



August 1, 2019

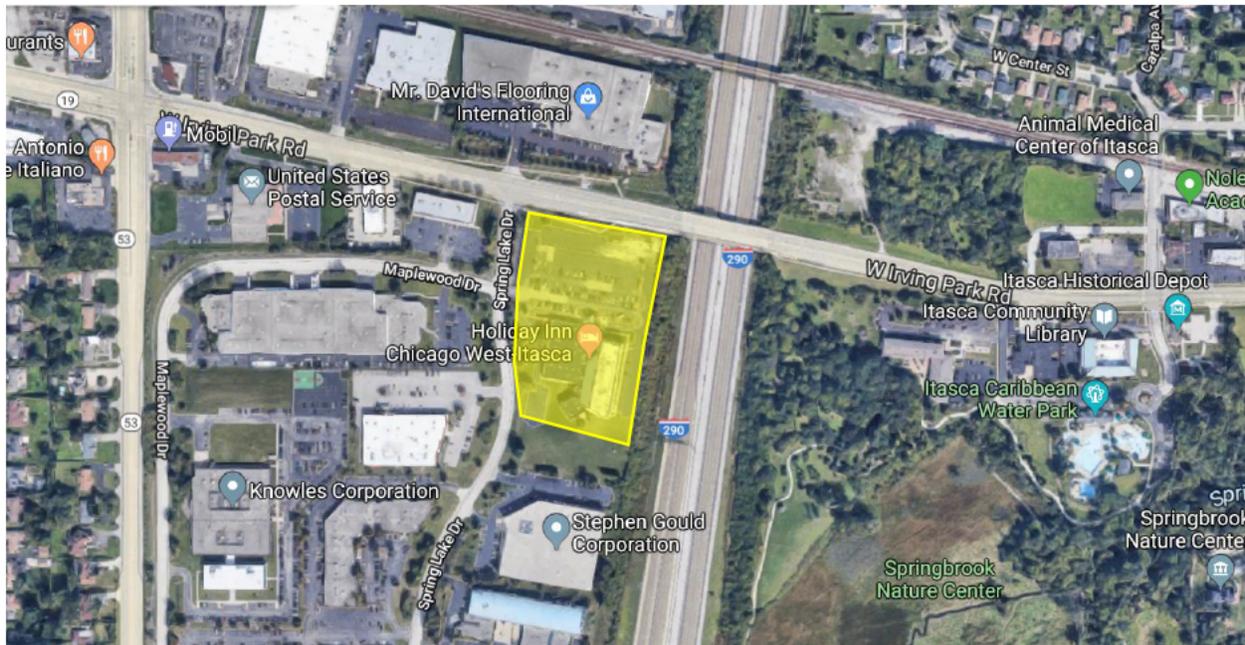
Dr. Dan Lustig
President & CEO
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RE: Proposed Haymarket Center DuPage – Economic Impact Study

Teska Associates, Inc. was asked to provide an economic impact study for the proposed Itasca Haymarket Center (the “Haymarket DuPage”) to be located at 860 West Irving Park Road in Itasca, Illinois. The site is located within the Spring Lakes Business Park and is generally bordered by Irving Park Road (IL 19) to the north, office/industrial to the south, Spring Lake Drive to the west, and Interstate 290 to the east. A Holiday Inn currently occupies the site and will be repurposed to accommodate the Haymarket DuPage.

Haymarket Center was founded in 1975 to aid people with substance use disorders in their recovery by providing comprehensive behavioral health solutions. Haymarket Center, which currently operates the largest substance use and mental health disorder treatment facility in Chicago, is seeking to use the existing 161-room hotel building for a similar health center to offer a range of medical and clinical services for individuals with substance use disorders and mental health conditions. It is anticipated that Haymarket DuPage will have an estimated 200 clients on-site and approximately 160 full-time employees over three shifts. For such purpose, Haymarket Center has submitted an application for Planned Unit Development approval for the Holiday Inn property.

Haymarket Center believes the Holiday Inn property is a match for its needs in that the Holiday Inn currently operates as an extended stay hotel, which is very similar to the client length of stay for the facility that Haymarket would operate at this property. This similarity in use was the deciding factor to move forward with approval of Haymarket DuPage at this site.



Project Location Map

The Itasca Zoning Ordinance, Section 14.4.c(3), requires a “tax impact study detailing the impact which the planned development will have upon all taxing bodies. In addition, the expected number of students to be generated by any residential portion of it shall also be quantified in accordance with the Village Subdivision Regulations.”

This study addresses the tax impact of the proposed Haymarket DuPage on local taxing bodies recognizing the following conditions:

- Haymarket DuPage will operate as a tax-exempt entity, therefore, it will not generate property tax revenue.
- The existing Holiday Inn currently generates property and sales tax revenue, however, the hotel is financially struggling and is being marketed for a different use. It will not likely remain open in its current form.
- Haymarket DuPage will not be a traditional residential project and no school age children will be generated to impact the school systems.

Existing Holiday Inn Status

The existing Holiday Inn is underperforming and has struggled due to a lack of a direct interchange with I-290 and increased competition in the area, particularly from hotels in Schaumburg and Rosemont. In 2018, the hotel’s occupancy rate was 56%, compared to an average rate of 75.2% in the Chicago area (STR – a hotel-analysis company). A similarly situated Holiday Inn Express in Palatine, without direct expressway access and facing similar competition, recently closed and was converted to a senior living facility. In anticipation of a similar fate, the owner of the Itasca Holiday Inn is marketing the property for reuse. In fact, the owner has stated that the hotel will not be able to make the investments required to maintain

the Holiday Inn brand (flag). Loss of the Holiday Inn brand would require the hotel to become independent, rebrand with a lesser flag, or sell the property for another use. In any case, the existing sales and resulting property tax revenue will likely drop dramatically.

The Holiday Inn Itasca has also produced less hotel tax revenue than would be expected. In recent years, a significant percentage (over 50%) of their business has been extended-stay and, as such, exempt from hotel taxes. Appendix 1 demonstrates that this hotel is producing almost \$100,000 less annually in hotel tax than would be expected from a traditional hotel.

Property Tax Revenue

The Holiday Inn produces property tax revenue for the local jurisdictions identified in the following table. Of the total property tax bill in recent years, the Village of Itasca's portion has been averaging around \$9,000 in property tax revenue or approximately 4.2% of the total property tax bill.

As a tax exempt use, Haymarket DuPage will not generate property tax revenue for the local taxing districts. However, it will join other existing mission-driven organizations in Itasca, including the American Academy of Pediatrics, Gift of Hope Organ & Tissue, and the National Safety Council, all of which have a significantly higher estimated property tax exemption when compared with the planned Haymarket DuPage (See Appendix 2). Of note, in regard to these tax exempt entities, both Gift of Hope and the National Safety Council are recognized by the Village in its 2016 Economic Development Plan as among the largest employers in the Spring Lake Executive Campus. Haymarket DuPage will join them as a large employer in the Village, if its development plan is approved.

Holiday Inn Property Tax Revenue by Taxing Body*

| Taxing Body | 2017 | 2018 | 2018 Tax Percentage |
|-------------------------------|----------|----------|---------------------|
| HIGH SCHOOL DISTRICT 108 | \$52,530 | \$52,664 | 28.0% |
| GRADE SCHOOL DISTRICT 10 | \$50,520 | \$52,238 | 27.8% |
| ITASCA FIRE DISTRICT | \$18,511 | \$23,180 | 12.3% |
| ITASCA SPECIAL SERVICE AREA 3 | \$15,174 | \$15,318 | 8.1% |
| ITASCA PARK DISTRICT | \$11,399 | \$11,824 | 6.3% |
| ITASCA LIBRARY (VILLAGE) | \$5,987 | \$8,850 | 4.7% |
| VILLAGE OF ITASCA | \$10,312 | \$7,919 | 4.2% |
| COLLEGE OF DUPAGE 502 | \$5,437 | \$5,337 | 2.8% |
| COUNTY OF DUPAGE | \$3,911 | \$3,854 | 2.0% |

| | | | |
|----------------------------------|------------------|------------------|------|
| FOREST PRESERVE DISTRICT | \$2,921 | \$2,944 | 1.6% |
| ADDISON TOWNSHIP & ROAD DISTRICT | \$3,608 | \$3,658 | 2.0% |
| DUPAGE AIRPORT AUTHORITY | \$371 | \$336 | 0.2% |
| Total Tax Bill | \$180,679 | \$188,122 | |

*Local jurisdictions and analysis based on PIN: 03-07-202-002.

Other Existing Tax Revenue

The hotel and sales tax revenue to the Village from the Holiday Inn has been steadily declining, a trend that is anticipated to continue. In 2015, the hotel paid taxes of approximately \$72,000; in 2018 that total had dropped to \$44,000.

These revenues are derived from the Holiday Inn in the form of sales tax on food and beverages sold at the on-site restaurant and hotel taxes on room rentals. The Holiday Inn Itasca estimates that it produces approximately \$9,000 per year (1.0% of sales) in food and beverage taxes and approximately \$35,000 per year (5% of sales) in hotel/motel tax. As previously noted, the hotel/motel tax revenue is significantly lower than what might otherwise be expected due to a high percentage of extended stay (greater than 30 days) room rentals which are exempt from the hotel/motel tax. It is also important to note that under Illinois law, revenue from hotel/motel taxes must be spent on tourism related activities and must be tracked separately from the Village's general operating fund. Per the Village of Itasca's 2020 budget, a total of \$1,241,345 was identified in total hotel tax revenue. The Holiday Inn's share of this total would be only about 4%, a further indicator of the hotel's underperformance. Some of the lost hotel tax revenue from the closure of this Holiday Inn may be made up by guests staying at another hotel within the Village.

Local Government Expenses and Net Impact

The Haymarket DuPage will provide a needed service for residents of DuPage County, potentially relieving some financial stress on local medical providers of mental health and substance abuse services (reduced transportation costs, additional local providers, etc.).

Most of the local governments serving the Holiday Inn property do not currently incur direct expenses related to this property. This will not change under the proposed Haymarket DuPage. Accordingly, they will experience minimal to no cost to provide services to the Haymarket DuPage, even while they will experience a loss of property tax revenue from the property as a result of the change in use.

- **School Districts 10, 108 and College of DuPage 502** – The existing hotel does not generate any school students, and the Haymarket DuPage will also not generate any school students. (While it is possible that a College of DuPage student may seek treatment at the Haymarket DuPage, no new students would be added to the proposed facility.)

- **Addison Township and Road District** – This property is not directly served by any Township maintained roads, so no direct expenses are anticipated. The Township provides services to residents, including programs for seniors, a food pantry, and passport applications. Since neither the existing Holiday Inn nor the Haymarket DuPage will have any permanent residents, no additional cost of services is anticipated.
- **DuPage County, Forest Preserve District, and Airport Authority** –No direct expenses are anticipated for either the Forest Preserve District or the Airport Authority. These taxing bodies may see a small reduction in costs as hotel guests may have visited Forest Preserves and/or the DuPage Airport, but it is unlikely that clients of the Haymarket DuPage will utilize these facilities.
- **Itasca Park District and Library** – Clients and staff of the Haymarket DuPage are not anticipated to utilize the services of either the Park District or the library.

The Village, Fire District, and Special Service Area 3 will continue to provide services to the property. The Haymarket DuPage plans to use a private ambulance service to handle the majority of its emergency service needs. Based on this and the analysis above, it is anticipated that the need for services and corresponding expenses to the local governments will be roughly equivalent to those currently provided to the existing Holiday Inn.

Project Economic Benefits

The Haymarket DuPage will provide positive economic benefits to the Village by providing additional employment and opportunities for grants.

