

Village of Montgomery Abatement Request for Karis and Ravago

April 17, 2024



Agenda

1. Tax Abatement Refresher/Primer
2. Karis/Ravago Abatement Request Update
3. Next Steps



1. Tax Abatement Refresher/Primer

Tax Abatement ~~Refresher~~

Primer

AKA... One last "chalk talk" ☹️

Complaint vs. Abatement vs. TIF

	Complaint	Abatement	TIF
Scope?	Property	Property	District
Purpose?	Equity	Economic Growth	Economic Growth
Duration?	Varies	<=10 Years (typ)	Up to 23 Years
Property Owner Pays Tax?	Yes	No/Reduced	Yes
Joint Review Board?	No	No	Yes
Originator?	Owner	Owner/EDC	Town/City
Blight/Underperformance Req'd?	No	No	Yes
Taxing Body Approval?	May Intervene	Yes	No

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What could possibly go wrong???

Hypothetically (of course)...

Lack of agreement on:

- Whether taxing bodies are willing to sign on at all
- How long abatement incentives should be
- How much of the taxes should be abated
- What type of development justifies incentivizing the abatement
- What the financial impact will actually be for abating vs. not abating
- Whether the “but for” argument is sound
- What level of protections are appropriate for the taxing bodies (in event of any form of default)?
- Whether other tax paying entities would be interested in property(s)
- Whether incentives are transferrable (and/or under what conditions)

But then again, what could go right?

Hypothetically (still)...

Increases in property tax from subject property(ies):

- Revenue during the project(s)
- Revenue after completion of project(s)
- Development of and revenue from adjacent properties if subject development is successful

Other economic benefits:

- Creation of jobs on subject and adjacent properties (if developed)
- Generation of new sales tax revenues from new retail businesses on subject or adjacent properties



Q&A

Errr wait... just one more thing...



“Enterprise Zone”

The Illinois Enterprise Zone Program is designed to stimulate economic growth and neighborhood revitalization in economically depressed areas of the state through state and local tax incentives, regulatory relief and improved governmental services. Businesses located or expanding in an Illinois enterprise zone may be eligible for...state and local tax incentives.

<https://dceo.illinois.gov/expandrelocate/incentives/taxassistance/enterprisezone.html>

2. Karis/Ravago Abatement Request Update



Key Players/Entities

- ~~Montgomery Economic Development Corporation (MEDC)~~
- JLL
 - Industrial Real Estate Broker
- Karis
 - Karis Acquisitions, LLC – Purchaser of Scheuring Farm
 - Karis Cold – Private-equity real estate company focused on building, owning and leasing cold storage facilities (but not operating them)
 - Karis Capital, LLC – Private-equity real estate company focused on Class A¹ industrial development
- Ravago²
 - Largest global distributor of plastic resin and chemicals

¹Newer and/or upscaled, as opposed older, outdated and/or poor condition buildings

²Company with HQ in Belgium: employs 8,000 with 6.6M metric tons of annual polymer sales across 325 locations and 55 countries

Kendall County Taxing Bodies

1. The Village of Montgomery (the Village)
2. Oswego School District #308 (the District)
3. Waubonsee Community College (the College)
4. ~~Oswego Fire Protection District~~³
5. Fox Valley Park District
6. Oswegoland Park District
7. Oswego Library District
8. Kendall County (the County)
9. Kendall County Forest Preserve District⁴
10. Oswego Township⁴
11. Oswego Road District⁴
12. Bristol Township⁴
13. Bristol Road District⁴

(Currently named in v11 of DRAFT agreement)

