

## Memorandum

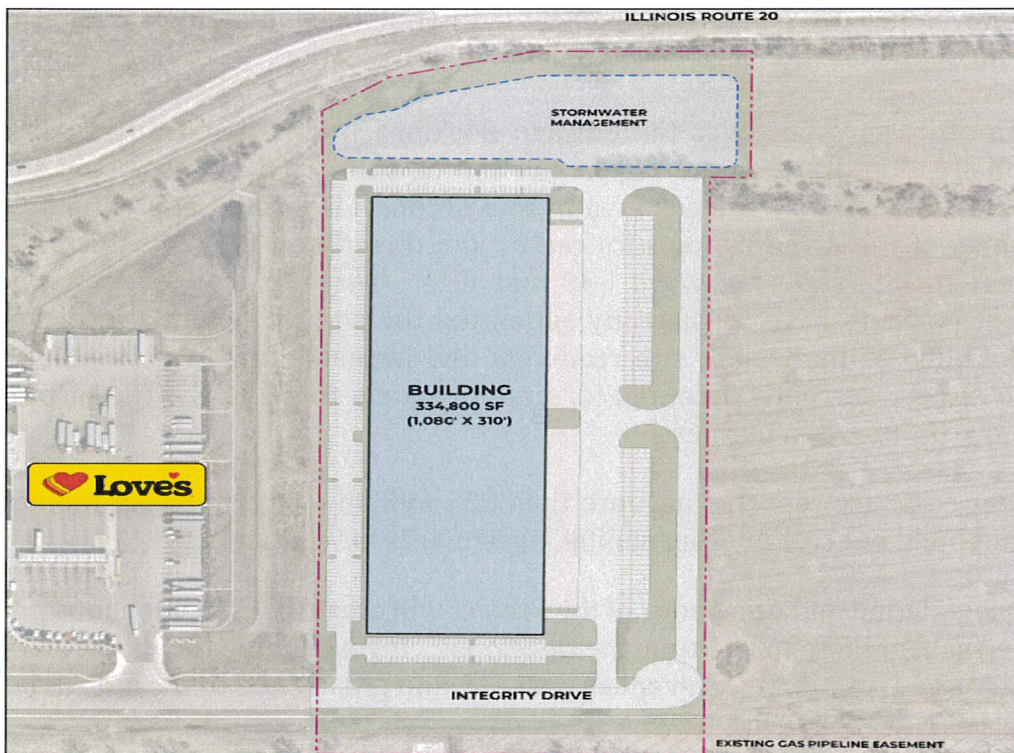
To: Planning & Development Committee  
Alderman Janessa Wilkens, Chairman  
Alderman Timothy Durkee, Vice-Chairman  
Alderman Jaimie Salgado  
Alderman Karen Hoffman  
Alderman Gina Meeks

From: Todd Cagnoni, City Administrator



Re: Request for Proposed Development Agreement with Hillwood (Industrial VI Enterprises, LLC) for the construction of Spec Industrial Building and public improvements in conjunction with Department of Commerce and Economic Opportunity (DCEO) site readiness grant.

Date: May 7, 2026



Staff has been working in partnership with Greater Rockford Airport Authority and Hillwood to advance the construction of a Spec Industrial Building and expanding investment by Hillwood into the Rockford market. As a part of this effort, R1, prepared and secured a Site Readiness Grant from DCEO on behalf of the City and Hillwood in the amount of \$2,428,000. The Site readiness grant was previously approved by City Council including the required matching funds.

Previously, City Council also designated southeast corner of IL-2 & US-20 Interchange site for future industrial use and allocated \$2.5M for infrastructure to support spec industrial facility.

For consideration, is a proposed Development Agreement utilizing assistance from the City of Rockford (**City**) through the use of Tax Increment Financing (**TIF**) from existing Global Trade Park TIF Districts (**DISTRICT**) and Department of Commerce and Economic Opportunity (**DCEO**) site readiness grant to further the establishment of an Industrial Spec Building (**Project**) located at the Property. The City has approved a redevelopment plan that calls for the long-term redevelopment of industrial uses, determining that these land uses are the highest and best land uses for the area and in the best interests of the City of Rockford and Airport

The US-20/IL-2 Interchange Site is strategically located to the northwest of the Rockford-Chicago International Airport and is approximately 4.5 miles south of Rockford's downtown core. A major reconstruction of the interchange was completed in 2020. To leverage this investment, the City has been seeking a private industrial developer to construct modern industrial spec building(s) for the advancement of further economic development and job creation.

