



To: Dr. Charles Johns
Board of Education

From: Dr. R.J. Gravel

Date: Monday, February 24, 2020

Re: Belmont Trading Company, Inc. 6(b) Request

Recommendation

It is recommended that the Board of Education direct the administration to submit a letter of support that will be submitted as part of the Belmont Trading Company, Inc.'s Application for the Cook County 6(b) Designation on current and new property.

Background

Cook County has made available a classification to encourage industrial development throughout the county, which provides a real estate tax incentive for the development of industrial facilities and structures. There are three common goals that 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.

Last week, the Village of Northbrook informed Northbrook School District 27 and Glenbrook High School District 225 that a current Buffalo Grove company, Belmont Trading Company, Inc., is considering relocating their global headquarters from Buffalo Grove to an existing vacant property on Huehl Road in Northbrook. The property being considered has been vacant for approximately one year. Belmont has relocated multiple times, which included a residence for 15 years in Northbrook at a facility on MacArthur Boulevard. To support their relocation to Northbrook, Belmont has requested that a Class 6(b) designation be applied to the property they are considering. Details of their development proposal are as follows:

- Rehabilitation and improve the approximately 78,483 square foot industrial building constructed in 2000 and located on a roughly 158,143 square foot site.
- Improvements include flooring, paint, plumbing, electrical, lighting, roof, ventilation, and general trades.
- The cost of these improvements is estimated at \$800,000, which would result in an increase of \$200,000 in assessed value without a Class 6(b) incentive.

Belmont Trading Company is a 31-year old business that processes, warehouses, and distributes electronic devices (e.g., tablets, laptops, and smartphones). In 1993 the company had 35 employees and \$10,000,000 in annual sales. Since that time, their company has grown to 132 employees and \$190,000,000 in annual sales in the United States. At this time the company is looking to expand both its facility size and workforce. If this proposal is approved, Belmont plans to move its entire United States operation to Northbrook. Over the next 10 years, the company intends its workforce to grow to a total of 170 employees and has committed to hiring qualified Village of Northbrook residents in the future.

Given the economic benefits to the Northbrook community, the Village of Northbrook is in support of providing a Class 6(b) designation on the proposed facility. The estimated property tax revenue impact for the first year of the tax incentive, using 2018 rates, is outlined below:

	Rate PSF	Total Space	Total Tax Estimate ^	District 225 Tax ^
With 6(b)	\$4.24*	78,483*	\$133,081	\$35,612
Without 6(b)	\$1.70*		\$322,703	\$86,355

* Based on Village-prepared estimates; rounded

^ Based on 2018 Tax Rates (Glenbrook Tax Rate - \$2.216; Total Tax Rate - \$8.280; Portion - 26.76%)

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 April 14, 2020 meeting when they review the resolution in support of the request that will be submitted to Cook County.



VILLAGE OF NORTHBROOK MEMORANDUM DEVELOPMENT & PLANNING SERVICES

TO: RICHARD A. NAHRSTADT, VILLAGE MANAGER
FROM: THOMAS POUPARD, DPS DIRECTOR
DATE: JANUARY 22, 2020
SUBJECT: INITIAL BOARD REVIEW – 555 HUEHL ROAD
COOK COUNTY 6B PROGRAM REQUEST

Introduction

IBYS Partners, LLC (the “Applicant”) is the contract purchaser of the property commonly known as 555 Huehl Road (the “Subject Property”). The Applicant plans to purchase the Subject Property and move the headquarters for Belmont Trading Company from Buffalo Grove to Northbrook. In addition to the corporate offices, the building would also be used to process, warehouse and distribute a variety of recycled electronic devices (such as tablets, laptops, smart phones, etc.).

The Applicant has submitted an application to receive a County 6b property tax classification as a vacant building, but one that has **not yet been vacant for the minimum two-year period specified** in the Cook County general qualifications standards. The County does allow for municipalities to support a 6B request upon a finding that “**special circumstances**” exist. In this case, the property at 55 Huehl has been vacant for 12 months. The Applicant also plans to invest approximately \$700,000 to \$900,000 in building improvements to qualify as “substantial rehabilitation” of the property.

