



July 12, 2017

To: Board of Trustees, Village of Oak Park

From: John Lynch, Executive Director, Oak Park EDC

Re: Cook County Class 7(c) Resolution Request – Harrison Street Ventures, 213-215 Harrison Street and 219-221 Harrison Street

Issue: Harrison Street Ventures (HSV) 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 and 219-221 Harrison Street.

Analysis: Harrison Street Ventures purchased 213-215 and 219-221 Harrison in 2015 as part of a portfolio that includes neighboring property on Harrison Street. HSV has successfully leased a portion of this portfolio and intends to invest approximately \$950,000 to renovate 213-215 and 221 Harrison for occupancy. Interest in these spaces has come from restaurant, brewery and retail uses.

Both 213-215 and 219-221 Harrison Street have been vacant for more than fifteen years and are each over 6,000 square feet – requiring tenants to cover high improvement and occupancy costs. Based on recent conversations OPEDC has had with prospects, we can confirm that gross occupancy costs have been the primary barrier for potential tenants.

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. 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 (again as determined by the Cook County Assessor) for the first three years of the program, fifteen percent (15%) for the fourth year and twenty percent (20%) for the fifth year.

Projections show that the property tax incentive would yield approximately \$100,000 in savings for each building over the five-year term of the program. The properties are currently filing tax appeals based on vacancy. Tax assessments under the 7(c) program would be comparable to the vacancy-based assessment, which suggests that if sales tax producing tenants occupy the spaces, the net tax impact to the Village could be positive even with the tax incentive in place. We are aware that Harrison Street Ventures may be nearing a lease for 213-215 Harrison Street and that the tenant has expressed concerns about long-term occupancy cost. If this tenant moves forward, the cost reduction afforded by the Class 7(c) program will serve as a retention tool to allow this tenant to stabilize through the start-up phase.



Assessment of Tax Impact Scenarios for 213-215 Harrison Street:

1. Property Taxes in 2016 with vacancy status: \$17,735
2. Estimated Property Taxes for proposed improvements and occupied with 7(c) Year 1: \$14,996
3. Estimated Property Taxes for proposed improvements and occupied w/o 7(c) Year 1: \$37,414

Assessment of Tax Impact Scenarios for 221 Harrison Street:

1. Property Taxes in 2016 with vacancy status: \$20,345
2. Estimated Property Taxes for proposed improvements and occupied with 7(c): \$14,713
3. Estimated Property Taxes for proposed improvements and occupied w/o 7(c): \$36,783

In order to qualify for the program, Harrison Street Ventures must submit an application to Cook County (attached) and meet the following mandatory eligibility requirements: decrease or stagnation of property value for three of the last six years; 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); proof that assistance is necessary by way of a financial analysis; and evidence of tax revenue and employment benefit resulting from the project. OPEDC has reviewed HSV's application and believes, based on the evidence provided, that both properties meet the program requirements.

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

213-215 Harrison Street

- **Real Estate Tax Analysis:** According to Cook County Assessor's Office records produced by the applicant, the property's assessed value stagnated or declined in three of the past six years (.4% decrease in 2014, 0% change in 2015, 0% change in 2016).
- **Evidence of Vacancy:** The property has been vacant for approximately 30 years, exceeding the twelve month minimum vacancy requirement. A vacancy affidavit can be provided upon request.
- **Proof of Necessity:** Ownership has demonstrated, and supported with financial documentation, that the property produces an unlevered IRR of less than 1%, which is below a reasonable level for Ownership to assume given the development risk.
- **Increased Tax Revenue and Employment:** Projections show the potential for a 150% property tax increase once the incentive expires. Again, the property is currently vacant and any new business would result in increased employment opportunities in addition to sales tax generated by a retail or restaurant establishment.

219-221 Harrison Street

- **Real Estate Tax Analysis:** According to Cook County Assessor's Office records produced by the applicant, the property's assessed value has stagnated or declined in three of the past six years (2% increase in 2012, 41% decrease in 2014, 37% decrease in 2016). A marginal increase can be considered stagnation.
- **Evidence of Vacancy:** The property has been vacant for approximately 15 years, exceeding the twelve month minimum vacancy requirement. A vacancy affidavit can be provided upon request.



- **Proof of Necessity:** Ownership has demonstrated, and supported with financial documentation, that the property produces a negative return without the incentive based on market rents and reasonable expense/development cost assumptions.
- **Increased Tax Revenue and Employment:** Projections show the potential for a 150% property tax increase once the incentive expires. Since the property is currently vacant, any new business would result in increased employment opportunities, and any new retail business or restaurant would result in increased sales tax to the Village.

Harrison Street Ventures' Class 7(c) application must include a resolution or ordinance from the Village of Oak Park (as the municipality in which the real estate is located) expressing support for the incentive. 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