing industry, and increasing employment opportunities. Properties provided a Class 6(b) designation become eligible for the following tax incentive:

- Property assessment at 10% of market value for the first 10 years,
- Property assessment at 15% in the 11th year,
- Property assessment at 20% in the 12th year (before returning to the standard 25% rate),
- Assessment is determined from the date that the new construction or substantial rehabilitation is completed and initially assessed or, in the case of abandoned property, from the date of substantial re-occupancy.

Late last month, the Village of Northbrook informed Northbrook School District 27 and Glenbrook High School District 225 that a current Northbrook company, Newmedical Technology, Inc., is considering relocating their warehouse distribution and manufacturing facility from a leased property at 310 Era Drive in Northbrook to 4065 Commercial Avenue (part of Sky Harbor) in Northbrook. This existing property was built in 1978, has been vacant for approximately three years. To support their relocation to this property, Newmedical Technology has requested that a Class 6(b) designation be applied to the property they are considering. Details of their development proposal are as follows:

- Improvement of the approximately 47,040 square foot industrial building and located on a 3.8-acre site; and
- Improvements include approximately \$500,000 to \$800,000 in building improvements to convert the existing office space layout to a manufacturing, warehousing, and distribution center.

Newmedical Technology, Inc. was formed in 2003 and is a global medical device company focused on the development, manufacturing, and distribution of patented therapies for advanced wound care, scar management, skincare, and surgical solutions. 95% of the company's products are produced in Northbrook and distributed globally in over 30 countries. Products are distributed from the Northbrook

warehouse to physicians, consumers, and international via distributors. Expanding operations in the proposed location would allow for an estimated increase of sales from \$7.3 million to \$10 million within two years of the expansion. Additionally, the company is releasing new product lines, which will, hopefully, allow sales to increase further. The company plans to transfer all 31 full-time and 2 part-time employees from its current Northbrook location to the proposed property. It expects to hire an additional 20 full-time employees within the first two years of operation in the new site, and intends to hire more people over the 12 year 6(b) period, and is committed to looking to qualified Northbrook residents for new team members.

Given the economic benefits to the Northbrook community, the Village of Northbrook supports providing a Class 6(b) designation on the proposed facility. The estimated property tax revenue impact over the next 12 years of the tax incentive, using 2020 rates, is outlined below:

	Total Tax Estimate Over 12 Years	District 225 Tax[^] Over 12 Years
Occupied - With 6(b)	\$593,609	\$159,918
Vacant - Without 6(b)	\$754,991	\$203,394

* Based on Village-prepared estimates; rounded

[^] Based on 2020 Tax Rates (Glenbrook Tax Rate - \$2.085; Total Tax Rate - \$7.737; Portion - 26.94%)

At this time, the Village of Northbrook has requested that the local districts take this proposal under review and consider providing a letter of support regarding the assignment of Class 6(b) designations. The Village of Northbrook Board of Trustees will review any letters of support submitted at their November 9, 2021 meeting when they review the resolution to support the request that will be submitted to Cook County.



VILLAGE OF NORTHBROOK MEMORANDUM DEVELOPMENT & PLANNING SERVICES

TO: CARA PAVLICEK, VILLAGE MANAGER
FROM: CHAN YU, DPS DEPUTY DIRECTOR
DATE: SEPTEMBER 14, 2021
SUBJECT: INITIAL BOARD REVIEW – 4065 COMMERCIAL AVENUE IN THE I1 RESTRICTED INDUSTRIAL DISTRICT - COOK COUNTY 6B PROGRAM REQUEST

Introduction

On September 14, 2021, the Board of Trustees will consider a request by Newmedical Technology, Inc. (the “Applicant”) as the contract purchaser of the property commonly known as 4065 Commercial Avenue (the “Subject Property”) which is owned by One North Broadway Partnership, LLC (the “Owner”) for consideration of a Class 6b Tax incentive. The Applicant plans to purchase the Subject Property to expand and move from its current location at 310 Era Drive in Northbrook. The Applicant is an international medical device company specializing in the development, manufacturing and distribution of its proprietary products for wound, skin care, scar management and surgical solutions. It produces 95% of its products in Northbrook.

The Applicant plans to utilize the entire 47,040 square foot industrial building primarily for manufacturing, warehousing and distribution. Its products are distributed to over 30 countries and also available on its website and Amazon. The Applicant currently employs 31 full-time and 2 part-time employees and plans to hire an additional 20 full-time employees within the first two years of operation and more over the course of the 12-year 6b period.

