AGENDA
President and Board of Trustees
Village of Arlington Heights
Committee-of-the-Whole
Community Room
33 S. Arlington Heights Road, Arlington Heights, IL 60005
February 13, 2017
7:30 PM

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. ROLL CALL OF MEMBERS

IV. NEW BUSINESS

A. Economic Development Report

B. Class 6b Tax Abatement Program

C. Proposed Modifications to the Small Business Tax Rebate Program

D. Vacant Space Report

V. OTHER BUSINESS

A. Discussion of Potential Cell Tower Lease on a Village Water Tower

VI. 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: Economic Development Report

Department: Planning & Community Development

In 2016, over 100 new businesses opened or moved into Arlington Heights, adding over 2,300 jobs. This includes gains in all areas of commercial and industrial enterprises. These new businesses dropped the Village's retail vacancy rate by one-third of a percentage point, while reducing the office vacancy rate by four percentage points, and lowering the industrial vacancy rate by nearly seven percentage points over the course of the year.

Planning & Community Development Staff has worked diligently to further improve the economic climate in Arlington Heights, conducting 551 attraction efforts to 368 unique businesses and 549 retention efforts to 360 unique businesses. Staff also attended six regional and national tradeshows this year, and utilized the Class 6b incentive and Zero Interest Loan program to recruit and retain businesses. These efforts have been supplemented by business recruitment advertising and Discover Arlington marketing which seeks to promote the Village's merchants and events.

Also in 2016, the Arlington Economic Alliance, the Village's economic development commission, filled all 13 positions. Moving forward, the Alliance is monitoring the community's economic data, searching for trends and potential areas of improvement. Furthermore, the commission is currently discussing outreach efforts to the business community for 2017, including partnerships with local organizations. The Village's Business Development Coordinator serves as the Staff liaison to the Alliance.

This presentation is a summary of Staff's efforts in 2016 to enhance economic development in Arlington Heights, and highlights the way in which the Department of Planning & Community Development will continue to strive to enhance the Village's economic standing. Please note that it does not cover development, redevelopment, and long-range planning efforts that the Department is handling.

Recommendation:
This presentation is for informational purposes only.

ATTACHMENTS:

Description	**Type**

2016

Business Development Report

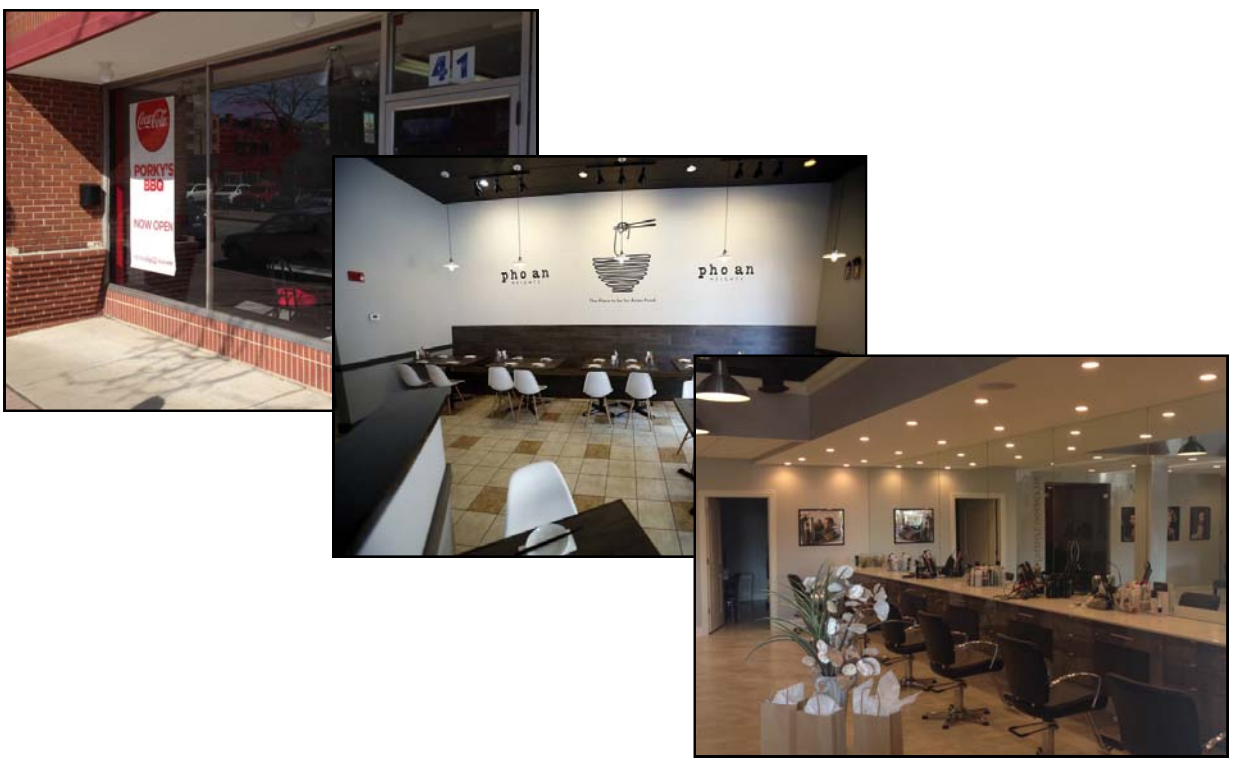
CITY OF GOOD NEIGHBORS · ARLINGTON HEIGHTS, ILLINOIS

Arlington Heights
Always More to Discover!

Department of Planning and Community Development

Table of Contents

<u>Attachments</u>
- Arlington Heights Retail Sales Data
- *Business In Focus* publication
- *Business View* publication



Introduction

Arlington Heights's success in the economic development arena continued throughout 2016. The past year saw over 100 new businesses start up or relocate into the community, bringing over 2,300 jobs. These enterprises are anticipated to add an estimated $360,000 in new tax revenues (sales and food & beverage) to the Village in 2017. Additionally, a potential $8.1 million in residual spending within Arlington Heights from these new employees is anticipated.

The largest new employer is HSBC, which relocated their North American headquarters to the Village in 2016. The London-based banking and financial institution reoccupied 160,000 square feet of vacant space at the former Nokia Siemens (previously Motorola) campus. Additionally, 1,500 employees will be working out of this location. The past year also saw continued gains in the industrial/manufacturing sector. New industrial employers such as E3 Diagnostics, Sedecal USA, DevLinks, and TruSweets moved into the community, each bringing over 20 employees. These four businesses are also filling long-vacant properties, cumulatively recouping over 100,000 square foot of previously vacant industrial/flex space. These companies, along with 13 other new industrial/manufacturing businesses, have helped drop the Village's industrial/flex vacancy rate by seven percentage points to just over 15% since the beginning of 2016.

Per the Village's *Economic Development Program*, the Village is charged with promoting a favorable business climate, retaining existing businesses, recruiting desirable new businesses, and promoting an increased customer base through marketing. Through attraction efforts the Village was able to lure 104 new businesses in 2016. Furthermore, the Department of Planning & Community Development conducted 549 retention efforts to Arlington Heights businesses and made 551 total business recruitment efforts.

Strong summertime and holiday efforts to promote the Village via *Discover Arlington* continued. A blend of print, digital, and radio advertising was utilized, with further emphasis placed on digital in 2016. Meanwhile, all 13 voting positions on the Arlington Economic Alliance have been filled. The Economic Alliance, the Village's economic development commission, worked on numerous projects in the past year. These undertakings include: proposed modifications to the Small Business Sales Tax Rebate program, providing input on updates to DiscoverArlington.com, and monitoring economic trends in Arlington Heights. The aforementioned efforts were in addition to the annual Alliance Breakfast and biannual spring and fall newsletters.

Arlington Heights continues to be a leader in the Chicago metro area for economic progress and development. The following report summarizes the efforts and successes of the past year and represents a snapshot of business development initiatives. Please note that it is not reflective of all the additional efforts made by the Department of Planning & Community Development.

Business Attraction and Recruitment

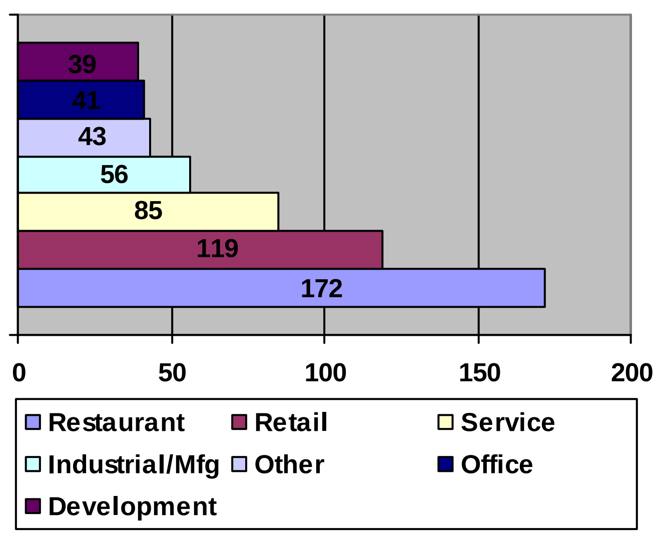
The Department of Planning & Community Development conducts multiple and various business attraction efforts. These are conducted in several different ways, such as utilizing an extensive network of brokers, and identifying and targeting specific potential tenants. The Planning & Community Development Department also regularly attends tradeshows and meetings including the International Council of Shopping Centers (ICSC) to market Arlington Heights to developers, retailers, restaurants, and entertainment venues. The areas in which the Village's professional staff provides assistance include:

- Confidential project coordination during the early evaluation phase
- Due Diligence coordination and certification
- Available Space Inventory
- Specialized site selection assistance
- Demographic and Transportation needs assessment
- Business Financial Assistance
- Zoning verification analysis and assistance
- Permit and Signage option analysis and tracking
- Outside agency review assistance
- Leasing/Tenanting assistance through extensive Broker Network
- Entitlement verification with lenders and equity partners

In 2016, the Department engaged in 551 recruitment efforts to a variety of businesses.

Recruitment Efforts by Business Type

Business Type	**TOTAL**
Auto	3
Development/Mixed-Use	39
Entertainment	25
Hotel	6
Industrial/Manufacturing	56
Institutional/Education	5
Office	41
Restaurant	172
Retail	119
Service	85
TOTAL	**551**



A total of 104 new businesses brought 2,329 new jobs to the community.

Success Stories

From these efforts, the Department saw several success stories in 2016:

- **HSBC North America Holdings** was assisted by Planning & Community Development Staff regarding their attraction to, and relocation into, their new North American headquarters. Their operation encompasses 160,000 square feet of office space within a vacated portion of the former Motorola/Nokia campus (1421 W. Shure Drive). Planning & Community Development Staff also assisted Torburn Partners (the property owner) and HSBC on obtaining a temporary certificate of occupancy. HSBC gradually brought in employees starting in spring 2016. The company has ultimately placed 1,500 workers in this Arlington Heights office. Planning & Community Development Staff also put TMA (Transportation Management Association) of Lake Cook in touch with the company. These entities partnered with Pace to provide daily shuttle service to and from the Arlington Park Metra station for HSBC employees. HSBC is now one of the Village's five largest employers.
- **25N Coworking** is concluding build-out for 10,000 square feet on the first floor of One Arlington, the completed apartment building at Arlington Downs. Planning & Community Development Staff has communicated with the 25N's owner since summer 2013 in regards to bringing the concept to the Village. When no suitable Downtown sites were found (due to a lack of large enough office space), Staff arranged a meeting with ownership of Arlington Downs in January 2016 and a lease was signed in spring 2016. Co-working involves the lease of mostly open-air office space for entrepreneurs and other office workers who want an alternative to working at home or at a coffeehouse. The concept has grown in popularity tremendously in the past couple years, especially in urban areas. There will be some private office space available as well for those in need of it. The venue will also offer guest presentations on topics of benefit to growing businesses, and plans to partner with local restaurants to cater food to its members. Co-working also serves as an incubator, and creates the possibility that some of these small businesses will outgrow their co-working space and seek to lease vacant office space in Arlington Heights. According to ownership of 25N Coworking, the business has already generated substantial interest from the community and other prospective members from throughout the region. This will be the business's second location, following a Geneva location that opened in early 2015.
- **Arlington Ale House** opened in January 2017. Planning & Community Development Staff introduced the owner, Kevin McCaskey, to the space and opportunity. Planning & Community Development also arranged a personal tour and provided a marketing brochure developed by the Department. Since then, Planning & Community Development, Legal, and the Manager's Office have been working closely with Mr. McCaskey on his purchase and development of the third-floor space in the Metropolis Building. Meetings were held with Mr. McCaskey to provide him with guidance on how to obtain a liquor license (which required the creation of a new classification) and the Plan Commission process for a Special Use and Land Use Variation to allow a restaurant without a kitchen. The space has been vacant for nearly 10 years, formerly serving an Anheuser-Busch (later InBev) training facility. Mr. McCaskey's concept, offering beer and cocktails while partnering with Arlington Heights restaurants to deliver food, could be a beneficial complement to the Metropolis Performing Arts Centre and further enhance the Downtown as an entertainment destination. The concept received a positive recommendation from the Plan Commission in August and approval from the Village Board in November.

- **Advantage Sign Supply** is a distributor of signs and sign-making equipment that relocated into Arlington Heights from Schaumburg over the summer of 2016. The Planning & Community Development Department provided assistance on zoning requirements and business license questions. Advantage Sign Supply is located at 3104 N. Arlington Heights Road, reoccupying a formerly vacant 11,000 square foot space. The company also brought 10 employees to the community.
- **Golden Brunch**, an independent restaurant, purchased the site of the former IHOP (31 E. Golf Road) and opened in the spring. Planning & Community Development Staff worked closely with the owners on new signage, façade improvement, and assuming the existing Special Use for the site. Staff also met with the new owners regarding marketing opportunities for the restaurant and has promoted it via social media and DiscoverArlington.com.
- **LA Fitness** opened in late December in the Town & Country shopping center at Rand, Palatine, and Arlington Heights Roads. Planning & Community Development was in discussions with the property owner in 2015 regarding this business when told that Ashley Furniture, the previous tenant, would not be renewing their lease. Staff assisted the property owner in ensuring that LA Fitness progressed on their renovation and also provided direction on façade design and wall signage. Although the business does not generate much sales tax, the property owner noted that Dick's Sporting Goods is happy with the new tenant as they provide a good synergy with each other and should help retain Dick's in the long term.
- **Pho An Heights** opened in May at the former La Roca Tapas space at 6 S. Dunton Avenue. The owner of the new restaurant worked closely with the Planning & Community Development Department on approvals such as zoning and Special Use requirements. The casual sit-down eatery offers both Vietnamese and Korean specialties, and was featured in a summertime *Daily Herald* article alongside Porky's BBQ.
- **Porky's BBQ** opened in April at 41 S. Dunton Avenue in the Downtown. The business owners were originally recommended to Staff via a Village Trustee. Village Staff from Planning & Community Development and Building worked closely with the owners for over six months to convert a long-unused retail space into a restaurant space. The owners have frequently expressed their appreciation for Staff efforts and noted that they were busier in their first few weeks than they originally anticipated. Staff will continue to help promote Porky's BBQ which brings a much-desired quick-serve casual dining option to the Downtown.
- **Savory Salads** opened in the Esplanade of Arlington Heights in August at 2932 W. Euclid Avenue. This is the fast casual restaurant's second location in the Chicago area. A food commissary is still planned for 2910 N. Arlington Heights Road, which would prepare and distribute food to these and future Savory Salads locations. Planning & Community Development Staff first spoke with ownership over two years ago to bring the restaurant's second location, and the future food commissary, to the Village. Communication remains between the two parties.

- **Shakou**, a restaurant featuring modern Asian cuisine with an emphasis on sushi, has signed a lease for the former Armand's Pizzeria space at Vail and Wing (70 N. Vail Avenue). Shakou currently has four other successful Chicago-area locations, and in recent years was named one of the Top 100 "Hot Spot" Restaurants in America by Open Table. This addition to Downtown's dining scene is anticipating a spring 2017 opening. Prior to signing their lease, Shakou received extensive assistance from Planning & Community Development and assistance will continue regarding providing outdoor dining to patrons.
- **Sozo Nail Spa** was the second awardee of the Zero Interest Loan program. The Downtown beauty salon received a $20,000 loan as approved by the Village's Loan Committee (consisting of Village Staff and two members of the Arlington Economic Alliance). Sozo Nail Spa opened in mid-May at 33 S. Vail Avenue, next door to First Midwest Bank. The owners will be repaying the loan in quarterly installments of $1,000 over the next five years.
- **TruSweets LLC** relocated to Arlington Heights from Wheeling at the end of 2016. During the spring and summer, Planning & Community Development Staff assisted company representatives in ensuring adequate zoning and obtaining approval for their business license. In September, with the company needing to move to their new facility but needing approval for permits, the Department of Planning & Community Development sat down for a face-to-face meeting with a company representative. They then coordinated with the Building Department in order to ensure that all appropriate information was provided and that permit approvals were granted to meet the company's timeline. TruSweets has reoccupied a formerly vacant 25,000 square foot space at 3456 N. Ridge Avenue and brought 20 employees to the community.
- **Windy City RC Raceway & Hobbies** is a unique entertainment venue with two different tracks for remote-controlled car racing and offers rental of RC cars for racing parties, hosts regional tournaments, and has a small hobby shop for retail sales of cars and accessories. Staff has worked closely with the prospective business since November 2015 on the zoning and variation processes. The business was approved for a variation by the ZBA on January 11, 2016 per the requirement for an *Arcade/Amusement Device* business's main entrance to be a minimum of 200 feet from the nearest adjacent residential property. The Department of Planning & Community Development has worked with the business and property owner regarding an update to the landscaping, fencing, and signage, so that these all meet Code requirements. The building received a newly-painted exterior and extensive interior renovation. Windy City Raceway & Hobbies opened in November at the former Plass Appliances location (1000 W. Northwest Highway), reoccupying over 12,000 square feet of long-time vacant space.

Several other regional/national chains also committed to Arlington Heights in 2016:

  - Anytime Fitness (1429 E. Palatine Rd.)
  - Cardinal Liquor & Spirits (135 S. Arlington Heights Rd.)
  - Halloween City – seasonal store (330 E. Rand Rd.)
  - Mattress Firm (349 E. Rand Rd.)
  - The Barre Code (102 E. Wing St.)

Case Study

25N Coworking (3400 Stonegate Blvd. #101) is nearing completion of the renovation of its space in the first floor of the One Arlington building at Arlington Downs. This early 2017 opening will be the culmination of over three years of business recruitment efforts and communication between business owner and Staff. In July 2013, owner Mara Hauser began communicating with Planning & Community Development on a co-working concept. She discussed opening a second location in Arlington Heights, following the completion of her Geneva location.

Throughout 2014, Ms. Hauser and Planning & Community Development Staff remained in contact. She would provide periodic updates regarding the Geneva location while he continued to provide potential sites in the Downtown, which was her preferred location. Ms. Hauser viewed a couple of the sites recommended. However, most of the spaces in the Downtown that would have met the company's size requirements were, and are still, occupied by tenants. Much of Ms. Hauser's focus at this time was on getting the first location open, which did so in early 2015. After getting this location established, Staff suggested that Ms. Hauser consider the Arlington Downs development. It would provide her with potential clientele since it was a residential building, and has excellent access to Metra (Arlington Park) and IL-53.

In January 2016, Planning & Community Development arranged a meeting with Ms. Hauser and ownership of Arlington Downs in the One Arlington building. The meeting proved successful and in April 2016, a 10,000 square foot lease was signed with 25N Coworking. Throughout the year, Planning & Community Development Staff worked with the owner and the Building Department on issues such as bathrooms and occupancy requirements that included face-to-face meetings. Staff also attended an open house in October which previewed the site and allowed him to establish a connection with Sarah Randle who will be managing the Arlington Heights location. 25N Coworking has already been featured in the *Daily Herald* and Ms. Hauser and her business partner Meagan Schoenrock have noted the amount early interest they have received from potential members. Village Staff will continue to work with 25N Coworking once they have opened to best help ensure a successful business and anchor to the Arlington Downs development.

Economic Impact of New Retail

New businesses have provided a significant economic contribution to the Village. New retail alone will contribute an estimated $360,000 in sales and food & beverage taxes to the Village in 2016. It should be noted that this does not represent entirely new revenue as many businesses recruited have replaced previous tenants.

New Sales Tax-Generating Businesses

Business Name	**Category**	**# Employees**	**Square Feet**	**Business Description**
Arlington Ale House	Restaurant	18	10,000	Bar/restaurant with food service from local eateries
Around Café	Restaurant	2	900	Coffee, tea, and smoothies
B-bee Crepe & Boba	Restaurant	5	250	Crepe and boba eatery in Mitsuwa food court
Big Ange's Eatery	Restaurant	5	1,700	Fast food restaurant
Golden Brunch	Restaurant	16	6,000	Breakfast and lunch table service restaurant
Mowa	Restaurant	8	2,500	Korean fusion restaurant
Mugimaru	Restaurant	15	517	Udon and tempura restaurant in Mitsuwa Marketplace
Pho An Restaurant	Restaurant	5	1,978	Vietnamese and Korean restaurant
Porky's BBQ	Restaurant	3	1,200	Carryout BBQ restaurant
Savory Salads	Restaurant	11	1,756	Fast casual salad and sandwich restaurant
Seoul Kkakdugi	Restaurant	5	1,988	Korean restaurant
Via Arenella Restaurant	Restaurant	15	3,730	Sit-down Italian restaurant with carryout and delivery
Cardinal Liquor & Spirits	Retail	4	4,500	Liquor store
CPR Cell Phone Repair	Retail	2	975	Smart device repair and cell phone sales
CVS Pharmacy	Retail	9	530	CVS Pharmacy inside Target
Floristeria Guadalupe	Retail	4	1,058	Flower shop and foot massage
Grand 5 Trade, LLC	Retail	1	750	Interior doors retailer
Jaunt	Retail	2	4,000	Home furnishings, furniture, and decor
Mattress by Appointment	Retail	1	1,000	Mattress store
Mattress Firm	Retail	2	6,115	Bedding products retailers
NBC Stationery & Gift	Retail	5	600	Stationery and gift store in Mitsuwa Marketplace
Odd Stop Curiosity Shop	Retail	1	700	Retail store for unique gift items
TLC Resale	Retail	4	6,295	Resale shop
Yellow Mobile	Retail	2	200	Cell phone retailer
		145	**59,242**	

Projected Economic Impact by New Sales Tax-Generating Business

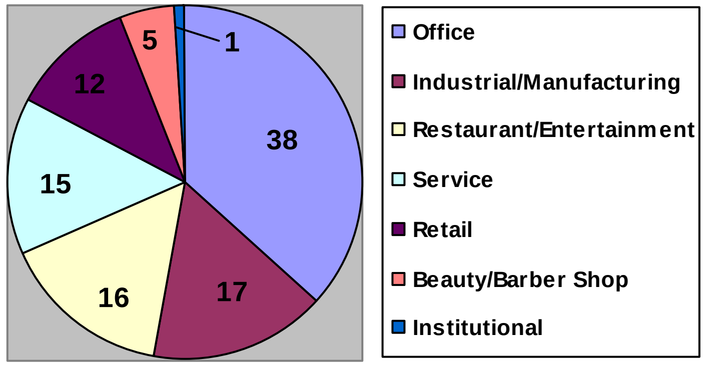
Category	**# Businesses**	**# Employees**	**Square Feet**	**Projected Sales***	**Projected Sales Tax Revenue****	**Projected Food/Bev Tax Rev.**	**Projected Total Tax Revenue**
Dining	12	108	32,519	$8,045,675	$160,914	$100,571	$261,484
Retail	12	37	26,723	$4,923,000	$98,460	N/A	$98,460
TOTAL	**24**	**145**	**59,242**	**$11,849,675**	**$259,374**	**$100,571**	**$359,944**

*These are estimated sales using industry knowledge

**The Illinois Department of Revenue does not permit the disclosure of sales tax revenues for individual businesses

New Arlington Heights Businesses

Business Type	Businesses
Beauty Salon/Barber Shop	5
Industrial	17
Institutional	1
Office	38
Restaurant/Entertainment	16
Retail	12
Service	15
TOTAL	**104**



Economic Impact beyond Sales Tax

Although not contributing sales tax directly, the other new office, service, and industrial businesses within Arlington Heights are contributing to the local economy as well. These new businesses have employees that purchase food, goods, services, and entertainment which contributes to the tax base and further supports the thousands of businesses already located in Arlington Heights. Also, many of these new entities partner with existing businesses, purchasing from or contracting with, one another. Furthermore, businesses that do generate sales tax also contribute to the economy in employee spending as well.

