



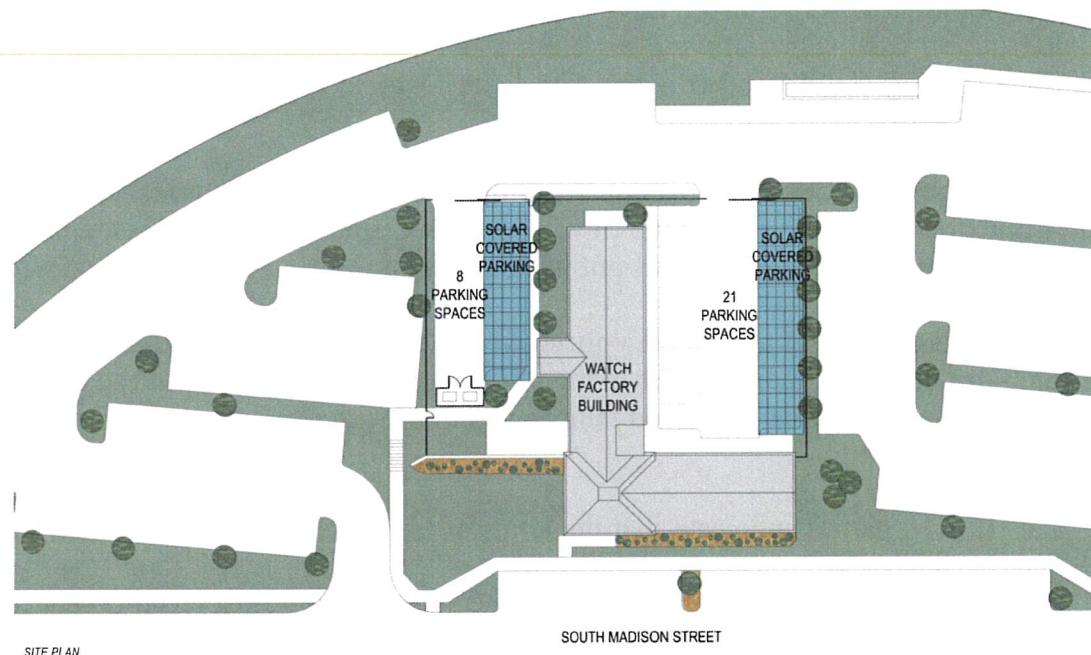
Memorandum

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

From: Todd Cagnoni, City Administrator *TODD*

Re: Proposed Amendment to Development Agreement with Oliver Emerson Development (Oliver Emerson Development, LLC) for the rehabilitation and adaptive reuse of 325 S. Madison Street as residential.

Date: December 19, 2025



OLIVER EMERSON DEVELOPMENT

Oliver Emerson Development, LLC (**Developer**) has requested assistance from the City of Rockford (**City**) through the use of Redevelopment Funds and Tax Increment

Financing (**TIF**) from the creation of a new TIF District (**DISTRICT**), and River Edge Redevelopment Zone Benefits (**RERZ**) to further the rehabilitation and establishment of an adaptive reuse of an existing building (**Project**) located at 325 S. Madison Street. The City previously approved a purchase agreement and subsequent development agreement in June 2024 with Oliver Emerson Development. Since that time Oliver Emerson Development has been securing the capital stack and confirming the construction cost. They have seen increase cost in the completion of the project and are seeking additional funding to move the project forward. Staff believes it is in the best interest of the City to advance the project forward and the City previously established a new TIF District to support the Project.

The City has owned the Watch Factory for more than 10 years after acquiring the property as part of the Sports Factory redevelopment project. The structure as it currently exists is part of a National Historic District and has been consistently promoted to represent an era of manufacturing in Rockford that represents its formative years in industry. While the facility has undergone many uses and transformations, the plan to celebrate the original history of the Watch Factory has been pursued as the most comprehensive in achieving our goals for the redevelopment. The Watch Factory was designed by the renowned architect firm Burnham and Root. The project as proposed is consistent with Illinois Historic Preservation Memo of Agreement approved by City council in April of 2014 when the Sports Factory project was advancing. The Project is an adaptive reuse of the existing 27,064 square foot, 3 story structure with a basement consisting of 24 residential units.

Redevelopment costs reported have increased from \$7.2M to \$11.5M, which include construction cost, soft costs and developer Fee. Developer has proposed a capital stack including conditional construction loan, historic tax credit funding, and City forgivable loan.

Successful rehabilitation and occupancy of the Project will create new housing and construction jobs. In addition, the Developer's investment in the Project will remove blight adjacent significant public investment.

