INTERCHANGE DEVELOPMENT FEASIBILITY STUDY

REGION 1 PLANNING COUNCIL | APRIL 2021

SBFRIEDMAN

FEHR GRAHAM

Larson & Darby Group
Architects Engineers Planners

Image Source: Illinois Tollway

INTERCHANGE DEVELOPMENT FEASIBILITY STUDY

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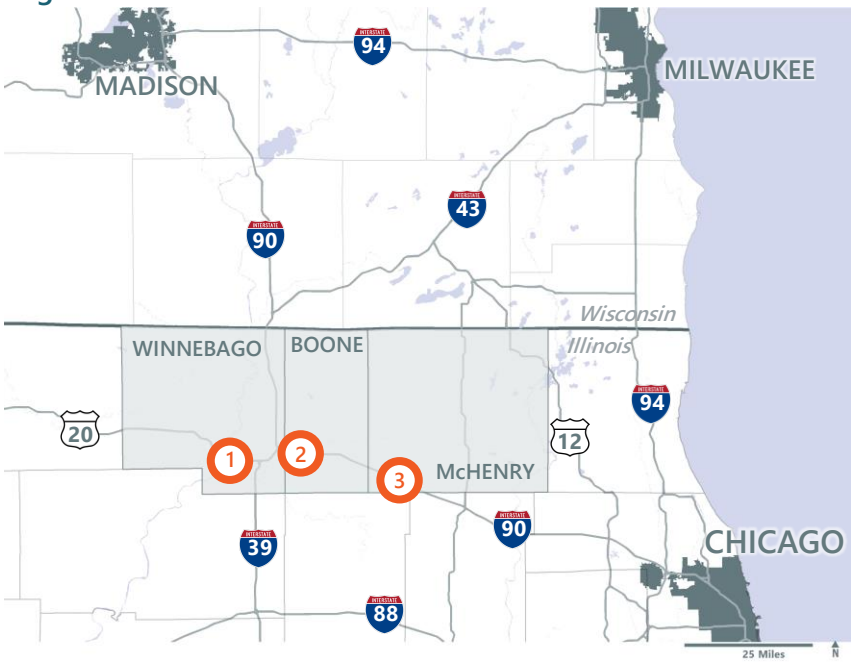
Regional Context



Source: Esri; SB Friedman; US Census Bureau

Interchange Site

SB Friedman Development Advisors, in collaboration with Fehr Graham and Larson & Darby, was engaged by the Region 1 Planning Council to evaluate the economic feasibility of new development adjacent to three recently constructed/reconstructed interchanges (collectively, the "Interchange Sites"):

1. **US Route 20 and IL State Road 2** in Winnebago County;
2. **Interstate 90 and Irene Road** in Boone County; and
3. **Interstate 90 and IL State Road 23** in McHenry County.

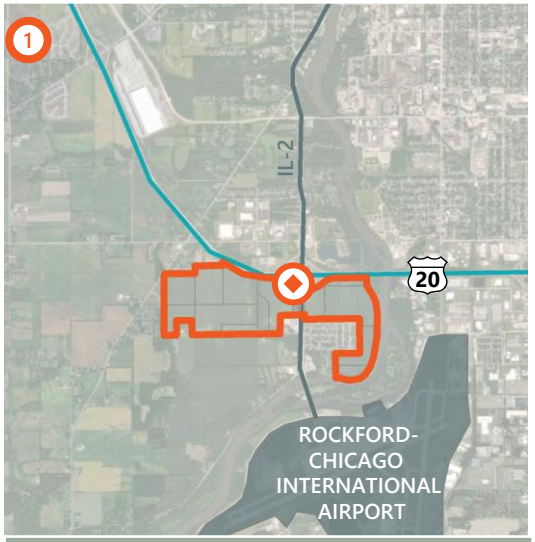
Investment in these interchanges has unlocked the development potential of adjacent sites that benefit from enhanced access to the regional transportation network and major markets in Illinois, Wisconsin and beyond. Local stakeholders have identified industrial development with complementary uses as the preferred land use for the area around each interchange.

This study evaluates the market feasibility of industrial uses at each interchange; identifies the infrastructure improvements needed to support development; and quantifies the costs and benefits associated with pursuing development.

The study also defines implementation steps and potential financing tools to advance development objectives and leverage the interchange investments.

INTERCHANGE SITES

Each interchange has unique site & locational characteristics



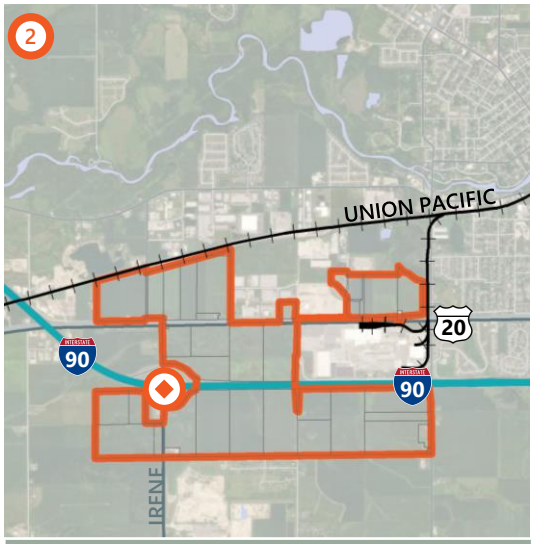
US-20 & IL-2
Winnebago County

485 gross acres; 16 parcels

Reconstructed interchange completed October 2020

Existing industrial base nearby; Adjacent to Rockford-Chicago International Airport

Partial infrastructure present



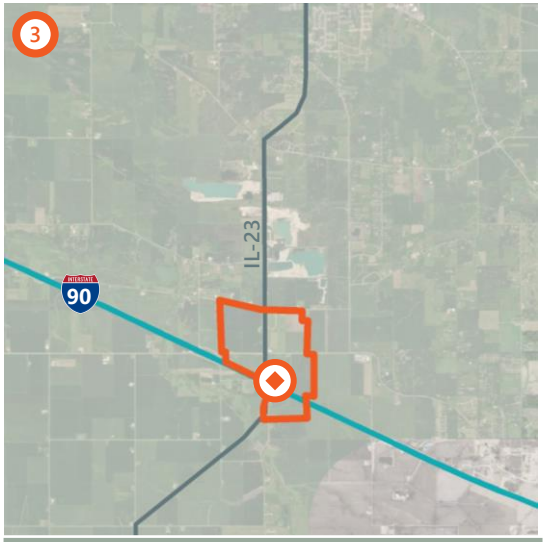
I-90 & Irene Road
Boone County

1,417 gross acres; 39 parcels

New interchange completed December 2015

Existing industrial base nearby; Adjacent to Union Pacific rail line and the Chrysler Belvidere Assembly Plant

Partial infrastructure present



I-90 & IL-23
McHenry County

580 gross acres; 15 parcels

New interchange completed December 2019

Limited commercial adjacencies; Small-scale industrial users to the north

Limited infrastructure on the site

Source: Boone County Assessor's Office; Esri; Fehr Graham; McHenry County Assessor's Office; SB Friedman; Winnebago County Assessor's Office

PURPOSE OF STUDY

Uncover each Interchange Site's development potential & infrastructure needs

The study included the following components:

1) EVALUATING CURRENT MARKET CONDITIONS FOR INDUSTRIAL DEVELOPMENT

2) IDENTIFYING THE COMPETITIVE ADVANTAGES FOR EACH INTERCHANGE SITE

3) ESTIMATING CAPTURE OF DEMAND FROM NATURAL ECONOMIC GROWTH

4) PREPARING CONCEPTUAL SITE PLANS BASED ON MARKET FINDINGS

5) IDENTIFYING INFRASTRUCTURE NEEDS AND ESTIMATING PUBLIC AND PRIVATE COSTS

6) CONDUCTING COST/BENEFIT ANALYSIS OF NEW DEVELOPMENT

7) ESTIMATING THE ECONOMIC IMPACTS OF NEW DEVELOPMENT

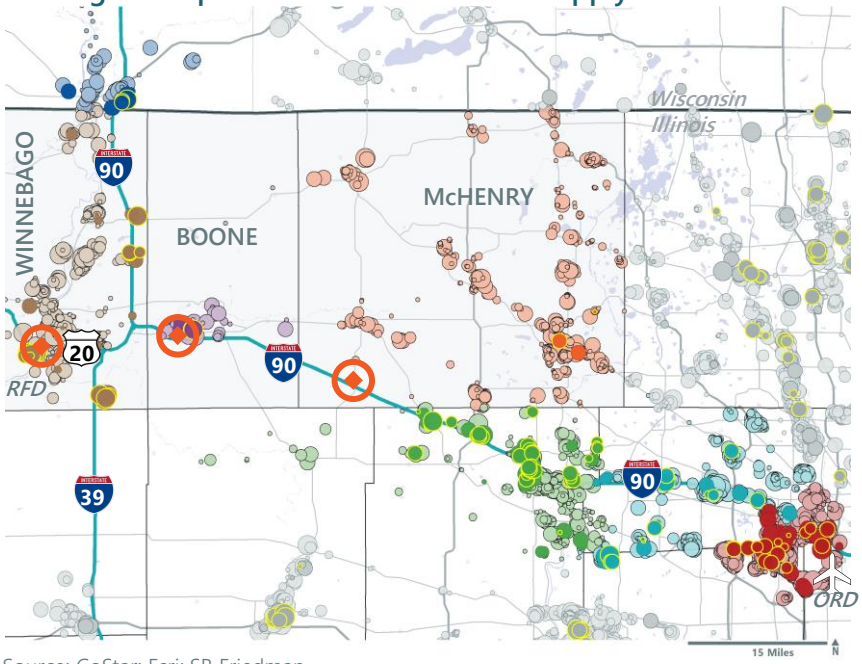
8) OUTLINING STRATEGIES TO FACILITATE FUTURE DEVELOPMENT

LOCAL INDUSTRIAL MARKET OVERVIEW

LOCATIONAL CONTEXT

The Interchange Sites are located within the growing I-90 industrial corridor

Existing and Pipeline Industrial and Flex Supply: I-90



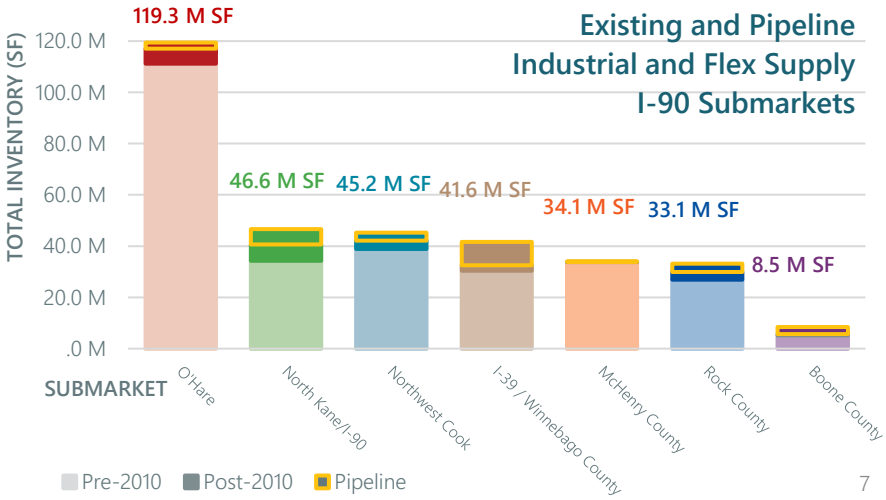
Source: CoStar; Esri; SB Friedman

BUILT PRE-2010
BUILT POST-2010
PIPELINE

Industrial SF
Under 50k SF
50k-100k SF
100k-500k SF
Over 500k SF
Interchange Sites

The I-90 industrial corridor is anchored on the east by the O'Hare submarket, which-- with nearly 120 million square feet of space-- is the largest industrial and flex submarket in the northwest Chicagoland area and Northern Illinois. With limited interstate-accessible sites available to the east of O'Hare, development has shifted to the west, with the North Kane/I-90 and Northwest Cook submarkets experiencing combined growth of ±6.3 million square feet of new industrial and flex space since 2010. The development momentum continues to shift further west to the I-39/Winnebago County submarket, where ±9.1 million square feet of industrial and flex space is currently being marketed, per CoStar.

These areas in McHenry, Boone and Winnebago Counties benefit from enhanced transportation access, as well as proximity to several large consumer markets.

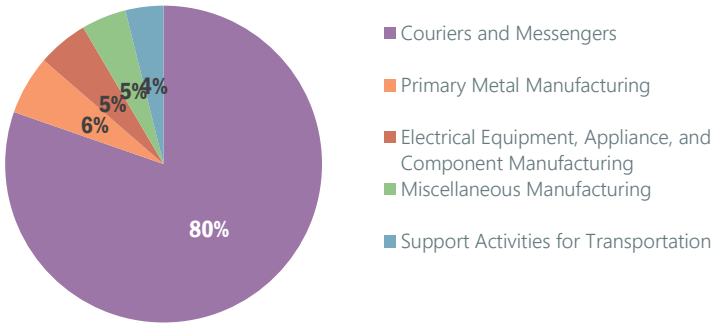


LOCATIONAL CONTEXT

Recent industrial job growth has been largely in transportation-related sectors

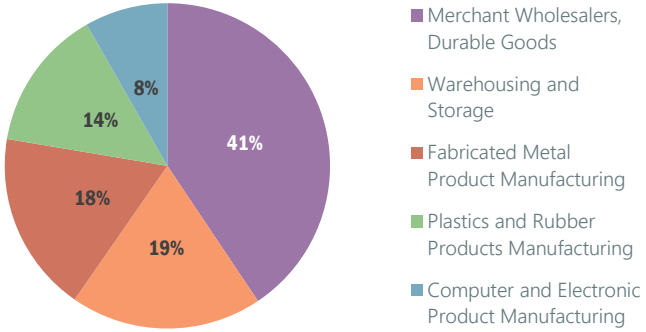
Historic Industrial Job Growth (2015-2020)

I-90 & US-20-Adjacent Zip Codes in Winnebago, Boone and McHenry Counties



Source: Emsi | Includes zip codes: 60152, 61008, 61011, 61016, 61038, 61073, 61080, 61088, 61102, 61107, 61108, 61109, 61111, 61112, 61114, 61115

I-90-Adjacent Zip Codes in Janesville and Beloit



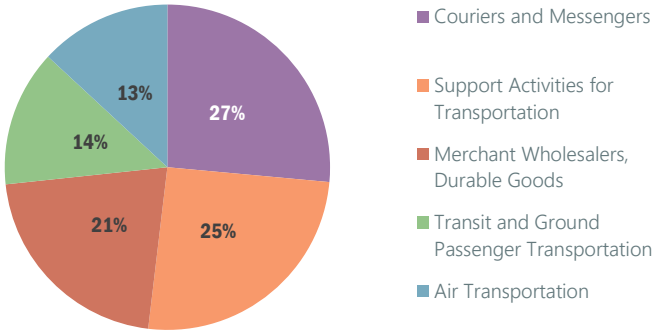
Source: Emsi | Includes zip codes: 53511, 53545, 53546

Recent industrial job growth in the zip codes along the I-90 corridor has been largely in transportation-related sectors. These businesses benefit from a variety of transportation options, including the interstate system and nearby airports, which provide enhanced access to consumer markets.

The majority of industrial job growth in the Winnebago, Boone and McHenry County zip codes adjacent to I-90 has been in the Couriers and Messengers sector (2015-2020).

Industrial job growth to the east between Hampshire and Des Plaines (near O'Hare) has also been in transportation-focused industries. However, this job growth is in a wider variety of sub sectors. Industrial growth in Beloit and Janesville, Wisconsin has consisted of a wider variety of industrial sectors.

I-90-Adjacent Zip Codes from Hampshire to Des Plaines (O'Hare)



Source: Emsi | Includes zip codes: 60005, 60007, 60008, 60018, 60056, 60118, 60120, 60123, 60124, 60136, 60140, 60142, 60169, 60173, 60192, 60195

INDUSTRIAL TRENDS

Recent development is largely reflective of shifts in industrial markets

The location and type of development in the I-90 industrial corridor is being impacted by broader, national trends, including the growth of e-commerce, trade patterns, and building availability. Each of these trends is discussed further below.

GROWTH OF E-COMMERCE

- E-commerce **continues to grow**. E-Marketer projects by the end of 2024, e-commerce will account for approximately 25% of retail sales.
- The shift from distributing bulk products to retailers to distributing products **directly to consumers** has drastically altered warehouse operations and requirements.
- The **COVID-19 pandemic** and associated stay-at-home orders have accelerated the shift to more e-commerce.