Estimated Spending of All New Businesses

Purchase	Total*
Meals	$2,843,709
Grocery	$1,450,676
Consumer Goods	$971,910
Entertainment	$875,055
Auto-Gas	$1,956,360
TOTAL	**$8,097,709**

*Estimates developed utilizing industry knowledge and standard assumptions

Based upon economic impact formulas provided by a recent Class 6b applicant, and also based upon the 2,329 jobs created in 2016 by the 104 new businesses, new workers within the Village of Arlington Heights are estimated to spend $8.1 million locally in 2015. Please note that this represents local spending and its impact on the Village's economy, and does not represent tax revenue to Arlington Heights. Property tax benefits to the Village and other taxing bodies are not accounted for in this particular analysis either.

Village-wide Sales Tax Revenue Generated
(Municipal and Home Rule Taxes)

Category	**2015**	**2014**	**2013**	**2012**
TOTAL	*$19,153,857*	*$19,166,387*	*$18,071,926*	*$17,028,496*
General Merchandise	$1,285,322	$1,263,104	$1,284,756	$1,261,831
Food	$2,413,551	$2,463,207	$2,393,915	$2,397,637
Eating & Drinking Places	$2,852,450	$2,790,187	$2,686,287	$2,741,126
Apparel	$719,440	$731,192	$714,296	$675,728
Furniture & H.H. & Radio	$1,802,679	$1,761,426	$1,725,285	$1,578,909
Lumber, Bldg., Hardware	$995,280	$984,073	$926,279	$832,090
Auto & Filling Stations	$3,555,678	$3,528,284	$3,079,034	$2,568,175
Drugs & Misc. Retail	$2,455,384	$2,526,139	$2,411,769	$2,216,948
Agriculture & All Others	$2,644,303	$2,625,745	$2,271,949	$2,264,793
Manufacturers	$429,762	$493,029	$578,356	$491,259

Businesses Closings

Businesses are not required to report their closure to the Village. Staff is alerted to business closings through various ways: word of mouth, site visits, alerts from the Finance and Building Departments, and other means. In 2016, Planning & Community Development Staff was alerted to 15 closings.

2016 Business Closings by Month

Maru Restaurant	January	Old Country Buffet	June
Teddy's Liquors	January	Mimzi Art & Frame	July
Crisp 'n Clean Cleaners	March	Jockey Express	August
Family Christian Stores	March	Bellevue Pharmacy of IL	September
Day Go Dogs & 'Za	April	ITT Technical Institute	September
West Marine	April	Tropical Smoothie Café	October
Arlington Beauty Shop	June	Traces of Heaven / Gift Bandit	December
Barnes & Noble	June	**TOTAL REPORTED**	**15**

When alerted of a potential closing, Staff makes every effort to reach out to the business and offer assistance. The Village can offer a search for alternative locations, counseling through the SBDC (Small Business Development Center) at Harper College or SCORE, and acting as a liaison if the business is dealing with other departments.

Business Retention and Expansion

Business retention efforts are focused upon supporting the growth of businesses through the promotion of a favorable business climate. The Village develops relationships with businesses and promotes open lines of communication between the businesses and the Village in order to facilitate the resolution of issues and the sharing of information beneficial to the business community.

The Village's professional staff provides assistance to existing businesses in many ways including:

- Building positive relationships with Village businesses
- Assisting businesses in making contacts within the Village
- Participating as Village representatives in local business organizations
- Providing timely and useful information to Village businesses
- Supporting expansion plans of Village businesses
- Facilitating financial assistance
- Facilitating solutions to business concerns

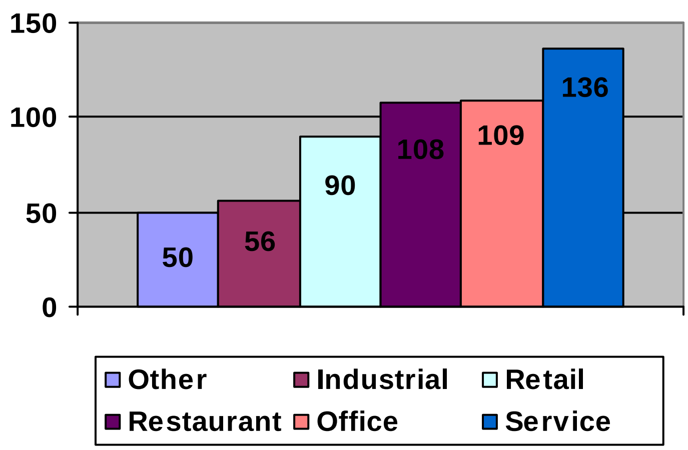
Outreach to businesses already located within Arlington Heights is a critical aspect of the Planning & Community Development Department's economic development efforts. The Village conducted 549 outreach efforts to local businesses:

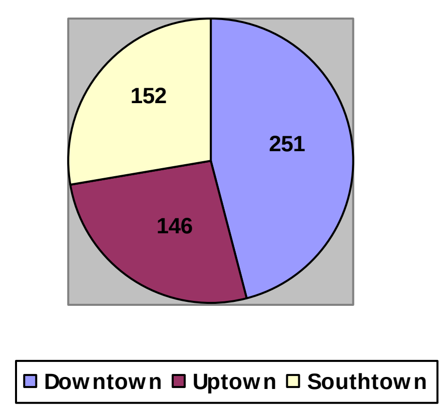
Retention Efforts by Business Type

Type	**TOTAL**	**Type**	**TOTAL**
Auto	4	Office	109
Entertainment	23	Restaurant	108
Hotel	21	Retail	90
Industrial	56	Service	136
Institutional	2	**TOTAL**	**549**

Retention Efforts by Location

Location	**TOTAL**
Downtown	**251**
Uptown	**146**
Southtown	**152**
TOTAL	**549**





Success Stories

The Department of Planning & Community Development garnered significant positive results from working to retain businesses in the community, among these:

- **Arlington Town Square**, the Downtown shopping center, was sold to new ownership in late October. The new property owner enlisted Abbell Associates to serve as commercial broker for the site, and who also served as the commercial broker for the site when it was first developed. At the Chicago ICSC event last year, Planning & Community Development Staff met with Mr. Walsh and a representative of the new ownership group to discuss the purchase and plan for leasing the vacant tenant spaces and supporting the current tenants. Staff continues to communicate with Abbell Associates regarding opportunities to preserve current tenancy while bringing new tenants to the shopping center.
- **Arlington Dog House** was assisted by Planning & Community Development on their planned expansion at 213 S. Arlington Heights Road. Since the use required a land use variation to operate initially, the original variation needed to be amended in order to accommodate the expansion of 1,750 square feet. In March, the Plan Commission recommended approval to amend the existing land use variation for the commercial kennel in order to allow the business to grow in terms of footprint and clientele. This request was approved by the Village Board in April.
- **Bentley's Pet Stuff**, a pet food and supply retailer, received assistance from Planning & Community Development Staff regarding relocation, signage, marketing assistance and permitting coordination with the Building Department. Additionally, when the owners were looking at relocation opportunities, Staff worked diligently with the Chamber and a Village Trustee to find Downtown Arlington Heights locations that would suit their needs. Ownership of the store has been very complimentary to all Village Staff throughout their relocation, which was completed in February 2016.
- **European Imports** (600 E. Brook Drive) was approved by the Village Board for a Class 6b renewal in May. European Imports, an ethnic foods warehouse and distributor, relocated from Chicago to this site in April 2014, bringing over 100 employees and reoccupying 120,000 square feet of space. With the incentive, the company anticipates adding over 80 employees to their staff during the next ten years. Staff worked closely with the company on this request and has been in communication with them since their opening in early 2014.
- **Hommer Tool** was approved for a Class 6b renewal on June 20th at their location at 311 W. University Drive. The custom mold and die-ready component manufacturer has been located at this site since 1994. The incentive will allow to company to remain at this site, and they expect to grow from 41 to 48 employees over the 12-year life of the incentive.
- **Mago Grill & Cantina** and their landlord had multiple discussions with Planning & Community Development Staff in 2015. The Department helped create a dialogue between the two parties when it appeared that both Mago ownership and their landlord were considering not renewing the lease. After numerous discussions, in April 2015, the business owners signed a multi-year extension to continue to serve Downtown at its current location. After the lease renewal, Mago negotiated a lease to expand into the former Z Spa space at 107 W. Campbell Street. This 2,200 square foot unit will expand the restaurant's footprint by over 50%. Planning & Community Development Staff coordinated meetings with the Health Department and the Metropolis Performing Arts Center on this expansion. Additionally, restaurant ownership is conducting a remodel of their existing space as well. Mago is one of Downtown's highest grossing restaurants.

- **Molon Motor & Coil** was approved by the Village Board for a Class 6b renewal in December that will keep them in the community for the long-term. The company expressed concern that with rising costs, they would be unable to afford their current facility and would need to relocate. Molon is a motor manufacturer/assembler/distributor that has been in Arlington Heights since 2004. The company currently employs 114 workers. Planning & Community Development Staff worked closely with company representatives on this request and toured the site to ensure conformance with zoning.
- **The Metropolis Performing Arts Centre** is considering a new marquee sign to tastefully enhance their presence along Campbell Street. Planning & Community Development Staff has been working closely with their representatives and their architects to come up with a concept that will better promote the theater while conforming to the Village's design guidelines. The Planning & Community Development Department will continue to assist this institution in their efforts to attract more patrons including ongoing promotions via Discover Arlington and the Village's overall marketing efforts.
- **Napleton's Arlington Heights Chrysler Dodge Jeep RAM** received assistance from Planning & Community Development in 2016. The Department helped regarding operational needs including potential future growth. Staff will continue to reach out to the auto dealership to help ensure that they continue to thrive in Arlington Heights.
- **Pulsation Yoga** and Planning & Community Development Staff communicated in 2016 regarding potential competition coming to the Downtown and a lease extension. Department Staff offered any assistance needed to help and retain this business.
- **Sidewalk Sales** were held in Downtown Arlington Heights for the first time in two years. Planning & Community Development Staff communicated with numerous Downtown business owners regarding the event. In conjunction with Teresa Habczyk (owner of Obsession) and Chamber outreach, over 20 businesses were recruited to participate in this year's event. The Sidewalk Sales were held from September 29-October 1.
- **The Southtown Corridor** presents an opportunity to help retain and further invigorate the hotels and existing businesses in this key gateway to the Village. An April meeting was held at Village Hall with area hoteliers, Dave Parulo of Meet Chicago Northwest, other departments and Village representatives. The goal is to enhance aesthetics, pedestrian mobility, and economic development for the corridor. Staff seeks to partner with the hoteliers to create a greater, more welcoming sense-of-place for this gateway district, and provide better access for visitors to the businesses and hotels. A June presentation to the Village Board was given by the Planning & Community Development Department. Staff will study the area in 2017 to determine opportunities, and a resulting project, as a whole could take several years to come to fully implement. Staff is working on both short-term and long-term goals to ensure that progress is made over time. In the meantime, the Downtown business directory brochure was updated and distributed to Southtown hoteliers and Staff is working with the owner of the former Yanni's property to consider allowing some additional aesthetic improvements to their property as well. Staff has touched base with the hoteliers in the meantime to update them and let them know that progress is being made.

- **The International Manufacturing Trade Show (IMTS)** took place in Chicago in September. This conference is held every two years at McCormick Place and brings manufacturing companies from around the world. Staff attended this trade show for business recruitment and retention opportunities. During the show, Staff met with representatives of nine Arlington Heights-based companies to offer support and any future assistance needed:
  - EROWA Technology
  - Global Machine Parts
  - KGK International
  - Nippon Gohsei
  - Noritake Co.
  - Pascal Engineering
  - Prima Power North America
  - Toyoda Machinery
  - Tungaloy America

<u>Chamber of Commerce</u>

In 2013, the Village entered into a partnership with the Arlington Heights Chamber of Commerce to complement the Department's retention efforts by establishing a position within the Chamber to focus on business outreach. This agreement was renewed by the Village Board in late 2016 to extend through 2019. Village Staff formally meets with Chamber representatives monthly. These meetings and informal conversations have helped educate Chamber Staff on Village regulations. This partnership has worked together on several items in 2016, notably:

- Collaboration on the retention of Bentley's Pet Stuff within the Downtown.
- Communication with Porky's BBQ ownership in order to help the restaurant open and promote itself.
- Retention efforts for Salons By JC, allowing the beauty salon suites business to provide massage as a limited accessory use.
- Promotion of the Mane Event / Taste of Arlington Heights in the annual Meet Chicago Northwest visitor guide.
- Initial discussions on a neighborhood micro marketing program to promote local businesses.
- A potential architectural review program where new or expanding businesses can consult with a local architect before moving forward with their proposed project.
- Promotion of Village events: Holiday Happenings at Harmony Park and Sidewalk Sales.
- Promotion of Chamber Entrepreneur Forum.
- Promotion of the Chamber's *Downtown Twilight Shop* event. The Village paid for the update and installation of kiosk posters. Also, Staff sent out an e-blast to Downtown contacts highlighting the event.
- Providing the Chamber with monthly updates on new businesses and new business owners in the community.
- Attendance and participation at Chamber Ribbon-Tying events and Business After Hours.
- Other additional retention items.

Case Study

Back in 2015, Planning & Community Development Staff made several diligent efforts to retain **Mago Grill & Cantina** (115 W. Campbell Street) in the Downtown. The restaurant's existing tenant space is a condo, and discussions between Mago and the new owner of the space regarding renewal of the lease were not progressing. This led to the restaurant threatening to leave the site and possibly the community.

The Department of Planning & Community Development held several meetings and conference calls with the owners of both the commercial space and the restaurant. Staff had begun looking for alternative locations in the Village should negotiations have failed. In the meantime, Staff was able to convince the property owner of the benefits of having a thriving tenant who was interested in expanding into the adjacent condo space. After negotiations continued for several more weeks, Mago agreed to a long-term lease at their current location.

In 2016, the Department of Planning & Community Development continued to work with Mago on an expansion into the former Z Spa space at 107 W. Campbell Street. This addition would grow the restaurant's floor space by over 50% from just under 4,000 square feet to just over 6,000 square feet. Planning & Community Development and the Legal Department coordinated conversations between the owners of Mago and representatives from the Metropolis Performing Arts Centre regarding the lobby and restaurant modifications. The restaurant was approved by Planning & Community Staff to assume an existing special use for a restaurant in the expansion area which will eliminate the need for Plan Commission review. Their submittal for commercial alteration building permit was approved in September.

Mago plans to open their newly expanded dining room in early 2017 and remains one of the top five sales tax-generating restaurants in the Downtown.

Downtown Master Plan Implementation

In 2016, 11 new businesses opened their doors in the Downtown adding 36 new jobs and reoccupying over 19,000 square feet of previously vacant space. These new retailers and restaurants project to generate $1.37 million in sales. This could result in approximately $27,500 in sales tax revenue for the Village with an additional $9,500 in food and beverage taxes.

New Downtown Businesses in 2016

Business Name	**Business Description**
Around Café	Coffee, tea, and smoothies
Beauty Time	Hair salon
Jaunt	Home furnishings, furniture, and decor
Pho An Heights	Vietnamese and Korean restaurant
Porky's BBQ	Carryout BBQ restaurant
Prestige Renovations	Kitchen & bath design and sales
Sozo Nail Spa	Nail salon and retail product sales
The Barre Code	Fitness studio
The Burback Brothers Inc.	Illustration and animation for the advertising industry
Tweyen Inc.	Graphic design and marketing services
Woodcrafters DIY Studio	DIY personalized wood signs and crafts

These 11 new businesses add a variety of additional business types to the Downtown.

All New Downtown Businesses by Type

Business Type	**Businesses**
Beauty Salon/Barber Shop	2
Entertainment	1
Office	2
Restaurant	3
Retail	1
Service	2
TOTAL	**11**

Projected Economic Impact by New Downtown Sales Tax-Generating Business

Category	**# Biz**	**# Emp**	**SF**	**Projected Sales***	**Projected Sales Tax Revenue****	**Projected Food/Bev Tax Rev.**	**Projected Total Tax Rev.**
Retail / Restaurant	4	12	8,078	$1.37 mil	$27,500	$9,500	$37,000

*These are estimated sales using industry knowledge

**The Illinois Department of Revenue does not permit the disclosure of sales tax revenues for individual businesses. Please note that these are projections based upon the best data available and are not steadfast figures.

Success Stories

In addition to new employment and sales brought in by new businesses, the Downtown saw several complementary successes in 2016:

- **Arlington Ale House** was successfully attracted by Planning & Community Development Staff who brought the space to the new owner's (Kevin McCaskey) attention in early 2016. The business will occupy the entire 3rd floor of the Metropolis Building and plans to utilize the three unique bar areas, as well as the 100-seat auditorium. Overall the space is approximately 10,000 square feet and Mr. McCaskey plans to work with local restaurants to deliver food to patrons. Arlington Ale House received approval from both the Plan Commission and Village Board to obtain a Special Use for a restaurant without a kitchen, taking into consideration the uniqueness of the space and the impracticality of installing a kitchen at such a location. The business will be opening in January 2017.
- **Armand's Pizzeria** relocated within the Downtown from 70 N. Vail Street to 101 W. Campbell Street, into the former Circa '57 restaurant space. The ownership of Armand's purchased the new location in mid-2016. Planning & Community Development Staff conducted regular communication with the owner regarding the transition to Campbell & Vail. Among these efforts were initial outreach to offer assistance when the purchase had been finalized, providing information on signage and building permit questions, guidance through the business license process, and administratively approving substantial compliance with the existing Special Use ordinance. Armand's opened at their new space in December and benefitted from a soft opening during the Holiday Happenings at Harmony Park event on December 2.
- **Around Café** received extensive assistance from Planning & Community Development Staff including guidance and approval for a Special Use waiver. As the coffeehouse is occupying less than 1,500 square feet and is not serving alcohol, it was eligible for this administrative approval. Planning & Community Development also worked with the Manager's office to market the business via social media. Around Café is located at 28 E. Northwest Highway, within the former Café Fiore space at Northwest Highway and Evergreen Avenue.
- **Bentley's Pet Stuff** changed its name from "Bentley's Corner Barkery" and relocated within Downtown to 12 S. Dunton Avenue. Village Staff has worked closely with the pet food and supplies store since their initial interest in relocating, partnering with the Chamber and a Trustee. Among the assistance provided: lists of potential locations, zoning assistance, and help regarding the permitting process. Bentley's Pet Stuff reopened in February.
- **Jaunt**, a refurbished furniture and home furnishings store, expects to open in January 2017 at 131 W. Wing Street, a long-time vacant space. Their goods will be sourced from around the world, especially places such as India, Thailand, and Indonesia. The business was referred to Staff by a Village Trustee, and the Planning & Community Development Department has assisted the owners with marketing, available resources, and the permitting process.
- **Porky's BBQ** (41 S. Dunton Avenue) opened in April. The departments of Planning & Community Development and Building worked closely with the owners on updating the former non-restaurant space into an eatery, providing assistance with marketing, signage, zoning, and obtaining a Special Use waiver. A Village Trustee recommended the business to Staff who has communicated with, and assisted, the business since mid-2015.
- **Sozo Nail Spa** became the second awardee of the Zero Interest Loan program in May. The beauty salon opened shortly thereafter, occupying 800 square feet of space at 33 S. Vail Avenue. The loan was put towards interior renovation and equipment costs.

- **Woodcrafters DIY Studio** opened in late October at 28 S. Evergreen Avenue in Evergreen Plaza. The business has public and private events where people can decorate wooden crafts and signs, while offering a BYOB component for adults. Planning & Community Development Staff has provided the owners with information on marketing, licensing, and permitting questions. This is a start-up business with Arlington Heights hosting its first location. Woodcrafters DIY Studio is a great complement to the do-it-yourself entertainment offerings in Downtown that includes Thrown Elements Pottery and Bottle & Bottega.

Other Planning & Community Development Department initiatives are shown below:

- **Holiday Happenings at Harmony Park** was an event put together by Staff from Planning & Community Development, Public Works, the Clerk's office, and the Manager's office. It was held in Harmony Park the evening of Friday, December 2, and it's estimated that over 1,500 people attended. Among the offerings were live reindeer, a petting zoo, Santa's house, a snow machine, Downtown sleigh rides, desserts from Sweet T's Bakery & Cake Studio, and hot beverages from the Metropolis Ballroom. Feedback from the attendees and the food/drink vendors was very positive. Also, several of the nearby restaurateurs noted increases in their sales compared to last year.

