Economic Impact of the River Edge Redevelopment Zone State Historic Tax Credit in Rockford, Illinois

April 2015

Rockford is seeing a new wave of development within the River Edge Redevelopment Zone, largely because of the attractive State Historic Tax Credit that is offered to developers layered with the Federal Historic Tax Credit. The State Historic Tax Credit has made and continues to make projects happen that bring in new restaurants, a destination banquet and brewing facility, dozens of residential lofts, and premier office space that attracts the right talent to Rockford and to Illinois. This tax credit brings life to many historic buildings that otherwise would stay off the tax rolls, assists in boosting property values, and attracts young professionals with well-paying jobs to the area and to the state.

INVESTMENT

$104 MILLION

total investment to downtown Rockford that would not have otherwise occurred

PROJECTS

2
projects complete

3
projects underway

3
projects in preliminary phase

JOBS

480
direct jobs

175
indirect/induced jobs

824
temporary/construction jobs

"The State Historic Tax Credit provided through the Illinois River Edge Redevelopment Zone has been a game-changing tool, helping us to spur economic growth in our downtown central city that would have not happened otherwise. At a time when property value declines have made traditional bank financing even more difficult in our already challenged central city, this incentive has eliminated urban blight and decay, preserved our cultural and architectural heritage, and spurred millions of new dollars in private capital investments. It has created many new jobs in underemployed areas and generated significant property and sales tax revenues into our city and State economy. Much more could be on the way if it is extended. It's a great return on the State's investment."

- Mayor Larry Morrissey, City of Rockford

Assumptions:

Sales tax figures based on report "Dollars & Cents of Shopping Centers: 2004" published by Urban Land Insitute
Brewhouse induced job numbers calculated using 1.25 multiplier on restaurant jobs per conversation with President of Rockford Area Economic Development Council
Property tax projections based on assumption of $0.35 per dollar for improvements per local trends
Jobs data gathered from business owners, developers, or public reports
State tax credit assumed to be 25% of investment, Federal to be 20%

PRAIRIE STREET BREWHOUSE

JOBS

PERMANENT DIRECT

140 new jobs
food prep & brewing, building & grounds, event planners, marketing, offices

$161,000/yr
in State income tax

INDIRECT/INDUCED

175 new jobs
food preperation & distribution

$136,450/yr
in State income tax

TEMP./CONSTRUCTION

235 jobs
27% of construction workforce were residents of Rockford

$169,597
in State income tax over 5 yr period

SALES TAX

$400,000/yr
average upon full buildout

does not include City portion

PROPERTY TAX

$142,000/yr
additional

(pay-as-you-go TIF utilized for first 18 years)

RETURN ON INVESTMENT

14% ROI **$3,725,000 NPV**

State's return after building is in operation 10 years

ECONOMIC SPIN-OFF

- Hosts new community event "Dinner on the Dock" where 700-1000 people come every Thursday in the summer
- Spurred new business, Rocktown Adventures, now open in a formerly vacant building

previously VACANT over 50 years

Address:	200 Prairie St
Type:	Brewery, restaurant, banquet center, office & loft apartments
Investment:	$12+ million
State HTC:	$4.2 million
Federal HTC:	$3.36 million
Other sources:	Private equity & financing
Developer:	Prairie Street Brewhouse LLC
STATUS:	**PROJECT COMPLETE -- PART III of application**

ZIOCK/AMEROCK HOTEL

VACANT over 25 years

Address:	416 S Main St
Type:	166-room hotel and conference center
Investment:	$56 million
State HTC:	$14 million
Federal HTC:	$11.2 million
Other sources:	EB-5, Private equity, publicly-funded improvements
Developer:	Gorman & Company
STATUS:	**UNDERWAY -- PART II of application**

JOBS

PERMANENT DIRECT

281

net new permanent jobs to be created in Rockford over 30 years

TEMP./CONSTRUCTION

589

temporary construction jobs to Illinois over 30 years

PROJECTED STATE TAXES

	Year 30 (millions)
Sales tax (6.25%)	$12.8
State motor fuel tax ($0.201/gal)	$ 0.1
State hotel tax (6.17%)	$ 2.3
State income tax (5.0%)	$ 3.1
Total	***$18.3***

NET NEW SPENDING TO ILLINOIS

	Year 30 (millions)
Direct	$118.7
Indirect	$40.5
Induced	$46.2
Total	***$205.4***

FUTURE VALUE

$55,192,731

capitalized value after 5 years in operation

(pay-as-you-go TIF utilized for first 18 years)

property tax projection not yet available

LOCAL BENEFITS

	Year 30 (millions)
Sales tax from new spending (1%)	$7.4
Sales tax from construction (1%)	$0.2
Hotel operator's/tourism tax (5%)	$9.1
Redevelopment fund (metro) tax (1%)	$7.4
Total	***$24.1***