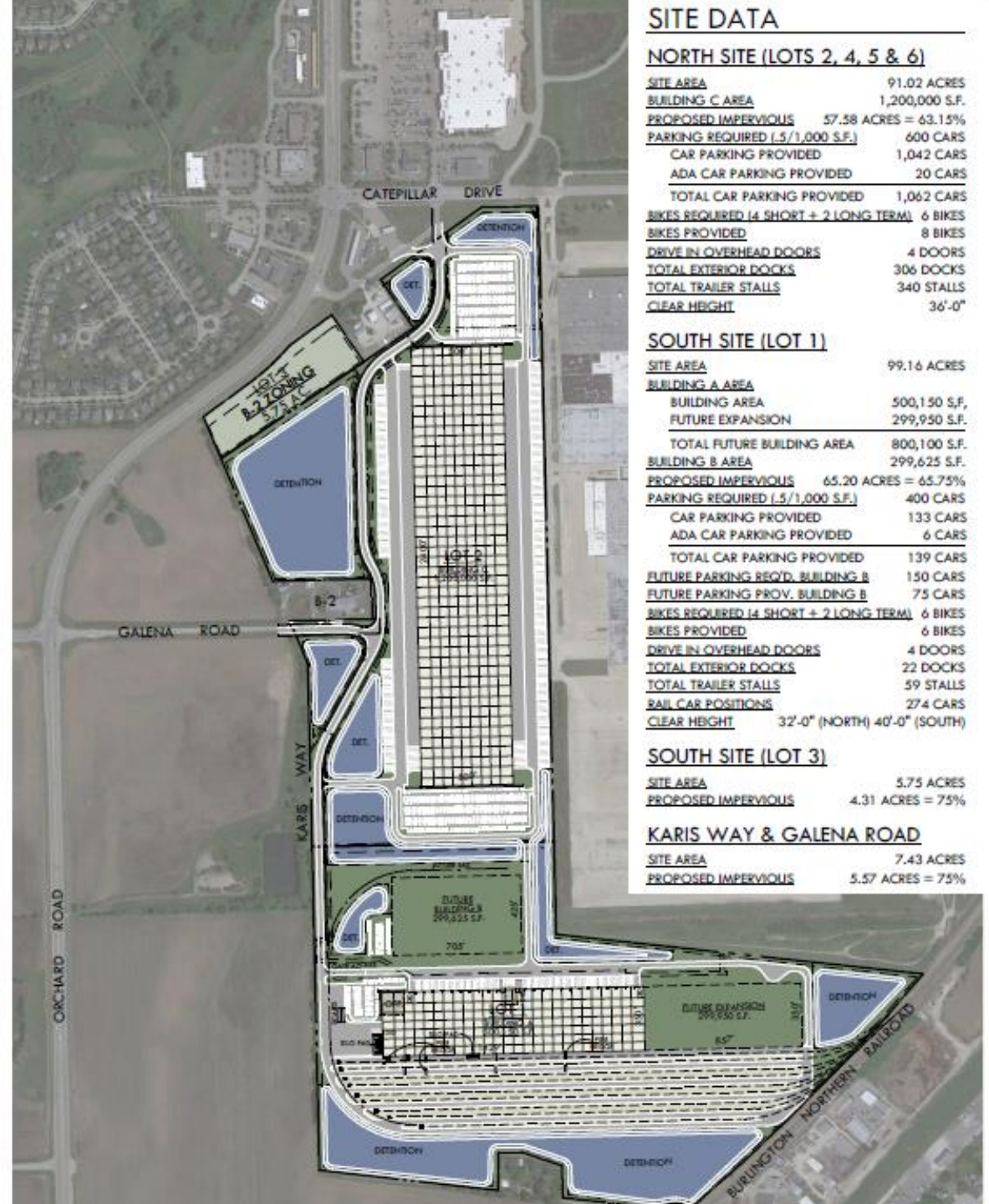


³We understand the Fire Protection District is not willing to abate taxes

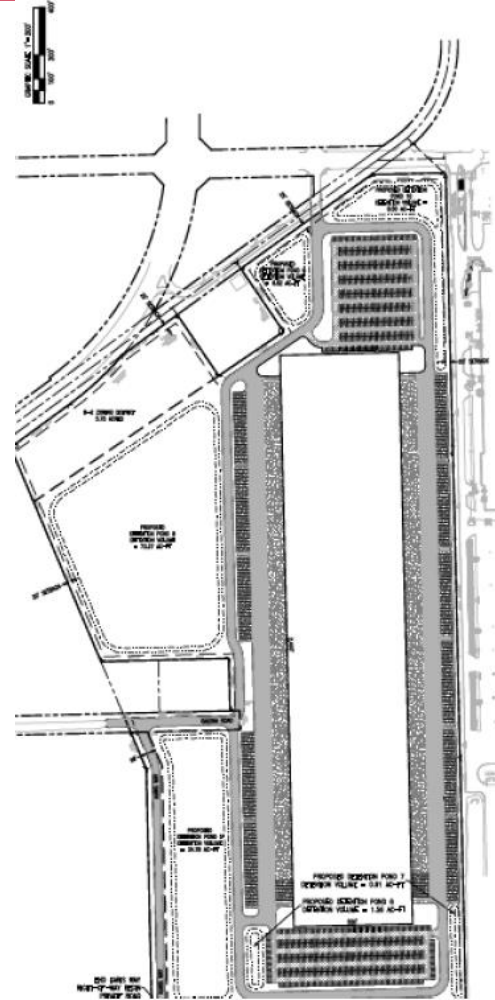
⁴Village staff anticipates that these smaller taxing bodies will likely follow the County's lead