- **Shakou** (70 N. Vail Avenue), a restaurant featuring modern Asian cuisine with an emphasis on sushi, has signed a lease for the former Armand's Pizzeria space at Vail and Wing. Planning & Community Development Staff provided extensive assistance to attract the restaurant to Arlington Heights. Shakou currently has four other successful Chicago-area locations, and in recent years was named one of the Top 100 "Hot Spot" Restaurants in America by Open Table. This addition to Downtown's dining scene is anticipating a spring 2017 opening.
- Several Downtown restaurants took advantage of the Village's outdoor dining policy allowing for less-permanent separation devices between diners and pedestrians. Planning Department Staff sent out renewal letters in the early spring and worked personally with several restaurant owners that incorporated outdoor dining this year, or were looking to do so in future years. The following restaurants offered outdoor dining this year:

  - Carlos and Carlos
  - Cortland's Garage
  - La Tasca Tapas
  - Javier's Sabor Mexicano
  - Peggy Kinnane's
  - Salsa 17
  - Tuscan Market

Economic Development Activities

In addition to business attraction, retention, and marketing, the Department of Planning & Community Development undertook several proactive efforts, and utilized available programs, to further enhance the Village's economic development activities. This involved the use of media, trade show attendance, and other opportunities to better advocate for Arlington Heights.

<u>Zero Interest Loan Program</u>

In November 2015, a modification to the Zero Interest Loan program was formally approved by the Village Board. This change upgraded the maximum loan amount from $10,000 to $20,000, not to exceed 50% of the project cost. The modification was previously endorsed by the Arlington Economic Alliance. All for-profit business types are still eligible and the loan is repayable over five years (contingent upon a lease of at least that duration).

A Zero Interest Loan was approved in 2016 for Sozo Nail Spa. The beauty salon reoccupied 800 square feet of long-vacant space at 33 S. Vail Avenue. Sozo Nail Spa employed three people at opening with plans to add 1-2 more in the next five years. The $20,000 loan was used for tenant space improvements and purchase of equipment. The business will repay the entirety of the loan over five years.

<u>Class 6b</u>

Cook County offers a Class 6b property tax abatement to incentivize the occupancy of vacant, or mostly-vacant, industrial properties. This incentive lasts for 12 years, assessing the property at 10% over the first 10 years, 15% in the 11th year, and 20% in the 12th year. This is a substantial reduction in assessment from the County's typical 25% assessment, and allows Cook County industrial properties to be more competitive with other industrial sites in the Chicago metro area. Although the formal approval for such an incentive comes from the County, municipal approval is initially required.

Businesses applying for a Class 6b tax abatement provide a 10% rebate to the Village of their property tax savings over the first five years of the incentive, in order to fund the Zero Interest Loan program. Additionally, the application fee ($1,000) for the Class 6b incentive also goes towards funding the Zero Interest Loan program in order to assist in attracting and retaining other businesses.

Three previously-approved Class 6b incentives were activated in 2016 and rebates to the Village arrived in September after the recipients of the Class 6bs were invoiced by the Finance Department. The Village received $31,633 in rebate funds. Over the next six years, it is anticipated that the Village will collect over $700,000 total for the Loan Fund, and/or potentially other future economic development activities per Village Board approval. This total amount does not include any other new Class 6b incentives or Class 6b renewals that may be approved over that time.

In 2016, Staff assisted three first-time applicants towards getting approval for the Class 6b property tax designation:

Ark Pharm is a warehouse/distributor of compounds for the pharmaceutical industry that relocated into Arlington Heights thanks to a Class 6b designation that was approved in May. They reoccupied a vacant 15,000 square foot facility at 3860 N. Ventura Drive, bringing 13 workers to Arlington Heights. The company expects to hire ten more positions over the life of the 12-year incentive. Planning & Community Development Staff served as a liaison to the company during their move, working with the Building Department to help with the permitting process.

DevLinks is an automation and robotics manufacturer that relocated to the Village in the spring, reoccupying 35,000 square feet of vacant industrial space. Planning & Community Development Staff met with ownership in November 2015 about the potential move. The owners noted the need for a Class 6b designation in order to keep them financially viable in Arlington Heights at the location they were considering (3933 N. Ventura Drive). The Village Board approved the incentive request in November 2016 that will keep them in Arlington Heights through the next decade. The company currently employs approximately 20 people and is growing, with plans to hire 30 more workers over the next ten years.

MMI Display is a warehouse user that was approved in November for a Class 6b incentive by the Village Board on a 20,000 square foot building (206 W. Campus Drive) that has been vacant for over four years. Planning & Community Development Staff worked with the ownership closely and visited their Woodstock, IL site to ensure that they conform to Zoning Code regulations. The company required the abatement in order to relocate their operation from Woodstock. The company is bringing six full-time Staff, with plans to grow to 19 over the next ten years. Staff worked closely with the applicant and visited their Woodstock site to ensure that they conform to Zoning Code regulations.

These three operations are collectively reoccupying 70,000 square feet of previously vacant industrial space which played a significant factor in the reduction of the Village's industrial/flex vacancy rate in 2016. Additionally, the companies are bringing nearly 40 new workers to the Village and plan to add 50 more employees during the next decade. These three examples highlight the need for, and benefit of, the Class 6b program in Arlington Heights.

Additional Activities

Planning & Community Development Staff engaged in numerous other activities and events throughout 2016:

- Chamber of Commerce Events
  - Installation Dinner
  - Mayor's "State of the Village" Address
  - Business After-Hours and Networking Events
  - Grand Openings / Ribbon-Tyings
- Meet Chicago Northwest Events
  - Annual Partnership Meeting
  - Annual Hotel Summit
  - Sports Advisory Committee Meetings
  - Open Houses
- Utilization of the business attraction ad. The "Arlington Heights: Win, Place, Show" ad appeared in the following publications:

  - *Area Development*
    - 2016 Annual Directory (1/3-page)
    - Circulation: 44,000
  - *Business Xpansion Journal*
    - Sept/Oct (1/4-page)
    - Circulation: 22,000
  - *FDI Alliance International*
    - March and December (Full Page)
    - Circulation: 16,000
  - *Global Trade*
    - Apr/May (1/2-page)
    - Circulation: 41,000
  - *Illinois: The State of Innovation*
    - 2016 Annual Issue (1/2-page)
    - Distributed by State of Illinois at national trade shows
  - *Journal & Topics*
    - May (Full-page)
    - Reach: 200,000
  - *Shopping Center Business*
    - May (Full page)
    - Circulation: 100,000
    - Printed in all 16 *Journal & Topics* publications
- Economic Development directory listings were also utilized in the following publications:
  - *Manufacturers' News* (April)
  - *Northern Illinois Real Estate* (June and November)
  - *Trade & Industry Development* (Mar/Apr and Sept/Oct)

Trade Shows Attended

- Retail Live! in February
- ICSC Midwest Idea Exchange & Alliance Program in March
- ICSC Real Estate Convention (RECon) in May
- ICSC Chicagoland Retail Connection in August
- IMTS in September
- ICSC Chicago Deal Making in October

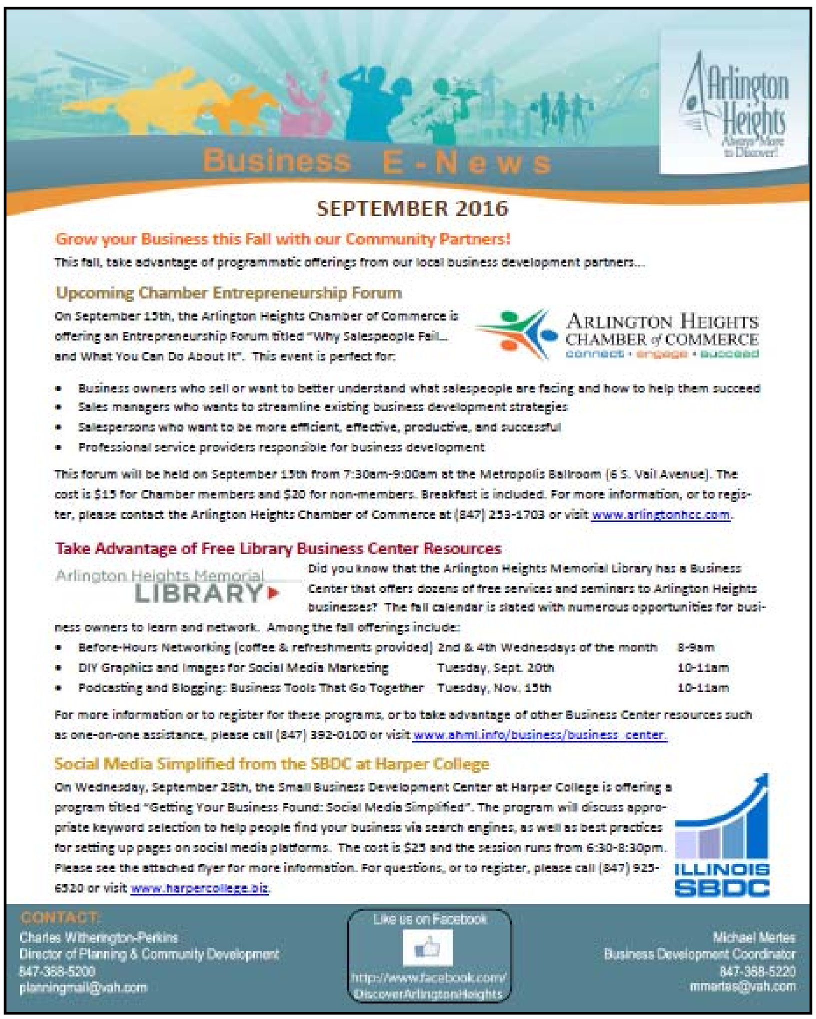
E-Blasts

In 2016, E-Newsletters were used to reach out to Downtown businesses and community-wide contacts alike, in order to promote them and engage their participation. The following is a summary of E-Blasts sent out this past year:

- An e-blast was sent out to Downtown contacts in late February. The newsletter explained Staff's business recruitment efforts, the challenges faced, and suggested ways in which merchants can help assist the Village's efforts to attract new businesses to the Downtown.
- An e-blast was sent out to Village-wide contacts in March. The newsletter highlighted the Village's wedding vendor program and low-cost classes being offered by the Small Business Development Center (SBDC) at Harper College. It also promoted an Entrepreneur Forum held in Mid-March at the Library. Panelists included Planning & Community Development and Chamber Staff, the owners of Pure Salon and the franchisee for Bottle & Bottega.
- A reminder to sign up for the May 4th Arlington Economic Alliance Breakfast was sent out to all Village-wide contacts in mid-April. This included the invitation to the program.
- Another e-newsletter was sent out the last week of April to Village-wide contacts. This transmission promoted a small business tax credit currently offered by the State of Illinois and a grant opportunity offered by Metro Chicago Exports for companies putting together an export plan for 2016. Also included in the e-blast was information on upcoming low-cost small business financial classes offered in May by the SBDC at Harper College.
- An e-newsletter was sent out to Downtown contacts in early June. The transmission listed the new businesses open in the Downtown since the beginning of the year, summarized the annual Arlington Economic Alliance Annual Breakfast, and listed the summertime events occurring in and around Downtown this year.
- An e-newsletter was sent out to Village-wide contacts in late July. The one-page newsletter made note of the Village's, and its business's, successes from the *Daily Herald* "Readers' Choice: Best of the Best" poll. Also covered were opportunities for businesses to connect with Harper College to recruit new employees, and the recent *Business View* magazine article that featured Arlington Heights was attached as well.
- Planning & Community Development Staff sent out an e-blast to Village-wide business contacts in September. This focused on separate fall programmatic offerings from the Chamber of Commerce, Library, and SBDC at Harper College.
- Staff sent out a Downtown e-blast in mid-September, asking businesses if they would be interested in participating in a Sidewalk Sales event during the last weekend of September. Over 20 businesses agreed to participate.

- Staff sent out an additional e-blast to Downtown contacts informing them of the annual Trick-or-Treating event. It was held on October 31st from 3pm-6pm. The Village does not actually coordinate this event (this is done by the business owners themselves, many of whom offer candy to visitors); it only assists in the promotion and providing Police protection at busy intersections.
- Planning & Community Development Staff sent out a Downtown e-newsletter in October. This e-blast promoted the upcoming Chamber-hosted beer tasting event in the Downtown, as well as the Zero Interest Loan program. Also, a reminder regarding the date and time of the annual Downtown Trick-or-Treating was provided.
- Planning & Community Development Staff sent out two Downtown e-newsletters in November. The first listed new businesses to the Downtown, highlighted the Village's upcoming holiday marketing campaign, and asked businesses to submit events for promotion on DiscoverArlington.com.
- The second November Downtown e-newsletter listed the upcoming holiday events in the Downtown, from Thanksgiving through the end of the year.

Also, Discover Arlington customer e-blasts are sent out regularly to subscribers by the Village Manager's Office, notifying them of events and other business-related news.


Business E-News

Arlington Heights Always More to Discover!

SEPTEMBER 2016

Grow your Business this Fall with our Community Partners!

This fall, take advantage of programmatic offerings from our local business development partners…

Upcoming Chamber Entrepreneurship Forum

Arlington Heights Chamber of Commerce connect • engage • succeed

On September 13th, the Arlington Heights Chamber of Commerce is offering an Entrepreneurship Forum titled "Why Salespeople Fail… and What You Can Do About It". This event is perfect for:

- Business owners who sell or want to better understand what salespeople are facing and how to help them succeed
- Sales managers who wants to streamline existing business development strategies
- Salespersons who want to be more efficient, effective, productive, and successful
- Professional service providers responsible for business development

This forum will be held on September 13th from 7:30am-9:00am at the Metropolis Ballroom (6 S. Vail Avenue). The cost is $15 for Chamber members and $20 for non-members. Breakfast is included. For more information, or to register, please contact the Arlington Heights Chamber of Commerce at (847) 253-1703 or visit www.arlingtonhcc.com.

Take Advantage of Free Library Business Center Resources

Arlington Heights Memorial LIBRARY

Did you know that the Arlington Heights Memorial Library has a Business Center that offers dozens of free services and seminars to Arlington Heights businesses? The fall calendar is slated with numerous opportunities for business owners to learn and network. Among the fall offerings include:

- Before-Hours Networking (coffee & refreshments provided) 2nd & 4th Wednesdays of the month 8-9am
- DIY Graphics and Images for Social Media Marketing Tuesday, Sept. 20th 10-11am
- Podcasting and Blogging: Business Tools That Go Together Tuesday, Nov. 15th 10-11am

For more information or to register for these programs, or to take advantage of other Business Center resources such as one-on-one assistance, please call (847) 392-0100 or visit www.ahml.info/business/business_center.

Social Media Simplified from the SBDC at Harper College

On Wednesday, September 28th, the Small Business Development Center at Harper College is offering a program titled "Getting Your Business Found: Social Media Simplified". The program will discuss appropriate keyword selection to help people find your business via search engines, as well as best practices for setting up pages on social media platforms. The cost is $25 and the session runs from 6:30-8:30pm. Please see the attached flyer for more information. For questions, or to register, please call (847) 925-6520 or visit www.harpercollege.biz.

ILLINOIS SBDC

CONTACT:
Charles Witherington-Perkins
Director of Planning & Community Development
847-368-5200
planningmail@vah.com

Like us on Facebook
http://www.facebook.com/DiscoverArlingtonHeights

Michael Mertes
Business Development Coordinator
847-368-5220
mmertes@vah.com

Arlington Economic Alliance

The Arlington Economic Alliance, the Village's economic development commission, had a busy and productive year. All existing voting members from the end of 2015 were retained, and two new members joined the Alliance: Rex Paisley of Lutheran Life Communities and Brian Roginski of Cortland's Garage. The 13-member commission now has every voting position filled. Additionally, Scott Whisler was named the new Chairman of the Alliance by Mayor Hayes. Tony Guido, who filled that position for over three years, remains on the commission as a voting member.

Beyond these transitions, the Commission undertook several important projects in 2016:

<u>Annual Alliance Breakfast</u>

This year's Arlington Economic Alliance Breakfast was held on May 4th at Ditka's Arlington Heights. We had an excellent program entitled "Racing Forward…The Present and Future Economic Impact of Arlington Park". Those in attendance learned about the value that the iconic racing venue brings to the community and its businesses, as well as the track's plans for 2016. The featured speakers were Howard Sudberry, Tony Petrillo, and Alyssa Ali from Arlington International Racecourse. Mayor Tom Hayes and Alliance Chairman Tony Guido also presented. Over 80 business owners and community stakeholders were in attendance which also included a Q&A session with the featured speakers.

As part of its community outreach, the Arlington Economic Alliance hosts an annual breakfast program to provide useful and interesting information to business owners and representatives throughout the community. This year's program was initiated by the Alliance as a whole, and brought to fruition by the Commission's Breakfast subcommittee.

<u>DiscoverArlington.com Improvements</u>

A subcommittee of two Alliance members worked with the Staff liaison on representing the Commission for improvements to DiscoverArlington.com. The Village has contracted CivicLive to update and merge this site with VAH.com, along with providing other updates. As DiscoverArlington.com was initiated several years ago by the Alliance, they wished to have input on potential enhancements to the site. Multiple discussions were held at the monthly Commission meetings regarding the website, and the subcommittee provided a formal response to a CivicLive survey during the year as well. Additional communication with CivicLive is expected in early 2017.

Small Business Sales Tax Rebate Program

In July, Planning & Community Development Staff provided recommended updates to the existing Small Business Sales Tax Rebate program. Planning & Community Development Staff suggested two main modifications:

1. Increasing the rebate amount to a 50-50 share between the Village and approved business (currently the Village rebates one-third of sales tax revenue generated by the business and keeps two-thirds).
2. Extending the duration of the program from three years to five years.

This was to take into account that the incentive had been created in 2011 but no business, either prospective or existing, had ever submitted a complete application to take advantage of the program. In discussing at both the July and August monthly meetings, the Alliance further recommended four additional modifications:

1. Reducing the expansion requirement from 50% of floor area to 25% for existing businesses. A base year requirement will remain in effect.
2. Allowing the business to propose their store hours, instead of mandating certain times.
3. Requiring a minimum three-year lease (currently five years). However, the incentive period may not exceed the duration of the lease.
4. Removing language referencing that the business must "make an investment in their business or physical facilities."

These updates to the program were formally recommended for Village Board approval by the Alliance at the August meeting. The requested modifications are anticipated to go the Village Board for discussion and a vote in early 2017.

Next Level Northwest

Next Level Northwest is a proposed business accelerator program that initially involved Arlington Heights and seven other nearby communities. After over six months of discussion, a presentation was given by Staff to the Village Board in October. The Mayor and Trustees requested input from the Arlington Economic Alliance before voting on a funding measure for the program. The program was presented to the Commission in October. The Economic Alliance recommended rejection of the proposed funding at this time. Since then the Village has temporarily withdrawn from the accelerator program. Should this program be revisited, it will be brought back to the Economic Alliance, along with updated details, for further discussion.

Economic Development Data

The Arlington Economic Alliance has requested semi-regular statistical reporting from the Staff liaison. Among the data requested have been Village-wide business sales and sales taxes generated, commercial and industrial vacancy rates, and website hits. The purpose of analyzing this information is to determine any trends that may be impacting the business community, either in a positive or negative fashion. This will be beneficial for reporting purposes, as well as monitoring the community's overall economy. With their variety of business expertise, the Commissioners can also identify areas of concern or success, and how to potentially improve or leverage the information to better benefit the business community and Village as a whole.

Arlington Economic Alliance Members - 2016

Member	**Business/Organization**	**Representative Role**
Scott Whisler, Chair	Brian Properties	Commercial Real Estate
Frank Appleby	First Midwest Bank	Financial Institution
Tom Gaynor	Nokia Networks	Industrialist
Tony Guido	Arlington Heights Ford	Automobile Dealer
Lisa Henderson	Transitional Care of Arlington Heights	Business Representative
Jamie Janeczko	Metropolis Ballroom	Hospitality/Marketing
Mike Kalway	Berkshire Hathaway Home Services	Residential Real Estate
Jackie Lewis	Forbici Salon	Downtown Business Owner
Rex Paisley*	Lutheran Life Communities	Top 20 Employer
Dave Parulo	Meet Chicago Northwest	Convention & Visitors Bureau
Jon Ridler	Arlington Heights Chamber	Chamber of Commerce
Brian Roginski*	Cortland's Garage	Restaurateur
Andi Ruhl	Thrown Elements Pottery	Retailer

*New Voting Member in 2016

Towards the end of 2016, the Alliance has begun work on potential projects for the upcoming year including potential partnerships with community organizations such as the Chamber of Commerce. Planning & Community Development Department Staff continues to work closely with the Economic Alliance to encourage business growth in Arlington Heights. The Business Development Coordinator serves as the liaison to this Commission. Representatives from School District 214, the Arlington Heights Memorial Library, the Arlington Heights Park District, and the Special Events Commission are also invited to attend the monthly meetings and are sent the agenda packets as well.

Discover Arlington Marketing

The Arlington Economic Alliance and the Village Marketing Team spend extensive time marketing Arlington Heights to visitors. Discover Arlington is promoted via advertising, Facebook, DiscoverArlington.com, and a variety of other efforts. This aligns with the confidential Three Year Marketing Strategy, outlining a series of goals, objectives, and tactics:

Marketing Strategy Vision:
"Promote Arlington Heights as the dining, shopping, entertainment, and cultural destination for consumers and tourists."

Goal:
"Increase consumer traffic and retail spending."

The following is a summary of Discover Arlington Marketing initiatives during 2016:

Print Advertising

Discover The Best

Purpose: Promote Arlington Heights as a Chicago-area destination for shopping, dining, and entertainment.

Publications:

- Annual Chamber Guide *2016-2017* – Half-page
  - Circulation: Over 30,000
  - Includes digital links on Chamber website
- Annual Meet Chicago Northwest Visitor Guide – Half-page
  - Circulation: Over 110,000
  - Distributed throughout Meet Chicago Northwest hotels and various hospitality trade shows

Where Taste "Buds" Meet

Purpose: Attract visitors to Arlington Heights during the Mane Event/Taste of Arlington, as well as the Arlington Million thoroughbred race.

Publications:

- *Daily Herald* – Quarter-page in "Best of the Best" special sections – four runs
  - Reach: 168,000 per ad
- *Daily Herald* – Quarter-page in *Neighbor* section on July 22, 24, 27, and 31
  - Reach: 22,250 per ad
- *Daily Herald* – Quarter-page in main news section on July 25
  - Reach: 120,000
- *Daily Herald* – Front page "strip ad" on July 29 and August 1
  - Reach: 120,000 per ad
- *Daily Herald* – Quarter-page in *Food* section on August 3
  - Reach: 165,500
- *Daily Herald* – Half-page in Arlington Heights Residents' Guide on August 4
  - Reach: 44,000

The ad was also made into a poster and put in kiosks around Downtown leading up to the event.