TRADE PATTERNS

- Local industrial development is dependent upon **global trade patterns**.
- Movement of goods in shipping containers and trailers across multiple modes has **grown exponentially.**
- The Chicagoland and Northern Illinois region benefits from air, interstate and intermodal **infrastructure**.
- COVID-19 and its disruption of the global supply chain could result in increased **reshoring** in the future.

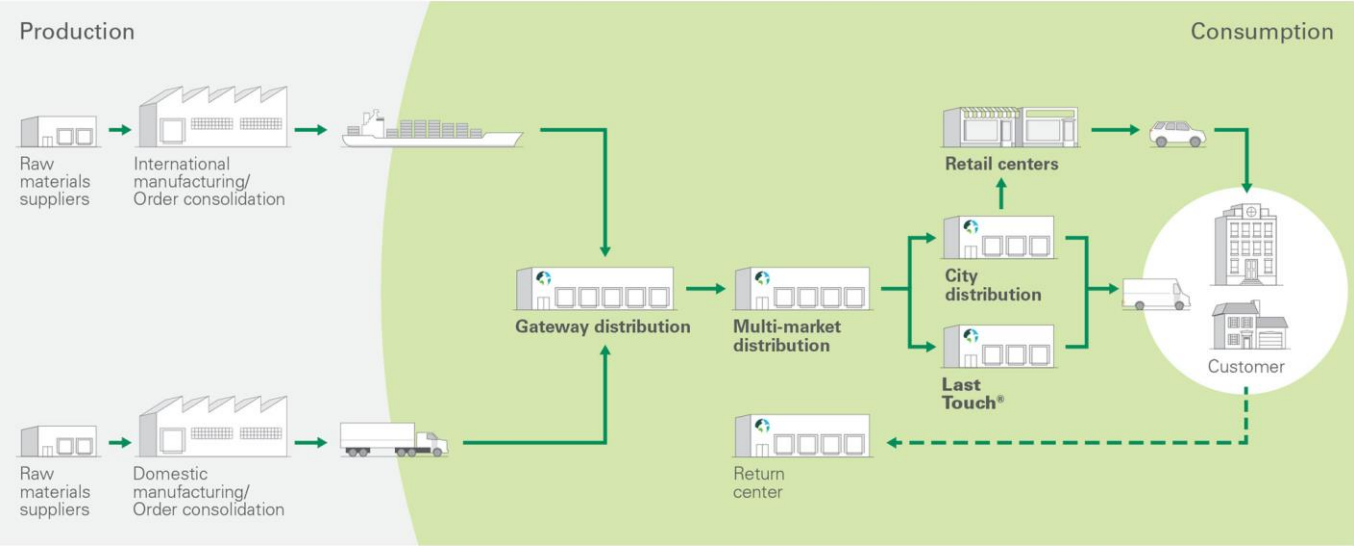
BUILDING AVAILABILITY

- Older industrial formats often do not meet building specification of modern industrial users.
- Desired **building specifications** for industrial tenants include larger floorplates, higher ceilings, automation capacity and others which may not be present in older buildings.
- Demand for **larger distribution space** is increasing and requires development further outside of Chicago (e.g., Rockford region) where sites are available.

INDUSTRIAL TRENDS

Growth in e-commerce has revolutionized logistics & the supply chain

Despite broad industry definitions, “warehouse" and "distribution“ buildings often fulfill various purposes and require diverse building specifications and locations depending on urgency (time to market) and consumption of goods (business-to-business or business-to-consumer).



This is resulting in new warehousing and distribution typologies, including:

- **Gateway facilities,** which are often at or near intermodal hubs, or at the confluence of Class 1 railroads, major highways, and air or water ports.
- **Multi-Market facilities,** which tend to be newer, larger and located at **key transportation hubs at the periphery of major urban areas**.
- **City Distribution facilities,** which are well-positioned to provide **1-2-day shipping** to a large market. These buildings tend to be small to mid-sized and located in more urban areas.
- **Last Touch/Mile facilities,** which can reach large, dense, affluent populations **within hours**. These buildings typically are the oldest and smallest, because they are in typically infill locations.

Source: Prologis

INDUSTRIAL BUILDING TYPOLOGIES

The local market has responded to recent trends by producing large-format buildings

Recently delivered manufacturing, warehouse and distribution facilities within the I-90 industrial corridor are representative of the locational and building requirements of the modern supply chain.

	 City/Multi-Market Distribution	 Gateway Distribution	 Manufacturing
Business Park	Blue Heron Business Park	Rock 39 Industrial Park	Gateway Business Park
Address	300 Miles Pkwy, Bartlett Kane County	I-39 and Baxter Rd, Cherry Valley Winnebago County	Gateway Blvd, Beloit Rock County (WI)
Total Square Feet	250,000 SF Pads up to 100,000 SF	4.3 M SF Pads up to 1.5 M SF	350,000 SF Single Occupant
Key Tenants	Cathay Industries, Elgin Beverage Company, Traffic Services Inc.	Berner, FedEx, XPO Logistics	Pratt Industries; Inc
Floor-to-Area Ratio (FAR)	0.25	0.2 – 0.25	0.2
Year Built	2016	2019	2015

Source: CoStar; SB Friedman

INDUSTRIAL BUILDING TYPOLOGIES

Large-format buildings are also accommodating data processing & flex users

In addition to traditional manufacturing, warehousing and distribution facilities, data processing and flex buildings are emerging industrial product types.

	Data Processing	Flex
Business Park	Digital Elk Grove Village Campus	Elk Grove Technology Park
Address	2200 Busse Road	Oakton St, Elk Grove Village Cook County
Total Square Feet	1.1 M SF Pads up to 485,000 SF	1.2 M SF Pads up to 130,000 SF
Key Tenants	Digital Realty, Rackspace	Broetje-Automation, SCREEN Americas
Floor-to-Area Ratio (FAR)	0.5 – 0.6	0.35 - 0.45
Year Built	2015	2019
Other Commercial Adjacencies	N/A	Proposed 85-key hotel, 64,000 SF retail

Source: CoStar; SB Friedman

INDUSTRIAL LOCATIONAL REQUIREMENTS

Site characteristics offer competitive advantages for industrial development

In addition to broader national trends, the location and type of new industrial development are impacted by site-specific characteristics, including:

ACCESS TO TRANSPORTATION NETWORKS

ACCESS TO THE SUPPLY CHAIN

ACCESS TO THE LABOR FORCE

LAND AVAILABILITY & SHOVEL-READINESS

COMPETITIVE TAX POSITION & INCENTIVES

ACCESS TO TRANSPORTATION NETWORKS

Industrial users require enhanced accessibility

Access to the regional transportation network is a major competitive advantage in terms of attracting industrial users, particularly those seeking access to the regional supply chain and distribution networks. The region's continued prominence as a major distribution and logistics hub is expected to continue, and increased e-commerce will present new opportunities for growth in warehousing, transportation and distribution.

INTERSTATE SYSTEM

- Access to the interstate system and other major roadways is a critical factor for warehousing and distribution centers.
- All three Interchange Sites are adjacent to extensive transportation networks including US-20, I-90 (which extends from the Atlantic to Pacific Ocean), and I-39 (which connects the northern and southern United States).
- The interstate system provides access to major markets including Chicago, Milwaukee, Detroit, St. Louis, Minneapolis, Nashville and Pittsburgh.

RAIL NETWORK

- Six out of seven Class 1 railroads serve the greater Chicagoland region.
- An estimated 350,000 tons of freight were transported through Winnebago and McHenry Counties in 2017.
- The future of the Rochelle Union Pacific Intermodal Facility, located 23 miles south of Rockford, is uncertain. The facility closed in 2019 but the City of Rochelle is reconsidering its future use. The next closest intermodal facility is the UP Railroad Global 2 in Northlake.

AIRPORT

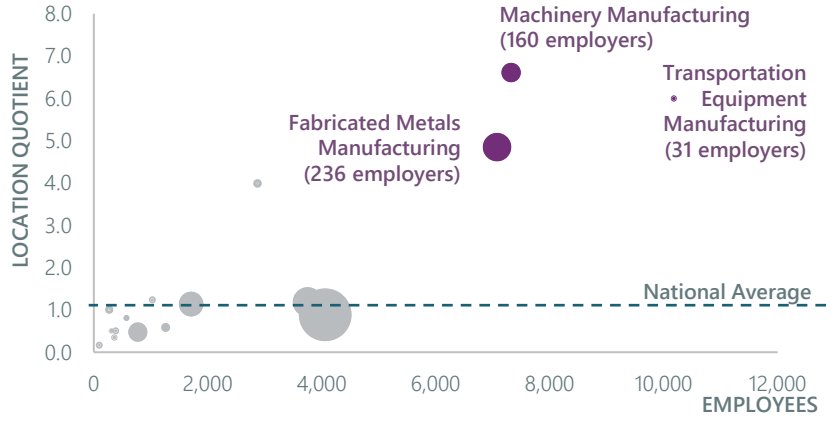
- Rockford-Chicago (RFD) is among the top-30 busiest airports in the nation in terms of freight, with 449 cargo flights and 650 million freight tons shipped in 2018.
- Interviews indicated that industrial users relying on quick time to market prefer ORD due to frequency of flights while many RFD users ship heavy freight due to the lower cost per ton.
- RFD underwent a $12 million expansion in 2019 to add 128,000 square feet to accommodate growth from Amazon, Pinnacle Logistics and UPS.

Image Source: AA Roads; Air Cargo World; Union Pacific

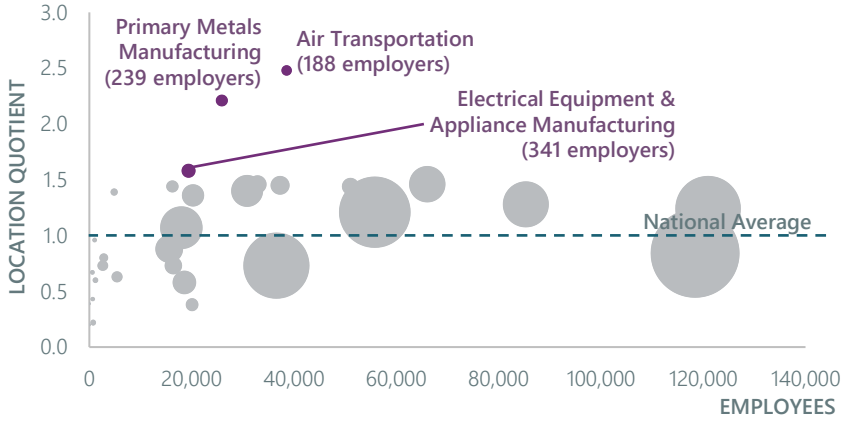
ACCESS TO THE SUPPLY CHAIN

Complementary businesses benefit from clustering

Location Quotients for Rockford MSA Industrial Sectors



Location Quotients for Chicago MSA Industrial Sectors



Source: Bureau of Labor Statistics (BLS); SB Friedman

Industrial real estate location decisions are often driven by nearby clusters of similar companies or strategic locations within the broader supply chain. For manufacturing businesses, proximity to supporting industries in the supply chain can lower the cost of business by reducing transportation costs and optimizing logistics. Established clusters also typically result in specialized skillsets within the labor force which may be attractive to new industrial users.

Location quotients quantify the 'specialization' of a region's industry compared to national employment averages. High location quotients are typically indicative of high export businesses.

The **Rockford MSA**, which includes Winnebago and Boone Counties, has the highest employment concentrations and specializations within the following industries:

- Machinery manufacturing;
- Transportation equipment manufacturing; and
- Fabricated metals manufacturing.

The **Chicago MSA**, which includes McHenry County, has the highest employment concentrations and specializations within:

- Air transportation;
- Primary metals manufacturing; and
- Electrical equipment and appliance manufacturing.

ACCESS TO THE LABOR FORCE

Proximity to a highly-trained, quality labor force is a key determinant

Source: Colliers

Location is critical to companies that rely on a skilled labor force to support innovation and expansion. Labor availability, cost, and degree of unionization are key factors influencing decisions.

Industrial and flex employers often seek labor pools with higher concentrations of high-school educational attainment levels or higher depending on job requirements. For example, as e-commerce has evolved from traditional fulfillment centers that ship pallets of merchandise directly to stores to more customer-centric facilities that ship individual orders, the ability to attract and retain skilled labor is a key determinant of location. Additionally, the greater use of automation has increased demand for specialized engineering workers.

The availability of workforce training programs and other job training partnerships with local institutional anchors can often influence location decisions. These workforce development programs can ensure that employees have the skills and knowledge to support current and future businesses and industries as they evolve in the future.

LAND AVAILABILITY & SHOVEL-READINESS

Utility availability reduces risk to industrial users & developers

Source: Siteselection.com

At the site level, decisions are often made based on the size of the site, cost per acre, opportunity for expansion, zoning and entitlements, and the availability and cost of utilities.

The Interchange Sites compete not only with existing industrial clusters with room for expansion but also interstate-adjacent farmland, which is plentiful in the region. However, many employers prefer shovel-ready sites that are fully served with all utilities (water, sewer, electric, natural gas, etc.) and have adequate excess capacities to meet the potential demand of the user. Benefits to shovel-ready sites include:

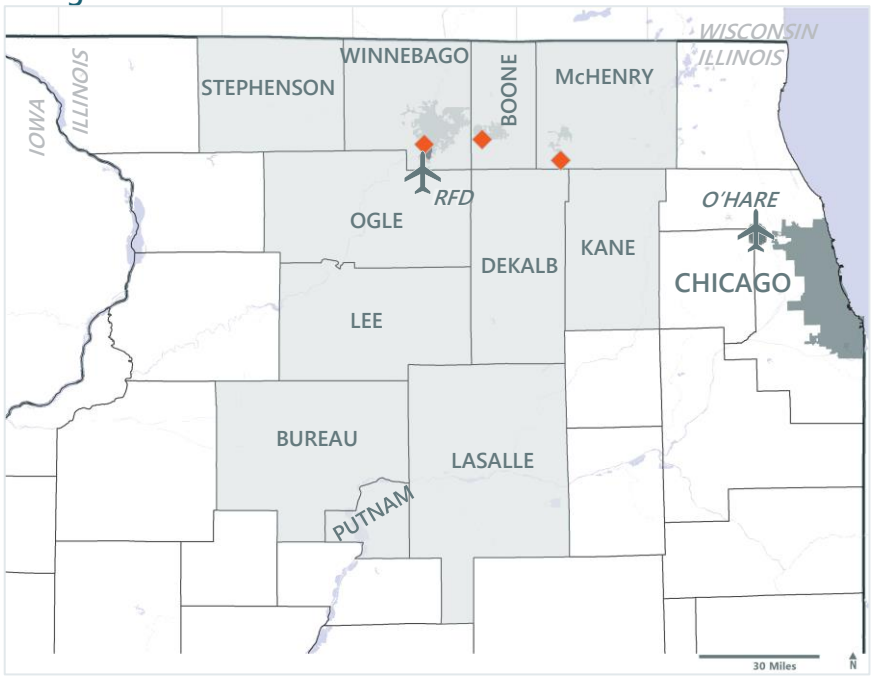
- Reduced risk and uncertainty in the site selection process; and
- Reduced time required to bring a project to completion.

However, it may not always be economically feasible to extend utilities to a potential site without a known end use. Detailed plans to extend and/or upgrade utilities could provide more certainty to the site selection process.

COMPETITIVE TAX POSITION & INCENTIVES

Tax incentive programs can be leveraged to offset real estate-related costs

Foreign Trade Zone #176 – Greater Rockford Area



Source: Esri; FTZ Rockford; SB Friedman

FTZ 176

Interchange Site

Land, entitlement and real estate tax costs can influence location preferences for employers. Prospective tenants often seek locations with favorable land costs and minimal tax burdens. Generally, the land cost per acre decreases as you travel further from Chicago. However, land prices vary based on location and ownership.

Local and federal tax incentive programs are also often used to attract industrial tenants and reduce real estate-related costs. These programs often lower tax burdens, and therefore the cost of business. Such programs include:

Foreign Trade Zone (FTZ) program, which allows for the reduction or elimination of duty on foreign imports for large companies with global supply chains. Other benefits include:

- Access to streamlined custom procedures, such as 'weekly entry' or 'direct delivery'; and
- Exemptions from state and local inventory taxes for local goods held for export.

Illinois Enterprise Zone (EZ) program, which provides various state- and local-level incentives, including exemptions on sales taxes, retailers' occupation taxes, and utility taxes.

