Village of Arlington Heights
Arlington Economic Alliance
Commissions Room 2nd Floor
Arlington Heights Village Hall
33 S. Arlington Heights Road
Arlington Heights, IL 60005
May 17, 2017
7:30 AM

I. CALL TO ORDER

II. ROLL CALL

III. APPROVAL OF MINUTES

A. Minutes 4/19/17

IV. REPORTS

A. Development Updates

V. OLD BUSINESS

A. Potential Business Seminars/Forums

VI. NEW BUSINESS

VII. OTHER BUSINESS

VIII. ADJOURNMENT

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Item: Minutes 4/19/17

Department: Planning & Community Development

ATTACHMENTS:

Description	Type
Minutes	Minutes

DRAFT

MINUTES OF THE MEETING OF THE ARLINGTON ECONOMIC ALLIANCE HELD ON APRIL 19, 2017 AT 7:30 A.M. AT THE VILLAGE HALL

MEMBERS PRESENT:
Scott Whisler – Chairman
Frank Appleby
Tom Gaynor
Tony Guido
Jackie Lewis
Rex Paisley
Dave Parulo
Jon Ridler
Brian Roginski

MEMBERS ABSENT:
Lisa Henderson
Mike Kalway
Andi Ruhl

STAFF PRESENT:
Michael Mertes – Business Development Coordinator

ALSO PRESENT:
None

Call to Order
Chairman Scott Whisler called the meeting to order at 7:34 AM.

Approval of Minutes – February 15, 2017
The meeting minutes of the February 15, 2017 Arlington Economic Alliance meeting were reviewed.

DAVE PARULO MOVED AND TONY GUIDO SECONDED A MOTION TO APPROVE THE DRAFT FEBRUARY 15, 2017 ARLINGTON ECONOMIC ALLIANCE MEETING MINUTES. ALL ALLIANCE MEMBERS VOTED IN FAVOR OF THE MOTION.

Development Report
Michael Mertes gave an overview of recent business developments in Arlington Heights. Both Savers and hhgregg are closing. This is part of a larger series of closings for both companies, with hhgregg filing for bankruptcy and closing all their stores nationwide, while Savers will be closing four other Chicago-area locations. Staff is working with the broker and property owner of these sites to fill these impending vacancies.

Kirkland's, a national home décor and furnishings retailer, will be opening soon in the Annex of Arlington shopping center. It will be taking the vacant space next to Ulta. Both of these entities will be occupying the former Barnes & Noble location. Urban Air presented an indoor children's recreation concept to the Plat & Subdivision Committee recently. The concept is also opening two other Chicago-area locations this year. The Arlington Downs project was featured in a *Chicago Tribune* article the previous week, with the developers discussing their plans to continue forward. Mr. Parulo mentioned that this article was also distributed by the Illinois Office of Tourism to their email list. Also, earlier in the week, CA Ventures presented a concept to the Village Board regarding a possible five-story, 86-unit apartment building at intersection of Sigwalt & Highland in the Downtown.

Lastly, Jamie Janeczko has resigned her position with the Economic Alliance as she has taken on a new employment opportunity and no longer works for the Metropolis Ballroom. Through a message to Mr. Mertes, she expressed her gratitude and best wishes to the Commissioners moving forward. Mr. Ridler asked which position has been vacated and Mr. Mertes replied that she occupied the *Hospitality* pole on the Commission.

Performance Metrics

Mr. Mertes provided an overview of updated performance metrics regarding the Village's economy. In 2016, Arlington Heights businesses conducted $1.24 billion in sales, the most ever accumulated by the business community in a calendar year. This represents an increase of 3.4% over 2015. The Village saw declines in some categories though. *General Merchandise* decreased by $2.5 million, although sales have been fairly stable over the past four years. Savers' closing may have some impact on this category in 2017. *Food* was down from the previous year by $13.5 million, a 7.0% decline. This is partly due to the loss of Joe Caputo & Sons in 2015. Staff is working with the broker for this unit to find a new tenant that can bring in sales tax revenues. Currently Albertson's, parent company of Jewel grocery stores, has control of the unit and they are being selective in terms of who can and can't lease the space.

