

Disparate Impact

*Measuring Economic Losses Due To Obstruction Of
Investment At Six Corners*

Executive Summary

Since 2005, the Portage Park Neighborhood Association and its officers have been accused of obstructing significant investment in the Six Corners area resulting in a loss to the community of millions of dollars in investment and jobs. The enclosed economic analysis uses standard measurement techniques to estimate losses based purely on opportunity costs. These losses include:

- Job losses of 250 good paying jobs for the community
- Loss of investment of over \$8.6 Million dollars over 3 years
- Over \$1 Million in taxes which these businesses would have generated, strengthening the surrounding tax base
- A dispute over a curb-cut on Milwaukee Ave. which would have allowed access to the Klee Building parking lot, resulted in the loss of both Applebee's and Caribou Coffee Corporate properties, both of which had signed Letters of Intent and were in lease negotiations with the developer of the property
- The loss of Galvin's Public House who wanted to open a family restaurant at Six Corners but whose business model was erroneously objected to
- Disputes during public meetings for Nick's Pizza & Pub over parking lot configurations and the façade of the building
 - The business owner eventually lost his financing after substantial delays
- Preventing a Dunkin Donuts franchise on Milwaukee Ave. from getting its drive-thru resulted in hundreds of thousands of dollars in losses for the business

In total, the above activity has resulted in an aggregate loss to the Six Corners community in excess of \$20 Million dollars

Economic Impact Analysis-Loss of Nick's Pizza & Pub

Local Jobs Impact

- Nick Sarillo estimated that his new Chicago location would have generated approximately 130 new jobs
 - With the exception of some salaried managers, nearly all jobs would have been filled from the local economy
 - 60 workers @ \$9.00 per hr x 20 hours per week x 50 weeks (year): (\$707,000)
 - 35 workers @ \$10.00 per hr x 30 hours per week x 50 weeks (year) (\$682,500)
 - 35 workers @ \$11.00 per hr x 35 hours per week x 50 weeks (year) (\$375,375)
- (\$1,764,875)
- Year 1 jobs impact: \$1,764,875
- Aggregate jobs benefit over first 3 years **(\$5,294,625)**

Loss of Rental income and Build Out Investment

- Conservative estimates project a range of **\$126,000** annually based on \$26.00 PSF
- Aggregate rental income over 3 years **(\$378,000)**
- Build-out Construction Investment **(\$2,400,000)**

City Sales Tax Benefit

- Conservative estimates project a range of \$25K annually over 3 years **(\$75,000)**

TIF Benefit Impact

- Base EAV for the property (rounds #s): **\$200,000**
- Current EAV of the property: **\$490,000 Approx. at \$3.00 PSF Taxes**
- High-end comparable (Pompeii restaurant in Wrigleyville): **\$7.65 PSF Taxes**
- Reasonable assumption for Six Corners: **\$6.00 PSF Taxes**
 - Annual Real Estate tax Benefit (approx) **\$51,600****
 - Aggregate Real Estate Tax Benefit over 3 years **(\$154,800)**

Total Economic Loss for Six Corners Area:

Payroll:	(\$5,294,625)
Loss of Rental Income & Build-Out	(\$2,778,000)
Sales Tax:	(\$75,000)
Real Estate Taxes:	(\$154,800)
Lost pre-construction costs	(\$600,000)
Total	(\$8,902,625)

*Fully loaded cost calculation of 130% of payroll including health insurance

** **Includes restaurant, liquor taxes & fountain drink taxes

*** 8,600 sq. ft. x 46.00 PSF Taxes

Economic Impact Analysis-Loss of Applebee's Restaurant

Local Jobs Impact

Applebee's Corporate Real Estate estimated that his new Chicago location would have generated approximately 60 new jobs. With the exception of some salaried managers, nearly all jobs would have been filled from the local economy.