Where Best Friends Meet

Purpose: To entice visitors to meet with friends in Arlington Heights for summer enjoyment, particularly events and dining.

Publications:

- *Suburban Family* magazine – Half-page in July/August issue
  - Reach: 178,500
  - Online Reach: 10,000+

Small Business Saturday

Purpose: Promote the independent retail and service businesses in Arlington Heights on Small Business Saturday (the weekend following Thanksgiving).

Publications:

- *Daily Herald* – Ad wrapper from 11/21-11/24
  - Reach: 86,500 per ad

Suit Up! Exercise Your Inner Santa

Purpose: Encourage visitors to visit DiscoverArlington.com and the Village for holiday events. Portray Arlington Heights as having unique events that set it apart from area communities.

Publications:

- *Suburban Family* magazine – Fall issue (Half-page, inside cover)
  - Reach: 178,500
  - On-Line Reach: 10,000
- *Daily Herald* – Half-page in Holiday Happenings section on 11/13
  - Reach: 70,000
- *Journal & Topics* – Half-page in Holiday Guides on 11/23-11/24
  - Reach: 100,000

Make Merry: Celebrate in Arlington Heights

Purpose: Entice residents and visitors to celebrate the holiday season with their family and friends at an Arlington Heights establishment. Staff also ran a digital campaign for this ad, reaching over one million people. Information on the Village's digital campaign efforts is found on page 32.

Publications:

- *Chicago Tribune* – Quarter-page in "On The Town" Friday entertainment section on 12/2 and 12/9
  - Reach: 44,000
- *Daily Herald* – Half-page in "Time Out" Friday entertainment section on 12/2 and 12/9
  - Reach: 70,000

Social Media

In 2016, DiscoverArlington.com received 65,650 hits. While this represents a 2.6% decrease from 2015, there are still good trends stemming from this data. While standard website use declined, Facebook and Twitter use have increased dramatically over the past three years. Also, mobile users to the site increased by 5% over 2015. The Manager's office is currently working with the Village's approved consultant, CivicLive, on upgrades and changes to VAH.com and DiscoverArlington.com.

Monthly and Annual Website Hits
www.DiscoverArlington.com

Month	2015	2016	% '16 vs. '15	Mobile 2016	% Mobile Users
January	4,248	2,995	-29.5%	1,447	48.3%
February	4,030	2,854	-29.2%	1,270	44.5%
March	4,513	3,561	-21.1%	1,686	47.3%
April	4,660	4,346	-6.7%	2,090	48.1%
May	8,429	5,337	-36.7%	2,631	49.3%
June	7,047	10,951	+55.4%	6,321	57.7%
July	9,097	9,530	+4.8%	5,815	61.0%
August	8,932	7,097	-20.5%	4,108	57.9%
September	3,843	4,191	+9.1%	2,186	52.2%
October	4,578	4,466	-2.4%	2,325	52.1%
November	3,498	3,887	+11.1%	2,070	53.3%
December	4,860	6,435	+32.4%	4,343	67.5%
TOTAL	**67,421**	**65,650**	**-2.6%**	**36,292**	**55.3%**

Despite decreasing in visitors by 2.6% for the year, DiscoverArlington.com finished strongly. Five of the final seven months of the year saw increases compared to the previous year, notably by over 55% in June and over 30% in December. From June through December, DiscoverArlington.com received nearly 5,000 more hits than in 2015, an increase of 11.2%.

This time period also saw the greatest increase in access to the site via mobile devices. From January through May, those accessing the site with mobile devices hovered at just below 50%. However, every month thereafter saw over 50% of visitors access the site via mobile devices, notably July (61.0%) and December (67.5%). This is likely attributable to the Staff marketing campaigns during these months, especially the digital advertising. Additionally, the decision to advertise on WBBM radio (AM 780) in December likely contributed to the overall spike in visitors to DiscoverArlington.

While the overall figures for the year may be slightly down, the data shows a positive trend for the site and it is important to cover a variety of media channels as part of the Village's marketing efforts. Staff will take into account the increase in mobile usage, as well as the website updates from CivicLive, when it conducts its 2017 marketing campaigns.

Meanwhile, the Discover Arlington Facebook page continues to receive notable positive interaction. Overall, the page itself received over 528 new positive interactions (or “likes”) for the regularly-posted information in 2016. This represents over 500 new followers of Discover Arlington Facebook when compared to 2015.

Facebook “Likes” in 2016

Month	Cumulative "Likes"	% Increase*
January	10,975	0%
February	10,984	0.1%
March	11,021	0.3%
April	11,039	0.2%
May	11,140	0.9%
June	11,186	0.4%
July	11,282	0.9%
August	11,323	0.4%
September	11,359	0.3%
October	11,405	0.4%
November	11,456	0.4%
December	11,503	0.4%

*Percentages are compared to previous month

Facebook distinguishes *reach* as the number of unique people who see a post, as opposed to *impressions* which are the total number of times a post has been seen, regardless of how often an individual person has seen it. Several posts received extensive interaction during 2016. Notable posts included:

- A March post featuring an interview with Javier Villareal, owner of Javier’s Sabor Mexicano in the Downtown, reached 17,600 Facebook users.
- A post in June mentioning the purchase of the former Circa ’57 space by ownership of Armand’s Pizzeria reached 12,900 people.
- An August post on the “Mane Event/Taste of Arlington Heights” reached 12,800 people.
- A post in late August introducing Pho An Heights restaurant reached 9,400 Facebook users.
- A post in November regarding the “Holidays Happenings at Harmony Park” event reached 9,800 people.
- A December post highlighting the opening of Woodcrafters DIY Studio reached 18,100 Facebook users.
- A post in late December announcing the opening of Jaunt reached 13,000 people.
- Another late December post noting that Via Arenella in the Westgate shopping center was now open reached 14,200 Facebook users.

Radio Advertising

In response to three years of positive feedback, the Village's Marketing Team once again pursued radio advertising to promote Arlington Heights during the holiday season. In past years, the Village has teamed up with WXRT (93.1 FM). However, in order to expand the reach of the campaign, Staff selected WBBM (AM 780 / 105.9 FM) for this holiday season. This decision was based upon demographics and listenership (in December 2015, WBBM had the second-highest listenership of any radio station in the Chicago area).

This year the campaign ran two 30-second commercials 68 times. The ads ran from December 1-14:

- The first commercial ran 34 times. In this particular ad, "A Christmas Carol" at the Metropolis Performing Arts Centre is highlighted. The commercial promoted shopping and dining in Arlington Heights and mentioned the "Make Merry" and "Be Urban – But Park for Free" taglines used in our holiday print ads.
- The second commercial also ran 34 times. Differentiating itself from the first ad, this one highlighted The Second City's "Holidazed & Confused" at the Metropolis Performing Arts Centre. Like the previous commercial, it promoted shopping and dining, as well as the "Make Merry" and "Be Urban – But Park for Free" taglines.

Both commercials emphasized visiting DiscoverArlington.com as well. In addition to the 68 cumulative commercials, WBBM aired the commercials 40 times each week over the two weeks on their website. Also, the on-air broadcaster made reference to Arlington Heights leading into a commercial break ten times each week.

The Marketing Team chose WBBM due to strong demographics and listenership. Per WBBM's representative, over 1.5 million adults (age 18+) listen to AM 780 / 105.9 FM each week. Over 500,000 of these listeners represent a household income of over $100,000 while 80,000 represent a household income of over $250,000. Besides the high-income demographic, WBBM listeners are well-educated, with 70% having attended college. Additionally, these listeners average over $18,000 annual spending on retail. This equates to $27 billion in total yearly retail spending and therefore is a key demographic in which to promote the Village's shopping, dining, and entertainment options.

Digital Advertising

This year, the Village furthered its efforts to utilize digital advertising to promote *Discover Arlington*. In late July and early August, the Village committed to nearly 500,000 impressions on multiple webpages to promote the Mane Event/Taste of Arlington and summer fun in Arlington Heights. In late November, and through December, the "Make Merry" ad was utilized to promote Arlington Heights throughout the surrounding area as a destination for holiday enjoyment. Here is a summary of the Village's digital marketing efforts for 2016:

Summer Advertising ("Where Taste 'Buds' Meet")

- *Chicago Tribune* – July 25-August 5
  - Reach: 214,565 impressions (paid for 200,000)
  - **Ad Clicks: 779; Click-Thru Rate: 0.36%**
- *Daily Herald* – Digital advertising from August 2-August 4
  - Reach: 20,000 impressions
  - **Ad Clicks: 57; Click-Thru Rate: 0.29%**
- *WGN* – Digital advertising from July 25-August 5
  - Reach: 252,295 impressions (paid for 250,000)
  - **Ad Clicks: 115; Click-Thru Rate: 0.05%**

Holiday Advertising ("Make Merry")

- *Chicago Tribune* – 11/28 through 12/18
  - Reach: 450,990 impressions (paid for 450,000)
  - **Ad Clicks: 3,262; Click-Thru Rate: 0.72%**
- *Daily Herald* – 11/29 through 12/31
  - Reach: 612,500
    - 580,000 impressions + 32,500 additional impressions with overlays
  - **Ad Clicks: 720 ; Click-Thru Rate: 0.12%**

The Village placed 1.55 million ads via digital marketing in 2016. All told, 4,933 people clicked the Arlington Heights ads, for a click-thru rate of 0.32%. While this may seem insignificant, the standard click-thru rate for a similar ad campaign is 0.05%. Therefore, Arlington Heights digital marketing efforts in 2016 were over six times more successful in attaining audience interaction than comparable campaigns. Many who saw our ads identified our brand and took the next step to learn more about the community and what it offers. Regardless of the number of clicks, hundreds of thousands saw Arlington Heights advertised via these digital channels, and future repeated marketing will enable greater establishment of the brand.

Additional Marketing Efforts

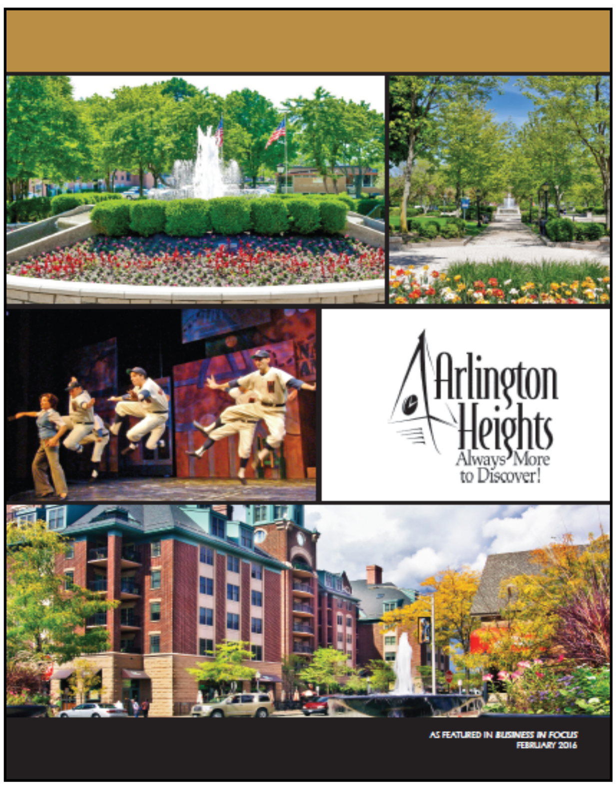
- Development of the business directory posters with the Engineering Department for a Village Trustee's "Walk Arlington" campaign.
- Continued re-use of newspaper boxes next to Vail Avenue parking garage to carry Discover Arlington promotional materials.
- Promotion of the Chamber's "Holiday Twilight Shop" event via social media, DiscoverArlington.com, and Downtown kiosk posters.
- Updated and distributed the Downtown Arlington Heights marketing brochure across the Village and to Southtown hoteliers.
- Continued adding of coupons/specials to DiscoverArlington.com.
- Continued adding of posts to the Discover Arlington Facebook page.
- Continued adding of information to the "Business Development News" page of VAH.com.

In-House Publications

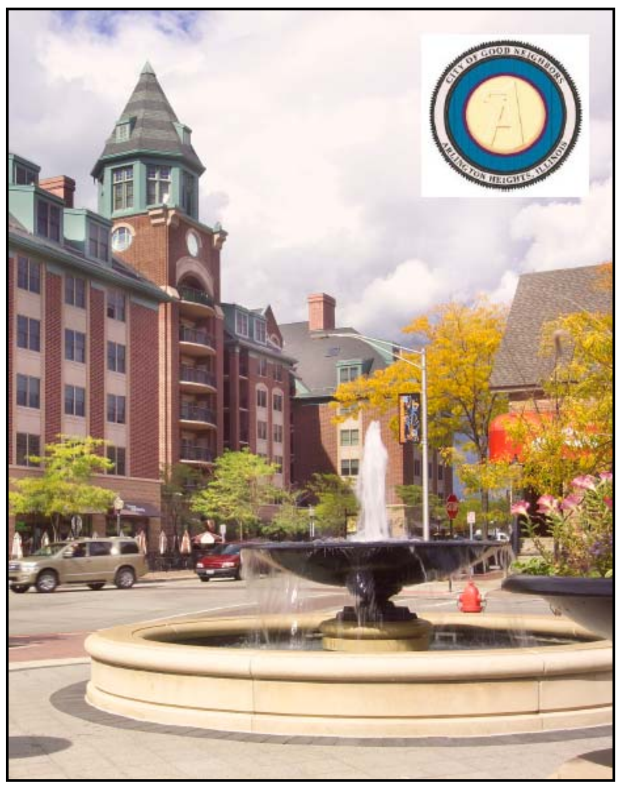
- The *2015 Business Development Report*. This report, which summarizes the previous year's economic development activities of the Planning & Community Development Department, was completed and provided to the Village Board in February.
- The *Annual Planning & Community Development Report for the Village Board* was completed and distributed in March. This report contains all facets of activity within the Planning & Community Development Department including economic development efforts.
- A *Downtown Retail & Commercial Occupancy Status* report was created and provided to the Mayor and Trustees in February.
- An *Economic Development Statistics Report* was created in early 2016 as a means of providing local business development data to the Arlington Economic Alliance. This report is updated every few months and new information is relayed to that Commission.
- The *Demographic and Development Summary* was updated for the 2nd-annual Meet Chicago Northwest hotel summit in August. This guide has also been reproduced as a business attraction and Village promotional tool for events and targeted recruitment efforts. At the hotel summit, the Business Development Coordinator also sat on a panel with five economic development staff from other nearby communities.
- A marketing piece was created with help from the Department's summer interns to promote opportunities for potential retailers and restaurateurs to locate in the Downtown.
- A flyer and poster promoting the Zero Interest Loan program was made with help from the Department's summer interns. The poster has been shown at trade shows and Village Hall.
- Restaurant flyers for Downtown visitors were updated by the Department interns this past summer and can be found in the newspaper box next to the Vail Parking Garage.
- The content for the spring and fall Arlington Economic Alliance newsletter was produced within the Planning & Community Development Department who partnered with Arlington Heights-based VisualEdge on the design, printing, and delivery to over 3,200 commercial addresses in the Village.
- The Department of Planning & Community Development sent out 12 e-newsletters, Village-wide and Downtown-specific, throughout 2016. These e-blasts focused on a wide array of topics from utilizing DiscoverArlington.com, to workshops offered by the Chamber and SBDC at Harper Community College, to promoting individual business' holiday events, and Meet Chicago Northwest's *Restaurant Week*.

Editorials and Interviews

- Planning & Community Development Staff conducted numerous interviews with media sources such as *The Chicago Tribune, The Daily Herald,* and the *Journal & Topics*.
- An interview with Planning & Community Development Staff was conducted, and published, in the November/December issue of *Business Xpansion Journal*, extolling on the benefits of the Village as a location for business expansion or relocation while highlighting development projects and community assets.
- An interview with Planning & Community Development Staff was conducted, and published, in the summer issue of *FDI Alliance International*, discussing the assets of Arlington Heights and the benefits for foreign-based companies to consider opening a North American location in the Village.
- An editorial was placed in the *Journal & Topics* annual "Business & Progress" May issue, promoting Arlington Heights as a destination for prospective businesses.
- An interview with Staff was conducted with *Business In Focus* in late 2015 to create a marketing piece that promotes the Village. It was used in 2016 at trade shows and for targeted business recruitment outreach.
- An interview with Mayor Hayes was conducted for *Business View* magazine in early 2016 to create an additional marketing piece that promotes the Village. This was also used in 2016 at trade shows and for targeted business recruitment outreach.
- A brief editorial in the November/December issue of *Suburban Family* magazine focuses on holiday activities in Arlington Heights.



Cover: *Business In Focus* – February 2016



Cover: *Business View* – July 2016

Summary

This report is intended as a summary overview of the Planning & Community Development Department's economic development efforts during 2016. It is meant as a snapshot and does not include every specific business-related effort, nor does it include other community development activities that occurred in the office during the past year. The development of long-range plans, as well as confidential and potentially significant ongoing and future initiatives, has been excluded from the report. The *2016 Business Development Report* is produced to encapsulate another exciting and active year of economic development in Arlington Heights. With the attraction of over 100 businesses and 2,300+ new jobs, the Village has placed itself in a good position to further grow its economic base in 2017.

The Planning & Community Development Department remains engaged with Arlington Downs ownership, and played a significant role in the attraction of the development's first business, 25N Coworking, which is taking up 10,000 square feet of first floor space. Staff also continues to engage in discussions with potential developers for sites such as the Hickory-Kensington area and the vacant Downtown parcel west of the Vail Avenue parking garage (Block 425) in order to bring development that matches what is outlined in the *Hickory/Kensington Area Plan* and the *Downtown Master Plan*. Other focuses of development include the School District 59 property (former Wellington), the Elk Grove Township property (I-90 and Arlington Heights Road), and redevelopment efforts for our TIF districts. Planning & Community Development Staff continues to solicit interest in enhancing this area. Meanwhile, Staff continues to work closely with Southpoint ownership on potential development and redevelopment that could help encourage greater attention to, and further investment in, the shopping center. We anticipate further progress in 2017 regarding all these development opportunities.

In the meantime, recruitment efforts are being conducted to fill empty commercial, office, and industrial spaces throughout the community. Outreach is being conducted to developers and targeted efforts are also being placed on visible opportunities in Arlington Heights. Retention and expansion will continue to be a significant focus in 2017 as Village Staff continues working with community partners to better understand the needs of our businesses. Marketing will continue to be emphasized, with longer-term initiatives being considered as well.

This past year maintained a trend of multiple consecutive successful years of economic development in Arlington Heights coming out of the recession. Village Staff is working diligently to continue this trend throughout 2017.

Department of Planning & Community Development
33 S. Arlington Heights Road
Arlington Heights, IL 60005
(847) 368-5200
planningmail@vah.com

TOTAL RETAIL SALES

2015	**$1,201,101,905**
2014	$1,193,437,412
2013	$1,117,087,211
2012	$1,035,793,029
2011	$1,045,956,085
2010	$1,011,443,261
2009	$977,613,462
2008	$1,071,434,525
2007	$1,114,184,660
2006	$1,133,462,183
2005	$1,117,681,816
2004	$1,107,752,443
2003	$1,116,284,113
2002	$1,130,731,591
2001	$1,114,686,453

- Over $1.2 Billion in stabilized sales
- Village Ranks 17th in total retail sales out of 140 Chicagoland communities

RETAIL SALES BY CATEGORY

CATEGORY	2015 SALES
General Merchandise	$69,716,729
Food	$193,818,605
Drinking & Eating Places	$149,996,391
Apparel	$36,098,855
Furniture & HH & Radio	$90,155,078
Lumber, Bldg, Hardware	$49,788,269
Automotive & Filling Stations	$293,619,290
Drugs & Misc Retail	$158,083,288
Agriculture & All Others	$137,985,335
Manufacturers	$21,922,005
TOTAL	**$1,201,101,905**

- With nearly 150 unique sit-down, casual, and fast food restaurants, Arlington Heights ranks 9th in Chicagoland for Drinking & Eating Places sales
- The Village ranks 5th of all Chicagoland communities in Food Stores sales
- Arlington Heights also ranks in the Chicago area Top 20 for sales in Furniture & Electronics, and Drugs & Misc.

RETAIL SALES HISTORY BY CATEGORY

	2015	2014	2013	2012	2011
TOTAL	**$1,201,101,905**	**$1,193,437,412**	**$1,117,087,211**	**$1,035,793,029**	**$1,045,956,085**
General Merchandise	$69,716,729	$68,516,473	$69,643,789	$68,415,193	$66,978,695
Food	$193,818,605	$200,129,694	$194,300,650	$194,029,920	$200,265,572
Eating & Drinking Places	$149,996,391	$146,726,150	$141,513,966	$145,027,687	$139,101,334
Apparel	$36,098,855	$36,733,442	$35,976,049	$33,831,436	$33,106,680
Furniture & H.H. & Radio	$90,155,078	$87,521,924	$86,304,607	$79,137,222	$78,040,985
Lumber, Bldg., Hardware	$49,788,269	$49,236,050	$46,360,831	$41,650,161	$50,080,849
Automotive & Filling Stations	$293,619,290	$280,295,034	$236,672,946	$189,748,507	$191,370,876
Drugs & Misc. Retail	$158,083,288	$162,247,633	$157,640,595	$139,795,827	$135,313,425
Agriculture & All Others	$137,985,335	$136,930,601	$119,505,829	$119,322,256	$121,325,364
Manufacturers	$21,922,005	$25,100,411	$29,167,949	$24,834,820	$30,372,305

Arlington Heights

Always More to Discover!

AS FEATURED IN ***BUSINESS IN FOCUS***
FEBRUARY 2016

Enjoying Success in the

Located just a short train ride from downtown Chicago, The Village of Arlington Heights enjoys both small-town charm and big city amenities. The community boasts easy access to three interstates, as well as two Metra commuter rail stops, making it a snap to commute in or out…

Arlington Heights
Always More to Discover!

Chicago Metro Area

Written by Claire Suttles

"We have terrific connection throughout the Chicago area including to and from downtown Chicago," says Michael Mertes, Business Development Coordinator for Arlington Heights' Department of Planning and Community Development. "We're also only eight miles from O'Hare International Airport."

While regional accessibility is certainly a big draw, the village's 76,000 residents have plenty of reasons to stay home for work or play; Arlington Heights has its own thriving downtown and plenty of cultural, educational, entertainment, and recreational opportunities. The third largest community in Cook County, the Village's average household income is over $90,000, providing plenty of disposable income to support local business. "In 2014 we did $1.2 billion in retail sales, continuing an upward trend for the Village of Arlington Heights," Mr. Mertes reports.

