



VILLAGE OF ITASCA - HOLIDAY INN AND HAYMARKET MATTER

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I. Executive Summary

The Kenrich Group (“Kenrich”) was retained by Hervas, Condon, and Bersani, P.C. (“Hervas”), on behalf of the Village of Itasca. Kenrich was asked to assess the economic impact to the Village of Itasca in the event of the proposed sale of the Holiday Inn Chicago West-Itasca (“Holiday Inn”) to Haymarket Center (“Haymarket”), as well as provide an evaluation of the Economic Impact Study (“Impact Study”) prepared and submitted by Teska Associates Inc. (“Teska”) on behalf of Haymarket in August 2019.¹ The following Report and Attachments summarize the results of Kenrich’s findings, analysis to-date, and evaluation of Teska’s Impact Study.

In performing the analysis and preparing this Report, Kenrich reviewed documents and information provided by the Village of Itasca; analyzed publicly available documents and information; performed industry research; conducted discussions with Village of Itasca personnel; and analyzed Teska’s Impact Study and supporting documentation. Kenrich’s research and analysis concluded the following:

1. The Village of Itasca will experience lost tax revenue and increased costs if Haymarket opens and operates a non-profit facility in the existing Holiday Inn property;
2. Teska’s Impact Study underestimates the economic impact to the Village of Itasca and greater community and doesn’t provide a final supported conclusion;
3. Teska’s Impact Study understates and misrepresents historical tax revenue generated from the Holiday Inn property;
4. Teska’s Impact Study underestimates increased costs likely to be experienced by the Village of Itasca and greater community; and
5. Teska’s Impact Study lacks support and analysis as well as offers misleading statements.

Kenrich’s analysis and opinions are further described in the following sections of this Report. This Report was prepared under the direction of Sarah Ketchum, (“Ms. Ketchum”) a Partner in Kenrich’s Chicago office. Ms. Ketchum has over 19 years of experience performing financial and economic damages analyses similar to the work performed in this matter. Ms. Ketchum has presented at mediations and settlement negotiations related to financial and economic issues, including those related to commercial damages matters. Ms. Ketchum’s resume is included as Appendix A.

Kenrich is a national business and litigation consulting firm which provides services to corporations, entities, and their counsel. Kenrich has approximately 90 professionals in eleven offices throughout the United States including accounting, financial, economic, and engineering professionals with experience and expertise in the evaluation of economic damages and other aspects of disputes.

¹ Proposed Haymarket Center DuPage – Economic Impact Study performed by Teska Associates Inc., dated August 1, 2019.

The opinions and analyses presented herein are based on currently available documents and information and are subject to change in the event new or additional information becomes available. This Report is supplemented by workpapers as well as supporting documents and information which are an integral part of this Report. This Report as well as the opinions and analysis presented herein may be supplemented or amended if new or additional information becomes available that is relevant to the analysis or opinions presented. In addition to the documents listed in this Report, Appendix B provides a list of documents and information considered in forming the opinions and analyses presented.

II. Project Overview

A. Project Background

Haymarket is a not-for-profit community-based comprehensive adult detoxification, residential, and outpatient substance abuse treatment organization, licensed in the state of Illinois, with four locations in the Chicagoland area.² The Holiday Inn is a chain hotel currently occupying and operating on the property located at 860 West Irving Park Road, Itasca, IL. There has been a hotel operating and generating tax revenue on this property for approximately 40 years.

In April 2019, Haymarket notified the Village of Itasca of their interest to purchase the Holiday Inn property. Haymarket subsequently submitted a Petition for Special Use for approval of a Planned Unit Development on the Holiday Inn property.³ Haymarket's current proposal is to purchase the existing Holiday Inn property to open and operate Itasca Haymarket Center ("Haymarket DuPage").⁴

Haymarket operates as a non-profit tax-exempt entity under section 501(c)(3) of the Internal Revenue Service Code.⁵ As such, Haymarket DuPage would be exempt from paying any taxes to the Village of Itasca resulting from its operations. Itasca Zoning Ordinance, Section 14.12.c.(3), requires a tax impact study detailing the impact a planned development will have upon all taxing bodies and the expected number of students generated by any residential portion.⁶

B. Village Of Itasca Tax Revenues

In general, municipalities generate revenue from three sources: (1) property, sales, and other taxes collected from residents and businesses; (2) tariffs or charges for services like water, electricity, refuse removal,

² Haymarket Center website: www.hcenter.org/about-us.com.

³ Petition for Special Use, Haymarket DuPage, dated July 1, 2019.

⁴ Petition for Special Use, Haymarket DuPage, dated July 1, 2019.

⁵ Haymarket Center website: www.hcenter.org/donate.

⁶ Itasca Zoning Ordinance Section 14.12.c.(3), page 14-22.

and the use of municipal facilities; and (3) grants and funding transfers from national government.⁷ Itasca is a village municipality located in DuPage County, Illinois, located approximately 30 miles northwest of downtown Chicago. As a municipality, the Village of Itasca relies upon the taxes collected from the residents and businesses within its jurisdiction as a significant source of revenue for its annual operating budget. Certain businesses, such as hotels, are taxed additionally based on the nature of the business (e.g., hotel tax) and other tax revenue generating activities (e.g., food and beverage as well as video gaming).