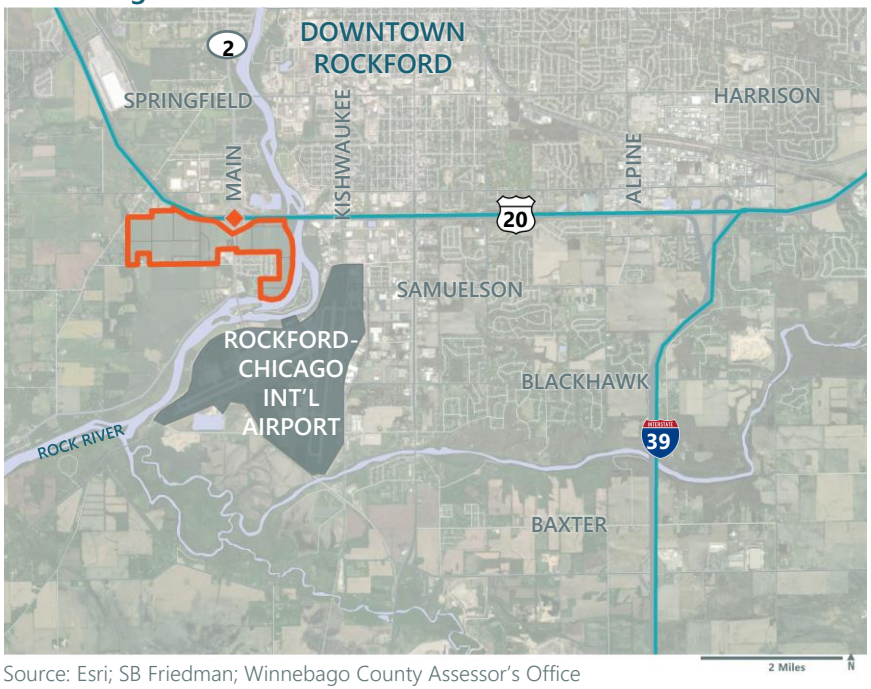
Tax Increment Financing (TIF) Districts, which can fund public infrastructure and site preparation through the growth in equalized assessed value (EAV) of properties in the district over 23 years.

US-20/IL-2
DEVELOPMENT FEASIBILITY

US-20/IL-2

Adjacent parcels include ±485 gross acres of potentially developable land

Interchange Site Context



Source: Esri; SB Friedman; Winnebago County Assessor's Office

INTERCHANGE SITE

The US-20/IL-2 (Main Street) 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.

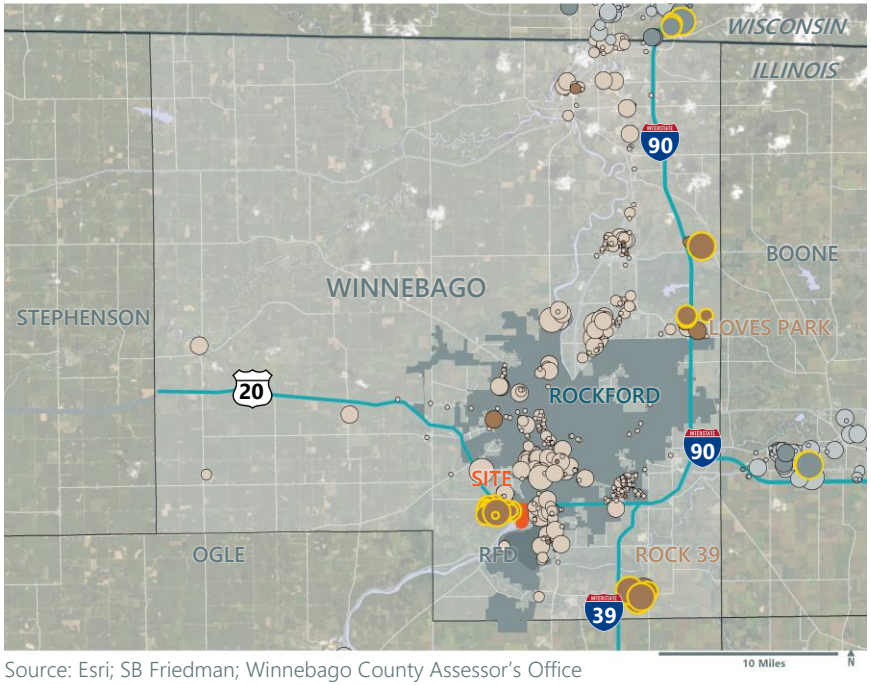
A major reconstruction of the interchange was completed in 2020. To leverage this investment, Region 1 and local stakeholders are seeking to understand the feasibility of developing 485 gross acres to the south of the interchange. This area consists of 15 parcels owned by three different property owners.

The Interchange Site has already seen some new investment, including a Love's Truck Stop. The western 320 acres of the Interchange Site is currently being marketed as Cornerstone at Global Trade Park, though site development has yet to begin. Other potential development opportunities include the Green Meadows Estate mobile home park, which is expected to be available for redevelopment by 2027.

LOCAL INDUSTRIAL SUPPLY

Winnebago County has a robust industrial market

Winnebago County Industrial and Flex Existing Supply

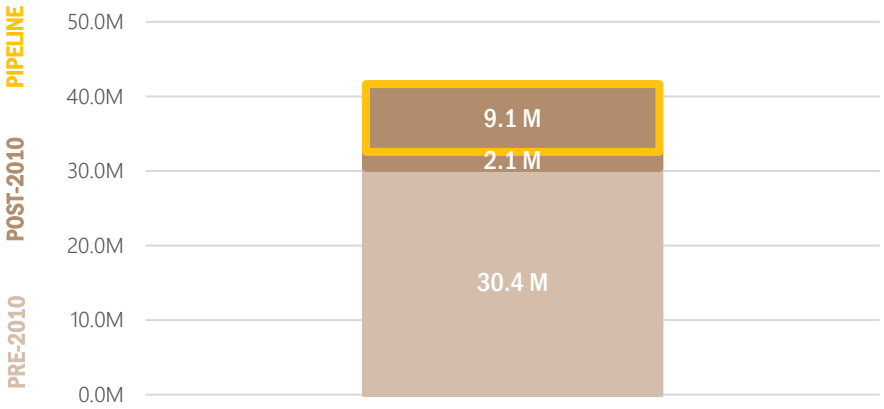


Source: Esri; SB Friedman; Winnebago County Assessor's Office

To understand the market feasibility of new industrial development, SB Friedman analyzed current market conditions.

The existing market in Winnebago County consists of ±32.5 million square feet of industrial and flex space, with over 2.1 million square feet built since 2010. An additional 9.1 million square feet is proposed, reflecting both the significant interest in the potential of industrial development and the availability of land. Pipeline projects are typically located near interchange locations along US-20 and the I-39 logistics corridor, including interchanges at IL-173, Riverside (Loves Park Corporate Center) and Baxter Road (Rock 39 Business Park).

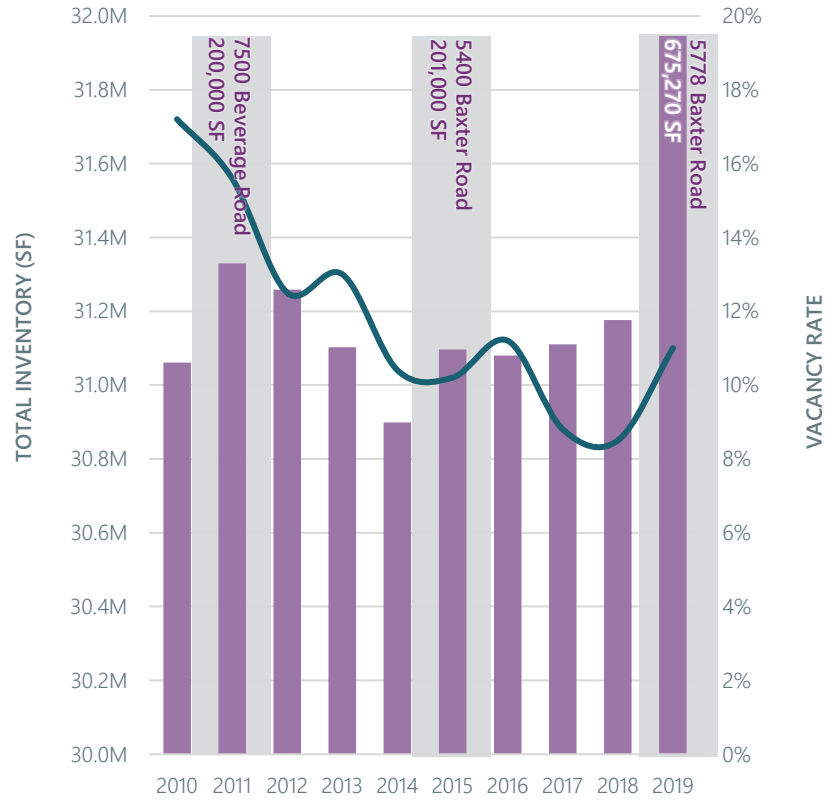
Winnebago County Industrial and Flex Supply



LOCAL MARKET DYNAMICS

The market delivered 2.1 million square feet of industrial between 2010 & 2019

Winnebago County Industrial Dynamics: 2010 to 2019



Source: CoStar; SB Friedman

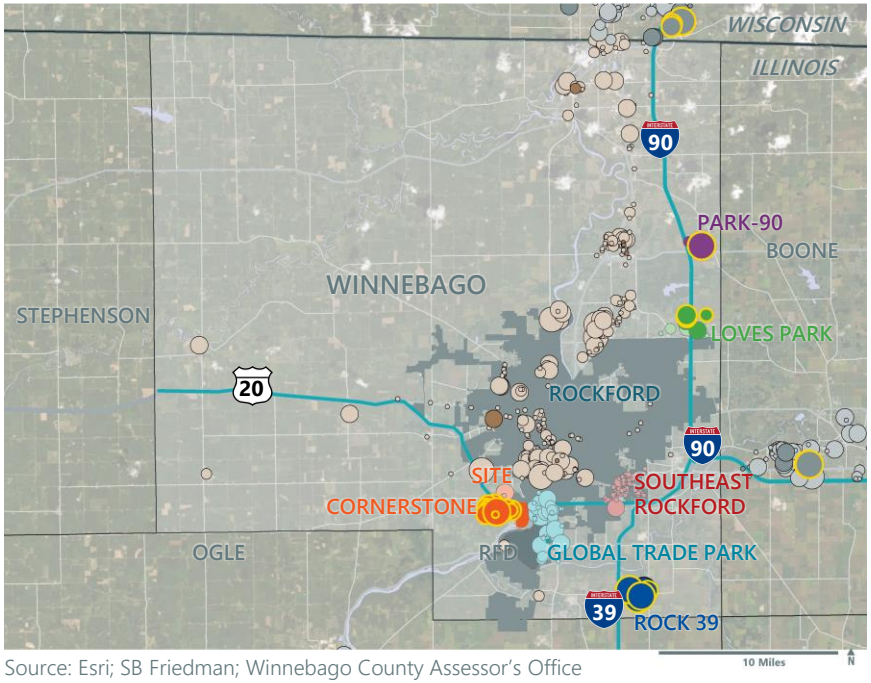
Vacancy rates for industrial space in Winnebago County have historically been higher than neighboring counties. Higher vacancy rates may be attributed to the County's shifting economic trends from a predominately heavy manufacturing-based economy towards a more diversified industrial base with distribution, logistics and advanced manufacturing. However, in the last 10 years, vacancy has generally trended downward, with slight upticks as new distribution and advanced manufacturing space was delivered and absorbed.

10-YEAR TOTAL NEW DELIVERIES:	2.1 M SF
10-YEAR AVG VACANCY:	11.8%
10-YEAR AVG DEMOLITION RATE:	-0.3%
CURRENT RENT PSF:	$3.50

LOCAL COMPETING CLUSTERS

Competing industrial clusters are being established along I-90 & I-39

Winnebago County Competitive Interchange Clusters

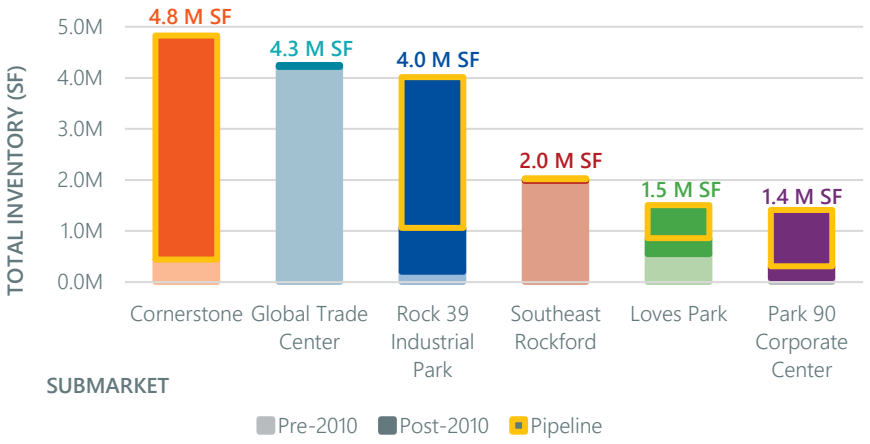


Source: Esri; SB Friedman; Winnebago County Assessor's Office

The US-20/IL-2 Interchange Site is located on the southern periphery of Rockford, which has been the historic industrial base of Winnebago County.

The Interchange Site competes with nearby industrial clusters located at other interchanges. The Global Trade Park and Southeast Rockford clusters comprise the largest proportion of interchange-adjacent industrial development. Recent development has occurred within Loves Park (Loves Park Corporate Center and Spring Creek Lakes) and Machesney Park (Park 90 Corporate Center). These interchanges are also currently being marketed with capacity for significant industrial development.

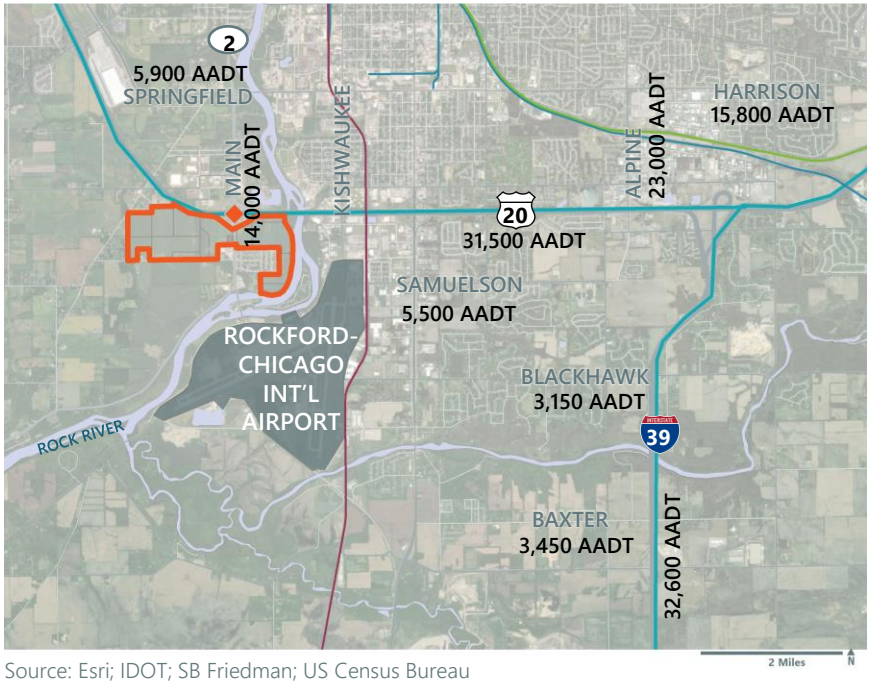
Winnebago County Competitive Industrial Clusters



ACCESS TO TRANSPORTATION NETWORKS

The Interchange Site benefits from strong accessibility to the interstate system & airport

US-20/IL-2 Interchange Site – Access Considerations



Source: Esri; IDOT; SB Friedman; US Census Bureau

INTERCHANGE SITE

Canadian Pacific
Norfolk Southern
Union Pacific

SB Friedman reviewed site specific characteristics of the US-20/ IL-2 Interchange Site to assess the site's competitive advantages for industrial development.

INTERSTATE SYSTEM: US-20/IL-2 Interchange Site has direct access to US-20, the closest four-lane highway, and is approximately eight minutes from the interstate system. Planned improvements to the US-20/I-39 interchange will further improve regional access. There are 282,000 businesses and 3.0 million households located within 100 miles, which is a frequently used distribution radius.

RAIL: Interchange Site does not have direct access to the Canadian Pacific railroad. The closest rail provider (Illinois Railway) is 3 miles away, which connects to multiple Class 1s. The closest active multimodal facility is located 75 miles away in Northlake. Gateway distribution centers often locate within two hours of such facilities.

AIRPORT: Interchange Site is less than 1 mile north of RFD and provides direct access. This access is suitable for gateway distribution centers. ORD is located approximately 70 miles to the east.

The current transportation infrastructure provides an opportunity for multi-market and gateway distribution centers.

