Village of Arlington Heights
Arlington Economic Alliance
Commissions Room
Arlington Heights Village Hall
33 S. Arlington Heights Road
Arlington Heights, IL 60005
July 20, 2016
7:30 AM

I. CALL TO ORDER

II. ROLL CALL

III. APPROVAL OF MINUTES

A. Minutes 6/15/16

IV. REPORTS

A. Development Update

V. OLD BUSINESS

A. DiscoverArlington.com Improvement Plan

VI. NEW BUSINESS

A. Small Business Sales Tax Rebate Program Modifications

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.

Item: Minutes 6/15/16

Department: Planning & Community Development

ATTACHMENTS:

Description	Type
Minutes	Minutes

DRAFT

MINUTES OF THE MEETING OF THE ARLINGTON ECONOMIC ALLIANCE HELD ON JUNE 15, 2016 AT 7:30 A.M. AT THE VILLAGE HALL

MEMBERS PRESENT:
Scott Whisler – Chairman
Tom Gaynor
Jamie Janeczko
Mike Kalway
Jackie Lewis
Dave Parulo
Andi Ruhl

MEMBERS ABSENT:
Frank Appleby
Tony Guido
Lisa Henderson
Jon Ridler

STAFF PRESENT:
Michael Mertes – Business Development Coordinator

ALSO PRESENT:
Jason Kuhl – Arlington Heights Memorial Library
Matt Ottaviano – Special Events Commission
Anita Pacheco – Arlington Heights Park District

Call to Order
Chairman Scott Whisler called the meeting to order at 7:52 AM.

Approval of Minutes – April 20, 2016
The meeting minutes of the April 20, 2016 Arlington Economic Alliance meeting were reviewed.

ANDI RUHL MOVED AND JAMIE JANECZKO SECONDED A MOTION TO APPROVE THE DRAFT APRIL 20, 2016 ARLINGTON ECONOMIC ALLIANCE MEETING MINUTES. ALL ALLIANCE MEMBERS VOTED IN FAVOR OF THE MOTION.

Development Update
Michael Mertes and Charles Witherington-Perkins (Director of Planning & Community Development) attended the ICSC (International Council of Shopping Centers) annual conference in Las Vegas in late May. They held numerous meetings with retailers, commercial brokers, developers, and shopping center owners during the event in order to attract new business and development to the Village.

Sozo Nail Spa has opened in Downtown Arlington Heights. They were the second recipient of the Village's Zero Interest Loan program, and the first to be awarded $20,000. The business will repay the Village in quarterly installments over the next five years. Ark Pharm is a pharmaceutical solutions distributor that received municipal approval from the Village Board for a Cook County Class 6b property tax abatement. The company plans to move from Libertyville to Arlington Heights in the coming weeks and will be re-occupying a vacant 15,000 square foot building at 3860 N. Ventura Drive.

The Committee-of-the-Whole recently reviewed a potential new liquor license classification that would allow coffeehouses to serve alcohol. There would be certain restrictions such as hours of service, and that all patrons must order alcoholic beverages themselves. This classification would need to go to a Village Board meeting for final approval. Chairman Whisler mentioned that School District 59 is putting their property along Arlington Heights Road (former Wellington restaurant) up for a sealed-bid auction. Bids are due July 5th.

A couple months back, Village Staff and Trustee Blackwood met at Village Hall with Dave Parulo (representing Meet Chicago Northwest) and hoteliers near the intersection of Algonquin and Arlington Heights Roads to discuss improvements to the Southtown corridor. Charles Witherington-Perkins recently presented a summary of these discussions, and potential enhancements, to the Mayor and Trustees. The hoteliers suggested improvements regarding aesthetics, mobility, and economic development to the area. Village Staff has already met internally to discuss short-term implementation opportunities.

Performance Metrics
Mr. Mertes handed out maps showing the Schaumburg submarket as defined by CoStar. This definition of the submarket has been added to the updated *Economic Development Statistics* Report as well. Overall vacancy rates have declined in Arlington Heights since last reported based on December 2015 figures. For June 2016, the retail vacancy rate had dropped from 7.6% to 7.3%, while retail vacancy remained stagnant for the Schaumburg submarket at 8.9%.

Arlington Heights office space vacancy rates declined comparably to the rest of the submarket, decreasing from 20.5% in December 2015 to 19.2% in June. The submarket's office vacancy rate dropped from 16.8% to 15.7% over the same time period. Via business license information, there have been 15 new office tenants since the beginning of the year in Arlington Heights, occupying over 20,000 square feet of previously-vacant space. Chairman Whisler also pointed out that the numbers may also be misleading because larger vacancies can skew the vacancy rate, making it seem higher than it really is.