The Holiday Inn pays five different types of taxes:

- (1) Hotel Tax – based on room sales (5%);
- (2) Food and Beverage Tax – based on sales of food and beverages within the hotel, including catering activities and the on-site restaurant (1%);
- (3) Property Tax – based on the property value and the annual Village of Itasca Levy;
- (4) Video Gaming Tax – based on arcade or other gaming activities within the hotel; and
- (5) Sales Tax – based on items sold in the hotel and gift shop.

Per discussions with the Village of Itasca, Kenrich understands the tax rates indicated above have remained generally consistent and not changed over time.⁸ As previously mentioned, Haymarket operates as a non-profit tax-exempt entity. As such, Haymarket DuPage would not pay any of the taxes listed above which are currently paid by the Holiday Inn.

The Holiday Inn property is located within the Spring Lake Business Park, a Special Service Area (“SSA”). SSAs are another taxing mechanism that can be used to fund a wide range of special or additional services or physical improvements in a defined geographic area within a municipality or jurisdiction.⁹ The Village of Itasca assesses and collects annual property taxes from the SSA. The businesses operating within the SSA pay a proportionate share of the property taxes assessed.

Each year the Spring Lake Business Park SSA must generate a minimum of approximately \$135,000 in property taxes.¹⁰ Historically, the Holiday Inn has paid approximately \$15,000 of the SSA’s assessed property taxes.¹¹ Haymarket DuPage would not contribute to the property taxes assessed and collected from the Spring Lake Business Park SSA, thus likely requiring the other business in the SSA to contribute more, as necessary.

⁷ Assessing Fiscal Capacities of States: A Representative Revenue System–Representative Expenditure System Approach, Fiscal Year 2012, page 7.

⁸ Village of Itasca Website – Local Tax Information: www.itasca.com/1927/Local-Tax-Information; Per discussions with Village of Itasca personnel.

⁹ DuPage County website, Public Works page, Special Service Areas.

¹⁰ Ordinance No. 1831-16 Page 7; Ordinance No. 1872-17 Page 13.

¹¹ 2018 DuPage County Real Estate Tax Bill, Property Index Number: 03-07-202-002.

III. Hotel Taxes Collected

A. Holiday Inn Historical Tax Receipts

The Village of Itasca operates on an April 30 fiscal year-end (“FY”). During the last six years, from FY 2014 through FY 2019, the Holiday Inn paid a total of \$1,561,173 in tax revenues (i.e., hotel tax, food and beverage tax, property tax, sales tax, and video gaming tax) as shown on Attachment 1.¹² Table 1 summarizes the historical hotel-related taxes paid by the Holiday Inn by year from FY 2014 through FY 2019. Table 2 summarizes the historical hotel-related taxes paid by the Holiday Inn by tax category from FY 2014 through FY 2019.

B. Hyatt Place Historical Tax Receipts

The Hyatt Place is another hotel located within the Village of Itasca and considered comparable in size (e.g., number of rooms) and tax revenue generating activities to the Holiday Inn.¹³ During the last six years, from FY 2014 through FY 2019, the Hyatt Place paid a total of \$1,946,250 in tax revenues as shown on Attachment 2.¹⁴ Table 1 and Table 2 also summarize the historical hotel-related taxes paid by the Hyatt Place by year and tax category, respectively, from FY 2014 through FY 2019.

Table 1
Taxes Paid By Year From FY14 Through FY19

Entity	FY14	FY15	FY16	FY17	FY18	FY19	Total
Holiday Inn	\$ 238,147	\$ 317,181	\$ 263,000	\$ 256,264	\$ 245,939	\$ 240,642	\$ 1,561,173
Hyatt Place	\$ 314,203	\$ 321,043	\$ 327,853	\$ 328,942	\$ 334,075	\$ 320,133	\$ 1,946,250

As demonstrated by Table 2, hotel tax and property tax are the most significant taxes paid by the Holiday Inn and the Hyatt Place.

¹² Attachment 1, “Summary Of Tax Receipts – Holiday Inn Taxes Reported To The Village Of Itasca;” Sales taxes are non-public information and not considered in the total tax revenues. Kenrich understands that sales taxes are calculated on food and beverage revenues and non-food and beverage revenues (e.g., gift shop items) at 1% and 1.5%, respectively.

¹³ The Hyatt Place does not have an on-site restaurant like the Holiday Inn, and historically the Hyatt Place did not generate video gaming taxes.

¹⁴ Attachment 2, “Summary Of Tax Receipts – Hyatt Place Taxes Reported To The Village Of Itasca;” Sales taxes are non-public information and not considered in the total tax revenue amount referenced above. Kenrich’s understands that sales taxes are calculated on food and beverage revenues and non-food and beverage revenues (e.g., gift shop items) at 1% and 1.5%, respectively.

