

**COMMITTEE-OF-THE-WHOLE
MINUTES OF THE MEETING OF THE MAYOR
AND THE BOARD OF TRUSTEES OF
THE VILLAGE OF ARLINGTON HEIGHTS
COMMUNITY ROOM
MONDAY, FEBRUARY 13, 2017
7:30 P.M.**

I. CALL TO ORDER

Mayor Tom Hayes called the meeting to order at 7:30 p.m.

II. PLEDGE OF ALLEGIANCE

III. ROLL CALL

BOARD MEMBERS PRESENT: Mayor Thomas Hayes, Trustees Blackwood, Glasgow, LaBedz, Rosenberg, Scaletta, Sidor

BOARD MEMBERS ABSENT: Trustees Farwell and Tinaglia

STAFF MEMBERS PRESENT: Village Manager Randy Recklaus; Director of Planning & Community Development Department Charles Witherington-Perkins; Business Development Coordinator Michael Mertes

OTHERS PRESENT: Frank Appleby, First Midwest Bank
Richard Baldino
Karen Cullotta, Chicago Tribune

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
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A. Economic Development Report

Village Manager, Mr. Recklaus, explained that all the items on the agenda are related to planning and economic development with the intent to give the

Board a general knowledge of the Village's economic development over the last year.

Director of Planning & Community Development Department, Charles Witherington-Perkins, said the first item is an update on the 2016 economic development efforts that the Village undertook with three-prong components. The first component is business retention, the second component is business attraction, and the third component is marketing and partnerships with local organizations. The report will not address TIF districts, redevelopment plans and studies, corridor studies, or general development. Mr. Perkins said there were 104 new businesses that opened in Arlington Heights last year, bringing 2,329 new employees and re-occupying almost 650,000 square feet. Twenty-four businesses were sales tax generating and based on a formula used by Planning, it is estimated that they generate about \$350,000 in additional sales tax to the community. Business categories are broken down into several categories, and office is the largest category with 1,900 new jobs brought to the community, with the largest employer being HSBC.

Mr. Perkins said there was a strong showing in the industrial front with 17 new businesses bringing in 147 jobs, and the next largest category was restaurant/entertainment.

Mr. Perkins explained that business attraction efforts include target recruitment which identifies specific retailers, businesses, or business users that would be good for the community. This information can be tailored to a specific space in the Downtown, through recruitment and partnering with property owners and brokers to help facilitate bringing in new businesses. In addition, an extensive network of brokers is worked with on a day-to-day basis, and trade shows are attended.

Mr. Perkins said recruitments efforts result from leads that are generated through various sources and are broken down by category. Sometimes it takes several years working with a lead before a business is relocated into the community on an attraction front. Mr. Perkins added that 25N Coworking is a perfect example of working with a lead, as Michael Mertes worked for more than three years before it became part of the community. Arlington Ale was worked with extensively in an attempt to re-occupy a space that had been vacant in the Downtown for ten years.

In describing business retention efforts, Mr. Perkins said the business community is worked with by calling or meeting with them to find out what their needs may be. The Chamber of Commerce is worked with as well, to try to address their needs which may be anything from a landlord to landlord dispute, a business need, or permit questions or issues that they have. Information on retention efforts were broken down by major categories and in all, the Planning and Community Development Department reached out to 549 businesses in the community last year. About 40-45% were in the Downtown area and the remainder split fairly evenly between uptown and southtown throughout the community. Mr. Perkins said that successful

retention included Bentley's Pet Stuff, European Imports, Mago Grill & Cantina, and Molon Motor & Coil.

Business Development Coordinator, Michael Mertes said the third part of the three-prong approach to economic development is marketing, how the community is being promoted, and through events and businesses. Two substantial marketing campaigns are run throughout the year. The Mane Event/Taste of Arlington Heights is run in the summer, and last year it consisted of a series of print ads in the Daily Herald in addition to digital advertising by the Daily Herald, Chicago Tribune, and WGN partner websites. The digital campaign had an interaction rate of .2 percent and which is statistically speaking, four times the click-through rate of a standard industry campaign. Even more successful was the Village's Holiday Campaign which was both digital and print advertising with the Herald and Chicago Tribune. Additionally, WBBM news radio, the second most listened to radio station in the Chicago area during November and December, was utilized for advertising over 60 commercials in addition to streaming advertising. The Holiday click-through rate was .37%, 7 1/2 times the industry standard for a similar digital campaign. Mr. Mertes added that the Discover Arlington website was used to promote business and events, in addition to utilizing social media as well. The hits on Discover Arlington during November were up 11% from the previous year, and up 32% from the previous December.

Mr. Mertes added that a variety of business recruitment advertising is done in trade journals throughout the year, trade shows are attended, and community partners (economic development partners and taxing bodies) are worked with to promote the community as well as each other. Examples include the Chamber of Commerce, formal Small Business Development Agreement which was recently renewed for three years with a focus of retaining small businesses in the community, and Meet Chicago Northwest which is a strong partner that we promote. Meet Chicago Northwest and the Chamber of Commerce are represented on the Arlington Economic Alliance as voting members and are both communicated with on a regular basis.

Mr. Mertes said that the Small Business Development Center at Harper College is a great resource, and businesses that want to open but don't know where to start are regularly sent to the SBDC where they can get a free consultation, business plan, as well as marketing and financial assistance information.

Mr. Mertes explained that Pace is another example that was worked with from time to time to coordinate them with the Transportation Development Management Association of Lake Cook, resulting in a shuttle bus partnership with HSBC so HSBC employees are able to take a shuttle bus to and from the Arlington Park Metra station.

Mr. Mertes further explained that taxing bodies are worked with including the Arlington Heights Memorial Library, and communicating with their business center on a regular basis; Arlington Heights Park District offers non-

traditional advertising opportunities and have connected businesses with them; School Districts, particularly District 214, provides internship opportunities with businesses for students attending District 214 schools. These three taxing districts are on the Economic Alliance in non-voting roles but attend meetings regularly to provide input. Elk Grove Township has been worked with on their property at I-90 and Arlington Heights Road regarding zoning and potential development opportunities in the future, as they are looking to sell that site.

Mr. Mertes said the Arlington Economic Alliance updated their code section for the first time since it's inception over 20 years ago. Their voting body expanded to 13 members and all 13 seats are occupied on the commission. The Alliance accomplishments included the Alliance Breakfast, Discover Arlington.com improvements, Sales Tax Rebate Program modifications, and economic development data review.

In summarizing 2016, Mr. Mertes said 104 new businesses were added to the community, bringing in 2,329 new employees, and re-occupying 648,486 square feet of space.

Mr. Perkins said no action by the Board is requested as the information was provided as an update.

Mayor Hayes thanked Mr. Perkins for his leadership in such a critical area in the Village as economic and business development is critically important in the Village, and the Board relies heavily on Mr. Perkins and his staff for a big area of responsibility. Mayor Hayes additionally thanked Frank Appleby of the Economic Alliance for attending the meeting and all the work the Alliance is doing to help the Village in regard to business development.

Mayor Hayes said that a lot of what he sees in the Village is subjective in terms of the business climate and economic development, and he sees great enthusiasm and energy at events like the Chamber of Commerce installation dinner, Business After Hours at Francesca's, ribbon tying and cuttings like the very recent one at L.A. Fitness located at Town & Country Mall.

Mr. Recklaus said there are a lot of things the Village does in terms of creating and enforcing standards so things are built correctly; Engineering, Building, and Health departments are working to make sure that what is being built is to our standards. He added that Mr. Perkins and Mr. Mertes are acting as advocates making sure that things are working correctly and moving along within the Village.