The Applicant plans to submit a request to the Cook County Assessor’s Office to receive a County 6b property tax classification based on occupancy of abandoned property for greater than 24 continuous months. The Subject Property is 3.8 acres and has 194 parking stalls. The Applicant plans to initially invest approximately \$350,000 in building improvements to convert the existing office space layout to a manufacturing, warehousing and distribution center. The Applicant plans to continue to invest approximately an additional \$250,000 into the building over the 12-year 6b period.

During the September 14, 2021 Board of Trustees meeting, the Applicant will seek initial Board comments on the feasibility of obtaining Village support for a Class 6b incentive. We have attached the application materials submitted by the Applicant, as well relevant background material assembled by the Village Staff concerning the property and the County 6b program.

Property/Building Description

Key information concerning the property is summarized below:

- 1 The building on the Subject Property has been **completely vacant for over 3 years**.
- 2 The Subject Property has been actively marketed as available for sale by Cushman Wakefield since October 2018, and prior to that by Korman Lederer. The contract purchasing price is \$1,176,000.
- 3 The 47,040 square foot building is 41 years old, has 1 interior dock and consists of a 3.8 acre lot.
- 4 The Subject Property is located in the I-1 Restricted Industrial zoning district and is not within the

floodplain.

- 5 The Future Land Use Map in the Comprehensive Plan identifies the property and other properties to the north, east and west as appropriate for General Industrial & Warehouse Uses. The property to the south is currently zoned R-2 Single Family Residential and the Future Land Use Map identifies it for Single Family use.
- 6 The property is located in Elementary School District 27 and High School District 225.

The 6B Program

The Cook County Class 6b program reduces the overall property tax bill for industrial and warehouse buildings over the course of 12 years. Under the program, properties are assessed based on the following schedule:

- at 10% of market value for the first 10 years,
- 15% in the 11th year, and
- 20% in the 12th year.
- **In year 13, the property reverts to the normal assessed value of 25% of market value.**

Real estate is eligible for Class 6b status if it is used primarily for “industrial purposes” and is either:

- (a) new construction,
- (b) substantial rehabilitation of a building, or
- (c) occupation of an “abandoned” property.

When approving a 6b tax incentive, the Village has a policy of requiring an agreement that stipulates the Applicant may not apply for an extension of the 6b tax relief program.

In this instance, the Applicant is seeking approval of a 6b incentive as a building that has been abandoned for more than two years. The Applicant has prepared a conservative exhibit that depicts the projected property tax impact of the Subject Property; conservative because the property tax projection only assumes \$350,000 in building improvements. As stated in the cover letter supplied by the Applicant and above, the Applicant plans to continue to invest approximately an additional \$250,000 into the building over the 12-year 6b period. As such, the below table summarizes the overall impact over the 12-year lifespan of the 6b program (2021-2033) assuming if the 6b was approved, not approved but occupied by the applicant, the property tax savings for the applicant if the 6b was approved, and the property tax if it remained vacant for 12 years.:

Estimated Taxes Paid over 12 Years <u>With</u> the Class 6b	Estimated Taxes Paid over 12 years <u>Without</u> The Class 6b	Estimated <u>Savings</u> in Property Taxes over 12 years	Estimated Taxes Paid over 12 years if left Vacant
\$543,106	\$1,119,906	\$576,800	\$754,991

Village Procedures for Processing Class 6b Applications

The Village adopted Resolution No. 07-R-48, “Establishing Eligibility Guidelines and Procedures for Review and Approval of Cook County Class 6B Classification Requests”. The guidelines consist of three basic categories:

1. Economic & Fiscal Impacts of the Business on the Community (50% consideration)

2. Conditions of Existing Building/Site and Private Financial Contribution Compared to Public Assistance (30% consideration)
3. Quality of Jobs Created (20% consideration)

In addition, bonus consideration of up to 5% can be awarded due to environmental features of the proposed business. When the Village Board established these eligibility guidelines, they were adopted as general guidelines as a way for the Board to evaluate requests.

Following a review of the comments made by the Board on this initial request, the Applicant will need to decide if it wishes to file a formal Village 6b application. If they proceed, we will route the application and supporting materials to the impacted school districts (in this case, School Districts 27 and 225) as well as the Northbrook Park District and Library District. Up to 45 days is available for a comment period prior to the Board taking final action on the resolution of support. The Village's procedures also provide the ICDC and EDC an opportunity to comment on the proposed requests.

Summary

Staff suggests that the Board of Trustees focus on the following questions in reviewing this request:

- 1 Does the Applicant's Class 6b request satisfy the general Cook County criteria for the approval of a Class 6b incentive involving a vacant structure?
- 2 Does the Applicant's 6b proposal satisfy the general Village criteria for the approval of a 6b incentive?
- 3 Is the incentive appropriate to encourage the expansion of this business to Northbrook?

