

APPENDIX B ROCKFORD'S TAX INCREMENT FINANCE DISTRICTS

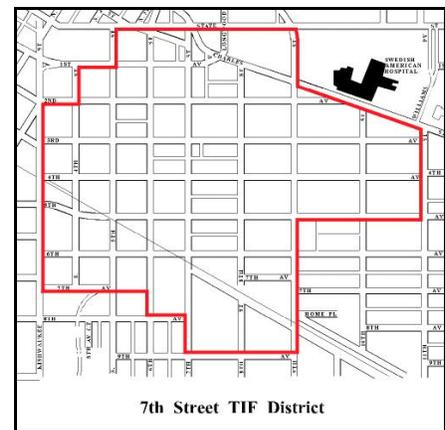
Tax increment financing is a financial tool that cities in Illinois can use to spur redevelopment in declining areas. When a city such as Rockford creates a TIF district, it determines what the assessed valuation of all the property within the district is. As that valuation increases as a result of redevelopment or completely new development, any property taxes attributable to that increase in valuation are “captured” and spent within the district. These funds — the increment — can be spent for physical improvements and related costs, such as street improvements, buying land, demolishing buildings, financing costs, and so forth. They cannot be used for loans to businesses for working capital or machinery and equipment.

The general categories of activities that can be financed with TIF funds in Rockford are as follows:

- ▶ **Planning and professional services:** Studies and surveys, plans and specifications; and professional services such as architectural, engineering or legal.
- ▶ **Acquisition:** The City may acquire property and either
 - ▶ Sell or lease it for private rehabilitation or redevelopment; or
 - ▶ Clear it of all improvements and sell or lease it for private development; or
 - ▶ Use it for construction of public improvements.
- ▶ **Rehabilitation:** Rehabilitation, reconstruction or repair or remodeling of existing buildings and fixtures. In the case of the Eastside TIF, this has meant setting aside \$50,000 annually for facade rebates by private owners within the District.
- ▶ **Public Improvements:** Construction of public improvements such as parking lots and decks, streetscape, street resurfacing, new curbs and sidewalks.
- ▶ **Issuance of Obligations:** The City may issue obligations to provide for redevelopment costs within the District.
- ▶ **Agreements with Other Taxing Districts:** The City may pay all or a portion of another taxing district's capital costs resulting from the redevelopment project necessarily incurred in implementing the TIF district's redevelopment plan.
- ▶ **Payment in Lieu of Taxes:** The City may make payments in lieu of taxes to all of the taxing districts to compensate for temporary decreases in the current equalized assessed valuation of property within the TIF from the time of adoption of tax increment financing until the current equalized assessed valuation exceeds the total initial equalized assessed value of property in the TIF district.

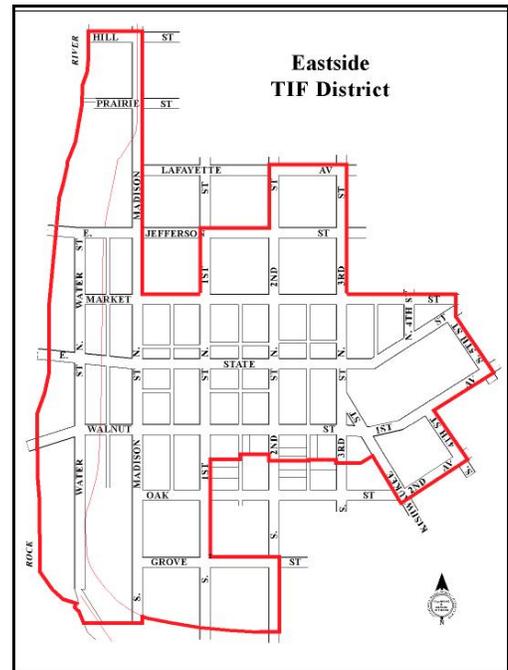
The City of Rockford currently has five TIF districts with several others in the discussion stage. Each has its own redevelopment plan outlining objectives and the types of activities that will be financed by the TIF. Existing districts are as follows:

- ▶ The **7th Street TIF District** was first created in 1979 and later amended in 1986 and 1999, encompassing the traditional 7th Street business district. The District's history can be traced back to the growth and development of the 7th Street business district

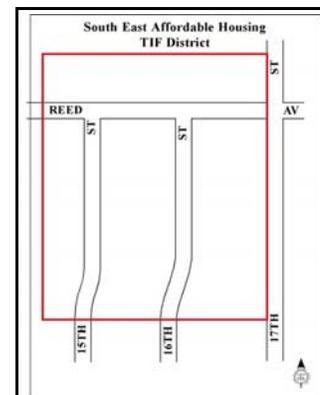


to serve the growing surrounding neighborhoods which had been predominantly settled by Swedish immigrants in the late 1800s and early 1900s. The vast majority of the structures were built between 1890 and 1940, the two primary exceptions to this being the headquarters of AMCORE Bank and Valkommen Plaza. The area attained its peak in business activity from the 1890s through the 1950s, featuring a variety of commercial uses that drew customers from well beyond the surrounding neighborhoods. The economic and physical decline of the 7th Street neighborhood began during the 1960s as Rockford began its rapid commercial and residential growth eastward toward the I-90 Tollway. As was the case with the Westside TIF, other factors such as the development of new shopping centers and the increasing physical deterioration and functional obsolescence of older buildings within the 7th Street TIF contributed to its decline as a business district and neighborhood. The 7th Street TIF is scheduled to expire December 31, 2015.

