Village of Arlington Heights
Arlington Economic Alliance
Commissions Room, 2nd Floor
December 18, 2019
7:30 AM

I. CALL TO ORDER

II. ROLL CALL

III. APPROVAL OF MINUTES

A. Minutes 10/23/19

IV. REPORTS

V. OLD BUSINESS

A. Downtown Construction Update
B. Downtown Signage Update
C. Buy Local Program Update
D. Tax Base Expansion Report

VI. NEW BUSINESS

A. Economic Alliance Work Plan for 2020

VII. OTHER BUSINESS

VIII. ADJOURNMENT

Persons with disabilities requiring auxiliary aids or services, such as an American Sign Language interpreter or written materials in accessible formats, should contact David Robb, Disability Services Coordinator, at 33 S. Arlington Heights Road, Arlington Heights, Illinois 60005, (847)368-5793 (Voice), (847)368-5980 (Fax) or drobb@vah.com.

Arlington Economic Alliance
12/18/2019

Item: Minutes 10/23/19

Department: Planning & Community Development

ATTACHMENTS:

Description	Type
Minutes	Minutes

DRAFT

MINUTES OF THE MEETING OF THE ARLINGTON ECONOMIC ALLIANCE
HELD ON OCTOBER 23, 2019 AT 7:30 A.M. AT THE VILLAGE HALL

MEMBERS PRESENT:
Scott Whisler – Chairman
Joyce Barabicho
Rich Casey
Tony Guido
Lyndsay Holton-Crowe
Dave Parulo
Jon Ridler
Brian Roginski
Andi Ruhl
Andrew Stengren

MEMBERS ABSENT:
Matt Fink
Rex Paisley

STAFF PRESENT:
Michael Mertes – Business Development Coordinator

ALSO PRESENT:
Melissa Cayer, Resident
Keith Moens, Resident
Scott Rowader, Special Events Commission
Rick Star, Employee of Downtown Mediaworks

Call to Order
Chairman Whisler called the meeting to order at 7:36 AM.

Approval of Minutes – September 18, 2019
The meeting minutes of the September 18, 2019 Arlington Economic Alliance meeting were reviewed.

TONY GUIDO MOVED AND BRIAN ROGINSKI SECONDED A MOTION TO APPROVE THE DRAFT SEPTEMBER 18, 2019 ARLINGTON ECONOMIC ALLIANCE MEETING MINUTES. ALL ALLIANCE MEMBERS VOTED IN FAVOR OF THE MOTION.

Development Update
The Village Board will be discussing retail sales of cannabis at a Committee-of-the-Whole meeting on October 28. Two businesses have recently closed, Spunky Dunkers and Via Arenella. Chairman Whisler noted that high property taxes might be an issue with the Spunky Dunkers site. New businesses coming to Arlington Heights include:

- WynBurg Café is new name for Gail's Carriage Place, which is also under new ownership, in the Northpoint shopping center.
- Passero is officially relocating to the former California Pizza Kitchen space. Build-out is ongoing.
- Elegant Concepts is a kitchen and bath contractor/showroom moving into 70 S. Evergreen.
- CoCo & Blu is a European-inspired café, with cocktails, coming soon to 12 S. Dunton.
- Beer on the Wall is still moving forward. Ownership has a commercial alteration permit and is conducting build-out at 2 N. Dunton.
- Dee Taylor Designs is custom jewelry store moving into 43 S. Dunton.

A Zero Interest Loan was approved for The Salt Escape in order to help cover build-out expenses and purchase of equipment. Lastly, a Class 6b incentive was approved for Witron, a logistics and warehousing company that is based in Germany but has its primary North America operation in Arlington Heights. The approval will allow the company to purchase and expand into a 15,000 square foot building at 3722 N. Ventura.

Mr. Stengren inquired about the status of Passero's current location, which they will soon be vacating. Mr. Mertes replied that Staff has been speaking with a prospective tenant. Chairman Whisler asked if there was any movement on the former Yanni's site at Arlington Heights Road & Algonquin, and Mr. Mertes said that he reaches out every few weeks to property ownership, but they still have no formal plans to move forward on development of the parcel. In regards to the spec industrial building at 703-709 W. Algonquin Road, Mr. Mertes said that a company is currently conducting build-out to lease space in that facility. In regards to Mr. Rowader's inquiry as to the status of the Arlington Beer Company, Mr. Mertes responded that Staff is awaiting their Plan Commission application.