Trustee Scaletta said he thought that the Planning Department does a lot when it comes to economic development, retention, and development, and felt that one of the most important aspects is attending the ICSC meetings. The repetition of business owners seeing the Village attending on a regular basis, providing materials, and constantly showing them new opportunities

and initiatives in the Village is important to the branding of the economic development for the Planning Department.

Trustee Scaletta inquired about the presentation, specifically about adding jobs to food and beverage and asked if when a business moves from one location to another or a business has a change in ownership, whether or not that information is being counted as part of the numbers, and Mr. Perkins confirmed it is not.

Trustee Scaletta also inquired if the Village has a point person to assist a business get through the Village's processes. Mr. Mertes said he remains in touch with them through the process but defers them to the particular department to get their expertise. Quite often a meeting is held with the particular department(s) because often times it is quite helpful.

Mr. Recklaus added that the topic of a point person has been discussed but it has been found that depending on the first contact the business had with the Village, that first contact seems to be their contact person. Instead of forcing one person on the business, the Village makes sure that communication is taking place, as well as letting a particular individual play the point person role throughout, especially if the business is comfortable with the individual.

Trustee Scaletta said it would be nice if a business knew they had a point person who could guide them through the process.

Mr. Recklaus said Mr. Perkins and Mr. Mertes often get phone calls from businesses when they get stuck, and Mr. Perkins and Mr. Mertes always point them in the right direction. Additionally, a committee meeting is held in the beginning of projects where principals attend and are given early comments on when/who to contact for specific assistance.

Trustee Scaletta said there are 23 entertainment venues under "retention" and asked where the 23 entertainment venues are, and Mr. Mertes responded that the number represents 23 individual efforts not 23 venues. Trustee Scaletta inquired how that would be retention and Mr. Mertes explained that he had multiple conversations with a particular business and provided multiple types of assistance to that particular business. Trustee Scaletta asked about that type of assistance being classified as "retention" and Mr. Mertes explained that, using the need for a sign as an example, his efforts in assisting a business getting a sign is considered retention as they are already in the community and making a concerted effort to assist that business.

Mr. Perkins explained when a business submits a permit, has it reviewed, and has no issues, it is not counted in "retention" numbers; it is only counted when a business requires additional efforts, explanation, or even a sign sketch-up to help them get where they need to be.

Trustee Scaletta commented that he wasn't sure that this type of help should be classified as retention as he felt that retention was more talking with them about their business, how they like the Village, if they're planning to stay, or what can be done to make things easier for them.

Mr. Perkins responded there are different levels of retention. Some are visits but most often the contact method is through phone calls and e-mails. Mr. Perkins said that there are actual retention visits, or visits when someone has a problem, and all calls are made to help a business.

Trustee Scaletta inquired what marketing is being done between the summer and holiday marketing campaigns, and Mr. Mertes said that the primary focus is during those times of the year where the bulk of the resources are channeled. There has been advertising in the interim which may be business recruitment advertising, and is put in trade journals in an attempt to improve business.

Trustee Scaletta commented that branding is repetition and said he thought there should be branding done between the summer and holiday campaigns. Trustee Scaletta also inquired as to when the update of the Discover website will be complete.

Mr. Recklaus responded that the direction of the Board was to merge the Discover with the new Village website. The goal is to rollout the new website this spring and there will be a dedicated spot for marketing the Village.

Trustee Glasgow said he was glad to see the presentation and the increase in business, and that the department makes the Village a great deal of money from either inter-action of businesses or actually recruiting businesses. Trustee Glasgow asked what the Villages vacancy rate is versus vacancy rates in other towns.

Mr. Mertes explained that it is broken down three different ways; retail, office, and industrial. The Village's retail vacancy rate is 7.3% compared to the rest of the submarket which is at 9%; office vacancy is up at 16.5% whereas the rest of the submarket is at about 20%; and the Village is lagging in industrial at 15.7% whereas the rest of the submarket is at 9.7%. All three of the categories have trended positively in the past year and the bulk of the industrial vacancy primarily consists of two large spaces in the community. In fact, over half the Village's vacant square footage consists of two properties.

Trustee Glasgow asked what submarket the Village is in and Mr. Mertes said it is Arlington Heights and portions or all of Schaumburg, Hoffman Estates, Elk Grove, Rolling Meadows, Palatine, Buffalo Grove, Prospect Heights, and Mt. Prospect. Trustee Glasgow inquired if Arlington Heights is doing better than the other areas overall and Mr. Mertes stated that the Village is doing better overall with the exception of trailing in the industrial segment.

Trustee Glasgow inquired, with the exception of the approximate taxes the business will bring in, what else will be brought in. Mr. Mertes replied that for the past year, the \$360,000 figure is based upon sales taxes and food and beverage taxes. It is not based upon potential property taxes or income taxes. Trustee Glasgow inquired if ancillary spending by the employees was taken into account by the 2,300 jobs that were created, and Mr. Mertes explained that it was estimated that there is \$8.1M in residual spending based upon formulas provided by a consultant a couple of years ago. Mr. Mertes stressed that \$8.1 is an estimate, not money that will be in our general fund next year. Mr. Perkins added that it is money that is spent among other businesses in the region. Mr. Recklaus additionally explained that the economic impact of the additional individuals added to our market place is \$8.1 based on industry-wide standards; not \$8.1M in revenue, but \$8.1M in impact to the local economy.

Trustee Glasgow inquired what the lease term to HSBC is and Mr. Perkins replied that it is at least 10 with multiple options.

Inquiring about Molon, Trustee Glasgow asked if the tax rebate was a factor in regards to business retention and Mr. Perkins confirmed it was. Additionally, Trustee Glasgow inquired what the plans are for next year and whether or not the goals set will be met or exceeded. Mr. Perkins answered that some of the goals are the Board's strategic goals, and more studies on Downtown and what type of entertainment venues can be better targeted, and attract and roll the information into the targeting efforts. Additionally, strategic priorities will be addressed for the spring and summer to present the information to the Board. Information will be gathered about some of the distressed properties; efforts are being made on the TIF districts that would also translate into economic development as well as jobs.

Trustee Glasgow inquired with the scale back in big box stores and more brick and mortar stores not going in a large portion of the market, how has that changed the demographics in business? Mr. Perkins said it is much more challenging to attract major retailers. A study showed that since 2000, the growth in U.S. sales is 75% from internet sales, and many brick and mortar have been greatly impacted (i.e., electronics, books) and some of the businesses less impacted are automobile sales, food stores, entertainment, and restaurant venues. The Village is very strong in these categories and Mr. Perkins said it is going to be very difficult to attract major big box stores into Arlington Heights. Additionally, with the competition of Woodfield, Deer Park, and Randhurst Village, it is more difficult to attract retailers into, for example, the Rand Road corridor. Mr. Perkins said that the addition of L.A. Fitness will bring people into the shopping center, but it is not a traditional retail sales type of business.

Trustee Glasgow asked if any of the big properties that are vacant could be utilized for internet businesses and if that's how they should be marketed. Mr. Mertes asked Trustee Glasgow if he thought the Village should try to attract internet businesses. Trustee Glasgow said properties could also be

used as distribution centers. Trustee Scaletta said it was something that the Village should look into.

Trustee Glasgow said he would like to see an emphasis on personal retention visits when possible as it does a small business a lot of good. Trustee Glasgow said that emails and letters to small businesses tend to get tossed in the trash.

Trustee Blackwood commented that at Northpoint, Southpoint, and the shopping center where Barnes and Noble used to be, there are small storefront empty spaces. Trustee Blackwood asked if everyone is talked to while attending a trade show, or if attendees just talk to larger retailers, or retailers looking for 10,000 – 15,000 square feet of space. Mr. Perkins said the majority of discussions are with small to mid-box spaces because there are few large box tenants that are doing anything in the marketplace.