Residents have the qualifications needed to ensure that the community's 3,200 businesses can find the talented and experienced workforce that they need. "We have an educated resident base," says Mr. Mertes. "Over half of residents age 25 and older have at least a bachelor's degree or equivalent."

In addition to a booming retail sector, the Village enjoys strong office, light industry, and healthcare sectors. "We have two of the fastest growing office businesses in the country; Paylocity and Aurico," Mr. Mertes reports. "We also have many other long established office tenants in the community." Nokia Networks employs over 1,000 people, while AT&T provides employment for hundreds of locals, and will likely add up to 250 additional jobs over the next year. *The Daily Herald*, Suburban Chicago's biggest newspaper, is headquartered in the Village. SVM just opened a new, international headquarters in Arlington Heights, while Weber Packaging Solutions and IMS Buhrke-Olson have operated within the community for decades. Additionally, HSBC will open an office in Arlington Heights this spring, bringing 1,500 new jobs to the community. "Arlington Heights is a pro-business community that works on state-of-the-art solutions to assist businesses and facilitate development," said Charles Witherington-Perkins, the Village's Director of Planning and Community Development. "Assisting HSBC required constant communication with the property owner and their representatives."

The Village also provides top-notch healthcare – and plenty of employment opportunities for healthcare workers. "Healthcare is a big [sector] in our community," says Mr. Mertes. *US News & World Report* recently rated the Village's Northwest Community Hospital as one of the top 15 Chicago area hospitals. The inpatient and outpatient facility is particularly well known as "a big innovator in surgical technology." Alexian Brothers Health System operates several facilities throughout the Village and Transitional Care Center of Arlington Heights just opened in the fall, providing short-term care and rehabilitation services for recovering patients. And recently, Lutheran Home, an assisted care living facility, completed a $70 million expansion of their facilities.

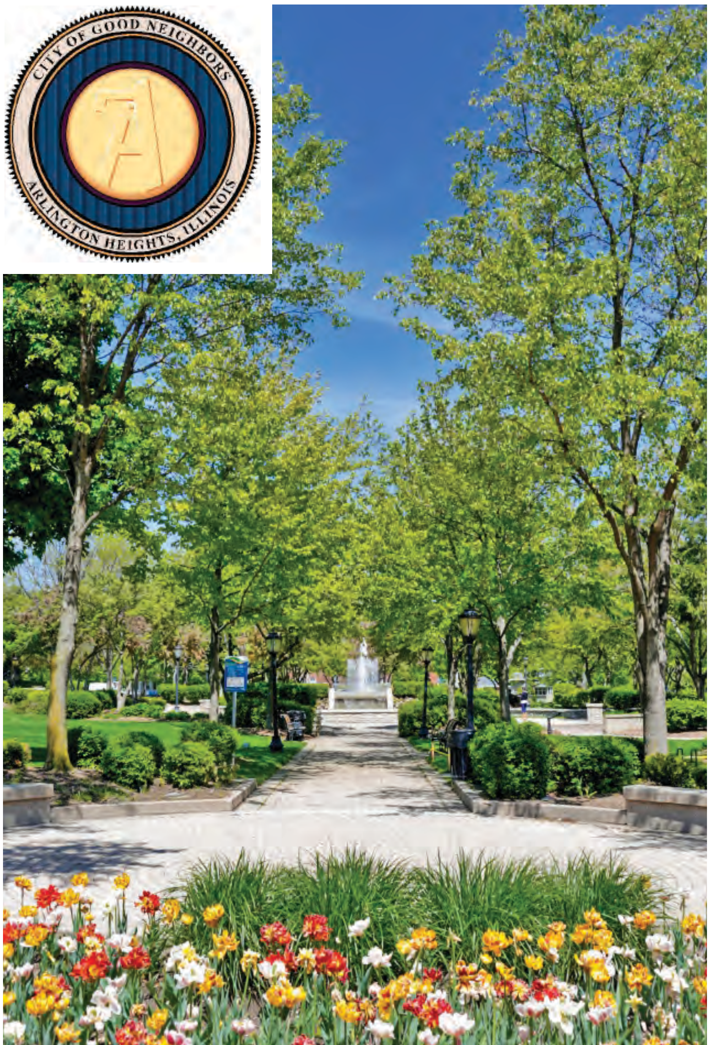
Arlington Heights' thriving business sector still has room for growth and the Village offers a number of incentives for both new and existing enterprises. "For-profit businesses of any type are eligible for an interest free loan of up to $20,000," Mr. Mertes reports. Funds can be used for a wide range of improvements, from equipment purchases and interior build outs to technology upgrades. "It is a very flexible program." A small business sales tax rebate program allows small retailers to reinvest local sales taxes back into their businesses. Industrial businesses can take advantage of Cook County's Class 6b property tax abatement program, which is designed "to help renovate and invigorate long vacant industrial buildings in our community."

> **"Arlington Heights' business opportunities are complemented by a high quality of life; entertainment options abound."**

Several new or proposed developments within the Village are providing opportunities for incoming businesses. Mr. Perkins references the Arlington Downs mixed-use development as a prime example. "The Arlington Downs redevelopment was a case study in reinventing distressed properties. Located on the site of a shuttered hotel, the redevelopment includes a new hotel, high end residential, retail, office, and the reopening of a water park. This will add significant economic benefits to the region. A project such as Arlington Downs cannot happen without both public and private entities working together towards a common goal." The first phase of the $250 million project – 215 luxury apartments – has already been completed and is approximately 90% leased. The hotel and commercial sections of the development are expected to break ground soon.

In Downtown Arlington Heights, another new development is planned. Parkview Apartments will include 1,314 square feet of commercial space, 60 indoor parking spaces and 45 rental apartments, seven of which will qualify as affordable housing. Meanwhile, the nearby Hickory-Kensington Redevelopment Area is proposed for future mixed-use development, offering development opportunities for three-to-five stories of residential with first-floor commercial space, in addition to single-family townhomes and other smaller multi-family housing. "This is an opportunity to reinvigorate that area and bring more residents near our downtown," Mr. Mertes points out.

Arlington Heights' business opportunities are complemented by a high quality of life; entertainment options abound. "We



have great, unique entertainment and experiences," Mr. Mertes remarks. Perhaps most notably, the Village is home to the internationally renowned Arlington Park, a leading thoroughbred horseracing facility. "Arlington Park is one of the top thoroughbred racing venues in the world." Host to the Arlington Million, the trendsetting facility held the first horserace in the world with a $1 million dollar purse. Other attractions include a dine-in movie theater, Star Cinema Grill, and the Metropolis Performing Arts Centre, which provides arts education in addition to top-notch professional entertainment including live theatre, comedy, and music. Arlington Heights' Mitsuwa Marketplace is the Midwest's largest Japanese grocer, and offers not only groceries but also authentic Japanese dining and retail shopping. "It serves not just a local population, but also a large tourist population that comes from across the Midwest to shop there," Mr. Mertes reports.

The Village's downtown also provides ample shopping opportunities from both independent and national retailers, as well as numerous entertainment options. "Downtown is a great mix of retail, dining, service, entertainment, and also year round events and festivals." The downtown can be reached quickly and easily from virtually all of the surrounding suburbs. "We do have a great downtown that is served by one of our two train stations," Mr. Mertes points out. The Village's Uptown Shopping District located along Rand Road also features many national retailers and restaurants.

The Village's local library, the Arlington Heights Memorial Library, was ranked as a five star library by Library Journal. "It is one of only 85 libraries in the country that has that designation, and one of only three in Illinois." In addition, the Village's Park District boasts a wide range of recreational and cultural facilities, as well as over 50 public parks within the community.

Arlington Heights is also served by a top-notch public school district. "Public school district 214 has six high schools, all of which are ranked among the top 40 high schools in all of Illinois by US News & World Report. And Hersey High School, located in Arlington Heights, was ranked by US News & World Report as one of the top ten high schools in the state." The Village also offers private education, and St. Viator High School is one of only three private high schools in the entire state of Illinois to be recognized by the U.S. Department of Education as a National Blue Ribbon high school in 2014. Higher education is also represented as both Robert Morris University and ITT Technical Institute have campuses in the community as well.

"Downtown is a great mix of retail, dining, service, entertainment, and also year round events and festivals."

With easy access to Chicago and the surrounding metro area, and a wealth of local business opportunities, Arlington Heights is well placed to continue its growth and success. "It is an exciting time," Mr. Mertes remarks. "There is definitely a lot going on. We are a growing, thriving community that continues to build upon its assets. We look to be a great destination for any prospective resident or business and our Village is happy to assist both prospective and existing businesses and residents within the community in any way we can." ■

A FOCUS MEDIA GROUP PUBLICATION

Unit 210, 1310 Hollis Street, Halifax NS B3J 3P3, Canada | Phone: 1-888-477-2938 Ext. 206


CITY OF GOOD NEIGHBORS
ARLINGTON HEIGHTS, ILLINOIS
STOP

Arlington Heights, Illinois

City of good neighbors

Arlington Heights, Illinois, a suburban community in Cook County, lies about 25 northwest of downtown Chicago. It was founded in 1887, when its population consisted of about 1,000 local farmers, and workers who commuted to the Windy City. Today, Arlington Heights is home to 75,000 and a daytime population of approximately 46,000; it is the most populous community in the United States that is incorporated as a "village."

But while the designation, "village," might suggest a quaint and quiet refuge from the more grandiose forms of civilization, Village President, Thomas W. Hayes, disputes that characterization to some degree by pointing out that Arlington Heights has recently experienced a sizable boom in its economic development. "We're a 130 year-old community," he declares, "but I like to consider ourselves as a leader and real model community in terms of being progressive in our economic development."

Charles Perkins is Arlington Heights' Director of Planning and Community Development. He talks about some of the Village's recent, downtown redevelopment projects: "Several very large mixed-use developments in the hundreds of millions of dollars that were built and completed about ten years ago, have enabled us to set the downtown as an entertainment destination area for the northwest suburbs," he says. "We have a live performing arts theater; a movie theater; and about 40 restaurants that give a lot of vibrancy in the evening and on the weekends."

Other ongoing, redevelopment projects include: a mixed-use, eight-story building with 45 apartments and commercial retail; the construction of a new headquarters for HSBC, the world's third largest bank, which is moving its North American facilities and some 1,500 employees to the Village; and Arlington Downs,

AT A GLANCE

WHO: Arlington Heights, Illinois

WHAT: A suburban city of 46,000

WHERE: Northwest of Chicago

WEBSITE: www.vah.com/village_info

a 35-acre development near the famed Arlington Park Race Track. According to Perkins, the $250 million project "includes the renovation of a shuttered hotel that closed during the peak of the Recession. The developers received permits for a new hotel and an expansion of the existing water park that was there. And they'll build about another 100,000 square feet of retail space around a village green concept, and maybe up to another 400 plus apartments."

When private interests invest in Arlington Heights, Perkins says that the Village works with them by amending any necessary zoning, density, and/or other land use

regulations. However, some developments are public/private partnerships. "Many of the downtown developments were the result of those types of partnerships," he explains. "The Village purchased property or invested tax increment financing funds into the projects to make them become a reality."

(Tax increment financing ((TIF)) is a public financing method that is used to provide incentives for redevelopment, infrastructure, and other community-improvement projects. It provides the means for cities, towns, and counties to gain approval of redevelopment of blighted properties or for public projects such as city halls, parks, libraries, etc. Through the use of TIF, municipalities typically divert future property tax revenue increases from a defined area or district toward an economic development project in the community that would not develop "but for" the infusion of TIF funds.)

Perkins adds that the Village has designated three other TIF districts: "Two are mostly commercial shopping centers that involve significant public incentives; the third tax increment financing district, which was just created last year, is more of a residential, mixed-use development with TIF financing," he says.

Of course, while all this new development is taking place, Village leaders still have to sustain and invest in the area's infrastructure. "We recognize that if you don't maintain good roads and good water infrastructure, and provide good police and fire services, nothing else really matters," says Randy Recklaus, the Village Manager. "We're coming out of the Recession, so we're at a point where we're really doubling down on our infrastructure. In this year's budget, we've included funding for a 47 percent increase in our roads program. And we're doing a ramp-up of our water infrastructure – we're increasing the rate that we're engaging in water main replacement by 300 percent between now and 2020. And" he adds, "we just completed two stormwater studied to look at ways we can improve our stormwater management infrastructure."

"It may seem like we're biting off a lot at the same time," he continues, "but there's actually a logic to it because a lot of these things exist underneath the roads. We want to take a coordinated approach to look at water, road, and stormwater infrastructure at the same time, so we can coordinate those efforts and do them together to minimize disruption to residents." According to Recklaus, Arlington Heights also maintains a very robust park system. "Every neighborhood has, not only a number of smaller parks, but a large park

with a pool and community center," he says. "And the park district is in the process of upgrading all of those."

Keeping its residents safe and secure is yet another responsibility of Village management, so Arlington Heights will soon be building a new, state-of-the-art police facility that, according to Recklaus, will help allow the village to remain a leader among Chicago's northwest suburbs in the area of public safety. "We have an extremely low crime rate," he states. "It went down 15 percent last year; it will go down another 12 percent when the 2015 numbers are all wrapped up. We're consistently ranked in the hundred safest communities in the United States. Of the 437 communities in the U.S. that have a population of 75,000 or over, in the last two years, we have been in the top five for lowest crime rate. It's something that we're very proud of and take very seriously."

As Arlington Heights looks toward the future, Hayes credits the Village's recent resurgence to plans put in place decades ago. "We just completed an update to our Village Comprehensive Plan, which is a vision statement for what we would like the Village to look like in future years," he says. "But one of the reasons for our great success over the past 20 to 30 years is that we've stuck to the comprehensive plan that village planners and leaders have had for this community for many, many years before."

Perkins agrees: “In the last 20 years, we have built a new senior center, a new train station downtown, a renovated train station by Arlington Park, a new Village Hall, a new public works center, two new fire stations, and two renovated fire stations. So, the only building that has not been completed is the police station, and the Board approved our architectural service contract to move forward on that project.”

Clearly, are all three Village administrators are very proud of their community. Recklaus points out that Arlington Heights schools "are consistently ranked among the top schools in suburban Chicago. And our community library is one of only five libraries in the State of Illinois that has received a five-star rating. We take the quality of life seriously, here and want it to be a place where people want to live, retire, and engage in community life." Perkins adds that, "Arlington Heights has won several awards, nationally and regionally, for the redevelopment of downtown."

Hayes agrees and sums up his feelings about Arlington Heights: "I'm very proud of a community that is a large community but has a small-town feel. We have anything and everything for both our residents and for our business people. We've been a leader in a number of different areas and have been able to maintain a family-oriented feel to our community despite the fact that we're the 13th biggest town in the State of Illinois. Ultimately, we're a community - a village where everyone works together for the common good. And that in-

cludes all of our governmental agencies and bodies, our business partners, and our residents."

It seems that the Village of Arlington Heights, Illinois, truly is the "City of Good Neighbors."

PREFERRED VENDORS

Osman Construction - www.osmanconstruction.com

Carlson Labs - For more than 50 years, Carlson Laboratories has been recognized as an innovator and leading educator in the field of high-quality, nutritional supplements. Starting with a single product in 1965, today Carlson Laboratories, Inc. offers more than 250 vitamins, minerals, fish oils, and other supplements. - www.carlsonlabs.com www.vah.com/village_info

Item: Class 6b Tax Abatement Program

Department: Planning & Community Development

In the past questions regarding the Village's use of the Cook County Class 6B Tax Abatement program were raised.

As outlined in the 2016 and 2015 analysis, the Village of Arlington Heights utilizes the Class 6b Tax Abatement program sparingly and as needed.

Options

In evaluating the Village's use of the Class 6b program, there are several options that could be considered. These are summarized as follows:

Option 1 - Make no changes to the current use of the program.

Option 2 - Cease use of the Class 6b Tax Abatement Program.

Option 3 - Modify some of the Village's Class 6b criteria.

Option 4 - Limit the number of times that a business can renew the Class 6b application.

The attachments provide details of these options.

Zero Interest Loan Program Funding

In 2014, the Village Board concurred with Staff and the Arlington Economic Alliance to require as part of the issuance of the Class 6b Tax Abatement that the business or property owner enter into an agreement to remit 10% of the Class 6b property tax savings annually to the Village for a five year time period. To date, 11 Class 6b applications, new and renewals have entered into such an agreement. From the abatements approved to date it is estimated that approximately $700,000 would flow into this fund through this funding mechanism by the end of 2022.

It is suggested that the language in these Agreements be modified that the 10% reclaimed by the Village in the first five years will be put into a fund for the Zero Interest Loan program or other economic development activities as deemed appropriate by the Village.

Recommendation

In order to remain competitive with our neighboring municipalities, other counties, and in order to utilize this important economic incentive tool, it is recommended that the Village continue to utilize the Class 6b program when necessary by maintaining flexibility with the guidelines created by the Village. There are limited economic incentive tools available to the Village currently; therefore, Staff recommends continued use of this program and continued funding from Class 6b applicants, subject to the following modifications:

1. Modify the Village's criteria to eliminate the requirement for 10 Arlington Heights employees and include in the application that "the applicant should outline efforts to reach out to Arlington Heights residents, regarding future employment opportunities".
2. The maximum number of renewals shall be two unless truly extenuating circumstances are demonstrated.
3. Modify the Class 6b remittance agreement (10% of the tax savings annually to the Village during the first 5 years of the Tax Abatement) as follows: The Village will place these funds into the Zero Interest Loan Program or other economic development activities as may be approved by the Village.

ATTACHMENTS:

Description	Type
Memo - Class 6b Tax Abatement Analysis Update 2016	Memorandum
Class 6b Tax Abatement Analysis July 15, 2015	Memorandum
Tax Abatements Award Summary	Exhibits

MEMORANDUM

TO: Randy Recklaus, Village Manager

FROM: Charles Witherington-Perkins
Director of Planning and Community Development

DATE: October 26, 2016

SUBJECT: *Class 6b Tax Abatement Analysis Update 2016*

Background

You have indicated that a Trustee has questions regarding the Village's use of the Cook County Class 6B Tax Abatement program. As a result of this inquiry, we have re-reviewed the Class 6b program and after meeting with you, Finance Director Tom Kuehne and Michael Mertes Business Development Coordinator are providing the following update to the 2015 analysis, which is attached for review.

Use of Class 6b Tax Abatement in Arlington Heights

As outlined in the 2015 analysis, the Village of Arlington Heights utilizes the Class 6b Tax Abatement program sparingly and as needed. According to Cook County data, Arlington Heights approved three new Class 6b applications between 2010 and 2015. This is comparable to Palatine (3), and Rolling Meadows(4), yet less than Wheeling(10), Schaumburg(21), and Elk Grove Village(84). This data collected from Cook County last year reflects new applications during that time period and does not accurately reflect existing or renewed Class 6b applications. In total the Village Arlington Heights currently has the following Class 6b Tax Abatement activity:

- 22 current and active Class 6b Tax Abatements.
- 7 Class 6B applications have been renewed once.
- 3 Class 6b applications have been renewed twice.
- 2 Class 6b applications have been recently submitted and are pending consideration by the Village.
- 9 recent applications have executed an agreement to remit 10% of the savings for five years to the Village for the zero interest loan program.
- The two pending applications have also executed an agreement to remit 10% back to the Village for the zero interest loan program.

Class 6b Program Eligibility Requirements

The Cook County regulations require amongst other things the following:

- 51% of the facility be manufacturing/warehouse
- The facility be vacant for two years
- Special circumstances may be deemed appropriate by the municipality.

The Village of Arlington Heights has also developed its own criteria including such things as:

- 10% rebate by the business to the Village for the first 5 years to fund the Zero Interest Loan Program.
- Minimum of 25 employees
- 10 Arlington Heights residents as employees
- Demonstration of 5 year financial benefit to the community

Historically, businesses who receive 6b abatement have not met all of the Village's criteria.

Options

In evaluating the Village's use of the Class 6b program, there are several options that could be considered. These are summarized as follows:

Option 1 - Make no changes to the current use of the program. This would permit the Village to remain competitive with our neighboring municipalities and utilize the Class 6b program to attract or retain businesses and utilize the abatement program when necessary.

Option 2 - Cease use of the Class 6b Tax Abatement Program. By ceasing use and denying Class 6b applications, the Village could be seen as not being business friendly. However, this would provide all businesses in the community a level playing field from a property tax perspective. It would also eliminate a funding source that is being used to fund the Zero Interest Loan Program aimed to help other businesses. As a result, this option would eliminate one of the few economic tools to assist manufacturing growth and eliminate the Zero Interest Loan Program.

Option 3 - Modify some of the Village's Class 6b criteria. In reviewing each Class 6b application, it is typical that a business does not meet all of the Village's additional criteria in addition to Cook County's requirements. The requirement for minimum number of employees is sometimes waived. The criteria for 10 Arlington Heights residents as employees, in particular, is almost always waived. If changes were to be made to the criteria, Staff would support eliminating the requirement for 10 Arlington Heights employees, and include language that the applicant should outline efforts to reach out to Arlington Heights residents, for future employment opportunities. The remaining criteria appear appropriate and do provide an additional level of scrutiny, to minimize the number of applicants to just those that absolutely need assistance through the program.

Option 4 - Limit the number of times that a business can renew the Class 6b application. When Cook County originally created the Class 6b Tax Abatement Program, its intent was to attract and retain manufacturing facilities in Cook County, while encouraging investment in the real estate property. Initially, renewals were not allowed by the County. However, the County then modified the program to allow renewals. As noted, in the analysis of the Village's use of this program, several businesses have availed themselves of this renewal option. The question is how many renewals are appropriate? The Class 6b Program is a 12 year Tax Abatement program. Therefore a business that receives two renewals is receiving a Tax Abatement for up to 36 years. In theory, the renewals can continue in perpetuity without some limit or threshold. This means with no limits on renewals, the program permanently lowers property taxes for these businesses, which increases the overall property tax burden to all non-6b property tax payers in the Village. It is suggested that an appropriate number of renewals be considered for a maximum threshold.

Zero Interest Loan Program Funding

In 2014, the Village Board concurred with Staff and the Arlington Economic Alliance to require as part of the issuance of the Class 6b Tax Abatement that the business or property owner enter into an agreement to remit 10% of the Class 6b property tax savings annually to the Village for a five year time period. To date, nine Class 6b applications, new and renewals have entered into such an agreement. From the abatements approved to date it is estimated that approximately $650,000 would flow into this fund through this funding mechanism by the end of 2022. This estimate is subject to how the Cook County Assessor accesses the properties, timing of receipt of the abatement and the business continuing to comply with the Cook County requirements.