- ▶ The **Eastside TIF District** was first created in 1979 and later amended in 1986 and 1999. It incorporates most of what is considered the East State Street business district running from the Rock River east to State Street's intersection with 5th Street. The history of the Eastside TIF can be traced back to the origins of Rockford's oldest settlement, founded in 1834 by Daniel Haight. Several of the existing commercial buildings in the District were built before the Civil War, while others were built between 1875 and 1910. The area attained its peak in business activity from the 1850s through the 1920s with many diverse uses. Those uses included retail commercial businesses along East State Street and Madison Street; and wholesale warehousing, printing, storage and industrial uses along the Rock River and Water Street. The last building "boom" in the District occurred in the 1920s and '30s with the construction of the News Tower, what is now Rockford City Hall, and the Faust Landmark. At the time the TIF District was created, no new private development or redevelopment was anticipated without implementation of the Redevelopment Plan put in place with the TIF. The Redevelopment Plan was designed to encourage retention of existing businesses and stimulate private investment and redevelopment through public actions and commitments. The Eastside TIF is scheduled to expire December 31, 2015.



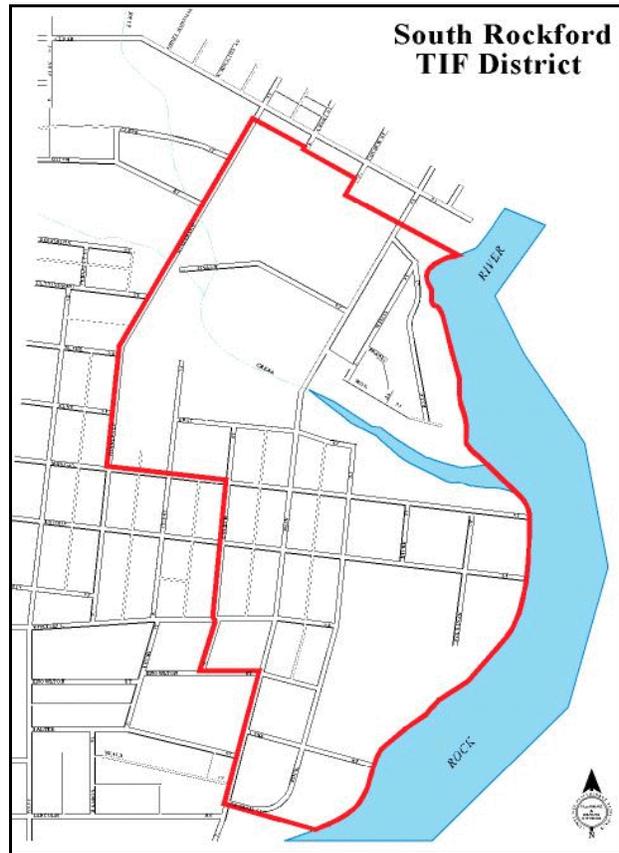
- ▶ The **South East Affordable Housing TIF District** was created in 1992 and amended in 1996. It will expire at the end of 2008. It includes roughly 14 acres of land south and west of Harrison Avenue and 20th Street. At the time the TIF was created, the land was vacant and had recently been assembled under single ownership. This particular TIF differs from the others created by the City of Rockford in that it included land that had never been developed but which was nonetheless still considered to have a blighting influence on the surrounding residential uses. The redevelopment plan for this District was designed to facilitate the private construction of 60 affordable and marketable single-family homes and 8 duplexes over a 6-year period. The public investment through tax increments generated by the project itself was used to provide the land and infrastructure necessary to make the units affordable and marketable. As of the writing of this Plan, 32 units had been constructed.



- ▶ The **Westside TIF District** was first created in 1979 and later amended in 1986 and 1999. It includes what is traditionally known as Rockford's Central Business District, which served as the area's regional retail center until its decline in the 1960s. Many complex factors, such as the development of new shopping centers with better vehicular access and great quantities of free parking, and the physical deterioration and functional obsolescence of many older buildings within the downtown, contributed to its decline. In 1968, the City designated west downtown the Westside Redevelopment Project Area and the surrounding area as a Neighborhood Development Program Project Area — in other words, an Urban Renewal area. Using federal funds, the City acquired nine blocks of land from which businesses were then relocated and structures demolished. As a result of this program and the further decline of the remaining retail businesses, the character and atmosphere of downtown changed dramatically. The redevelopment plan for the Westside TIF was designed to encourage the retention of existing businesses, attraction of new businesses, creation of housing, and stimulation of private investment in redevelopment. The Westside TIF is scheduled to expire December 31, 2015.