ACCESS TO THE SUPPLY CHAIN

Local industrial sectors are largely manufacturing, transportation & wholesale-focused

The Winnebago County industrial submarket is historically comprised of manufacturing, with a large presence of metal and transportation equipment manufacturing users. Newer industrial employers include transportation and distribution users, especially on the periphery of Winnebago County in locations with strong accessibility and visibility. Key local industries are outlined below.

Projected top 10 industries in 2031 by total employment (Winnebago County)

1. Fabricated Metal Product Manufacturing	6. Food Manufacturing
2. Machinery Manufacturing	7. Truck Transportation
3. Couriers and Messengers	8. Chemical Manufacturing
4. Transportation Equipment Manufacturing	9. Merchant Wholesalers, Nondurable Goods
5. Merchant Wholesalers, Durable Goods	10. Primary Metal Manufacturing

Top 10 industries with the largest anticipated growth in employment from 2015 to 2031

1. Couriers and Messengers	6. Chemical Manufacturing
2. Transportation Equipment Manufacturing	7. Support Activities for Transportation
3. Primary Metal Manufacturing	8. Wood Product Manufacturing
4. Transit and Ground Passenger Transportation	9. Food Manufacturing
5. Paper Manufacturing	10. Electrical Equip., Appliance, and Component Manufacturing

Source: Emsi

ACCESS TO THE SUPPLY CHAIN

New industrial users can leverage a robust local supply chain

TOP SUPPLY CHAIN INDUSTRIES	Businesses in Northern IL [1]
Primary Metal Manufacturing	19
Fabricated Metal Product Manufacturing	345
Merchant Wholesalers, Durable Goods	510
Transportation Equipment Manufacturing	42
Food Manufacturing	59
Machinery Manufacturing	238
Merchant Wholesalers, Nondurable Goods	162
Chemical Manufacturing	44
Truck Transportation	495
Computer and Electronic Product Manufacturing	48
Plastics and Rubber Products Manufacturing	59
Paper Manufacturing	11
Petroleum and Coal Products Manufacturing	4
Support Activities for Transportation	95
Warehousing and Storage	31
Electrical Equipment, Appliance, and Component Manufacturing	27

[1] Defined for the purposes of this analysis as Winnebago, Boone & McHenry Counties | Source: Emsi

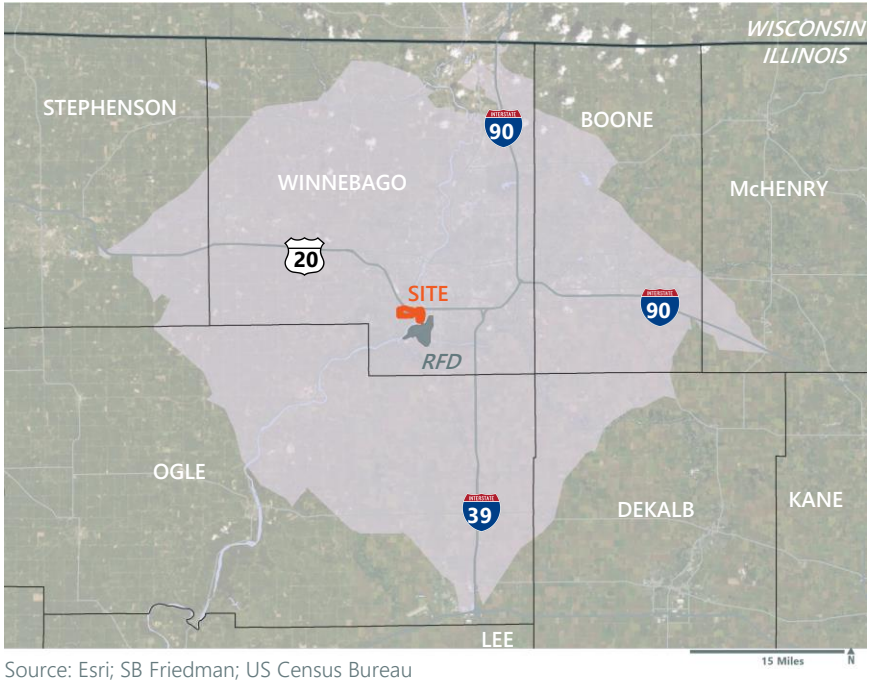
Outlined to the left are industries within the supply chain of Winnebago County's industrial sectors with either 1) the largest total projected employment by 2031 or 2) largest anticipated growth in employment from 2015 to 2031, based on previous analyses.

These supply chain industries are prevalent in the local economy and provide opportunities for similar industrial users to leverage access to the existing supply chain.

ACCESS TO THE LABOR FORCE

Nearly 164,000 labor force participants live within a 25-minute drive time

US-20/IL-2 Interchange Site – Labor Market



Source: Esri; SB Friedman; US Census Bureau

25 MINUTE DRIVE TIME

Due primarily to Rockford's historic industrial base, the region's economy has a skilled labor force, with nearly 164,000 total workers. Approximately 36% of these workers are involved with industrial-related employment such as construction, manufacturing and transportation/utilities.

Approximately 230,800 residents over the age of 25 live within a 25-minute drive time of the Interchange Site. Over 88% of these residents hold a high school diploma or above.

163,660

TOTAL LABOR FORCE

88.1%

HIGH SCHOOL DIPLOMA ATTAINMENT OR HIGHER

SHOVEL-READINESS

Additional investment is required for the Interchange Site to be shovel-ready

US-20/IL-2 Interchange Site Shovel-Readiness

Key findings from the review of existing infrastructure conditions are outlined below.

- **Sewer**. Entire Interchange Site can be serviced by existing sewer mains.
- **Water**. Entire Interchange Site can be serviced by existing water mains.
- **Transportation.** IL-2 has adequate capacity for future development. Pelley Road will require improvements to serve development.
- **Stormwater**. No detention has been constructed to serve future development. Floodplain areas are noted on the map.

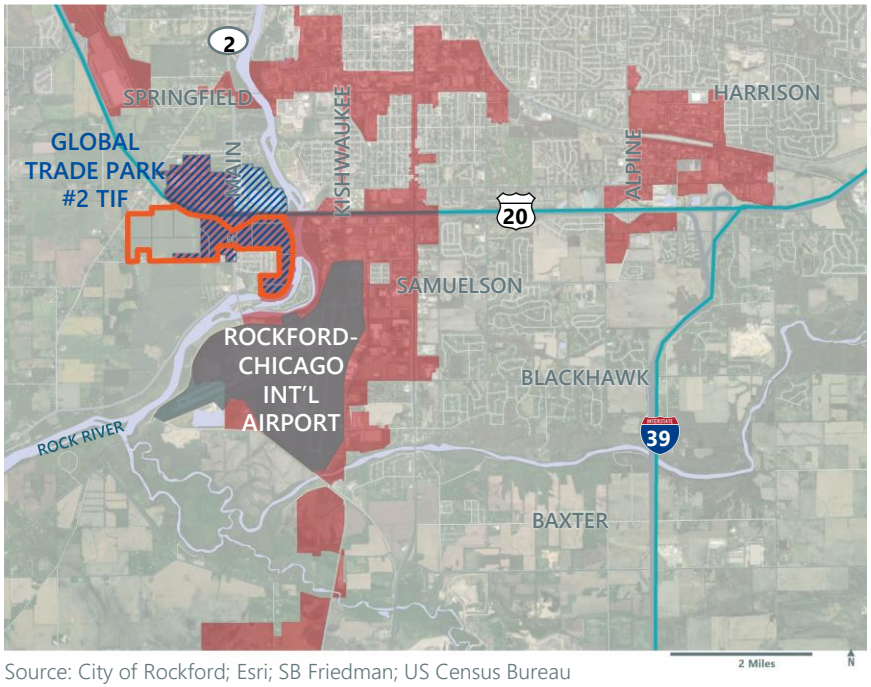
This information formed the basis of the preliminary infrastructure plan, which estimated the public and private infrastructure investment required to support new industrial development.

Additional detail is provided beginning on page 34.

COMPETITIVE TAX POSITION & FINANCIAL INCENTIVES

Incentives are available to offset real estate-related costs

US-20/IL-2 Interchange Site – Incentive Districts



Source: City of Rockford; Esri; SB Friedman; US Census Bureau

INTERCHANGE SITE

ROCKFORD EZ1

Incentives are available to reduce tax burdens and attract industrial tenants. In addition to the Foreign Trade Zone (see page 18), other incentives can be utilized, such as:

TIF: Much of the Interchange Site is in the Global Trade Park #2 TIF District, which is set to expire by 2030.

Enterprise Zone: Properties within the Rockford EZ1 are eligible for four years of City of Rockford property tax abatements on improvements. Properties located within TIF districts are not eligible for Enterprise Zone property tax abatements.

In addition to property tax abatements, businesses which locate in the Rockford EZ1 are eligible to claim investments tax credits and sales tax exemptions. Furthermore, businesses are eligible for small business loans for up to 25% of total project costs through the Illinois Enterprise Zone Business Participation Loan Program.

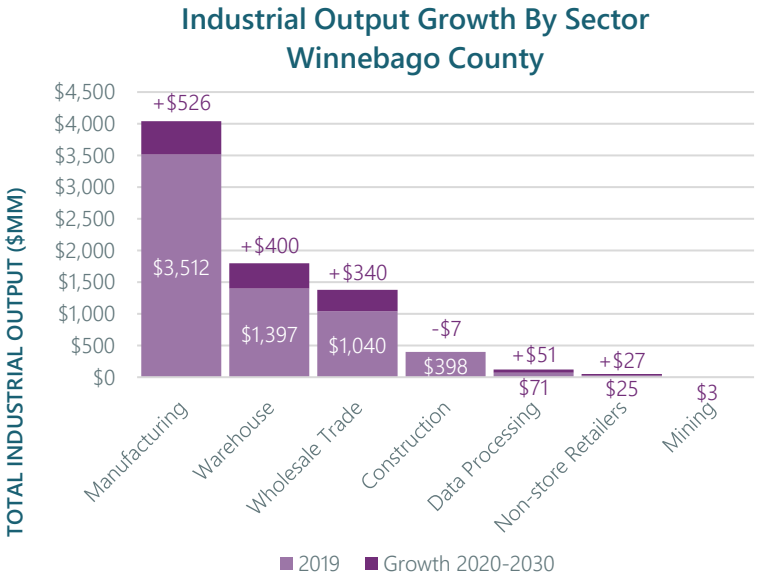
These location-specific financial incentives could be leveraged to fund public infrastructure projects, as well as help attract new industrial users to the Interchange Site.

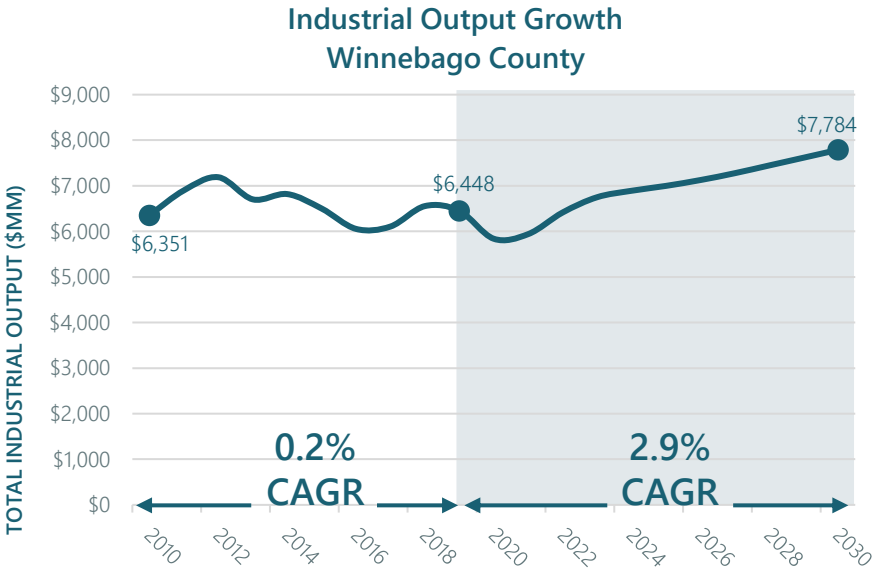
INDUSTRIAL DEMAND DRIVERS

Industrial output is anticipated to grow by $1.9 billion through 2030

Industrial demand is primarily driven by growth in output, which is the quantity of goods or services produced in a given time period. SB Friedman utilized Moody's historical and forecast output data for key industrial-related sectors (construction, manufacturing, wholesale trade, non-store retailers, data processing and mining) to project demand for additional industrial space. As advances in automation in technology continue to evolve, output per square foot has increased as a result of an increased efficiency.

Between 2012 and 2019, the industrial output for Winnebago County experienced a gradual decline. This is likely attributed to shifts in the local economy from legacy manufacturing and decreases in construction due to a slow post-recession recovery. From 2020 to 2030, Moody's has projected an increase in output for various industrial sectors within Winnebago County. In aggregate, output in Winnebago County is anticipated to grow by $1.9 billion between 2020 and 2030.



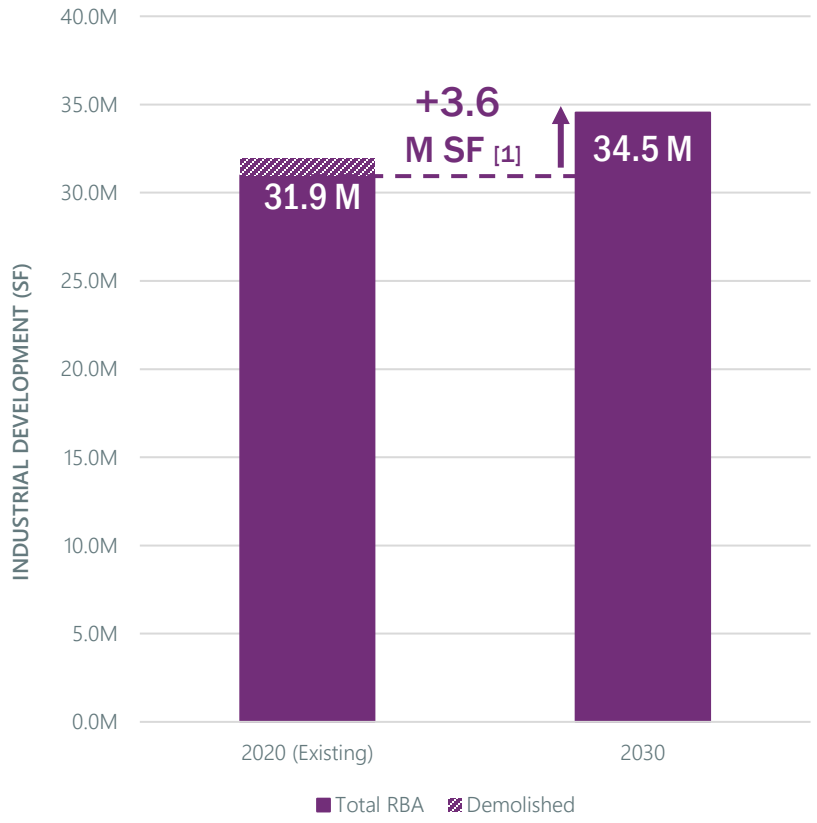


Source: Moody's Economy.com; SB Friedman

COUNTYWIDE DEMAND PROJECTIONS

Output growth will drive the need for an additional 3.6 million square feet by 2030

Winnebago County – Total Projected Industrial Square Footage



Source: CoStar, Moody's Economy.com, SB Friedman
[1] Accounts for future demolition of existing space based on historic demolition rates

SB Friedman prepared demand projections to estimate the market potential for industrial space resulting from projected countywide increases in gross domestic product in Winnebago County.

The forecasting model accounted for the historical trends in occupied industrial space from CoStar, industrial-sector output from Moody's, and historical rates of demolition of industrial buildings, vacancy, and efficiency ratios.

Over the next 10 years, this growth could produce demand for up to an additional **3.6 million square feet** of industrial space in Winnebago County. The industrial sectors with the highest growth over the next decade include manufacturing, warehousing and wholesale trade.