Furniture, Household, and Radio was down $5 million in 2016, a 5.8% decline from the previous year due partly to the closure of Ashley Furniture at the end of 2015. These losses should be partially offset in 2017 with the addition of Kirkland's and Jaunt (a Downtown home furnishings retailer) to the business community. Also, *Agriculture & All Others* decreased by $20 million from 2015. Taking into consideration the large percent decrease in this category, Mr. Mertes was advised by Chairman Whisler to review the Village's sales tax figures for a possible explanation for this drop.

On a positive note, *Auto & Filling Stations* increased by $70 million, a 24% increase. This was fueled primarily by new auto sales. The first full year of sales from Lexus of Arlington, as well as an overall increase in auto sales from other vehicle dealers in the community, helped explain the increase. Also, *Drugs & Miscellaneous Retail* saw an improvement of $13 million in sales from 2015, which further contributed to the overall increase in Arlington Heights retail sales.

Mr. Ridler asked about the difference among three categories: *General Merchandise*, *Drugs & Miscellaneous Retail*, and *Agriculture & All Others*. Mr. Mertes explained that *General Merchandise* primarily encompasses department stores. *Agriculture & All Others* is typically non-traditional retail, such as service providers, that may have a retail component. Examples include travel agencies, banks, and beauty shops. *Drugs & Miscellaneous Retail* covers primarily-retail businesses that don't fit into any of the other categories. Sporting goods sellers, jewelry stores, and florists are examples of businesses that fall within that particular category.

Ms. Lewis noted that without the additional contribution from *Auto & Filling Stations*, overall retail sales in Arlington Heights would have been down in 2016. This was confirmed by Mr. Mertes who said that Staff is monitoring all categories to look for areas of caution and opportunities for improvement. Mr. Ridler recommended that Staff continue to look for how Arlington Heights compares to other communities regarding each category and overall.

In 2016, 104 new businesses brought 2,329 employees to the community and reoccupied 650,000 square feet of previously vacant space. HSBC's relocation into Arlington Heights was responsible for 1,500 of the new employees and 160,000 square feet of reoccupied space.

From the beginning of the year into April, Village-wide retail vacancy increased by 2% this puts Arlington Heights at approximately the same rate as the submarket (9.2%). The impending closure of hhgregg, as well as significant Downtown closings such as Jos. A. Bank and Salon 117 contributed greatly to this increase. Chairman Whisler noted that new developments are included in CoStar's data once completed. So a new, large development may increase the vacancy rate immediately until it becomes filled with tenants. Mr. Mertes clarified that the vacancy rates are based upon data of existing space, and excludes proposed or undeveloped buildings.
Office vacancy in the Village also increased slightly over the past four months by 0.4%. But overall, the Village's

office vacancy rate (16.7%) is still 4% lower than the submarket's. On a good note, industrial/flex vacancy decreased by over a half-percent since January to 15.1% overall in the community. While still trailing the submarket's rate, Arlington Heights has seen its industrial/flex vacancy rate drop over 7% in the past 18 months. Chairman Whisler mentioned that the Village's industrial vacancy rate is skewed based upon a couple large vacancies such as the building on Dundee Road next to the Lexus dealership. Regarding the submarket's large office vacancy rate, this may be partially explained by the vacancy in Zurich's former headquarters, which they left for a newly constructed building.

Planning & Community Development Staff conducted 551 business attraction/recruitment efforts in 2016 and 549 retention efforts. Mr. Mertes noted that these represent unique efforts but not unique businesses. For example, a singular business may have been assisted on three separate occasions, which counts as three retention efforts. In other data, Arlington Heights had 3,157 projected companies in 2016 that employed just over 50,000 workers. This is per the most recent report from the Illinois Department of Employment Security (IDES).

The Village's website, VAH.com, had over 415,000 sessions last year, an increase of 10% over 2015. The most visited pages are: Department listings; the home page; Village information; Resident information; Village news; and Village documents. Collectively, these six pages represent over 84% of the website's page views. Google remains the dominant source for people finding VAH.com. Organic searches on Yahoo have dropped by nearly double in the past two years, while referrals from Facebook have more than tripled in the same time period. This could be partly explained by greater audience interaction with the Village's Facebook page.

In 2016, DiscoverArlington.com declined by about 1,750 sessions when compared to the previous year. However, the site was up 13.1% from 2015 during the last four months of the year, and up 23.5% during the last two months. Holiday digital advertising appeared to pay off as ChicagoTribune.com and DailyHerald.com were the number three and number five traffic sources to the website from November through December. In 2016, the page views for events jumped from 6.4% to 11.7%. Staff is making a concerted effort to take advantage of the increased traffic by proactively placing more events on the site's calendar. Mobile access to the site has also doubled since the mobile site's unveiling in 2014. Visits to the dining webpage have declined however, down to 3.3% in 2016. Staff is looking at marketing opportunities to drive more people to the dining section of the site.