Trustee Blackwood asked if there is still an issue with the leasehold company for the Dominick's / Caputo's site that they don't want another grocer to occupy it. Mr. Perkins said Dominick's parent company holds the lease and continues to pay the landlord so they control the space. Trustee Blackwood inquired as to how many more years are left to the lease, and Mr. Perkins said they have many options. Mr. Perkins said there are brokers who are actively marketing the space, but not to another grocer.

Trustee Blackwood said she felt that some of the strip malls are going to have to be redeveloped into something else if retailers aren't secured to occupy the spaces, and that would be a lot of real estate. Trustee Blackwood asked what Plan B is for the strip malls. Mr. Recklaus said that the Village is working hard to develop and work on leads and in many cases there are leads that are continually being run down. Long term, it makes sense to look at how the marketplace is evolving and what does the Village want to go after. Mr. Recklaus said that at the moment the Village is maintaining efforts in terms of attracting retail and still having a fair degree of success. Mr. Perkins stated the Village had \$1.2 billion in retail sales last year, the highest sales in more than 10 years. The Rand Road corridor is still a strong corridor with good demographics and good traffic volume. Retail has always been very cyclical but more difficult now with internet sales and the rejuvenation of Randhurst Village. There are some good retailers currently on the Rand Road corridor and the Village is working hard to keep them and add to them. Mr. Perkins said Southpoint is the exception and has been struggling, but meetings continue and the Village is doing as much as it can.

Trustee Blackwood said she sees a lot of real estate on the Rand Road Corridor that could not possibly be developed within the next five years with retailers all the way down to Target, and thought that maybe there should be a Plan B for the prime retail spaces that aren't being used.

Trustee LaBedz said she agrees with Trustee Blackwood and worries about the Rand Road Corridor as well, but is happy to see that great progress was

made over the past year. Trustee LaBedz also heard the ad on WBBM in December and thought it was a good move, and encouraged the use of WBBM as an advertiser. She felt the Village's demographics are such that they match the listeners.

Trustee LaBedz asked if anything was happening regarding sales tax on internet sales and Trustee Glasgow said it is still illegal as it is essentially taxation without representation.

Mr. Recklaus added that internet sales tax is something that is raised from time to time in Springfield, and even at the Federal level, but there is not a lot of movement on either end.

Trustee Sidor said he agreed with Trustee Scaletta that the Planning & Community Development Department is not defining retention the same way it is defined for the Small Business Development Agreement. Trustee Sidor said that a business not planning on renewing their lease, or having a problem and looking for another space would be retention. It is not repetitive issues. Therefore, he would like retention to be specifically defined.

Trustee Sidor said he would be interested in seeing how time is broken out efficiency-wide. Referring to micro click-throughs, Trustee Sidor asked if there is a way to track the correlation of click-through after advertising, radio advertising, or spike in revenue, or does someone talk to the local businesses after this activity and find out if anyone came in because of the advertising. Mr. Mertes said he does not have specific follow up in speaking with businesses about feedback they received from radio ads, but website hits can be tracked to an extent. Trustee Sidor said he hopes there is a way to correlate the advertising with sales because the point is to bring revenue into your town and that the revenue exceeds the expense of the advertising.

Trustee Sidor said he agreed with Mr. Perkins that places like the new L.A. Fitness bring people in and support the smaller businesses, and asked if there was any thought about incentivizing a giant 50,000-60,000 square foot place that may help revitalize a shopping center, or is it something the Village is just not looking to do? Mr. Perkins responded that the Village had done that in the past with Lowes and it took years to attract them. Trustee Sidor said he was referring to something like L.A. Fitness, because they are not selling anything nor are they taxing their dues. Mr. Perkins said depending on the use, it wouldn't be ruled out. Trustee Sidor said he asked because maybe a big retailer can be incentivized and help support the smaller businesses.

Trustee Sidor asked what the biggest challenge is, or what does the Village need to improve so that we're competing at a very high level? Mr. Perkins responded that he thought some of the action that the Board took last year, and talking about the corridor and the strategy to improve certain key corridors, along with adding money to do that is critical. A study is being done on the safe Arlington Heights Road corridor, an area that has great

potential; a number of sights that are under common ownership where there is a significant opportunity to redevelop that corridor and there may be some intervention and action from the Village. Mr. Perkins said they would like to be out more but is impossible to do with the resources that the department has. Mr. Perkins added that often departments work together, most recently Planning and Health worked together to create open air dining guidelines/health standards. A mailing was sent to all the restaurants advising them of the new guideline and no reaction has been received yet. Mr. Perkins said staff continues to try to come up with unique ideas because the Downtown is a unique area. One such item is the light ceiling, and the unique things are what will set Arlington Heights apart from other towns. Trustee Sidor added that mid-block crosswalks will be awesome in addition to the light ceiling for the safety of all the people in the Downtown area.

Trustee Rosenberg thanked Mr. Perkins and Mr. Mertes for their efforts. Trustee Rosenberg said there's a term called NEXUS that refers to State sales tax and when a business locates in a State, the State makes them pay the sales tax to the State for their presence as well as certain criteria. Trustee Rosenberg said what is disheartening lately is that every time a new business comes in, there are others closing. Trustee Rosenberg said Mr. Mertes brought up revenue sharing and in the past it's been discussed; anything that's been sales tax based because then the Village has dollars to share; general revenue dollars have never been used for a company that doesn't generate dollars. Trustee Rosenberg ask if 2016 sales tax numbers were available and was curious how the Rohrman Lexus dealership did and Mr. Perkins said final numbers aren't usually received until March to May, and we are not allowed to disclose specific individual business but can group categories together.

Trustee Rosenberg asked if WBBM has numbers that show it crosses all the age categories from the standpoint of listenership, and Mr. Mertes said they do and the demographics and listenership numbers were reviewed before the Village made a commitment. Mr. Mertes said WBBM's listenership demographics are impressive from that standpoint, and is a very inclusive demographic.

Trustee Rosenberg asked what will be done if the Village is reaches capacity at such Village events as the Taste and Mane Event, and Mr. Recklaus responded that the Village will know if gets too crowded because people won't come. If there is no parking we'll be quoted "nobody goes there, it's too crowded". Mr. Recklaus said he felt it is somewhat self regulated and didn't know how the Village could limit capacity. Trustee Rosenberg said he didn't know if the Village was creating something that a shuttle bus would be needed to move people from other lots like during Festival Days. Mr. Perkins said it is very popular and is weather dependent too.

Trustee Scaletta said when loopholes with the taxes are discussed, a business that we had but is now gone is Plass Appliances. They didn't generate any sales tax revenue to the Village as they sold their product in

Arlington Heights, but it was shipped from another location not in Arlington Heights. This loophole is one that Trustee Scaletta would like to see the Village address with the State.

Trustee Scaletta asked Mr. Perkins to tell the Board how vacant big box stores divide up the space, and problems that they've run into splitting that space with retailers on frontage. Trustee Scaletta said an example is K-Mart; the entrance was 80' wide and when you enter, everything is straight back and to the left. When you try to split up 30,000, 60,000, or 80,000 square feet, you get a smaller frontage for the retailer and the retailers don't want to buy into the small frontages as they want big frontages. As another example, Trustee Scaletta said to consider how deep Dominick's is and maybe there needs to be an incentive because a business would be renting an enormous space they don't need, plus they have to have product to put in there or people to put in there. It's going to be very challenging for our big box spaces. Mr. Perkins said there have been retailers that have removed the back space because it's just too deep.

