
CITY OF ROLLING MEADOWS

TAX INCREMENT FINANCING STATUS REPORT

TAX INCREMENT FINANCING (TIF) DISTRICT NO. 4
GOLF ROAD CONSERVATION AREA/TIF DISTRICT

Prepared for:
The City of Rolling Meadows, Illinois

Prepared by:
Kane, McKenna and Associates, Inc.

TIF DISTRICT NO. 4

Golf Road Conservation Area TIF District
Designated July 28, 2015
Status Report December 31, 2019

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I. TIF INTRODUCTION AND BACKGROUND

Kane, McKenna and Associates, Inc. (“KMA”) drafted this report at the request of the City of Rolling Meadows (the “City”) to update the public on the status of Golf Road Conservation Area/Tax Increment District (“TIF District No. 4”, the “TIF District”, or the “TIF”).

The Redevelopment Project Area

The City established the Redevelopment Project Area (“RPA”) in July, 2015.

The City of Rolling Meadows (the “City”) is located in Cook County, Illinois, serving a population of approximately 24,099 citizens (2010 Census). It is an established community located approximately 24 miles northwest of downtown Chicago. As part of redevelopment activities in 2015, the City proposed a Tax Increment Financing Redevelopment Plan to assist an area in overcoming a number of redevelopment impediments.

By definition, a TIF “Redevelopment Plan” means the comprehensive program of the municipality for development or redevelopment intended by the payment of redevelopment project costs to reduce or eliminate those conditions the existence of which qualify the redevelopment project area as a “blighted area,” “conservation area” (or combination thereof), or “industrial park conservation area,” and thereby to enhance the tax bases of the taxing districts which extend into the redevelopment project area as set forth in the Tax Increment Allocation Redevelopment Act.

Community Background

Although the City incorporated in 1955, its history dates back to the early 19th century. In 1836, the first landowner of what is now Rolling Meadows staked claim to roughly 160 acres of an area known as Plum Grove. Through the 1840s, settlers continued to lay claim to the area, eventually claiming all of Plum Grove. This community later joined the newly formed Palatine Township in 1850. In 1927, 1,000 acres of the Plum Grove area was purchased to build a golf course, but the land was sold yet again in the early 1950s and developed into homes in a community named Rolling Meadows, which officially incorporated in 1956.

Today, Rolling Meadows is serviced by two state highways – north/south Route 53 through the center of the City and east/west Route 14 (Northwest Highway) to the north of the City. Further, Rolling Meadows lies just minutes away from Interstate 90 (I-90) to the south of the City. Commuters also have access to the available PACE bus service system, which offers four routes in the Community, and Metra access at stations located in neighboring Palatine and Arlington Heights. Further, the City sits approximately ten miles away from O’Hare International Airport.

Recreational amenities include several Rolling Meadows parks and portions of the Cook County Forest Preserve. The various Rolling Meadows parks and facilities also complement local, year round recreational activities. The heart of the City also contains an 86 acre greenbelt, complete with bike paths. Further, the City operates the Rolling Meadows Public Library that generates significant Downtown activity, averaging 18,000 visits per month. The City offers a noticeably diversified economy consisting of a mix of small business and large companies, which is a result of its location near major markets, excellent transportation, and school systems and local colleges that generate highly skilled workers. These factors have earned the City and surrounding communities the title “Silicon Prairie” due to the influx of major technological manufacturing and distributions corporations that have settled there.

The proposed Golf Road TIF District has the potential for redevelopment that would allow the City to assist in the conservation and rehabilitation of current properties in order to stabilize and increase the property tax base. Redevelopment would build upon the aforementioned locational advantages and certain existing uses. As such, the City has identified a number of objectives for redevelopment, with tax increment financing acting as a tool to achieve them.

The TIF District

The TIF District is compact, consisting of nine (9) tax PINs and adjacent right of ways. The TIF District is situated in the northeast corner of Golf Road and Apollo Drive in Rolling Meadows, Illinois. The proposed RPA’s boundaries are approximately Apollo Drive (west), Interstate 90 (north), Golf Road (south) and 2500 W. Golf Road (east). The proposed TIF District consists of approximately 25.4 acres, including two (2) buildings: Structure 1, located on PIN 08-08-300-008-0000 contains 288,144 square feet of commercial space, as well as surface parking lots, landscaping, an adjacent retention pond, right of ways; and Structure 2, located on PINs 08-08-300-020-1001, 08-08-300-020-1002, and 08-08-300-020-1003. Both structures were constructed in 1976, and include one parking garage with 55 parking spaces. A map is included in Exhibit A as well as all TIF tax parcels.