Recently the Village Board concurred with modifications to the program to increase the amount of the Zero Interest Loan to $20,000. To date, we have received 6 formal applications for Zero Interest Loan funding. Two loans have been approved, three denied, and one was recently submitted. As this program is still in its infancy, it is recommended that the language relative to the 10% remittance be modified to give more flexibility to the Village. It is suggested that the language in these Agreements be modified that the 10% reclaimed by the Village in the first five years will be put into a fund for the Zero Interest Loan program <u>or other economic development activities as deemed appropriate by the Village</u>.

<u>Recommendation</u>

In order to remain competitive with our neighboring municipalities, other counties, and in order to utilize this important economic incentive tool, it is recommended that the Village continue to utilize the Class 6b program when necessary by maintaining flexibility with the guidelines created by the Village. There are limited economic incentive tools available to the Village currently; therefore, Staff recommends continued use of this program and continued funding from Class 6b applicants, subject to the following modifications:

1. Modify the Village's criteria to eliminate the requirement for 10 Arlington Heights employees and include in the application that "<u>the applicant should outline efforts to reach out to Arlington Heights residents, regarding future employment opportunities</u>".
2. The maximum number of renewals shall be <u>two</u> unless truly extenuating circumstances are demonstrated.
3. Modify the Class 6b remittance agreement (10% of the tax savings annually to the Village during the first 5 years of the Tax Abatement) as follows: The Village will place these funds into the Zero Interest Loan Program <u>or other economic development activities as may be approved by the Village</u>.

Staff would like to discuss these options at the December 12th Committee of the Whole meeting to get additional direction and guidance from the Village Board.

C: Thomas Kuehne: Finance Director
Michael Mertes: Business Development Coordinator

Attachment

CW-P:lmp

MEMORANDUM

TO: Randy Recklaus, Village Manager

FROM: Charles Witherington-Perkins
Director of Planning and Community Development

DATE: July 15, 2015

SUBJECT: *Class 6b Tax Abatement Analysis*

Pursuant to your request, we have analyzed the Class 6b Tax Abatement guidelines and the Village's application of this Cook County program. This analysis included reviewing the Village of Arlington Heights guidelines and application, review of our neighboring communities and obtaining data from the Cook County Assessor's office regarding the number of Tax Abatements approved.

Attached you will find a summary and more details regarding this analysis. The Class 6b Tax Abatement program is one of the few financial incentive tools that the Village has available to attract manufacturing and warehousing jobs into the community and the promote renovation and reinvestment in manufacturing areas throughout the community. In Arlington Heights there are 18 active or renewed Class 6b Tax Abatements. It is a useful tool for business retention such as Motorola/Nokia and JR Carlson Laboratories. It is also a useful tool in attracting businesses such as SVM from Des Plaines and True Grind from Palatine. Large businesses ranging from Nokia with 1,000 jobs and JR Carlson 135 jobs to Signs by Tomorrow 7 jobs have been attracted or retained in the community by utilizing the Class 6b program.

The Cook County regulations for the Class 6b program require amongst other things the following:

- 51% of the facility be manufacturing/warehouse
- The facility be vacant for two years.
- Special circumstances as may be deemed appropriate by the municipality.

The Village of Arlington Heights has developed criteria to evaluate Class 6b Tax Abatement applications. This criteria is designed to leverage and give back to the community and provide benefit to Arlington Heights and include such things as:

- 10% rebate by the business to the Village for the first 5 years to fund the Zero Interest Loan Program.
- Minimum of 25 employees
- 10 Arlington Heights employees
- Demonstration of 5 year financial benefit to the community

The Village's application includes these as guidelines but not a hard and fast rule.

Obtaining data from the Cook County Assessor's office illustrates that since 2010 Arlington Heights has approved three new Class 6b Tax Abatements. This does not include renewals, nor does this include the most recent approval for Midwest Industrial funds, nor the pending application for Suburban Trim and Glass. In comparison, Elk Grove, Schaumburg, and Wheeling have approved substantially more Tax Abatements through this program. In order to remain competitive with our neighboring municipalities and other counties, it is important that the Village utilize the Class 6b Tax Abatement program when necessary while maintaining flexibility with the guidelines created by the Village.

C: Michael Mertes: Business Development Coordinator

CW-P:lmp

Summary - Class 6B Guidelines

July 8, 2015

Overview

The Cook County Class 6B program is designed to encourage industrial development throughout Cook County by offering a real estate tax incentive for the development of new industrial facilities, rehabilitation of existing industrial structures, and industrial reutilization of abandoned buildings. The goal of the incentive is to attract new industry, stimulate expansion and retention of existing industry, and increase employment opportunities. Although this is a program offered by Cook County, the County will not approve any Class 6B applications without the formal consent of the relevant municipality.

Village records indicate that Arlington Heights has 17 properties with an active Class 6B designation. The purpose of these approvals has been to help rehabilitate these structures, increase community employment, and ensure that the site will be a property tax contributor in the long-term. The intent of this summary is to show how the Village currently considers these applications, and also compares Arlington Heights to its surrounding communities in regards to this particular incentive.

Purposes

Arlington Heights utilizes Cook County's Class 6B abatement program because it is an important economic development tool that helps level the playing field for industrial competition between Arlington Heights and municipalities in other counties. The following are guiding principles for past consideration, and further continuation, to implement the incentive:

- **Flexibility –** The incentive gives purchasers the ability to purchase property and locate employers in Arlington Heights via property tax abatement. Often, even with the tax abatement, there are properties in other counties that are both newer and less expensive than those in Arlington Heights. The Village can attract and retain companies by providing this incentive at its discretion.
- **Limited Options –** The Class 6B is one of the few industrial incentives available to Arlington Heights. Without it, the Village is far less competitive for attracting industrial investment than the rest of the Chicago area due to cost of property taxes.
- **Long-Term Benefits –** Like many other Cook County municipalities, Arlington Heights has many older industrial facilities that are in need of substantial renovation, or are simply facing obsolescence when compared to newer and larger facilities in other counties. The Class 6B program encourages modernization of these antiquated facilities and allows Arlington Heights to maintain industrial competitiveness throughout the Chicago area while increasing property values in the long-term. The incentive can also be a significant employment generator/retainer.

Arlington Heights Guidelines

Besides the guidelines required by Cook County, Arlington Heights places additional guidelines in its municipal application. These additional requirements consist of the following:

1. **Agreement to help fund the Zero Interest Loan program.** All applicants must pay a $1,000 application fee which goes directly toward the Zero Interest Loan program. Additionally, applicants must sign an agreement that they will rebate 10% of their savings from the Class 6B incentive over the first five years of the abatement, also to be placed in the Zero Interest Loan fund. As the Zero Interest Loan program was approved in early 2014, only applications since the creation of the program have been required to make the aforementioned payments.

2. **Operations must be at least 50% industrial.** Industrial-type operations include light manufacturing, assembly, and storage. At least 50% of the floor space must be dedicated to such operations or at least 50% of employees must have an industrial-related job with the company. For example, employees who work primarily out of an office would not be considered industrial-related workers.
3. **Applicant must show five-year financial benefit to the Village.** This can be done in numerous ways. Most common means are showing the property tax benefit of an occupied building with a Class 6B designation versus a vacant building, highlighting the increase in property value after renovation, and showing the economic impact of introducing new employees to the community.
4. **Business must have at least 25 total employees.**
5. **Business must have at least 10 employees who reside in Arlington Heights.**

Applications and guidelines are reviewed on a case-by-case basis by Planning and Community Development staff. The Building Department is contacted for any lingering Code violations on the relevant property. The Director of Finance is contacted regarding any financial concerns over approving the incentive. The Legal Department composes the Class 6B funding agreement. Legal also receives and reviews the relevant documentation and uploads to Novus. The Class 6B applications typically appear on a Village Board agenda under the Legal Department. Ultimately, Planning and Community Development Staff is responsible for consolidating the information and providing the summary of the request to the Village Board. Staff also provides a copy of the application to Township High School District 214, per their request. This was requested approximately six years ago, and District 214 has been notified regarding all applications since.

Regarding the five guidelines above, since 2013, all applicants have met the first three criteria. Exceptions have been made regarding employment. Over the years the industrial environment has changed significantly. Therefore, flexibility has been requested regarding employment, particularly regarding the Arlington Heights residency requirement. Considering the Village’s demographics and residential property values, it is unlikely to find 10 employees for an industrial-type company who live in the Village. Additionally, with a significant decline overall in the industrial sector over the past 25 years, flexibility regarding the 25 overall employee requirement has been requested for the sake of business retention and rehabilitation of antiquated facilities. However, as there are guidelines, it allows the Village flexibility and goals for businesses to strive towards.

Consideration

In most cases, Staff has provided a positive recommendation for Class 6B applications over the past 15-20 years. This has resulted in the approval of most applications by the Village Board. All previously approved applicants were at least of a 50% industrial operation and showed a financial benefit to the Village. Also, since the Zero Interest Loan program was approved in early 2014, all applicants thereafter have paid the application fee and signed the agreement to rebate the Village 10% of their savings over the first five years. The total benefit from the six applicants that have agreed to the rebate is estimated at more than $250,000 over the next 5-6 years. These funds can assist other businesses in the community.

Where there has been fluctuation is in the employment requirement. Considering the state of industrial commerce, and taking into account the Village’s demographics, it is often difficult to require a business to have at least 10 Arlington Heights residents employed with the company. Regarding the 25 employee requirement, in most cases this is upheld. However, a few exceptions have been made in the recent past. This has been due to either the retention of a growing and long-time Arlington Heights business in need of relocation assistance, or a company investing in a dilapidated facility that has been on the market for an extended period of time without a prospect buyer.

Moving forward, the Village should reject any application that can't show a financial benefit to Arlington Heights, that doesn't constitute an operation of at least 50% industrial, and that refuses to assist in financing the Zero Interest Loan program. Exceptions should be made for the employment requirements on a case-by-case basis. In light of the current state of the industrial economy, it may be best to reconsider the current employment requirements to make them less stringent.

Other Communities

Our following neighboring communities also utilize the Class 6B program. Here are guidelines specific to their municipalities:

- **Elk Grove Village** – Due to its large industrial area, Elk Grove approves the most Class 6B applications by far. The Village uses the County's Class 6B application and does not appear to have their own. Their criteria specifies that the "property must be used for industrial purposes". Their only other requirement is that the applicant must meet one of the following three criteria:
    - New construction
    - Buying a building that has been vacant for one year or more
    - Substantial renovation to an existing building
- **Mount Prospect** – Offers the program but utilizes the County's application. It does not appear that the community has any other requirements.
- **Palatine –** Like Mount Prospect, Palatine offers the program but utilizes the County's application. It does not appear that the community has any other requirements.
- **Rolling Meadows –** Has probably the strictest requirements of any community outside of Arlington Heights. Rolling Meadows requests a $600 application fee and has the following requirements:
    1. The proposal must satisfy all applicable Cook County criteria for the approval of a Class 6B incentive.
    2. The proposal must be consistent with the City of Rolling Meadow's Comprehensive Plan.
    3. The applicant shall agree to develop, operate, and maintain the Subject Property in compliance with all codes and ordinances of the City of Rolling Meadows.
    4. The applicant shall make every attempt, where feasible, to employ locally and utilize local businesses.
    5. The City shall not renew a Class 6B incentive after the initial 12-year Class 6B assessment time period has expired.
    6. The City's support of a particular Class 6B request shall be tied to a specific business(es) that will occupy the subjects property and benefit from the Class 6B property classification. The applicant's industrial business is intended to so operate at the subject property during the life of the Class 6B exemption.
    7. During the life of the Class 6B schedule, the applicant shall agree not to seek a property tax protest.

  Rolling Meadows also has a one-page municipal application in addition to the County's application. Along with staff review, the City's Economic Development Committee reviews all applications and makes formal recommendations to the City Council. The Economic Development Committee consists of community business representatives, City staff, and elected officials.
- **Schaumburg –** The Village of Schaumburg has their own 5-page Class 6B application. They do not appear to have any additional regulations beyond what Cook County requires.
- **Wheeling –** The Village of Wheeling has a 15-page municipal Class 6B application (much of this is background on the program and guidelines) as well as a $950 application fee. Unique to Wheeling is a required public hearing. Additionally, Wheeling requires the applicant to re-apply with the Village

if construction/expansion/rehab has not commenced within one year of Cook County's approval of the Class 6B designation.

Municipal Comparison Table

Community	Municipal Application	Additional Requirements
Arlington Heights	Yes	Yes
Elk Grove Village	No	Yes
Mount Prospect	No	No
Palatine	No	No
Rolling Meadows	Yes	Yes
Schaumburg	Yes	No
Wheeling	Yes	Yes

New Class 6Bs Since 2010
Arlington Heights and Surrounding Communities
Provided by the Cook County Assessor's office (7/2/15)

Community	Properties*
Arlington Heights	3
Elk Grove Village	84
Mount Prospect	0
Palatine	3
Rolling Meadows	4
Schaumburg	21
Wheeling	10

*According to Village records, Arlington Heights has approved a total of 11 Class 6Bs (4 new and 7 renewals) since 2010.

County records appear to reflect only new Class 6b designations for Arlington Heights; therefore it is assumed that figures for other communities only reflect new Class 6b designations. It is also assumed that the Class 6b for 3 W. College Drive is not accounted for, as it was just approved by the Village Board in June and likely has not received County approval as of yet.

Conclusion

The Cook County Class 6B program is a crucial incentive program to help reoccupation and revitalization of industrial areas in Arlington Heights. Without it, Arlington Heights industrial facilities simply cannot compete from a cost standpoint with DuPage County, Lake County, and other counties in the Chicago metro area. That is why it is important to use the tool as a means of both business attraction and retention.

In reviewing the program and seeing how it is handled by surrounding communities, it appears that on a whole Arlington Heights already has the most stringent requirements. While it may be worthwhile to review the employment requirements under the Village's guidelines, it's important to note that our adjacent municipalities do not have minimum employment requirements. Therefore, in order to remain competitive not only with other counties, but with our neighboring municipalities as well, Arlington Heights should continue to maintain flexibility in this regard, while upholding the need for applicants to meet the other application guidelines.

ACTIVE CLASS 6B COOK COUNTY PROPERTY TAX ABATEMENTS - AWARD SUMMARY
VILLAGE OF ARLINGTON HEIGHTS

Company	Address	Type	Date of Last Resolution	Last Resolution #	Status	Renewals	0% Loan Rebate
Boyer-Rosene Moving & Storage	2636 South Clearbrook Drive	6B	10/24/05	R05-045	Active	0	No
Finn-Power	555 West Algonquin Road	6B	12/17/07	R07-049	Active	0	No
Design Agency / CenterPoint / Arens (6)	1500 West Dundee Road	6B	02/18/08	R08-011	Renewed	1	No
H. Fields & Sons, Inc.	2601-2605 Clearbrook Drive	6B	04/02/12	R12-007	Renewed	1	No
Hommer Manufacturing*	311 West University Drive	6B	07/16/12	R12-021	Renewed	2	No
Suburban Press	3650 North Wilke Road	6B	09/04/12	R12-023	Renewed	2	No
Atomatic Mechanical Services	3733 Ventura Drive	6B	03/04/13	R13-006	Renewed	1	No
Motorola / Nokia Siemens	1501 West Shure Drive	6B	03/18/13	R13-007	Renewed	2	No
Cano Packaging / JR Carlson Lab	600 West University Drive	6B	04/15/13	R13-010	Renewed	1	No
SVM (Solutions that Motivate) - Reavis**	3727 North Ventura Drive	6B	02/17/14	R14-009	Active	2	Yes
Shot Realty (Atlantic Relocation Systems)	1735 East Davis Street	6B	09/02/14	R14-030	Renewed	1	Yes
3803-15 Ventura Drive LLC (Tru-Grind, Inc.)**	3815 North Ventura Drive	6B	02/02/15	R15-004	Active	1	Yes
G&J Associates (Signs By Tomorrow)	1315-1317 E. Davis Street	6B	05/04/15	R15-013	Active	0	Yes
Midwest Industrial Funds	3 W. College Drive	6B	06/15/15	R15-022	Awaiting Tenant	0	Yes
3860 Ventura LLC (Ark Pharm)**	3860 North Ventura Drive	6B	05/02/16	R16-018	Active	1	Yes
GPT Arlington Heights Owner LLC (European Imports)**	600 East Brook Drive	6B	05/02/16	R16-019	Active	1	Yes
Hommer Manufacturing*	311 West University Drive	6B	06/20/16	R16-026	Renewed	1	Yes
Bristol North Ventura LLC (DevLinks)**	3933 N. Ventura Drive	6B	11/07/16	R16-029	Active	2	Yes
MMI Display	206 W. Campus Drive	6B	11/21/16	R16-033	Awaiting Tenant	0	Yes
Lehmann-Peterson (Molon Motor & Coil)	300 North Ridge Avenue	6B	12/05/16	R16-034	Active	1	Yes

*Hommer Tool has two active Class 6b designations on two separate portions of their property.

**Renewal on property, but company/applicant is new owner than previous recipient.

January 2017

Item: Proposed Modifications to the Small Business Tax Rebate Program

Department: Planning & Community Development

In 2011, the Village Board approved a sales tax rebate incentive program for new and existing small retail businesses in Arlington Heights. The following regulations for the program were approved:

- Maximum store size is 5,000 square feet.
- New businesses eligible to receive a rebate of as much as one-third of local sales taxes generated.
- Existing businesses eligible to receive a rebate of as much as one-third of local sales taxes generated on the increment over the prior year's (base year) sales. Such businesses must also expand their square footage by at least 50%.
- The rebate is to be remitted annually, not to exceed three years.
- Tenant must make an investment in their business or physical facilities.
- The business must have a minimum five-year lease.
- Eligible businesses must be open no later than 10:00 a.m. Monday-Saturday. Stores must be open until at least 7:00 p.m. Monday-Wednesday and until at least 9:00 p.m. Thursday-Saturday. Sunday hours are optional.
- Certain retail types apply; others are to the Village's discretion.

Since the creation of this incentive five years ago, no completed applications have been received by Staff. This is often due to the lack of enticement from the incentive. In order to take a proactive approach to lure more independent retail to Arlington Heights, and to better motivate existing independent retail to expand, the following modifications are proposed:

Increasing the rebate amount that the business receives to 50% of local sales tax generated throughout the duration of the incentive period.

1. Increasing the maximum duration of the incentive period to five years, not to exceed the length of the lease.
2. Reducing the expansion requirement to 25% of floor area for existing businesses. The base year requirement will remain in effect.
3. Allowing the business to propose store hours, which the Village can take into account when considering the application. The application will recommend the hours that were previously a requirement.
4. Requiring a minimum three-year lease. However, the incentive period may

not exceed the duration of the lease.

5. Removing language referencing that the business must "make an investment in their business or physical facilities", as this is already assumed by a tenant's commitment to a particular space.

The first two modifications were initially proposed by Staff, and agreed to by the Arlington Economic Alliance per review at their July and August meetings this year. Meanwhile, the Alliance recommended modifications #3-6. Staff concurs with the Commission's recommendation.

Recommendation:

It is recommended that the Village Board of Trustees approve the proposed modifications to the Small Business Sales Tax Rebate Program.

ATTACHMENTS:

Description	Type
Memo - Small Business Sales Tax Rebate Program (July 2016)	Memorandum
Excerpts - Economic Alliance Minutes	Minutes
Sales Tax Rebate Program Application - Proposed Modifications	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*.

Scenario 4 – 50% Sharing Agreement (5 Years)
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

Remaining Competitive in the Chicago Metro Area
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.

Recommendation
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 all 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.

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*

APPROVED (EXCERPT)

MINUTES OF THE MEETING OF THE ARLINGTON ECONOMIC ALLIANCE
HELD ON July 20, 2016 AT 7:30 A.M. AT THE VILLAGE HALL

MEMBERS PRESENT:
Scott Whisler – Chairman
Frank Appleby
Tom Gaynor
Tony Guido
Lisa Henderson
Mike Kalway
Dave Parulo
Jon Ridler
Andi Ruhl

MEMBERS ABSENT:
Jamie Janeczko
Jackie Lewis

STAFF PRESENT:
Michael Mertes – Business Development Coordinator

ALSO PRESENT:
Matthew McDonnell – Resident

Small Business Sales Tax Rebate Program Modifications

The Small Business Sales Tax Rebate Program was created in 2011, and as of this date, no applications have been received. The goal of the program is to recruit and retain small boutique shops that will bring in sales tax revenue to the Village and also help enhance the commercial area in which they locate, including by bringing in customer traffic that will benefit surrounding businesses as well. The incentive is currently available to new and existing retailers of no more than 5,000 square feet with a minimum lease of five years. Currently the Village receives a 2% tax on general retail purchases. Under the program, the business would be rebated one-third of the sales tax they generate to the Village, to be remitted annually, up to three years.

Planning & Community Development Staff is proposing two modifications to the program:

1. The rebate to the business would be increased to a 50-50 share
2. The duration of the program would be extended to five years

The intent of the modifications is primarily to:

- Support existing retailers by bringing additional foot traffic and potentially more customers
- Fill vacancies and generate some additional sales tax and property tax revenue to the Village
- Remain competitive with communities that also offer sales tax rebate programs and/or have TIF districts

The program is not exclusive to the Downtown. Dave Parulo asked why no businesses have taken advantage of the program since its inception. Mr. Mertes responded that there is no one clear reason. Staff has made concerted efforts to promote the program in the past. Jon Ridler feels that the retention portion of the program isn't enticing enough to encourage businesses to expand.

Andi Ruhl pointed out that her business doesn't qualify under the current expansion guidelines, even though she would like to take advantage of it. She might only grow by 30% in terms of floor space, but she's not eligible because she would need to expand by at least 50%. Dropping the square footage requirement for expansion from 50% to 25% may enable more existing businesses to take advantage of the program. Mr. Appleby wondered why a 50% expansion was set as the minimum requirement for an existing business, and might partly explain why no businesses have applied for the incentive.

Copies of the incentive application were distributed to the Alliance. Chairman Whisler inquired about the statement “tenant must make an investment in their business.” It may be more beneficial to remove that language in order to make the application less confusing and broaden the scope of the program. Mr. Ridler concurred. A merchant committing to a space is already an investment.

Mr. Parulo inquired as to the average retailer’s annual sales in Downtown Arlington Heights. Mr. Mertes replied that the examples used in the two scenarios provided to the Alliance, $1 million and $350,000, were based on examples of actual small businesses in the community. Mr. Appleby also asked as to why the maximum size was designated at 5,000 square feet. Mr. Mertes believes that it was designed to focus on independent boutiques and not larger, national retailers. Chairman Whisler suggested increasing the maximum square footage to 7,500 or even 10,000 square feet as that could still motivate independent business owners to expand, both in Downtown and in other Village-wide shopping centers. Mr. Ridler feels that expanding the program’s minimum square foot requirement could benefit Uptown and Southtown shopping centers by filling vacancies and bringing more traffic.

