



TOBIN DEVELOPMENT

Faithfully serving our clients and investors

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Finance Committee Members
Cook County Board of Commissioners
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Re: Property Tax Incentive – Prevailing Wage Requirement

Dear Finance Committee Members,

As you may know, on October 1, 1984 the 6b Property Tax Incentive became law. Prior to this incentive, Cook County was in the midst of an industrial development and job famine. At the same time, the collar counties were exploding with new industrial development and job growth.

President George Dunn, Assessor Thomas Hynes, the Cook County Finance Committee and the Cook County Board recognized the severity of this problem. They saw that tens of thousands of jobs that had left Cook County for the collar counties and Wisconsin. They took action.

Assessor Hynes and his staff met with members of industrial real estate community, AIRE & SIOR. It was my privilege to represent AIRE, The Association of Industrial Real Estate Brokers. We assisted the Assessor's staff in drafting what became the 6b Property Tax Incentive. This legislation is the most successful industrial job retention and expansion legislation in the history of Cook County. Millions of square feet of new industrial buildings were built and thousands of new jobs were created, strictly as a result of this forward thinking 6b Property Tax Incentive.

Attached articles from the Chicago Sun Times 3/14/85 and Chicago Tribune 12/7/86 document the success of the 6b Property Tax Incentive.

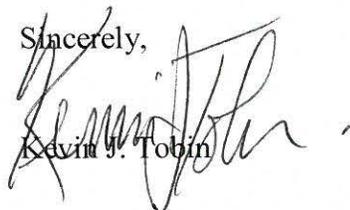
The proposed amendment, Property Tax Incentive - Prevailing Wage Requirement will bring to an end the positive benefits of the 6b Property Tax Incentive.

The amendment will have severe negative consequences, specifically:

- further limit industrial job opportunities, especially for immigrants in Cook County
- increase the existing negative industrial job growth in Cook County
- drive more Cook County companies into the collar states, Indiana and Wisconsin

Please oppose this amendment.

Sincerely,



Kevin J. Tobin

COMMERCIAL REAL ESTATE By Jerry C. Davis

Tax shift a break for Cook County

A tax break for new manufacturing and distribution facilities in Cook County is beginning to have a significant impact on industrial development four months after taking effect, industry sources indicate.

"It is a major step for Cook County," said Kevin Tobin, senior sales consultant with Coldwell Banker in Schaumburg. "It's not a cure-all, but it is a healthy shot of penicillin that Cook County really needed. Now, if the County Board will take some more steps, the patient won't die."

Vital reduction

The tax reduction was vital because Cook County was at such a disadvantage with DuPage and Lake Counties that companies that wanted to build new manufacturing or distribution facilities rarely located in Cook.

"Any businessman looking at the numbers got so blown away by the difference that he wouldn't even

look in Cook County after that," said Robert G. McLennan Jr., president of McLennan & Thebault, designers, builders and developers in Elk Grove Village.

"Cook County has always discriminated against commercial and industrial buildings and favored single-family housing with its tax policies," McLennan said. "As a result, a lot of people lived in Cook County and put their businesses in DuPage or Lake counties."

Coldwell Banker's 1984 figures before the tax demonstrate what happened in the northwest suburban corridor.

"With only 33 percent of the industrial base, DuPage County got 45 percent of the 4 million square feet of industrial space absorbed in buildings of more than 80,000 square feet last year," Tobin said. "The numbers for buildings constructed to suit individual tenants were even more favorable to DuPage, which got 75 percent of that activity."

Tax breakdown

McLennan's company specializes in building whatever a client wants in the most desirable location for that type of business. Here is an example of how his clients looked at their tax projections before and after the tax change:

"Using a 20,000-square-foot building, the norm in Cook County has been about \$1.20 a square foot or \$24,000 a year," McLennan said. "In DuPage or Lake County, the tax would be 40 to 45 cents a square foot, or \$8,000 to \$9,000 a square foot."

"Now, in a new manufacturing facility in Cook County, the tax would be about \$9,600 for 20,000 square feet in the first eight years. In the next four years, it would be about \$18,000, and then it would go back to \$24,000. That is competitive enough to make a big difference."

The current Cook County ordinance calls for a tax of 16 percent of assessed value in the first eight years for new manufacturing facilities, down from 40 percent. New warehouses and distribution facilities get a 30 percent tax base, reduced from 40 percent.

Both increase after the first eight years, the manufacturing plant to 30 percent and the warehouse or distribution facility to the full 40 percent. In addition to new construction, substantially rehabbed or abandoned property that is revived may qualify.

"Though it goes back to the full tax level after 12 years, who knows what system will be used then that might favor Cook County?" McLennan said. "DuPage and Lake counties have had an uptrend in taxation recently and they might not have a big advantage over Cook County 12 years from now."

