

# **Report and Recommendations**

**On the**

## **Cook County Real Property Tax Incentive Program**

*Prepared for*

*The Cook County Board of Commissioners*

*Cook County Assessor  
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# PROPERTY TAX INCENTIVE REVIEW

In the past 116 years, there have been several changes made to the real estate property tax assessment process in Cook County. These changes included establishment of a Cook County Real Estate Property Tax Assessment Classification System (CCPTACS). CCPTACS allows for different types of property to have different levels of assessment.

In the late 1970s, modifications made to CCPTACS created property tax incentives. Such incentives reduce the level of assessment for industrial and commercial properties. The petitioner needs to complete various requirements listed in the classification ordinance to receive the incentive.

Over the years, the Cook County Board of Commissioners broadened the incentives program to include commercial, multi-family rental, not-for-profit and landmark properties. This sunset report focuses on the industrial and commercial incentives known as Class 6, Class 7, Class 8, and Class C, pursuant to the Real Property Assessment Classification Ordinance (“*Classification Ordinance*”).

CCPTACS establishes a higher assessment level for businesses in Cook County than for similar businesses in the collar counties. The Cook County incentives program for commercial and industrial properties spurred the development and retention of businesses within Cook County. It reduced the levels of assessment for those properties and added to their real estate property value through new construction, substantial rehabilitation, or reoccupation of abandoned properties.

The ordinance states that the programs will expire December 31, 2015 unless reenacted by the Board. Under those terms, the Assessor’s Office cannot accept new applications for the above listed incentives after that date. However, properties previously granted said incentives will continue to receive the benefits until their terms expire.

The timeframe for this report encompasses the years 2008-2013 (hereinafter termed “the Sunset Period”). The report should enable the Board to make an informed decision about the future of these programs and possible elimination of this Sunset provision that was first enacted in 1984, over 30 years ago.

**In this report, the Assessor’s Office will detail the following:**

- **A general description of each incentive**
- **A six-year analysis showing the effectiveness of each program**
- **Summary of Cook County incentive activities**
- **Conclusion and Recommendations**

## **Industrial & Commercial Incentives**

In the year 2008 of this Sunset Report, commercial and industrial properties located in Cook County had a level of assessment of 36% and 38% of market value, respectively. <sup>1</sup> Since 2008, commercial and industrial properties located in the County have had a level of assessment of 25% of market value. In all other Illinois counties, commercial and industrial properties have a level of assessment of 33.3% of market value. <sup>2</sup>

Once a property qualifies and receives an incentive, there is a reduction in the level of assessment according to the incentive program. To qualify for most of the incentive classifications, the property must fall into one of three categories:

- 1.) New construction
- 2.) Substantial re-occupation of abandoned property
- 3.) Substantial rehabilitation

Each incentive described in this Sunset Report receives the reduction in level of assessment for a period of 12 years (10 years at 16% level of assessment, nonrenewable; year 11 at 23% and year 12 at 30%)<sup>3</sup>. After 2008, each incentive described in this report received the assessment reduction for a period of 12 years (10 years at 10% level of assessment, nonrenewable; year 11 at 15% and year 12 at 20%)<sup>4</sup>. *In both instances*, all industrial incentives (as well as commercial incentives granted under the Class 8 program) are renewable.

Information to follow will detail Class 6B, Class 7 A/B, Class 8 and Class C in terms of the functions of each classification, the impact of the incentive by location (*City of Chicago, suburban Cook County, commissioning districts, etc.*) and an account of the general condition of each incentive class.

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<sup>1</sup> For the 2009 Assessment year, pursuant to Cook County Ordinance 08-O-51 as codified under Section 74-64 of the Cook County Code of Ordinances, industrial and commercial property is assessed at 25% of market value and residential property is assessed at 10% of market value.

<sup>3</sup> For the 2009 Assessment year, pursuant to Cook County Ordinance 08-O-51 as codified under Section 74-64 of the Cook County Code of Ordinances, level of assessment for incentive properties is at 10% for 10 years and for any subsequent 10-year renewal periods, 15% in year 11 (if the incentive is not renewed) and 20% in year 12 (if the incentive is not renewed).

Breakdown of Incentive (Class 6, 7, 8 and C)  
Parcels per Commissioning Districts

County Commissioner	District Number	Number of Class 6 Parcels	Number of Class 7 Parcels	Number of Class 8 Parcels	Total Number of Classes 6, 7, and 8 Parcels
Toni Preckwinkle	President	1,336	53	500	1,889
Richard R. Boykin	1	79	1	9	89
Robert Steele	2	54	23	0	77
Jerry "Iceman" Butler	3	14	1	0	15
Stanley Moore	4	77	7	90	174
Deborah Sims	5	75	9	233	317
Joan Patricia Murphy	6	248	10	167	425
Jesus G. Garcia	7	90	0	1	91
Luis Arroyo Jr.	8	26	0	0	26
Peter N. Silvestri	9	12	0	0	12
Bridget Gainer	10	9	0	0	9
John P. Daley	11	108	2	0	110
John A. Fritchey	12	18	0	0	18
Larry Suffredin	13	18	0	0	18
Gregg Goslin	14	83	0	0	83
Timothy O. Schneider	15	71	0	0	71
Jeffery R. Tobolski	16	159	0	0	159
Elizabeth "Liz" Doody Gorman	17	195	0	0	195
Totals		1,336	53	500	1,889
As of 2013 tax year.					

## CLASS 6B INCENTIVE

In 1984, the Cook County Board of Commissioners modified or established Classes 6A, 6B, 7 and 8. At that time, Class 6 was redesigned to foster development of new industrial properties, substantial rehabilitation of such properties or re-occupation of abandoned industrial properties for the county as a whole or in areas of special needs.

Presently, the Class 6B incentive represents the largest of the incentives discussed in this report. The 6B incentive is a countywide program based on the use of industrial property; applicant eligibility for 6B depends on compliance with certain eligibility requirements.