**Table 2
Taxes Paid By Category From FY14 Through FY19**

Description	Holiday Inn	Hyatt Place
Hotel Tax	\$ 483,419	\$ 976,221
Food And Beverage Tax	21,352	8,608
Video Gaming Tax	24,520	N/A
Property Tax	1,031,883	961,421
Total Taxes Paid	\$ 1,561,173	\$ 1,946,250

During the last six years, the Holiday Inn’s property taxes have increased significantly, by over 60%, while the hotel taxes have decreased.¹⁵ By comparison, the Hyatt Place’s property taxes have remained relatively consistent, increasing by less than 10%, while hotel taxes have fluctuated slightly.¹⁶

C. Tax Underpayment Allegations

Teska’s Impact Study Appendix 1 reports the Holiday Inn underpaid taxes owed to the Village of Itasca during the last two years. Teska’s Impact Study Appendix 1 identifies both “Tax Owed To Itasca” and “Tax Paid to Itasca.”¹⁷ Per Teska, the Holiday Inn underpaid both hotel taxes as well as food and beverage taxes. According to Teska, the Holiday Inn underpaid taxes in FY 2017 and FY 2018 by \$113,552 and \$113,133, respectively, for a total of \$226,685.¹⁸ Kenrich is unable to verify the revenues, taxes owed, and taxes paid amounts reported in Teska’s Appendix 1. Additionally, the taxes paid to the Village of Itasca, as reported by Teska, are inconsistent with the records Kenrich received from the Village of Itasca.

Assuming the revenues and taxes owed as reported on Teska’s Appendix 1 are accurate, and the taxes actually paid as reported by the Village of Itasca are accurate, it appears the Holiday Inn underpaid taxes of \$203,826 between FY 2017 and FY 2018 as shown on Attachment 4 and in Table 3 below.¹⁹ If the Holiday Inn had properly reported their revenues and operations in FY 2017 and FY 2018, the Holiday Inn would have paid, at a minimum, a total of \$1,764,999 in taxes between FY 2014 through FY 2019 as shown on Attachment 5.²⁰

¹⁵ Attachment 3, “Summary Of Change In Tax Receipts Reported To The Village Of Itasca – Holiday Inn.”

¹⁶ Attachment 2, “Summary Of Tax Receipts – Hyatt Place Taxes Reported To The Village Of Itasca.”

¹⁷ Proposed Haymarket Center DuPage – Economic Impact Study performed by Teska Associates Inc., dated August 1, 2019, page 8.

¹⁸ Ibid.

¹⁹ Attachment 4, “Summary Of Revised Tax Amounts – Village Of Itasca And Teska Reported Amounts.”

²⁰ Attachment 5, “Summary Of Tax Receipts – Holiday Inn Taxes Reported To The Village Of Itasca And Teska.”

**Table 3
Teska's Alleged Underpayment Of Holiday Inn's Taxes**

Description	Taxes Paid Per Village		Taxes Owed Per Teska		Underpayment Of Taxes		
	FY17	FY18	FY17	FY18	FY17	FY18	Total
Hotel Tax	\$ 68,527	\$ 51,403	\$ 161,518	\$ 148,545	(\$92,991)	(\$97,142)	(\$190,133)
Food and Beverage Tax	2,046	1,334	8,174	8,899	(6,128)	(7,565)	(13,693)
Total	\$ 70,573	\$ 52,737	\$ 169,692	\$ 157,444	(\$99,119)	(\$104,707)	(\$203,826)

Furthermore, if the revenues and taxes that should-have-been paid as reported by Teska are accurate, it indicates the Holiday Inn operations have not declined, but instead have increased and are higher than historical levels as shown on Attachment 5.

IV. Evaluation Of Tax And Economic Impact

A. Lost Tax Revenues

Kenrich contemplated three scenarios to identify the future tax revenue that would be lost if the Holiday Inn property no longer operates as a hotel, but as the non-profit tax-exempt Haymarket DuPage. The scenarios include: (A) Holiday Inn returns to historical operations and reports accurately; (B) Holiday Inn maintains current operations; and (C) Holiday Inn property is sold to Haymarket and no longer operates after this year.

1. Scenario A – Holiday Inn Returns To Historical Operations

Scenario A assumes the Holiday Inn continues operations and returns to historical operations and reporting, as currently indicated by Teska for FY 2017 and 2018. As discussed previously, the hotel tax as well as food and beverage tax revenues Teska reported were “owed” to the Village of Itasca in FY 2017 and 2018, indicate the Holiday Inn is currently performing above historical levels, but underreporting. This scenario assumes hotel operations return to historical levels and accurate reporting.²¹ Attachment 7 identifies future tax revenue for the next 5 years by projecting: (1) hotel tax as well as food and beverage tax as reported by Teska in 2018; and (2) property tax and video gaming tax as reported to the Village of Itasca in 2018 and 2019, respectively.²² The results of this scenario project tax revenue for the next 5 years of approximately \$1.8 million,

²¹ This scenario would also be applicable if a new owner, or comparable hotel, assumed ownership of the hotel and continued operations into the future.

²² Attachment 7, “Summary Of Projected Tax Revenue, Scenario A – Holiday Inn Returns To Historical Operations.”

as shown in Table 4.