During the January 28, 2019 meeting, the Applicant is seeking 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:

- The building on the Subject Property has been completely vacant for approximately one year.
- The Subject Property has been actively marketed as available since 2018, when the prior tenant in the building, Omeda Communications elected not to renew its 12-year lease.
- The Board may recall that there was a zoning application filed in 2018 involving this property and a request to convert the building into a sports training facility (Joy of the Game). That application was eventually denied.
- The building has approximately 78,500 square of floor area. There is approximately 40,581 square feet of warehouse space on the first floor. There is approximately 18,756 square feet of office on the first floor and approximately 19,146 square feet on the second floor.
- The plan is for Belmont Trading Co., Inc. to initially use the entire 40,581 square feet of warehouse space for its processing, warehousing and distribution. In addition, Belmont Trading Co., Inc. plans to initially use the first floor approximately 18,756 square feet of office and to eventually grow in to the second floor office space.

- The property is 3.78 acres in size and is located in the I-1, Restricted Industrial, zoning district. It is not in the floodplain.
- The Future Land Use Map in the Comprehensive Plan identifies the property and other properties in the vicinity on the southern end (east side of the road) of Shermer Road as appropriate for General Industrial & Warehouse Uses.
- 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 less than two years. A municipality can endorse a 6b application for a property where the building has been vacant for less than two years, if a finding of “special circumstance” is made. The Village has passed several of these requests for special circumstances in the past when there was a finding that a particular building had unique issues or the new owner or tenant was particularly well-suited to Northbrook or the site.

The Applicant has prepared an exhibit that depicts the projected property tax impact of the Subject Property. The following summarizes the overall impact over the 12-year lifespan of the 6b program assuming the new construction was built:

Estimated Taxes Paid over 12 Years <u>With</u> the Class 6b	Estimated Taxes Paid over 12 year <u>Without</u> The Class 6b	Estimated <u>Savings</u> in Property Taxes over 12 years
\$2,676,954	\$5,715,037	\$3,038,083

The Applicant also include information on real estate taxes that would be paid over the course of 12 years in the event the building remained vacant the entire time.

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 Although the building has been totally vacant for only one year (not the minimum two-year period generally required by the County), do the facts constitute a "special circumstance" that would warrant the support of the Village of the 6b request?
- 3 Does the Applicant's 6b proposal satisfy the general Village criteria for the approval of a 6b incentive?
- 4 Is the incentive appropriate to encourage the relocation of this business to Northbrook?

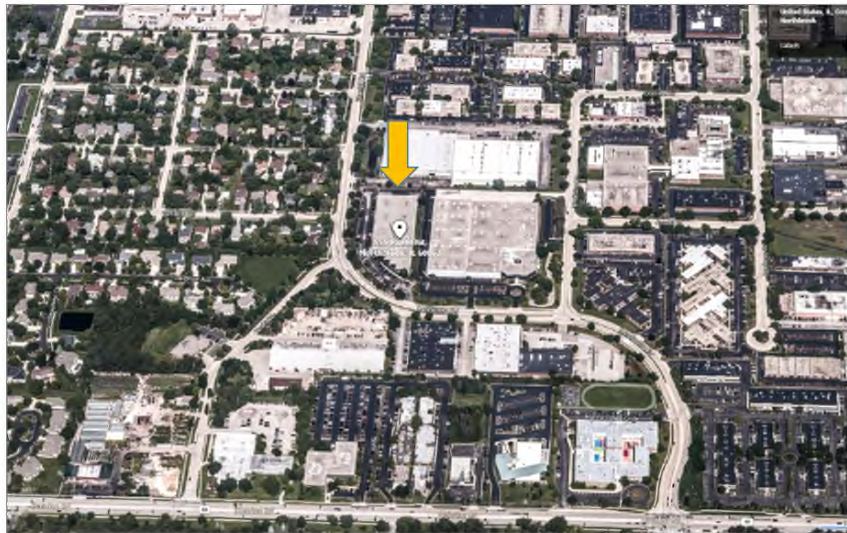
The Applicant and staff will be present at the January 28 meeting to answer any questions from the Board.

