



CLASS 8 ELIGIBILITY BULLETIN

The Class 8 Incentive and Its Benefits

The Class 8 real estate tax incentive established by the Cook County Real Property Assessment Classification Ordinance ("Ordinance") is designed to encourage industrial and commercial development in areas of the County which are experiencing severe economic stagnation. Class 8 is structured to permit the Assessor, upon application of the local governing body, to certify that such areas are in need of substantial revitalization and/or are located within an Enterprise Community (as approved by the County Board on June 22, 1994) or an Empowerment Zone (as approved by the Chicago City Council on May 18, 1994). In addition, pursuant to an amendment to the Classification Ordinance, property located in any of the five townships targeted by the South Suburban Tax Reactivation Pilot Program (Bloom, Bremen, Calumet, Rich and Thornton townships) is eligible for Class 8 without any application for certification of an area. Within a certified Class 8 area (the "Subject Area"), or within one of the five townships targeted by the South Suburban Tax Reactivation Program, all subsequent new construction, substantial rehabilitation or reutilization of abandoned buildings, developed or reoccupied for industrial or commercial use, may qualify for the Class 8 incentive.

This incentive assesses qualifying real estate at a reduced assessment level for a period of twelve years from the date that new construction or substantial rehabilitation is completed and initially reassessed or, in the case of abandoned property, from the date of substantial reoccupation. Class 8 assessment levels are 16% of market value for ten years, 23% in year eleven and 30% in year twelve. This constitutes a substantial reduction from the thirty-six percent (36%) and thirty-eight percent (38%) levels at which industrial and commercial properties are commonly assessed. For industrial property only, the incentive may be renewed, as described below on page 7.

"In need of substantial revitalization" is defined in the Classification Ordinance as follows:

"An area no less than 10 contiguous acres or more than 1 contiguous square mile in size which is in a state of extreme economic depression evidenced by such factors, as defined in the rules and regulations as promulgated by the Office of the Cook County Assessor, among others, as (a) substantial unemployment; (b) a low level of median family income; (c) aggravated abandonment, deterioration, and underutilization of properties; (d) a lack of viable industrial and commercial buildings whose absence significantly contributes to the depressed economic and unemployment conditions in the area; (e) a clear pattern of stagnation or decline of real estate taxes within the area as a result of its depressed condition; (f) a manifest lack of economic feasibility for private enterprise to accomplish the necessary modernization, rehabilitation and development of the area without public assistance and encouragement; and (g) other factors which evidence an imminent threat to public health, welfare and safety."
[Section 1(B)(12)]

The reduced assessment classification applies to new construction and reoccupied "abandoned" properties in their entirety, including the land upon which they are located. For projects involving substantial rehabilitation of existing structures, the reduced assessment level applies only to the added value attributable to the rehabilitation of the structure. If vertical or horizontal square footage has been added to the improvements, the land will also receive the incentive level of assessment, in the proportion that the square footage added by the rehabilitation bears to the total square footage of the improvements on the parcel.

Under the Ordinance, "abandoned property" qualifies if it consists of:

"Buildings and other structures that, after having been vacant and unused for at least 24 continuous months, have been substantially rehabilitated or purchased for value by a purchaser in whom the seller has no direct financial interest." [Section 1(B)(11)] An exception to this shall be, "if the municipality or the Board of Commissioners, as the case may be, finds that special circumstances justify finding that the property is 'abandoned' for purpose of Class 8, even though it has been vacant and unused for less than 24 months...the approval of the Board of Commissioners of Cook County is required to validate such shortened period of qualifying abandonment..." [Section 2 Class 8]

Application Procedure for Certification of an Area

An Application seeking certification of an area as Class 8 can be filed only by the municipality in which the area is located, or by the Cook County Board of Commissioners if the property is located in an unincorporated area. The municipality or the County Board, as the case may be, must first adopt a resolution or ordinance stating that the Subject Area is in need of revitalization and that, without public assistance, development of the area cannot be accomplished. For an application for Class 8 certification of the area, a certified copy of the resolution or ordinance must be submitted to the Assessor along with data satisfying the Classification Ordinance definition of an area "in need of substantial revitalization". The application must include ample documentation of the depressed condition of the Subject Area and the surrounding "community area".

