



March 6, 2020

To: Board of Trustees, Village of Oak Park

Re: Cook County Class 7a Resolution Request – 100 S Marion Street

100 Marion Partners, LLC, 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 7a Property Tax Incentive for two parcels located at 100 South Marion Street - 16-07-302-023-1038 and 12-07-302-023-1039.

100 Marion Partners, LLC, purchased 100 South Marion Street in October 2019 with the intent to lease the space to Victory Italian, a restaurant concept developed by the owner of Victory Tap and Armand’s Pizza. 100 South Marion is a commercial condominium located within the Old Opera House condominium building. The unit was originally bought and developed as a restaurant by owners of the Marion Street Cheese Market, and was subsequently purchased and operated by Two Brothers Brewing Company as Two Brothers Social Tap. Two Brothers operated the restaurant for sixteen months before closing the business in September 2018. The property was listed for sale in October 2018 and was on the market for a total of twelve months. The space has now been vacant for approximately seventeen months.

The Cook County Class 7a Property Tax Incentive is intended to encourage commercial projects which would not be economically feasible without assistance. Commercial properties (including commercial condominiums) in Cook County are assessed at 25% of market value - as determined by the County Assessor. Residential properties – and commercial spaces in mixed-use properties – are assessed at just 10% of market value. Under the Class 7a program, commercial properties meeting certain requirements are eligible to receive a reduced assessment level of ten percent (10%) of market value for the first ten years of the program, fifteen percent (15%) for the eleventh and twenty percent (20%) for the twelfth year.

The applicant’s justification for hardship, which we find credible, is that the impact of the property tax (over \$18.50 per square foot) on gross occupancy costs makes the property extremely challenging for a single restaurant tenant. Because the space is a commercial condominium, the space is assessed at 25% of market value; a similar restaurant in a mixed-use building would be assessed at just 10%, which suggests that this space does carry a property tax burden that is unusual in Oak Park.

The restaurant industry customarily uses a benchmark of 10% as the maximum percentage of revenue attributable to total occupancy costs to maintain profitability. Using that benchmark for Victory Italian, the restaurant would need to generate at least \$2,400,000 in revenue in year one, rising to over \$3,000,000 by year 5. In other words, the restaurant would need to be one of the highest grossing restaurants in Oak Park virtually from year 1. Even if that were the case, revenue projections provided by ownership show that the restaurant will still be at best break-even. Our own independent analysis considering market rents and projected revenue concurs with this. We believe this justifies support for a temporary, but meaningful, property tax reduction through the 7a program.



In order to qualify for the program, 100 Marion Partners, LLC, must submit an application to Cook County and meet the following mandatory eligibility requirements: designation of area for rehabilitation or redevelopment; declining or stagnating property value for the last six years; demonstration that the project is viable and likely to move forward on a reasonably timely basis; 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 100 Marion Street, LLC's application and believes, based on the evidence provided, that the property meets these requirements.

Below is a summary of how the property meets the program requirements:

- **Designation of Area:** Oak Park's Downtown Master Plan (2005) specifically identifies the area where the subject property is located as a priority for retail revitalization and redevelopment.
- **Real Estate Tax Analysis:** According to Cook County Assessor's Office records produced by the applicant, the assessed value for both parcels has decreased or stagnated for the past six years.
- **Viability and timeliness:** Ownership has provided proof of a lease with Victory Italian contingent upon approval of this incentive. Additionally, building permit and license applications have been submitted to the Village of Oak Park for review.
- **Proof of Necessity:** Ownership has demonstrated 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:** Since the properties are currently vacant, any new business will result in increased employment opportunities over the current status. Victory Italian expects to create 30 new jobs and generate approximately \$70,000 in annual sales tax revenue for the Village of Oak Park.

Projections show that the incentive will yield approximately \$822,736 (\$647,342 in net present value [NPV]*) in property tax savings over the twelve-year term of the program.

Assessment of tax impact scenarios for consolidated 100 S Marion Street:

1. 2018 Property Taxes: \$102,256
2. Estimated Property Taxes from 2021-2032 without 7a Program (NPV): \$1,516,317 (\$1,170,712)
3. Estimated Property Taxes from 2021-2032 with 7a Program (NPV): \$693,581 (\$523,370)

*A discount rate of 4% was used for all NPV calculations.

100 Marion Street, LLC's Class 7a 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,

A handwritten signature in black ink, appearing to read "John Lynch", is written over a light blue horizontal line.

John Lynch
Executive Director
Oak Park Economic Development Corporation