555 Huehl Road 6b Incentive Request Belmont Trading Co., Inc.

Northbrook Board of Trustees
January 28, 2020



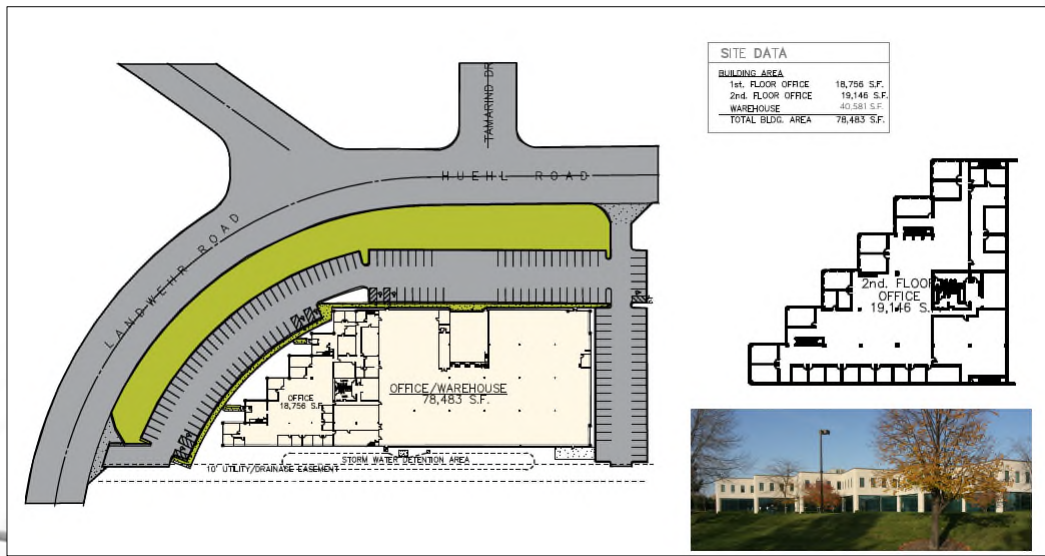
Location



555 Huehl Road Building



555 Huehl Road



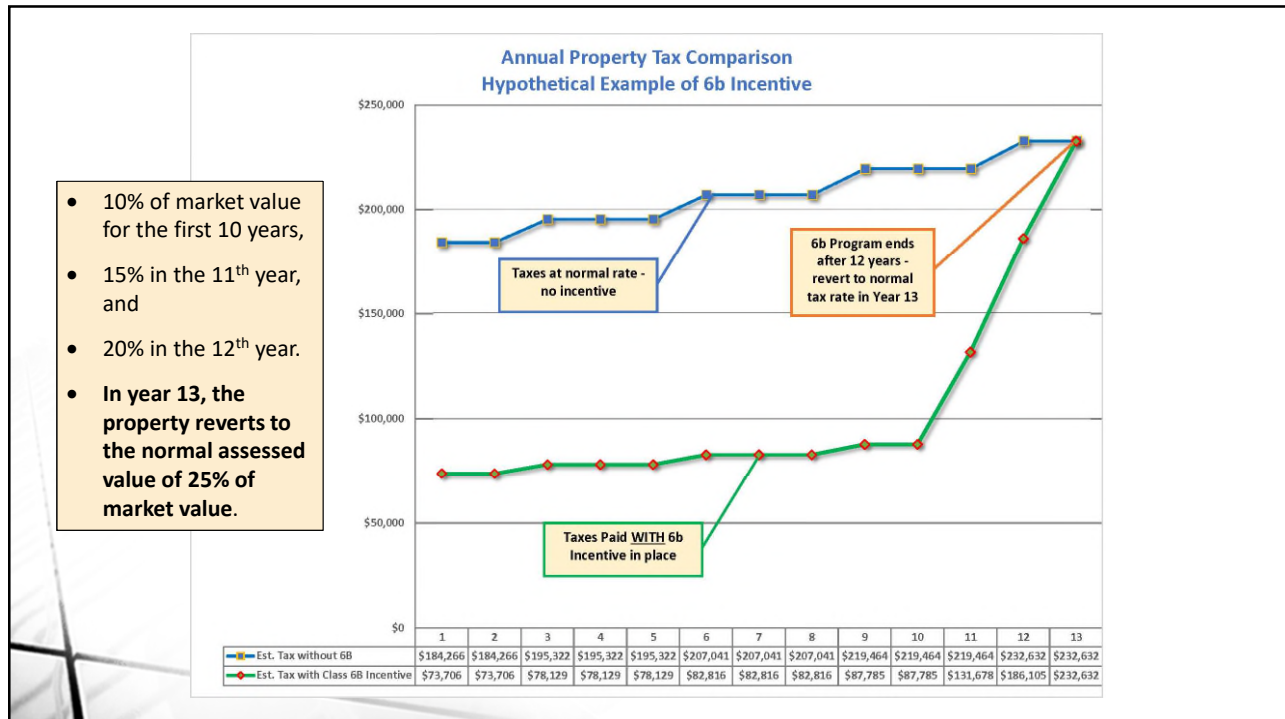
555 Huehl – Basic Data

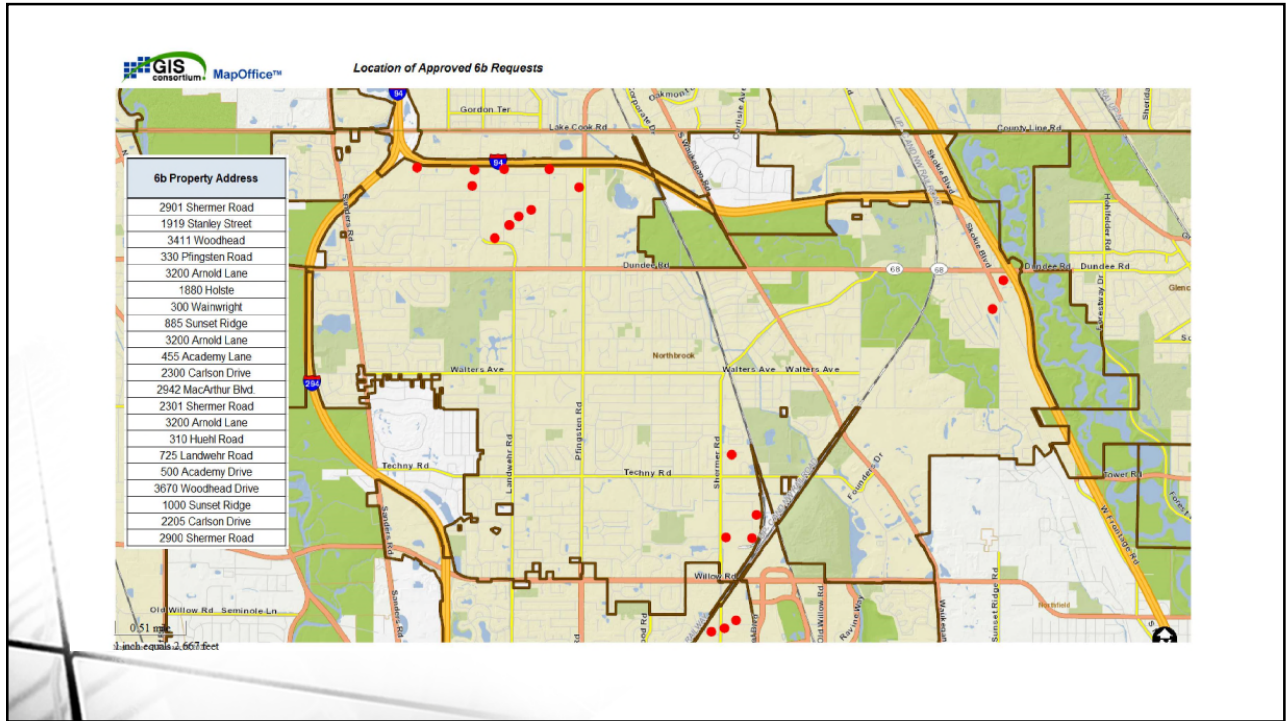
- The property is 3.78 acres in size
- The building has approximately 78,500 square of floor area.
- 40,581 square feet of warehouse space on the first floor.
- 37,902 square feet of office space (2 levels)
- **The building has been completely vacant for approximately one year.**
- In 2018 the Village denied request to convert the building into a sports training facility (Joy of the Game).

Belmont Trading Co., Inc.

- IBYS Partners, LLC is Applicant
- Applicant plans to purchase the site and rehabilitate it for its related entity, Belmont Trading Co., Inc.
- Currently located in Buffalo Grove
- Belmont Trading would move its corporate headquarters and use remainder for the processing, warehousing and distribution of electronic devices (such as tablets, laptops, smart phones, etc.).
- Bring all 132 full-time employees
- Plans to grow to 170 total employees in the next 10 years
- Plans to invest approximately \$700,000 to \$900,000 in facility.