B. Class 6b Tax Abatement Program

Mr. Recklaus said the lay of the land was discussed and now the shift is what the Village can do within the environment. The focus of our efforts is on what pieces of the environment does the Village actually control and modify. The Village can significantly impact the physical environment and how it looks, is why the conversation occurred last year about corridors. We looked at things like light ceilings and streetscapes because we can make it look better and control the experience. It is something that only we really can do. The other thing we can look at is our Codes and Zoning, and the questions we continually have to ask ourselves is will our Codes facilitate the types of uses that we want, which is why the Liquor Code is in the midst of being reviewed and we are looking at the Zoning Code over the course of the year. We are trying to see if we are we doing everything to get what we want regardless of what is going on in the marketplace. The other part of it is taxation. Mr. Recklaus explained that one of the unique things about Cook County is the way that commercial property is assessed. Residential property is assessed at 10%. Commercial property is assessed at 25%. If you have an equally valued piece of property, the commercial property is paying two and a half times in property taxes of what a residential property is paying. Mr. Recklaus said that when he was in DuPage County or in Kane County, both are assessed at 33%, giving an equal playing field in terms of what is being paid.

Mr. Recklaus explained that the Class 6b Tax Incentive Program essentially tries to level that for a period of time if certain criteria is met. Commercial and industrial businesses can get 10% assessment for 10 years and then it goes up to 11% in the 11th year and then 20% in the 12th year and it goes back up to 33% after that if it is not renewed. The program is a way of counter-acting the negative pressure on commercial properties. The Class 6B Tax Abatement Program does not lower the amount of revenue that we

collect as a Village, but instead it increases the amount of taxes that are paid by residential property and other commercial properties that do not qualify for 6b because of how we levy "x" amount of dollars to get spread out by all the users.

Mr. Recklaus said what will be discussed is how the program is being used, what special qualifiers are placed on it in Arlington Heights and how it compares to other communities, and whether or not we want to do any course corrections.

Mr. Perkins said the Class 6b Abatement Program as well as the next item on the agenda is about tools available to incentivize to keep or attract business into the community. It has been used sparingly but appropriately and a few of the Board members had questions on the program. The program is a Cook County program but requires municipal approval and is primarily for manufacturing or industrial property. Arlington Heights has its own additional criteria that has been in place for many years; we have a separate application form, the County requires 51% or more of the facility be dedicated to industrial manufacturing; the Village requires a minimum of 25 employees and at least 10 of those being Arlington Heights residents; demonstration by the business of 5 year financial benefit to the community. Mr. Perkins said many years ago the Village tried to create a funding source for another program that required businesses in the abatement program to remit 10% of the savings for the first five years into a fund for the Zero Interest Loan Program. Since its' creation, everyone has signed the agreement to provide the rebate.

Mr. Perkins presented a scenario of a Class 6b Property Tax Breakdown where the proposed property value has an estimated market value from the County Assessor of \$1,000,000 and with a Class 6b 10% assessment level the estimated tax bill would be \$31,165. Without the Class 6b tax abatement, the tax bill would be \$77,914. In this example, there would be a one-year tax savings of \$46,748 and a rebate to the Village of \$4,675.

Mr. Perkins explained that a survey was performed in 2015 where Cook County was asked of Arlington Heights and surrounding communities, how many new Class 6b had been issued (2010 – July 2015), Arlington Heights issued three, Palatine issued three, Wheeling issued 10, Schaumburg issued 21, and Elk Grove Village issued 84. He said what has been seen is more renewals, and 10 out of the 20 have received one renewal. Five out of the 20 have received two renewals. Mr. Perkins inquired how many renewals are appropriate; should there be a cap? So far, in the Zero Interest Loan Fund, is \$57,000 and it is projected that about \$80,000 in rebates will be received in 2017. Mr. Perkins said over the next five or six years the fund could grow to \$650,000 - \$700,000 and that maybe some of this money can be used to target certain businesses once the strategic priorities are finished.

Mr. Perkins recapped potential options of the program including making no changes, ceasing use of the incentive altogether, modifying some of Village's

existing criteria, and limiting the number of renewals. His recommendation is to continue to use the program; suggesting that the requirement of 10 Arlington Heights employees be eliminated, but asking the applicant to outline the efforts they would take to reach out and try to hire Arlington Heights residents if there are any qualified, and suggested a maximum of two renewals unless there are extenuating circumstances. Mr. Perkins explained that they don't want to say no more than two extensions and lose a business, so they would look for extenuating circumstances such as they are trying to grow the business, reinvesting in the building, and demonstrating more than just today. Additionally, it is being recommended to add additional language to the agreement that the business signs the rebate or remit back 10% of the saving to the Village. The Village will place these funds into the Zero Interest Loan Program or other economic development activities as may be approved by the Village. Mr. Perkins reiterated that the fund could generate a significant amount of money that could help business retention or attraction.

Mr. Perkins said that in regard to the Zero Interest Loan Program, there have been seven applicants; two loans have been approved; three have been rejected for lack of collateral, and two are pending as additional information is required.

Trustee Rosenberg said he agreed with Mr. Perkins' recommended changes and concurs with the two renewals unless otherwise demonstrated. Trustee Rosenberg inquired if the Village has the right to modify the wording in the Class 6B remittance agreement with respect to the businesses that have already signed the agreement.

Mr. Perkins said it was discussed briefly and the change is to make it very clear that it is just not one specific program. If the funds were to be used for other business activities, Mr. Perkins said he they would reach out to those businesses and inform them so they would have the opportunity to object. Trustee Rosenberg's suggestion was to have them sign an addendum.

Trustee Scaletta said he agreed with suggestion #1 and #2, but with #3 inquired if someone was to renew, would the Village receive 10% of the renewal, and Mr. Perkins confirmed that to be correct. Trustee Scaletta asked for an example of other economic development approved by the Village. Mr. Perkins said it has been discussed whether there might be a grant program with the TIF Districts Downtown, there is a façade grant and loan program, there was an interior build-out grant and loan program; it would be a program that would allow the Village to meet with other communities to extend the Downtown TIF's. If there was a user that the Village really wanted to attract or a sales tax generating user that would bring lots of people to a particular location, funds from this program could be utilized. They would be brought to the Board but for now, the funds need to be built up.

Trustee Scaletta ask if anybody used this 6b in a way that they're able to get the Class 6b and then put the property up for sale right away. Mr. Perkins said that yes, some do. Trustee Scaletta asked if that should be a concern to the Village and Mr. Perkins said one was approved by the Village where there was a purchaser of a building that did not have an end user and they were not going to purchase it unless they had a Class 6b so they presented their plans to renovate the building. The plans were scrutinized and then presented to the Board.

Trustee Scaletta asked if this has been discussed at the Economic Alliance and Mr. Mertes confirmed that at last month's meeting he presented the Class 6b Program and how it works. Trustee Scaletta asked what the response was and Mr. Mertes replied that it was mostly informative but there were no objections to the way the program is aligned, and the Economic Alliance was in support. Trustee Scaletta asked if this specific part was discussed and Mr. Mertes responded that what was discussed was the third part about potentially opening it up for other uses than just the Zero Interest Loan Program. There was no formal vote on it but the consensus was that that should be a consideration and it shouldn't just be limited to the Zero Interest Loan Program. Trustee Scaletta asked if the Economic Alliance was aware that Class 6b Tax Abatement Program was on C.O.W. Meeting agenda since Mr. Appleby was present, and Mr. Mertes said the agenda was sent to all members of the Economic Alliance and made them aware of what items were going to be discussed.

Trustee Glasgow said he did not have a problem with item #1 or #3, but had questions with item #2 since he was involved with the Molon property and assisting with getting them back to where they're supposed to be, and inquired what qualifies as an extenuating circumstance under the proposal. Mr. Perkins said 1) if the business said they could not operate and would be closing their doors if they don't get the incentive and 2) if the business has some other needs or plans that they are investing heavily in machinery or equipment or other upgrades that are necessary to the building.