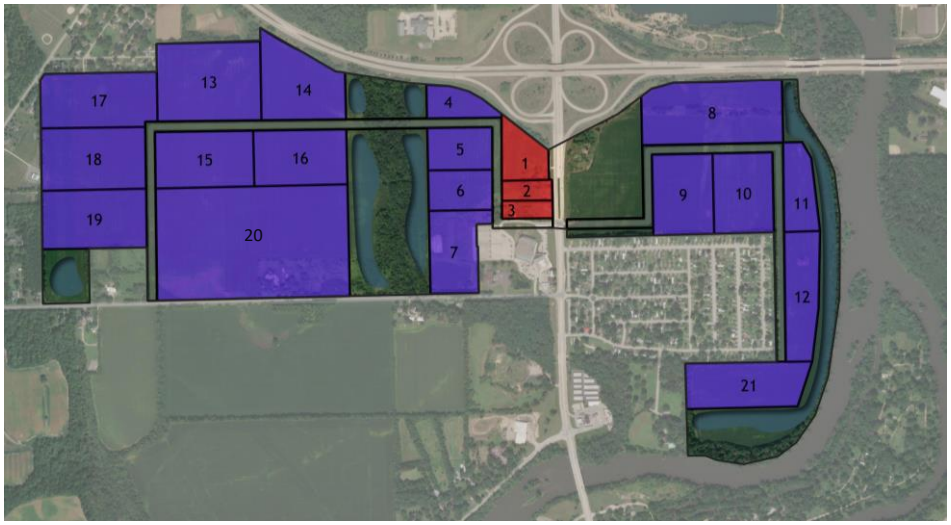
CONCEPTUAL DEVELOPMENT PROGRAM

The Interchange Site could accommodate 4.9 million square feet of new development

Based on SB Friedman's market demand forecast, growth in output in Winnebago County could produce demand for up to 3.6 million square feet of new industrial space by 2030. Given known competitive clusters and site advantages, the Interchange Site could potentially capture 40-60% of demand, or **1.4 million to 2.1 million square feet in the next 10 years.** Based on the growth in various sectors in Winnebago County, competitive positioning, and its location near RFD and the interstate system, the site could accommodate development of gateway and/or multi-city distribution and some manufacturing facilities.

Since infrastructure investment would support future development beyond the 10-year period, the long-term build-out was considered for the Interchange Site. Taking into account site capacity, the Interchange Site could accommodate nearly **4.9 million square feet** of industrial development. Assuming a consistent 10-year absorption rate, it would take approximately **23 years to fully build out** the Interchange Site.

Based on conversations with the stakeholders, there was a desire to hold land with frontage along IL-2 for future supportive commercial uses, such as a truck stop (currently under construction), gas station and restaurants. In total, the conceptual development program assumes the Interchange Site could accommodate an additional **23,000 square feet of commercial uses.**



Source: Fehr Graham, SB Friedman

Conceptual Development Program

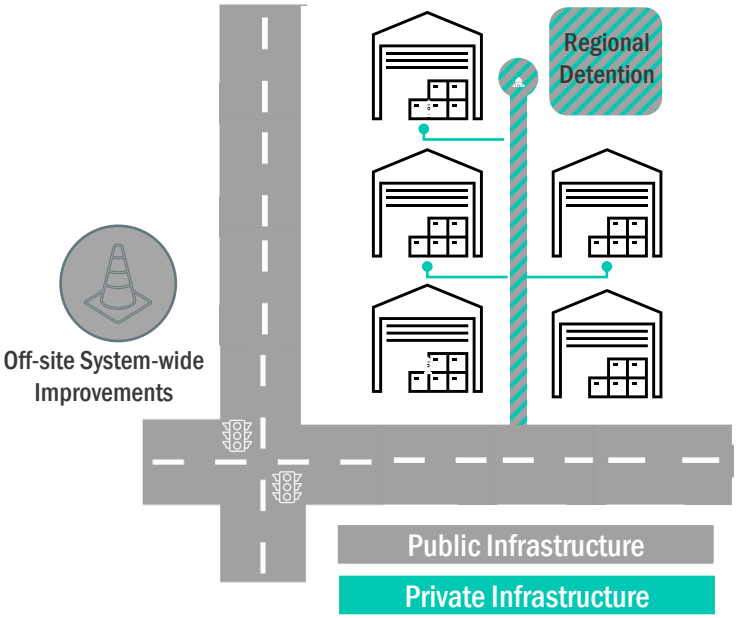
	Acres	Total SF	FAR
Industrial	318.6	4,875,000	0.35
Truck Stop	22.0	12,000	0.01
Gas Station	2.7	3,000	0.02
Fast Food	9.8	8,000	0.02
TOTAL	353.1	4,898,000	---

PUBLIC & PRIVATE INFRASTRUCTURE COSTS

To support full build-out of the Interchange Site, infrastructure investment will be required. The extent to which the public sector will bear the infrastructure costs depends on the extent to which infrastructure improvements required for any given development benefit the broader community (e.g., sanitary lift stations or improvements within the right-of-way that could accommodate additional users) versus improvements that directly serve the development parcel. The approach for public funding should vary depending on the infrastructure required:

- **Public Infrastructure** – infrastructure facilities (road, water, sanitary sewer) that serve the general public. Because these improvements serve a broader range of users, these types of infrastructure are typically funded with public dollars.
- **Private Infrastructure** – infrastructure that will remain privately held and exclusively serve a development parcel. In these cases, infrastructure costs can be shared between the public and a private developer. Public assistance should be driven by a financial gap assessment. A gap assessment can indicate what infrastructure cost a developer can carry and still maintain a market-typical return on investment.

The Interchange Site requires investment in public infrastructure, as well as private infrastructure to directly serve the end user. A full breakdown of public and private infrastructure costs by phase is provided in the following section.



Publicly Funded Costs	$11.5 M
Privately Funded Costs	$23.8 M

INFRASTRUCTURE NEEDS

Roadways & Stormwater Detention

While much of the US-20/IL-2 Interchange Site is already served by infrastructure and utilities, the following infrastructure is required to support future industrial and commercial development:

Total Roadway Cost - $18.0 M ***($5.7 M Public & $12.3 M Private)***

Roadway improvements needed to support development include road construction within the development area and a waterway crossing structure. Pelley Road reconstruction would be financed publicly, but all other improvements could be constructed and funded privately.

Planned Roadway Projects

- Pelley Road Reconstruction **$5.7 M**
- Warehouse Road Construction* **$5.0 M**
- Industry Drive Construction* **$6.8 M**
- Industry Drive Structure* **$0.6M**

* Indicates illustrative road name

Total Detention Cost - $6.5 M ***($0 Public & $6.5 M Private)***

Detention ponds to support the development of specific parcels could be constructed by developers. However, larger regional detention facilities that serve multiple sites may require some level of public assistance.

INFRASTRUCTURE NEEDS

Sanitary Sewer & Water Distribution

Total Sanitary Sewer Cost - $4.6 M ***($2.8 M Public & $1.8 M Private)***

An existing sanitary lift station will need to be upgraded to support the overall development. Sanitary sewer mains will need to be constructed along existing and new roadways to connect to the lift station along Main Street. It is anticipated that the public sector would pay for lift station upgrades.

Total Water Cost - $6.2 M ***($3.0 M Public & $3.2 M Private)***

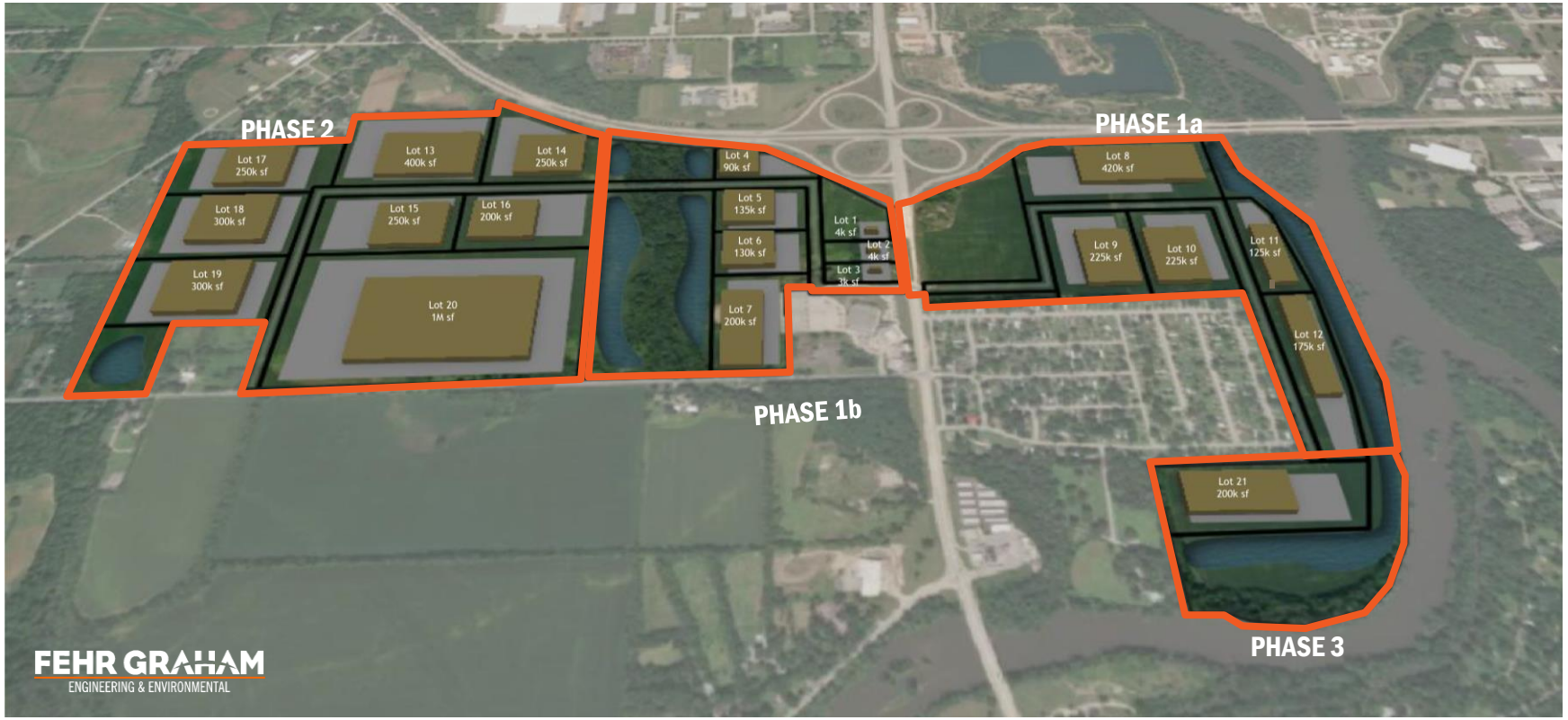
The existing well house located north of the interchange will need to be upgraded to support the overall development. Water mains will need to be constructed along existing and new roadways to connect to the 20" water main under Main Street. It is anticipated that the public sector would pay for well house improvements.

INFRASTRUCTURE PHASING

It may be possible to phase infrastructure to support new development

Given the presence of existing infrastructure, it may be possible to phase new infrastructure investments over two phases to support new industrial and commercial development.

US-20/IL-2 Interchange Site Development Phasing



INFRASTRUCTURE PHASING – PHASE 1a & 3

$14 million in capital improvements are required to support Phase 1a & 3 development

Phases 1a & 3: Phase 1a encompasses development of Lots 8 through 12 to accommodate nearly 1.2 million square feet of industrial development and the existing Loves Truck Stop. Despite being served by infrastructure extended during Phase 1a, the location and configuration of Lot 21 (Phase 3) makes it less viable for near-term development.

Development of Phases 1a and 3 requires additional roads, water, sanitary sewer and stormwater detention. Furthermore, larger-scale investment including well house improvements and a sanitary sewer lift station will be required to serve the entire Interchange Site. A few of the initial parcels could be constructed without the well house and lift station improvements, but the total demand from these phases require upgrades to both.

US-20/IL-2 Interchange Site - Phases 1a & 3 Infrastructure Costs

	Public Costs	Private Costs	Total Costs
Roads	$0 M	$5.0 M	$5.0 M
Sanitary Sewers	$2.4 M	$0.5 M	$2.9 M
Water	$2.1 M	$1.4 M	$3.5 M
Detention	$0 M	$2.0 M	$2.0 M
Total	**$4.5 M**	**$8.9 M**	**$13.5 M**

Source: Fehr Graham

US-20/IL-2 Interchange Site – Phase 1a & 3

INFRASTRUCTURE PHASING – PHASE 1b

$6 million in capital improvements are required to support Phase 1b development

Phases 1b: Phase 1b includes the development of Lots 4 through 7 to accommodate approximately 560,000 square feet of industrial development, as well as supportive commercial development on Lots 1 through 3.

Development of Phases 1b requires additional roads, water, sanitary sewer and stormwater detention. Larger-scale investment including well pump upgrades will be required to serve the entire Interchange Site.

US-20/IL-2 Interchange Site – Phase 1b

US-20/IL-2 Interchange Site - Phases 1b Infrastructure Costs

	Public Costs	Private Costs	Total Costs
Roads	$0 M	$2.3 M	$2.3 M
Sanitary Sewers	$0.4 M	$0.5 M	$0.9 M
Water	$0 M	$0.6 M	$0.6 M
Detention	$0 M	$2.0 M	$2.0 M
Total	**$0.4 M**	**$5.4 M**	**$5.8 M**

Source: Fehr Graham

INFRASTRUCTURE PHASING - PHASE 2

$16 million in capital improvements are required to support Phase 2 development

US-20/IL-2 Interchange Site – Phase 2

Phase 2: Phase 2 encompasses Lots 13 through 20 located north of Pelley Road and to the west of the large-scale detention. This phase of development could accommodate an additional 2.95 million square feet of industrial development.

Development of Phase 2 requires roadway construction, Pelley Road reconstruction, extension of sanitary sewers, and extension of water mains. The well house improvements and a sanitary sewer lift station upgrade are assumed to be constructed during Phase 1 to serve development in Phase 2. Alternatively, if the Phase 2 lots are developed first, the well house and sanitary lift station improvements would be completed for development in this area and could then service the Phase 1 and 3 lots when they are developed afterwards.

US-20/IL-2 Interchange Site - Phase 2 Infrastructure Costs

	Public Costs	Private Costs	Total Costs
Roads	$5.7 M	$5.1 M	$10.8 M
Sanitary Sewers	$0 M	$0.8 M	$0.8 M
Water	$0.9 M	$1.2 M	$2.1 M
Detention	$0 M	$2.5 M	$2.5 M
Total	**$6.6 M**	**$9.6 M**	**$16.2 M**

Source: Fehr Graham

COST-BENEFIT ANALYSIS

Analyses were undertaken to quantify the fiscal & economic impact of new development

Full build-out of the Interchange Site is anticipated to have substantial fiscal impacts for the City of Rockford, including growth in property values and additional sales tax generation. The equalized assessed value of the Interchange Site is projected to grow to approximately $87.8 million at full build-out in 2044, should the area develop as conceptualized.

Because full build-out of the Interchange Site will require substantial public sector investment. SB Friedman analyzed the ability of tax increment financing (TIF), sales taxes and business districts, commonly-used economic development tools in Illinois, to generate sufficient revenues to:

- Partially or wholly offset the preliminary cost of extending new public infrastructure and services; and
- Potentially support private infrastructure costs.

The following sections estimate the revenue that could be generated by the conceptual, market-driven development program. These projections form the basis of a cost-benefit analysis that evaluates the fiscal impact of new development. However, the economic impact of new development should also be considered when evaluating whether to pursue development; therefore, we also projected the economic impact of the conceptual development program.

TAX INCREMENT FINANCING

Conceptual development program could generate up to $63 million in TIF revenue

TIF is a program that allocates future increases in property taxes from a designated area, or TIF district, to pay for improvements within that area. The City of Rockford's Global Trade Park #2 TIF District, designated in 2007 under the Illinois Industrial Jobs Recovery Law, currently encompasses 11 of the 16 parcels within the US-20/IL-2 Interchange Site. This existing TIF district is set to expire in 2030.

SB Friedman analyzed various strategies to estimate TIF revenues that could be available to support development:

- **Scenario 1 - Existing TIF**: Estimates TIF revenues (both in-PIN increment only and full TIF district increment) that could be generated through the remaining life of the existing TIF District.
- **Scenario 2 - TIF Expansion and Extension:** Assumes that the existing TIF district would be amended and expanded to include the remaining five Interchange Site parcels not currently in the district. Upon expiration, we have assumed an additional 12-year extension is approved by the State.
- **Scenario 3 - TIF Redesignation**: Assumes an amendment to remove the Interchange Site parcels from the existing TIF and then subsequently creating a new TIF district that includes all Interchange Site parcels.

Under these scenarios, the conceptual development program could generate between **$13.5 million to $63.2 million in TIF revenue** (discounted at 4.5% to 2020 dollars).

US-20/IL-2 Interchange Site - TIF District Scenarios

Interchange Site Incremental Property Tax Revenue

	Scenario 1: Existing TIF	Scenario 2: Expansion and Extension	Scenario 3: TIF Redesignation
Undiscounted Revenue	$19.4 M	$115.8 M	$134.3 M
Discounted Revenue	$13.5 M	$57.7 M	$63.2 M

Note: The calculations and assumptions used to project these revenues are presented in Appendix A.

Note: SB Friedman did not conduct a full reconnaissance study to determine whether the Interchange Site would be eligible for designation as a TIF district.

