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South Suburban Mayors Rolling Out The Welcome Mat For Amazon, Despite The Costs

February 4, 2021 Brian Rogal, Bisnow Chicago

When Sheila Chalmers-Currin became mayor of south suburban Matteson in 2017, she had to govern a village that had seen a portion of its economy gutted. The spread of e-commerce contributed to a steep decline of the retail sector, especially among big-box stores. That hit Matteson especially hard. The village eventually lost its Target store, Sam's Club, a Toys R Us and others. It even lost its only full-service grocery store when Dominick's closed in 2013.



Matteson Mayor Sheila Chalmers-Currin and Deputy Fire Chief Mike Bacon Courtesy of Village of Matteson

It was clear Matteson, like many towns dependent on brick-and-mortar shopping districts, needed a new strategy, according to Chalmers-Currin.

“I was baptized in what can go wrong in retail,” she said. “We experienced what a lot of communities that look like my community have been experiencing. The Village of Matteson was the canary in the mine.”

She decided that e-commerce, the sector that damaged so much of Matteson’s economic base, was the very thing it needed to rebuild. The predominantly Black village of nearly 20,000 cut a deal, announced in June, that allowed a developer to break ground last year on a 3.8M SF fulfillment center for Amazon, the largest distribution building ever in the Chicago metro area.

The deal showered the Amazon project with millions in tax incentives. Other nearby villages, including Markham and University Park, concluded similar agreements, raising criticism that Amazon was taking advantage of economically struggling areas.

The mayors defend the strategy, saying they need to use every tool available, otherwise the land will remain empty and unproductive.

“Someone has to plant the seed for the future, and change the narrative of the community,” University Park Mayor Joseph Roudez said.

Site selection experts agree, and say if south suburban mayors want to make up for the region’s recent economic losses and attract new industries, showering companies like Amazon with goodies is unavoidable.

“From an economic development standpoint, these are coveted projects, so it’s a necessary evil for town leaders and the village boards,” according to John Boyd, founder and principal of Princeton, New Jersey-based site selection consultant The Boyd Co. “In the old days, incentives were the exception, today they’re the rule.”

Matteson's new facility will create 1,500 new jobs, Chalmers-Currin said, and be more than a simple warehouse. Amazon plans to use advanced robotics to help fulfill orders and will hire information technology employees and more traditional warehouse workers to handle deliveries and sorting.

It’s part of a push by the e-commerce giant to blanket Chicagoland with fulfillment centers, including behemoths that serve the whole region and much smaller ones interspersed throughout dense infill markets that handle last-mile deliveries. In addition to the Matteson project, located at 7001 Vollmer Road, it launched a similar 3.8M SF center at 15924 Western Ave. in nearby Markham and agreed to occupy a 1M SF fulfillment center at I-57 and Steger Road in south suburban University Park, among other buildings across the region.

Local developers anticipate the new distribution buildings, and the daily flood of thousands of workers, will give the area a much-needed shot in the arm.

“Think of all the people who will drive through and shop, buy gas and get breakfast and lunch,” The Lord Cos. President and Managing Partner Keith Lord said. “It also might produce more housing because people will want to live near where they work.”

His firm is the master developer of Market Square Crossing, a planned mixed-use development in Matteson that will replace the demolished Lincoln Mall shopping center where Target was a tenant, along with beleaguered big-box retailers Sears and Carson’s. Lord envisions sports and entertainment venues, acres of green space and 600 housing units, including condos, in several buildings that will also host ground-level retail in a walkable environment. He isn’t looking for big-box retail. Instead, Lord prefers a collection of smaller, community-oriented retailers.

Amazon’s activity buoyed the regional industrial market throughout 2020, even as many other sectors ground to a halt. The company was responsible for more than 50% of the 14M SF leased by industrial users in Chicago in Q2, according to Colliers International.

Amazon’s rapid expansion also stirred controversy. The developers secured major tax breaks and incentives from counties and municipalities throughout the region, just as it did in Northern Virginia after pitting dozens of cities against one another in a contest to win its HQ2.

According to a joint investigation by WBEZ and the Better Government Association, Amazon obtained huge incentives from majority-Black towns such as Matteson, Markham and University Park, while predominantly White towns also got deals after offering very little, sometimes nothing at all.

Chalmers-Currin agreed to property tax abatements valued at \$82M over the next 12 years. But she defends the deal, and she said it ensured the village wouldn't lose out on the economic activity Amazon and its workers will generate when the facility opens later this year. Chalmers-Currin also pointed out that the Amazon site borders Will County, a jurisdiction with lower property taxes.

“If we had not had an incentive package, this could have gone right across the street,” she said.

She anticipates other developers, retailers, homebuilders and others will then follow, ultimately filling the hole in Matteson’s economy, and kicking off a revival of the hard-hit region. Although she said it was too early to offer details, new businesses, including a furniture retail company and several eateries, are already knocking on her door.

“They are inquiring about being a part of what’s happening in the village,” she said.



Amazon's planned facility in Matteson

Courtesy of Village of Matteson

Markham landed its Amazon facility, also now under construction, after supporting a request for \$220M in abatements over the next 12 years, according to the WBEZ/BGA report. University Park officials agreed to reimburse the developer of its \$150M Amazon facility for land and construction costs with up to \$107M in future tax receipts.