Building break

New office and retail space continue to be taxed at the same level in Cook County, which is much higher than in Lake or DuPage.

"The information about this change has been slow in getting out to the industrial space user, but they are becoming aware now that there is some sort of break for building in Cook County," Tobin said. "We expect the new ordinance to boost Cook County this year so that it gets about 40 to 45 percent of the new buildings, up from last year's 25 percent compared with DuPage County."

Cook County industrial exodus slows

By David Ibatá

The exodus of industrial companies leaving Cook County for lower-tax regions appears to be stabilizing, with the northwest region of the county holding its own for the first time in several years.

A study by Coldwell Banker Commercial Real Estate Services found that Cook County accounted for 72 percent and Du Page County, only 28 percent, of all industrial leases and sales in the northwest suburbs during first nine months of 1986.

"It's a major turnaround," said Kevin J. Tobin, associate vice president in the Schaumburg office of Coldwell Banker and a board member of the Association of Industrial Real Estate Brokers [AIREB].

An AIREB study released this spring showed 122 companies fled Cook County's higher taxes in the 18 months ended in December, 1985, resulting in nearly 7.1 million square feet of industrial vacancies and the loss of 7,747 jobs.

That trend may be waning, at least in the northwest suburbs. That region is an industrial powerhouse, having surpassed the city years ago in terms of internal growth, new business formations and companies entering the Chicago market.

Most of the area's industrial properties, in fact, are concentrated in just one place: Centex Industrial Park in Elk Grove Village, a 2,250-acre development with 1,500 companies and 35,000 jobs.

"Cook County encompasses approximately 78 percent of the northwest suburbs' industrial base, and Du Page County, 22 percent," Tobin said. "In 1984 and '85, though, Du Page County accounted for more than half of all industrial absorption in the area, despite its smaller base."

The situation changed this year, Tobin said, due in part to a healthy supply of

Exodus

Continued from first page

due to companies needing a good, quality, consistent pool of labor."

Podolsky also cited the case of a retail chain that was seeking land for a new headquarters and warehouse in the northern suburbs.

"We did an analysis for them, and the bottom line was, though the company could have saved money on real estate taxes by going to Lake County, it would have spent far more on labor and distribution costs, given the location of its stores. So, it bought 10 acres in Northbrook."

The higher cost of leasing or buying space in the outlying counties also is a factor, said Michael P. Rose, president of Rose & Associates Inc., a Morton Grove realty brokerage; and chairman of AIREB's government affairs committee and of the Chicago Real Estate Board's tax committee.

Annual lease rates in Du Page and Lake Counties, Rose estimated, "are \$3.50 to \$4 a square foot net, compared with \$3 to \$3.50 a foot in Cook County. The tax differential, in comparison, is about 50 to 75 cents a foot, so the end result is, the markets are very competitive."

What's more, Rose said, costs are escalating for companies that buy land to construct their own buildings.

Raw land in southern Lake County has risen to about \$4 a square foot, while parcels are still available in northern Cook County for \$3 to \$3.25 a foot.

A psychological factor also comes into play, Tobin added.

"A lot of the stigma that Cook County's real estate taxes were just going to get worse and worse has been mitigated" by the county's tax incentive ordinance, Tobin said.

The county is to reduce assessed valuations for tax purposes of

Hawthorne Works, which Cambridge Equities Inc. of Chicago is redeveloping for retail and industrial use.

Companies that move to Hawthorne will receive assessed valuations based on 16 percent of market value for 12 years.

However, the benefits of the county's tax plan may be more apparent than real, according to Patrick Quinn, former commissioner of the Cook County Board of [tax] Appeals, who recently left the board to become the City of Chicago's revenue director.

A study released by Quinn in late November showed only 104 companies that own 268 tax parcels out of the county's more than 95,000 parcels have taken advantage of the county program, for an aggregate, annual reduction in tax revenues of \$6.2 million.

"Eight companies account for about half of the entire amount of relief," Quinn said.

Only one of those firms, Corn Products Refining in Argo, is in the suburbs.

[Municipal approval is required of a property owner that wishes to apply for the tax break, Rose said, and many suburbs have been "penny wise and pound foolish," refusing to go along out of fear of reducing their own revenues.]

"I'm extremely skeptical of these types of programs," Quinn said. "As has been shown all across the country for years, all of these loophole programs haven't created anywhere near the kind of economic growth and jobs they're sold as creating."

Instead, Quinn charged, "they're notoriously unfocused, poorly thought out and basically give relief to a handful of companies instead of giving broad-based relief to all, especially the smaller firms that have less than 50 employees and aren't as proficient at finding these property tax loopholes."

Quinn contends it would be better for Cook County to more ac-

unc Sunday, December 7, 1986

Real Estate