

# VILLAGE OF HOMEWOOD



## BOARD AGENDA MEMORANDUM

DATE OF MEETING: April 12, 2022

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**To:** Village President and Board of Trustees

**Through:** Napoleon Haney, Village Manager

**From:** Angela Mesaros, Director of Economic and Community Development

**Topic:** Cook County Class 8 Tax Incentive – 17450 Halsted Street, Chick-fil-A

### PURPOSE

PURPOSE IL 1, LLC is seeking Village support for a Class 8 property tax designation for the property at 17450 Halsted Street. This designation requires Board approval of a resolution awarding the Class 8 incentive to the property.

### PROCESS

In 2017, the Village of Homewood engaged in a redevelopment agreement with the developer, GMX Real Estate Group of Northbrook, IL to develop the northwest corner of Halsted Street and 175<sup>th</sup> Street to construct two restaurants – Chick-fil-A and Panera. GMX's total investment exceeded \$5,000,000, which included the costs of purchasing the property, demolition of the building, construction of a detention basin, and relocation of utilities.

Through the redevelopment agreement, the Village agreed to reimburse places of eating tax payments up to \$210,000. Reimbursements were paid semi-annually. Chick-fil-A opened in September 2019 and the incentive was completely paid in four payments (October 2021).

Prior to construction of the new development, the developer did not apply for a Cook County Class 8 tax incentive. Since construction, the property's assessed value has increased substantially. Cook County recognizes the property tax challenges faced by the Chicago Southland and has created the Class 8 Cook County Tax Incentive Program. The program identifies five (5) Cook County townships that have automatic certification for the incentive; the subject property is located in Thornton Township, one of the five designated townships.

The Class 8 real estate tax incentive is administered by the Cook County Assessor and is designed to encourage industrial and commercial development in areas experiencing economic stagnation. Under this incentive program, qualified commercial real estate is assessed at 10 percent of market value for the first 10 years, 15 percent in the 11<sup>th</sup> year, and 20 percent in the 12<sup>th</sup> year.

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### OUTCOME

The Cook County property tax system places a heavy tax burden on commercial properties that must compete with the lower tax rates in adjacent counties and in Indiana where the property tax rate can be as much as 45% less. The Village's support of a Cook County Class 8 tax incentive will lessen the tax burden for the property making occupancy economically feasible.

Chick-fil-A restaurant provides employment opportunities for the community, generates commercial activity, and enhances the Village's tax base. Chick-fil-A employs approximately seven (7) full-time and approximately 130 part-time employees.

The estimated annual sales revenue for 2022 is \$6,000,000 at the subject location. The Village receives 1% of the State of Illinois collected sales tax, which is the "Village's portion" of sales tax, and collects an additional 2% revenue in "Places of Eating Tax." Based on the projected sales tax revenue the Village's portion is \$180,000 annually.

The estimated property tax without an incentive is \$191,000 annually. With a Class 8 incentive in place, property taxes will be reduced to approximately \$78,959 annually, resulting in an annual savings of \$111,808. If Chick-fil-A were to vacate the property, the applicant estimates that the annual property taxes could be reduced to \$68,110 if taxed as a vacant building. Therefore, with a Class 8, the property tax is approximately \$130,000 more than the potential vacant building over the life of the incentive.

Staff supports this Class 8 request and potential approval, but recommends that the Class 8 incentive begins from the current point in time moving forward and not retroactively as outlined in the attached resolution.

### FINANCIAL IMPACT

- **Funding Source:** N/A
- **Budgeted Amount:** N/A
- **Cost:** N/A

### LEGAL REVIEW

Completed

### RECOMMENDED BOARD ACTION

Pass a resolution in support of a Cook County Class 8 incentive for 17450 Halsted Street.

### ATTACHMENT(S)

- Application for Class 8 incentive
- Resolution