Trustee Glasgow asked how many municipalities, out of the ones mentioned earlier, limit the renewal to two and Mr. Perkins said one (Rolling Meadows) does not allow any renewals at all. Trustee Glasgow commented that Arlington Heights is competing against Elk Grove Village and they are determining where they're going to place their property, or as in the case with Molon, if they were going to move elsewhere. Trustee Glasgow said he was trying to see the logic in limiting the renewal to two times, rather than leave it to the discretion to the Village Board. Mr. Perkins said as the criteria was being reviewed, should it be an automatic renewal, should the renewal be scrutinized, does there really have to be a need, or is the business just asking for the renewal to get a tax deduction, and how many years should it go on. Trustee Glasgow inquired as to what other municipalities turned down the renewals in the past and Mr. Mertes said he was not aware of other Cook County communities that limit the number of renewals. Trustee Glasgow asked why Arlington Heights would put themselves at a disadvantage. Mr.

Recklaus said that he thought if this program is primarily viewed as a business attraction tool, then he thought there was an argument to have a limit on renewals. If the Board wants to consider it as a business attraction and retention tool, then there would be an argument about having a limit on renewals, and that is part of why staff is looking to the Board for guidance so that staff knows how to communicate this program to the business community. Trustee Glasgow asked why the Village would be so short-sided as to only look at business attraction instead of business attraction and retention, because those are businesses that stay in the community and provide jobs and an economic impact, so why would we want them to move somewhere else after a set period of time. The other issue that Trustee Glasgow said he is concerned with is that if a business is looking at a long term planning position and he sees he can only renew two times and it's going to cost "X" number of dollars, why would he not end up going somewhere else.

Trustee Sidor said he concurred with Trustee Glasgow and that he was not fond of item #2. Trustee Sidor asked, referring to "or other economic development activities as may be approved by the Village" who is the Village; the Village Board or the Department of Planning and Community Development? Mr. Perkins responded that it referred to the Village Board.

Trustee LaBedz said she concurred with her fellow Trustees on item #2, and added that when she first became part of the Village Board she had trouble with the 6b and the affect it has on the other property owners who are not 6b. Trustee LaBedz said she understands the reasoning behind it and supports the uses that the Village has had, and would like to continue the renewals. She added that she had a difficult time coming up with extenuating circumstances and said allowing renewals would eliminate that. Trustee LaBedz said she was glad to see the change for item #1 about the requirement for the number of Arlington Heights residents because it has been waived for some, and borders are fluid with where people live and it makes a lot of sense.

Trustee Scaletta said his point with #2 is that he can appreciate everything that is being said but he hoping that the Village is not going to be doing renewal after renewal, because as one goes down another has to go up. Trustee Scaletta is for item #2 as long as the Board starts to think about what the renewals are going to and that the renewals just don't go on forever, and they all have to be proven out. Trustee Scaletta said he doesn't want someone to come to Arlington Heights thinking if I get a 6b, I'm going to have a 6b as long as I want. He is all for removing it, but as a Board it must be understood whether or not renewals will continue almost like no matter what.

Mayor Hayes said he concurs and doesn't feel it should be an automatic renewal and agrees that item #2 is not needed.

Mr. Perkins said the Board has the opportunity on every situation as it is not a right, it is a discretionary privilege, and the Board can reject it or ask for something else and is able to review it further.

TRUSTEE SCALETTA MOVED, SECONDED BY TRUSTEE GLASGOW, THAT THE COMMITTEE OF THE WHOLE RECOMMEND TO THE VILLAGE BOARD CONTINUED USE OF THIS PROGRAM AND CONTINUED FUNDING FROM CLASS 6b APPLICANTS, SUBJECT TO THE FOLLOWING MODIFICATIONS:

- **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."**
- **MODIFY THE CLASS 6b REMITTANCE AGREEMENT (10% OF THE TAX SAVINGS ANNUALLY TO THE VILLAGE DURING THE FIRST FIVE 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.**

Trustee Rosenberg said he feels strongly about #2 because renewals should not go on with appropriate duty, and in the 16 years he's been on the Board every renewal has been granted. Trustee Rosenberg said it's a case where their taxes go down and somebody else's goes up, and after having the benefit for twenty-four years, he felt it was sufficient. Trustee Rosenberg added that most businesses that are entrenched in the community will more than likely not move because of the funds they've invested in the community. Additionally, he said he was comfortable with #2 and if there are extenuating circumstances or they could demonstrate a true need, the Board would approve it, whereas the taxpayer shouldn't feel that is an automatic and with the absence of that, Trustee Rosenberg felt it implies that it is an automatic and it will be there unless they don't approve it.

THE MOTION: PASSED

Ayes: Hayes, Blackwood, Sidor, Glasgow, LaBedz, Scaletta

Nay: Rosenberg

C. Proposed Modifications to the Small Business Tax Rebate Program

Mr. Mertes, for historical purposes, explained that the program was approved in 2011 to improve new boutique independent retail to the community and also to hopefully help existing ones not only retain, but help them grow as well. In the course of the five plus years, the Village has not received a

completed application for this incentive program yet, hence why it is being suggested to make modifications that will hopefully make the program more enticing so that businesses will take advantage of it. Mr. Mertes explained that there were a couple of modifications when it was brought to the Economic Alliance Commission over a couple of meetings and the Commission also made four other recommended modifications.

Mr. Mertes explained the program that retailers contribute 2% of sales taxes through the Village and currently the business would get rebated on an annual basis one-third of the sales taxes they generate up to a period of three years. It also applies to existing businesses but with two key differences; 1) there is a base year that is taken into account therefore the three year rebate takes into account the new taxes that they're generating post-expansion; 2) they need to expand by at least 50% of their existing square footage in order to be eligible. Both new and existing businesses must primarily be retail, they must have a lease of at least five year, cannot be larger than 5,000 square feet, they must be open until at least 7:00 p.m. on Monday through Wednesday and at least 9:00 p.m. Thursday through Saturday with Sunday hours being optional, and lastly they must make an investment in the business and/or physical facilities themselves.

Mr. Mertes said the proposed recommendations (the first two from staff) include increasing the share of the rebate amount from 33% to 50%, and increasing the duration of the program from three years to a maximum duration of five years. The expansion requirement of 50% would decrease to 25% but the base year requirement would remain in effect. The recommendation on store hours was to eliminate them; in discussing it with the business owners on the Alliance and researching independent boutique and other retailers in the community, very few are open until 9 p.m. and many of them are not open until 7 p.m., and felt it was too restrictive to recruit new retail to the community. We would encourage the business owner in order to help complement the foot traffic that we'd like to have in the evening in the community, to make an effort to try and be open later in the evening as well. The duration of the lease, in doing research with other businesses and speaking with business owners on the Alliance, would reduce to a minimum of a three-year lease versus a minimum of five years; however, the incentive could not extend beyond the duration of the lease. Finally to remove the statement the business must make an investment in their business or physical facilities, strictly on the basis that we felt it was already assumed, that any business opening or growing is making an investment in the business and/or the facilities as well. Removing this too, would avoid any confusion.

Trustee Glasgow stated to Mr. Recklaus that one of the Board goals was to ensure that the Downtown area was the Central Business District. Mr. Recklaus said that was viable and it includes the type of uses that is felt to be successful. Trustee Glasgow said it was to be more than an entertainment district and have vibrancy not only during the day but during the night hours as well. Trustee Glasgow said he and Mr. Siegel had a

conversation years ago about how the Village could get people to stay open later and one of the ideas that Jack had was to tie into some type of rebate. Trustee Glasgow asked what the average amount is that the businesses get back. Mr. Perkins responded that when the program was first created a case study of six small businesses and what the third rebate over three years would be, and also looked at three national chains and three local stores. With the current program for national chains, a third rebate would be \$8,500. Under the new program, the rebate would increase to about \$12,800 per year, or over five years for the national chain it would be about \$64,000. These figures are based on a case study of three national small businesses of 5,000 sq. ft. or less that sales tax data was received. On the local stores for the current program, the third rebate would be about \$4,000 per year and under the proposed program, about \$6,000 per year. The three stores combined would receive about \$30,000 over five years. The old program would return about \$12,000 over the three years.