Mr. Gaynor inquired as to why no businesses have taken advantage of the program yet and recommended looking at how many businesses that would meet the criteria have moved into the Village since the program’s inception. Mr. Parulo and Mr. Appleby asked about how the program has been marketed and Mr. Guido asked how other communities are able to offer grants for things such as façade improvements. Mr. Mertes responded that most communities that offer Downtown grants likely have TIF districts which fund such programs. Arlington Heights did offer a façade improvement program, but their funding source, Downtown TIFs, have since expired. In terms of marketing, Planning & Community Development Staff offer the sales tax rebate program to interested independent retailers that approach the Village. Additionally, targeted efforts are made to successful retail shops in other communities that are looking to open an additional location. Staff does <u>not</u> try to poach these businesses, but reaches out specifically about opening a second location in Arlington Heights. Information on the program has also been sent out to local commercial brokers via email and a broker coffee held at Village Hall in fall 2014, and has been placed in past Economic Alliance newsletters.

Mr. Ridler stated that interest ultimately comes down to value. Business owners already have a lot on their plate and that the amount of money received from the incentive isn’t worth the time and effort. The rebate is both a recruitment and retention tool, and the more enticing it is, the more likely business owners are to take advantage of it. Discussing the incentive program with existing business owners in Arlington Heights was suggested by Ms. Henderson. Simplifying the process as much as possible, and communicating the program more, could help attract more interest.

Basing the rebate percentage on either sales and/or square footage was discussed. As the square footage goes up, the rebate percentage could potentially go down. Mr. Appleby feels that the hours of operation requirements are also too demanding and that most boutique retailers aren’t going to be willing to stay open until 9pm from Thursday through Saturday.

What would make an impact on businesses should be a focus, stated Mr. Gaynor. He asked how many businesses have come in since the program’s inception that would have met the criteria had they applied. This would provide some context. Ms. Ruhl also would like to determine if the program’s focus should be both attraction and retention, or just recruitment. Mr. Appleby concurred with previous comments that in order to make it a more effective retention tool, the expansion requirement needs to be less than 50% of square footage. Mr. Parulo added that the program needs to resonate with the realtors. They should be actively advocating to the program to their retail clients. Ms. Ruhl also noted that many retailers prefer a three-year lease with options, as opposed to the five-year lease required by the program. Chairman Whisler acknowledged this point, but wants to safeguard against businesses from taking the incentive and then closing or moving after three years.

Mr. Mertes noted that the goal of the hours of operations requirement was to encourage merchants to stay open later to encourage a more active street life in the evenings and motivate other businesses to do the same. Mr. Ridler responded that hours of operation could be a component that helps decide the percentage rebate offered. Ms. Henderson asked why the Village is losing retail leads despite the current program. Mr. Mertes explained that some proposals start as a concept but never actually move forward. Retailers in other communities that are targeted for a second location in Arlington Heights simply aren't ready to move forward with an additional store. Also, the economic recession that occurred during the commencement of the Sales Tax Rebate program also hampered many businesses' expansion plans.

The Economic Alliance concurred that they were not ready to make a recommendation on the proposed modifications to the incentive. Mr. Kalway pondered the Alliance's main intent for the rebate, whether it is to fill vacancies, to generate revenue, or to retain businesses. The Commission is trying to determine what the program should be. According to Mr. Mertes, all three of Mr. Kalway's points are relevant, but that it's also a quality of life program. It is meant to enhance commercial corridors, such as the Downtown, to make them more lively and pedestrian friendly. Mr. Ridler added that marketing the program may have been hindered by not having a success story to promote.

Mr. Mertes is going to bring the agenda item back in the next couple months for further discussion. The following information will be provided:

- Businesses opening in Arlington Heights the past few years that meet the current program criteria
- Businesses that have closed in Arlington Heights the past few years that met the current program criteria
- Scenarios based upon square footage of applicants and expansions, and hours of operation

Regarding a potential Alliance subcommittee to work on modifying the program, Mr. Mertes suggested that he provided the information requested first to see if the Commission as a whole can come to an agreement. The, it can determine if a subcommittee is needed.

APPROVED (EXCERPT)

MINUTES OF THE MEETING OF THE ARLINGTON ECONOMIC ALLIANCE
HELD ON August 31, 2016 AT 7:30 A.M. AT THE VILLAGE HALL

MEMBERS PRESENT:
Scott Whisler – Chairman
Frank Appleby
Tom Gaynor
Tony Guido
Jamie Janeczko
Jackie Lewis
Mike Kalway
Rex Paisley
Dave Parulo
Jon Ridler
Brian Roginski
Andi Ruhl

MEMBERS ABSENT:
Lisa Henderson

STAFF PRESENT:
Michael Mertes – Business Development Coordinator

ALSO PRESENT:
Jason Kuhl – Arlington Heights Memorial Library
Patrick Mogge – Township High School District 214

Small Business Sales Tax Rebate Program Modifications
Several Chicago area communities offer Downtown grants due to existing TIF districts. Arlington Heights was able to offer grants in the past as well, but no longer now that its Downtown TIFs have expired. In order to remain more competitive with surrounding communities, Planning & Community Development Staff is proposing that the existing Small Business Sales Tax Rebate Program be amended. The following two modifications to the program were initially proposed:

1. The rebate to the business would be increased to a 50-50 share (currently the business would recoup one-third of the local sales taxes they generate while the Village would keep two-thirds)
2. The duration of the program would be extended to five years (currently three years)

Mr. Mertes passed out documents summarizing discussion points from the previous month's Economic Alliance meeting, and also distributed a redlined version of the existing application for the program that incorporates the proposed changes. He went over the five discussion points that came from the last meeting:

➢ <u>Size of Space</u>

The current maximum space allowed is 5,000 square feet. The Alliance requested that Staff investigate increasing this limit. Currently 90% of first-floor units in the Downtown are less than 5,000 square feet. Of the spaces that are larger, only two are occupied by retailers (Jewel and LOFT). Also, all current vacancies in the Downtown are less than 5,000 square feet. Of the 44 new retailers that have opened Village-wide since January 2014, only six occupy over 5,000 square feet. These are all national retailers or secondhand stores.

Staff recommended keeping the 5,000 square foot maximum size requirement. The Commission concurred.

APPROVED (EXCERPT)

- Retention and Expansion

Under current requirements, an existing business would need to expand by at least 50% of floor space. Additionally, they would only recoup sales taxes generated above their base year (the full year prior to receiving the incentive). Under this regulation, a business of 3,333 square feet or more could not receive this incentive.

Staff recommended reducing the minimum floor space expansion percentage to 25% in order to allow more existing businesses to take advantage of the program, while keeping the base year requirement. Chairman Whisler asked if a business could apply for both the Sales Tax Rebate and the Zero Interest Loan Program. Mr. Mertes responded that they could. The Commission concurred with Staff's recommendation.

- Hours of Operation

The Alliance expressed concern that the existing hours-of-operation conditions (open 10am-7pm on Monday through Wednesday and from 10am-9pm on Thursday through Saturday) might be too difficult for most independent retailers to meet. This requirement was added by the Village Board when the incentive program was originally approved in 2011. The purpose was to create more evening pedestrian activity in the Downtown and encourage other retailers to have later hours as well.

Staff recommended keeping the hours of operation requirement, but that applicants could propose alternative hours. Since the Village Board would need to approve the incentive request, it would be to their discretion whether to grant the rebate based upon the proposed store hours. The Alliance debated making the hours of operation requirement a suggestion, instead of a requirement, to not deter applicants. Jackie Lewis pointed out that stores don't want to be held to staying open late if it would be cost prohibitive to them. The 9pm requirement on weekends could be a deal-breaker.

Mr. Parulo suggested that if the goal is to recruit and retain more businesses, than it would be helpful to lift such a requirement. Mr. Ridler added that an existing business wouldn't get any rebate dollars if they fall below their base year. Therefore, they could be motivated to stay open longer to increase their rebate amount. Ms. Lewis stated that small business owners are not going to put time and effort into an application and process if there are restrictions that they cannot meet or feel that the incentive is something for which they won't get approval.

Several Alliance members recommended changing the language to *encourage* later hours, but not *require* them. Rex Paisley suggested utilizing data such as Metra passenger counts to emphasize the benefits of staying open later. The Alliance asked Mr. Mertes to update the application so that the hours-of-operation is changed from a requirement to a recommendation.

- Duration of Lease

Currently applicants must have at least a five-year lease. It was discussed at the last meeting that many independent retailers may only have a three-year lease. Staff recommended reducing the requirement so that the business only needs a three-year lease, but that the length of the incentive may not exceed the duration of the lease. If the business has a lease of less than five years, but has an option extending the lease to five or more years, then they could still apply for the full five year incentive. However, payout would not occur in any years that the business closes or relocates to another community. The Commission concurred with Staff's recommendation.

- Investment in Tenant Space

At the last meeting, it was discussed that language in the application stating "tenant must make an investment in their business or physical facilities" might be confusing since the building owner is often the one who puts monetary investment into the space. Additionally, a business opening or relocating into a space and installing racking, and purchasing equipment and merchandise, is already making an investment in their space.

Staff recommended removing this language from the application and any future marketing materials. The Commission concurred with Staff's recommendation.

APPROVED (EXCERPT)

The payout of the incentive would be on an annual basis. Staff anticipates that these amendments would be brought to the Village Board in the fall and agreed to notify the Economic Alliance of such a meeting.

JON RIDLER MOVED AND TONY GUIDO SECONDED A MOTION TO RECOMMEND TO THE VILLAGE BOARD MODIFICATIONS TO THE SMALL BUSINESS SALES TAX REBATE PROGRAM APPLICATION, POLICY, AND PROCEDRURES. ALL ALLIANCE MEMBERS VOTED IN FAVOR OF THE MOTION.

VILLAGE OF ARLINGTON HEIGHTS

SMALL BUSINESS SALES TAX REBATE PROGRAM

APPLICATION
POLICY AND PROCEDURES

Prepared by:
Village of Arlington Heights
Department of Planning & Community Development
33 S. Arlington Heights Road
Arlington Heights, Illinois 60005
Phone: 847-368-5200
Fax: 847-368-5988
Web Site: www.vah.com
Email:planningmail@vah.com

APPLICATION INSTRUCTIONS
ARLINGTON HEIGHTS
SMALL BUSINESS SALES TAX REBATE PROGRAM

Step One:	**Preliminary Appointment with Department of Planning & Community Development**
Step Two:	**Submittal of Application**
Step Three:	**Review Meeting with Department of Planning & Community Development**
Step Four:	**Committee of the Whole/Village Board Approval**

Instructions to Applicants

This is a preliminary instruction form to assist eligible applicants in preparing the necessary submittals for the Arlington Heights Small Business Retail Incentive Program.

The Incentive

Under this program, eligible **new** businesses can receive a rebate of as much as ~~one-third~~50% of local sales taxes generated. Eligible **existing** businesses can receive a rebate of as much as ~~one-third~~50% of local sales taxes generated on the increment over the prior year's (base year) sales.

The rebate will be remitted annually, not to exceed the duration of their lease, or ~~three~~ five years, whichever is less.~~.~~

Requirements

Eligible applicants must meet the following requirements:

- ~~Tenant must make an investment in their business or physical facilities.~~
- The business must have a minimum ~~five~~three-year lease, but the duration of the incentive period may not exceed the length of the lease.~~.~~
- Maximum store size is 5,000 square feet.
- An **existing** business must be expanding its square footage by at least ~~50~~25%.
- Store hours are at the discretion of the business owner. The Village encourages evening hours to further promote Arlington Heights as a shopper-friendly destination. ~~Eligible businesses must be open no later than 10:00 a.m. Monday-Saturday. Stores must be open until at least 7:00 p.m. Monday-Wednesday and until at least 9:00 p.m. Thursday-Saturday. Sunday hours are optional.~~

Eligible Retail Types

The following retail types are eligible under this incentive:

- Apparel
- Books
- Clothing Accessories
- Electronics and Appliances
- Furniture
- Household Accessories
- Shoes
- Other retailers at the Village's discretion

Procedure for applying for the Small Business Retail Incentive Program:

1. **New Business** applicant submits the following documents to ~~DPCD~~the Department of Planning & Community Development:

    A. Small Business Retail Incentive Application Form
    B. Executed Lease / Letter of Intent
    C. Business Plan
    ~~D. Investment Plan for Financial Rebate Proceeds~~
    ~~E.~~D. Anticipated Hours of Operation
    ~~F.~~E. Square Footage
    ~~G.~~F. Number of Employees
    ~~H.~~G. Projection of Total Retail Sales
    ~~I.~~H. The Village of Arlington Heights may require additional documentation if deemed necessary.

2. **Existing Business** applicant submits the following documents to the Department of Planning & Community Development~~DPCD~~:

    A. Small Business Retail Incentive Application Form
    B. Executed Lease
    C. Business Plan
    ~~D. Investment Plan for Financial Rebate Proceeds~~
    ~~E.~~D. Anticipated Hours of Operation
    ~~F.~~E. Square Footage
    ~~G.~~F. Number of Employees
    ~~H.~~G. Expansion square footage (The existing business must expand by at least ~~50~~25% of the existing square footage.)
    ~~I.~~H. The last 12 month level of retail sales. (This will provide the base year of retail sales.)
    ~~J.~~I. The Village of Arlington Heights may require additional documentation if deemed necessary.

Application #_________

ARLINGTON HEIGHTS
SMALL BUSINESS SALES TAX REBATE PROGRAM

APPLICATION

I. Name of Business: ____

Business Owner: ____

Address of Business: ____

Phone– New Business: ____________ **Existing Business**: ______________

Email: ____

II. Building Owner(s): ____

Address of Owner(s): ____

____

Phone (work): ____

III. State Sales Tax Number: ____

IV. Federal Employee ID#: ____

V. Est. Cost of Build-Out: ____

VI. Length of Lease (years): ____

VII. Lease Expiration Date: ____

VIII. Store Square Footage (SF): ____
(if expanding, include original SF and SF after expansion)

IX. Anticipated Hours of Operation: M:____ am -____ pm / Tu:____ am -____ pm
W:____ am -____ pm / Th:____ am -____ pm
F:____ am -____ pm / Sa:____ am -____ pm
Su:____ am -____ pm

X. **Description of Business (include type of operation, number of employees, etc.):**

____

____

____

____

____

XI. **Tenant Build-Out Plans/Expansion Plans/Drawings prepared by:**

Name:____

Address:____

Phone (Work):____

XII. **If you are an existing business please describe your expansion plans including the square footage added and how you will reinvest the sales tax rebate into your business:**

____

____

____

____

____

XIII. **If you are an existing business, please provide the last twelve month level of retail sales.**

Total Sales (Last 12 Months): $_________________________________

XIV. Statement of Understanding:

A. **The applicant (undersigned) agrees to comply with the guidelines and procedures of the Small Business Sales Tax Rebate Program.**

B. **~~The applicant further understands that the applicant must adhere to the standard hours of operation established in the guidelines.~~**

~~C.~~ **~~The retail tenant must make an investment in the business or physical facilities. The financial rebate from the Village must be utilized to improve the business. Some of the Eligible Costs may include tenant build out, interior remodeling, exterior façade improvement, signage, awnings, Code compliant improvements, architectural fees, permit costs, marketing programs, cooperative advertising and other appropriate advertising.~~**

D. **The applicant must comply with all federal and local regulations.**

E. **The Local Municipal sales tax rebate will be paid by the Village on an annual basis.**

XV. Submittal of all required materials listed on the application procedure

Signature(s):________________________________

Date: ______________________________________

Signature (s): _______________________________

Date: _____________________________________

Application to be returned to:

Village of Arlington Heights
Department of Planning & Community Development
33 S. Arlington Heights Road
Arlington Heights, Illinois 60005
Phone: 847-368-5200
Fax: 847-368-5988
Web Site: www.vah.com
Email:planningmail@vah.com

Item: Vacant Space Report

Department: Planning & Community Development

Trustee Thomas Glasgow initiated a discussion with Staff regarding the status of commercial and industrial vacancies in Arlington Heights. As a result of Staff research and obtaining information on other communities' restrictions on vacant space, such as a tax or fee, or a prohibition on negative use restrictions, the attached report was prepared.

RECOMMENDATION

It is recommended that the Village continue to utilize existing programs and Staff's network of real estate contacts to promote the community and fill vacancies.

ATTACHMENTS:

Description	Type
Vacant Space Report (Feb. 2017)	Report
Vacancy Comparisons - February 2017	Exhibits
Downtown Retail Commercial & Occupancy Status	Exhibits

Village of Arlington Heights
Report on Vacant Commercial and Industrial Space
February 2017

Introduction

Trustee Thomas Glasgow initiated a discussion with Staff regarding the status of commercial and industrial vacancies in Arlington Heights. As a result of Staff research and obtaining information on other communities' restrictions on vacant space, such as a tax or fee, or a prohibition on negative use restrictions, the attached report was prepared.

Vacancies in Arlington Heights

The vacancy rates in Arlington Heights for commercial and industrial properties trended favorably in 2016. Further, the reduction of vacancies in these areas also has shown a positive trend since coming out of the recession.

Retail: In regards to retail, Village-wide vacancy rates in 2016 saw a 0.3% decrease from the previous year to 7.3% overall. This is furthered by a drop in overall retail vacancy by 2.0% since 2013. Compared to the Northwest Chicago area submarket, which includes Arlington Heights and all, or portions, of eight other surrounding communities, Arlington Heights' retail vacancy rate is 1.7% lower on the whole. There are approximately 5.1 million square feet of retail space in the Village.*

Office: Meanwhile office vacancy in the Village declined by 4.2% to 16.3% overall in 2016. This is also lower than the 2013 office vacancy rate of 19.5%. Arlington Heights's rate is also favorable compared to the submarket, which at a vacancy rate of 21.0% is 4.7% higher than the Village's. The community boasts 5.0 million square feet of office space.*

Industrial: Also in 2016, the community's industrial/flex vacancy rate fell by 6.7% to 15.7% overall. Arlington Heights trails the submarket in terms of industrial/flex vacancy which has a rate of 9.7%. This is primarily due to a few large vacant tenant spaces in the Village. However, as mentioned, this vacancy rate still dropped substantially in the past year. Arlington Heights has 5.6 million square feet of industrial/flex space.*

	Arlington Heights	**Northwest Submarket**
Retail Square Feet	5.1 million	29.0 million
Retail Vacancy Rate	7.3%	9.0%
Office Square Feet	5.0 million	36.5 million
Office Vacancy Rate	16.3%	21.0%
Industrial/Flex Square Feet	5.6 million	40.7 million
Industrial/Flex Vacancy Rate	15.7%	9.7%

Source: CoStar (Jan. 2017)

***source: CoStar (Jan. 2017)**

Summary: Overall, Arlington Heights had a successful year filling tenant spaces in 2016, seeing declines in retail, office, and industrial vacancy rates. Furthermore, the Village is in better shape in terms of vacancies than our submarket, save for industrial. However, this is also skewed by a few large vacancies that, if filled, would drop the vacancy rate to a competitive figure with our neighboring communities.

Efforts and Incentives: To help offset industrial vacancies, the Village takes advantage of the Cook County Class 6b property tax abatement program. In 2016, six businesses (three new and three existing) were approved for the incentive to enable a long-term presence here in the community. These six enterprises occupy a combined 340,000 square feet, and if vacated, would add 6.7% to the Village's industrial/flex vacancy rate.

Also, Planning & Community Staff has utilized the Zero Interest Loan program to support the establishment of both an office user and a service business to the community. The program continues to be marketed and is available to all types of for-profit businesses. Also, Staff has requested modifying the Small Business Sales Tax Rebate program in order to make it more enticing to retailers. In addition to these incentives, extensive business attraction efforts continue via targeted recruitment, tradeshow attendance, and partnerships with our extensive network of brokers. Furthermore, the Village Board has authorized studies and implementation of a number of corridor enhancement initiatives designed to enhance the Village's competitiveness along these corridors.

Recent key attraction efforts include HSBC which brought 1,500 employees to the Village and reoccupied 160,000 square feet of previously vacant space, 25N Coworking which has the potential to incubate new businesses in Arlington Heights and further development at Arlington Downs, and both Shakou and the Arlington Ale House which will continue to grow Downtown as a dining and entertainment destination. For more details, and other business attraction efforts from this past year, please refer to the *2016 Business Development Report.*

Retail Trends

Despite the improvement in retail vacancy from last year, there are several warning signs regarding the retail climate that need to be considered moving forward:

Internet Sales: Internet sales are impacting retail businesses of all sizes and types, especially bookstores, electronics sellers, and most "brick and mortar" retailers. This has not only pushed less successful brands and independent stores to closure around the country, but also depletes sales tax revenues that would otherwise be going to the municipality.

Workforce Downsizing: Numerous companies downsized their workforce during the Recession and many are allowing their employees flexible schedules to work remotely. Whether relocating or expanding office space, multi-occupancy workspaces are shrinking, which results in higher occupancy buildings. This impacts available parking. In the case of HSBC, Planning & Community Development Staff worked closely with property ownership, who ultimately removed some buildings on the site to substantially increase available parking well above minimum Code requirements.

Competition: The Village is under constant pressure from competing retail centers such as Woodfield Mall, Deer Park, and Randhurst Village. The ability to attract and retain sales tax generating uses is critical to the Village's budget. On a positive note, Arlington Heights businesses conducted $1.2 billion in retail sales in 2015 (numbers for 2016 are still being calculated by the State). This is the highest amount for the Village since the Recession. That being said, national brands tend to attract other national brands. Arlington Heights needs to consider accessibility and aesthetics for our shopping centers that compares to our competition, in order to better lure name brand retailers. Additionally, consideration should be given to the long term increase in the number of discount stores, non-profit retailers, and service businesses replacing big-box and mid-box units at key locations.

Other Communities

Like Arlington Heights, other communities utilize incentives to fill vacancies. Sales tax rebate programs are not uncommon among Chicago-area municipalities, while Cook County communities with industrial presences regularly take advantage of the Class 6b abatement. Some other municipalities, such as Wheaton and Mount Prospect, offer façade and business recruitment grants via their Downtown TIF districts. Arlington Heights offered façade, interior build-out, and signage grants and loans via Downtown TIFs, but these districts have long since expired, cancelling the mechanism for funding such tools. As mentioned above though, the Village offers the Zero Interest Loan program, and has suggested modifications to the Small Business Sales Tax Rebate program, in order to remain competitive with other communities in terms of business attraction.