The TIF suffered from a variety of economic development impediments as defined under the TIF Act. The TIF exhibits certain aspects requiring conservation in the TIF district:

- Deterioration
- Obsolescence
- Excessive vacancies
- Inadequate utilities
- Environmental cleanup
- Declining or stagnant EAV of the RPA 3 of the last 5 Calendar Years.

On balance, the combination of these factors limited the opportunities for private reinvestment within the RPA due to the considerable costs to conserve and improve the area for its continued use. The RPA will remain suitable for new development if there is coordination of redevelopment activities by the City. Under the TIF Redevelopment Plan and as part of its comprehensive economic development planning, the City intends to attract and encourage commercial uses to located, upgrade, expand and/or modernize their facilities within the City and to reinvest in the TIF District property. Through the establishment of the RPA, the City would implement a program to redevelop this key commercial area within the City; in so doing, it would stabilize the area, extend benefits to the community, and assist affected taxing districts over the long run.

Rationale for Redevelopment Plan

The City recognizes the need for a strategy to conserve and revitalize properties and promote current and future development within the boundaries of the RPA. The needed private investment may only be possible if a TIF district is adopted pursuant to the terms of the Act. Incremental property tax revenue generated by the conservation and redevelopment of the RPA will play a decisive role in encouraging private development. Site conditions that may have precluded intensive private investment in the past and going forward will be eliminated. Ultimately, the implementation of the Plan will benefit both the City and surrounding taxing districts, by virtue of the expected expansion of the tax base.

The City does not anticipate that the area would be developed in a coordinated or timely manner without the adoption of the TIF Redevelopment Plan. The City, with the assistance of EY, has therefore drafted this Plan to use tax increment financing in order to address local needs and to meet redevelopment goals and objectives. The adoption of this Plan makes possible the implementation of a comprehensive program for the economic redevelopment of the area. By means of public investment, the RPA will become a more viable area that will attract private investment. The public investment will lay the foundation for the redevelopment of the area with private capital. The designation of the area as an RPA will allow the City to pursue the following beneficial strategies:

- Coordinating building conservation and rehabilitation in order to provide for continued and future modernized redevelopment;
- Upgrade utilities that support viable redevelopment plans for the RPA;
- Entering into redevelopment agreements in order to redevelop property and/or to induce new development to locate within the RPA;
- Enhancing area appearance through construction, conservation and rehabilitation of structures and improvements to landscape; and
- Establishing a pattern of land use activities that will increase efficiency and redevelopment activity.

As part of the TIF designation, the City will serve as the central influence for the coordination and assembly of the assets and investments of the private sector and establish a unified, cooperative public-private redevelopment effort. Additional benefits will accrue to the area: a stabilized and expanded tax base; entry of new businesses; new employment opportunities; and physical and aesthetic improvements related to the conservation and rehabilitation of existing structures in a highly-visible location. Ultimately, the implementation of the Plan will benefit (a) the City, (b) the taxing districts serving the RPA, and (c) foster the continued and future development of the RPA.

City Findings

The City, through legislative actions as required by the Act, found that:

- That the RPA as a whole had not been subject to growth and development through investment by private enterprise due to considerable impending conservation costs;
- That in order to promote and protect the health, safety, and welfare of the public, certain conditions that may adversely affect redevelopment within the RPA if left unchecked need to be addressed, and that conservation of such areas must be undertaken to prevent further detriment;
- To prevent adverse conditions, it is necessary to encourage private investment and enhance the tax base of the taxing districts in such areas by the development or redevelopment of certain areas;
- That public/private partnerships are determined to be necessary in order to achieve development goals;
- That without the development focus and resources provided for under the Act and as set forth in this Plan, continued growth and development would not reasonably be expected to be achieved;
- That the TIF Redevelopment Plan conforms to the City's *Comprehensive Plan*.
(the Comprehensive Plan may be found at: <https://www.cityrm.org/35/Business>)

It is further found, and certified by the City, in connection with the process required for the adoption of this Plan pursuant to the Act, that the projected redevelopment of the RPA will not result in the displacement of 10 or more inhabited residential units. Therefore, this Plan does not include a Housing Impact Study. The redevelopment activities that will take place within the RPA will produce benefits that are reasonably distributed throughout the RPA. Redevelopment of the RPA area is tenable only if a portion of the improvements and other costs are funded by TIF. Other alternatives, including the designation of a Business District appear to be limited in usefulness, as related to the types of non-retail commercial redevelopment activities to be located within the RPA or a Special Service Area, since few redevelopment components are of a purely public nature.