Chairman Whisler asked that radio possibilities be considered and to get away from Metra advertising. Mr. Mertes responded that he has had recent meetings with advertisers about radio options and will continue to investigate. Also, the Village did not commit to any Metra advertising in 2016 and does not plan to do so in 2017 either. Both Mr. Parulo and Mr. Guido recommended that if radio is going to be utilized that it focuses on a particular campaign (events, specific amenities, etc.) as opposed to marketing the Village in general. Furthermore, tying in Facebook to the campaign would make it more effective and create better interaction with potential visitors/customers. Utilizing Google AdWords was recommended by Mr. Paisley in order to ensure better performance from marketing. Mr. Guido added that keeping content on the websites, especially the mobile site, is critical to maintaining regular visitors.

The Discover Arlington Facebook page continues to do well with over 11,503 cumulative "Likes" which represent the number of people who get Discover Arlington updates on their Facebook accounts. Business news, such as grand openings for example, garnered the greatest audiences of any posts in 2016.

Cook County Ordinances

Taking effect on July 1, 2017 are two Cook County-approved ordinances that would apply to Arlington Heights businesses: a minimum wage ordinance and an earned sick leave ordinance. This item was placed on the Alliance agenda to ensure that all Commissioners had seen the approved ordinance language (the documents were attached to the agenda), and that a more formal discussion could be held, as opposed to informal discussions at previous Alliance meetings during other agenda items. On March 20, the Village Board discussed the possibility of opting out of these ordinances via home rule and elected to continue the discussion at the upcoming May 1 Board meeting.
Mr. Paisley asked about any other communities that have opted out via home rule and Mr. Mertes provided a list of nine Cook County municipalities. Mr. Ridler added that Elk Grove Village's Board voted to opt out as well, and did

not set a local minimum wage as had previously been considered. An organized group attended the Village Board meeting on March 20 in favor of the County's ordinances. Mr. Ridler attended the meeting and spoke on behalf of the Chamber in favor of opting out. The point of that position was not to oppose living wage, but primarily took issue with the ordinance language. Examples include the exemption of governmental entities from the wage law and requiring that the regulations apply to any employee working as little as two hours in a two week period.

Most businesses in Arlington Heights with whom Mr. Ridler has spoken are already paying $10/hour or more. Implementation of the ordinances would take away an economic advantage for these businesses. To maintain their advantage, they would need to further increase wages which would cut into their profitability. He added that if the Village opts out of the ordinance, the Chamber would like to help coordinate with various agencies that provide services to assist low-income Arlington Heights workers in areas such as education, transportation, and child care.

Mr. Guido noted that, if the ordinances take effect, businesses could be incentivized to move outside the community and the County in order to save money. Mr. Parulo has heard from fast food restaurant representatives that their positions paying less than the County's planned minimum wage are meant to be entry level and not living wage jobs. The ordinances would place a burden on them and could force them to cut positions, and possibly rely more on automation in order to save money.

Representing Lutheran Home, one of the Village's largest employers, Mr. Paisley stated that residential healthcare is already one of the country's most regulated fields. At the same time government mandates have increased, Medicaid and Medicare reimbursement levels, as well as payment timeliness, have decreased. The vast majority of positions at Lutheran Home, including all direct care positions, earn above minimum wage. But, entry-level culinary and housekeeping positions moving to $13/hour in the next three years would necessitate position eliminations in other areas of service.

Mr. Ridler added that small businesses would need to track sick leave which would place an additional burden on bookkeeping. However, this is <u>not</u> saying that the businesses the Chamber represents are opposed to a living wage. The problem is that the ordinances are poorly written and simply raising the minimum wage will not solve the living wage issue. Social service organizations need to connect with those in need of assistance, but many workers don't know what resources are available or don't have the time to reach out and find them. Mr. Ridler and Mr. Mertes confirmed that, regardless of whether the Village elects to opt out or not, all businesses applying for property tax abatements from the County will need to adhere to the minimum wage and earned sick leave requirements in order to receive the abatement.