Downtown Construction Update

E-Blasts continue to be sent out on a weekly basis. Nicor is running a small service at Eastman & Vail, and this work should be done in a day or two. Barring unforeseen circumstances, their work is essentially complete. Regarding sewer work, installation continues on the Dunton and Sigwalt intersection, continuing north along Dunton Avenue. Vail Avenue will be temporarily re-opened to traffic now that the asphalt pavement patching is finished, but is expected to be closed when the asphalt milling and surfacing operations arrive later in the week. The Vail Parking Garage will be accessible via Highland. Grass and parkway restoration will be done on Campbell, but no road closures are expected for this work. Lastly, curb and sidewalk work is being done at the intersection of Vail and Northwest Highway. If completed soon, IDOT may still be able to grind and resurface Northwest Highway, from Arlington Heights Road to Vail, this year. If not, this work may get pushed to the spring.

Downtown Signage Update

The Village Board has approved implementation of the garage parking system, as well as lot and garage signage. Staff is currently working on executing contract a contract with the selected consultant. A contract has also been received for pole signs and garage blade signs. Lastly, color-coded painting of the garage columns and stairwells continues. Meanwhile, improved directional signage is also being installed. Per Ms. Ruhl's question, Mr. Mertes explained that the approved system for the Vail Garage will have a message board at the front showing the number of parking spaces available, as well as ceiling lights indicating where stalls are open.

Buy Local Program Update

Mr. Mertes acknowledged that he has been in communication with the Alliance's working group on an updated flyer to move the program forward, and is working with his fellow Staff on the updates. He anticipates having these updates made in the next few weeks.

Tax Base Expansion Report

Mr. Mertes explained the purpose for presenting the Executive Summary of the "Tax Base Expansion Report", which was provided to the Village Board. Firstly, it is educational for the Alliance. The summary serves as a breakdown of our tax base and business sectors, and highlights research done on growing business types/sectors that could benefit the Village in the near-term and long-term. Additionally, Staff and the Village Board would like feedback in case there were any areas overlooked in the survey, or if there are trends/business types that the Village should consider recruiting or helping grow.

The presentation and executive summary is an inclusive snapshot of the report broken down into five parts:

- Sectors that make up the tax base
- Aspects that contribute to the tax base and their impact
- Emerging trends and technologies
- The future economic impact of business sectors and tax revenues
- Conclusions and recommendations

Sectors that make up the tax base
Medical office, professional office, industrial, and retail are the four largest business sectors in the Village in terms of number of businesses, and in terms of employment. They cumulatively make up over 80% of businesses and workers in Arlington Heights. Restaurants, hotels, entertainment, and service providers are other examples of key tax generators that bring visitors and daytime workers who provide direct spending in the community.

Aspects that contribute to the tax base and their impact
Taxes make up about 87% of the Village's general fund revenue. Notably, property taxes, sales taxes, and income taxes alone make up about two-thirds of all general fund revenues. Another important aspect of Village revenues are fees, which generated approximately $7.5 million in 2017. Examples of fees include permits, water and sewer usage, and parking.

Chairman Whisler noted that water and sewer bill charges have gone up in recent years to help pay for infrastructure. Mr. Ridler asked when the last time the Village raised its portion of the property tax levy. Mr. Mertes confirmed that it was last year, but that does not necessarily mean the Village's share of property tax bills have gone up. Ms. Ruhl inquired about other sources of revenue. Fees and interest are two examples explained by Mr. Mertes. Regarding Mr. Parulo's and Mr. Ridler's questions, Mr. Mertes is not aware of any other planned increases in taxes (*note: an increase in water and sewer rates was previously approved to cover the cost of water main maintenance and replacement*).

Emerging trends and technologies
This section of the report has a three-pronged focus:
1. Current or impending trends in shopping center that can help rejuvenate underperforming commercial properties.
2. Appropriate growing business sectors and how we can attract such business types.
3. Emerging technologies: how we can implement them, or safeguard our businesses from them where needed.