2. Scenario B – Holiday Inn Maintains Current Operations

Scenario B assumes the Holiday Inn maintains its current, slightly declining, operations, as reported to the Village of Itasca. Over the last three years, the Holiday Inn’s operating taxes paid (e.g., hotel tax, food and beverage tax, and video gaming tax) have declined, while the property taxes paid have increased. For this scenario, Kenrich relied upon the average change in the last three years to project future tax revenue as it was representative of current operations and reporting. Attachment 8 identifies future tax revenue for the next 5 years by projecting: (1) hotel tax, food and beverage tax, and video gaming tax based on the combined 3-year historical average change in these tax categories as reported to the Village of Itasca; and (2) property tax based on the 3-year historical average change in this tax category.²³ The results of this scenario project tax revenue for the next 5 years of approximately \$1.2 million, as shown in Table 4.

3. Scenario C – Holiday Inn Sold To Haymarket

Scenario C assumes the Holiday Inn sells the property to Haymarket and discontinues operations. In this scenario, Kenrich assumes a sale occurs by year-end December 31, 2019, and the Holiday Inn no longer operates after that date. As such, the Holiday Inn would pay taxes for 8 months, or two-thirds, of FY 2020 (i.e., May 2019 – December 2019). The Holiday Inn would not pay tax revenues in subsequent years. Attachment 9 identifies tax revenues for FY 2020 by calculating two-thirds of taxes projected in FY 2020 in Scenario B.²⁴ The results of this scenario project tax revenue for FY 2020 of approximately \$157,000, as shown in Table 4.

4. Projected Tax Impact

The tax impact to the Village of Itasca and greater community is calculated as the difference between the tax revenues projected to be paid in either Scenarios A or B and the tax revenues the Holiday Inn is projected to pay in the remainder of FY 2020 (i.e., through December 31, 2019) as shown in Scenario C. In other words, if the Holiday Inn is sold to Haymarket by the end of 2019, the tax impact is the loss of the future projected tax revenues (projected for the next 5 years) over and above what the Holiday Inn is projected to pay in taxes through December 31, 2019 (two-thirds of FY 2020). Attachment 10 and Table 4 summarize the future tax revenue projections for Scenarios A, B, and C described above.²⁵

²³ Attachment 8, “Summary Of Projected Tax Revenue, Scenario B – Holiday Inn Maintains Current Operations.”

²⁴ Attachment 9, “Summary Of Projected Tax Revenue, Scenario C – Holiday Inn Sold to Haymarket.”

²⁵ Attachment 10, “Summary Of Tax Impact – Village Of Itasca.”

**Table 4
Projected Tax Impact²⁶**

<u>Description</u>	<u>Scenario A Holiday Inn Returns To Historical Operation Levels</u>	<u>Scenario B Holiday Inn Maintains Operations</u>	
Projected Tax Revenue	\$ 1,753,790	\$ 1,152,796	[A]
<i>Less: Holiday Inn Sold To Haymarket (Scenario C)</i>	157,353	157,353	[B]
Projected Tax Revenue Impact	\$ 1,596,437	\$ 995,443	[C] = A – B

B. Increased Costs To The Village Of Itasca And Greater Community

1. Emergency Calls

Kenrich understands that alcohol and rehabilitation centers have a higher volume of emergency calls for protective services (e.g., police and fire) compared to other businesses. As such, Haymarket’s operations could result in an increase in the Village of Itasca’s emergency-related costs. Teska does not appear to consider the impact to the Police Department and the Fire Protection District in its analysis.

Kenrich understands the proposed Haymarket DuPage location would have approximately 200 – 275 beds.²⁷ Kenrich also understands Haymarket’s Central Location is larger than the proposed Haymarket DuPage. From July 8, 2018 through July 9, 2019, Haymarket’s Central Location had over 400 emergency calls, on average more than one call a day.²⁸ In 2017 and 2018, the Holiday Inn had only 9 and 14 calls, respectively, for criminal or fire and ambulance-related incidences, on average approximately one call a month.²⁹ It is likely that Haymarket DuPage would have significantly more emergency calls than the Holiday Inn.

Haymarket’s Central location emergency-related calls included overdoses, emergency medical service requests, mental disturbance, psychiatric emergency, threatening suicide, among others.³⁰ Kenrich is unable to estimate how many emergency-related calls, on average, Haymarket DuPage might experience. However,

²⁶ All projected tax revenue is presented in nominal dollars.

²⁷ Haymarket Application Submittal, Attachments K.1 – Interior Floor Plans; K.2 Lobby Level Occupancy Plan; and K.3 Tower Occupancy Plan.

²⁸ Client documents, “Haymarket Sangamon Police FOIA_rcd at VH.pdf” and “Haymarket Sangamon Fire FOIA_rcd at VH.pdf.” This includes calls with police response (269) and fire department response (172).

²⁹ Client document, “Police Calls for Service at Holiday Inn.pdf.”

³⁰ Client documents, “Haymarket Sangamon Police FOIA_rcd at VH.pdf,” “Haymarket Sangamon Fire FOIA_rcd at VH.pdf,” “Haymarket Sangamon Fire Codes_rcvd at VH.pdf,” and “Haymarket Sangamon Fire FOIA_rcvd at VH.pdf.”

Haymarket DuPage will likely be more similar to Haymarket's Central Location than it would be to the Holiday Inn's historical experience. As such, the Village of Itasca would likely experience an increase in emergency and protective services (e.g., police and fire) costs.