City Council previously approved a purchase and sale agreement in the amount of \$55,000 to the Developer. As part of the purchase and sale agreement the City and Developer agreed to enter into good faith negotiations with respect to a development agreement including:

1. The parties anticipate that the terms of the development will include, but not limited to:
 - i. 100% pay as you go Tax Increment Financing from a recently created Tax Increment Financing District
 - ii. \$1,200,000 in additional up-front gap financing.
 - iii. Seller will be responsible for any costs associated with the property being included in a new or amended redevelopment plan and project area in accordance with the Tax Increment Allocation Redevelopment Act of the

State of Illinois, 65 ILCS 5/11-74.4-1, et seq.

2. Seller's obligation is contingent upon Buyer demonstrating ability to obtain funding for the property.
3. Such new or amended redevelopment plan and project area or development agreement shall be subject to approval of the Seller (the "Corporate Authorities").
4. Said approval shall be at the sole discretion of the Corporate Authorities who are under no obligation to establish a new or amended redevelopment plan area or development agreement pursuant to this Agreement.
5. Re-plat of property will take place during the development agreement process.

The City and the Developer negotiated a Development Agreement in 2024 that defined the requirements and obligations of each party for the redevelopment of the Project and Property. The major requirements and obligations of each party at that time were as follows:

The development agreement approved in 2024 provided a Forgivable Loan in an amount not to exceed Six Hundred Twenty Thousand Dollars (\$620,000) and a TIF Advance Loan in the amount of One Million Three Hundred Ninety-Six Thousand Five Hundred Five Dollars (\$1,396,505) to be provided at the time of closing and full financing of the project to be recovered off increment created back to the City from the project.

THE AMENDED TERMS PROPOSED ARE AS FOLLOWS:

CITY OF ROCKFORD:

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

Redevelopment Fund. The City shall distribute to the Developer a Forgivable Loan in an amount not to exceed Two Million Seven Hundred Thousand Dollars (\$2,700,000) for eligible Redevelopment Project Costs. Loan Funds will be allocated to Developer as follows; 1/3 after financial closing, 1/3 upon approval of a rough inspection by the City Building Code Official and 1/3 upon substantial completion of the Project. The City shall forgive the Forgivable Loan in ten (10) equal annual installments (i.e. \$270,000 each, if the full Forgivable Loan was disbursed) with the first installment to be forgiven on the one (1) year anniversary of the issuance of the final Certificate of Occupancy for the Project. Forgiveness shall be conditioned upon 75% residential occupancy of the Subject Property in the prior year, except for the first year.

Tax Increment Financing (TIF). The City agrees to provide to the Developer reimbursement of 100% of the annual incremental taxes generated by the improvement to the Property, on a pay-as-you-go bases from the existing Oak and Madison TIF District through the life of the TIF for eligible Redevelopment Project Costs.

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.

River Edge Redevelopment Zone (RERZ). The City will make available action to assist Developer in establishing eligibility for financial incentives for the Project through the River Edge Redevelopment Program administered by the State of Illinois. This would primarily be historic tax credits.

- B. **Subdivision**. The City will subdivide the property creating a separate out lot and transfer the property "Watch Factory Lot" to the Developer at the time of financial closing.
- C. **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 the Property**. The Developer will purchase the property in the amount of Fifty-Five Thousand Dollars, (\$55,000) at the time of closing.
- B. **Development of the Project**. Consistent with the City's goals and objectives of the City, the Developer proposes to develop the Project into an attractive mixed-use development as described above at the sole cost and expense of the Developer except as identified per the terms above.
- 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 Project shall start no later than July 1, 2026 and be substantially completed on or before twenty-four (24) months following the closing of the capital stack of the Project, subject to reasonable Force Majeure delays. Such Project Completion date shall be subject to an automatic extension of up to nine months upon request to the City from Developer.
- 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 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 Amended Development Agreement with Oliver Emerson Development (Oliver Emerson Development, LLC) for the rehabilitation and adaptive reuse of 325 S. Madison Street as residential.



TIF GUIDELINE POLICY STATEMENT

Review for

325 S Main – Watch Factory

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 renovating an existing commercial building in disrepair (dangerous and unsafe) while offering commercial and residential opportunities in established commercial district. The project preserves an existing building within a federal historic district satisfying "Secondary Project Priorities" of preserving a building in Downtown.

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 via a TIF Loan (TIF Advance) and Redevelopment Fund dollars. Although, the project is being provided funds in advance and not on a "pay as you go" basis, 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 portions of the scoring system are highlighted below.

TIF GUIDELINE POINT SYSTEM

TOTAL POINTS UNDER SCORING SYSTEM = 235

- 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 75**)
 - i. Indirect employment
 - ii. **MBE/WBE/Veterans**
 - iii. Targeted employment