1. There are several notable growing business types in shopping centers that Staff researched:
   - Experiential Retail, which is heavily reliant upon customer interaction, with employees offering product expertise. The focus is more on "need to enjoy" and not "need to buy". These businesses typically offer an "omni-channel" experience, which is the opportunity to shop both in-store and on-line. Ms. Ruhl sees this as a key to maintaining a "buy local" educational effort, keeping tax revenues in the Village. Ms. Holton-Crowe noted that pick-ups at Amazon store lockers are charged local sales taxes.
   - Fulfillment Centers enable on-line purchases, followed by an in-store pick-up. Amazon Stores are the prime example of this. This creates an opportunity for plus-selling at the store when customer comes to pick up. Importantly, the Village would get sales tax revenue, which would be lost to home delivery. Mr. Casey inquired as to the benefits of fulfillment centers versus home delivery. Mr. Parulo responded that many people use fulfillment centers to avoid their packages from being stolen, and sees such businesses as a key amenity to further attract Millennials. Mr. Rowader added that they are an opportunity to combine errands.
   - Fitness, which draws a heavy volume of customers to a shopping center. Such businesses can have synergy with existing stores, such as sporting goods, athleisure, and groceries. Frequent fitness users, per demographic research, often have disposable income to spend as well. Chairman Whisler is seeing a growth in such businesses near office tenants. Mr. Stengren added that he has noticed a trend in fitness becoming anchor tenants in shopping centers.
   - Health & Wellness users experienced a 47% growth in tenancy over the past three years. They generate significant daytime traffic, but do not compete for parking with evening dining. Like fitness users, they offer great synergy with other uses (e.g. sports medicine + sporting goods; vet clinics + pet supply stores; etc.) Mr. Ridler inquired if a medical use tax has been utilized in any Chicagoland communities, while Mr. Rowader feels it is important to ensure that medical businesses and patients do not leave the community. Ms. Ruhl recalled a recent experience where she did make an additional purchase in a shopping center during a medical office visit. Adding to this, Mr. Casey notes that patients want access to healthcare in the neighborhoods, rather than traveling elsewhere for it.

- Hotels generate spending and tax revenue from outside the community, but caution needs to be taken to avoid cannibalizing existing Arlington Heights hotels. Limited service hotels also encourage guests to patronize local gyms, restaurants, and convenience stores. When asked about the current state of the hotel market, Mr. Parulo responded that the northwest suburbs are seeing occupancy in the mid-60% range. There was pent up demand for hotel growth after 2008. Now the area is seeing smaller footprints. Most hoteliers in the area feel the market is full and that future proposals need to be vetted closely. Ms. Barabicho added that 3,000 rooms are being added to the Chicago market next year, while Mr. Parulo noted that 6,000 more opened last year. Individual traveler trends are moving towards select service and away from full service. Mr. Guido mentioned that corporate hotels are driving their rewards programs strongly.

2. There are multiple business sectors growing in the Chicago region show by data collected and compiled by the Chicago Metropolitan Agency for Planning (CMAP). In order to continue growing the Village's employment base, Arlington Heights could attract such enterprises, or help existing entities grow within its own municipal borders:
   - Hotels & Hospitality: Arlington Heights has about 700 workers and jobs are up 16.0% in the Chicago Metropolitan Statistical Area (MSA) since 2011.
   - Health Care & Service Providers: Arlington Heights has around 9,300 workers while the MSA employs nearly 500,000 workers. It is the largest employment sector in the Village, and the second largest in the Chicago region.
   - Performing Arts: Gross Regional Product (GRP) is $2.1 billion. It has the fifth fastest growing GRP of all business sectors in the Chicago area, and is up 76.1% since 2011.
   - Business Services: The Village has approximately 4,100 workers. GRP is $57.6 billion, which is the most of any business sector in the Chicago market, and is up nearly 50% since 2011.
   - Real Estate, Construction, and Development: Approximately 4,300 employees work in Arlington Heights, and jobs are up 16% in the Chicago MSA since 2011.
   - Marketing, Design, and Publishing: The Village has about 750 workers in this segment. *IBISWorld*, a national trade journal, anticipates this being the third-fastest growing industry, nationally, in 2019 in terms of revenue growth.
   - Financial Services: Arlington Heights has around 1,200 workers. Jobs are up 7.4% in Chicago MSA since 2011 for local financial services.
   - Logistics, Warehousing, and E-Commerce Distribution: The Village has about 3,800 workers in the Logistics and E-Commerce Distribution industries. If combined, e-commerce distribution and logistical services exceed business services as the Chicago area's #1 sector in terms of overall GRP at $83.1 billion.
   - Food/Beverage Processing, Manufacturing, and Distribution: Jobs are up 9.0% in the Chicago market since 2011.

Mr. Ridler asked about the not-for-profit sector. Mr. Mertes understands that they are grouped in with "Public Administration Services" which employs around 6,500 workers in the Village. However, regional employment growth in this segment has not grown much since 2011. Mr. Parulo mentioned that hotels are currently struggling to fill job openings. The bigger question is, what is the source of employees? Mr. Mertes acknowledged this and further explained that the focus of this section to not only determine which sectors are growing, but why they are growing, and how to take advantage of any such growth.

3. There are numerous new technologies that are anticipated to have a significant on business, large and small alike, over the next decade. The following ones recurred throughout multiple business journals as researched by Planning & Community Development Staff:
   - Artificial Intelligence (AI) involves programmable machines, from voice-activated assistants to automation. A potential concern is that a large corporation can easily finance the installation and upgrades to such a system, and the potential effect on smaller firms is important to explore. In its infancy, the potential cost and required workers to maintain, is something the smaller firms may struggle to afford.

