



TO: Town Council and Citizens of Munster

FROM: Town Manager

SUBJECT: March 21, 2016 Council Meeting Follow Up

DATE: April 4, 2016

On March 17th the City of Chicago announced that Whole Foods would be moving their Munster-based warehouse and distribution center to the Pullman neighborhood sometime in 2018. Chicago City Council is expected to consider \$7.4 million in tax increment financing for eligible development costs, such as site preparation work. Their current lease in Munster expires in January of 2017.

At the Council meeting on March 21, a number of questions were raised by both the public and Council. These related to the financing and magnitude of the economic incentives granted by the Town originally to incent Whole Foods to locate here in Munster.

Resolution No. 1657 was resolved and adopted by Munster Town Council on June 10, 2002. The resolution granted tax abatement to Whole Foods office warehouse and distribution facility which was to be located at 480 45th Avenue Munster, IN. The total tax abatement value over the following ten years was \$800,000. On December 16, 2002 a letter was sent by then Assistant Town Manager Matthew T. Fritz to Mr. Daniel Harrington of Becknell Development LLC stating all paperwork for tax abatement at Whole Foods was completed. The letter later advised that in order for Whole Foods to receive ten-year tax abatement for site improvements and equipment, the information must be recorded by Office of the Lake County Recorder in Crown Point, IN.

February 5, 2003, Matthew T. Fritz corresponded with Mr. Harrington, stating since application approval in 2002, the following forms CF-1 (tax abatement for real estate improvements) and Form 322 ERA (tax abatement for machinery and equipment) along with original Statement of Benefits must be completed. The completed forms were to be submitted to Lake County Government Center Auditor's Office in Crown Point, IN before May 10, 2003. The aforementioned forms were filled out and signed by Mr. Harrington on February 25, 2003 and sent to Lake County Auditor's Office.

In a review of correspondence from this time, it became clear that there was an issue with Whole Foods and the Lake County Auditor's Office.

April 20, 2005 Matthew T. Fritz corresponded with Mr. Harrington in compliance with original Statement of Benefits filed with State of Indiana, the Town must also periodically send out form(s) enclosed. Form CF-1/RE (tax abatement for real estate improvement) and Form CF-1/PP (tax abatement for machinery and equipment) along with original Statement of Benefits completed and submitted by May 20, 2005 to Lake County Auditor's Office.

July 20, 2005 Matthew T. Fritz made contact with Daniel Repay (Lake County Tax Director), informing him the Lake County Auditor's Office never recorded Whole Foods' tax abatement forms. . The Department of Local Government Finance (DLGF) was asked about options available. Ms. Pam Eustace (DLGF) advised they were no longer responsible for providing audits of tax abatements beginning with those filed in 2003. The (DLFG), made a final decision that it was matter for the local county to decide.



Mr. Fritz stated Whole Foods complied with all such standards such as continually filling of the annual compliance forms, submitting them in a timely manner in order to retain its tax benefits. It was only until 2005 when company (Whole Foods) received its tax bill that it came to light it was not recorded by Lake County Auditor's Office. Several remedies were suggested by Mr. Fritz: (A) filing and recording the abatement as soon as possible and begin the ten year tax abatement beginning with 2004, payable 2005 taxes, or; (B) Lake County allow Whole Foods to record the abatement at late date and benefit from the remainder of the abatement yet to occur. The 2005 payable 2006 taxes would represent the third year of the abatement, which would yield a 90% reduction on manufacturing equipment and an 80% reduction in assessment of improvements to property. As of date, we were unable to determine which remedy Whole Foods chose or if they were able to record their tax abatement with Lake County Auditor's Office.

While it is unfortunate that this occurred, the Town of Munster bears no responsibility in the errors and omissions committed by the Auditor's Office. In any event, the term of Whole Foods' tax abatement has expired.

Broker information regarding the facility is attached at the conclusion of this memorandum. Please feel free to contact me with any further thoughts, questions, or ideas.

DCA/ep