Employment through the Haymarket DuPage is a positive economic impact to the Village, as the Holiday Inn reported total wages for the past 12 months of approximately \$825,000 including full-time employees and some contract labor. In contrast, budgeted wages for the Haymarket DuPage is over \$6,500,000 – a significant increase that will directly contribute to the local economy and generate increased sales taxes. The Haymarket DuPage anticipates employing 160 full-time staff to work in three shifts. This includes medical, clinical, program support, administrative, security, housekeeping, janitorial, and food preparation services personnel. Compared to the existing Holiday Inn, this is an increase of 110 full-time employees. Additionally, the anticipated average salary of these employees will be 246% higher than the average salary of existing Holiday Inn employees. The Haymarket DuPage’s employees, unlike most of the existing Holiday Inn employees, will also receive benefits. These additional employees will likely visit local restaurants, and shops, and buy gas on their daily commute to and from work.

Regarding opportunities for grants, the Haymarket Center has a history of successfully working with jurisdictions to win federal and state grants to address substance use disorders and bring valuable resources to communities. Since 2008, Haymarket Center has helped local jurisdictions generate grants funds of over \$3.3 million (see table below). Haymarket Center staff have written full proposals submitted by jurisdictions, including Lake County Probation and Cook County Circuit Court. Funding from those grants have brought invaluable supplies, staff

support, and other resources to the jurisdictions as well as funding treatment for substance use disorders. Haymarket Center staff were further able to provide technical assistance to the jurisdictions in grant monitoring, preparing required quarterly reports, and other tasks.

In other cases, jurisdictions were able to use material written by Haymarket Center staff to submit grants to other funders, including State agencies. For example, Lake County Probation Department was able to use materials in a proposal Haymarket Center wrote for a successful US Bureau of Justice Assistance grant to submit their own proposal to the Illinois Criminal Justice Information Authority which was successful and turned into a multi-year funding stream for Lake County.

Grants Received by Local Governments with the Assistance of the Haymarket Center

| Amount | Year | Entity | Funder |
|--------------------|-----------|-------------|---|
| \$200,000 | 2008 | Lake County | US Bureau of Justice Assistance |
| \$120,000 | 2013 | Lake County | Illinois Criminal Justice Information Authority |
| \$120,000 | 2014 | Lake County | Illinois Criminal Justice Information Authority |
| \$120,000 | 2015 | Lake County | Illinois Criminal Justice Information Authority |
| \$120,000 | 2016 | Lake County | Illinois Criminal Justice Information Authority |
| \$120,000 | 2017 | Lake County | Illinois Criminal Justice Information Authority |
| \$120,000 | 2018 | Lake County | Illinois Criminal Justice Information Authority |
| \$120,000 | 2019 | Lake County | Illinois Criminal Justice Information Authority |
| \$975,000 | 2016-2019 | Cook County | Substance Abuse and Mental Health Services Administration |
| \$324,752 | 2017-2020 | Cook County | Substance Abuse and Mental Health Services Administration |
| \$1,199,637 | 2018-2023 | Cook County | Substance Abuse and Mental Health Services Administration |
| | | | |
| \$3,359,389 | | | Total |

Current Grant Availability Examples for the County of DuPage & Itasca

First Responders. The Department of Human Services, Substance Abuse and Mental Health Services Administration (SAMHSA), issued a funding opportunity announcement (TI-19-004) earlier in 2019 to seek proposals for funding under the First Responders-Comprehensive Addiction and Recovery Act that allowed for up to **\$2,000,000 for local government entities** (\$500,000 per year for four years). The funding supports training and resources for first responders and members of other key community sectors on opioid reversals as well as for linking individuals to treatment and recovery communities.

Support for Law Enforcement. The Community-Law Enforcement Partnership for Deflection & Substance Use Disorder Treatment program from ICJIA was awarded to several sheriffs' offices and police departments in 2019, with awards ranging from \$54,000 to \$80,000. The program

“helps law enforcement to develop and implement deflection programs that offer immediate pathways to substance use treatment as an alternative to involvement in the criminal justice system.”

Haymarket looks forward to working with the Village and the County of DuPage to identify and obtain funding opportunities that will support their operations and improve the health of their residents.