2. Emergency Resources

Kenrich understands the Itasca Fire Protection District has only one active ambulance for the community.³¹ In situations where the ambulance is occupied or not available, the Fire Protection District has an automatic mutual aid agreement with the Wood Dale Fire Protection District for assistance.³² Additionally, the Village of Itasca is a small community with limited police staffing (e.g., 22 sworn officers) and resources (i.e., police cars).³³ If the number of emergency calls increased significantly, the Village of Itasca may need to add staffing resources and purchase additional equipment. In doing so, the Village of Itasca would experience increased costs. The initial cost of each additional officer (one per shift) is approximately \$100,000 (with annual increases thereafter), while the cost of an additional police car is approximately \$49,000.³⁴

C. Financial Impact To The Village Of Itasca And Greater Community

1. Village Of Itasca Annual Budget

In four of the past five years, the Village of Itasca has operated in a negative Net Operating Position.³⁵ Net Operating Position is the difference between a municipalities revenues and expenditures – similar to an entity's income statement showing profit and loss. Therefore, any reduction in tax revenues collected by the Village of Itasca will likely have a significant impact on the Village of Itasca's ability to operate. The projected tax revenue impact in Scenarios A and B, as shown above, ranges from approximately \$1.0 million to \$1.6 million. Over 5 years, this equates to an average impact of approximately \$200,000 to \$320,000. Attachment 11 summarizes the Village of Itasca's historical Net Operating Position.

³¹ Village of Itasca Fire District Website: <https://www.itasca.com/130/Fire-District>.

³² Resolution No. 94-2, Automatic Mutual Aid Agreement – Itasca Fire Protection District No. 1 and Wood Dale Fire Protection District No. 1.

³³ Village of Itasca Police Department Website: <https://www.itasca.com/125/Police-Department>. According to the Village of Itasca Police Department website, there are 23 sworn officers. Kenrich understands one police officer recently retired, leaving 13 police officers, 6 sergeants, 2 deputy chiefs, and 1 director.

³⁴ Client documents, "New officer cost analysis 20190906.xlsx;" and "New squad cost analysis 20190906.xlsx."

³⁵ In FY18, the Village of Itasca had a positive Net Operating Position due to an increase in Business Like Activities "Other Revenues" between FY17 and FY18 totaling \$4,201,857. Kenrich understands the increase was due to a one-time settlement agreement and is not anticipated to continue in the future. Attachment 11 (FY18 Primary Government Revenues - FY17 Primary Government Revenues = \$29,326,050 - 25,034,193 = \$4,201,857).

2. Local Schools And Government Services

In 2018, the Holiday Inn paid property taxes totaling \$188,112. As can be seen on Attachment 12, the Holiday Inn's property taxes are distributed to schools and multiple government services specifically in the Village of Itasca or the surrounding community. This includes schools (e.g., High School District 108, Grade School District 10, DuPage College), government services (e.g., Itasca Fire Protection District, Itasca Park District), and their associated pension funds, all which serve the local residents and surrounding community.³⁶ It is Kenrich's understanding the schools and Fire Protection District receive a majority of their funding from property taxes. Thus, Haymarket DuPage's non-profit tax-exempt status would impact the available funding to the local schools and government services. Teska does not appear to consider the effects on schools, government services, or the broader community.

3. Special Service Area

As previously explained, the Holiday Inn is located within the Spring Lake Business Park SSA. In 2006, bonds were issued to finance the construction of roadway improvements. The bonds issued totaled \$1,100,000 and were to be retired over a period not exceeding 17 years.³⁷ An additional tax was levied on the businesses within the SSA as a component of property taxes. It is Kenrich's understanding that a minimum must be paid annually in order to satisfy the bond repayment, and the SSA tax rate is assessed in a manner to meet the minimum requirement.³⁸

In addition, the businesses within the SSA pay an annual amount to a construction and maintenance activities fund. It is Kenrich's understanding this amount has historically been \$51,000.³⁹ As such, the businesses within the SSA may be required to pay additional taxes to the construction and maintenance fund in order to replace any lost tax revenue from the Holiday Inn. This could impact those businesses and their operations.

In 2018, the Holiday Inn paid \$15,318 in property taxes related to the SSA.⁴⁰ Therefore, if the SSA does not receive property taxes from the current Holiday Inn property, the other businesses within the SSA would likely pay increased property taxes in order to achieve the minimum requirement.

V. Evaluation Of Teska's Economic Impact Study

The purpose of Teska's Economic Impact Study is to provide the Village of Itasca with an evaluation of the tax and financial impact that could reasonably be expected by the Village of Itasca and local community as a

³⁶ Attachment 12, "Taxing Districts – Distribution Of Property Taxes – Village Of Itasca."

³⁷ Ordinance No. 1329-06 Page 4.

³⁸ Ordinance No. 1329-06 Page 4-5

³⁹ Ordinance No. 1831-16 Page 7; Ordinance No. 1872-17 Page 13.

⁴⁰ 2018 DuPage County Real Estate Tax Bill, Property Index Number: 03-07-202-002.

result of the sale of the Holiday Inn to Haymarket. The proposed Haymarket DuPage would be a non-profit tax-exempt entity.