Applications are submitted for the Class 6B status under the following conditions:

1. The use of the Real Estate is primarily for industrial purposes.
  - A. "Industrial purposes" are defined as:
    - i. "Any Real Estate used primarily in the manufacturing ... or in the extraction or processing of raw materials unserviceable in their natural state to create new physical products or materials or in the processing of materials for recycling or in the transportation or storage of raw materials or finished or partially finished physical goods in the wholesale distribution of such material or goods for sales or leasing."
  - B. Definition of Manufacturing is as follows:
    - i. "The material staging and production of goods used in the procedures commonly regarded as manufacturing, processing, fabrication, or assembling which changes existing material into new shapes, new qualities or new combinations and including research and development associated with the production of goods."
2. One of the following would be applicable:
  - A. New construction including the land upon which property is situated.
  - B. Reoccupation of abandoned property including the land upon which it is situated. Abandoned Properties are defined as:
    - i. Buildings and other structures vacant and unused for at least 24 continuous months; purchased property vacant and unused for 24 months or more.
    - ii. Purchased property vacant and unused for less than 24 months; requires a second resolution from the Cook County Board of Commissioners supporting the Special Circumstance abandonment.
    - iii. Property vacant and unused for 24 months or more and which has maintained the same ownership during that time; requires a second resolution from the Cook County Board of Commissioners supporting the Special Circumstance abandonment

### C. Substantial rehabilitation

- i. To the extent that such rehabilitation has added to their value, including qualifying land related to the rehabilitation.
- ii. Land qualifies when the rehabilitation adds vertical or horizontal square footage to the improvements.
- iii. The amount of land eligible for incentives shall be in such proportion as the square footage added by the rehabilitation relates to the total square footage of the improvement on the parcel.

The applicant must obtain, from the municipality in which the property is located, a resolution/ordinance expressly stating that the municipality determined that the incentive is necessary for the proposed development to occur and that it supports and consents to the application for the 6B incentive.

In the case of property located in unincorporated Cook County, a resolution/ordinance is required from the Cook County Board of Commissioners supporting the application for the Class 6B.

In 2008, industrial property in Cook County was assessed at 36% of the market value of the property. Approval of the Class 6B Incentive would result in the level of assessment being reduced to 16% of the market value of the property. The Class 6B Incentive 16% level of assessment lasts for a period of 10 years. If the Class 6B Incentive is not renewed, the level of assessment would increase in year 11 to 23% of market value and to 30% of market value in year 12. If renewed, the Class 6B Incentive remains at the 16% level of assessment for an additional 10 years.

After 2008, industrial property in Cook County was assessed at 25% of the market value of the property. Approval of the Class 6B Incentive would result in the level of assessment being reduced to 10% of the market value of the property. The Class 6B Incentive receives a 10% level of assessment for a period of 10 years. If the Class 6B Incentive is not renewed, the level of assessment would increase in year 11 to 15% of market value and to 20% of market value in year 12. If renewed, the Class 6B Incentive remains at a 10% level of assessment for an additional 10 years.

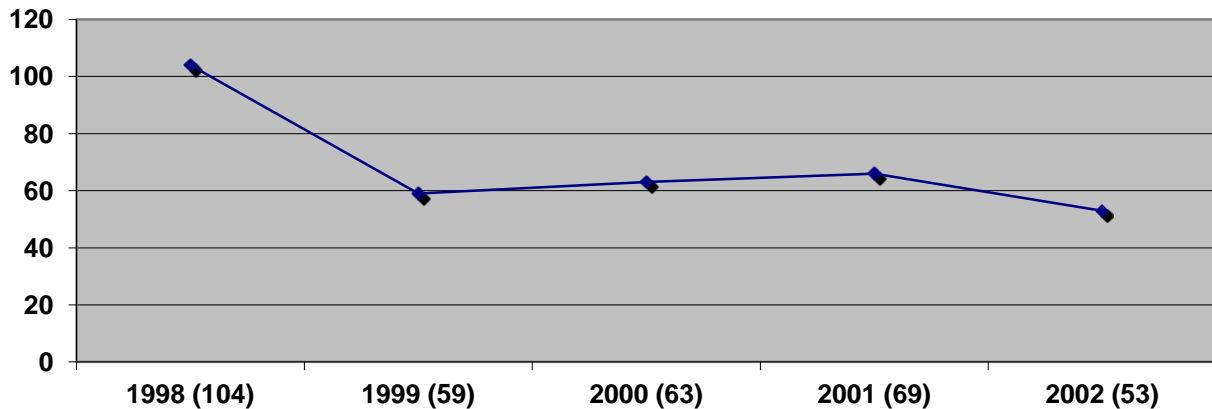
In 2013, the Cook County Board of Commissioners approved two amendments to Class 6B. The two amendments are the Temporary Emergency Economic Recovery Modification (TEERM) and the Sustainable Emergency Relief (SER). TEERM reduces the vacancy requirement from 24 months to 12 months and SER allows current owners to apply for an incentive after following the Bureau of Economic Development's rules and meeting its regulations.



## Applications filed

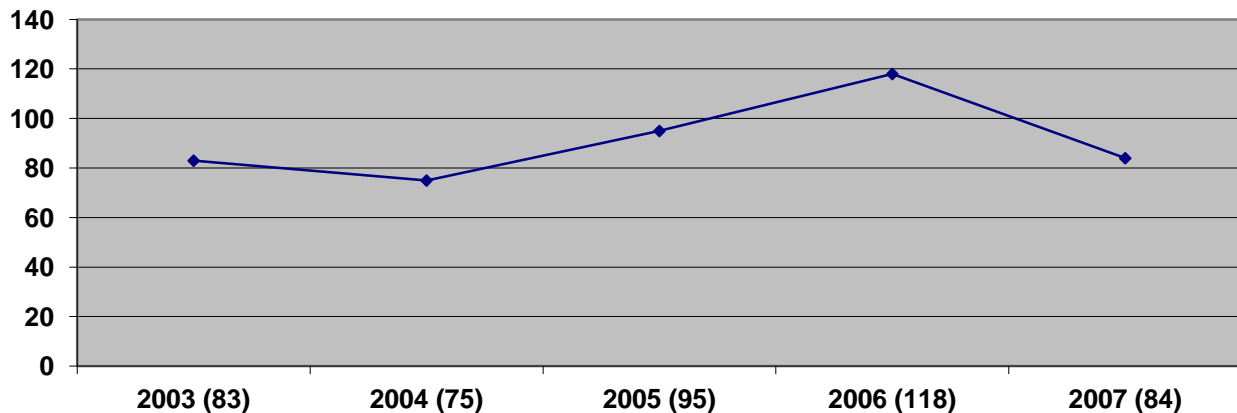
### Prior Sunset Period (1998 through 2002)

The graph below charts the receipt of Class 6B applications during the previous sunset period. In 1998, the Cook County Assessor's Office received the highest number of applications, with a slight overall decrease in the remaining four years.