"Community area" is defined in Section 1(B)(10) of the Ordinance as:

"An area within the City of Chicago so designated and identified by the Social and Economic Characteristics of Chicago's Population: Community Area Profiles, December, 1992, or revisions thereto, or in Cook County outside the City of Chicago, as defined by the municipality concerned or by the County in unincorporated areas."
[Section 1(B)(10)]

The seven Section 1(B)(12) factors indicating an area "in need of substantial revitalization", with suggestions for documentation (all data should cover at least 6 years), are as follows:

A. Substantial unemployment

Data relating to this condition is available from the Illinois Department of Employment Security for municipalities and community areas. The data should demonstrate a pattern or trend of employment below levels found in the rest of the County.

B. A low level of median family income

Data for this condition is in the Social and Economic Characteristics of Chicago's Population: Community Area Profiles, December, 1992, for the City of Chicago and in the U.S. Census of Population and Housing, for suburban areas. Data might also be presented showing a pattern or trend of above average, poverty level income in the area.

C. Aggravated abandonment, deterioration, and underutilization of properties

For residential property in the subject or surrounding areas, data for this condition will be found in the Housing Characteristics of Chicago's Households: Community Area Profiles, December, 1992. For commercial and industrial property, studies by realtors, financial institutions, appraisers and developers may be used.

D. A lack of viable industrial and commercial buildings whose absence significantly contributes to the depressed economic and employment conditions in the area

As in item C, subject and surrounding area data for this condition may be gathered from commercial and industrial realtors, financial institutions, appraisers and developers.

E. A clear pattern of stagnation or decline of real estate taxes within the area as a result of its depressed condition

Documentation for this condition may be gathered from data on real estate taxes and assessments, delinquencies, tax sales and forfeitures for properties in the subject and surrounding areas.

- F. Manifest lack of economic feasibility for private enterprise to accomplish the necessary modernization, rehabilitation and development of the area without public assistance and encouragement

Data for this condition may be gathered from surveys of the area indicating trends in new construction, rehabilitation and abandonment and for trends of business movement into and out of the area. The source and extent of any public assistance given in the subject and surrounding areas should be identified.

- G. Other factors which evidence an imminent threat to public health, welfare and safety

Other data relating to general socio-economic factors in the subject and surrounding areas may be included here, such as crime statistics, fire statistics and building code violations.

Proof of "need [for] substantial revitalization" factors is cumulative and the Assessor need only be convinced that the overall pattern indicates economic stagnation. The absence of one of these factors, therefore, will not necessarily defeat the Class 8 Application. Since the Assessor may consider data for the "community area" surrounding the Subject Area, the local government should include this information in its Application. Also, factors evidencing the need for substantial revitalization, which are significantly more severe in the subject or surrounding areas than in the County as a whole, are of special importance in the Assessor's review of the Application.

In addition to the data evidencing the need for "substantial revitalization", the following documentation should also be supplied to the Assessor:

1. Five copies of the Application.
2. A current Sidwell map to a scale of 200 feet per inch, mounted and covered by acetate, clearly marked to identify the precise boundaries of the Subject Area. Permanent Index Numbers (PINS) should be current and undivided (partial PINS are not acceptable unless covered by a division petition on file with the Assessor's Office).
3. Four soft copies of the Sidwell map described above.
4. A plat of survey or other document verifying the total acreage of the Subject Area.
5. A description and map of the "community area", if the Subject Area is located in the City of Chicago, or of the municipality, if located in an area outside of Chicago.

Finally, while the municipality or the County Board is the formal applicant for Class 8 designation of an area, the community as a whole is the anticipated beneficiary. Other interested parties, including developers and community groups, may provide information in support or toward completion of an Application.

The Assessor will review the Application and supporting data and determine whether the area should be certified as "in need of substantial revitalization". Once granted, the certification will continue for five years and may be extended for one additional five-year period upon reapplication by the local government. Such application for an extension must be filed during the period between one year and six months prior to expiration of the initial five-year period. The Assessor will notify the local government one year prior to the expiration of the initial five-year period.

