



February 28, 2018

Jeffrey R. Tobolski  
County Board Commissioner, 16th District  
118 N. Clark St.  
Chicago, IL 60602

**Re: Proposed Modifications to Chapter 74 TAXATION, Section 74-71 of the Cook County Code**

Dear Commissioner Tobolski,

On behalf of the Association of Industrial Real Estate Brokers (AIRE) and our 389 Active Broker members, 40 Client / Developer firms and nearly 100 Associate members, and the Society of Industrial and Office Realtors (SIOR) and its 165 Active Broker members, 25 client / Developer members and 50 Associate members, we unequivocally opposes the proposed modifications to Chapter 74 TAXATION, Section 74-71 of the Cook County Code, such proposed amendment also referred to as the *Property Tax Incentive – Prevailing Wage Requirement*.

For the purposes of proper context, collectively, a member of AIRE and/or SIOR is involved in approximately 90% of all industrial transactions in Cook County and the metro-Chicago area.

Our strong opposition arises primarily from our conclusion that the proposed changes have no chance whatsoever of either maintaining or advancing the efficacy of the tax incentive program and its singular goal of expanding the tax base. In fact, our Board of Directors, women and men who work daily with property owners, investors occupiers and contractors, unanimously report that implementation of the proposed changes would have the consequence of rendering the property tax incentive program virtually useless because the changes will materially dilute the value of the benefit, restrict property owners and employers from their right to make free-market business choices, and put incentive recipients at risk beyond a reasonable threshold.

We assert that implementation of the proposed changes will result in a material reduction in the number of program applicants. Such reduction in applicants means distressed properties will not be redeveloped, investment will not occur in equal measure in areas that most desperately need it, and the tax base will not grow at the rate it could should the program be left unchanged. Any reversal of the effectiveness of this program will only serve to grow the inventory of distressed properties and erode the tax base.

We implore the Cook County Board of Commissioners to either outright defeat the measure, or at a minimum, table the issue until stakeholders on both sides have a fair opportunity to provide real, meaningful economic and empirical evidence in support or opposition to the amendment. Moving forward without a solid business case having first been made will irrevocably harm the property tax incentive program, and we can't imagine that is the goal of elected County officials.

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#### Adverse to the Intended Benefit

The Property Tax Incentive program is intended to stimulate economic development in specific cases where, absent the incentive, such economic development would not occur. A key barrier to investment is property taxes. By adjusting property taxes to be competitive with other neighboring counties,

investors and occupiers can choose Cook County properties based on merit, rather than eliminate them for their economic deficiencies.

Our most credible supporter in opposition should be the County itself. County leaders had the foresight and wisdom ages ago to create a simple, single-purpose incentive program that put distressed Cook County properties on a "level playing field" with other properties and other counties.

Many would agree the program has worked brilliantly for years, repeatedly achieving the single goal of growing the tax base. When an investor or employer invests in a Cook County property, a host of benefits are showered on the local community; folks are employed, wages are spent at local shops, restaurants and services and energy and vitality is restored. Over time, the value of the property itself grows as does the amount of property taxes the property owner pays.

Without the incentive and the economic neutrality it creates, properties will remain vacant and no economic development benefit will be realized by anyone. For this reason, the County has been historically unwilling to impose restrictions that would upend the delicate balance between providing incentives and delivering value to the widest possible base of beneficiaries.

Our view of the impact of these proposed changes is that the cost to improve, maintain and operate the affected real estate and the business they house will precipitously increase because of the compliance requirements and much narrower pool of contractors a property owner or business can employ. The increase costs are continual because of how deeply the mandates infiltrate the ongoing, day-to-day operations of property and business. When you increase the cost to participate in the program, you decrease the value of the incentive. Decreasing the value of the incentive is not a reasonable or competent tactic for maintaining or enhancing the effectiveness of the program.

#### Proposed Changes Make Program Too Risky

The language in the amendment appears to imply that if any participant along the food chain fails to comply with the letter of the law, the property owner risks losing the tax incentive benefit. Recipients of tax incentives are not intrinsically averse to being accountable, so long as they control their own destiny. However, the feedback we obtained from our owner and occupier clients is that the risk of having to rely on the performance of other, non-related parties is too great for them to absorb. They would not seek the tax benefit for fear of losing the incentive if a contractor they hired, or one hired by a tenant, failed some litmus test, and they were unable to force compliance short of litigation. In such a case, employers and investors will simply avoid the punitive structure and take their money elsewhere.

Final Comments

It appears to us that small-jobs contractors who work in their local communities will be especially burdened by the wage and apprentice provisions of the amendment, because they lack the experience and resources required to comply. For every new dollar earned by the wage requirement, an equal or

greater amount of wages will be lost by workers newly boxed out of the bid process. It's difficult to see where a net gain is earned by the County or its taxpayers.

The number of industries or special interests that stand to benefit from these changes pales in comparison to the number of individuals, businesses, small-jobs tradesmen and local municipal interests that will be harmed. To that end, it appears, respectfully, that the lead argument in support of this amendment is that the "needs of the few outweigh the needs of the many" which seems counter-intuitive to the general role of government.

In the course of our examination, we asked ourselves "what are we solving for?" in this issue. Is it protecting or maintaining expansion of the tax base, or is it affecting wages for one single industry sector? I think we can all agree that higher wages in general are a good thing. But, it seems inappropriate to solve for wages via a program that for decades has existed only to solve for taxes.

Finally, it's worth responding to one defense of the amendment which asserts that imposing the prevailing wage scale is applicable because "public money" is being spent. That argument is a mathematical fallacy because no capital is being conveyed by the County. The "lower" tax rate being applied is based on competent market factors and takes into consideration the current state of impairment of the subject property. If the property is vacant (most are), the taxes have already been reduced, if only temporarily, under separate tax code. The new tax basis makes redevelopment of the property possible, because it positively affects economic feasibility where previously none existed. Without the incentive, the property further slips into obsolescence, and the impact of its failure to generate sufficient tax proceeds is passed on to other taxpayers who make up the difference. It's not so much that owners pay less with the incentive, it's that other taxpayers pay more without it.

For these reasons, and for other reasons, AIRE and SIOR assert its opposition to the proposed modifications to Chapter 74 TAXATION, Section 74-71 of the Cook County Code.

Respectfully Submitted,



John Coleman, Vice President  
The Association of Industrial Real Estate Brokers

Daniel J. Benassi, Vice President  
SIOR Chicago Chapter

JC/JB/me

Cc: Erik A. Varela, Special Assistant Govt. & Legislative Affairs  
Office of the Cook County Board President

Michael Jasso, Bureau Chief  
Cook County Bureau of Economic Development