The Applicant and staff will be present at the September 14, 2021, meeting to answer any questions from the Board.

PRELIMINARY REVIEW
COOK COUNTY 6B PROGRAM REQUEST: 4065 COMMERCIAL AV
E APPLICATION SUMMARY

Applicant: Newmedical Technology, Inc.

Site Location: 4065 Commercial Avenue

Requested Action: Resolution supporting and consenting to a Cook County Class 6b incentive (SIC No. 2834.00 Pharmaceutical Manufacturing, General)

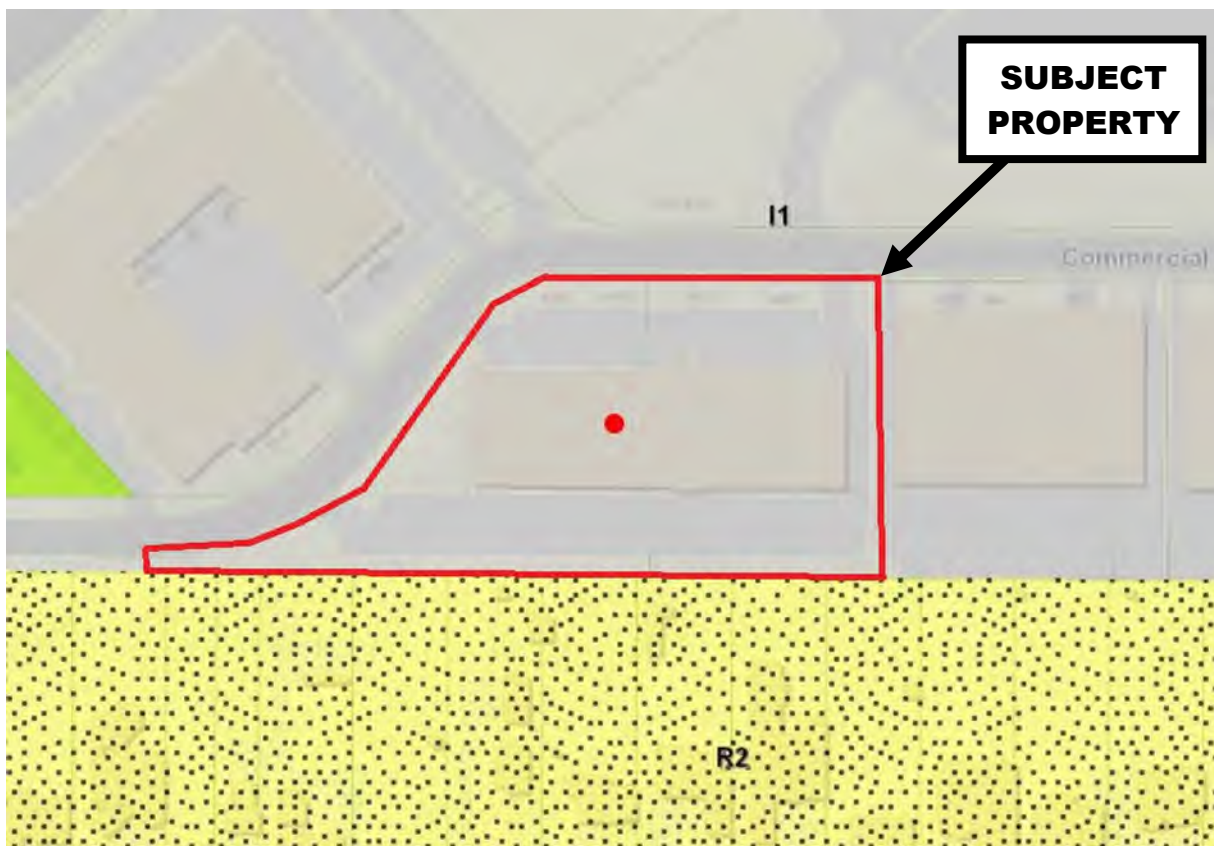
Proposal: Resolution from the Village of Northbrook supporting and consenting to a Class 6b tax incentive to re-occupy a vacant property for greater than 24 months.