Besides incentives, other action is being taken in the Chicago area. In an effort to curb large vacancies, the Village of Buffalo Grove approved an ordinance in 2015 that forbids negative use restrictions on drug stores and grocery stores. In other words, a property owner cannot place a private restriction on business use types where they are otherwise permitted by zoning and not occupying a competing space within the same shopping center.

Additionally, State Rep. Robert Martwick of Chicago proposed legislation in 2016 to investigate commercial property owners in Cook County who have applied for, and received, lower tax rates due to vacancies. This is in order to ensure that these property owners are actively marketing and/or maintaining the property and not simply taking advantage of a tax break. This did not reach the Governor's desk last year, but a spokesperson from Rep. Martwick's office stated that he is looking to pursue similar legislation this year.

Some communities have discussed implementation of a tax or fee on vacant spaces and properties. Planning & Community Development Staff searched for examples of other communities that had taken such action. Locally, only the City of Chicago has such a fee, which is a registration for vacant properties, but not necessarily vacant storefronts, in order to ensure they have adequate liability insurance and are maintaining the building to Code. Across the country, some cities have implemented vacancy fees, notably San Francisco. In 2014, the City of San Francisco enacted an annual fee for vacant storefronts. Exemptions exist for property owners that have hired an active real estate agent and/or place the tenant spaces on a property listing site. A further exemption includes buildings with active permits for renovation and/or maintenance. There would be numerous legal, administrative, and enforcement challenges with a vacancy tax or fee.

Analysis/Options

The following is a brief summary of options (please note that these are not recommendations):

Negative Use Restrictions: Forbids a property owner from placing a private restriction on business use types where they are otherwise permitted by zoning and not occupying a competing space within the same shopping center. Buffalo Grove is an example of a municipality that has recently approved a negative use restriction section to their Zoning Code. This would not completely eliminate the problem as the property owner is not obligated to lease to a tenant they do not wish to have, but could help mitigate future restrictive covenants that could be detrimental to a community's economy.

Vacancy Tax/Fee: A tax or fee on commercial or industrial properties that show no efforts of marketing and/or physical improvement. Initial review was conducted by the Legal Department. The concept of a vacancy tax would be legal and it is likely possible to create such a tax. However, implementation would bring about significant challenges in drafting and implementing such a tax. It also may be difficult to administer and enforce. Among the challenges are:

- Type of property tax would be taxed (solely commercial, or residential as well in order to address the issue in an equitable manner?)
- Parameters as to the duration of vacancy before the tax is applied
- Awareness of all properties that are vacant and when they became so; property owners are not required to make the Village aware of vacancies and Staff often finds out via secondary sources (e.g. CoStar), and this information is not always immediately updated
- Evaluating multi-tenant buildings that have only partial vacancies
- Sites that remain at least partially vacant after the Village rejects a proposed use (i.e. special use or land use variation requests)

Minimum Vacant Storefront Standards: Code requirements for property owners to make their storefronts presentable, which are visible to vehicles and pedestrians. A poorly maintained façade or interior (visible via doors or windows) can not only deter a potential tenant from leasing the space, but also negatively impact neighboring storefronts.

Support of Vacancy-Related Legislation: Potential State/County legislation, as noted above, may seek to reclaim or limit tax breaks given to vacant properties.

Existing Programs: Existing economic development programs in Arlington Heights include the Sales Tax Rebate program, the Zero Interest Loan program, the Cook County Class 6b incentive, TIF districts, and corridor enhancement programs.

***Implementation*:** Many of the aforementioned options would need to be carefully reviewed from a legal, administrative, staffing, and enforcement perspective.

Recommendation

It is recommended that the Village continue to utilize existing programs and Staff's network of real estate contacts to promote the community and fill vacancies.

COMPARATIVE VACANCY RATES
Arlington Heights vs. Submarket
February 2017

Retail Vacancy Rates

Year	Arlington Heights	Northwest Submarket
Existing SF	5.1 million	29.0 million
2016	7.3%	9.0%
2015	7.6%	8.9%
2014	6.9%	9.9%
2013	9.3%	10.3%

Source: CoStar (Jan. 2017)

Office Vacancy Rates

Year	Arlington Heights	Northwest Submarket
Existing SF	5.0 million	36.5 million
2016	16.3%	21.0%
2015	20.5%	16.8%
2014	15.8%	15.9%
2013	19.5%	18.0%

Source: CoStar (Jan. 2017)

Industrial/Flex Vacancy Rates

Year	Arlington Heights	Northwest Submarket
Existing SF	5.6 million	40.7 million
2016	15.7%	9.7%
2015	22.4%	8.5%
2014	15.5%	8.4%
2013	16.3%	10.4%

Source: CoStar (Jan. 2017)

Note: “Northwest Submarket” includes portions or all of the following communities: Arlington Heights; Buffalo Grove; Elk Grove Village; Hoffman Estates; Mount Prospect; Palatine; Prospect Heights; Rolling Meadows; Schaumburg

Village of Arlington Heights
Downtown Retail & Commercial Occupancy Status

***

Introduction

This report is an update on prior years' reports regarding the status of the Downtown and its commercial spaces. This specific report is broken down into five parts:

I. Vacancy Rates
II. Key Opportunities
III. Key Successes
IV. Business Transitions (2016 and Upcoming)
V. Summary

The purpose of this document is to summarize where the Downtown stands, in terms of commercial/retail occupancy, efforts made to ensure it remains a thriving commercial district, and plans for 2017 in order to maintain and enhance occupancy. The report should be seen as a synopsis of these aspects, and is not meant to reflect every single Staff effort.

Vacancy Rates

First Floor by Square Footage
(All data as of January 25, 2017)

Area	Total SF	Vacant SF	Vacancy Rate
Downtown (All B-5)	525,951	43,764	8.3%
North Side of Tracks (B-5)	129,414	14,432	11.2%
South Side of Tracks (B-5)	396,537	29,332	7.4%
Northwest Submarket* (All Retail)	29 mil	2.61 mil	9.0%

Downtown Data Source: Staff Research and Analysis
Northwest Submarket Data Source: CoStar

*Note: "Northwest Submarket" includes portions or all of the following communities: Arlington Heights; Buffalo Grove; Elk Grove Village; Hoffman Estates; Mount Prospect; Palatine; Prospect Heights; Rolling Meadows; Schaumburg

In 2016, Downtown first floor vacancy fell below that of the submarket's total retail vacancy. This was an improvement for Downtown Arlington Heights which had a 9.2% vacancy rate this time last year and saw a decrease of nearly 1% in 2016. Meanwhile, the submarket's vacancy rate jumped slightly from 8.8% in early 2016 to 9.0% currently. A few key vacancies continue to impact even further improvement for the Downtown such as the former Panera Bread and 10 S. Vail Avenue. Activities to further fill available spaces and reduce the Downtown first floor vacancy rate continue. It is important to note though that there are many variables outside of the Village's control impacting the ability to re-lease several of the key spaces. Retail is very cyclical and impacted by regional and national trends. Online shopping is one such example, while individual retailer trends and actions also have an impact.

There are currently 187 first-floor spaces in the B-5 zoning district, encompassing an estimated total of 525,951 square feet. As of this date, 24 of these spaces are currently unoccupied or unleased. When broken down by total square feet, there are 43,764 unoccupied/unleased square feet, an 8.32% vacancy rate. Compared to the marketplace, this is a relatively low vacancy rate.

First Floor Vacancy Rate in Downtown (B-5)

	Spaces	Square Feet (SF)	% of SF
Total	187	525,951	100%
Vacant	24	43,764	8.32%

There are primarily six general business types occupying the first floor of the Downtown: banks, entertainment venues, office, restaurant, retail, and service. Service businesses occupy the most spaces in the B-5 district with 62, constituting approximately 33% of all spaces (including vacancies).

Business Types by Individual Spaces

Type	Spaces	Space%
Service	62	33.16%
Retail	34	18.18%
Restaurant	32	17.11%
Office	25	13.37%
Vacancy	*24*	*12.83%*
Entertainment	6	3.21%
Bank	4	2.14%
TOTAL	**187**	**100.00%**

If looking at business mix by square feet, service providers also take up the most space in the B-5 district with 105,903 square feet or 20.14%.

Business Types by Total Square Feet

Type	SF	SF %
Service	105,903	21.72%
Restaurant	102,839	19.55%
Retail	88,164	16.76%
Office	78,521	14.93%
Bank	67,864	12.90%
Vacancy	*43,764*	*8.32%*
Entertainment	42,615	8.10%
TOTAL	**525,951**	**100.00%**

The two largest business types, by square footage, are restaurants and service businesses. Combined, they occupy approximately 41% of all first-floor space in the B-5 district.

The square footage figures show a diverse mix of business types. Among restaurants, services, retailers, and office users, none occupy more than 22% of Downtown square footage, while none of the four occupy less than 14% either. Although service businesses occupy the most *spaces* in the Downtown (62), and make up one-third of the units, this business type only occupies one-fifth of the Downtown's cumulative first floor square footage. This discrepancy is partly explained by the fact that service businesses have the lowest average unit size of all business types at 1,708 square feet. This is partially due to the number of smaller spaces being occupied by hair and beauty-related uses.

Key Opportunities

The following is a summary of vacant spaces in the Downtown that are notable for their size, presence, or uniqueness. Staff has made proactive efforts in the past year to market each of these sites, and will continue to do so until occupied.

Panera Bread (31 S. Evergreen Ave.)

In late October, the Arlington Town Square shopping center was sold. The new property owner enlisted Tom Walsh of Abbell Associates to serve as commercial broker for the site, and who also served as the commercial broker for the site when it was first developed in the late 90s. At the Chicago ICSC event last year, Planning & Community Development Staff met with Mr. Walsh and a representative of the new ownership group to discuss the purchase and plan for leasing the vacant tenant spaces. Since this time, Planning & Community Development Staff has been in close contact with Mr. Walsh, including several discussions and multiple meetings with potential restaurateurs interested in the former Panera Bread space. Although no new leases for retail space have been signed as of the past three months, Mr. Walsh has expressed strong interest in both the Panera Bread space and the shopping center as a whole. The Planning & Community Development Department continues to promote the site, sending information out to dozens of brokers representing potential fast casual tenants for the space. Potential opportunities have also been forwarded to Mr. Walsh for his outreach efforts as well.

10 W. Vail St.

The former Peoples' Bank site, and former proposed site of Phase II of Circa '57, has been actively marketed by the Planning & Community Development Department. Staff has aimed to find a retail, restaurant, or entertainment use to take advantage of the site's adjacency to the Vail parking garage and its visibility from Harmony Park. Planning & Community Development Staff also arranged a personal tour for a restaurateur last year. Currently the space is a shell and to attract a restaurant would require significant investment involving installation of vents, grease traps, and black iron. Staff actively promotes both the sales tax rebate program and Zero Interest Loan program as opportunities to help offset some of the costs. Communication with the broker representing the site, and marketing of the space to potential tenants, continues via Staff efforts.

Day Go Dogs & 'Za (5 W. Campbell St.)

The fast casual restaurant Day Go Dogs closed in April 2016. The 2,400 square foot space has been vacant since, and is listed for sale ($699,000) by the property owner. Per conversations with the owner, he will also consider a lease for an appropriate tenant. Planning & Community Development Staff has promoted this site to potential casual and sit-down restaurateurs. Staff is still making a concerted effort to market the site and since late November has been communicating with a party interested in leasing the space.

Flaherty Jewelers (2 N. Dunton Ave.)
Flaherty Jewelers moved in spring 2016 to their new location at Evergreen Plaza, leaving a 2,300 square foot first floor vacancy at the northwest corner of Campbell & Dunton. The site had twice gone to auction, but nobody bid on the asking price. Planning & Community Development Staff continues to work with the brokers on finding a tenant and continue to offer assistance and marketing the site to potential tenants.

Key Successes

Multiple key vacant sites in the Downtown were reoccupied in 2016. Here is a summary of a few of Downtown's attraction and retention successes in the past year:

Metropolis Building – 3rd Floor (111 W. Campbell St.) – Newly Occupied 10,000 Square Feet
For the past several years, Planning & Community Development Staff has worked diligently to find a tenant for the 3rd floor space in the Metropolis Building. In addition to creating a marketing brochure for the space and targeting potential tenants, Staff arranged multiple tours of the space with potentially interested businesses. In spring 2016, Kevin McCaskey met with the Planning & Community Development Department to discuss investment opportunities in the community. Staff recommended that he consider the third floor of the Metropolis Building, the former site of the Anheuser-Busch training facility, and also facilitated a tour of the space for him.

The 10,000 square foot space had been unused for nearly ten years, but with the uniquely themed bar areas and a 100+ seat auditorium it was an opportunity to further enhance the Downtown as an entertainment destination. Mr. McCaskey met with Village Staff on multiple occasions to discuss zoning and liquor license requirements. Staff guided him through these processes and he was recommended for approval by the Plan Commission, and officially approved by the Village Board, in late 2016. Mr. McCaskey purchased the space shortly thereafter.

The new business, the Arlington Ale House, required a land use variation to allow a restaurant without a kitchen. The Ale House will allow their patrons to order food to be delivered from local restaurants. Overall, this is a positive for the community as it will enable nearby restaurateurs to gain business. Meanwhile a large, long unused, and one-of-a-kind Downtown space has been reoccupied and reinvigorated to help draw more patrons to the Village. Arlington Ale House opened in January 2017.

Mago Grill & Cantina (115 W. Campbell St.) – 2,200 Square Foot Expansion
Planning & Community Development Staff had multiple discussions with the owners of Mago Grill & Cantina and their landlord in 2015. The Department helped create a dialogue between the two parties when it appeared that both Mago ownership and their landlord were considering not renewing the lease. After numerous discussions, in April 2015, the business owners signed a multi-year extension to continue to serve Downtown at its current location. After the lease renewal, Mago negotiated a lease to expand into the former Z Spa space at 107 W. Campbell Street. This 2,200 square foot unit will expand the restaurant's footprint by over 50%. Planning & Community Development Staff coordinated meetings with the Health Department and the Metropolis Performing Arts Center on this expansion. Additionally, restaurant ownership is conducting a remodel of their existing space as well.

Mago is one of Downtown's highest grossing restaurants. Instead of leaving the Village, as was a distinct possibility two years ago, the restaurant's owners are now expanding and reinvesting in their space to make sure that Mago is an even greater destination, which will bring residents and visitors alike to Downtown Arlington Heights.

<u>Porky's BBQ (41 S. Dunton Ave.)</u>
Porky's BBQ opened in April 2016 at 41 S. Dunton Avenue in the Downtown. The business owners were originally recommended to Staff via Trustee Sidor. Village Staff from Planning & Community Development and Building Services worked closely with the owners for over six months to convert a long-unused retail space into a restaurant space. Assistance provided includes help with marketing, signage, zoning, and obtaining a Special Use waiver.

The owners have frequently expressed their appreciation for Staff efforts and noted that they were busier in their first few weeks than they originally anticipated. Staff will continue to help promote Porky's BBQ which brings a much-desired quick-serve casual dining option to the Downtown.

<u>Jaunt (131 W. Wing St.)</u>
Jaunt, a refurbished furniture and home furnishings store, opened in December at 131 W. Wing Street, a long-time vacant space. Jaunt's merchandise is sourced from around the world, especially places such as India, Thailand, and Indonesia. The business was referred to Staff by Trustee Tinaglia, and the Planning & Community Development Department has assisted the owners with marketing, available resources, and the permitting process.

<u>Woodcrafters DIY Studio (28 S. Evergreen Ave.)</u>
Woodcrafters DIY Studio opened in late October in Downtown's Evergreen Plaza shopping center. The business has public and private events where people can decorate wooden crafts and signs, while offering a BYOB component for adults. Staff has provided the owners with information on marketing, licensing, and permitting questions. This is a start-up business with Arlington Heights hosting its first location. Woodcrafters DIY Studio is a great complement to the do-it-yourself entertainment offerings in Downtown that includes Thrown Elements Pottery and Bottle & Bottega.

<u>Sozo Nail Spa (33 S. Vail Ave.)</u>
Sozo Nail Spa was the second awardee of the Zero Interest Loan program. The Downtown beauty salon received a $20,000 loan as approved by the Village's Loan Committee, which consists of Village Staff and two members of the Arlington Economic Alliance. Sozo Nail Spa opened in mid-May at 33 S. Vail Avenue, next door to First Midwest Bank (formerly The Peoples' Bank of Arlington Heights). The owners will be repaying the loan in quarterly installments of $1,000 over the next five years.

Business Transitions (2016 and Upcoming)

New Downtown Businesses in 2016

Business Name	Address	Business Description
Arlington Ale House	111 W. Campbell St. #300	Bar/restaurant with food service from local eateries
Around Café	28 E. Northwest Hwy.	Coffee, tea, and smoothies
Beauty Time	5 S. Dunton Ave.	Hair salon
Jaunt	131 W. Wing St.	Home furnishings, furniture, and decor
Pho An Heights	6 S. Dunton Ave.	Vietnamese and Korean restaurant
Porky's BBQ	41 S. Dunton Ave.	Carryout BBQ restaurant
Prestige Renovations	157 N. Evergreen Ave.	Kitchen & bath design and sales
Sozo Nail Spa	33 S. Vail Ave.	Nail salon and retail product sales
The Barre Code	102 E. Wing St.	Fitness studio
The Burback Brothers Inc.	21 S. Evergreen Ave. #260	Illustration and animation for advertising industry
Tweyen Inc.	171 W. Wing St. #201	Graphic design and marketing services
Woodcrafters DIY Studio	28 S. Evergreen Ave.	DIY personalized wood signs and crafts

2016 Business Closings by Month

Business Name	Address	Month	Status of Space
Day Go Dogs & 'Za	5 W. Campbell St.	April	Potential lease being negotiated
Arlington Beauty Shop	5 S. Dunton Ave.	June	Replaced by Beauty Time Salon
Mimzi Art & Frame	13 ½ W. Davis St.	August	Vacant
Traces of Heaven / Gift Bandit	26 E. Northwest Hwy.	December	Vacant

Four spaces became available in 2016, down from nine in 2015. One space, 5 S. Dunton, was quickly reoccupied by another hair salon. The other three remain available although Staff is currently assisting an interested tenant in one of the spaces. One other tenant space just became available at the end of last year.

Also in 2016, **Armand's Pizzeria** relocated within the Downtown from 70 N. Vail Street to 101 W. Campbell Street, into the former Circa '57 restaurant space. The ownership of Armand's purchased the new location in mid-2016. Planning & Community Development Staff conducted regular communication with the owner regarding the transition to Campbell & Vail. Among these efforts were initial outreach to offer assistance when the purchase had been finalized, providing information on signage and building permit questions, guidance through the business license process, and adhering to the allowed Special Use requirements which avoided the need for a three-month Plan Commission process. Armand's opened at their new space in December and benefitted from a soft opening during the Holiday Happenings at Harmony Park event on December 2.

Shakou, a restaurant featuring modern Asian cuisine with an emphasis on sushi, has signed a lease for the former Armand's Pizzeria space at Vail and Wing. Shakou currently has four other successful Chicago-area locations, and in recent years was named one of the Top 100 "Hot Spot" Restaurants in America by Open Table. This addition to Downtown's dining scene is anticipating a spring 2017 opening. Prior to signing their lease, Shakou received extensive assistance from the Planning & Community Development Department.

Summary

Efforts continue to assist in facilitating the occupancy of commercial spaces in the Downtown. However, despite best efforts, business recruitment can't depend entirely on Village initiatives. Much hinges on the landlords, both in terms of their attraction efforts and willingness to negotiate terms that are mutually beneficial to the prospective tenants. Furthermore, the overall economy plays a significant role, as was seen in all Chicago municipalities during the recession.

In addition, the impact of big box stores, and especially online retail, has changed the boutique store landscape. Independent shops are not nearly as prevalent today as they have been in the past. Often, users such as banks, financial offices, and beauty salons pay higher rents and are more enticing to landlords than retailers and restaurants. Business owners also see Cook County taxes as burdensome and a disincentive to operate. Competition from Randhurst Village, Deer Park Town Center, Woodfield Mall, and other nearby Downtown districts also impact leasing activity.

Despite the factors outside of the Village's control, Planning & Community Development Staff will continue to be aggressive in terms of business attraction. Multiple channels are utilized to recruit new commercial businesses to Downtown:

- **Commercial Brokers**: Planning & Community Development Staff has an established, extensive network of commercial brokers that represent tenants and properties. They are also sources of information such as new businesses breaking into the market, potential business closures, and development contacts. Staff is working on numerous networking opportunities to potentially match tenants with Arlington Heights vacant properties.
- **Targeted Contacts**: Staff maintains lists of prospective businesses and conducts targeted mailings and contacts, promoting not only the Village but its incentive programs. This outreach is often done regarding particular sites (such as the Panera Bread space). Staff also maintains a list of boutique shops in other Chicago area communities that are targeted for interest in opening an additional location in Arlington Heights. Mailings and follow-ups to these businesses are typically done multiple times throughout the year.
- **Trade Shows**: Staff attends multiple International Council of Shopping Centers (ICSC) programs each year, as well as the independently-run *Retail Live!* These trade shows allow Staff to: market properties directly to tenants, garner information on market trends, and network with Arlington Heights property representatives.

The Village continues to strive to ensure that Downtown remains a thriving destination for shopping, dining, and entertainment. However, several key spaces may only become re-tenanted when asking prices are further reduced.

Item: Discussion of Potential Cell Tower Lease on a Village Water Tower

Department: Village Manager's Office

In 2016 Staff began exploring the potential of leasing Village property to cellular provider to generate additional revenue for the Village. Arlington Heights is one of the few municipalities in the area that does not generate revenue in this manner. Such leases can generate tens of thousands of dollars per year for the host Village per lease, with some water towers hosting multiple antennae. In addition, the Village can exert a greater degree of control over the aesthetics of an antenna on a Village property via a lease on Village property than can be exerted over an antenna on private property via the regulatory process.

Staff conducted a feasibility study in 2016 to examine the process and regulatory environment. Security and safety, legal, aesthetic, and financial concerns were also discussed by Staff from Public Works, ISD, Finance, Planning and Legal. We also received input from a Telecommunications consultant on the process used by other communities. Staff believes that a pilot program at a single site should be discussed and has identified the Water Tower on S. Arlington Heights Rd. behind Fire Station #3 as the best site. Staff would like to reach out to cell providers to gauge interest in making a proposal on the site.

Before proceeding with discussions with providers, Staff would like to discuss the concept further with the Village Board at the February 13th Committee of the Whole meeting. We are not looking for formal direction at this point as we are only soliciting interest but would like to get a general read on the concept from the Board's perspective and learn what other questions or information the Board would like before considering actual lease proposals from providers.

ATTACHMENTS:

Description	**Type**
No Attachments Available	