Pursuant to the Act, the RPA includes only those contiguous parcels of real property and improvements thereon substantially benefited by the redevelopment project. Also pursuant to the Act, the area in the aggregate is more than 1.5 acres.

To achieve the goals and objectives of the Redevelopment Plan, the City of Rolling Meadows planned to encourage private investment through description of the TIF District. Successful completion of the City's efforts was expected to result in the rehabilitation and operation of modern headquarters facility. This development would generate tax revenues, support the elimination of blight and there upon increase the marketability and use of land previously impracticable for development, provide local employment opportunities, preserve building inventory and return to productive status.

Economic Development Goals of the City

The City's general economic development objectives are to enhance quality development opportunities within the City, focusing on the following:

- Expanding upon planning studies for key development sub-areas such as the Corporate Park South, in which the proposed TIF District lies;
- Reviewing, refining, and optimizing the City's short- and long-range development framework;
- Attracting land uses and development more compatible with community goals and area needs, infrastructure, and character; and
- Improving current land use, physical conditions, and quality of life.

Economic development opportunities within the Corporate Park South sub-area represent a strategic location complementing one of the largest concentrations of businesses in the area and the southern business anchor of the City. The Corporate Park South sub-area, in which the proposed TIF District lies, is a large, highly visible and mixed-use business environment that flanks I-90. Nearby restaurants also provide service and amenities to employers and visitors. The importance and visibility of the Corporate Park South sub-area, and therein the proposed TIF District, highlight an opportunity to conserve and redevelop the proposed TIF District in a manner consistent with the economic development goals of the City.

Establishment of the proposed RPA supports the following objectives and strategies identified in the City's *Comprehensive Plan* (refer to link <https://www.cityrm.org/35/Business>) and would be expected to favorably impact future redevelopment activities:

“The future vision for Rolling Meadows is based on the community’s desire to improve its quality of life by taking advantage of the City’s positive attributes and guiding area development and redevelopment.” To achieve this goal, “economic development in the City will keep Rolling Meadows on the map as a highly desirable place to do business”, with the goal of having “attractive commercial centers and modern business parks and office campuses along I-90 and Route 53”. Further, “outdated industrial and office sites will be improved and ‘re-established’ in attractive business/office park settings”. For Office and Industrial land use, City planning pursues “viable office centers and industrial districts that accommodate a range of businesses and provide economic benefits to the City”, focusing on the following objectives:

- “Encouraging a thriving industrial and office environment to provide employment and tax base for the City.
- Promote the establishment of well-defined, modern business environments to accommodate a wide range of uses.
- Capitalize on the City’s interstate highway visibility and access.
- Promote the retention of existing, active businesses.
- Coordinate and enhance signage and landscaping”.

To achieve these objectives, the City employs the following strategies:

- “Promote improvement or redevelopment of deteriorated industrial properties.
- Work with state, regional, and county planning agencies to promote the economic development components of the City’s Comprehensive Plan.
- Attract additional international investment.

- Work with property owners to encourage retention of current businesses, attraction of new businesses, and redevelopment of underutilized sites.
- Encourage modern, efficient industrial and office buildings if redevelopment occurs”.

It is evident that the establishment of the RPA comports with the economic development goals set forth by the City; the RPA will help achieve the aforementioned objectives, specifically attaining the goals for the Corporate Park South sub-area.

II. Project Background/Description

The proposed Golf Road Tax Increment Financing (TIF) consists of certain public improvements and two (2) commercial buildings located at 2750 and 2850 Golf Road. The larger office building, 2850 Golf Road property was partially vacant and had declined in assessed valuation since 2008. The smaller structure, the Meadows Club at 2750 Golf Road was also included in the TIF District and was marginally utilized.