Mr. Perkins said the new program is definitely a higher incentive for attracting new businesses for those expanding because the base year, the Village relies on its tax revenue to pay for police, fire, streets and other things so they didn't want to go into the base. Therefore, their potential for growth is much smaller because the rebate will only be given on the rebate on the expanded sales.

Trustee Glasgow said he was not so much concerned with businesses outside the Central Business District because that was not the will of the Board at the goal setting session. He asked if in the Central Business District, the Village could have something that if this were to be granted to those in the Central Business District, would they have to stay open certain hours. Mr. Recklaus said the Village could have any criteria, but he said the challenge is there have been no takers. That is why staff has been looking to modify the requirements to encourage more participation. The modification is a little mis-stated that we are allowing the businesses to propose store hours that the Village can take into account when considering the location. The application will recommend the hours that were previously a requirement. Mr. Recklaus added that it would not be hard and fast but the Village would still take into consideration that one of the Board's stated goals as part of this program is to encourage businesses Downtown to stay open longer, it could be weighted more heavily in decision making. Mr. Recklaus said staff wanted to see what the interest would be with the changed standards to see if it makes a difference, and if it does not, a different direction may be taken.

Trustee Glasgow said that was his only concern and he agreed that shrinking down the amount of size they have to have is probably a good idea, and asked if a business has two twenty-year leases, would it still be for the term of the lease? Mr. Mertes said the maximum would be five years so if they had a twenty-year lease, the maximum would be their first five years.

Trustee Glasgow said he is fine with all the terminology and other conditions but he felt it should be added to the Central Business District that if they're

going to accept it in the Central Business District, that the hours are kept as they currently are, the reason being that staying open later hours goes back to discussions nine years ago. Trustee Glasgow added that if the hours changed he would be for that but would like to add that in the Central Business District, businesses should stay open for the purposes of the fact the Board's stated goal is that this is an entertainment district.

Trustee Rosenberg inquired as to why this could not apply to a new business instead of having the expansion required, and Mr. Perkins explained that it would apply to new businesses and could be any new business that is 5,000 square feet or less, and if it is an existing business they would have to expand by 25%. Trustee Rosenberg asked if a business could take advantage of the program or borrow money if the business doesn't have the ability to expand because they're locked into their space, but do want to expand from the standpoint of improving the space with tenant improvements or facade, or just to improve what they have? Mr. Perkins explained in theory a rebate could probably be given to every existing business. The idea was how to attract more smaller retailers into the community and the program was developed, then the thought was how could the program be used for existing retailers who want to expand, recognizing that the prior year would be the base year because the Village is already seeing the revenue and we don't want to lose revenue. Originally the idea was for a business to expand by 50% to qualify, but discussion with the Alliance resulted in reducing the expansion requirement to 25%. If there is no expansion requirement, then every small retailer, 5,000 square feet or less, would apply for this rebate.

Trustee Rosenberg inquired if they (smaller retailers) could apply for the Zero Interest Loan Program and Mr. Perkins confirmed that to be correct and added that they are eligible for up to \$20,000 at zero interest to help fund any improvements that they would be looking to do.

Trustee Rosenberg commented that the Village has tried to have the businesses have evening hours but they are setting their own hours and many of them are not even open. Additionally, Trustee Rosenberg said there may be a disadvantage to force a business to stay open when others are not, as they may be the only business on the street that is open. Mr. Perkins said there was a discussion at the Alliance about hours of operation, and Mr. Mertes said the hours were a recommendation by the Alliance. Mr. Mertes added that the primary point is that most retail businesses in Downtown Arlington Heights as well as most other communities, are not open that late and if they see that as a requirement, they won't even bother applying for the incentive. Additionally, Mr. Mertes said that it could be a potential loss of money if they have employees present and not recouping the cost.

Trustee LaBedz said she concurred with the change as recommended in hours and felt the point that nobody is coming into the businesses at 8 or 9 p.m. on a Saturday night is well taken. It may be a burden on the business owner to have an employee there at those hours, or even a burden on the

owner to be there at that time. Trustee LaBedz said from a customer's standpoint, and using herself as an example, that after walking around Downtown after a show or dinner, she personally doesn't shop as she's doing something else. However, she felt that the more there is entertainment and restaurants, it gives exposure to the boutique type businesses during times that they may be closed, and may encourage people to come back at another time, maybe even on a Monday or Tuesday when it tends to be quiet Downtown. Trustee LaBedz added that she thought this was a great idea especially since it came as a recommendation from the Alliance.

Trustee Sidor, referring to the business next to Tuscan Market, asked if the current plan was presented to them and Mr. Mertes said it was, in addition to the Zero Loan Program as well. Trustee Sidor asked what the response was and Mr. Mertes said he never heard from them after he provided them with the information and never followed up on it.

Trustee Sidor said he had a similar experience with a larger jewelry store in town when they were doing an expansion. He told them about the plan, they looked at the program, and they said the savings were not worth their time. The hours necessary to apply in the first place, along with a required business plan may be a lot of effort required by the business owner. Trustee Sidor added that anything the Village does to improve the plan would be good since there were no takers over the last five to six years. Trustee Sidor said his experience on the street with retailers who have expanded, have said it wasn't worth their time.

Trustee Blackwood said she really likes the expansion required because obviously in the Alliance minutes, one company would have really liked to take advantage of it, but she only needed it for a 30-35 percent increase. Trustee Blackwood said she felt that bringing it down to 25% is very important. Trustee Blackwood, referring to the hours, asked if there was any discussion about expanding hours on only one day and requiring the business to stay open until 9 p.m. on only one day. Mr. Recklaus responded that in the proposal, they are being asked to propose their hours into something that we could consider. Mr. Recklaus said maybe it is something we could try out and push back in the application to see if that's the reason they walk away. If it is a standard and nobody applies, you never really know what their reasoning was. If they come in and apply and through the discussion process that is what scares them off, maybe we learn more.

Trustee Sidor said the business owner has to deduct the cost of staying open the additional hours from their savings, whether it is benefits, salary, electricity, etc. because it just not straight savings.

Trustee Blackwood said hours are currently in the plan, 10 a.m. to 7 p.m., Monday through Wednesday and then Thursday through Saturday the suggestion is 10 a.m. to 9 p.m., and she suggested that there is just one day that would be beneficial to the group instead of choosing whether it is Thursday through Saturday.

Trustee Scaletta (referring to the store hours) said as the former President of the Downtown Business Association, trying to get anyone to come up with an idea that everyone could agree on was near impossible and he doesn't want to make any of these things a deal breaker. He said that maybe instead of focusing on store hours, maybe the minimum hours a business is open should be talked about. Trustee Scaletta pointed out that even though the Village says Monday through Saturday, there are some businesses that are not open on Sunday or Monday even in the Downtown retail, and said he wondered if a stated minimum number of hours to be opened would be better than saying these are the hours you must keep. Trustee Scaletta asked Mr. Perkins if that is something that happens with leases that are not necessarily in a shopping center, or a shopping center with regulated hours, more like the open air centers and not like a mall. Mr. Perkins said the malls definitely have more specific hours that are required, but smaller strip centers, smaller than Town & Country for example, probably have some minimum hours. They may have a provision that you have to be open five day a week or minimum total hours but not specific times of the day.