- Augmented Reality/Virtual Reality (AR/VR) provides the opportunity to help smaller merchants and entrepreneurs by incorporating this technology into experiential retail (e.g. VR cafes). Trade journals anticipate that this will be incorporated into videoconferencing. It is being, or will be, used in industries as far-ranging as retail, banking, and travel, enabling a personalized experience for the customer. Ms. Ruhl said that students were using VR on recent college visits, and can visit a campus "virtually".
- Blockchain are three digitally interconnected pieces of information from a digital transaction:
  - Information about transactions (date, time, dollar amount, etc.)
  - Information about who is participating in the transactions
  - Information that distinguishes them from other blocks (e.g. separate transaction codes to distinguish one person's transaction from another)

  This is critical because more and more transactions are being made online. A concern is if small businesses will have access to blockchain as do larger companies. Alternatively, will smaller enterprises need to seek the ability to secure the privacy of not just their customers, but of their own financial transactions? Ms. Holton-Crowe referenced *Square*, a device that smaller companies can use to accept payments and track every transaction including customer history. Additionally, Chairman Whisler pointed out that his real estate office takes payments through a third party. They offer extensive reporting and handle utility billing for the property management side. Employees are still needed to manage the technology, and it has enabled his current employees to take on other tasks. Ms. Ruhl added that current P.O.S. systems also offer similar features.
- Connected Devices/IoT ("Internet of Things") involves the linkage of multiple devices, such as a smart phone to cars, security systems, HVAC, and so forth. This enables more people to work from home, as because of their ability to access files from the parent office or computer. Automation could also mean the need for fewer workers to operate machines. That said, businesses will have a better ability to access data (e.g. How long does my product run on battery before dying out? How often is my product being used, and at what times?) This should be helpful for better product and service across-the-board.
- Cybersecurity includes machine learning and A.I. being designed, and improved, to prevent potential cyber attacks and hacking. Such improvements will also lead to lower costs, which will especially benefit smaller businesses. "DevSecOps" (Development Security Operations) are features implemented in the design phase of programs, applications, technology, and service delivery, rather than just being the responsibility of the owner utilizing something simple like password protection. That said, with cloud-based internet, responsibility belongs to all involved to exercise caution and report issues (small businesses may be more vulnerable to this without an IT department).
- Self-Driving Vehicles have many potential impacts on existing business. Such examples include:
  - Insurance: fewer crashes/autos per household could mean less need for insurance.
  - Auto Repair/Parts: smarter tech allows for better problem diagnosis versus reliance solely on employee expertise.
  - Taxis & Trucking: could allow fleets to operate without drivers.
  - Uber/Lyft: benefit in not needing to pay nearly as many people (drivers).
  - Hotels & Flights: people could consider taking driverless cars on shorter trips.
  - Food: direct routes may dissuade people from spontaneous fast food purchases, while restaurants could become less reliant on human delivery drivers.
  - Energy: less use of gas (sales tax generator); infrastructure is needed to recharge such vehicles too.
  - Brick & Mortar: may dissuade people from visiting dense locations as the vehicles can take people over long distances. From another perspective though, it could encourage people towards brick and mortar, those who want multiple experiences in a timeframe and do not want to worry about driving themselves.
  - Auto Dealers: depends upon whether people want to own/lease driverless cars.
  - Driving Schools: might mitigate the need for them.
  - Home Improvement: lack of need for garages could result in transformation of them into living spaces (or demo of detached ones).
  - Data Centers: vehicles need access to high-speed data (mapping, repairs, etc.)

Mr. Guido said that many auto manufacturers are making their whole line electric. Currently, it can take 10-20 minutes to charge a vehicle. Adjacent stores could benefit from such a customer who has extra time to spare while their car battery is charging. The technology of these new vehicles will eat into the market served by auto maintenance, gas, and oil. Dealers may become more like stockholders, leasing cars for a couple years rather than serving as points of sale. Self-driving cars specifically are not as important to the near-term impact on the auto industry as electric cars in general.

Mr. Casey noted that Northwest Community Hospital has been getting requests to place charging stations in front of some of their facilities. In response to Mr. Parulo's question about the gas tax impact, Mr. Guido pointed out that it increased substantially this year, and Mr. Ridler predicts that such taxes will be implemented on charging station usage as well. Mr. Stengren asked when implementation of electric charging stations is expected. Mr. Guido expects to see a very gradual change at gas stations from fuel pumps to charging stations in the next few years.

In the interest of the Commission's time, and taking into consideration the remaining discussion involved on this report, Chairman Whisler asked the Alliance to consider continuing this item to the next Economic Alliance meeting.