• 30 workers @ \$9.00 per hr x 20 hours per week x 50 weeks (year):	(\$270,000)
• 25 servers @ 12.00* per hr x 20 hours per week x 50 weeks 9year):	(\$300,000)
• 1 General manager @ \$60,000 annually	(\$60,000)
• 2 Assistant Managers @ \$45,000 annually	(\$90,000)
• 4 Additional Managers (Bar, Kitchen, Server) @ avg. \$50,000 annually	(\$200,000)
	(\$920,000)

Year 1 jobs impact: \$920,000

Aggregate jobs benefit over first 3 years **(\$2,760,000)**

Loss of Rental Income & Build-out investment

- Conservative estimates project a range of **\$156,000** annually based on \$26.00 PSF

Aggregate rental income over 3 years **(\$468,000)**

Build-out Investment **(\$2,500,000)**

City Sales & Associated Tax Benefit*

- Conservative estimates project a range of \$86,000 annually

Aggregate sales tax benefit over 3 years **(\$258,000)**

TIF Benefit Impact

- High-end comparable (other Caribou properties: **\$7.65 PSF**

Taxes

- Reasonable assumption for Six Corners: **\$6.00 PSF Taxes**

– Annual Real Estate Tax Benefit (approx) **\$40,800*****

Aggregate Real estate tax Benefit over 3 years **(\$122,400)**

Total Economic Loss for Six Corners Area:

Payroll: **(\$2,760,000)**

Rental Income & Build out Investment **(\$2,968,000)**

Sales Tax: **(\$258,000)**

Real Estate Taxes: **(\$122,400)**

Total (\$6,108,000)

* Wage rate includes gratuities

**Includes restaurant, liquor taxes & fountain drink taxes

Fully loaded cost calculation of 120% of payroll

*** 6,800 sq. ft. x 6.00 PSF Taxes

Economic Impact Analysis-Loss of Caribou Coffee

Local Jobs Impact

•Caribou Coffee Real Estate estimated that his new Chicago location would have generated approximately 15 new jobs

•With the exception of some salaried managers, nearly all jobs would have been filled from the local economy

15 workers @ \$9.00 per hr x 20 hours per week x 50 weeks (year):

(\$135,000)

1 Manager @ \$35,000 annually

(\$35,000)

1 Assistant Manager @\$20,000

(\$20,000)

(\$190,000)

Year 1 jobs impact: \$190,000

Aggregate jobs benefit over first 3 years

(\$570,000)

Loss of Rental income & Build-out Investment

• Conservative estimates project a range of **\$48,000** annually based on \$26.00 PSF

Aggregate rental income over 3 years

(\$144,000)

Build-out Investment

(\$145,000)

City Sales Tax Benefit

• Conservative estimates project a range of \$5,600 annually

• Aggregate sales tax benefit over 3 years

(\$16,800)

TIF Benefit Impact

• High-end comparable (other Caribou properties: **\$7.65 PSF**

Taxes

• Reasonable assumption for Six Corners: **\$6.00 PSF Taxes**

– Annual Real Estate Tax Benefit (approx) **\$9,600****

–Aggregate Real estate tax Benefit over 3 years

(\$28,800)

Total Economic Loss for Six Corners Area:

Payroll:

(\$570,000)

Rental Income & Build-out Investment

(\$289,000)

Sales Tax:

(\$16,800)

Real Estate Taxes:

(\$28,800)

Total

(\$904,600)

*Fully loaded cost calculation of 120% of payroll including health insurance

** 1,600 sq. ft. x 6.00 PSF Taxes

Economic Impact Analysis-Loss of FedexKinkos

Local Jobs Impact

FedexKinko's would have employed an average of 15 employees in addition to 1 full time Store Manager and one Assistant Manager

With the exception of some salaried managers, nearly all jobs would have been filled from the local economy

15 workers @ \$11.00 per hr x 20 hours per week x 50 weeks (year):	(\$165,000)
1 Store Manager @ \$55,000 annually	(\$55,000)
1 Assistant Store Manager @ \$35,000 annually	(\$35,000)
	(\$255,000)

Year 1 jobs impact: \$225,000

Aggregate jobs benefit over first 3 years **(\$765,000)**

Loss of Rental Income & Build-out Investment

- Conservative estimates project a range of **\$54,000** annually based on \$26.00 PSF

