

March 12, 2018

Cook County Commissioners

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Hon. Larry Suffredin	Hon. Jeffrey R. Tobolski	

118 N. Clark
Fifth Floor
Chicago, IL 60602

Re: Pending amendment to add “Prevailing Wage Requirement” & “Labor
Apprentice Program” to incentive classification – 18-1604.

Dear Commissioners:

I encourage you to reject the pending matter 18-1604, now scheduled for consideration before the Finance Committee on March 14, 2018.

Prior to entering private practice, I held several legal positions in county government, including my role as Chief Legal Counsel to the Assessor. When collaborating with this very body on prior amendments, we were guided by the public policy supporting the incentives. Specifically, the need to promote economic development that would not occur without government assistance.

When confronted with potential changes to the ordinance, the threshold question was always the same: *Will the amendment advance the cause of promoting economic development that otherwise would not occur in the county?* If the answer was yes, we would work to craft such a change. If the proposed change did not advance economic development, it would not move forward. I urge the Board to answer this threshold question in the negative, and vote down the proposed amendment.

New Burdens and Obligations Counterproductive to Economic Development

During the Finance Committee meeting of March 1st, approximately 50+ people, including mayors, managers and development officers testified in opposition to the matter. Other opponents included property owners, business owners, real estate associations, developers, and other concerned citizens. Less than five members of the

public spoke in favor of the matter. The fact that those in opposition vastly outnumbered supporters by 10 to 1 during this public hearing is a significant factor and should persuade the Board to dismiss the amendment.

Additionally, no evidence or testimony has been provided to the Board to establish how the proposed change would support economic development. To the contrary, all testimony indicates the amendment would hinder such activity due to added costs, administrative burdens, and the uncertainty the change imposes. The clear message in opposition, especially from the south suburban officials, is this change will force economic development out of Cook County and into the surrounding collar counties or neighboring states. Such a result will allow these other jurisdictions and their citizens to reap the benefit of increased employment and rising tax revenues caused by an expanding property base, all to the detriment of the citizens of Cook County. Such a bleak economic result flowing from the proposed amendment is yet another factor that should persuade the Board to vote down the matter.

Most testimony in opposition has come from mayors, managers and their development staffs. These people are best positioned to understand the negative impact the amendment will have on their communities. Their collective voice should be given substantial weight. This alone should stop the proposed change from being enacted. Indeed, Chairman Daley echoed this very point when he stated that *he had never seen so many mayors come in on any single issue and that the Board must take that into consideration (see video committee meeting March 1, 2018 – location 4:29:30)*.

Supporters of the pending change attempt to justify the additional burdens placed on developers by making the erroneous claim that these owners are receiving taxpayer funds. Therefore, they surmise, such property owners should be obligated to pay above-market wages. In fact, properly administered incentives do not involve any transfer of taxpayer funds to incentive holders. This is not a case where government gives up money it could possibly spend elsewhere, such as legislation regarding road construction or other public works. In those cases, a prevailing wage requirement would probably make sense; however, with these incentives no public funds are allocated, therefore the prevailing wage requirement is not appropriate.

The benefits of the incentives flow from property development that otherwise would not occur “but for” the lower tax burden provided by the 10% level of assessment. Normally, commercial/industrial property is assessed at 25% of market value, resulting in a higher tax bill. It’s important to keep in mind that without the benefit of the lower tax, the incentive development would not exist and the taxes generated by the lower level of assessment also would be non-existent. In short, 10% of something is better than 25% of nothing.

Under the current incentives structure, government funds are not transferred from one group to benefit another. Therefore, the rationale in support of the proposed change is flawed and should not persuade the Board to support it.

Increasing the cost of economic development conflicts with the original reason for the incentives program. This Board created these classifications based on the public policy that the reduced property tax burden allows for development that otherwise would not be economically feasible. By making such development economically possible, local government benefits through the expansion of its real estate tax base. The public benefits as well because taxes are spread out over a larger property base, thereby slowing the growth of the individual tax load.

The testimony of local development officers reveals that the added cost of the proposed prevailing wage requirement will cause many economic development projects to no longer be economically viable. In such cases, these projects will go to other jurisdictions; thereby causing the tax base in Cook County to flounder, resulting in an increased tax load for the remaining property owners. Such harm should be avoided. An underperforming tax base and the loss of employment opportunities from developments that do not occur is yet another reason for the Board to deny the amendment.

Conclusion

To be clear, no party is advocating against better wages for the residents of Cook County; however, based on the totality of the evidence and arguments presented, it should be clear that the incentive ordinance is not the appropriate vehicle to promote higher wages.

A more efficient solution would be to shift the issue to the affected municipalities. They are required to provide an enabling resolution before an incentive can be applied to a property. If a particular jurisdiction finds that prevailing wage would not hinder an individual project, they could require the developer pay a prevailing wage as a condition for the required municipal resolution. Or, in the alternative, if they determine that prevailing wage would make the project untenable, they could forgo such a condition. This process is more efficient and less likely to inflict unintended harm, as a local municipality is in a better position to decide if a prevailing wage requirement hinders economic development in their respective community.

The proposed amendment will further complicate an already complex structure for the incentives program. Most of the input from concerned stake-holders is strongly opposed to the change, as it stifles economic development in the county, and will drive a substantial portion of such activities to neighboring jurisdictions to the detriment of your constituents. If enacted, the proposed amendment will cause more harm than good.

For the reasons stated above, I respectfully ask that you vote against the proposed amendment.

Your attention to this matter is greatly appreciated.

Very truly yours,



John P. Nyhan

c.c. Hon. Toni Preckwinkle
President Cook County Board of Commissioners