### Prior Sunset Period (2003 through 2007)

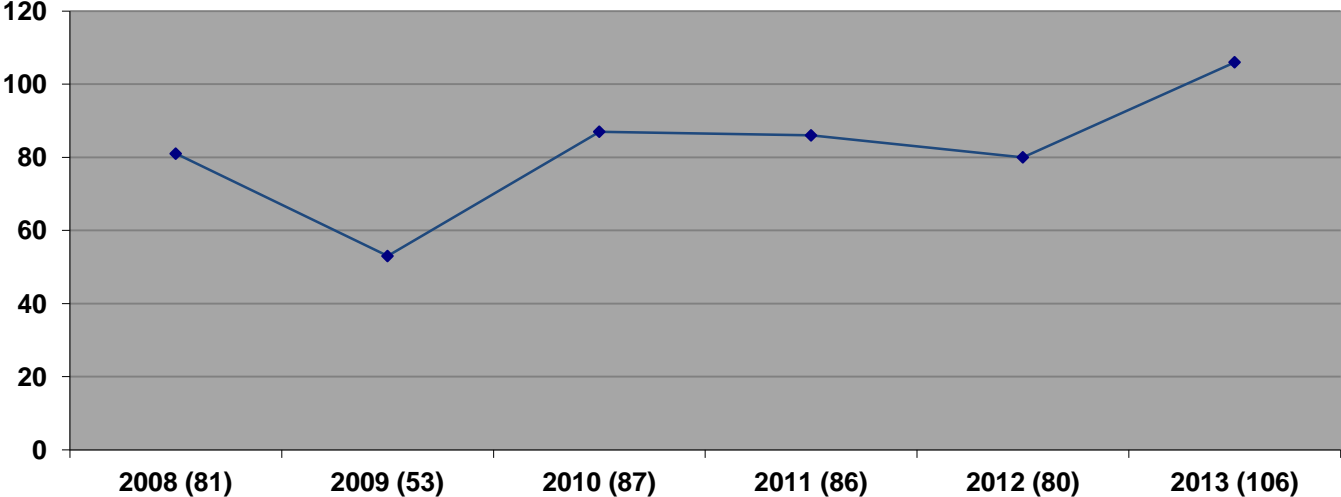
The current sunset period shows a stronger interest in the program. The number of applications increased 14%, from the earlier sunset to the prior sunset of 398 to 455.



During the prior sunset period (ending in 2002), 594 Class 6B projects were on the assessment rolls. Those projects received the incentive based on the following criteria: 48% new construction, 38% substantial rehabilitation and 14% reoccupation of abandoned property.

During the prior sunset period ending in 2002, 304 Class 6B projects were on the assessment rolls. During this same period, a number of existing Class 6B projects came out of the program due to the expiration of the incentive term. 738 Class 6B projects were on the assessment rolls during this prior sunset period. Of the 304 projects created during 2007, the breakdown for the *type of incentives* is as follows: 41% new construction, 5% substantial rehabilitation of existing property and 54% reoccupation of abandoned property.

**Sunset Period (2008 through 2013)**



The 2008 through 2013 sunset period showed a continued interest in the Class 6B program although the economy slowed. The number of applications decreased from the prior sunset of 455 to 493.

During the current sunset period ending in 2013, there were 251 new Class 6B projects on the assessment rolls. The projects represent 16% granted based on new construction, 40% granted based on substantial rehabilitation, and 44% granted based on the reoccupation of abandoned property. As in the past, the reoccupation of abandoned property continues to be the most popular of the three bases on which to grant an incentive.

Historically, suburban Cook County grants more incentives that are industrial, and it has a larger number of industrial properties, compared to the City of Chicago. This trend continued during the prior sunset period with the following breakdown: Northern and Southern triennial townships represent 83% of the projects and the City of Chicago represents 17% of the projects. Of those incentives located in suburban Cook County, the breakdown is 41% in the Northern triennial and 59% in the Southern triennial.

By the end of the 2012 assessment year, there were 804 projects (1,307 parcels) active under the 6B Incentive; some of the projects active in 2002 expired during 2002-2007 without renewal. Of the 804 current projects on assessment rolls, 43% received the class change during the current sunset period, while 57% received the incentive during the prior sunset periods.

## **CLASS 8 INCENTIVE**

The Class 8 Incentive, available to commercial or industrial properties, is the second-largest of the incentive programs offered in Cook County. This incentive encourages industrial and commercial development in areas of the county experiencing severe economic stagnation. To qualify for the Class 8 Incentive, an applicant's property must fit one of these descriptions:

1. In an area certified by the Assessor as being in need of substantial rehabilitation.
  - A. "An area no less than ten (10) contiguous areas or more than one (1) contiguous square mile in size which is in a state of extreme economic depression evidenced by such factors, as defined in the rules and regulation as promulgated by the office of the Cook County Assessor, among other, as (a) substantial unemployment; (b) a low level of median family income; (c) aggravated abandonment, deterioration, and underutilization of properties; (d) a lack of viable industrial and commercial buildings whose absence significantly contributes to the depressed economic and unemployment conditions in the area; (e) a clear pattern of stagnation or decline of real estate taxes within the area as a result of its depressed condition; (f) a manifest lack of economic feasibility for private enterprise to accomplish the necessary modernization, rehabilitation and development of the area without public assistance and encouragement; and (g) other factors which evidence an imminent threat to public health, welfare and safety." [74-62]
2. An area already designated as an enterprise community.
3. Located in one of the five townships targeted by the Cook County Tax Reactivation Program.
  - A. The five townships are:
    - i. Bloom
    - ii. Bremen
    - iii. Calumet
    - iv. Rich
    - v. Thornton