The growth of cargo capacity at the Chicago Rockford International Airport is a primary job creation driver in the region and can be supported by increasing site readiness of viable sites. The focus area of this proposal is located approximately 1.0 mile north of the Airport's logistics center and directly on U.S. 20, which has direct access to interstate highways I-39 and I-90. The City and its economic development partners have consistently submitted the site for potential projects, but have lost due to the lack of site readiness and available buildings. Industry around the airport currently accounts for approximately 8,000 jobs. The airport continues to grow its cargo business.

Development costs are reported at more than \$25 million which does not include future tenant build out cost or other capital investments for equipment.

Successful completion and occupancy of the Project will create construction jobs and new permanent jobs. In addition, the Developer's investment in the Project will generate increased property tax revenues post TIF, and greatly add to the industrial opportunities in Rockford.

The City and the Developer have negotiated a Development Agreement that defines the requirements and obligations of each party for the redevelopment of the Project and Property. The major requirements and obligations of each party are as follows:

**CITY OF ROCKFORD:**

A. **Public Financial Assistance.** The City agrees to provide public financial assistance to the Project as follows:

1. **DCEO Grant.** The City shall distribute Two Million Four Hundred Twenty-Eight Thousand Dollars (\$2,428,000) through an Illinois Department of Commerce and Economic Opportunity (DCEO)'s Site Readiness grant (for which the City, in partnership with the Developer, has applied and received) (the "DCEO Grant") to reimburse the Developer for Redevelopment Project Costs.
2. **Tax Increment Financing (TIF).** The City agrees to provide to the Developer 100% of the annual incremental taxes generated by the improvement to the Property, on a pay-as-you-go bases from the Global Trade Park #2 TIF District, through the life of the TIF for eligible Redevelopment Project Costs.

A not to exceed total amount of Two Million Five Hundred Thousand Dollars (\$2,500,000) of TIF fund balance, as a reimbursement for certain improvements, including matching funds for DCEO grant in the amount not to exceed Six Hundred and Seven Thousand Dollars (\$607,000).

The Developer shall submit to the City documentation of all TIF eligible costs incurred and property taxes paid for verification by the City. Upon verification of the TIF eligible costs and property taxes paid, the City will reimburse to the Developer the annual TIF increment generated by the Project.

3. **Enterprise Zone (EZ1).** The City will make available action to assist Developer in establishing eligibility for financial incentives for the Project through the Rockford Enterprise Zone 1 administered by the State of Illinois. This not fully determined until there is an end user but would include exemption on sales tax for construction materials.

B. **Issuance of Permits and Fees.** The City shall promptly issue building permits for all construction related to the Project, provided such application shall be complete and in accordance with all applicable City codes and ordinances. All applicable building permit fees shall be paid.

**Developer:**

A. **Purchase of Property.** The Developer purchases the industrial property and construct an industrial building that would total not less than 250,000 square feet in accordance with the development agreement.

- B. Development of the Project.** Consistent with the City's goals and objectives of the District, the Developer proposes to develop the Project into as a Spec Industrial Building as described above at the sole cost and expense of the Developer.
- C. Permits.** Prior to commencing construction, the Developer shall apply to the City for all necessary building and construction permits for the improvements to be made by submitting all plans and specifications required pursuant to the City Code of Ordinances. The Developer shall be responsible for all building and construction permits.
- D. Construction of Project.** The Developer shall be substantially completed with the Spec Industrial Building on or before twenty-four (24) months following the approval of the development agreement and purchase of the property.
- E. Reporting and Justification of Expenditures.** As a condition of public financial assistance for the Project, all loan documentation, financing records, agreements and expenses demonstrating the financial viability of the Project shall be fully disclosed to the City, including an Annual Report on the first anniversary of the effective date of the Development Agreement and a Final Report upon completion of the Project.
- F. Restriction on Property Tax Protestation.** In recognition of the contribution of Tax Increment to the Project, the Developer shall accept the property tax assessment for the Subject Property without protest for any year in which reimbursement is due and paid and during the life of the Tax Increment Financing District until the Final Levy Date thereof.
- G. Inspection for Compliance.** The Developer agrees to allow inspections of the Property and agrees to have available, upon request, all documentation concerning this Agreement for inspection, audit and copying during normal business hours.
- H. Prevailing Wage.** The Agreement calls for the construction of a "public work," within the meaning of the Illinois Prevailing Wage Act, 820 ILCS 130/.01 et seq. ("the Act"). Pursuant to the Act, contractors and subcontractors shall pay laborers, workers, and mechanics performing services on public works projects no less than the "prevailing rate of wages" (hourly cash wages plus fringe benefits) in the county where the work is performed.