Trustee Scaletta, using the Vitamin Shoppe at the Towne Square as an example, said that business won't be open until 8 or 9 o'clock on weeknights, where Bath & Body Works or Yankee Candle might be, but he imagined there was something in the Vitamin Shoppe's lease about a minimum number of hours he must be open each week. Trustee Scaletta added that maybe this is the kind of twist we're looking for. Trustee Sidor said he liked that idea. Mayor Hayes asked if there is any idea what that total number of hours might be and Trustee Glasgow said something that would require them to be open at least one night during the weekend, and he would be in agreement with that. Trustee Glasgow said he is really only interested in putting it in the Downtown district pursuant to the goals of the Board. Trustee Glasgow added that he doesn't like telling a business owner when he should be opened or closed but the Downtown district is of special interest to the Board and to the Village as a whole because it is a magnet. Trustee Glasgow said having the open Downtown with a set of hours is something he would agree to so that there would be at least one night open as Trustee Blackwood said. Trustee Blackwood said she was thinking that when you go to other destinations, whether it's an entertainment or shopping destination, which we all agree we're not, there are certain shops that lend themselves to the entertainment field, an evening may even be until 7 p.m. one day a week. Trustee Glasgow said some malls make a business stay open certain hours so there is uniformity in the mall so people don't close early, and said he didn't think it was outrageous to do it, especially in the Downtown district, especially if they're getting money back from the Village.

Mayor Hayes asked if there would be a set number of hours a week, and Trustee Blackwood said to include one night per week. Mr. Perkins confirmed that the Board is requesting that the Downtown business propose a minimum number of per week to include one evening until 7 p.m.

Mr. Recklaus said he wanted two possibilities for the Board to consider; 1) the rules could be modified as suggested with one night a week open until 7 p.m., 2) we could go with the staff recommendation but in either case try it out for six months then revisit. There have been no takers so we do not know how far off we are, and we still may not get any takes as there may be other reasons why. Mr. Recklaus said we may want to consider having the looser end of it for a short period of time, and if all of a sudden we're inundated with everyone coming in, then we can always regroup and add more stipulations. Either way, Mr. Recklaus said he thought it should be only for six months or a year, and then regroup.

Trustee Scaletta said he thought that tightening up as we go is worse. He suggested saying you must be open a minimum of 40 hours per week and one evening must be open until 7 p.m., this being specifically for the Downtown. Trustee Scaletta said we could always back off the hours if it's a sticking point, but we're trying to encourage some evening shopping. He added that retailers follow other retailers and certain retailers want to be near each other. If one sees it's working for another one, he may just decide to stay open as well. Trustee Scaletta said it's just a start and staff can always come back to the Board. Mr. Perkins said it would be used as the 6b guidelines and not everyone can meet it, Staff will bring it to the Board. Trustee Glasgow said he didn't think he would have an objection even if it was just during May 1 until October 1st, just so it's facilitated for Downtown use. Trustee Sidor suggested to coincide it with the Downtown outdoor dining. Trustee LaBedz said she likes the minimum hours per week and the one evening per week, but would suggest 8 p.m. instead of 7 as it gives people time to eat and then do a little bit of shopping, in addition to possibly catching some of the people coming off the train who may want to stop at a retailer. Trustee LaBedz said she does not understand why business owners don't want to be available to the consumer. Trustee Scaletta said that many of the stores in the Downtown operate their own business and don't want to stay open at night. Many have tried, but they just don't see the foot traffic and if you don't have the consistency of staying open every single week, people don't rely on the business being open.

Mayor Hayes asked if there is a rational basis for 40 hours per week and Mr. Perkins said that would be about 10 a.m. to 6 p.m. and several Board members said 40 hours is low for retail. Mayor Hayes said the language would be for a minimum of at least 40 hours per week and at least one night open until at least 7 p.m. between May 1st and October 1st. Trustee Scaletta said if it's going to be May to October, he thought it should be until 8 p.m. because in late October people are out walking our streets. To clarify, Mayor Hayes asked if it could any day of the week and Trustee Scaletta responded that the business can pick any day of the week.

TRUSTEE SCALETTA MOVED, SECONDED BY TRUSTEE LA BEDZ, THAT THE COMMITTEE OF THE WHOLE RECOMMEND TO THE VILLAGE BOARD APPROVAL OF THE PROPOSED MODIFICATIONS TO THE SMALL BUSINESS SALES TAX REBATE PROGRAM:

- **INCREASING THE REBATE AMOUNT THAT THE BUSINESS RECEIVES TO 50% OF LOCAL SALES TAX GENERATED THROUGHOUT THE DURATION OF THE INCENTIVE PERIOD.**
- **INCREASING THE MAXIMUM DURATION OF THE INCENTIVE PERIOD TO FIVE YEARS, NOT TO EXCEED THE LENGTH OF THE LEASE.**
- **REDUCING THE EXPANSION REQUIREMENT TO 25% OF FLOOR AREA FOR EXISTING BUSINESSES. THE BASE YEAR REQUIREMENT WILL REMAIN IN EFFECT.**
- **ALLOWING BUSINESS TO PROPOSE STORE HOURS, AS LONG AS IT IS OPEN AT LEAST 40 HOURS PER WEEK AND ONE WEEKEND EVENING UNTIL 8 P.M. BETWEEN APRIL 1 TO OCTOBER 31, WHICH THE VILLAGE CAN TAKE INTO ACCOUNT WHEN CONSIDERING THE APPLICATION. THE APPLICATION WILL RECOMMEND THE BUSINESS HOURS THAT WERE PREVIOUSLY A REQUIREMENT.**
- **REQUIRING A MINIMUM THREE-YEAR LEASE. HOWEVER, THE INCENTIVE PERIOD MAY NOT EXCEED THE DURATION OF THE LEASE.**
- **REMOVING THE 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 MOTION: PASSED

Ayes: Hayes, Blackwood, Sidor, Glasgow, LaBedz, Rosenberg, Scaletta

D. Vacant Space Report

Mr. Recklaus said some aspects of the vacant space report were covered in the earlier presentation and in talking about it over the past several months, Trustee Glasgow had asked what is being done in terms of trying to reduce vacancy, aside from the traditional efforts. Mr. Recklaus said staff has looked at leases and if there are greater restrictions that can be placed on leases to prevent someone from keeping another kind of use from coming; are there taxes, fees, or negative use restrictions on different types of uses and detailed information is in the report. Mr. Recklaus said the staff recommendation, because there has been some success with using traditional methods, is to not change or add any items to the existing list and

to keep it on the radar, and share some of the pros and cons with the Board and generate discussion. Mr. Recklaus again said staff would not be making any recommendations because the cons could outweigh the pros in many cases.

Mr. Mertes said vacancy rates were reviewed, and mentioned that the Village is out performing the submarket in retail and office, but does trail a little in industrial/flex. In the past year the retail vacancy rate has dropped from 7.6% to 7.3%, the office vacancy rate in the community has gone down from 20.5% to 16.3%. This time last year the industrial vacancy rate was 22.4% and has dropped nearly 7 full percentage points. Our retail compares to the submarket at about a 9% vacancy rate and is a little bit higher north of the tracks. It doesn't have as much of the critical mass as the south side has, but there was a fair number of successes on the north side of the tracks last year. Companies such as Around Café moved into the community, along with the Barre Code, and Prestige Renovations, but there was also the re-opening of Fannie May and the expansion of Egg Harbor Café which were highlights on the north side of the tracks.