SALES TAX & BUSINESS DISTRICT REVENUE

Conceptual development program could generate up to $3.6 million in sales & BD taxes

Sales tax revenue streams could be used to finance improvements required for development. SB Friedman considered the following sales tax revenue streams:

- **Local Distributive Sales Tax:** The local distributive sales tax is a portion of the existing composite sales tax rate. Sales taxes generated by businesses within a defined area could be used to finance improvements within that area. The local distributive sales tax rate is 1%.
- **Business District (BD) Sales Tax.** A BD sales tax is an additional tax and can be levied in increments of 0.25%, up to 1.0%. BD revenues are required to fund improvements within the defined district in which the additional tax is levied.

SB Friedman estimates that the conceptual development program could generate up to **$1.8 million in local distributive sales tax revenue** and **$0.4 to $1.8 million in BD revenues** over 23 years (both discounted at 4.5% to 2020 dollars).

Projected Sales Tax Revenues

	Tax Rate	Undiscounted Revenue	Discounted Revenue (4.5% to 2020$)
Local Distributive Sales Tax	1.00%	$3.0 M	$1.8 M
Business District Sales Tax	0.25%	$0.7 M	$0.4 M
	0.50%	$1.5 M	$0.9 M
	0.75%	$2.2 M	$1.3 M
	1.00%	$3.0 M	$1.8 M

Note: The calculations and assumptions used to project these revenues are presented in Appendix A.

Note: SB Friedman did not conduct a full reconnaissance study to determine whether the Interchange Site would be eligible for designation as a Business District.

COST-BENEFIT CONCLUSIONS

TIF revenue alone could likely support public infrastructure costs

Key takeaways from our analysis of anticipated infrastructure costs and public sector revenue generation are outlined below:

- Revenues from the existing Global Trade Park #2 TIF District (Scenario 1) could likely support public infrastructure costs associated with Phase 1 of development (located within the existing TIF). However, revenues would not support all private infrastructure costs.
- To support public infrastructure costs associated with the Interchange Site parcels outside of the existing TIF, it will be necessary to either expand/extend the existing TIF or amend and re-designate a new TIF district that includes all US-20/IL-2 Interchange Site parcels. Both Scenarios 2 and 3 would generate sufficient revenue to cover both public and private infrastructure costs. While TIF extensions provide extra time to complete TIF projects and continue to "grow" increment, TIF extensions require an act of the State legislature, typically require support from all impacted taxing districts, and are not guaranteed.

US-20/IL-2 Interchange Site - Cost Benefit Analysis

	Scenario 1	Scenario 2	Scenario 3
	Existing TIF and Phase 1 Infrastructure Costs	TIF Expansion and Extension and Total Infrastructure Costs	TIF Redesignation and Total Infrastructure Costs
Gross TIF Revenues [1]	$13,521,000	$57,681,000	$63,236,000
- Public Infrastructure Costs	($4,900,000)	($11,500,000)	($11,500,000)
Net TIF Revenue After Public Infrastructure Costs	**$8,621,000**	**$46,181,000**	**$51,736,000**
- Private Infrastructure Costs	($14,330,000)	($23,880,000)	($23,880,000)
Fiscal Benefit (Burden)	**($5,709,000)**	**$22,301,000**	**$27,856,000**

[1] Total discounted TIF revenues (4.5% discount rate)
Source: Fehr Graham, SB Friedman

ECONOMIC IMPACT

Full build-out could generate up to $5.3 billion in annual economic activity [1]

If development within the US-20/IL-2 Interchange Site were to occur as conceptualized, operations at the new facilities could generate $5.3 billion in annual economic activity at full build-out, including direct, indirect and induced output. Based on the market assessment, full build-out of the Interchange Site could take over 20 years. Approximately $2.9 billion in annual direct output could be generated in industrial sectors, including over $1.3 billion in manufacturing sectors.

Direct

$2.9 B

Annual direct output

Indirect & Induced

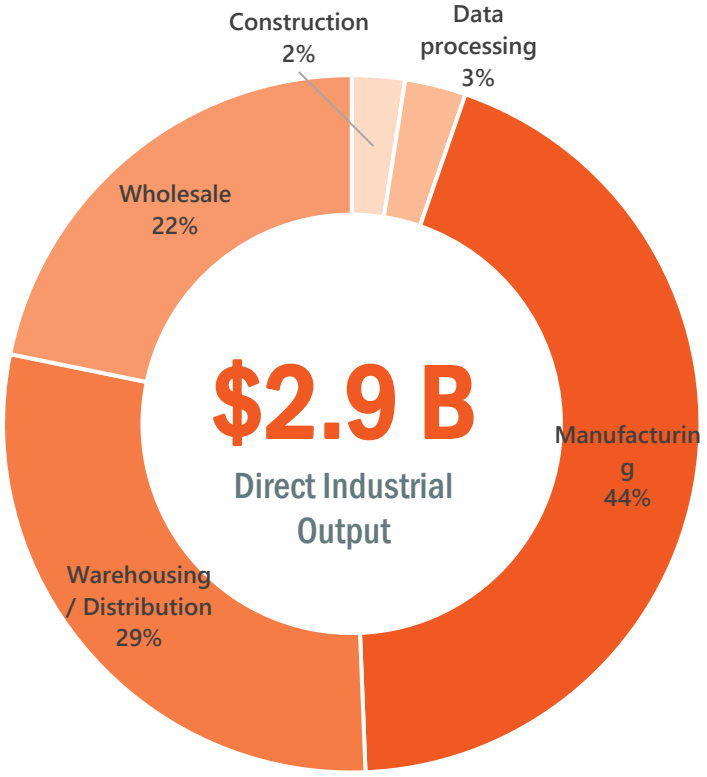
$2.4 B

Annual indirect & induced output

Total Project Period

$5.3 B

Total annual output within Winnebago County



[1] Economic Activity is the value of industry production, as estimated by revenue.
Note: The calculations and assumptions used to project these impacts are presented in Appendix B.
Source: IMPLAN; SB Friedman

ECONOMIC IMPACT

Full build-out could create up to 37,300 permanent jobs [1]

At full build-out, the conceptual development program could result in approximately 37,300 annual permanent FTE jobs, including direct, indirect and induced jobs. Approximately 23,000 annual direct permanent FTEs could be created in industrial sectors, including over 10,000 direct jobs in the wholesale sector.

Direct

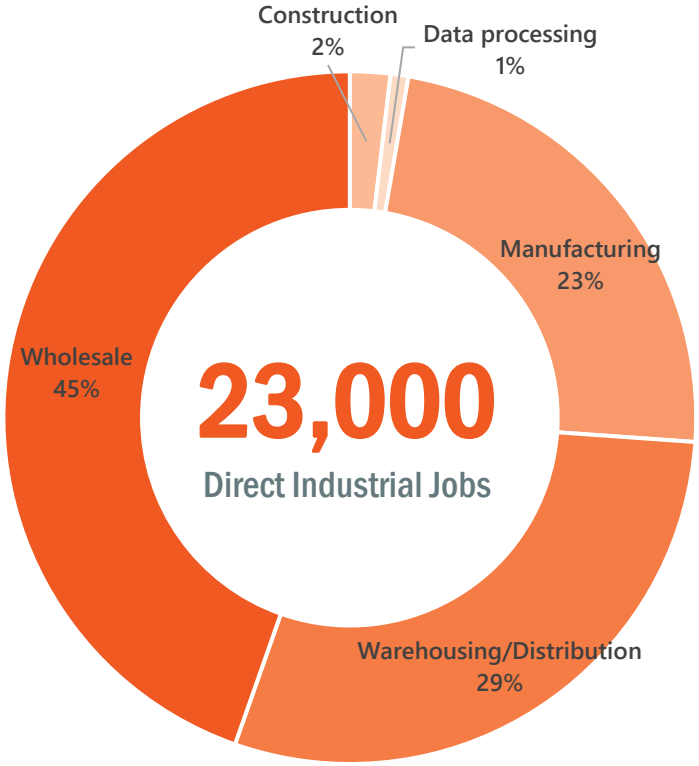
23,000
Direct permanent jobs created

Indirect & Induced

14,300
Indirect & induced permanent jobs created

Total Project Period

37,300
Total permanent jobs created



[1] Permanent jobs includes full-time, part-time and seasonal workers, and therefore does not represent full-time-equivalents (FTEs). SB Friedman converted jobs estimates to FTE jobs using the FTE conversion table provided by IMPLAN.
Note: The calculations and assumptions used to project these impacts are presented in Appendix B.
Source: IMPLAN; SB Friedman

ECONOMIC IMPACT

Full build-out could generate up to $2.3 billion in employee compensation [1]

At full build-out, the conceptual development program could create $2.3 billion in wages and benefits for FTE jobs, including direct, indirect and induced jobs. The average employee compensation for direct industrial jobs is $69,600 per job.

Direct

$1.6 B

Direct permanent employee compensation

Indirect & Induced

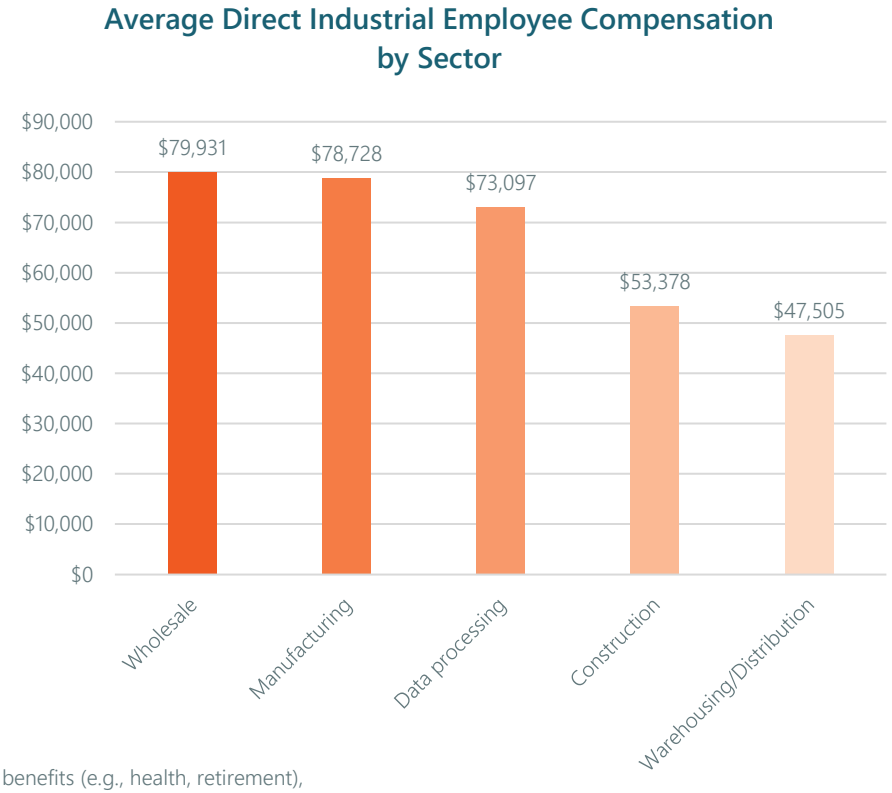
$0.7 B

Indirect & induced permanent employee compensation

Total Project Period

$2.3 B

Total permanent employee compensation



[1] Total payroll cost of wage and salary paid to the employee. This includes wages and salaries, all benefits (e.g., health, retirement), and payroll taxes (both sides of social security, unemployment insurance taxes, etc.).
Note: The calculations and assumptions used to project these impacts are presented in Appendix B.
Source: IMPLAN; SB Friedman

IMPLEMENTATION STRATEGY

Development of the Interchange Site will require a coordinated effort among stakeholders and property owners. The following section outlines various action steps that could be undertaken and financial tools that could be leveraged to overcome barriers/ challenges to development, maximize economic development potential, and facilitate development.

MARKET SITES & CAPITALIZE ON COMPETITIVE ADVANTAGES

Implementation Strategy

Prospective industrial users are likely to consider a number of factors during the site-selection process, including end user locational preferences/requirements, convenient access to transportation systems, the extent to which development pads are shovel-ready, and the availability of competitive development sites. There is a significant supply of land available for industrial development in the region, including existing shovel-ready sites and undeveloped farmland. Therefore, local stakeholders will need to aggressively market the Interchange Site to prospective users and capitalize on the advantages of the location. Key action steps are outlined below.

1. Coordinate with landowners to market sites. Marketing the Interchange Site will require coordination with individual landowners and, in some cases, may require assembling property. If site assembly is required, we recommend working with landowners to jointly market adjacent sites, rather than the municipality or stakeholders acquiring the sites. The latter transfers risk to the public sector and redirects financial resources that are likely needed to bring infrastructure to the Interchange Site. It is our understanding that the value expectations of various landowners may be limiting the ability to develop specific sites; therefore, stakeholders could also take an active role in educating landowners about achievable land prices.

Implementers: All local stakeholders; Region 1 Planning Council; property owners

2. Define industrial user attraction strategies. Industrial development is typically driven by the end user; therefore, it is important to market the sites to both growing companies locally and potential wild card users.

Target industries should include industries that:

- Already have a strong presence in the local economy;
- Are projected to grow in the near-term; and
- Supply chain businesses with industries that both have a strong local presence and/or are projected to grow.

A matrix of these industries are outlined on the following page.

Wild card users are companies that could be evaluating sites throughout the region or nation. Many of the wild card users that are currently active in the market are associated with e-commerce and could be attracted to the Interchange Site due to its proximity to major markets and transportation systems.

Implementers: Rockford Area Economic Development Council (RAEDC); Winnebago County Economic Development Division; Region 1 Planning Council

MARKET SITES & CAPITALIZE ON COMPETITIVE ADVANTAGES

Implementation Strategy

Projected top 10 industries in 2031 by total employment (Winnebago County)	Industries with the largest anticipated growth in employment from 2015 to 2031	Supply chain for industries that have a strong local presence and/or are projected to grow
Fabricated Metal Product Manufacturing	Couriers and Messengers	Primary Metal Manufacturing
Machinery Manufacturing	Transportation Equipment Manufacturing	Fabricated Metal Product Manufacturing
Couriers and Messengers	Primary Metal Manufacturing	Merchant Wholesalers, Durable Goods
Transportation Equipment Manufacturing	Transit and Ground Passenger Transportation	Transportation Equipment Manufacturing
Merchant Wholesalers, Durable Goods	Paper Manufacturing	Food Manufacturing
Food Manufacturing	Chemical Manufacturing	Machinery Manufacturing
Truck Transportation	Support Activities for Transportation	Merchant Wholesalers, Nondurable Goods
Chemical Manufacturing	Wood Product Manufacturing	Chemical Manufacturing
Merchant Wholesalers, Nondurable Goods	Food Manufacturing	Truck Transportation
Primary Metal Manufacturing	Electrical Equip., Appliance, and Component Manufacturing	Computer and Electronic Product Manufacturing
		Plastics and Rubber Products Manufacturing
		Paper Manufacturing
		Petroleum and Coal Products Manufacturing
		Support Activities for Transportation
		Warehousing and Storage
		Electrical Equipment, Appliance, and Component Manufacturing

Source: Emsi

MARKET SITES & CAPITALIZE ON COMPETITIVE ADVANTAGES

Implementation Strategy

3. Market competitive advantages of the Interchange Site. To be competitive with the large supply of alternative sites, it is important to educate prospective industrial users, especially wild card users, about the competitive advantages of the Interchange Site, including proximity to major consumer markets, established industrial supply chains, and major transportation networks.

Key competitive advantages of the Interchange Site include:

- Proximity to the Chicago-Rockford International Airport;
- Easy access to robust transportation networks; and
- Access to established manufacturing and distribution sector supply chains.

Marketing efforts could include developing marketing materials/websites that highlight the competitive position of the Interchange Site.

Implementers: All local stakeholders; Region 1 Planning Council; property owners

4. Consider regional approaches to enhance competitiveness. The Interchange Site competes both regionally and nationally to attract industrial users. Developing a coordinated regional approach to support economic development would create a framework to support industrial development while leveraging the key competitive advantages of individual Interchange Sites. Potential strategies to enhance regional competitiveness include:

- Continuing to promote Chicago-Rockford International Airport as a premier cargo facility;
- Continuing to invest in regional infrastructure (airport, rail, etc.) to expand current capacity;
- Continuing to market existing workforce development and training programs, grants, and other incentives available in the region, such as the Employee Investment Training Program; and
- Establishing partnerships between the private and public sectors to align training programs and hiring practices to ensure training programs adequately develop the required on-the-job skills.

Implementers: Chicago-Rockford International Airport; RAEDC; City of Rockford; Winnebago County; Region 1 Planning Council; local community colleges; adult education and workforce training partners; major employers

REDUCE UNCERTAINTY FOR PROSPECTIVE USERS

Implementation Strategy

Industrial users typically move quickly with development of new facilities. Therefore, it is important to limit the number of uncertainties regarding how and when development could occur. Doing so sends a clear signal to the market that the Interchange Site is available for development and shovel-ready.