Staff requests the Planning and Development Committee review and recommend approval by the City Council of the attached Proposed Development Agreement with Hillwood (Industrial VI Enterprises, LLC) for the construction of Spec Industrial Building and public improvement in conjunction with Department of Commerce and Economic Opportunity (DCEO) site readiness grant.



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## **TIF GUIDELINE POLICY STATEMENT**

### **Review for**

### **Hillwood – Spec Industrial Building**

### **US-20/IL-2 Interchange Site**

The project and development agreement has been reviewed in accordance with the TIF Policy Statement and found to be consistent with the Policy. The project meets many of the identified “Primary Project Priorities” by providing new investment, expansion of industrial buildings and new job growth while offering industrial opportunities in established Global Trade Park.

Staff has applied the “But For” test against the project and found that but for public assistance the project is not likely to advance forward. The project has demonstrated that there is the need for City financial assistance and that the priorities of the Policy are being satisfied.

Funding is being provided on a “pay as you go” basis, DCEO Grant and TIF Fund Balance. Although, the project is being provided funds beyond generated by TIF increment, no bonds are offered to support the project and the development agreement prohibits the protest of property taxes during the term of the agreement.

The relative sections of the TIF Point System are highlighted below:

## **TIF GUIDELINE POINT SYSTEM**

**TOTAL POINTS UNDER SCORING SYSTEM = 310**

- a. Type of project
  - i. Industrial/Manufacturing—**100 Points**
    - 1. New**
    - 2. Existing
  - ii. Commercial—75 Points
    - 1. New commercial
    - 2. Renovation/improvement of existing commercial
    - 3. Demolition of abandoned structures

- iii. Professional/Office—75 Points
- iv. Residential—50 Points
  - 1. Address concentration of low-income residential
  - 2. Dangerous and abandoned buildings
- v. Advanced education and training—30 Points
- vi. Arts—20 Points
- vii. Public Improvements—10 Points**
  - 1. Note that this means the use of TIF funds for a public improvement standing alone, not that some part of the funding for a project in a different category would include a public improvement. For example, a new manufacturing plant might require an upgraded sewer line. That is a manufacturing project even though it includes a public improvement. The line between “stand alone” public improvements and those linked to a specific project is not an easy one to draw.
  - 2. For “stand alone” public improvements, it is hard to see how the “but for” test is met since the funding of the improvement will often be a question of the allocation of tax revenues. It is also a practice that uses the taxing authority of another jurisdiction to pay for something that the City is unable or unwilling to fund out of its own possible revenue sources.
- viii. Tourism—10 Points
  - 1. Tourism is one of the few areas that has its own dedicated revenue source.
- ix. Historic Preservation—10 Points
  - 1. I admit to a strong bias against the concept that historic preservation is entitled to special significance. It is not considered in context—in terms of alternative development and in terms of the “opportunity cost”—the impact that abandoned structures which sit for decades have on the surrounding neighborhood.
- x. Other
- b. Location of the project—note that these areas all presumably will have to qualify as “blighted”
  - i. High Priority areas—**100 Points**
    - 1. Central City (broadly defined)
      - a. The Central City would encompass most of the areas that were developed by the 1950s
    - 2. Census tracts with high unemployment
    - 3. Census tracts with low median income
    - 4. Riverfront
  - ii. Mid-Priority areas—50 Points
    - 1. I’ll know them when I see them
    - 2. For example, the abandoned grocery store at the Charles/Alpine 5 Points area.
  - iii. Low Priority areas—10 Points

1. Typically “greenfield” locations which require the extension of public services
- c. Employment Factor—number and wage rate—50 Points each
    - i. **High/High—100**
    - ii. Low/High—50
    - iii. High/Low—50
    - iv. Low/Low--0
  - d. Others—up to 100 points (assigned 100)
    - i. Indirect employment
    - ii. MBE/WBE/Veterans
    - iii. Targeted employment