Arthur J. Gallagher (“AJG”) has acquired the 297,000 s.f. 2850 Golf Road facility and proposed to substantially renovate and reconstruct the facility (including a parking structure) to serve as a headquarters facility for the corporation, relocating approximately 2,000 employees to the TIF location.

Uses of Funds

The Project budget as proposed is found below:

Land Acquisition	\$ 13,425,000
Garage Construction and Site Improvements	13,139,353
Building Rehab and Tenant Improvements	65,461,761
Site Preparation and Demolition	6,239,170
Furniture Fixtures and Equipment	11,286,575
Professional Services/Fees	5,409,349
Training/Relocation	<u>7,500,000</u>
	\$122,461,157 Total Project Costs

Sources of Funds

AJG Equity/Funding	
Training/Relocation Costs	\$ 7,500,000
AJG Equity/Funding Other Costs	92,887,305
Lender Funding	<u>22,073,852</u>

\$122,461,157 Total Sources

AJG has requested that incremental property taxes generated by the TIF District (the “TIF Increment”) be used to reimburse AJG for eligible costs (the “TIF Request”). The TIF Request is estimated at \$30,000,000 or \$35,000,000 if an expansion project were to occur. The TIF Request would be paid out annually from 100% of TIF Increment after City costs of \$50,000 (adjusted annually by 3.0%) are paid.

Project Economics

AJG has evaluated both the existing buildings and site location in relation to its headquarters concept. Currently, the company leases its space (except for one facility in the UK). The ownership of the Rolling Meadows property represents a significant investment for the company in relation to establishing a headquarters location and to accommodate future growth. The Rolling Meadows location is critical due to: (i) proximity to employee access (within 5 miles of its existing facility), (ii) provision of a 27,000 s.f. floorplate which accommodate workforce circulation and layout based on AJG’s management plan, (iii) the presence of floor to ceiling windows, combined within proposed recladding of the building provides a “signature look” to the building, and (iv) the ability to design a campus “feel” or park given the availability of land surrounding the facility.

Given the condition of the 297,000 s.f. facility and its deferred maintenance, AJG incurs certain additional costs related to bringing the facility to operational use. Some of the cost components relate to existing conditions, others relate to the age of the structure (1974) and the need to retrofit to current market conditions/standards – based on the “original issue” of many components and conditions of obsolescence.

Based upon current cost estimates compiled by Leopardo (AJG construction/architect consultant) the following components represent costs solely associated with the reuse of the 2850 Golf facility for the proposed headquarters use.

- a) Remediation and realignment of pumping station/water lines in order to address flooding on site and within the building.
- b) Reclad of exterior of the building to modernize the look and to substantially replace glass and sealing components (many of which are original issue). The work would also address the condition of non-weight bearing columns that are part of the recladding proposal.
- c) Revisions relating to site access and removal of existing berm on site. These revisions provide for improved visitor parking and an entrance way to the campus.
- d) Reconstruction of existing grade/surface parking improvements – including potential rerouting of utilities.
- e) Rehabilitation of building components (prior to tenant improvements) due to the fact that the components are original issue (1974) and must be replaced. These components include cornices, elevators, bathrooms, and HVAC. Associated interior demolition and core and shell work would also be included.

The TIF funding as proposed by AJG is to be structured as a “pay as you go” obligation – dependent on Project tax receipts and increases over the existing base values. The TIF incentive would serve to improve overall returns of the Project – based on current cost estimates and AJG’s estimate of building occupancy costs prepared by their consultants Ernst + Young (E+Y).

Overall, returns are improved by the inclusion of the TIF funding in each alternative – assuming that AJG is considering a long term “hold” of the property and the property includes special use features related to the headquarters concept.

Project TIF Request

Key variables that are in play regarding AJG’s TIF Request are:

- i) Owner financing plan/sources of funding;
- ii) Project Costs; and
- iii) The AJG consultant occupancy representations

The City has indicated that the TIF term or incentive would not exceed 15 years (rather than the full 23 year term allowed by the TIF Act). The term needs to be reviewed in relation to a clear definition, e.g., 15 years from approval of the TIF/signing of the redevelopment agreement (RDA) or the receipt of 15 years of increment – which may result in 17 or 18 years depending on the Assessor’s stabilized assessment.