The industrial/flex vacancy rate in Arlington Heights dropped noticeably since December, falling from 22.4% to 17.9%. This was helped largely due to HSBC's re-occupation of over 160,000 square feet of formerly vacant space, but also several new industrial tenants as well. During the same time period, the Schaumburg submarket's industrial/flex vacancy rate decreased from 8.5% to 6.4%. Chairman Whisler added that the Class 6b property tax abatement has been a big factor in the re-occupancy of previously vacant industrial properties in the past few years. This also results in residual benefits such as increased employment and worker spending within the community.

From January through May of this year, over 300,000 square feet of vacant commercial and industrial space has been reoccupied.

DiscoverArlington.com Improvements
CivicLive is working on an implementation plan in the next few weeks explaining how, and when, input regarding the site update will be made. Mr. Mertes said that he would coordinate with Ms. Janeczko and Mr. Parulo once this plan is completed, in order to provide CivicLive with the Commission's feedback on improving DiscoverArlington.com.

Annual Alliance Breakfast
Mr. Mertes thanked the Alliance for their support of this year's program, especially Ms. Henderson and Ms. Janeczko on their guidance throughout its planning. "Racing Forward… The Present & Future Impact of Arlington Park" was held on May 4th at Ditka's. Feedback was primarily positive from attendees, particularly the topic and venue. Approximately 80 people were in attendance. Ms. Lewis complimented the venue and food service, but she and Ms. Janeczko noted that they would have appreciated more economic information in regards to the value that the track brings to the community. Also, passing around a microphone during the Q&A session would have been helpful for those who couldn't hear questions asked at the other end of the room.

Ms. Ruhl felt that an update on the Village's economy would be well-received in the future. Information such as what is shown in the *Economic Development Statistics Report* would be appreciated by business owners in attendance. Mr. Parulo and Ms. Janeczko suggested starting efforts to plan next year's program in the next few months. Mr. Kalway noted that some attendees were sharing information during the Breakfast that may not be accurate. He suggested that the Village provide a vehicle to disseminate facts on noteworthy developments to ensure that residents and business owners have correct information. Mr. Mertes noted that it would be helpful to know what topics are of most interest to residents and business owners, and then Staff can determine what the best channel is for disseminating correct information, such as social media.

Other Business
Matt Ottaviano is representing the Frontier Days festival. The organizers are looking for volunteers to help with the event. Those interested in volunteering can contact the organizers via the festival website (FrontierDays.org). As a representative of the Special Events Commission, he is also looking for volunteers for the Mane Event which will be held on the first Friday of August. Those wanting to help should contact the Special Events Commission.

Mr. Kalway highlighted the annual Housewalk for the Historical Society. The event will be held on June 26th. There were 440 attendees last year, the most ever for the Housewalk. Those who want to contribute items to the gift bags being given to the attendees should contact Mr. Kalway. Also, a "tiny home" (240 square feet) will be featured on the grounds of the museum in addition to the five homes that will be toured this year.

Ms. Pacheco highlighted the "Fight Against Obesity". The Arlington Health Action Alliance (AHAA) is a consortium of nine agencies, headed by the Park District, which will be identifying aspects that affect childhood obesity. A program guide will be coming out in July explaining the progress made by the group over its first year. Also, the updated course at Arlington Lakes will be having its grand re-opening on July 1st. Executive Director Steve Scholten will be retiring on July 1st, and Rick Hanetho has been hired to fill that position. Lastly, the Arlington Heights Park District was named a Gold Medal finalist by the NRPA (National Recreation and Park Association) for 2016. Nationally, Arlington Heights is one of only four nominated in its class (based upon population).

Chairman Whisler requested that the Alliance members share ideas of work that the Commission can do moving forward. Mr. Mertes congratulated Mr. Whisler on his recent appointment as the new Chairman of the Alliance and thanked Tony Guido for his years of service as Arlington Economic Alliance Chairman, to which Mr. Whisler concurred. Mr. Guido will continue to serve on the Commission in a voting role.

Ms. Ruhl noted that Big Ange's is now open, but some people have noted that they have run into some issues, such as running out of food and frequent changes in hours of operation. Mr. Mertes has communicated with the owners regularly in the past, and responded that he would reach out to the owners and offer assistance if needed. Chairman Whisler added that restaurants often run into unforeseen issues when opening, including misestimating the number of customers. Fortunately, he has heard nothing but positive feedback from those who have actually eaten there. Ms. Pacheco pointed out that the restaurant has a shared parking agreement with the Park District to handle overflow parking.

Adjournment
JAMIE JANECZKO MOVED AND MIKE KALWAY SECONDED A MOTION TO ADJOURN. ALL ALLIANCE MEMBERS VOTED IN FAVOR OF THE MOTION.

The meeting adjourned at 8:34 AM.