5. Establish regulatory framework to support development. Ensuring that proper entitlements are in place reduces risk and uncertainty in the site-selection process, as well as reduces the time required to facilitate development. It is important to address any annexation and zoning-related issues to set the stage for industrial and supporting commercial development. The entirety of the US-20/IL-2 Interchange Site is currently located within Rockford's city limits. It appears that zoning is already in place to support the desired types of development. Parcels which directly front IL-2 are zoned for commercial uses. The remainder of Interchange Site parcels are zoned for industrial uses; parcels east of IL-2 are zoned for light industrial uses while parcels west of IL-2 are zoned for airport-industrial uses.

Implementers: City of Rockford

6. Pursue phased approach to infrastructure investment. In situations where infrastructure is not yet in place to serve future development, a clear plan and timeframe for extending services can help reduce uncertainty and increase attractiveness for development. Furthermore, clustering new development is a key strategy to managing the need for new infrastructure.

While there is infrastructure capacity to develop a limited amount of new industrial square footage as part of Phase 1, there are various larger-scale infrastructure investments required to make full build-out of the Interchange Site feasible.

A few of the initial sites could be developed without the required well house and lift station improvements, but the total demand from Phase 1 requires upgrades to both. In the interim, focusing on the areas with highest near-term development potential without additional infrastructure investment is a pathway to generating TIF revenue which could support later phases of public infrastructure investment. Establishing this area as a priority redevelopment area could support the goal of clustering new development to manage the need for new infrastructure.

Implementers: City of Rockford, Region 1 Planning Council

REDUCE UNCERTAINTY FOR PROSPECTIVE USERS

Implementation Strategy

7. Set the stage for infrastructure investment. It would be fiscally prudent to limit large-scale infrastructure investment until there is a clearly defined project seeking entitlements. While it is likely that a first-mover could be served by the existing infrastructure, a clear plan and timeframe for extending services to the rest of the Interchange Site could reduce uncertainty and increase attractiveness for development. To do this, the City could prepare detailed cost estimates and establish a physical and financing plan for infrastructure that is implemented when a user has fully committed.

Implementers: City of Rockford

DEFINE INFRASTRUCTURE FINANCING PLAN

Implementation Strategy

The cost of expanding the infrastructure network can be prohibitive to some new development. Municipal financial support is often required to offset these extraordinary costs. The following are best practices for financing public infrastructure to support development:

8. Leverage all available sources to finance up-front infrastructure. To unlock development, the City could take a proactive role in financing public infrastructure that serves a broader area and has the potential to unlock multiple development sites. Potential strategies include:

- Exploring all available local funding/financing sources, including enterprise reserve funds (which are separate from municipal general funds) with the capacity to self-fund required improvements;
- Exploring all available state funding/financing sources, including the IDOT Truck Access Route Program and Rebuild Illinois Public Infrastructure grants; and
- Exploring all available federal funding/financing sources, including Community Development Block Grants (CDBGs), Infrastructure for Rebuilding America (INFRA) grants, and Better Utilizing Investments to Leverage Development (BUILD) Transportation Discretionary Grant program.

Once all available funding/financing sources are identified, the City could estimate the public funding "gap" for public infrastructure.

Implementers: City of Rockford

9. Optimize use of special districts to finance public infrastructure. Creative infrastructure financing solutions for extraordinary costs can help alleviate the burden on municipal general funds. However, different financing mechanisms result in varying levels of risk to the public sector. While special districts, such as TIF and Business Districts, are useful tools for capturing incremental value creation over time, it may take several years for sufficient revenues to materialize. If development is delayed or absorption is slower than currently projected, less revenue will be generated. The mismatch associated with the need for upfront improvements/investment and when the subsequent value is generated through special districts presents a degree of risk to the public entity. Therefore, in advance of agreements which put the City at risk, full feasibility assessments should be conducted to project revenues based on the proposed development and phasing to determine financing capacity. Additionally, an eligibility study will be required to assess whether the area qualifies as a TIF and/or Business District under State law to ensure a pathway forward.

DEFINE INFRASTRUCTURE FINANCING PLAN

Implementation Strategy

A portion of the Interchange Site is located within the existing Global Trade Park #2 TIF District, established under the Illinois Industrial Jobs Recovery Law. While having the district in place is a key component to leveraging value capture strategies, new development must occur to generate incremental revenues. Despite significant growth in demand for industrial space over the next 10 years, full absorption of the US-20/IL-2 Interchange Site will likely take over 20 years, assuming consistent absorption during this period. With the existing Global Trade Park #2 set to expire in 2030, the City could consider alternative TIF strategies to maximize TIF generation potential, including:

- Expanding the existing Global Trade Park #2 TIF District to include the entirety of the Interchange Site in conjunction with extending the TIF district for an additional 12-year period;
- Amending the existing Global Trade Park #2 TIF to remove Interchange Site parcels and then redesignate as a new TIF district to capture full increment potential over 23-year period; or
- Implementing a phased approach to increment generation that creates multiple contiguous TIF districts with the potential to port funds.

While TIF extensions provide extra time to complete TIF projects and continue to "grow" increment, TIF extensions require an act of the State legislature, typically require support from all impacted taxing districts, and are not guaranteed. Furthermore, any amendments involving the redesignation of parcels within the existing Global Trade Park #2 TIF District would need to account for outstanding debt obligations. Therefore, the creation of new TIF district(s) would likely generate the most potential revenue. To maximize increment generation potential, new TIF districts should only be established once a user has committed and development is imminent, as established by a letter of intent (LOI), redevelopment agreement (RDA) or other documentation.

Incremental sales and Business District tax revenue could generate between $2.2-$3.6 million (discounted to 2020 dollars); however, future revenues are dependent upon supportive retail development and should only be considered as a potential financing source once definitive plans for the commercial areas advance. At that time, a feasibility study should be undertaken to estimate the potential tax revenues.

Implementers: City of Rockford

DEFINE INFRASTRUCTURE FINANCING PLAN

Implementation Strategy

10. Mitigate risk to the public sector by implementing a shared-burden backstop. The City could consider alternative approaches to financing infrastructure improvements, including:

- **Impact fees –** A one-time fee to reimburse the City for up-front infrastructure that is required by new development. The fee is typically structured to require that each development pay an equitable portion of the costs. These fees can come in various forms including exaction fee (to fund on-site infrastructure), impact fee (to fund off-site infrastructure), or negotiated contributions.
- **Special service areas/special assessments -** Allows property taxpayers to form a special taxing district in which they agree to levy an additional property tax on themselves for desired public improvements that would not be funded by the City otherwise.

Implementers: City of Rockford

11. Explore public-private partnerships to support private infrastructure. On-site infrastructure which primarily serves a single project or user should be funded by the private entity. However, in some instances it may be necessary for the public sector to contribute to private infrastructure costs that cannot be fully carried by the project. In those situations, city participation could be based on a financial gap analysis that includes a detailed review of project financials. This would involve:

- Right-sizing the public assistance to the amount required for the project to be financially feasible; and
- Structuring an agreement with the developer or industrial user that outlines the terms, timing, and structure of public assistance and includes protections for the public sector to guarantee development outcomes.

If financial assistance is provided for a first-mover, the City could consider the use of inducement resolutions to provide assurance that TIF-eligible costs that were incurred prior to the final approval of a TIF district may be eligible for reimbursement as part of a redevelopment agreement.

Implementers: City of Rockford

LEVERAGE ALL AVAILABLE PROGRAMS TO ATTRACT USERS

Implementation Strategy

12. Consider incentivizing wild card users. Public entities are utilizing both jobs-based and real estate development incentives to attract "wild card" industrial users to their communities. To compete for these types of end users, additional forms of assistance may be requested from the business. Federal programs such as Foreign Trade Zones (FTZ) could provide wild card industrial users with desirable incentives such as reduction/elimination of duty on foreign imports and exemptions from state and local inventory taxes for local goods held for export. Given the job creation potential, the City could also work directly with identified industrial users to apply for federal grants available to support job creation, such as the US Economic Development Administration (EDA) Economic Adjustment Assistance grants.

Additionally, a variety of statewide funding programs could be leveraged to encourage businesses to locate within the Interchange Site, such as Business Development Public Infrastructure Program (BDPIP) grants, Economic Development for a Growing Economy (EDGE) tax credits, IDOT Economic Development Program (EDP), and Large Business Development Program (LBDP) grants. The City of Rockford also manages an Enterprise Zone, which enables eligible properties to receive tax abatements for up to four years on improvements. These abatements, however, could not be used in conjunction with TIF funding. Businesses which locate in the Rockford EZ1 are eligible to claim investments tax credits and sales tax exemptions. Furthermore, businesses are eligible for small business loans for up to 25% of total project costs through the Illinois Enterprise Zone Business Participation Loan Program.

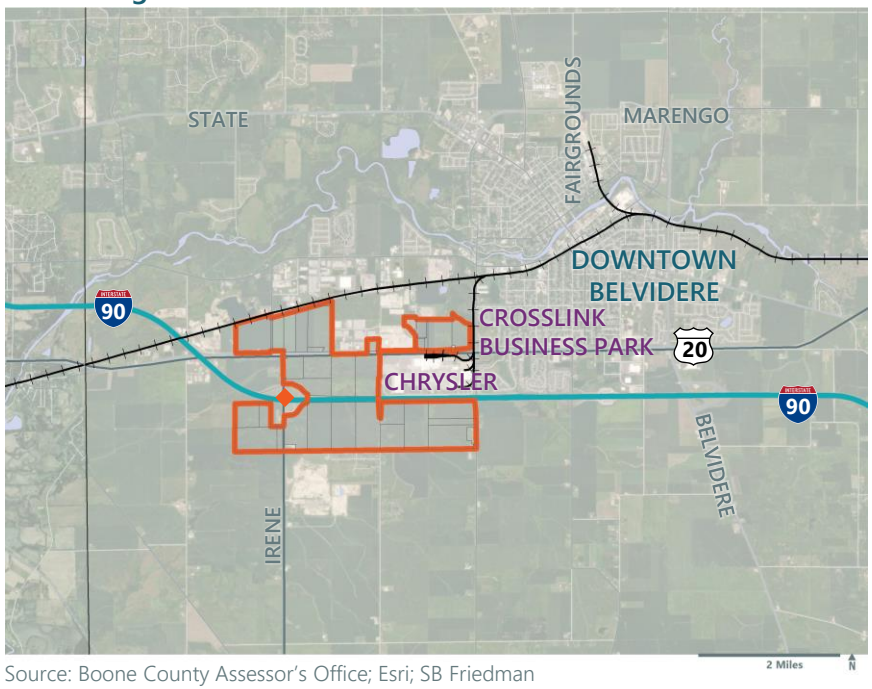
Implementers: City of Rockford

I-90/IRENE ROAD DEVELOPMENT FEASIBILITY

I-90/IRENE ROAD

Adjacent parcels include ±1,334 gross acres of potentially developable land

Interchange Site Context



Source: Boone County Assessor's Office; Esri; SB Friedman

INTERCHANGE SITE

Union Pacific Rail

The I-90/Irene Road Interchange Site in Boone County is strategically located adjacent to the Chrysler-Fiat Assembly Plan, the region's largest employer. Additionally, the interchange is approximately five miles by road from Downtown Belvidere.

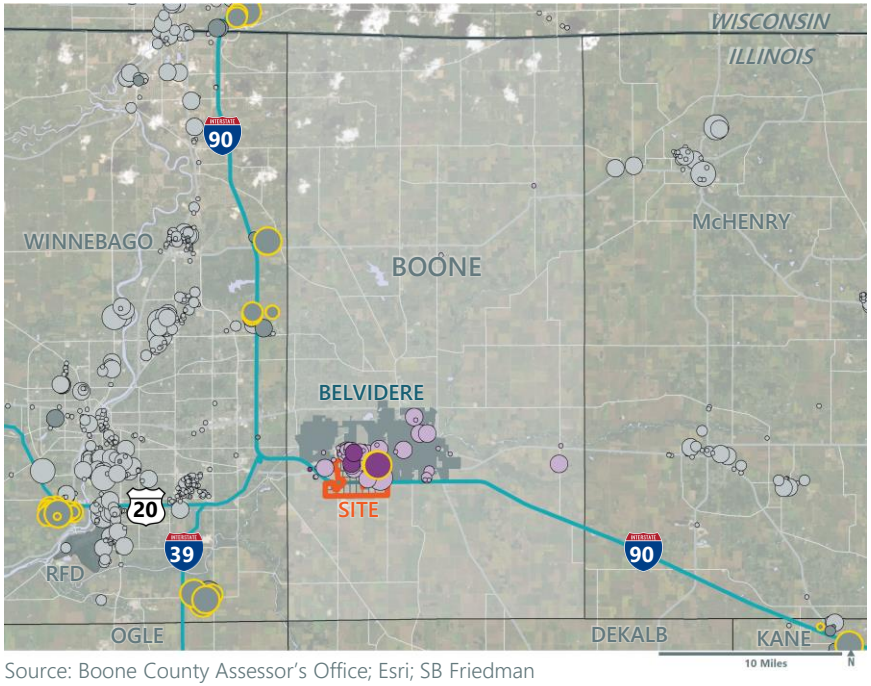
The interchange was completed in December 2015. To leverage this investment, Region 1 and local stakeholders are seeking to understand the feasibility of developing 1,418 gross acres near the interchange, which comprises 39 parcels.

Portions of the Interchange Site are adjacent to the Chicago-Northwestern rail line, a part of the Union Pacific rail network, with direct access via a spur to the northeast. The northeast portion of the Interchange Site is currently being marketed as the 128-acre Crosslink Business Park.

LOCAL INDUSTRIAL SUPPLY

Industrial development in the County has concentrated in Belvidere

Boone County Industrial and Flex Existing Supply



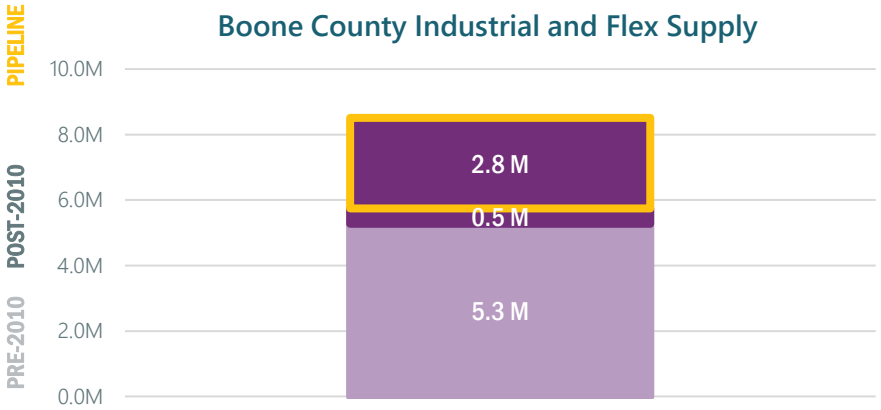
Source: Boone County Assessor's Office; Esri; SB Friedman

To understand the market feasibility of new industrial development, SB Friedman analyzed current market conditions.

Boone County has a limited supply of industrial and flex properties, consisting of approximately 5.8 million square feet of space. Since 2010, approximately 465,000 square feet has been constructed, most of which is in Belvidere and adjacent to the Chrysler-Fiat Assembly Plant. The Interchange Site is adjacent to the largest industrial cluster in Boone County, just west of Downtown Belvidere along the Union Pacific rail line.

According to CoStar, there is approximately 2.8 million square feet of proposed industrial and flex space within Boone County. This development is being marketed as part of the proposed Crosslink Business Park within the Interchange Site.