The Cook County Tax Reactivation Program stems from the 2006 expansion of the former South Suburban Tax Reactivation Program (SSTRP). This program began in the year 2000 by a grant from the Illinois Department of Commerce and Community Affairs to encourage reactivation of vacant and delinquent properties on the tax rolls. SSTRP began in the South Townships of Bloom, Bremen, Calumet, Rich and Thornton. One of the following requirements must be met:

1. New construction, including the land on which is situated.
2. Reoccupation of abandoned property, including the land on which it is situated. Abandoned properties are defined as:
  - A. Buildings and other structures vacant and unused for at least 24 continuous months.

- B. Purchased property vacant and unused for less than 24 months; requires a second resolution from the Cook County Board of Commissioners supporting the Special Circumstance abandonment.
- C. Property vacant and unused for 24 months or more that has maintained the same ownership during that time; requires a second resolution from the Cook County Board of Commissioners supporting the Special Circumstance abandonment.

3. Substantial rehabilitation.

- A. To the extent that such rehabilitation has added to its value, including qualifying land related to the rehabilitation.
  - i. Land qualifies when the rehabilitation adds vertical or horizontal square footage to improvements.
  - ii. The amount of land eligible for the incentives shall be in such proportion as the square footage added by the rehabilitation relates to the total square footage of the improvement on the parcel.

In addition to differing in geographic scope (Class 8, limited locations; Class 6B, Countywide), the other significant difference between the Classes 8 and 6B is that 6B is limited to properties used for industrial purposes, while the Class 8 can be applied to both industrial and commercial use properties.

The eligibility requirements for Class 8 and Class 6B are the same. A project must involve new construction, re-occupation of abandoned property or substantial rehabilitation. Applicants may apply based on one or all of the requirements, depending on their goal(s).

The applicant must obtain, from the municipality in which the property is located, a resolution/ordinance expressly stating that the municipality determined that the incentive is necessary for the proposed development to occur and that it supports and consents to the application for the Class 8 Incentive. In the case of property located in *unincorporated* Cook County, a resolution/ordinance is required from the Cook County Board of Commissioners supporting the application for the Class 8.

In 2008, industrial property in Cook County was assessed at 36% of its market value. Approval of the Class 8 Incentive would result in the level of assessment reduced to 16% of the market value of the property. The Class 8 Incentive receives a 16% level of assessment for a period of 10 years. If the Class 8 Incentive is not renewed, the level of assessment would increase in year 11 to 23% of market value and in year 12 to 30%. If renewed, the Class 8 Incentive remains at a 16% level of assessment for an additional 10 years.

After 2008, industrial property in Cook County was assessed at 25% of the market value of the property. Approval of the Class 8 Incentive would result in the level of assessment being reduced to 10% of the property's market value. The Class 8 Incentive receives a 10% level of assessment for a 10-year period. If the Class 8 Incentive is not renewed, the level of assessment

would increase in year 11 to 15% of market value and in year 12 to 20% of market value. If renewed, the Class 8 Incentive remains at a 10% level of assessment for an additional 10 years.

In 2008, commercial property in Cook County was assessed at 38% of the market value of the property. Approval of the Class 8 Incentive would result in the level of assessment being reduced to 16% of the market value of the property. The Class 8 Incentive receives a 16% level of assessment for a period of 10 years; the assessment level goes to 23% of market value in year 11 and to 30% in year 12.

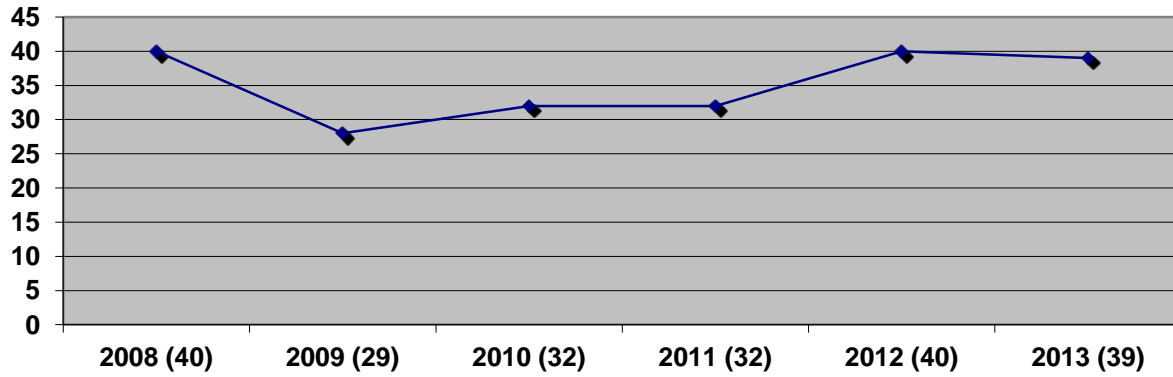
After 2008, commercial property in Cook County was assessed at 25% of the market value of the property. Approval of the Class 8 Incentive would result in a reduced level of assessment, to 10% of the market value of the property. The Class 8 Incentive receives a 10% assessment for a period of 10 years, then 15% of market value in year 11 and 20% in year 12.

As referenced in the Class 6 Section of this report, Cook County in 2013 approved amendments to the Class 8 Incentive, the Temporary Emergency Economic Recovery Modification (TEERM) and the Sustainable Emergency Relief (SER). TEERM reduces the vacancy requirement from 24 months to 12 months and SER allows current owners to apply for an incentive after following the Bureau of Economic Development's rules and meeting its regulations.

