

# 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

## JOB



**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 Institute  
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 preparation & 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



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

previously VACANT over 50 years



# ZIOCK/AMEROCK HOTEL



**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

VACANT over 25 years

4

## 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

Sales tax (6.25%)  
 State motor fuel tax (\$0.201/gal)  
 State hotel tax (6.17%)  
State income tax (5.0%)

**Total**

Year 30  
 (millions)  
 \$12.8  
 \$ 0.1  
 \$ 2.3  
\$ 3.1  
**\$18.3**

## NET NEW SPENDING TO ILLINOIS

Direct  
 Indirect  
Induced

**Total**

Year 30  
 (millions)  
 \$118.7  
 \$40.5  
\$46.2  
**\$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

Sales tax from new spending (1%)  
 Sales tax from construction (1%)  
 Hotel operator's/tourism tax (5%)  
Redevelopment fund (metro) tax (1%)

**Total**

Year 30  
 (millions)  
 \$7.4  
 \$0.2  
 \$9.1  
\$7.4  
**\$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

**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



upper floors VACANT 40+ years

**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

### **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.



**VACANT** over 10 years

### **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
<b>STATUS:</b>	<b>PRELIMINARY -- PRE-PART I of application</b>

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
<b>STATUS:</b>	<b>PRELIMINARY -- PRE-PART I of application</b>



"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



A publication of:



Prepared by:



Funding for this report provided by:

