

# Class 'L' Property Tax Incentive for Landmark Rehabilitations

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CHICAGO DEPARTMENT OF PLANNING & DEVELOPMENT



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/clslb.pdf](http://www.cookcountyassessor.com/forms/clslb.pdf).

Assessment levels for income producing buildings owned by a not-for-profit, commercial and industrial buildings are 25 percent.

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.

## Review Process

Once a Class L Application has been submitted and is considered complete, the Historic Preservation Division will require approximately 6-8 weeks for internal department review. DPD reserves the right to reject or halt the processing of applications that lack all required items. The legislative process for Class L applications includes a recommendation from the Commission on Chicago Landmarks, City Council introduction, Economic, Capital and Technology Development Committee review, and City Council approval. Prior to this legislative process, and depending on the complexity of the project, the project's scope of work may need to be reviewed and approved by the Commission on Chicago Landmarks' Permit Review Committee.

## 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 Planning and Development, 312-744-3200; or the Development Incentives Unit of the Cook County Assessor's Office at 312-603-5331.*

More information regarding the Commission on Chicago Landmarks can be found on the online at: [https://www.cityofchicago.org/city/en/depts/dcd/supp\\_info/landmarks\\_commission.html](https://www.cityofchicago.org/city/en/depts/dcd/supp_info/landmarks_commission.html)

*Questions about the submittal requirements or review process should be directed to the Historic Preservation office at 312-744-3200.*

As part of the Cook County Class L Property Tax Incentive, the applicant will need to provide the Assessor's Office with a certified copy of a resolution or ordinance from the municipality in which the real estate is located. For eligible properties located in the City of Chicago, the following items will need to be submitted for the city's consideration. All application materials shall be provided on a CD disk and 2 hard copies bound in a 3-ring binder for submission.

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, temporary and permanent full- or part-time job creation, preservation of a landmark building, etc.; and (d) why the Class-L incentive is needed.

A copy of the completed **Cook County Class L (Landmarks) Eligibility Application**, without any of the required attachments. This application document can be found on the Assessor's website at: [www.cookcountyassessor.com/forms/clsla.pdf](http://www.cookcountyassessor.com/forms/clsla.pdf). Please note that the complete application will need to be filed separately with the Assessor's Office before construction begins.

**11" x 17" Plans and Elevations** 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. For projects that include substantial exterior rehabilitation work, provide a color rendering from pedestrian viewpoint. (The Scope of Work will be incorporated into the Commission on Chicago Landmark's recommendation to the City Council.)

**8 x 10 Photographs** 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, any other City of Chicago subsidies, 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.

**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.

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.

**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. All should show an analysis for 13 years from date of project completion.

**Current Zoning** and a zoning analysis for proposed project, outlining any proposed zoning changes that would be required.

**Most Recent Cook County Property Tax Bill** and the status of any appeals.



**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, along with submission of a flow-chart demonstrating these relationships and ownership interests.

A draft of the **Economic Disclosure Statement and Affidavit (EDS)** for the applicant as well as for each entity holding a beneficial ownership interest of the subject property. Based on the city's review, revisions to the EDS(s) may be required prior to the final notarized execution; a draft of the EDS(s) may therefore be submitted in lieu of a notarized version. Also note that the required disclosure in the EDS(s) 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: [https://www.chicago.gov/city/en/depts/dps/provdrs/comp/svcs/economic\\_disclosurestatementseds.html](https://www.chicago.gov/city/en/depts/dps/provdrs/comp/svcs/economic_disclosurestatementseds.html).

A completed **Affidavit with attached County Economic Disclosure Statement (EDS)**, per Cook County's Ordinance Amendment 17-0293. Documents available upon request.

**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.

**Legal Description and Survey** of the property.

Completed Compliance Form of the DPD's **Sustainable Development Policy**. The form addresses environmental features that are required as part of a Class Project. The Compliance Form should include any necessary documentation to verify compliance, as outlined by the Handbook. The most up-to-date requirements can be found on the city's website at: [https://www.cityofchicago.org/city/en/depts/dcd/supp\\_info/sustainable\\_development/chicago-sustainable-development-policy-update.html](https://www.cityofchicago.org/city/en/depts/dcd/supp_info/sustainable_development/chicago-sustainable-development-policy-update.html)

**A PowerPoint presentation** may be required and should be developed in consultation with division 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 that could be used to show the type of proposed restoration work.