Scott Whisler, Chairman
Arlington Economic Alliance

Prepared by Department of Planning & Community Development

Item: Small Business Sales Tax Rebate Program Modifications

Department: Planning & Community Development

ATTACHMENTS:

Description	Type
Memo - Small Business Sales Tax Rebate Program	Memorandum
Summary of Sales Tax Rebate	Exhibits
Survey	Exhibits

MEMO

DATE: July 1, 2016

TO: Charles Witherington-Perkins, Director of Planning & Community Development

FROM: Michael Mertes, Business Development Coordinator

RE: Small Business Sales Tax Rebate Program

In 2011, the Arlington Economic Alliance recommended to the Village Board a sales tax rebate program for small retail businesses, to be used as a tool to lure new stores to the community, and as an opportunity to help small merchants already located within Arlington Heights to expand.

The Village receives a 2% sales tax on all general merchandise purchases within the community. This is broken down as a 1% municipal tax and a 1% home rule tax. Under the incentive:

- New businesses are entitled to receive an annual rebate of up to one-third of that 2% sales tax, not to exceed three years.
- Existing businesses are able to receive up to one-third of the 2% sales tax over the base year amount generated. Also, the business must be expanding by at least 50% of its floor space.
- All applying businesses must make an investment in their business or facilities.
- Maximum store size is 5,000 square feet.
- The tenant must have a minimum five-year lease.
- Eligible businesses must meet a targeted retail type.

Purpose of Program

Ultimately the purpose of having a sales tax incentive program is to lure independent merchants for multiple reasons:

1. In an increasing world of on-line shopping and major chain retail, independent boutiques provide a great aesthetic to a shopping center (particularly a downtown). They do not typically generate the kinds of sales tax figures that a chain retailer does. However, they often entice residents and visitors to shop throughout the business district, rather than at just one or two particular businesses.
2. By attracting more retail, Downtown Arlington Heights becomes more of a shopping destination, which supports the other retailers in the district (as well as restaurants, entertainment, and services). Furthermore, vacancies contribute little to the Village. In other words, the Village gets little-to-no benefit from a vacancy. With a sales tax sharing agreement: a storefront is filled, the Village is getting *some* sales tax revenue, and the property value should increase. Residual benefits are eventually keeping 100% of the sales tax revenue during the life of the business and hopefully enhancing an already lively and thriving Downtown.
3. Perhaps the most important reason is that Arlington Heights faces competition from many other suburban Chicago downtown districts. To maintain a thriving Downtown the Village must be proactive and aggressive. Not only do many other communities offer shopper-friendly downtowns, but they also offer incentives in the form of grants and sales tax rebates to make these shopping districts more alluring to retail. In order to have Downtown exist as a shopping destination for the suburbs, and not one mostly comprised of service and office businesses, boutique stores must be attracted.

Although the incentive is designed to attract and retain businesses, in the four-year life of the program no businesses have been awarded the rebate. Any evidence of previously submitted applications was also not found. The purpose of this memo is to consider potential enhancements to the program that would make it more enticing for a business to take advantage of it.

Listed below are four potential rebate incentive scenarios, with Scenario 1 being the Village's current sales tax incentive program. For each scenario, two examples of businesses are given: one that generates $1 million in annual sales (**Business A**) and one that generates $350,000 in annual sales (**Business B**). These two examples are based upon 2014 sales of a variety of independent retailers found in Downtown Arlington Heights as well as hypothetical sales of retailers likely to be attracted by such an incentive. (Note: The estimates below assume a 5% annual increase in sales)

<u>Scenario 1 – Current 33% Rebate (3 Years)</u>
Under this scenario, after three years, **Business A** stands to gain an approximately $21,000 total rebate. This amount isn't exorbitant, but could assist in the development of the store or helping fund a part-time position. **Business B** would receive just over $7,000 after three years. At about $2,500 per year, this rebate may not be particularly enticing to a small, independent boutique. This could partly explain a lack of interest in the program.
Pros: Incentive exists to lure small businesses
Cons: Not enticing enough unless business does $1 million in sales; no businesses yet to apply

<u>Scenario 2 – 33% Rebate (5 Years)</u>
In this example, the current incentive would be extended from three years to five years. **Business A** would hypothetically receive approximately $8,000 annually over the last two years of the incentive. After five years it would accumulate a total rebate of about $37,000 (compared to $21,000 during the current three-year incentive). **Business B** would receive about $2,750 each year over the last two years, totaling a $13,000 rebate after Year 5 (compared to just over $7,000 after three years). This scenario might make the current incentive more attractive simply by lengthening it, allowing the businesses an additional two years to keep a share of sales taxes.
Pros: Additional duration may generate interest in program
Cons: 33% share still might not be of enough interest especially to smaller boutiques; Village doesn't get 100% of sales taxes until Year 6

<u>Scenario 3 – 50% Sharing Agreement (3 Years)</u>
This concept is essentially the same as *Scenario 1* (the current incentive) except that it is made more enticing by allowing the business to keep 50% of annual sales taxes generated, as opposed to 33%. In this case, the Village and the business would split the total sales taxes collected 50/50. In this example, both the Village and **Business A** are keeping over $31,000 after three years and the annual rebate comes out to about $10,000-$11,000. **Business B** and the Village would each keep $11,000 total after three years, amounting to a rebate of about $3,500-$4,000 annually.
Pros: More aggressive than current plan; Village still keeps half share; simple rebate calculation
Cons: Still might not be enticing for business doing less than about $500,000 annually; total incentive is greater under *Scenario 2*.