### **Applications filed, Sunset Period of 2008 to 2013**

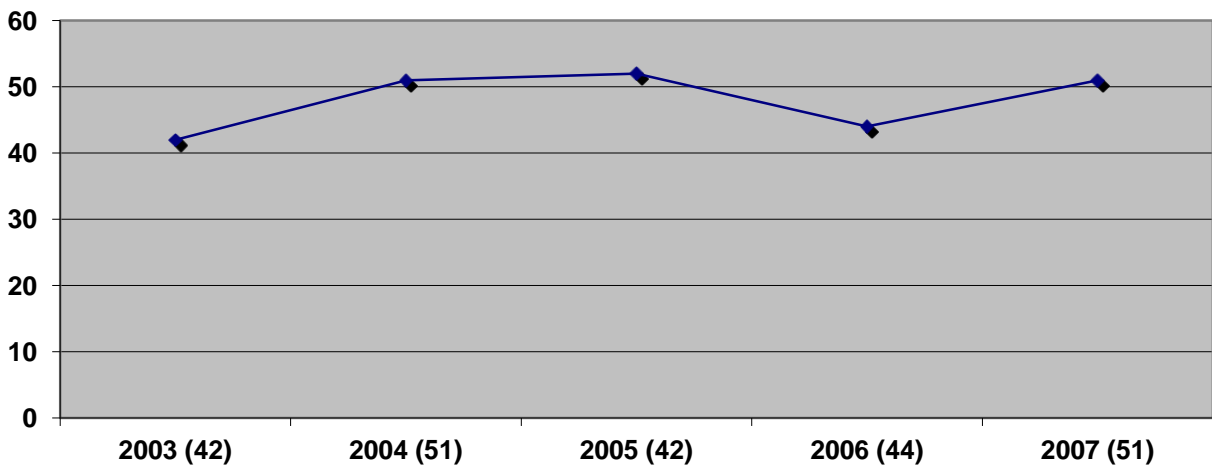
There were 212 Class 8 applications submitted during the Sunset period of 2008 to 2013. During this Sunset period, the granted Class 8 applications in commercial properties generated 2,296 full-time jobs. These jobs break down to 1,263 related to new construction and 1,033 in reoccupation of abandoned properties. The commercial properties generated 1,346 part-time jobs. These positions include 964 for new construction and 382 part-time jobs related to reoccupation of abandoned properties. The construction used to create commercial properties or bring existing such properties back up to required standards generated 3,999 jobs. The breakdown is 2,902 construction jobs and 1,097 reoccupation-related construction positions.

During this Sunset period, the granted Class 8 applications among industrial properties generated 1,194 full-time jobs. The breakdown: 733 jobs resulting from new construction and 491 jobs related to reoccupation of abandoned properties. The industrial properties also generated 64 part-time jobs. These part-time jobs break down to 15 in new construction and 49 for reoccupation of abandoned properties. 692 jobs resulted from construction to create industrial properties or bring existing properties back up to required standards. The breakdown is 574 construction jobs and 118 reoccupation/construction jobs.



**Prior Sunset Period of 2003 -2007**

29 Class 8 applications were received during the last Sunset period (1998-2002). During the most recent period (2003-2007), a total of 230 applications requesting the Class 8 Incentive were received by the Cook County Assessor's Office, an increase of approximately 700%.



At the conclusion of the previous Sunset Period (2002), there were 20 active projects classified as Class 8. 10 of those projects (extending forward from the previous sunset) expired during the current sunset period, while 130 new projects (324 Parcels) received the Class 8 Incentive. Therefore, at the end of the prior period (2007), there were a total of 140 active Class 8 projects in the county.

Of the 140 active projects, 60% were awarded based on new construction, 37% were awarded based on re-occupation of abandoned property and 3% were awarded based on substantial rehabilitation.

## CLASS 7 INCENTIVE

The Class 7 Incentive contains two classes, 7A and 7B, and is not renewable. The Class 7A Incentive encourages commercial projects with total development costs, exclusive of land, that **do not exceed \$2 million**. The Class 7B incentive encourages commercial projects with total development costs, exclusive of land, that **exceed \$2 million**. Unlike the Class 8 Incentive, this program applies strictly to commercial projects.

A Class 7 applicant must establish that the proposed development will be located in an area “in need of commercial development.” An area is deemed to be “in need of commercial development” when the following five conditions exist:

1. The area is or has been designated by a federal, state or local agency as a conservation, blighted or renewal area, or like designation.
2. The area is experiencing declining or stagnant real estate taxes.
3. There is a reasonable expectation that the commercial development is viable.
4. That commercial development will materially assist rehabilitation of the area and the project would not go forward “but for the Class 7 incentive.”
5. The commercial development will result in an increase in real property tax revenue and employment opportunities within the area.

At the end of the 2013 assessment year, 10 active projects totaling 31 parcels were classified as Class 7. Of these projects, five received the class change during the current sunset period, while five of the projects received the class change *prior* to this sunset period. The five projects granted the Class 7 Incentive were both based on new construction. There were no projects based on substantial rehabilitation or reoccupation of abandoned property.

The combined total for Class 7 properties includes 10 projects which added over \$1.2 million (\$1,217,689) in assessed value to the property tax bases. The City of Chicago has 25% of the Class 7 projects, while the suburbs contain the remaining 75% of the Class 7 projects in Cook County. The Class 7 Incentives created more than 292 full-time jobs.

During the sunset period, the five projects added \$712,006 in assessed value to the property tax base. Moreover, as a result of the Class 7A/B Incentives, 27 jobs sites were created, 136 full-time and 19 part-time. The City of Chicago has 44% of the Class 7 projects in Cook County, while the remaining 56% are in suburbs.

At the end of the 2007 assessment year, seven active projects totaling 85 parcels were classified as Class 7. Of these projects, two received the class change during the current sunset period, while five of the projects received it prior to this period. Of the two projects that received the Class 7 Incentive, one was based on new construction and another on reoccupation of abandoned property. There were no projects based on substantial rehabilitation.

During the prior sunset period, these seven projects added \$112,631 in taxes. Moreover, as a result of the Class 7A/B Incentives, 155 jobs were created, 136 full-time and 19 part-time. The City of Chicago is where 44% of the Class 7 projects are located in Cook County, while the suburbs have the remaining 56%.