Site Overview

- North Site – Karis
- South Site – Ravago



North Site (~103 acres): Karis



North Site (~103 acres): Karis

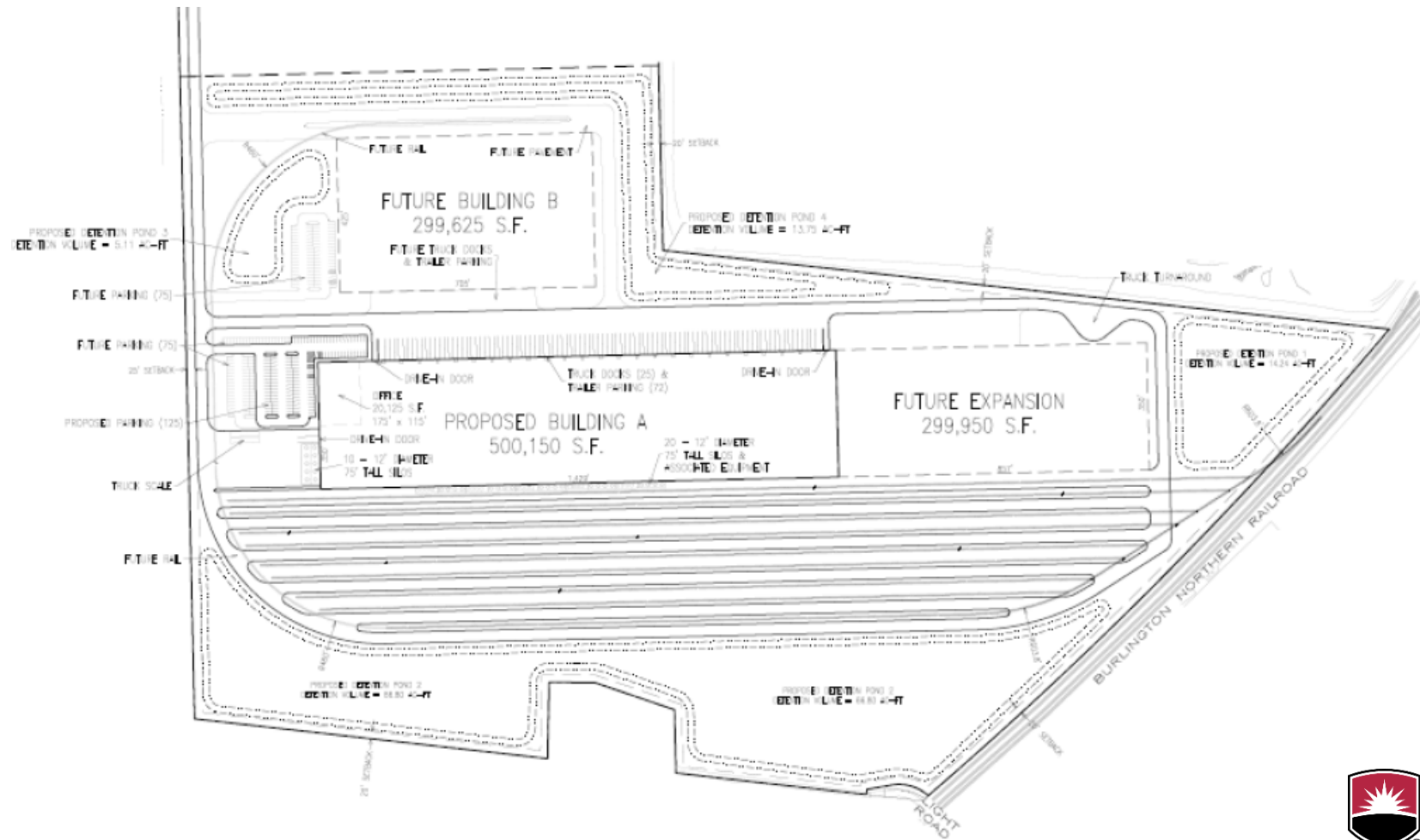
Karis will market the northern portion of the site as a build to suit dry (traditional) or cold storage facility for purchase or lease...leaving approximately 5.75 acres for retail...If possible, we want to obtain incentive approvals for the north site so that we can attract the best prospective tenants.

Our estimates and timeline for the project:

- Anticipated Date of Completion – July 2024 (dependent on securing a tenant; approximately 18 months following lease signature –we have 4 active proposals out including Project Unity)*
- Employee Count: 100-200*
- Estimated Project Value: \$80-90 million for traditional distribution; \$200 million for cold storage*
- Investment in Roads and Infrastructure¹*

¹ Information from JLL Letter to Village of Montgomery and MEDC, **January 3, 2023**

South Site (~101 acres): Ravago



South Site (~101 acres): Ravago

Ravago - Ground Breaking

HOSTED BY THE DSI GROUP

Join us for a momentous occasion as The DSI Group, in collaboration with Karis, invites you to commemorate the groundbreaking of Ravago's cutting-edge new facility.

