

Class 'L' Property Tax Incentive for Landmark Rehabilitations

January 2014

Cook County has adopted a special real estate tax assessment classification—the Class 'L' property tax incentive—to encourage the preservation and rehabilitation of landmark commercial, industrial not-for-profit and multi-family residential buildings. Owners can have their property tax assessment levels reduced for a twelve-year period, provided they invest at least half of the value of the landmark building in an approved rehabilitation project. The Cook County Class L Eligibility Bulletin can be found on the Cook County Assessor's website at: www.cookcountyassessor.com/forms/cls1b.pdf.

As of the 2009 tax year, assessment levels for income producing buildings owned by a not-for-profit, commercial and industrial buildings are 25 percent. Multi-family residential assessment levels will be 16% in 2009, 13% in 2010 and 10% in 2011 and beyond.

For income producing buildings owned by a not-for profit, industrial, commercial and multi-family residential properties under the Class L incentive, assessment levels for the building-portion of the assessment are reduced to 10% for the first 10 years, 15% in year 11, 20% in year 12 and back to the normal assessment in year 13.

The other portion of the assessment, the land-portion, is also eligible for the incentive if the building has been vacant or unused continuously for the previous two years. The Class L incentive can be renewed in year 10 for an additional 10 year period(s) for class 3, 4 and 5b properties only. The Class L incentive is not a tax-freeze program; property continues to be reassessed, but at the lower assessment levels.

To qualify for the Class L incentive:

- the building must be an individually-designated City of Chicago landmark or a contributing building in a City of Chicago landmark district
- the building must be in a multi-family residential, not-for-profit, commercial or industrial use—Class 3, 4, or 5a/5b under Cook County's assessment classes
- the owner must invest at least 50 percent of the building's market value in the rehabilitation; check with the County Assessor's Office to determine your building's market value (the "improvement" portion of your assessment);
- the Commission on Chicago Landmarks must certify that the rehabilitation meets *The Secretary of the Interior's Standards for Rehabilitation of Historic Buildings*; and
- the Chicago City Council must support granting the incentive.

For more information about the Class L incentive, contact the Historic Preservation Division of the Department of Housing and Economic Development, 312-744-3200; or the Development Incentives Unit of the Cook County Assessor's Office at 312-603-5331.

Class-L Property Tax Incentive Application Materials

City of Chicago Department of Planning and Development

Bureau of Zoning and Land Use

Historic Preservation Division

121 N. LaSalle, Room 1101

Chicago, IL 60602

312-744-3200

Rev. 2014

The following items should be submitted for consideration for the Class L tax incentive. All application materials should be bound in a 3-ring binder and two copies submitted to the Historic Preservation Division at the above address. Incomplete applications will be returned.

Application Checklist:

- A brief **Project Narrative** that describes: (a) the overall project, including square footage and uses (existing/proposed), room/unit count (as applicable), parking, site constraints, amenities, etc.; (b) project time line, including start/end dates, construction phases, status of property acquisition, and time constraints affecting the project; and (c) public benefits, such as increased tax revenue, permanent full-time job creation, preservation of a landmark building, etc.; and (d) why the Class-L incentive is needed.
- A completed **Cook County Class L (Landmarks) Eligibility Application**, without any of the required attachments. The Class L (Landmark) Eligibility Application can be found on the Cook County Assessor's website at (please submit hard copies): www.cookcountyassessor.com/forms/clsla.pdf. (*NOTE THAT THE ADDITIONAL INFORMATION REQUIRED BY THE COUNTY AS PART OF THE APPLICATION DOES **NOT** NEED TO BE PROVIDED TO THE CITY; SIMPLY COMPLETE THE APPLICATION.*)
- 11" x 17" Plans and Elevations** (both hard copies and pdf) of proposed work and a written **Scope of Work** which specifically details all work affecting the building's significant historic features, both exterior and interior. The plans and elevations may be schematic at this point. (*The Scope of Work will be incorporated into the Commission on Chicago Landmark's recommendation to the City Council.*)
- 8 x 10 Photographs** (both hard copies and on a disc) of areas of proposed work, both exterior and interior, as well as overall photo of the front facade.
- Sources and Uses of Funds** for the project, identifying: (a) all sources and amounts of project financing, including developer equity, lender financing, tax credits, etc. Financial commitments, terms and conditions from lenders, if applicable, should also be included; and (b) all uses and amounts of funds, including acquisition and development costs (both hard and soft costs), contingencies, commissions, allowances, reserves, fees, and taxes.
- A separate **Project Budget** should be provided for all construction costs, and should specifically identify any work which repairs, rehabilitates or restores the building's significant historic features, whether exterior or interior. The budget should separate hard costs from soft costs, and should also indicate Class L eligible expenses vs. non-eligible expenses. (*The Project Budget will be incorporated into the Commission on Chicago Landmark's recommendation to the City Council.*)
- Certified Appraisal of the proposed Post-rehab building**, providing the valuation of the building in the first calendar year following rehabilitation of the building. Appraisal should be performed by a certified appraiser and provide the methodology utilized to arrive at the building valuation post-rehabilitation.