DAVE PARULO MOVED AND RICH CASEY SECONDED A MOTION TO CONTINUE DISCUSSION OF THE TAX BASE EXPANSION REPORT TO THE NEXT ARLINGTON ECONOMIC ALLIANCE MEETING. ALL ALLIANCE MEMBERS VOTED IN FAVOR OF THE MOTION.

<u>Other Business</u>
Mr. Rowader mentioned that the Special Events Commission is seeking nominations for the annual Hearts of Gold award ceremony. The deadline is October 31.

The next regularly scheduled Alliance meeting is Wednesday, November 20.

<u>Adjournment</u>
JON RIDLER MOVED AND TONY GUIDO SECONDED A MOTION TO ADJOURN. ALL ALLIANCE MEMBERS VOTED IN FAVOR OF THE MOTION.

The meeting adjourned at 9:04 AM.

Scott Whisler, Chairman
Arlington Economic Alliance

Prepared by Department of Planning & Community Development

Arlington Economic Alliance
12/18/2019

Item: Tax Base Expansion Report

Department: Planning & Community Development

ATTACHMENTS:

Description	Type
Executive Summary - Tax Base Expansion Report	Exhibits

EXECUTIVE SUMMARY

Village of Arlington Heights - Tax Base Expansion Report

Department of Planning & Community Development
October 2019

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In September 2019, Planning & Community Development Staff completed a year-long project in order to better quantify the various components of the Village of Arlington Heights tax base, as well as how to expand the community's tax base moving forward. This project was undertaken per the request of the Village Board as part of their *2018-2019 Business Plan*, a strategic plan that encapsulated various municipal functions such as economic development, housing, infrastructure, and service delivery. The objective of this effort was summarized in the business plan as such:
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> **With an ever-evolving economy, continuing emerging technologies and changes in the market and workplace, it is continually vital for Arlington Heights to stay on the cutting edge of growth potential and identify emerging growth sectors in the economy. This is even more relevant in today's environment considering uncertainty regarding the State's financial support of Village funds, as well as regional and national trends, including the growing presence of on-line internet shopping. The Tax Base Expansion Report will identify the make-up of the existing Arlington Heights tax base, and identify recent emerging trends and technologies in preparation for future continued growth.**

The efforts of Planning & Community Development ranged from a variety of research, reporting, and recommendations. The result was a report that is broken down into five sections:

1. A detailed analysis of the various sectors that make up the tax base
2. An analysis of the aspects that contribute to the tax base and their impact on the Village's revenue stream
3. Research on emerging trends and technologies
4. The future economic impact of business sectors and tax revenues
5. Conclusions and Recommendations

The following executive summary contains a synopsis of the report and these five sections. The report has been provided to the Mayor and Trustees for their review and feedback. Additionally, this executive summary is being provided to the Arlington Economic Alliance, the Village's appointed economic development commission, for their analysis and input.

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Part I: Conduct a detailed analysis of the various sectors that make up the tax base

The data speaks of a diverse employment base in Arlington Heights. Four categories each make up over 10% of the total number of firms in the Village:

- Medical Office (30.8%)
- Professional Office (27.3%)
- Industrial (13.0%)
- Retail (10.5%)

On top of this, these four categories also each employ over 10% of the community's workforce:

- Medical Office (27.2%)
- Professional Office (33.0%)
- Industrial (16.5%)
- Retail (10.0%)

However, business impact goes beyond just sheer numbers of companies and workers. Other enterprises have continued to show significant impact on the Village's revenue stream. Examples include restaurants, hotels, and entertainment users. These businesses contribute crucial additional monies to the Village via sales taxes, food & beverage taxes, hotel/motel taxes, and admissions taxes. An additional benefit is that visitors and daytime workers also pay many of these taxes, helping ease the tax burden on Arlington Heights residents and businesses.

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Part II: Analyze the aspects that contribute to the tax base and their impact on the Village's revenue stream

Various taxes made up 87% of the Village's general fund revenue in 2017. The most substantial revenue source is property taxes, which contributed $21.7 million to the general fund (32% of revenues). However, it is important to note that Arlington Heights only captures about 11% of a local property tax bill. The remainder is distributed among other taxing bodies, notably education which made up about 67% of a commercial property tax bill in 2018. Property taxes are followed by municipal/home rule sales taxes ($17 million/25.1%) and the community's share of income tax ($6.9 million/10.1%) as the Village's largest tax revenue sources. These revenues pay for essential services such as Police and Fire protection, Public Works services, Village administration, health services, senior services, and maintaining public infrastructure.