A. Holiday Inn Underperformance

1. Increased Competition And Decreased Occupancy Rates

Teska stated that the Holiday Inn is underperforming due to “a lack of a direct interchange with I-290 and increased competition in the area, particularly from hotels in Schaumburg and Rosemont.”⁴¹ According to the DuPage CVB, the December 2018 year-to-date occupancy rates for DuPage County and the Village of Itasca were 65.1% and 61.0%, respectively. In fact, the hotel occupancy rate increased for both DuPage County (1.1%) and the Village of Itasca (0.2%) from December 2017 to December 2018.⁴² Teska offered no analysis or support for hotels contributing to increased competition for the Holiday Inn, nor did Teska offer any analysis to support the Holiday Inn is underperforming due to its location.

Teska stated that the Holiday Inn had an average occupancy rate of 56% in 2018, compared to an average rate of 75.2% in the Chicago area.⁴³ Teska’s comparison is not only misleading, but also inappropriate as the Chicago market includes numerous non-comparable hotels. Furthermore, Teska did not provide documentation supporting the Holiday Inn’s occupancy rate of 56%, nor did Teska provide documentation supporting the Chicago area average occupancy rate of 75.2%.

If, in fact, the Holiday Inn did have an occupancy rate of 56%, it would be operating only slightly lower than the DuPage County and Village of Itasca occupancy rates of 65.1% and 61.0%, stated above. Lastly, Kenrich reviewed the Chicagoland occupancy rates for year-to-date December 2018 and found the occupancy rate was 65.4%. This was 9.8% less than, and inconsistent with, the 75.2% occupancy rate Teska reported.⁴⁴

2. Underreporting Allegations

Appendix 1 of Teska’s Impact Study contains multiple inconsistencies. First, the “Tax Owed To Itasca” amounts reported for 2017 and 2018 indicate the Holiday Inn significantly underreported its taxable revenues, and thus underpaid hotel tax as well as food and beverage taxes to the Village of Itasca.⁴⁵ If the Holiday Inn had paid

⁴¹ Proposed Haymarket Center DuPage – Economic Impact Study performed by Teska Associates Inc., dated August 1, 2019, page 2.

⁴² Client Document, “DuPageCVB_2018121.xls,” tab “Multi-Segment.”

⁴³ Proposed Haymarket Center DuPage – Economic Impact Study performed by Teska Associates Inc., dated August 1, 2019, page 2.

⁴⁴ Client document, “Metro_Report_12.18.xls;” Proposed Haymarket Center DuPage – Economic Impact Study performed by Teska Associates Inc., dated August 1, 2019, page 2.

⁴⁵ Proposed Haymarket Center DuPage – Economic Impact Study performed by Teska Associates Inc., dated August 1, 2019, page 8.

taxes consistent with its operations, the tax revenue collected by the Village of Itasca would have been greater by more than \$200,000.

Second, the “Total Paid to Village of Itasca” amounts for 2017 and 2018 are less than the hotel tax receipt tax data provided to Kenrich by the Village of Itasca.⁴⁶ As such, it appears Teska is attempting to understate the hotel taxes actually paid by the Holiday Inn, and as a result, underestimate the tax impact a sale to Haymarket would have on the Village of Itasca.

3. Extended-Stay Hotel Tax Exemption

Teska reported a significant portion (over 50%) of the Holiday Inn’s business classified as extended-stay, and as such, exempt from hotel taxes.⁴⁷ The Village of Itasca Zoning Ordinance Section 3.02 states that an “extended-stay hotel is a building which is used as a temporary abiding place for transient guests, for remuneration, with or without meals, containing five (5) or more guest or suites where provisions for cooking may be made in any individual guest room or suite.”⁴⁸ A hotel occupant who resides in a room for more than 30 days qualifies for extended-stay status and is exempt from the hotel tax.⁴⁹

Per discussions with the Village of Itasca personnel, the Holiday Inn is not licensed to operate as an extended-stay hotel. Accordingly, the Village of Itasca was unaware the Holiday Inn was operating and marketing itself as such. Furthermore, Kenrich understands only hotel tax is exempt, not food and beverage tax.

Teska did not provide any documentation to support the Holiday Inn’s license to operate as an extended-stay hotel. Similarly, Teska did not provide documentation supporting the number of stays and revenues classified as extended-stay, and thus exempt from hotel taxes. In addition, Teska did not analyze or sample hotel transactions to ensure the appropriateness of any revenue classified as extended-stay. As a result, Teska did not provide evidence to support the Holiday Inn’s extended-stay tax exemption as discussed previously.

B. Minimal To No Increased Costs

Teska stated, “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

⁴⁶ Attachment 4, “Summary Of Revised Tax Amounts – Village Of Itasca And Teska Reported Amounts;” Proposed Haymarket Center DuPage – Economic Impact Study performed by Teska Associates Inc., dated August 1, 2019, page 8.

⁴⁷ Proposed Haymarket Center DuPage – Economic Impact Study performed by Teska Associates Inc., dated August 1, 2019, page 3.

⁴⁸ The Village of Itasca, Illinois Zoning Ordinance, Section 3.02 – Definitions, page 3-21.