R S V P

WEDNESDAY, OCTOBER 18

10:00AM CDT



South Site (~101 acres): Ravago

Ravago's largest US facilities are in Baytown, TX (800,000 sf) and Medina, OH (500,000 sf)

"...Ravago's current real estate footprint in the Midwest has remained decentralized and unable to keep up with Ravago's growing Midwest operations. The current...footprint includes...third-party warehouses throughout the Chicago metro area, Indiana, Wisconsin, Minnesota, Michigan, Missouri, and Iowa, primarily serviced by truck, not rail. The largest Midwest operation has been at 24210 West 143rd Street, Plainfield, Illinois...this rail-served location...since 2003...Half the Plainfield facility is subject to a lease that is expiring. And...facilities cannot accommodate Ravago's long-term vision: a consolidated, rail-based campus to serve as Ravago's regional headquarters, primary distribution center serving customers in the Midwest, and hub for distributing products across North America, together with supporting and related production and laboratory functions.⁵

⁵ Information from *Ravago Midwest Hub Project, February 2024 Update*

South Site (~101 acres): Ravago (cont'd)

First Phase: 500,000 sf building with associated infrastructure and a railyard

The new Midwest Hub will replace Ravago's current Plainfield operation entirely. Ravago anticipates...vast majority of the 59 current Plainfield employees will be able to retain their jobs by moving to the Montgomery facility. And, since the First Phase building will be 150,000 square feet larger than the Plainfield site, Ravago will be able to rely less on the scattered third-party warehouses and to hire more employees from the local area. Ravago expects to hire an additional 21 to 31 employees within two years of opening. Not including employee benefits, Customer Service, Packaging/Production Operators, Maintenance Technicians, & Forklift Operators will earn wages of \$20-30/hour. Headquarters personnel and Managers will have salaries ranging from \$60,000 to \$170,000.⁶

⁶ Information from *Ravago Midwest Hub Project, February 2024 Update*

South Site (~101 acres): Ravago (cont'd)

Anticipated investment in the First Phase development includes:

- *Land cost (actual): \$16.3 million*
- *Construction cost (estimated): \$70-75 million*
- *Equipment (packaging, transloading, and other functions; estimated): \$25 million*

The above investment does not include the cost of off-site infrastructure to be constructed by Karis, including the extension of public roadway and utilities to serve the Ravago campus. Ravago plans to commence operations in the First Phase building by August 2024.⁷

⁷ Information from *Ravago Midwest Hub Project, February 2024 Update*

South Site (~101 acres): Ravago (cont'd)

Later Phases: Ravago plans to complete two later development Phases, *pending final entitlements*, which will include:

- *Expanding the Phase 1 Building by approximately 300,000 square feet, adding approximately 100 additional rail spots, and constructing supporting infrastructure. This Phase will create 10-20 new jobs with comparable benefit and compensation packages as the First Phase jobs. Ravago's anticipated investment in this Phase includes:*
 - *Construction cost (estimate): \$33-36 million (\$110-120 per square foot)*
 - *Equipment cost (estimate): \$5 million*
- *Constructing an additional 300,000 square-foot building with supporting infrastructure. This Phase will create 30-40 additional jobs. Ravago's anticipated investment in this Phase includes:*
 - *Construction cost (estimate) \$38-40 million (\$125-133 per square foot)*
 - *Equipment Cost (estimate): \$20-60 million⁸*

Abatement Request Specifics (Ravago)



Ravago:

Phase I Building
~500,000 sf

Potential Phase 1 Expansion
~300,00 sf

Potential Second Building
~300,000 sf

Tax Years 1-5:

75% abatement of taxes following
issuance of occupancy permit for
Phase I Building

Tax years 6-10:

50% abatement of taxes



Abatement Request Specifics (Karis)

Karis:

One or more buildings comprising
~1,200,000 sf (with infrastructure)

Tax Years 1-5:

75% abatement of taxes following
issuance of “North Site Occupancy
Permit.”

Tax years 6-10:

50% abatement of taxes



Protections & Concessions

- Sites may be developed in phases, but no resets of abatement start dates
- Termination of agreement in event of Taxpayer default, subject to right to “cure violation,” with documented schedule for percentage of repayment of abated taxes to Taxing Body(s)
- Limits on “Permitted Assignment” by Taxpayer to other entity(s) based both on type and maturity of Assignee’s business and obligations to continue site development to retain abatements
- Commitments to creation of defined number of jobs within prescribed timeframes (with Ravago jobs subject to wage rate/fringe benefits thresholds)
- Limits on Taxpayer’s ability to object to assessor’s calculation of property values

3. Next Steps

Next Steps & Discussion

- 04/18/24: Oswegoland Park District Board
- 05/06/24: Oswego School District #308 Board of Education
- 05/13/24: Village of Montgomery
- 05/15/24: Waubonsee Community College Board of Trustees
- ??/??/?: Fox Valley Park District
- ??/??/?: Oswegoland Park District

- ??/??/?: Kendall County

Thank You!