In order to ensure that potential short-term and long-term declines in significant tax sources such as sales tax do not negatively impact general fund revenues, alternative means of generating revenue should be considered including compensation via other tax revenues, as well as monies generated from fees, permits, and licenses. Per the Finance Department, "Staff has held back on making any recommendations to increase the Village's license, fines and fees as it appeared likely that we would need this revenue option in the future if property taxes were capped." As thus, the Finance Department has recommended that all Village departments review their licenses, fees, and fines over the next year. Additionally, opportunities to mitigate or offset losses could be found in emerging technologies and business types, as well as sectors of potential growth. These opportunities will be analyzed in the next sections.

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Part III: Conduct research on emerging trends and technologies

This research was used to seek answers or solutions to three crucial business-related topics:

- What are current or impending trends in shopping centers, and how can they be used to help rejuvenate underperforming commercial properties in Arlington Heights?
- Which growing business sectors, regional or national, are appropriate for Arlington Heights, and how can we attract such business types?
- What emerging technology will have an impact on Arlington Heights businesses; how can we implement this technology, or safeguard our businesses from any negative implications of such technology?

<u>Shopping Center Rejuvenation and Reinvestment</u>

Shopping centers need to evolve in a world further acclimating to online purchasing and ever-changing shopper habits. A variety of use types can help draw people to retail and restaurants, which provide significant sales taxes to the community. This includes a balanced mix of retail, restaurant, and entertainment uses. Equally as important are strong daytime drivers to encourage traffic in the morning and early afternoon. Perhaps even more significantly, the incorporation of inclusive or adjacent residential, which helps support the centers in the evening. Potential business types worth targeting include:

- Experiential Retail
- Fitness
- Health & Wellness
- Hotels
- Fulfillment Centers

<u>Growing Business Sectors</u>

As one of the ten Chicagoland municipalities with the highest number of private sector daytime workers, Arlington Heights plays a significant role in the regional economy. Therefore, it is important that Arlington Heights plans for future economic changes by investing, and then reinvesting, in its commercial and industrial entities. The following industries are opportunities to grow the Village’s employment base and help regain a large foothold in the Chicago area as of one its key municipalities for employment opportunities. These industries were selected based upon their growth rate since the recession, their share of the employment sector in the Chicago market, and their impact on the GRP (gross regional product). Please note that a significant amount of this information comes from data collected by CMAP (Chicago Metropolitan Agency for Planning):

- Hotels & Hospitality
- Health Care & Service Providers
- Performing Arts
- Business Services
- Real Estate, Construction, and Development
- Marketing, Design, and Publishing
- Financial Services
- Logistics, Warehousing, and E-Commerce Distribution
- Food/Beverage Processing, Manufacturing, and Distribution

Emerging Technology

There are various forms of technology that are not only impacting business today, but will have an even tighter grasp on how commerce and industry is conducted in the next decade. Several publications were researched for commonalities in the technology that is expected to have the greatest impact on business in both the near-term and over the next 10-20 years. Important to note is that, with the ubiquitous nature of the internet, these elements are often tied into one another. The following is a summary of those in which the various publications' business specialists are in agreement:

- Artificial Intelligence (AI)
- Augmented Reality/Virtual Reality (AR/VR)
- Blockchain
- Connected Devices/IoT ("Internet of Things")
- Cybersecurity
- Self-Driving Vehicles

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Part IV: Assess future economic impact of business sectors and tax revenues

New technology will help companies, especially office and industrial users, run smarter and more efficiently. At the expense of this is work force, meaning fewer employees will be needed, as much of their abilities will be pre-programmed into machines. Furthermore, the gap between larger and smaller companies will likely expand greatly. This is because the larger companies will have more financial resources to fund these technologies, and employ more IT-minded people to utilize and maintain them. The best opportunity for smaller companies may be to look for co-op efforts: companies that specialize in providing the technologies and Staff to numerous companies at once on a contractual basis.

Based upon the make-up of our revenue stream, as well as economic trends and the emergence of new technologies, it is critical that we ask key questions in order to best determine future Village Board policy and Staff efforts:

- What will be the impact on jobs?
- What will be the impact on tax revenues and fees?
- What will be the impact on existing parking?
- Will our infrastructure be able to accommodate new technology?
- Where is our competition?
- Are existing land/developments able to be redeveloped?
- Are existing Village and State Codes able to accommodate new uses and technology?