Unlike the Class 8 incentives, the Class 7 applicant must shoulder the burden and expense of establishing that a geographical area qualifies for the incentive due to economic blight (i.e., the applicant pays for the certification studies). In the case of Class 8 incentives, there are large areas of the county pre-certified for development. In addition, local municipalities bear the burden of having a new area of the county certified for Class 8 development due to economic conditions. The Class 7 applicant has a higher barrier to entry than does the Class 8 applicant; this undoubtedly results in the reduced number of Class 7 applications filed.

In 2008, commercial property in Cook County was assessed at 38% of its market value. Approval of the Class 7A or 7B Incentive would result in the level of assessment being reduced to 16% of the market value of the property. The Class 7A or 7B Incentive receives a 16% level of assessment for a period of 10 years; in year 11 the level rises to 23% of market value and to 30% in year 12.

After 2008, commercial property in Cook County was assessed at 25% of the market value of the property. Approval of the Class 7A or 7B Incentive would result in the level of assessment reduced to 10% of the market value of the property. The Class 7A or 7B Incentive receives 10% level of assessment for a period of 10 years; in year 11 it becomes 15% of market value and in year 12 the level is 20% of market value.



## **CLASS C INCENTIVE**

The Class C Incentive is the smallest of the incentive programs. Class C encourages industrial and commercial development throughout Cook County by offering a real estate tax incentive for the remediation of contaminated properties, including abandoned property or vacant land. The incentive for commercial properties is not renewable.

To qualify for the Class C Classification, an application must be made within one year of the receipt of the “No Further Remediation Letter” issued by Illinois Environmental Protection Agency (IEPA). Such letters from IEPA address an entire site, approve or disapprove of conditions and a remedial action plan. In order to qualify for the incentive, the present owner(s) must successfully demonstrate that they were not responsible, directly or indirectly, for the contamination which was remediated pursuant to a site remediation program. Costs including site investigation, testing, oversight, remediation and removal costs, monitoring, and engineering and legal fees associated with the remediation process must total at least \$100,000 or at least 25% of the market value of the real estate as determined.

An applicant must obtain, from the municipality in which the property is located, a resolution/ordinance expressly stating that the municipality has determined that the incentive is necessary for the proposed development to occur and that it supports and consents to the application for the Class C incentive. In the case of property located in *unincorporated* Cook County, a resolution/ordinance is required from the Cook County Board of Commissioners supporting the application for the Class C.

In 2008, industrial property in Cook County was assessed at 36% of the market value of the property and commercial property in was assessed at 38%. Approval of the Class C Incentive would result in the level of assessment being reduced to 16% of the market value of the property. The Class C Industrial and Commercial Incentives receive a 16% level of assessment for a period of 10 years. Class C Commercial is not eligible for renewal. If the Class C Industrial Incentive is not renewed, the level of assessment would increase in year 11 to 23% of market value and in year 12 to 30% of market value. If renewed, the Class C Industrial Incentive remains at a 16% level of assessment for an additional 10 years.

Since 2008, industrial and commercial property in Cook County has been assessed at 25% of the market value of the property. Approval of the Class C Incentive would result in the level of assessment being reduced to 10% of market value. The Class C Industrial and Commercial Incentive receives a 10% level of assessment for a period of 10 years. Class C Commercial is not eligible for renewal. If the Class C Industrial Incentive is not renewed, the level of assessment would increase in year 11 to 15% of market value and in year 12 to 20%. If renewed, the Class C Industrial Incentive level of assessment remains at 10% for an additional 10 years.

There were five Class C Incentives granted during the previous sunset period. During the current sunset period, 2008 to 2013, six applications were submitted and approved for the incentive. Although the Class C is small in the total number of projects (12 active projects), the Class C Incentives have provided more than 873 full-time jobs.

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## RECENT CHANGES TO THE PROGRAMS

At times, it is necessary to review the effectiveness of a particular program and determine if changes are needed to improve it. During this Sunset period, some programs were reviewed and it was determined that changes were necessary to maintain their efficiency and effectiveness. While changes were not made in all programs, those which were affected have benefited from increased interest due to the modifications made to the Class 6B and Class 8 incentives. These changes have expanded the eligibility requirements for the programs and allowed more applicants to enjoy the benefits of the incentive programs.

### **Changes to the incentive programs include the following:**

In 2014, in response to municipal concerns about the restrictive nature of the Class 7A, 7B and 8 requiring designation of an area, Cook County promulgated the new Class 7C, which includes a revocation clause. The 7C program allows a municipality to focus on individual commercial properties in need of an incentive. In turn, due to the lower requirements of the 7C incentive, it is effective for only five years (as opposed to 12 years for others) and is limited to one renewal.

In response to the economic climate, in 2013 Cook County promulgated several significant changes to the incentives program. That year, the county amended the incentive ordinance by adding the TEERM and SER programs to the Class 6B incentive and the TEERM program to the Class 8 incentive. TEERM reduces the required vacancy period to 12 months (from 24 months for properties that have and no purchase for value) but leaves all other factors unchanged. SER is for existing businesses able to meet the Bureau of Economic Development rules and regulations for existing owners/businesses. The TEERM and SER programs are designed to be temporary and have a sunset provision effective November 30, 2018. Both the TEERM and SER programs are not renewable.

In 2008, there was a modification to the level of assessments. The levels of assessment became 10% and 25%. The breakdown:

1. Class 1: 10%
2. Class 2: 10%
3. Class 3: 16% in tax year 2009, 13% in tax year 2010, 10% in tax year 2011 and subsequent years
4. Class 4: 25%
5. Class 5A: 25%
6. Class 5B: 25%
7. Class 6B: 10% for the first 10 years and for any subsequent 10-year renewal periods; if the incentive is not renewed, 15% in year 11 and 20% in year 12.
8. Class C:
  - a. Industrial properties: 10% for the first 10 years and for any subsequent 10-year renewal periods; if the incentive is not renewed, 15% in year 11 and 20% in year 12.
  - b. Commercial properties: 10% during the first 10 years, 15% in year 11 and 20% in year 12.
9. Class 7A: 10% for the first 10 years, 15% in year 11 and 20% in year 12.
10. Class 7B: 10% for the first 10 years, 15% in year 11 and 20% in year 12.