Existing Zoning & Land Use: I1 – Vacant Industrial Building

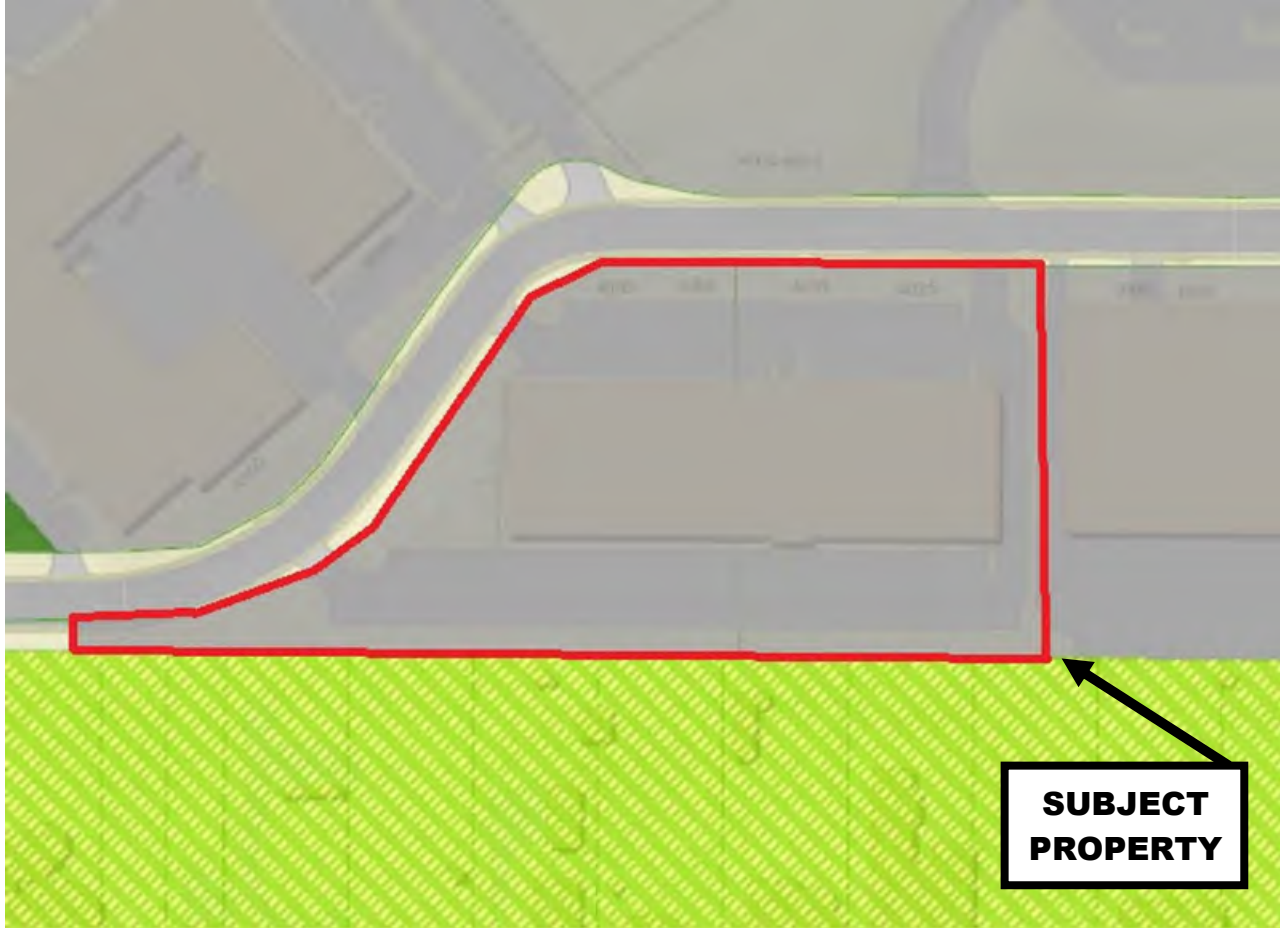
Surrounding Zoning & Land Use: North: I-1 Restricted Industrial
South: R-2 Single Family
East: I-1 Restricted Industrial
West: I-1 Restricted Industrial

Comprehensive Plan Designation: General industrial, warehouse and office











ZONING MAP



COMPREHENSIVE PLAN MAP



Legend

-  Open Space & Outdoor Recreation
-  Single Family
-  Single Family Large Lot
-  Multi-Family up to 6 DUA
-  Multi-Family 6-9 DUA
-  Multi-Family 9-15 DUA
-  Multi-Family over 15 DUA
-  Senior or Special Residential
-  Government Facility
-  Institutional Facility
-  Neighborhood Office
-  Neighborhood Edge 1
-  Neighborhood Edge 2
-  Office - Professional
-  Office - Corporate/Corridor
-  Community Retail
-  Major Retail
-  Industrial & Commercial Service
-  General Industrial, Warehouse & Office
-  Major Industrial/Distribution
-  Transportation, Comm. & Utilities
-  Village Center Mixed Use
-  Techny Area Multi-Use
-  Major Corridor Multi-Use
-  Techny Area

4065 Commercial Avenue



Street view on Commercial Ave. (facing south)



Street view on Commercial Ave. (facing east)

