

CONFIDENTIAL MEMO RE: PROSPECTIVE REAL ESTATE ACQUISITION AND DEVELOPMENT

TO: Dr. Dean Romano, Assistant Superintendent, Business Services
Geneva School District CUSD 304

FROM: Chris Aiston, Pres/CEO, CC Aiston Consulting, Ltd

RE: Project Cranberry: Planned Relocation and Expansion Incentive

DATE: February 5, 2019

I. Introduction

The City of Batavia's Economic Development office has received a formal Request for Proposal (RFP), requesting the City to provide a financial assistance package to incentivize the development of a large light industrial enterprise on a property located within the City of Batavia. Per the RFP, the subject company and development is business is a US-owned, international company engaged in the manufacture and distribution of a vast array of power tools. The company is currently operating its US presence from a location within the City of Batavia's northeast business park area. The company presently employs 15 people at this site. Once the new facility is built-out and occupied, the company expects its employment to grow to approximately 40 FTE.

From the City's perspective, this economic development project represents an opportunity to both retain and allow for the significant expansion of an existing light industrial enterprise in Batavia, to include manufacturing (plastic injection molding) and assembly, while at the same time encourage the construction of a new, 150,000 SF building on a currently vacant, 9-acre tract at 1225 Douglas Rd. The company anticipates the new building's value to approximate \$7.7M. Total investment (land, building, infrastructure, equipment) is estimated to be \$12M.

The three finalist properties in this site selection process are as follows:

1. "Alternative Site A" in Kenosha County, Wisconsin. The offer is being made by a not-for-profit economic development corporation that owns appropriately zoned property in southeastern Wisconsin;
2. "Alternative Site B" is in neighboring western DuPage County. The specific municipality within which this property is located has presented the incentive package on behalf of several participating taxing districts having jurisdiction over the property; and
3. The subject Batavia, 9+/- acre property is at 1225 Douglas Road, Batavia. This property is owned by Douglas Land Partners, LLC

II. Site Selection Search

The City first met with the subject company's Executive Vice President and its Finance and Operations Manager, as well as its real estate broker in August, last year, when the company was initiating its expansion and relocation planning efforts. During that initial meeting, the City learned of the company's interest in other available land tracts located at "Alternative Site B", its interest in learning more about the aforementioned recent incentive packages (each include a property tax rebate program involving multiple taxing districts and memorialized through an IGA) employed to attract a number of specific land purchase and development agreements. On a conference call held in November, last year, the company also informed City staff of its having included the "Alternative Site A" in its site selection search process and that the property in question there was being offered at a considerable discount.

III. Geneva School District CUSD 304

Between the initial meeting and the subsequent conference call with the Project Cranberry's representatives, you will recall our meeting (with Todd Latham) to discuss this matter. During that meeting, I informed you that the 1225 Douglas Rd property is made up of two contiguous, separate and distinct parcels, and straddles the Batavia/Geneva township boundary line, as well as the Batavia School District/Geneva School District boundary

line. The northerly 5.81-acre parcel is located in the Geneva School and Township districts; and conversely, the southerly 3.23-acre parcel is located within the Batavia School and Township districts. However, under an agreement between the Batavia and Geneva Township Assessors, if a building is constructed so that it is located in both townships, in whichever township the majority of the building is so located, the entire building is assessed by the respective township assessor and the property taxes attributed to the building alone (underlying land assessment and resulting taxes continue to be paid to the township and school district in which the parcel is located), in their entirety, is paid to the subject Township and School District upon which the building's majority area has been constructed. In short, then, the School District that will be affected by the new building constructed and therefore would be at the table in discussing the taxes due from the building alone is the Geneva School District.

IV. Summary of the Two Other Incentive Offers

Below is a summary of the economic development incentive proposals offered to Alton Industries, Inc. by the organizations concerning "Alternative Site A" and "Alternative Site B". City staff has received copies of the full, written proposals representing each of these two site property owners. This information was made available to staff under the heading, "**Strictly Confidential**". *Except for sharing this information below with your Board in a written memo similarly marked as "Strictly Confidential", this information should be kept from open, public discussion.*

a. Alternative Site A" Offer

- i. The Kenosha Area Business Alliance (KABA) is the current owner of this site located in the Village of Salem Lakes. The land is being offered at \$1.26 per square foot, with a 1% closing and legal fee. Both the Batavia and West Chicago land sale prices are expected to be approximately \$4.00-\$4.25 per square foot;
- ii. Property in question is served by municipal water and wastewater systems, natural gas and electric services and "state of the art" fiber optic telecommunications network; and
- iii. Low interest Loan (prime minus 100 basis points) up to \$1.5M

b. "Alternative Site B" Offer

- i. DuPage Airport Authority/West Chicago. A multi-taxing body "Property Tax Sharing" program. 50%, ten-year tax abatement program against the delta between existing tax revenues and future tax increment (delta between existing and post-project development values). There are six taxing districts participating in the property tax abatement program, to include, among others: City of West Chicago and the West Chicago public schools. "Alternative A" representatives have estimated that the value of this abatement for the company to be \$1.2M. Maximum total rebate is \$4M;
- ii. 50% Permit Fee Waiver up to \$100,000; and
- iii. 50% Utility Tax Rebate up to \$200,000 (this rebate is from City's utility taxes and not rates)

V. City of Batavia and Geneva School District Tax Rebate Incentive Offer (DRAFT)

I have developed a 10-Year Property Tax Rebate Program to incentivize and compete with the two alternative communities' respective proposals. This program has been distributed to senior city staff and the City Council and is portrayed on the attached spreadsheet. To summarize this program, the property tax rebate will affect the City's tax revenues from both land parcels. The rebate will also affect the building value and resulting taxes to the City. With respect to the Geneva School District, as proposed, the single land parcel located within the Geneva School District will not be affected by the proposed rebate program. However, the property tax revenues derived from the building value (in its entirety) to the School District will be affected pursuant to the annual rebate schedule.

The rebate program is ten years in duration with the City and the Geneva School District pledging to rebate certain property taxes under the following schedule: Program Years 1 through 3 at 75%; Years 4 through 7 @ 50%; and Years 8 through 10 at @25%. Under this scenario, the developer benefits by receiving greater rebate sums early on to assist in the initial upfront costs (construction, equipment, infrastructure, etc.) and lesser rebate amounts after a period of time where expenses are in large part associated with financing and costs of operations. For the City and School District, by “front-loading” the rebate payments, each party will see reductions in rebate payouts and increases in retained tax revenues as the program proceeds through the ten-year schedule. In the end, the percentage of rebate dollars versus retained dollars against the total taxes paid amounts to just over 51% retained by the City and nearly 57% by the School District.

Draft Ten-Year Property Tax Rebate Program			
Summary of Values			
	Total Property <u>Taxes Due</u>	Total Rebate Paid <u>To Developer</u>	Total Property <u>Taxes Retained</u>
City of Batavia	\$257,401	\$126,027	\$131,374
Geneva School District CUSD 304	\$1,918,700	\$828,326	\$1,090,374