Summary of Land Use and Impacts on Revenue Sources

Changes in revenue streams, emergence of new or hybrid business types, and the development of new technologies will affect the existing business/development mix in Arlington Heights. Additionally, they may change the levels at which we currently collect revenues from taxes and fees. The following summarizes the potential, or anticipated, impacts in these areas:

- **Residential & Mixed-Use:** Walkable/lifestyle residential and Mixed-Use can bring in greater property taxes and income taxes while supporting businesses to indirectly bring more sales taxes to the community. The current economy is expressing a desire for market rate and senior housing in the Chicago region.
- **Medical Office:** Medical office will not bring in much in the way of sales taxes, but can help direct customers to businesses that do generate sales and food & beverage taxes, fill vacancies, and generate daily traffic to a shopping center. Such a use also has a higher parking demand than traditional retail. Some property taxes may be garnered as an additional benefit.
- **Professional Office:** Large offices, when full, can generate property taxes and employment. Their other primary tax benefit is residual sales and food & beverage taxes via their workers. Expanding office uses such as satellite campuses and co-working should be considered to fill vacancies.
- **Industrial:** Can provide significant property tax benefits, even with tax abatements.
- **Tech Incubation:** A tech incubator can provide significant property tax benefits by filling a large office, flex, or industrial vacancy. By creating new start-ups, the Village could be further poised to generate tax revenues via a tech incubator by encouraging them to open up their tenant space in Arlington Heights.
- **Retail:** Retail is our key sales tax generator, and it faces increasing competition from the internet. Shopping centers with large grocery stores will likely continue to do better than those without them. Retail pop-ups could be an opportunity to fill vacancies as well.
- **Restaurants/Dining**: Dining provides significant sales and food & beverage taxes, and continues to be a boon to the Village's revenue flow.
- **Hotel:** Hotels provide a variety of tax benefits, directly and indirectly: property taxes, hotel taxes, food & beverage taxes, sales taxes, etc. The biggest drawback is potential overdevelopment, cannibalizing existing hotels, which is also occurring due to development in other communities.
- **Entertainment:** Depending on the specific user, entertainment may or may not bring in substantial tax revenue. Regardless, it can be a significant indirect revenue generator by encouraging patronage at nearby stores and restaurants.
- **Auto:** Auto dealerships remain a significant sales tax generator for Arlington Heights. The Village should look for opportunities to attract new brands and help existing dealerships expand where possible.

<u>Impact on Village Revenue Stream</u>

The following summarizes potential impact on the major sources of revenue for the Village's general fund, based upon previously noted trends and new technology:

- **Property Taxes:** Property taxes are the revenue source with the largest impact on the budget. Promoting a healthy, vibrant community with new development opportunities will help maintain an economically strong municipality.
- **Sales Taxes:** Sales taxes have a large impact on the budget, and growth or decline could vary year-to-year. It could be considered that traditional sales tax generators (apparel, general merchandise, etc.) may continue to decline with increased competition from the internet. However, growing categories such as dining could help offset losses.

- **Income Taxes:** Income taxes are an important revenue source. Attracting new residents can help generate greater income tax revenues and mitigate any potential future withholdings by the State.
- **Food & Beverage Taxes:** Food & beverage taxes can be expected to go up modestly in the near future.
- **Hotel Taxes:** Hotel taxes can be expected to go up modestly in the relatively near future.

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Part V: Conclusions and Recommendations

From the Village of Arlington Heights Business Plan (2018-2019):

The Tax Base Expansion Report will identify the make-up of the existing Arlington Heights tax base, and identify recent emerging trends and technologies in preparation for future continued growth.

This report has analyzed the sectors that make up the tax base, analyzed the aspects that contribute to the tax base and their impact on the Village's revenue stream, conducted research on emerging trends and technologies, and determined future economic impact of business sectors and tax revenues. Taking all this information to account, the following conclusions and recommendations are outlined (in no particular order):

1. Certain industries will continue to grow, but new technology will impact the number of employees hired compared to pre-recession levels.
2. Long-term reduction in sales tax growth should be anticipated, and may be partly countered with a State-implemented service tax in the near future.
3. There will be a continued gap between larger firms and smaller firms in terms of growth, as larger firms will have the finances and workers to implement new technology. However, advances in technology also have the opportunity to greatly help small businesses.
4. Luring major employers will require an investment in infrastructure, particularly tech infrastructure (e.g. fiber optic cable and 5G), as well as working with property owners to position their sites competitively in the marketplace.
5. The Village, and overall region, may overbuilt in terms of commercial in the long term; there will be a need to look towards redevelopment of failing properties, including the possibility of adding mixed-use and entertainment components to the sites.
6. Dense population growth can help offset costs of sprawl and support existing businesses, but a high quality of life will continue to be the biggest draw to potential new residents.
7. Millennials are moving back to the suburbs, but having fewer children and taking up less space. Consider housing needs impacted by demand for access to more urban lifestyle, changes in family size, and immigration/demographic changes.
8. Staff will focus retail/restaurant/service strategies on growing experiential retail and entertainment possibilities. Both recruitment and retention will make efforts to ensure that thriving shopping centers continue to succeed and have occupancy.
9. Staff's office strategy will look for possible redevelopment opportunities for high-demand uses (hotel, residential, industrial, etc.) where office may not meet the market demands. Unique possibilities to incubate business will be explored as well.