Cost of Untreated Mental Illness & Substance Use

The DuPage Federation published a research study in June 2016 that outlined the effects of mental illness and substance use in DuPage County. They concluded the cost to DuPage County of untreated mental illness and substance use disorders was over \$900 million. Broken down to the taxpayer level, that equates to \$1,000 per person. For the Village of Itasca, with a population of 8,649 – the cost of untreated mental illness and substance use disorder is over \$8.6 million (Appendix 3). Every taxpayer bears the burden of this cost. The number one cause of someone not seeking treatment is access to care. If just half the people who needed treatment went to Haymarket and just half of them were successful in their recovery, the taxpayers of Itasca would save over \$2 million.

Conclusion

The growing underperformance of the existing Holiday Inn guarantees that the hotel will close in the future.

The Haymarket DuPage will provide a social service of demonstrable need in the County of DuPage, while having a limited impact on the Village's, and other taxing bodies' existing services. Importantly, the Haymarket DuPage will increase the number of jobs at the property by 320%, and increase wages to those working at the property by 246%. The increase in the number of higher paid workers is expected to have a ripple effect on the local economy.

Finally, the economic savings to the taxpayers of Itasca for having access to care for life-saving treatment totals over \$2 million.

Sincerely,

Mike Hoffman, AICP, PLA
Vice President

Appendix 1

Current Hotel Tax Paid by Holiday Inn

| | 2018 | 2017 | TOTAL |
|---------------------------------|---------------------|---------------------|---------------------|
| REVENUE | | | |
| Room | \$ 2,970,895 | \$ 3,230,364 | \$ 6,201,259 |
| Food | 734,515 | 702,441 | 1,436,956 |
| Beverage | 155,353 | 114,988 | 270,341 |
| TAX OWED TO ITASCA | | | |
| Hotel Tax 5% | 148,545 | 161,518 | 310,063 |
| Food & Beverage 1% | 8,899 | 8,174 | 17,073 |
| | 157,444 | 169,692 | 327,136 |
| TAX PAID TO ITASCA | | | |
| Total Paid to Village of Itasca | 44,311 | 56,140 | 100,451 |
| Tax Over(Under) Paid | \$ (113,133) | \$ (113,552) | \$ (226,685) |

Source: Pearl Hospitality LLC (Holiday Inn operator)

Appendix 2

Existing/Proposed Non-Profits in Itasca

| Organization | Mission | Annual Budget - 2017 | Address in Itasca | DuPage Land & Building at Historical Cost Estimate | Estimated Value of Property Tax Exemption |
|----------------------------------|--|----------------------|----------------------|--|---|
| American Academy of Pediatrics | Association for advancement of pediatrics | \$ 126,638,682 | 345 Park Blvd | \$ 50,000,000 | \$ 1,016,876 |
| Gift of Hope Organ & Tissue | Organ & tissue donation network | \$ 67,582,681 | 425 Spring Lake Dr | \$ 20,307,241 | \$ 412,999 |
| National Safety Council | Safety oversight through research, education and advocacy | \$ 59,171,540 | 1121 Spring Lake Dr | \$ 15,129,488 | \$ 307,696 |
| Proposed Haymarket Center DuPage | Aid people with substance use disorders with comprehensive behavioral health solutions | \$ 20,672,485 | 860 W Irving Park Rd | \$ 9,250,000 | \$ 188,122 |

Source: IRS Form 990 publicly available

Appendix 3

Cost of Untreated Mental Illness & Substance Use to the Itasca Taxpayer

| | |
|--|------------------------------|
| Population of the Village of Itasca | 8,649 * |
| Cost of Untreated Mental Illness and Substance Use Disorders per Resident of DuPage County | <u>\$ (1,000) **</u> |
| Cost of Untreated Mental Illness and Substance Use Disorders per Resident of the Village of Itasca | <u>\$ (8,649,000)</u> |

* - 2010 census

** - "Behavioral Health Community
Profile - Mental Illness and Substance
Use in DuPage County" June 2016 -
DuPage Federation on Human Services
Reform