



attorneys at law

Concentrating in Real Estate Taxation Matters

Commercial Development in These Difficult Times: The Class 7 Real Estate Tax Incentive

A Class 7 incentive does for commercial properties what class 6b does for industrial. The assessment is reduced by 60% under the new classification ordinance, from 25% to 10% of market value. "Commercial" includes office, retail and hotel projects for new construction or substantial rehabilitation of existing properties. Although the hurdles are many, the process may well be worth the time and expense, as the incentive will continue for 10 years at the 10% level and ramp up over the next two years to the regular 25% level.

Until recently the Class 7 incentive was rarely considered viable. If the owner happened to be developing property in one of the South Suburban Tax Reactivation Townships (Bloom, Bremen, Calumet, Rich and Thornton), the Class 8 incentive would give the commercial developer the same tax relief without the bulk of the work needed for the Class 7. Now in these trying times, being able to project taxes at \$3 per sf instead of \$8 may allow projects to begin to move forward.

Eligibility Requirements

The two forms of Class 7 incentives are 7a and 7b. Class 7a applies to developments costing less than \$2,000,000. They do not require the additional review by the Cook County Economic Development Advisory Committee, as do the 7b's which exceed \$2,000,000 in project cost. Although the proposed incentive area may be limited to only the proposed development site, it is preferable to include additional surrounding area in the application. The county ordinance provides that the target area must be designated by federal, state or a local government agency as a "conservation, blighted or renewal area or an area encompassing a rehabilitation or redevelopment plan..." This has recently been interpreted by the Assessor to allow the municipality to make such determination, following public hearing, input from the local tax districts (school board) and presentation of the requisite documentation. The municipality's approval in the form of a resolution is the threshold requirement. The applicant must also submit to the Assessor supporting documentation that is similar to a TIF presentation, including a detailed analysis of the real estate tax history of the selected area and how the subject development will improve its general economic condition resulting in increased real estate tax collections. The submission must also detail the commercial viability of the project, its likelihood of going forward, the development's inability to move forward without the incentive, and the likelihood of additional jobs resulting from the development. The municipality's resolution certifying that the development area is in need of this incentive for the development to go forward must be included with the application.

Application Process

Upon receipt of the developer's completed application for the 7b, the Assessor submits a copy to, and obtains input from, the Cook County Economic Development Advisory Committee before making his final determination. Once the application has been approved, the developer can then commence construction. Once completed, a complaint must be filed with the Assessor's Office confirming completion and occupancy, at which time the incentive is put in place.

Conclusion

The applicability of this underutilized incentive can provide a basis for a harder look at potential projects, even in these difficult times. Schmidt Salzman & Moran, Ltd. is available to provide you or your clients with a feasibility review for 7a or 7b incentive, as well as the expertise to bring it about.

Theodore J. Schmidt
Steven A. Salzman
Timothy E. Moran
Martin J. Salzman

of Counsel
Richard A. Ginsburg

111 W. Washington
Suite 1300
Chicago, IL 60602
(312) 263-7100
FAX (312) 263-7108

Please call us with any questions.