10. The Village’s industrial strategy will include following trends in automation to see if there are opportunities to lure manufacturers. Additional efforts to retain existing/growing manufacturers, and seek out their buyers and suppliers for potential additional locations or enhanced partnership opportunities, will be undertaken.

Arlington Economic Alliance
12/18/2019

Item: Economic Alliance Work Plan for 2020

Department: Planning & Community Development

ATTACHMENTS:

Description	Type
Arlington Economic Alliance - Code Section 6-505	Exhibits

Section 6-505 The Arlington Economic Alliance. There is hereby created the Arlington Economic Alliance.

a. Intent and Purpose. To provide for an appointive, advisory body whose purpose shall be to promote existing businesses and attract new businesses to the Village and to support programs in order to foster and support a Village-wide initiative towards the promotion of quality economic development.

b. Members. The Arlington Economic Alliance shall consist of 13 members, either residents of the Village or individuals working for a business located in the Village, appointed by the Village President, by and with the advice and consent of the Board of Trustees. There shall also be one member of the Village staff, appointed by the Village Manager, serving as liaison.

c. Tenure. All members of the Arlington Economic Alliance shall serve terms of three years or until their successors are appointed and have qualified. The terms of members shall be staggered so that no more than five members shall be appointed or reappointed in any one year, unless a vacancy exists. Vacancies shall be filled only for unexpired terms. Annually, the Village President shall, with the advice and consent of the Board of Trustees, designate one of the members of the Arlington Economic Alliance to be chair. No person shall serve as chair more than three consecutive years, unless the Village President determines that continued service as chair is in the best interests of the Village.

In addition to the staff member~~s~~ serving as liaison, membership of the Arlington Economic Alliance shall consist of individuals representing the following organizations or types of business. Each organization or type of business shall have one representative on the Arlington Economic Alliance. For any of the categories of members, if a classification cannot be filled from the designated category, the appointee may be from any business within the community.

<u>Organization or Type of Business</u>
Automobile Dealer
Business Representative
Chamber of Commerce
Convention & Visitors Bureau
Downtown Business Owner
Financial Institution
Hospitality Industry
Industrialist
Real Estate, Developer or Property Manager – Commercial
Real Estate, Developer or Property Manager – Residential
Restaurateur
Retailer
Top Twenty Employer

d. Compensation. Members of the Arlington Economic Alliance shall serve without compensation. Authorized travel expenses shall be reimbursed in accordance with Village Travel Regulations.

e. Powers, Duties and Responsibilities. The Arlington Economic Alliance shall have such powers, duties and responsibilities as are assigned by the Village President and Board of Trustees, to include those enumerated below:

1. The Arlington Economic Alliance shall prepare, adopt and maintain such rules and regulations as are necessary to conduct the business of the Arlington Economic Alliance.

2. The Arlington Economic Alliance shall promote economic development by activities including, but not limited to, the following:

   a) Advising the Village on the development and implementation of business retention/expansion programs;

   b) Advising the Village on the implementation of a marketing program to attract new business and industry;

   c) Monitoring business activity and trends on the local, state, and national levels;

   d) Establishing a focal point for businesses to approach and discuss issues that affect them;

   e) Engage representatives from the following communitywide entities at Arlington Economic Alliance meetings as appropriate: Arlington Heights Memorial Library, Arlington Heights Park District, Township High School District 214, the Special Events Commission, and other entities as appropriate.

   f) Researching and advising the Board of Trustees, Village Manager and boards and commissions on matters relating to economic development.

   g) Annually, not later than the beginning of the fiscal year, submit to the Village Board for approval, a statement of its goals and objectives and procedures for accomplishing them.

f. Meetings, Quorum, Voting. Regular meetings of the Arlington Economic Alliance shall be scheduled on a quarterly basis at a date and time to be determined by the Arlington Economic Alliance and announced in the Village calendar and other appropriate media. Special meetings may be called by the Village President, the Board of Trustees, the Chair of the Arlington Economic Alliance or a quorum of the Arlington Economic Alliance.

Seven members shall constitute a quorum. The Chair shall vote with other members of the Arlington Economic Alliance.

g. Records and Reports. The Arlington Economic Alliance shall keep written records of its proceedings, which records shall be open at all times to public inspection. An annual report shall be made to the Board of Trustees, to include matters before the Arlington Economic Alliance and their status.