⁴⁹ IL Dept Of Revenue Publication 106, Allowable Deductions for IDOR-Collected Hotel Taxes.

they will experience a loss of property tax revenue from the property as a result of the change in use.”⁵⁰ Teska does not provide any documentation to support this claim. Furthermore, Teska does not acknowledge or assess any potential indirect costs that could affect the Village of Itasca such as increases in the number of emergency calls or emergency services to the location.

Teska states Haymarket plans to use a private ambulance company, whereby attempting to demonstrate the Village of Itasca would not bear the burden for any increase in emergency calls to the property.⁵¹ However, Teska did not provide any documentation (e.g. contract, agreement) to support its statement that a private ambulance company would be used. Furthermore, there is no guarantee the use of a private ambulance company will continue in perpetuity or service all of Haymarket DuPage’s needs.

Kenrich understands that private ambulances are expensive and generally used for non-emergency purposes such as transporting patients, and do not respond to 911 calls. Kenrich further understands that 911 calls would likely be handled by the Village of Itasca and the Fire Protection District. Haymarket could also decide at any point, due to rising expenses or otherwise, that it is no longer feasible to employ a private ambulance company and instead depend on the Village of Itasca and the Fire Protection District’s protective services to assist. Thus, this could lead to increased costs to the Village of Itasca and put a strain on protective services.

Teska goes on to state, “[I]t 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.”⁵² Teska does not appear to perform any analysis to assess these potential additional risks and associated costs and the likelihood Haymarket DuPage would be roughly equivalent to the Holiday Inn. As mentioned previously, the initial cost of each additional officer (one per shift) is approximately \$100,000 (with annual increases thereafter), while the cost of an additional police car is approximately \$49,000.

C. Economic Benefit

Teska stated that Haymarket anticipates employing 160 full-time staff over three shifts, with total budgeted wages of \$6,500,000.⁵³ According to Teska, the Holiday Inn has 50 full-time employees with wages totaling \$825,000.⁵⁴ Teska argues the increase in employees and wages will directly contribute to the local economy because these additional employees will likely, “visit local restaurants, and shops, and buy gas on their

⁵⁰ Proposed Haymarket Center DuPage – Economic Impact Study performed by Teska Associates Inc., dated August 1, 2019, page 4.

⁵¹ Proposed Haymarket Center DuPage – Economic Impact Study performed by Teska Associates Inc., dated August 1, 2019, page 5.

⁵² Ibid.

⁵³ Ibid.

⁵⁴ Ibid.

daily commute to and from work.”⁵⁵ Teska provided no documentation to support these statements regarding the number of full-time staff or anticipated budgeted wages. Furthermore, Teska did not demonstrate that all these employees would be coming from outside the community. Teska did not consider in its analysis that some, or many, of these employees may already reside in the community, and thus would not contribute additional business to the community.

D. Grant Opportunities

Teska reports that between 2008 and 2023, Haymarket has obtained grants for local governments totaling roughly \$3.4 million.⁵⁶ Teska has not provided any support or analysis to indicate Haymarket will be able to obtain grants for the Village of Itasca, or in what amounts. Teska identified a few grant examples but did not indicate the likelihood they could be obtained, and if so, in what amounts. Furthermore, there is no guarantee the Village of Itasca or other local government entities (e.g., Itasca Fire District) would be the recipient or beneficiary of any such grants. For example, if awarded, the grants could instead go to DuPage County or another government entity.

E. Non-Profit Entities Located In The Village Of Itasca

Teska performed a comparison of estimated property tax exemptions between Haymarket and other non-profit organizations located within the Village of Itasca. Teska’s comparison attempts to demonstrate Haymarket would have a lower estimated property tax exemption than other non-profit organizations.⁵⁷ In particular, Teska compared the current Holiday Inn property value and corresponding property taxes to: (1) American Academy of Pediatrics; (2) Gift of Hope Organ and Tissue; and (3) National Safety Council.

Unlike Haymarket, however, the other non-profit organizations did not replace revenue and property tax-generating businesses. Instead, they were built on vacant land or in existing empty structures. Furthermore, the National Safety Council has been located in the Village of Itasca for decades. Kenrich has provided additional information below regarding the non-profit organizations Teska referenced.

- American Academy of Pediatrics – In December 2017, the American Academy of Pediatrics built a new headquarter building on vacant land in the Village of Itasca.⁵⁸ Previously, there was not a business located on this property generating much, if any, property tax revenue.

⁵⁵ Proposed Haymarket Center DuPage – Economic Impact Study performed by Teska Associates Inc., dated August 1, 2019, page 5.

⁵⁶ Proposed Haymarket Center DuPage – Economic Impact Study performed by Teska Associates Inc., dated August 1, 2019, page 6.

⁵⁷ Proposed Haymarket Center DuPage – Economic Impact Study performed by Teska Associates Inc., dated August 1, 2019, page 9.

⁵⁸ Client document, “20190912145751scan.pdf”; Ordinance No. 1774-15; American Academy of Pediatrics website, “American Academy of Pediatrics Opens New Headquarters in Itasca, Illinois,” dated December 11, 2017.”