11. Class 8: 10% for the first 10 years and for any subsequent 10-year renewal periods; if the incentive is not renewed, 15% in year 11 and 20% in year 12.
12. Class 9: 10% for an initial 10-year period, renewable upon application for additional 10-year periods.
13. Class S: 10% for the term of the Section 8 contract renewal under the mark up to market option, as a defined herein, and for any additional terms of renewal of the Section 8 contract under the mark up to market option.
14. Class L:
  - a. renewable properties: 10% for the first 10 years and for any subsequent 10-year renewal periods; if the incentive is not renewed, 15% in year 11 and 20% in year 12.
  - b. commercial properties: 10% for the first 10 years, 15% in year 11 and 20% in year 12.

### **ECONOMIC CHANGES**

Cook County was established on January 15, 1831 by an act of the Illinois State Legislature.

The County covers 946 square miles and is composed of 128 municipalities including the City of Chicago. There are 38 townships, eight of which are located in Chicago; each township has no elected officials. There are also 236 special districts and 152 school districts. Significant facts about Cook County and the collar counties include:

#### **POPULATION:**

**Cook County** had a population of 5.2 million (5,246,456) in 2014. This is a decrease from the 2000 population of 5.3 million (5,376,741). In 2013, the county was comprised of just over 2.1 million (2,170,156) housing units. This represents an increase, as the total in 2000 was just under 2.1 million (2,096,121).

**DuPage County** had a population of 932,708 in 2014. This represents an increase over the 2000 population, which was then 904,161. In 2013, the county contained 356,231 housing units, an increase over 2000's total of 335,621.

**Kane County** had a population of 527,306 in 2014, a very substantial increase from the 404,119 counted in 2000. In 2013, the county was comprised of 182,860 housing units; in 2000, that figure had been 138,998.

**Lake County** had a 2014 population of 705,186, an increase over the 2000 population of 644,356. In 2013, the county had 260,550 housing units, substantially more than its 225,919 in 2000.

**McHenry County** had a population of 307,283 in 2014, an increase from 2000, when its population stood at 260,077. In 2013, the county was comprised of 116,683 housing units, having grown from its 2000 total of 92,908.

**Will County** had a population of 685,419 in 2014. That number in 2000 was 502,266. In 2013, the county reported 238,653 housing units. This represents an increase from the 175,524 units shown in 2000.

## **BUSINESS:**

**Cook County** has 536,234 businesses, including 408,366 that are non-employer establishments. The businesses employ over 2.6 million (2,653,700) individuals.

## **LABOR**

- The total population for the State of Illinois was 12.8 million (12,880,580) in 2014, with over 5.2 million (5,289,423) housing units.
- According to the Illinois Department of Employment Security statistics, in the years from 2008-2013, the Illinois labor force declined from over 6.7 million (6,722,100) in 2008 to slightly under 6.7 million (6,698,936) in 2013.
- Historic figures: 6,580,000 (2012); 6,554,400 (2011); 6,617,800(2010); 6,587,900 (2009) and 6,618,100 (2007).
- The number of employed went from 6.3 million (6,354,100) in 2008 to 6.1 million (6,159,536) in 2013. Historic figures are: 5,959,900 (2012); 5,939,500 (2011); 5,865,000 (2010); 6,059,200 (2009) and 6,320,500 (2007).
- The number of unemployed went from 367,900 in 2008 to 539,400 in 2013. Historic figures are: 620,100 (2012); 614,900 (2011); 752,800 (2010); 528,800 (2009) and 367,900 (2008); 297,600 (2007).

The financial crisis of 2007 to 2009 contributed to the decline in the labor force. During this period, production of goods and services decreased. Please allow a brief look at the causes of the economic crisis of that time.

A widely recognized primary factor was the housing market. Prior to 2006, the housing industry experienced major expansion. Lending policies encouraged people to purchase homes by providing easier access to financing. Some borrowers received mortgages which they struggled to pay. Providers of those loans bundled them into larger packages of debt which they sold to other financial institutions. These mortgage bundles were backed by securities known as Collateralized Debt Obligations (CDOs). CDOs were traded to other investors because of their *perceived* low-risk-to-high-yield. However, this was not an *actual* ratio of risk vs. yield and that caused numerous financial institutions to fail.

Another cause of the economic crisis was the 1999 repeal of the Glass-Steagall Act, originally created in 1933. Glass-Steagall's purpose was to prohibit commercial banks from owning or affiliating with securities firms. The lifting of these prohibitions led to practices which damaged the economy; recovery was imperative. To aid the recovery, Congress passed a number of programs, including the Troubled Asset Relief Program (TARP).

Significant statistics related to labor:

**In Cook County**, the workforce grew from 2.62 million (2,627,047) in 2008 to 2.67 million (2,677,534) in 2013. The number of employed increased from 2.45 million (2,457,889) in 2008 to 2.67 million (2,677,534) in 2013. The number of unemployed went from 169,158 in 2008 to 256,806 in 2013.

**In DuPage County**, the labor force was 531,593 in 2008 and 511,872 in 2013. The number of employed declined from 505,177 in 2008 to 474,214 in 2013. Unemployment rose from 26,416 in 2008 to 37,658 in 2013.

**In Kane County**, the labor force was 270,883 in 2008 and 264,317 in 2013. The number of employed declined from 254,012 in 2008 to 241,200 in 2013. The total of unemployed workers went from 16,871 in 2008 to 23,117 in 2013.

**In Lake County**, the labor force went from 370,228 in 2008 to 365,260 in 2013. The number of employed was 345,910 in 2008 and 335,774 in 2013. The unemployment figure increased from 24,318 in 2008 to 29,486 in 2013.