Roudez said signing that agreement was an easy call. The village of about 7,000 is about 90% Black, and although it's home to Governors State University, a big economic engine, a few years ago it saw the number of vacant and abandoned properties grow, and little development was taking place. But Amazon will bring in about 800 jobs, and he believes restaurants and other businesses will follow in its wake to provide services to the new employees.

In the run-up to the present industrial boom, the south suburbs bled jobs. Between 2004 and 2014, employment in the transportation, logistics and distribution sector fell 8% to about 20,000, according to a 2017 report from the South Suburban Economic Growth Initiative, a group of regional stakeholders that spent the last several years brainstorming a revitalization strategy.

Employment in metal, machinery and equipment manufacturing declined 5% to 14,000 over the same time period, the group found, and employment in chemicals and related materials manufacturing fell 15% to 6,200.

But logistics is changing the south suburban landscape. Developers now have nearly 9.5M SF of industrial buildings under construction in the submarket, nearly half the amount underway in the entire Chicago metro area, according to a Q4 report from CBRE.



University Park Mayor Joseph Roudez

Courtesy of Village of University Park

CBRE Executive Vice President Traci Buckingham Payette said the south suburban submarket, with a current total of 63M SF, is still much smaller than other big distribution areas, including I-80 Joliet, which totals nearly 88M SF. And with its dense network of major highways, including I-57, I-80 and I-94, all necessary to serve the giant Chicago market, the south suburbs should enjoy a building boom for several more years.

“You’ll see a lot of companies coming in and building, because the product is not there right now,” she said.

Chalmers-Currin said agreeing to a property tax abatement cost the village nothing. She pointed out that the Amazon site had been generating nothing in tax dollars.

“There was nothing there,” she said. “It was a cornfield at one time back in the 1980s.”

The village will get some tax dollars on top of whatever sales taxes are generated by the Amazon workers as they shop in town, Chalmers-Currin added. Village officials project Matteson’s two

school districts will receive a total increase of \$3.5M in property taxes as a result of the deal, and the village itself will get an extra \$600K.

But in the long term, bringing in Amazon isn't all about dollars and cents. It's about building up the town's reputation, according to Chalmers-Currin.

"I knew we had to be at the table, and that people needed to know Matteson was open for business," she said.

Boyd said the strategy makes sense. Amazon is right now the most famous, and most watched, company in the U.S., and other firms and other industries pay attention to what it does. Some may base their own site selection decisions on how Amazon is treated by a municipality.

"You don't want to be branded as a community that is not friendly to industry, that is an image issue," he said. "Companies tend to go where they're wanted."

In addition, the Matteson and Markham Amazon facilities, developed by Seefried Industrial Properties and Scannell Properties, respectively, will be more than just four walls and a roof, and that will bring the villages even more regard, according to Boyd. Each of these multi-floor distribution buildings, which are still rare in the U.S., will use robotic technology to help employees organize deliveries.

"It's good to have state-of-the-art facilities, ones that are ahead of the curve in e-commerce," Boyd said. "It will attract notice from engineers and architects from around the country, and it will put these communities on the map."

"It's showing other tenants and developers that this is a very progressive, forward-thinking community," Lord said. "Amazon means the same thing that Walmart or Starbucks used to. There are names that exude confidence and success, and Amazon is that word right now."

Not every suburban town rolled out the welcome mat. Amazon looked into the possibility of developing a multistory fulfillment center in southwest suburban Bolingbrook, according to Mayor Mary Alexander-Basta. The company bought in January 2020 a huge chunk of land near I-55 and Route 53 once occupied by Manheim Arena Illinois, a wholesale auto auction business, she said.

Alexander-Basta was a village trustee at the time and said village officials balked when they were told the building would be 100 feet tall and not have any windows. Such a structure would be unsightly, possibly violate the municipal building code and draw so much additional truck traffic that Route 53 might have to be widened. It didn't sound like an attractive deal, especially as the local economy was already doing well.

The community is 78% White and has a median family income of about \$85K, according to U.S. census figures. It has held onto its big-box retailers such as Home Depot, Menard's and Ikea, Alexander-Basta said, and some have set sales records in the past year.

"Bolingbrook really is thriving; we've held pretty tight during COVID, while a lot of communities did not."

Alexander-Basta added that the village will support Amazon, or any other developer that comes forward with a plan for the former Manheim site, as long as it balances the needs of all residents. But the mammoth facility proposed was too risky, even though it promised to bring in hundreds of jobs.

"We just couldn't accommodate it," she said.

Matteson also has a median family income of about \$85K, Chalmers-Currin said, roughly the same as Bolingbrook, along with a high rate of homeownership. The village, which is 78% Black, is largely a middle-class community, and retains many retailers, including JCPenney and a dozen auto dealers. But the loss of Lincoln Mall, along with the other economic losses that occurred throughout much of the south suburbs, showed it had to do everything possible to attract new business, she said.

It appears to be working. Hundreds of new homes have been built in the past four years, and a Sam's Fulfillment Center recently replaced the closed Sam's Club, creating about 500 jobs, the mayor said. The village has also proposed building a casino on the former Lincoln Mall site. Best of all, according to Chalmers-Currin, an 87K SF Pete's Fresh Market opened on Feb. 3 on the ex-Dominick's site, Matteson's first full-service grocery store in nearly eight years.

"I want us to be back on the map," she said.