E+Y’s TIF projections assume that the \$30,000,000 City “cap” could be paid in the 15 year term set by the City (after payment of City administrative costs). In the event that taxes are higher than projected, the TIF term could be reduced, but if the taxes are lower, the burden is on AJG, as the TIF payments end regardless if the cap has not been achieved.

The City would make available TIF assistance of up to \$30,000,000 payable solely from the incremental property taxes generated by the project’s redevelopment in order to address certain extraordinary costs and to provide for a market rate of return associated with the private investment. Project incremental taxes would also be utilized for certain public improvements to be undertaken by the City as part of the overall redevelopment. The City also approved a TIF term less than the maximum 23 year term allowed by State statute and requires project increment to be expended over a 15 year period.

III. Fiscal Review

The TIF plan adopted by the City included a budget set forth below:

Program Actions/Improvements ¹⁰	Estimated Costs
Acquisition, Renovation, Rehabilitation, Reconstruction, Relocation, Repair or Remodeling of Existing Public or Private Buildings, Improvements, and Fixtures	\$28,900,000
Site Assembly/Preparation/Demolition	\$ 2,500,000
Environmental Remediation/Renovation	\$ 2,500,000
Relocation Costs	\$ 500,000
Analysis, Administration, Studies, Surveys, Legal, Marketing, etc.	\$ 500,000
Professional Services and Studies	\$ 100,000
Public Infrastructure and Other Public Facilities	\$ 5,000,000
TOTAL ESTIMATED TIF BUDGET	\$40,000,000

- 10 (1) All project cost estimates are in year 2015 dollars. Costs may be adjusted for inflation per the TIF Act.
- (2) In addition to the costs identified in the exhibit above, any bonds issued to finance a phase of the Project may include an amount sufficient to pay (a) customary and reasonable charges associated with the issuance of such obligations, (b) interest on such bonds, and (c) capitalized interest and reasonably required reserves.
- (3) Adjustments to the estimated line-item costs above are expected. Adjustments may be made in line-items within the total, either increasing or decreasing line-items costs for redevelopment. Each individual project cost will be reevaluated in light of the projected private development and resulting tax revenues as it is considered for public financing under the provisions of the Act. The totals of the line-items set forth above are not intended to place a total limit on the described expenditures, as the specific items listed above are not intended to place a total limit on the described expenditures, as the specific items listed above are not intended to preclude payment of other eligible redevelopment project costs in connection the redevelopment of the RPA, provided the total amount of payment for eligible redevelopment project costs shall not exceed the overall budget amount outlined above.

Equalized Assessed Valuation (EAV) History

<u>Tax Year</u>	<u>Collection Year</u>	<u>Tax Year EAV</u>	<u>Base EAV</u>	<u>Incremental Taxes (Collection Year)</u>
2015	2016	\$12,785,687	\$13,057,833	\$0
2016	2017	\$24,720,505	\$13,057,833	\$1,244,369
2017	2018	\$43,846,041	\$13,057,833	\$2,950,424
2018	2019	\$43,079,433	\$13,057,833	\$3,622,731

Source: Cook County Assessor, Cook County Clerk.

Four Year Total: \$7,817,524

The goals and objectives were designed in accordance with the City’s zoning ordinance and comprehensive planning process.

The Redevelopment Plan had been prepared in accordance with the Comprehensive Plan for the City and encourages the success of city-wide goals and objectives which are the fundamentals for the future development and redevelopment of the Project Area. Objectives contained in the City’s Comprehensive Plan (in English and Spanish versions – <https://www.cityrm.org/35/Business>) that pertained to the Redevelopment Project Area were identified in Section 1. The facility is completely operational and conforms to City code, as well as the Redevelopment Agreement provisions.

IV. Total Investment within the RPA

<u>Investment Categories</u>	<u>Investments</u>
Public Investment (excluding interest and administrative costs)	\$30,000,000 pay as you go reimbursement
Private Investment before reimbursement	\$122,461,157

EXHIBIT A

TIF Map and Tax Parcels

Roling Meadows TIF 4
<u>Tax Parcel List</u>
08-08-300-008-0000
08-08-300-009-0000
08-08-300-010-0000
08-08-300-020-1001
08-08-300-020-1002
08-08-300-020-1003
08-08-300-006-0000*
08-07-402-012-0000*
08-07-403-006-0000*
08-07-403-013-0000

EXHIBIT B

Project Rendering