Aggregate rental income over 3 years **(\$162,000)**

Build-out Investment **(\$250,000)**

City Sales Tax Benefit

- Conservative estimates project a range of \$22,000 annually

Aggregate sales tax benefit over 3 years **(\$66,000)**

TIF Benefit Impact

- High-end comparable (other Caribou properties): **\$7.65 PSF**

Taxes

- Reasonable assumption for Six Corners: **\$6.00 PSF Taxes**

– **Annual Real Estate Tax Benefit (approx) \$10,800****

–Aggregate Real estate tax Benefit over 3 years **(\$32,400)**

Total Economic Loss for Six Corners Area:

Payroll: **(\$765,000)**

Rental Income & Build-out Investment **(\$412,000)**

Sales Tax: **(\$66,000)**

Real Estate Taxes: **(\$32,400)**

Total **(\$1,275,400)**

*Fully loaded cost calculation of 120% of payroll including health insurance

** 1,800 sq. ft. x 6.00 PSF Taxes

Economic Impact Analysis-Loss of Dunkin Donuts Drive Thru

Local Jobs Impact

The proprietors would have employed an additional of 5 employees in addition to 1 full time Store Manager

With the exception of some salaried managers, nearly all jobs would have been filled from the local economy

5 workers @ \$9.00 per hr x 20 hours per week x 50 weeks (year):

(\$45,000)

1 Store Manager @ \$35,000 annually

(\$35,000)

(\$80,000)

Year 1 jobs impact: \$80,000*

Aggregate jobs benefit over first 3 years

(\$240,000)

Loss of Additional Revenue From Drive Thru

• Conservative estimates project a range of **\$182,000** annually

Aggregate incremental rental income over 3 years

(\$546,000)

City Sales Tax Benefit

• Conservative estimates project a range of \$6400 annually

Aggregate sales tax benefit over 3 years

(\$19,200)

Total Economic Loss for Six Corners Area:

Payroll loss

(\$240,000)

Loss of Revenue due to No drive thru

(\$546,000)

Sales Tax loss:

(\$19,200)

Total

(\$805,200)

*Fully loaded cost calculation of 120% of payroll including health insurance

Economic Impact Analysis-Loss of Galvin's Restaurant

Local Jobs Impact

- Kathy Galvin estimated that their new Chicago location would have generated approximately 19 new jobs nearly all jobs would have been filled from the local economy
- 14 workers @ \$12.00* per hr x 20 hours per week x 50 weeks (year):
- 5 workers @ \$10.00 per hr x 40 hours per week x 50 weeks (year)

Year 1 jobs impact: \$268,000
Aggregate jobs benefit over first 5 years

(\$168,000)
(\$100,000)
(\$268,000)

(\$1,340,000)

Loss of Rental income and Build Out Investment

- Conservative estimates project a range of **\$91,000** annually based on \$26.00 PSF

Aggregate rental income over 5 years
Build-out Construction Investment

(\$455,000)
(\$559,000)

City Sales Tax Benefit

- Conservative estimates project a range of \$26K** annually over 5 years

(\$130,000)

TIF Benefit Impact

- Base EAV for the property (rounds #s): **\$200,000**
- Current EAV of the property: **\$490,000 Approx. at \$3.00 PSF Taxes**
- High-end comparable (Pompeii restaurant in Wrigleyville): **\$7.65 PSF Taxes**
- Reasonable assumption for Six Corners: **\$6.00 PSF Taxes**
 - Annual Real Estate tax Benefit (approx) **\$21,000******
 - Aggregate Real Estate Tax Benefit over 3 years

(\$105,000)

Total Economic Loss for Six Corners Area:

Payroll:
Loss of Rental Income & Build-Out
Sales Tax:
Real Estate Taxes:

(\$1,340,000)
(\$1,014,000)
(\$130,000)
(\$105,000)

Total

(\$2,589,000)

*Wage rate includes gratuities

**Includes restaurant, liquor taxes & fountain drink taxes

***Fully loaded cost calculation of 120% of payroll including health insurance

**** 3,500 sq. ft. x 6.00 PSF Taxes

Source Data provided through personal interviews and document submissions:

- SEJ Development
- Donut Store, Inc.
- Nick's Pizza & Pub, LLC
- DineEquity Corporation
- Caribou Coffee Company
- Galvin's Public House
- FedEx Corporate Real Estate