



July 7, 2021

To: Board of Trustees, Village of Oak Park
From: John Lynch, Executive Director, Oak Park Economic Development Corporation
Re: Cook County Class 7(c) Request – Mosaic Counseling and Wellness - 213-215 Harrison Street, Oak Park, IL 60304

Summary

Mosaic Counseling and Wellness (“Mosaic”) has requested, through the Oak Park Economic Development Corporation (“OPEDC”), a Village of Oak Park resolution in support of its application for a Cook County Class 7(c) Property Tax Incentive for 213-215 Harrison Street. The Village Board previously approved an ordinance recommending that the County provide a 7(c) incentive on this property in 2017. The prior applicant was Harrison Street Ventures (“HSV”), the current owner of the building.

The stated intention of the 7(c) incentive in 2017 was to assist the landlord in attracting retail and restaurant tenants. Despite the landlord’s best efforts, no tenants were ultimately secured for the space and the 7(c) assessment reduction was never put in place. In recent months, however, HSV contracted to sell the property to Mosaic, who will own and occupy the space, and whose purchase is conditioned upon the previously-approved Class 7(c) tax incentive. Mosaic has submitted a new application to Cook County and the Village of Oak Park. In light of the new applicant/ownership, the time delay since this request was last reviewed on the property, and the proposed change in both ownership and use, we are asking the Board of Trustees to review the situation again, and ultimately to endorse this new application for the proposed 7(c) Property Tax Incentive for 213-215 Harrison Street. The Board of OPEDC continues to recommend the incentive in the interest of promoting occupancy and activity on Harrison Street.

Background

The Class 7(c) Incentive – Commercial Urban Relief Eligibility (CURE) of the Cook County Real Property Assessment Clarification Ordinance is intended to encourage commercial projects which would not be economically feasible without assistance. Typically, commercial property in Cook County is assessed at 25% of market value (as determined by the County Assessor). Under the Class 7(c) program, commercial properties meeting certain requirements are eligible to receive a reduced assessment level of ten percent (10%) of market value for the first three years of the program, fifteen percent (15%) for the fourth year and twenty percent (20%) for the fifth year. The 7(c) program allows for a 5 year renewal that would require an affidavit of continued Village support, and is typically applied for as early as the end of the third year of the initial incentive.

HSV purchased 213-215 Harrison Street in 2015 as part of a portfolio that included neighboring properties on Harrison Street. 213-215 Harrison Street has been vacant for more than thirty years and comprises over 6,000 square feet. HSV and OPEDC have explored restaurant, microbrewery, and retail uses for the site, but gross occupancy costs have always been a barrier since the space is too large for most neighborhood-scale retail and restaurant businesses.



HSV signed a Purchase & Sale agreement for 213-215 Harrison Street to a behavioral health services provider, Mosaic, on February 19, 2021, and that buyer has expressed concerns about long-term occupancy cost without the Class 7(c) incentive in place. The cost reduction afforded by the Class 7(c) program would assist in allowing the prospective business to stabilize through the start-up phase.

HSV submitted an application to Cook County in 2017 (attached), and Mosaic has submitted a new completed application to Cook County in July 2021 (also attached), and showed that they met the following mandatory eligibility requirements: (1) decrease or stagnation of property value for three of the last six years; (2) demonstration that the project is viable and likely to move forward on a reasonably timely basis (after at least twelve months of vacancy and six months of marketing); (3) proof that assistance is necessary by way of a financial analysis; and (4) evidence of tax revenue and employment benefit resulting from the project. OPEDC reviewed HSV's application back in 2017 and believed, based on the evidence provided, that the property met all of the necessary requirements. While the expected commercial use of the space has changed since the initial application in 2017, OPEDC has reassessed Mosaic's new application in light of the changes, and continues to support that all the criteria are met.

OPEDC Assessment

Below is a summary of how each property meets each of the eligibility criteria:

- 1. Real Estate Tax Analysis:** According to Cook County Assessor's Office records produced by the applicant, the property's assessed value has indeed stagnated or declined in at least three of the past six years. In the past three years, the property saw a 2.1% decrease in value from 2016-2017, a 0% change from 2017-2018 and a 0% change from 2018-2019.
- 2. Evidence of Vacancy:** The property has been vacant for over 30 years, far exceeding the twelve month minimum vacancy requirement. There was a preliminary agreement reached in 2017 for the space to be filled, but it never came to fruition and the property has been vacant for another three years since then.
- 3. Proof of Necessity:** OPEDC has determined that there is a limited market for potential commercial occupants of this building, partly due to the significant tax burden that would be placed on a new commercial enterprise occupying this space. Utilizing the 7(c) incentive will help to bring occupancy costs to a palatable level for a commercial enterprise, allowing them to stabilize during the start-up phase. In addition, Mosaic will not be utilizing the entire space initially, and is looking to lease out the remainder of the space to a sub-tenant. The 7(c) will allow them occupancy cost relief throughout their search for a suitable sub-tenant. The business would be able to save \$120,000 on property taxes over the 5 years of the incentive, which is substantial to making sure the business can succeed and remain in the space into the future.



Projected Assessment of Tax Impact for 213-215 Harrison Street with and without the 7(c) Incentive:

Property taxes in 2019 with vacancy status: \$16,546

Assumed 3% increases in tax bill annually (reminder: the 7(c) incentive tax rate is 10% in Years 1-3, 15% in Year 4, and 20% in Year 5).

Scenario	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Occupied/improved without 7(c) Incentive	\$47,780	\$49,213	\$50,690	\$52,210	\$53,777	\$253,670
Occupied/improved with 7(c) Incentive	\$19,112	\$19,685	\$20,276	\$31,326	\$43,021	\$133,420
Savings	\$28,668	\$29,528	\$30,414	\$20,884	\$10,756	\$120,250

- 4. Increased Tax Revenue and Employment:** As a service provider, the prospective buyer’s commercial enterprise is not likely to generate significant sales tax revenue for the Village. However, we believe that the proposed use of a behavioral health services facility is not only appropriate for this district but would generate foot traffic and remove the blight of a long-term vacancy from the commercial district. The business will contribute to local employment as it anticipates having 7 full time employees and 5 part-time employees. In addition, the new business is likely to attract customers to the district, which would in turn benefit other Harrison Street businesses. Due to the specific nature of the support they provide and the client reach they have, the incoming behavioral health business estimates over 50% of their clients will be coming to their business from outside of Oak Park, resulting in potential cash inflows to the local businesses and sales tax revenue increase to the Village that they would not otherwise capture.

Mosaic Counseling and Wellness’ Class 7(c) application must include support from the Village of Oak Park (as the municipality in which the real estate is located) in order to be approved for this new occupancy situation. By this letter, we are encouraging the Village Board of Trustees to support this incentive.

Sincerely,

John Lynch
 Executive Director
 Oak Park Economic Development Corporation