Data from 2014 report by Hunden Strategic Partners

324-330 E. STATE ST. and 408-414 E. STATE ST.

upper floors VACANT 40 years

upper floors VACANT 40+ years

JOBS *(for both buildings)*

59 permanent jobs created

90% construction jobs, 10% admin
98% of workers live in the Rockford area
60% live in Rockford proper
20% live within 30 min. of Rockford

These renovated buildings house:

- 2 new start-up businesses
- 1 expansion
- 1 second location
- 1 relocation
- 1 existing business

PROPERTY TAX

(for both buildings)

$95,750/yr
additional between both properties

SALES TAX

(for both buildings)

$87,000/yr
additional from new or expanded businesses in both properties

Type:	Loft apartments + retail
Investment:	$3.2 million
State HTC:	$800,000
Federal HTC:	$640,000
Other sources:	Private equity & financing
Developer:	Urban Equity Properties
STATUS:	**COMPLETE -- PART III of application**

Type:	Loft apartments + retail
Investment:	$3 million
State HTC:	$750,000
Federal HTC:	$600,000
Other sources:	Private equity & financing
Developer:	Urban Equity Properties
STATUS:	**NEARING COMPLETION -- PART III of application**

ROCKFORD TRUST BUILDING and 304 N. MAIN ST.

50% VACANT for 15+ years

JOBS

Project will bring temporary construction jobs, producing new State income tax over a 20-month period. This will also bring in new retail jobs and sales tax at the ground floor.

PROPERTY TAX

$150,000/yr
additional

Rockford Trust Building will be one of the few new private investment apartment buildings in place on the West Side of Rockford in many years.

VACANT over 15 years

JOBS

local business owner plans to expand his business within the building, creating at least 2-3 more local jobs & new prime office space

PROPERTY TAX

$72,000/yr
additional

Address:	206 W State St
Type:	62-apartment renovation + retail
Investment:	$12 million
State HTC:	$3 million
Federal HTC:	$2.4 million
Other sources:	Private equity & financing
Developer:	Morgan Property Management
STATUS:	**UNDERWAY -- PART II of application**

Type:	Commercial office
Investment:	$5.4 million
State HTC:	$1.35 million
Federal HTC:	$1.08 million
Other sources:	Private equity & financing
Developer:	Local business owner
STATUS:	**PRELIMINARY -- PART I of application**

MIDTOWN LOFTS and HANLEY BUILDING

VACANT over 20 years

VACANT over 10 years

JOBS *(for both buildings)*

These two projects together will be developed by Urban Equity Properties which has created 59 full-time positions to construct and administer its real estate portfolio.

PROPERTY TAX

(for both buildings)

$123,000/yr

additional between both properties

SALES TAX

(for both buildings)

Planned retail and restaurant space in both projects will create new State sales tax revenue.

Address:	401-411 7th St
Type:	Apartments + retail/office on first floor
Investment:	$3.5 million
State HTC:	$875,000
Federal HTC:	$700,000
Other sources:	Private equity & financing
Developer:	Urban Equity Properties
STATUS:	**PRELIMINARY -- PRE-PART I of application**

Address:	301 S Main St
Type:	Apartments + restaurant/retail on first floor
Investment:	$9 million
State HTC:	$2.25 million
Federal HTC:	$1.8 million
Other sources:	Private equity & financing
Developer:	Urban Equity Properties
STATUS:	**PRELIMINARY -- PRE-PART I of application**

"After leaving the area and living in multiple areas in the Country, I returned to Rockford after 25 years. I can honestly say I never thought I would see the day that we would see the transformation that we are creating for our City and our region. We continue to pick up momentum to become a tremendously vibrant mid-size city in the US. We don't want to lose the momentum we have gained, and by keeping the historic tax credit it will allow us to continue the beautiful transformation of what was once a great and thriving place to work, shop, and play along the Rock River."

- Stacy Bernardi, Winnebago County Economic Development Director

"The use of historic tax credits creates jobs and is one of the most cost effective programs for community revitalization. A significant feature of the State Historic Tax Credit, as it specifically relates to Rockford, is the creation of new housing and office space that may not have otherwise occurred by the private sector alone. It is making the impossible, possible! This broadens the property tax base which assists in lifting some of the tax burden from our residential homeowners."

- Ken Crowley, Rockford Township Assessor

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