Mr. Perkins said there are challenges, but the vacancy rates are holding up very well. He added that in the report it talked about research done regarding negative use restrictions; Buffalo Grove passed an Ordinance prohibiting covenants placed on a property that prevents another user going in that property even though the Zoning Code may allow it. There are a number of legal challenges with that one and it doesn't really eliminate lease restrictions that are very common but go away at the end of the term of the lease. Mr. Perkins said research was done on vacancy tax, that if you have a vacant storefront you have to pay an extra tax; minimum vacant storefront standards so you have some stores when they're vacant the property owner keeps it looking nice and others that don't and we felt that was very challenging to administer and enforce even with legislation so a better avenue would be to encourage the ones that we see that don't look good to clean them up. Mr. Perkins added that there was legislation proposed in Springfield to also tax some vacant properties that were not being marketed, but how to show it wasn't marketed may be a challenge.

Mr. Perkins said the Village has a few existing programs to use and will continue to monitor the other communities and what they are doing, and will bring the information back to the Board if there are any successes without legal challenges.

Trustee Glasgow said the reason he brought this up is because in his travels he had conversations with other municipal leaders who were considering these very strongly for the purposes of the properties that were owned were owned by REITs and because they were owned by REITs they didn't have a local incentive to sell because they were owned by the real estate investment trusts that often did not have a community interest. Trustee Glasgow said it is important to know that the Village has options in case we want to end up

taking some options if something like this happens if we have buildings or vacancies.

Trustee Glasgow said that there is a perception there are a lot of vacant stores in Arlington Heights compared to elsewhere, and a wonderful job has been done and the numbers show that the vacancies in Arlington Heights are far lower than the rate of the submarket. It's a testament to not only the Planning Department but to the Chamber of Commerce as well, in addition to everyone in the business community in making sure we keep a low vacancy rate. Trustee Glasgow asked what the plans are to take care of the notable exceptions and the store fronts that don't look well, and how does the Village plan on taking care of the property of a big box that is just sitting there with a lease restriction on it? Mr. Perkins said there is a situation at the former Dominick's space that was purchased by Jewel (Albertson's) and they control the lease. There is no deed restriction, they just control the lease. There have been numerous meetings with the brokers, at the ICSC last may there was a meeting with Albertson's to try to get the message across, even if it's a competing grocery store going in there, they didn't say they wouldn't allow it nor did they say if we have the right user if they would or not. Discussions continue with the broker and landlord but there are no key uses that have stepped up at this point. As far as vacant stores that don't look good, discussions have been held with one owner to improve their store but they are not willing to do so. Trustee Glasgow said the problem he has is that some of the vacancies are in very high visibility areas where people can see it vacant, and believe there are vacancies everywhere, which is one of the reasons Trustee Glasgow said he wanted to make sure the information is publicized. Trustee Glasgow asked how Buffalo Grove is handling the negative use restriction and Mr. Mertes said they implemented it about a year to a year and a half ago and was not sure about too many of the details other than the space is still vacant and the space was another Albertson' controlled, former Dominick's space which was part of the impetus for putting together that Ordinance.

Trustee Rosenberg confirmed that the space Mr. Mertes referred to in Buffalo Grove was the Lake Cook / Arlington Heights Road Dominick's location and said Buffalo Grove went after them and a lot of money was spent to clean it up. Mr. Rosenberg asked in light of the things that the Board did tonight, is there a way that the Village can get all this information out, especially the retailers so they have the knowledge of these programs and utilize them? Mr. Recklaus said that when people come in the door is a good time to do that, and other than harming our friends at the Chamber of Commerce when they have had interaction with the information, is that we've been talking to them about having joint events where a Village staff member can do a pitch and talk about the new programs, updated programs that we have at the Village to help encourage business growth. There is a couple of different things the Village can do to get the word out. Mr. Perkins said they've done e-blasts, postcard direct mail, and have worked with the Chamber and they've done e-blasts out to their members as well.

Trustee Rosenberg said maybe there is a way that maybe Jim Platt can take some time and take the programs door to door to the Downtown area. Mr. Recklaus said this is good news Jim Platt can bring to people.

Trustee Scaletta said that between the Community Room and the Village Board Room, something could be easily hosted, even with box lunches brought in. Trustee Scaletta suggested the Alliance breakfast but Mr. Mertes said the Alliance has spoken about foregoing the breakfast this year and instead have smaller programs and more than one. Trustee Scaletta asked Mr. Perkins if we've gone away from the branding message in the windows and Mr. Perkins said it hasn't been done for a while but if it was going to be done again, new images would be used. There were some positives and negatives from that; it was time-consuming and with different images it could be a good mechanism. Not all property owners were willing to have it in their windows but overall it was a good approach to hang up and reference.

Trustee Scaletta said in principle he is opposed to a vacancy tax because he thinks it is very difficult to lump all landlords in together and from experience explained that whether it's a strip mall or just a block of stores it's a portfolio and you want to make sure you have the right mix. Trustee Scaletta said a client sat on a vacant space, one of ten of them, for a while because we wanted the right fit and by the end it paid off. Trustee Scaletta added that he gets a little concerned about vacancy tax because it might end up doing a disservice to the Village by a deal being taken instead of being taxed.

Trustee Glasgow said he didn't think the Village could do it just by virtue of the way taxes are levied. Mr. Recklaus said it would be very obtuse and difficult along with the legal issues that would be raised.

Trustee Scaletta asked Mr. Perkins if there is a requirement that if a space is available, that there must be a sign in the space advertising that it is available for lease and Mr. Perkins said there is not. Trustee Glasgow said that when speaking about having to prove you are marketing your space, requiring a vacant space to have a sign in it saying it is for lease with a telephone number and contact information could be required. If it is a space that is not going to be leased, a sign would still have to be hung and phone calls would have to be answered.

V. OTHER BUSINESS

C. Discussion of Potential Cell Tower Lease on Village Water Tower

Mr. Recklaus said this was a project that has been going on for the last several months at the staff level and wanted to get Board feedback and us not looking for formal direction. Mr. Recklaus said the one thing that he

found unique when he came to town was that we don't lease any of our water towers to cell providers and we're one of very few communities that do not do that. It is something municipalities use and can generate tens of thousands of dollars per year per lease, and often there are multiple cell antennae leases on each water tower, creating a good source of revenue. The other advantage as seen through other processes, we have very little ability to regulate antennae's through the zoning process and you have to deal with whatever is put up, whereas they are often willing to make concessions, we just can't make them through the zoning process. If you are the landlord, you can put any concessions you want through a lease and no one can say anything about it. Generally speaking, Mr. Recklaus said that water towers are the highest points in the community. Additionally, you would think there is a proliferation of antennae's already but we've spoken to people in the industry over the last few months and found that it is really not the case because the demand continues to increase as people continue to do things on their phones, in addition to increasing competition. At this point we've worked through some potential security issues and aesthetic issues, looked at some sample lease language, and what staff would like to do is initiate a pilot project and the sight believed to best suited for this is the water tower behind station three; it's more secure, it's near I-90 and Arlington Heights Road. We'd like to reach out to providers to gauge interest and solicit proposals and then come back and talk about what it would look like and compare it to other leases. If we decided it was successful, we could open it up to other sights in the community.

Mayor Hayes said he thinks it's a good staff recommendation and these days the aesthetic concerns can be addressed and is sure that the size and shape of the antennas are such that they are not too overwhelming in terms of their appearance and safety concerns in terms of emissions, so Mayor Hayes would be in favor of a pilot program.

Trustee Sidor said he agrees with the Mayor and asked what fund the proceeds would go into. Mr. Recklaus said it would have to be discussed but his perspective is that it should go into the capital improvement fund.

Trustee Glasgow said likewise, he agrees with it and that the Village has left money on the table for far too long.

Trustees Rosenberg, LaBedz, and Scaletta said they agreed as well.

TRUSTEE GLASGOW MOVED TO ADJOURN AT 10:05 P.M. TRUSTEE SIDOR SECONDED THE MOTION

The Motion: Passed

Ayes: Hayes, Blackwood, Sidor, Glasgow, LaBedz, Rosenberg, Scaletta