Vacant land is taxed at significantly lower property tax rates. Kenrich has not verified the amounts listed in Teska's Impact Study but assumes the estimated property tax exemption value identified is post construction. Lastly, many out-of-town guests visit this location and stay at area hotels generating hotel tax as well as food and beverage tax revenues.

- Gift of Hope Organ and Tissue – This organization has been located in the Village of Itasca since 2008 and was incorporated into an existing building constructed in the mid-to-late 1990s.⁵⁹
- National Safety Council – This organization was founded in 1913 and has been located in its current location in the Village of Itasca since the early 1990s.⁶⁰ This facility is the organization's headquarters and generates hotel business in the area. Like the American Academy of Pediatrics, this was vacant land prior to construction of the building. Kenrich has not verified the amounts listed in Teska's Impact Study but assumes the estimated property tax exemption value identified is post construction.

F. Needed Service

Teska stated that, "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.)."⁶¹ However, Teska does not provide any evidence to support that an alcohol and substance abuse center is a needed service for DuPage County or the Village Itasca, in particular. Furthermore, there is no evidence or analysis to support the claim that Haymarket DuPage will relieve financial stress on local medical providers and mental health and substance abuse services.

G. Cost Of Untreated Mental Illness And Substance Use

Teska made statements discussing the cost of untreated mental illness and substance use to Itasca taxpayers. These statements are, at a minimum, misleading. Teska concluded the cost to DuPage County of untreated mental illness and substance use disorders is over \$900 million, and states that every taxpayer bears the burden of this cost.⁶² Teska's Impact Study implies that taxpayers pay \$1,000 in taxes per year due to costs incurred by the Village of Itasca related to mental illness and substance abuse.⁶³ Teska based this statement on

⁵⁹ Client document, "20190912145751scan.pdf"; Gift Of Hope Website, "Headquarters in Itasca, IL."

⁶⁰ Client document, "20190912145751scan.pdf"; National Safety Council Website.

⁶¹ Proposed Haymarket Center DuPage – Economic Impact Study performed by Teska Associates Inc., dated August 1, 2019, page 4.

⁶² Proposed Haymarket Center DuPage – Economic Impact Study performed by Teska Associates Inc., dated August 1, 2019, page 7.

⁶³ Ibid.

the DuPage Federation on Human Services Reform Behavioral Health Community Profile research study.⁶⁴

In fact, the research study stated that the average resident in DuPage County incurs \$1,000 per year in health care, productivity, and societal costs related to mental illness and substance abuse.⁶⁵ In addition, this figure is based on the national average and may not truly reflect the demographics of the Village of Itasca.

According to Teska, “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.”⁶⁶ Again, this statement is misleading and unsupported.

H. Other Unsupported Or Misleading Statements

In addition, Teska made the following unsupported or misleading statements related to tax amounts paid by the Holiday Inn:

- Teska stated that “In 2015, the [Holiday Inn] hotel paid taxes of approximately \$72,000; in 2018 that total had dropped to \$44,000.”⁶⁷ The tax receipt data provided by the Village of Itasca listed hotel taxes in FY15 and FY18 of \$126,357 and \$51,403, respectively.⁶⁸ It appears Teska underreported and understated the hotel taxes paid to the Village of Itasca. Kenrich cannot verify any of the numbers reported by Teska.
- Teska stated that “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.”⁶⁹ The reported taxes are inconsistent with the information reported by the Village of Itasca. Kenrich cannot verify any of the numbers reported by Teska.

VI. Summary

The purpose of the Teska’s Impact Study is to provide the Village of Itasca with an evaluation of the tax and financial impact that could reasonably be expected by the Village of Itasca and local community as a result of the sale of the Holiday Inn to Haymarket Center. Instead, Teska concludes and guarantees the hotel will close in

⁶⁴ Proposed Haymarket Center DuPage – Economic Impact Study performed by Teska Associates Inc., dated August 1, 2019, pages 7 and 10.

⁶⁵ Behavioral Health Community Profile – Mental Illness and Substance Use in DuPage County, dated June 2016, page 7.

⁶⁶ Proposed Haymarket Center DuPage – Economic Impact Study performed by Teska Associates Inc., dated August 1, 2019, page 7.

⁶⁷ Proposed Haymarket Center DuPage – Economic Impact Study performed by Teska Associates Inc., dated August 1, 2019, page 4.

⁶⁸ Attachment 1, “Summary Of Tax Receipts – Holiday Inn Taxes Reported To The Village Of Itasca.”

⁶⁹ Proposed Haymarket Center DuPage – Economic Impact Study performed by Teska Associates Inc., dated August 1, 2019, page 4.

the future. Teska failed to achieve the stated objective for the following reasons:

1. Teska's Impact Study underestimates the economic impact to the Village of Itasca and greater community and doesn't provide a final supported conclusion;
2. Teska's Impact Study understates and misrepresents historical tax revenue generated from the Holiday Inn property;
3. Teska's Impact Study underestimates increased costs likely to be experienced by the Village of Itasca and greater community; and
4. Teska's Impact Study lacks support and analysis as well as offers misleading statements.

The proposed Haymarket DuPage would be a non-profit tax-exempt entity that will defund key areas of the Village of Itasca, including schools and protective services.