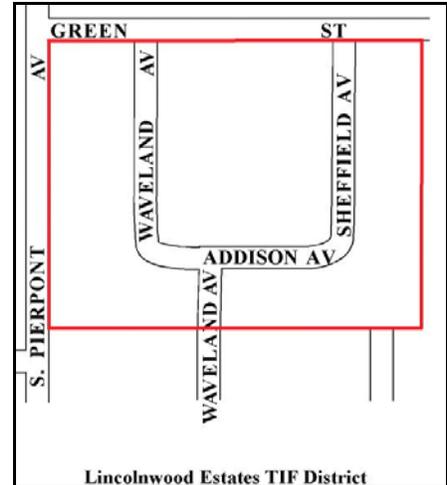


- ▶ The **South Rockford TIF District** was created in 1999. It encompasses the South Main corridor from the railroad tracks south to Graham Street. The history of the South Rockford TIF can be traced back to the growth and development of what was known as the Water Power District, an industrial area created shortly after Rockford was settled in the mid-1800s, and the South Main business district, which grew up as a satellite downtown in the early 1900s. The majority of the commercial structures were built between 1900 and 1940. The area attained its peak in activity from the 1920s through the 1960s, featuring a variety of commercial uses drawing customers from well beyond surrounding neighborhoods. The industrial area has been in continuous use, although the levels of activity and employment have decreased significantly. Little construction activity or other physical changes have occurred within the TIF since the 1950s. The economic and physical decline of the area began in the 1960s as Rockford began its growth eastward toward the I-90 Tollway. The South Rockford TIF District is scheduled to expire December 31, 2023.



- ▶ The **Lincolnwood Estates TIF District**

was created in 2001 and encompasses the site of the former Valerie Percy housing development in Rockford's West End. The decline of the West End, including the Lincolnwood Estates area, began during the 1960s as Rockford began its residential and commercial expansion eastward towards the I-90 Tollway. The development and subsequent troubles of Valerie Percy only served to accelerate the decline of Rockford's West End. The privately developed 190-unit apartment complex opened in 1969; its troubles began immediately. Gang and criminal activity led to high turnover and vacancy rates which in turn created significant cash flow problems. In mid-1974, only five years after its completion, the developer surrendered Valerie Percy to the U. S. Department of Housing and Urban Development (HUD). By late 1977, the complex was vacant. After several years of complete vacancy and vandalism, Valerie Percy was demolished in 1982 and the site sold. It has remained vacant, overgrown, trash-strewn and a visible sign of failure and neglect ever since. The TIF district was created in response to a changing environment in Rockford's West End and in response to a proposal from Comprehensive Community Solutions (CCS), a not-for-profit corporation, to redevelop this property as a 26-lot mixed-income single-family subdivision. As of early 2004, all 26 lots had been developed. The TIF will expire by the year 2024.



- ▶ The **Springfield Corners TIF District** was created in 2002 and is located at the intersection of West State Street and Springfield Avenue, primarily in the northeast quadrant. This part of the West End is a mixture of agricultural land, scattered commercial and industrial uses, and residential areas. The latter generally feature substandard streets, inadequate or missing curb-and-gutter, and substandard lots. Several attempts have been made in the past by both the City of Rockford and Winnebago County to revitalize the area. The latest involves completion of the Springfield/Harrison extension connecting West State and South Main Streets. This intersection of State and Springfield is expected to carry a significant amount of traffic now that it is accessible from all four directions as the final leg of Rockford's inner loop road system. The redevelopment plan for this TIF district is designed to encourage the attraction of new businesses and residences to the area, and to stimulate private investment and redevelopment through public actions and commitments. As of early 2004, 12 of the 27 homes proposed in Emerson Estates were in various stages of the construction process. The TIF will expire by 2025.
- ▶ In early 2004, the City established the **Rockford Global TradePark International Redevelopment Planning Area** (the RLPA) covering roughly 10 square miles that include the Greater Rockford Airport and areas around it. It includes an area that represents one of Rockford's oldest industrial areas with an aging infrastructure system that is inadequate to serve new industrial developments. The need to assemble land for any such new development poses an additional difficulty. The City has determined that it cannot proceed with its plans to promote the RLPA for private sector development without the public financial participation initiated through the designation of a series of TIF districts, starting with Redevelopment Project Area #1 (RPA #1). Implementation of RPA #1 will enable the City to help upgrade critical public utilities needed before the area can redevelop. Additionally, the City will be able to put into place a successful market-level private sector investment program for the area by addressing factors such as relatively high property tax and land cost structures that complicate the community's ongoing redevelopment promotion efforts. These are among the many factors placing the Rockford MSA at a competitive disadvantage when compared with other potential industrial locations throughout the Midwest. Implementation of the RLPA and of RPA #1 will give the City the tools to help the private sector overcome both high development and ongoing operating costs associated with higher taxes, through potential tax increment financing offsets on site development and other initial capital related costs. Designation of RPA #1 is the first step in that implementation program.