- Full Market Value of the Un-rehabilitated building and land**, as certified by the Cook County Assessor's Office. The Full Market Value should be used for the existing building Tax Analysis scenario.
- Pro Forma Schedule**, estimating the "value" of the Class L incentive to the project: a 12-year comparison, including cumulative totals and detailed assumptions, of property tax revenue and other tax (sales tax, room tax, head tax, etc.) revenues for (a) the existing un-rehabilitated building, (b) the rehabilitated building with the Class-L reduced assessment, and (c) the rehabilitated building at a full market assessment. A net present value (NPV) calculation should be provided for the cumulative difference in property tax revenues between the rehabilitated building with *and* without the Class-L incentive. Estimates of tax revenues in year 13, at the completion of the incentive, should also be provided for each of the three scenarios for comparison purposes.
- An **Internal Rate of Return and Tax Analysis**, with detailed assumptions, should compare the existing building, the rehabilitated building without the Class-L incentive, and the rehabilitated building with the Class-L incentive. Both should show an analysis for 13 years from date of project completion.
- Ownership information**, such as: (a) ownership structure identifying each owner or legal entity with an ownership interest; (b) the type of owner (e.g., individual, corporation or partnership) and the type and percentage of ownership interest (e.g., shares or limited partnership); and, for the principal ownership, (c) a company background and description identifying the project team and experience, etc. If any owner or part-owner is owned by another legal entity other than an individual, ownership information for that entity must also be provided. All owners must be identified. The relationship to any developers or operators not holding an ownership interest should also be identified. A flow-chart demonstrating relationships is helpful.
- A draft of the **Economic Disclosure Statement and Affidavit (EDS)** (based on the City's review, revisions to the EDS may be required prior to the final notarized execution; a draft of the EDS may therefore be submitted in lieu of a notarized version). Please note on pages 1-2 of the EDS that the applicant as well as each entity holding a *beneficial ownership interest*, as defined therein, must complete an EDS. Also note that the required disclosure in the EDS of retained parties should identify all retained parties for the *entire* project, not just those retained as part of the Class-L application. EDS forms can be found on the City's website at (please submit hard copies):
http://www.cityofchicago.org/city/en/depts/dps/provdrs/comp/svcs/economic_disclosurestatementseds.html.
- Principal Profile Information**, to include: (a) for individuals, *or* owners, officers, or directors of legal entities with an ownership interest, the following information shall be provided: name, title (if applicable), social security number, home address and phone number, driver's license state/number, and make/model/year/license plate number for each personal vehicle; in addition, (b) for each individual or legal entity with an ownership interest, the following information shall be provided: the property name, address, and the make/model/year/license plate number for each non-personal vehicle there registered, for each *Chicago* property owned or part-owned by that individual or entity. (*This information will be used to verify any indebtedness to the City. Disclosure requirements for ownership structures involving individuals and entities beyond a "first-tier related entity," as defined in the EDS, should be discussed first with City staff*)
- Evidence of Site Control**, such as sales contracts or option agreements, if not the owner.
- Evidence of compliance with the Exterior Wall Maintenance Ordinance and Life-Safety High Rise Ordinance**, if applicable, and any outstanding building code violations and/or court case status.

- Most Recent Cook County Property Tax Bill** and the status of any appeals.
- Legal Description and Survey** of the property.
- Current Zoning** and any proposed zoning changes.
- Summary of compliance with the Department of Zoning and Land Use Planning **Sustainable Development Policy Matrix**. This matrix addresses environmental features that are required as part of any City project. The most up-to-date requirements can be found on the City's website at:
http://www.cityofchicago.org/content/dam/city/depts/zlup/Sustainable_Development/Publications/Sustainable_Development_Policy_Matrix.pdf.

A PowerPoint presentation may be required and should be developed in consultation with City staff *after* the application has been reviewed. The presentation may include current photos of the building, floor plans and/or elevations, and illustrations such as historic photos or drawings which could be used to show the type of proposed restoration work.

Upon receipt of a complete Class L application, the city will require approximately 6-8 weeks for internal department review. Questions about the submittal requirements should be directed to the Historic Preservation office at 312-744-3200. Application requirements are typically tailored to the particular project.

Principal Profile Information

Please complete this form and the City of Chicago Economic Disclosure Statement in order to process your request.

Send 1 copy of the completed forms to: **Department of Planning and Development**
Historic Preservation Division
121 North LaSalle, Room 1101
Chicago, Illinois 60602
Attn: Class L

If you have any questions regarding this form or the process, please call 312/744-3200.

After receipt of these forms, you will be contacted by Commission staff when the information has been processed.

Address of Property:	
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Name of Landmark or District:	
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Name of Applicant: <i>(Individual person(s) or name of company / business if applicant is a corporation)</i>	Name:	
	Contact Person:	
	Address with Zip Code:	
	Phone Number:	
	Fax Number:	
	Residential Developer License Number*:	
	<p>*Note: A residential developer license is required by the City of Chicago for residential new construction and conversion projects of seven or greater units in four or more story buildings. See www.cityofchicago.org/revenue for more information.</p>	

All Property Owners, Officers, and Directors:
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(1)	Name:	
	Home Address with Zip Code:	
	Phone Number:	
	Social Security Number:	
	Date of Birth:	
	Drivers License Number:	
	License Plate Number:	

All Property Owners, Officers, and Directors (Continued):

(2) Name:	
Home Address with Zip Code:	
Phone Number:	
Social Security Number:	
Date of Birth:	
Drivers License Number:	
License Plate Number:	

(3) Name:	
Home Address with Zip Code:	
Phone Number:	
Social Security Number:	
Date of Birth:	
Drivers License Number:	
License Plate Number:	

(4) Name:	
Home Address with Zip Code:	
Phone Number:	
Social Security Number:	
Date of Birth:	
Drivers License Number:	
License Plate Number:	

(5) Name:	
Home Address with Zip Code:	
Phone Number:	
Social Security Number:	
Date of Birth:	
Drivers License Number:	
License Plate Number:	

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