6b Property Tax Incentive Overview

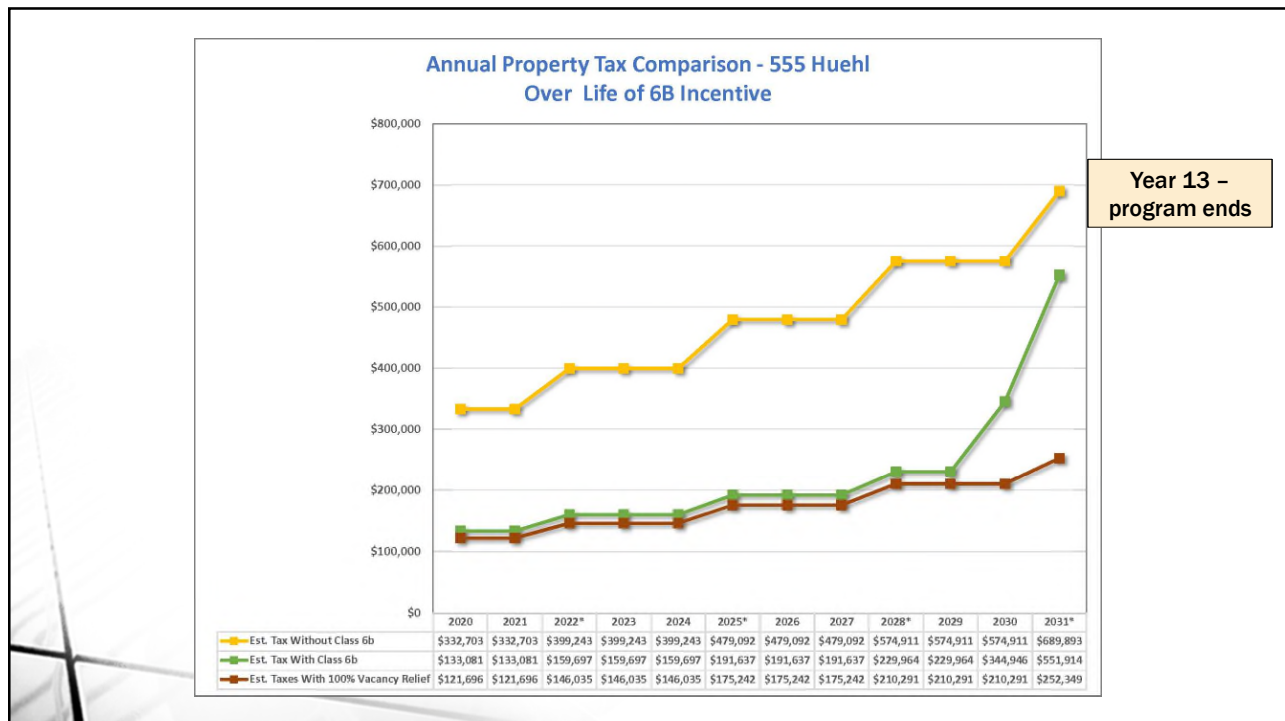




Applicant's 6b Request

The 6b Request

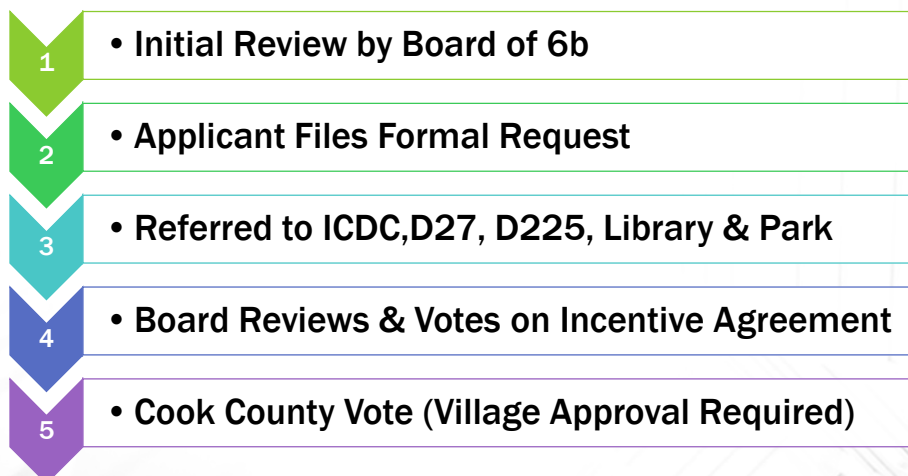
- Occupy a property that has been vacant for **less than 24 months**
- 24-month vacancy is general County threshold for a 6b Incentive
- Vacancy of less than 24 months can be approved upon a **finding of special circumstances**



Summary of 6b Incentive Request Over the 12-Year Term

Estimated Taxes Paid over 12 Years <u>With</u> the Class 6b	Estimated Taxes Paid over 12 year <u>Without</u> The Class 6b	Estimated <u>Savings</u> in Property Taxes over 12 years
\$2,676,954	\$5,715,037	\$3,038,083

Northbrook 6b Review Process



Policy Questions

- Does the request satisfy the general criteria for a Class 6b incentive?
- Although the building has been totally vacant for only 1 year (not the minimum two-year period), do the facts constitute a “special circumstance”?
- Does the Applicant’s proposal satisfy the general Village criteria for the approval of a 6b incentive?
- Is the incentive appropriate to encourage the relocation of this business to Northbrook?