**In McHenry County**, the labor force went from 181,303 in 2008 to 167,111 in 2013. The number of employed from 170,842 in 2008 and 152,892 in 2013. Unemployment increased from 10,461 in 2008 to 14,219 in 2013.

**In Will County**, the labor force in 2008 was 366,714; that figure was 358,969 in 2013. The number of employed workers went from 344,482 in 2008 to 324,147 in 2013. Those unemployed were 22,232 in 2008 and 34,822 in 2013.

## HISTORY OF INCENTIVES

Over the past 40 years, a significant number of changes were made to the Cook County Classification Ordinance. The changes occurred over time for various reasons; however, some were in response to economic conditions.

In 1973, the Cook County Board of Commissioners approved a classification ordinance that created different levels of assessment based on use of a property. That year, the Board passed Ordinance 74-0-3, the Real Property Assessment Classification Ordinance. Its definition of real estate is as follows :

"Not only the land itself, whether laid in town or city lots, or otherwise, with all things contained therein, but also all buildings, structures and improvements, and all rights and privileges belonging or in anywise pertaining thereto. Included therein is any vehicle or similar portable structure used or so constructed as to permit it being used as a dwelling place for one or more persons, if such structure is resting in whole on a permanent foundation".

For the purpose of this ordinance, the definition of "market value" shall be:

"That value, estimated at the price it would bring at a fair, voluntary sale."

Section 2 Real estate is divided into the following assessment classes:

Class 1: Unimproved real estate or real estate used as farm.

Class 2: Real Estate used for residential purposes when improvement with a house, an apartment building or not more than six living units, or residential condominium, a residential co-operative or a government-subsidized housing project if required by statute to be assessed in the lowest assessment category.

Class 3: All improvements real estate used for residential purposes which is not included in Class 2.

Class 4: Real Estate owned by a not-for-profit corporation in furtherance of the purposes set forth in its charter unless used for residential purposes. If such real estate is used for residential purposes it shall be classified in the appropriate residential class.

Class 5: All real estate not included in any of the above four classes.

Sec 3. The Assessor shall assess, and the Board of Appeals shall review assessments on real estate in the various classes at the following percentage of market value:

Name	Level of Assessment
Class 1	22%
Class 2	22%
Class 3	33%
Class 4	30%
Class 5	40% <sup>5</sup>

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<sup>5</sup> Cook County ordinance 74-0-3 – Real Property Assessment Classification Ordinance passed - December 17, 1973.

In 1978, Cook County modified the classification ordinance to include economic development use of the property. The new economic development class approved by the Cook County Board of Commissioners allowed for:

“Real estate used exclusively for industrial purposes, located in an area “in need of economic development” upon which new construction or substantial rehabilitation has occurred to the extent that such construction or rehabilitation has added value to the parcel, provided that this classification shall not be available to any person or legal entity which relocates within the county from one area in need of economic development to another. This classification shall continue for a period of thirteen years from the date the construction begins, after which time said real estate shall revert to the applicable classification under this ordinance.”<sup>6</sup>

At the time of classification, the level of assessment of market value was as follows:

Name	Level of Assessment
Class 1 (Vacant land)	22%
Class 2 (Residential - not more than six units condominium, co-operatives)	16%
Class 3 (Residential more than six units)	33%
Class 4 (Not for Profits)	30%
Class 5 (All real estate not included in the above)	40%
Class 6 (Industrial in need of economic development)	16% <sup>7</sup>

In 1980, the Board approved creation of another incentive, the Class 7 Incentive. Class 7 granted relief to commercial properties where new construction or substantial rehabilitation had taken place. At the time of classification, the level of assessment of market value was as follows:

Name	Level of Assessment
Class 1 (Vacant land)	22%
Class 2 (Residential - not more than six units condominium, co-operatives)	16%
Class 3 (Residential more than six units)	33%
Class 4 (Not for Profits)	30%
Class 5 (All real estate not included in the above)	40%
Class 6 (Industrial in need of economic development)	16%
Class 7 (Commercial in need of economic development)	16%

On March 3, 1980, the Cook County Board of Commissioners adopted an ordinance amending the Real Property Assessment Classification Ordinance.

“For the purpose of this Ordinance, the definition of an area “in need of industrial development shall be:”An Area of Substantial Unemployment” as designated under the Comprehensive Employment and Training Act of 1973.”

<sup>6</sup> Cook County ordinance 78-0-17 – Real Property Assessment Classification Ordinance passed - March 3, 1978.

<sup>7</sup> Cook County ordinance 78-0-17 – Real Property Assessment Classification Ordinance passed - March 3, 1978.

An "Area of Substantial Unemployment" in effect as of September 30, 1983, under the provisions of the Comprehensive Employment Training Act of 1973 and under the transition provisions of its successor Act known as the Job Training Partnership Act. In which the latest available average yearly unemployment rate greater than the county's average yearly unemployment rate as determined by the Illinois Bureau of Employment Security. This provision shall remain in effect until April 1, 1984.<sup>8</sup>

There were four extensions granted to the above ordinance provision, changing the date from April 1, 1984 until October 1984.

From March 1980 to December 1984, the Classification Ordinance underwent six other modifications. It was the December 1984 ordinance modification which created the need for a Sunset Report.

### **CONCLUSION**

The business community has availed itself of the benefits of the current incentive programs, as evidenced by the overwhelming increase in incentive projects, especially Class 6B and Class 8. As new buildings are constructed, rehabilitated or reoccupied, the Cook County tax base increases and employment opportunities are created and expanded. Incentive projects have stabilized and increased the real estate property tax base in areas in which they are located, while at the same time creating a higher probability of increased business activities and possible future development.

The incentives have provided valuable support for business expansion within Cook County, which, in turn, has helped support its property tax base and contributed to the employment of residents. With the economic climate in the county still facing significant challenges due to the national economic downturn, there is right now a stronger need than ever before to continue the benefits offered by these development incentives. Therefore, the Assessor's Office recommends that these incentives be continued for an additional five-year period.

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<sup>8</sup> Cook County ordinance 80-0-14 – Real Property Assessment Classification Ordinance passed - October 03, 1983