Application Procedure for Individual Properties

Once the Subject Area has been certified as "in need of substantial revitalization", individual property owners and developers within the area may apply to the Assessor for Class 8 classification for any new construction, substantial rehabilitation or re-occupancy of abandoned property for industrial or commercial use. Individual applications may similarly be made for properties located in any of the townships targeted by the South Suburban Tax Reactivation Program. The Class 8 Incentive Application for an individual property must be accompanied by a certified copy of an ordinance or resolution by the local government (or the County Board if the property is located in an unincorporated area) stating that the specific project is consistent with an overall plan for rehabilitation of the area. If a resolution is unavailable at the time the application is filed, a letter from the municipality or the County Board stating that a resolution or ordinance supporting the incentive has been requested must be filed instead. If at a later date the municipality or the County Board denies the applicant's request for a resolution or ordinance, the applicant will be deemed ineligible for the Class 8 incentive, whether or not construction has begun. In all circumstances, the resolution must be submitted by the time the applicant files an "Incentive Appeal Form" requesting the actual class change. A copy of a municipal resolution or ordinance will be forwarded by the Assessor's Office to the secretary of the Cook County Board of Commissioners for distribution to the Commissioners from the affected districts.

Individual Class 8 applications for properties located within an already certified Class 8 area, or properties located in one of the townships targeted by the South Suburban Tax Reactivation Program, must be filed prior to the commencement of construction, rehabilitation or reoccupation. Upon completion of construction or reoccupation, the applicant must submit an "Incentive Appeal Form", requesting that the property be reclassified to Class 8.

The following documentation should be submitted in support of an individual Class 8 application:

- A. A property description including the address, permanent index number(s), legal description, site dimensions and square footage, and building dimensions and square footage.
- B. A complete list of all owners, developers, occupants and other interested parties (including partnership owners and beneficiaries of a land trust) identified by name, address and nature and extent of interest.
- C. A precise description of any industrial and commercial use of the property along with non-industrial or non-commercial uses, and the zoning specifications for the property.

D. Special information relating to the type of development planned, as follows:

1. For new construction or substantial rehabilitation:
 - a. a current plat of survey (if available)
 - b. floor plans or schematic drawings
 - c. building permits, occupancy permits and wrecking permits with date of issue, when available (building permit and occupancy permit will be required in the post construction application)
 - d. proposed date of construction start
 - e. a description of the extent of construction or rehabilitation, and the estimated cost.
 - f. the estimated date of completion
2. For reutilization of abandoned property:
 - a. Evidence of the duration of abandonment. This may be satisfied by affidavits and records such as utility bills, Internal Revenue Service statements, certified business records, records of building code violations, etc.
 - b. Evidence of purchase for value, such as a sale contract, recorded deed, assignment of beneficial interest, or real estate transfer declaration, or closing statement.
 - c. Evidence of re-occupancy, such as sworn statements by persons with knowledge, occupancy permits and utility statements.
 - d. For reutilization of property where the duration of abandonment has been less than 24 months:
 - A copy of the finding of the municipality in which the real estate is located (or the County Board if the property is located in an unincorporated area) stating its approval of the less than 24 month abandonment period as well as a specification of the circumstances underlying its finding must be included in the resolution or ordinance supporting the incentive and must be filed at the time of the Class 8 Incentive Application for an individual property.
 - Where the finding is by a municipality, a resolution from the County Board stating its approval of the shortened period of abandonment must also be filed at the time of the Incentive Application.

During the term of the incentive, the Class 8 recipient must file a triennial affidavit attesting to the use of the property and the number of workers employed at the Class 8 site. The Assessor will mail the affidavit to the Class 8 recipients at the time of their triennial reassessments. The affidavit must be verified and returned to the Assessor within three weeks. Failure to file the triennial report within that time will result in the loss of the incentive.

For industrial properties only, Class 8 classification may be renewed during the last year in which a property is entitled to a 16% assessment level. A renewal application must be filed, along with a certified copy of a resolution or ordinance adopted by the municipality in which the real estate is located (or by the County Board, if the property is located in an unincorporated area of Cook County). The resolution or ordinance must expressly state that the municipality or County, as the case may be, supports and consents to the renewal of the Class 8 incentive and that it has determined that the industrial use of the property is necessary and beneficial to the local economy. The notice of intent to request renewal will be forwarded by the Assessor's Office to the Cook County Board. The owners must notify the Assessor's Office of their intent to request this renewal prior to their requesting a resolution or ordinance from the municipality or County Board. The number of renewal period requests is not limited.

Questions about the Class 8 incentive program may be directed to the Development Incentives Department of the Cook County Assessor's Office, Room 301, 118 N. Clark St., Chicago, IL 60602, (312) 603-7529.