In order to relate the Alliance's position to the Mayor and Trustees, Chairman Whisler would attend the May 1 Village Board meeting. Mr. Gaynor wanted to reiterate that the Commission's position on the ordinances is <u>not</u> an effort against low-income workers. The health of the community is important, and part of that is ensuring that people of all income levels can afford to live and work in Arlington Heights. The intent of the ordinances is noble, but business eco-systems are complex and mandating something that applies to all businesses can create imbalance and inequity. Mr. Ridler said that the Illinois Department of Employment Systems (IDES) unfortunately does not provide data showing local wages paid by individual employers.

Ms. Lewis spoke of the competitive edge lost to Arlington Heights employers that currently do pay their workers more than the existing minimum wage. The new regulations would likely cut into employee retention or, to compensate for the higher wages, businesses may have to pass the additional costs onto their shoppers and clients. This could result in lost business and a further need to increase the living wage since the products will now have higher prices. Chairman Whisler reiterated that the Commission is not opposed to people making a living wage. Rather, it is the ordinances' approach to this with which the Alliance disagrees.

Mr. Guido inquired as to how the minimum wage requirement changes after 2020 when it reaches $13 per hour. Mr. Mertes explained that every year thereafter on July 1st, the minimum wage would grow according to the highest one of the following three factors:

- Proportional to the increase in CPI for that year (capped at a 2.5% increase)
- The federal minimum wage rate
- The Cook County minimum wage at that time

Also, there would be no increases if the unemployment rate in Cook County is higher than 8.5% at that time.

In the statement to be read by Chairman Whisler to the Village Board, Mr. Parulo emphasized the need to have a few concise points. One such point is that the ordinances would make Arlington Heights businesses uncompetitive compared to those surrounding communities who did opt out via home rule. Mr. Gaynor added that the Alliance is philosophically in agreement with the idea of having a community in which workers can earn a living wage. The Commission acknowledges that the intent of the ordinances may be noble, but the approved mandates upon the Arlington Heights business community are not the most effective way to ensure the County's intentions. Chairman Whisler voiced his appreciation of the County Board's intent, but that the regulations could be cumbersome and costly, especially to small business owners.

TONY GUIDO MOVED AND JACKIE LEWIS SECONDED A MOTION TO RECOMMEND TO THE VILLAGE BOARD THAT THE VILLAGE OF ARLINGTON HEIGHTS UTILIZE HOME RULE TO OPT OUT OF THE COOK COUNTY MINIMUM WAGE AND EARNED SICK LEAVE ORDINANCES. ALL ALLIANCE MEMBERS VOTED IN FAVOR OF THE MOTION.

Other Business

No other business was discussed.

Adjournment

FRANK APPLEBY MOVED AND DAVE PARULO SECONDED A MOTION TO ADJOURN. ALL ALLIANCE MEMBERS VOTED IN FAVOR OF THE MOTION.

The meeting adjourned at 9:01 AM.

Scott Whisler, Chairman
Arlington Economic Alliance

Prepared by Department of Planning & Community Development

Item: Potential Business Seminars/Forums

Department: Planning & Community Development

ATTACHMENTS:

Description	Type
Potential Business Seminars/Forums for 2017	Exhibits

Potential Business Forums/Seminars – 2017

- *The Fiscal State of Arlington Heights*
  - How the Village and taxing bodies are planning its fiscal matters around economic uncertainty within the State of Illinois
  - How the Village is handling or preparing for potential economic crises
  - Presenter: Village Staff; School District Representatives

- *Business Concerns Roundtable*
  - Open-ended roundtable discussion where business owners and representatives discuss the issues their businesses are facing
  - Select the most-discussed topics and break into smaller tables to discuss potential solutions
  - Presenter: None; would require moderators for each table

- *Impact of County Mandates*
  - What is the potential impact of the sugar tax, the minimum wage ordinance, and the paid sick leave ordinance
  - Should Arlington Heights enact home rule, discuss the possibility of employees leaving to work in other communities in which the regulations still apply
  - Presenter: Village Staff? County Staff?

- *Human Resources for Small Businesses*
  - How small business owners can handle things like unemployment, health insurance, and other requirements in which they may not have extensive experience
  - Presenter: SCORE? Consultant?

- *Business Legislation Approved in Springfield in 2016*
  - What new business-related laws were passed by the Illinois General Assembly in 2016
  - When do they take effect and what impact will they have on businesses in Arlington Heights
  - Presenter: Rep. David Harris?