<u>Scenario 4 – 50% Sharing Agreement (5 Years)</u>
Like in *Scenario 3*, the Village and the business would split the total sales taxes collected 50-50. However, in this example, the incentive is stretched out to five years (a la *Scenario* 2). Both the Village and **Business A** would get over $55,000 total after Year 5. The annual share for each comes out to about $10,000-$12,000. **Business B** and the Village would each keep over $19,000 after the fifth year. This amounts to both parties receiving about $3,500-$4,500 annually during the life of the incentive.
Pros: More aggressive than current plan and other scenarios above; Village still keeps half share; simple rebate calculation; business could be more motivated by five-year incentive
Cons: Still might not be enticing for smaller boutiques; Village doesn't get 100% of sales taxes until Year 6

<u>Remaining Competitive in the Chicago Metro Area</u>
Sales tax agreements are not unique to Arlington Heights. Multiple competing communities utilize them in various forms. For example:

- **Crystal Lake** – 50/50 sharing agreement up to 10 years
- **Elmhurst** – 50/50 sharing agreement up to 10 years
- **Highland Park** – 50/50 sharing agreement up to 10 years
- **Orland Park** – 50/50 sharing agreement up to 5 years
- **Tinley Park** – 25% sharing agreement up to 10 years

Many other communities have a formal program, but they determine the tax sharing amount/percentage and duration on a case-by-case basis.

Additionally, multiple municipalities have Downtown TIF districts and offer grants to draw new businesses, particularly retailers, to their communities. Examples include:

- **Mount Prospect** (façade & build-out) – matching grant up to $10,000 for retailers; up to $25,000 for restaurants
- **Palatine** (façade) – matching grant up to $50,000 per building
- **Wheaton** (build-out/3 months rent/moving expenses/etc.) – matching grant up to $10,000 for retailers

Arlington Heights previously offered façade and interior build-out programs that were TIF-funded. However, these TIF districts have since expired.

<u>Recommendation</u>
Arlington Heights should be as aggressive as possible to lure independent boutiques while safe-guarding the interests of the Village and existing business owners. Seeing the need to attract new businesses to support current ones, ***Scenario 4*** is recommended. This entails a 50/50 share between the Village and business for a five-year duration. This will allow Arlington Heights to be proactive in its recruitment efforts and help it compete with other aggressive municipalities in the Chicago area.

In terms of additional requirements, it is recommended that the Village maintain the minimum current lease requirement at five years and stipulate that the Village will keep <u>all</u> sales taxes from Year 5 if the business should close or relocate outside the corporate boundaries. No rebate would be provided to any business no longer in operation within Arlington Heights at the time of payment.

Attachments
- Summary of Sales Tax Rebate Scenarios
- Downtown Use Survey

Summary of Sales Tax Rebate Scenarios
July 1, 2016

Scenario #1 – Current 33% Sharing Agreement (3 Years)

BUSINESS	BASE SALES	3-YEAR REBATE
Business A	$1,000,000	$21,017
Business B	$350,000	$7,356

Scenario #2 – 33% Sharing Agreement (5 Years)

BUSINESS	BASE SALES	5-YEAR REBATE
Business A	$1,000,000	$36,838
Business B	$350,000	$12,893

Scenario #3 – 50% / 50% Sharing Agreement (3 Years)

BUSINESS	BASE SALES	3-YEAR REBATE
Business A	$1,000,000	$31,525
Business B	$350,000	$19,340

Scenario #4* – 50% / 50% Sharing Agreement (5 Years)

BUSINESS	BASE SALES	3-YEAR REBATE
Business A	$1,000,000	$55,256
Business B	$350,000	$19,340

Note: All scenarios assume a 5% annual increase in sales

**Scenario #4 is the Staff-recommended scenario*

Downtown Use Survey
Square Feet Percentage Breakdown

Use Type	Sq-Ft %
Service/Office/Bank	51%
Restaurant/Entertainment	25%
Retail	16%
Vacancy	8%

Note: While the program applies to businesses throughout the community, the above Downtown breakdown of uses is shown for reference.

As of July 1, 2016