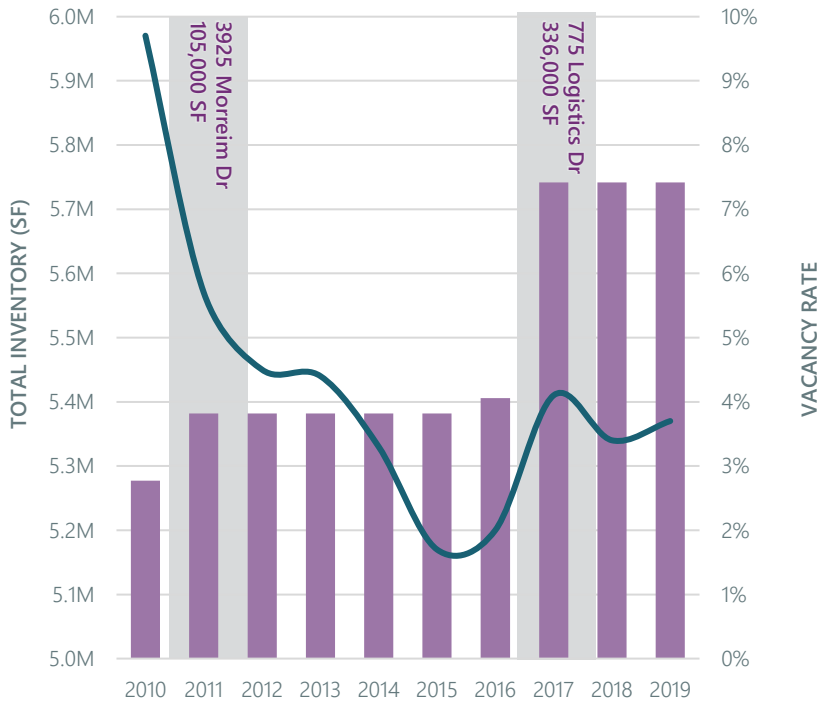
Boone County Industrial and Flex Supply



LOCAL MARKET DYNAMICS

There were two major deliveries since 2011

Boone County Industrial Dynamics: 2010 to 2019



Source: CoStar; SB Friedman

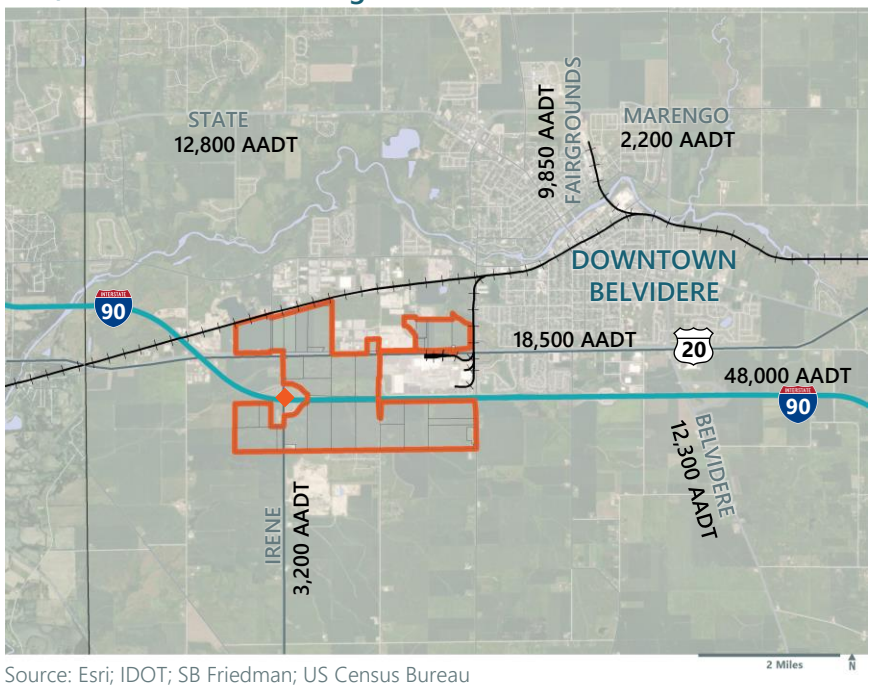
Since 2010, there has been approximately 465,000 square feet of new industrial development within Boone County. Industrial vacancy rates within Boone County have decreased drastically since the Great Recession and have stabilized at approximately 4.3%.

10-YEAR TOTAL NEW DELIVERIES:	465,000 SF
10-YEAR AVG VACANCY:	4.3%
10-YEAR AVG DEMOLITION RATE:	0.0%
CURRENT RENT PSF:	$4.00

ACCESS TO TRANSPORTATION NETWORKS

Access to Union Pacific rail network is a significant competitive advantage

I-90/Irene Road Interchange Site – Access Considerations



Source: Esri; IDOT; SB Friedman; US Census Bureau

INTERCHANGE SITE

SB Friedman reviewed site specific characteristics of the I-90/Irene Road Interchange Site to assess the site's competitive advantages for industrial development.

INTERSTATE SYSTEM: The majority of the I-90/Irene Road Interchange Site has direct access to I-90. There are 391,000 businesses and 4.3 million households located within 100 miles, which is a frequently used radius for distribution users.

RAIL: The Interchange Site is also serviced by the Chicago – Northwestern Rail Line (Union Pacific). Sites on the northwest and northeast portion of the Interchange Site have direct access to the rail line at the Chrysler Industrial Lead. The rail line can accommodate 112 car unit train services.

AIRPORT: RFD is accessible within 20 minutes and ORD is accessible within 50 minutes.

The current transportation infrastructure provides an opportunity for multi-market distribution centers.

ACCESS TO THE SUPPLY CHAIN

Local industrial sectors are largely manufacturing, transportation & wholesale-focused

Industrial employment surrounding the Interchange Site is predominantly manufacturing. The Chrysler Assembly Plant is the largest manufacturing employer in the region with over 4,000 employees. Other large employers near the Interchange Site include General Mills, Northwest Pallet Supply Company and Renaissance Roofing, which utilize rail access. Newer industrial employers in the area include Yanfeng Automotive Interiors, Pacific Global Logistics, and Syncreon. These companies are within the automotive assembly supply chain.

The ongoing COVID-19 pandemic has resulted in layoffs for businesses surrounding the Interchange Site. Such impacts are expected to continue throughout the pandemic.

Key local industries are outlined below.

Projected top 10 industries in 2031 by total employment (Boone County)

1. Transportation Equipment Manufacturing	6. Machinery Manufacturing
2. Warehousing and Storage	7. Furniture and Related Product Manufacturing
3. Fabricated Metal Product Manufacturing	8. Merchant Wholesalers, Nondurable Goods
4. Truck Transportation	9. Merchant Wholesalers, Durable Goods
5. Wood Product Manufacturing	10. Support Activities for Transportation

Top 10 industries with the largest anticipated growth in employment from 2015 to 2031

1. Warehousing and Storage	6. Furniture and Related Product Manufacturing
2. Electrical Equip., Appliance, and Component Manufacturing	7. Truck Transportation
3. Machinery Manufacturing	8. Miscellaneous Manufacturing
4. Transportation Equipment Manufacturing	9. Computer and Electronic Product Manufacturing
5. Paper Manufacturing	10. Merchant Wholesalers, Nondurable Goods

Source: Emsi

ACCESS TO THE SUPPLY CHAIN

New industrial users can leverage proximity to the Chrysler Assembly Plant

TOP SUPPLY CHAIN INDUSTRIES	Businesses in Northern IL [1]
Primary Metal Manufacturing	19
Fabricated Metal Product Manufacturing	345
Merchant Wholesalers, Durable Goods	510
Transportation Equipment Manufacturing	42
Food Manufacturing	59
Machinery Manufacturing	238
Merchant Wholesalers, Nondurable Goods	162
Chemical Manufacturing	44
Truck Transportation	495
Computer and Electronic Product Manufacturing	48
Plastics and Rubber Products Manufacturing	59
Paper Manufacturing	11
Petroleum and Coal Products Manufacturing	4
Support Activities for Transportation	95
Warehousing and Storage	31
Electrical Equipment, Appliance, and Component Manufacturing	27

[1] Defined for the purposes of this analysis as Winnebago, Boone & McHenry Counties | Source: Emsi

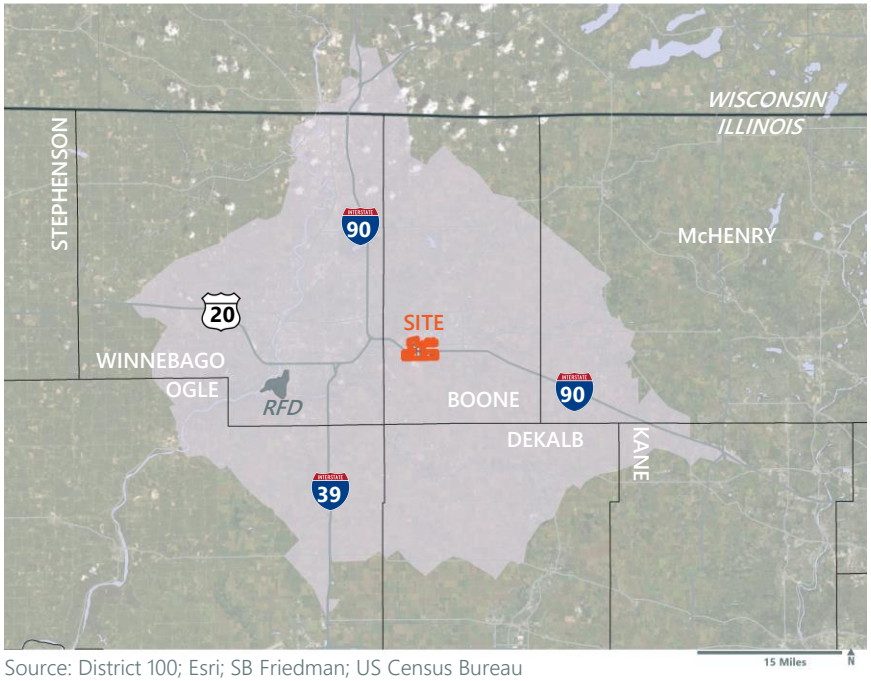
Outlined to the left are industries within the supply chain of Boone County's industrial sectors with either 1) the largest total projected employment by 2031 or 2) largest anticipated growth in employment from 2015 to 2031, based on previous analyses.

These supply chain industries are prevalent in the local economy and provide opportunities for similar industrial users to leverage access to the existing supply chain.

ACCESS TO THE LABOR FORCE

Over 181,000 labor force participants live within a 25-minute drive time

I-90/Irene Road Interchange Site – 25-Minute Drive Time



Source: District 100; Esri; SB Friedman; US Census Bureau

25 MINUTE DRIVE TIME

The region's economy has a skilled labor force, with over 181,360 total workers in portions of Winnebago, Ogle, McHenry, DeKalb and Kane counties. Approximately 34% of these workers are involved with industrial-related employment such as construction, manufacturing and transportation/utilities.

Approximately 254,100 residents over the age of 25 live within a 25-minute drive time of the Interchange Site. Over 88% of these residents hold a high school diploma or above.

Boone County and the City of Belvidere offer a variety of workforce training and development programs. One such program includes the State of Illinois' Postsecondary and Workforce Readiness program, which has incentivized career exploration and development among high school students in the County's School District 100. Students enrolled in this program enter careers in fields such as manufacturing, information technology, and agriculture, food, and natural recourses (AFNR).

181,360

TOTAL LABOR FORCE

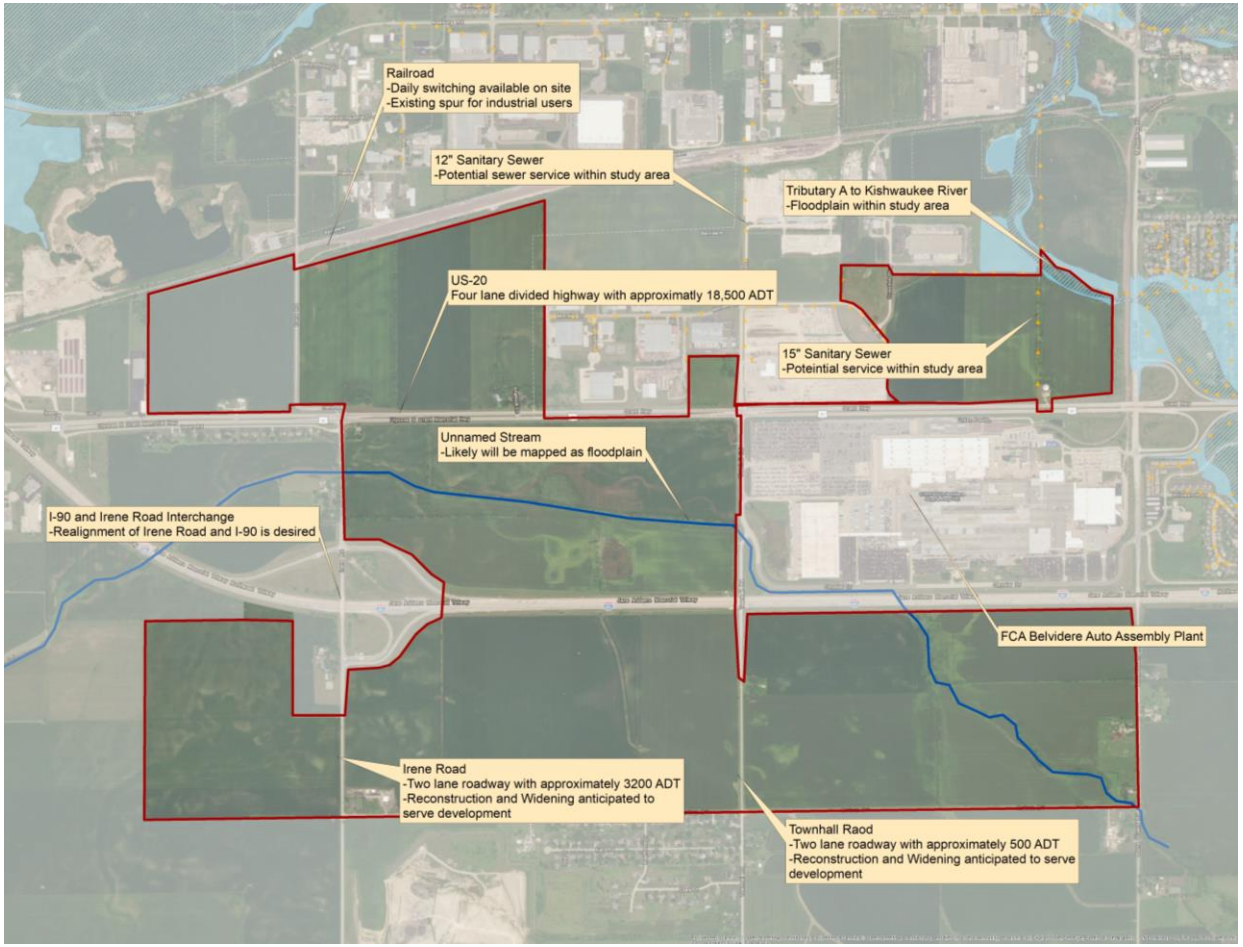
88.3%

HIGH SCHOOL DIPLOMA ATTAINMENT OR HIGHER

SHOVEL-READINESS

Additional investment is required for the Interchange Site to be shovel-ready

I-90/Irene Road Interchange Site Shovel-Readiness



Key findings from the review of existing infrastructure are outlined below.

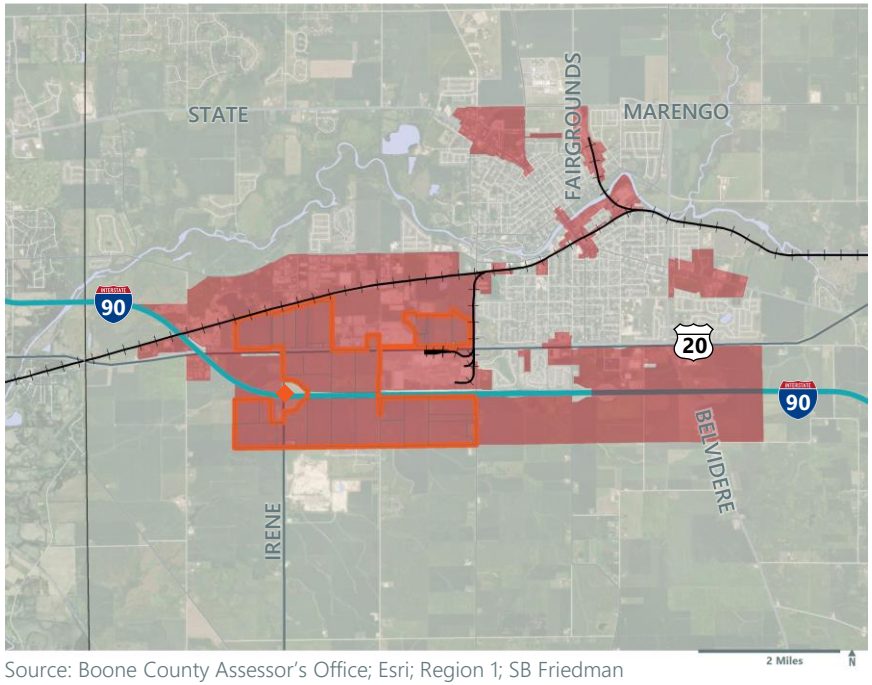
- **Sewer**. Northern area can be served by existing sewers. Southern and western areas will need extensions.
- **Water**. Northern area can be served by existing water main. South of US-20 will require extensions.
- **Transportation**. US-20 has adequate capacity for development. Irene and Townhall Roads will need to be improved to serve development south of US-20.
- **Stormwater**. No detention has been constructed to serve future development.

This information formed the basis of the preliminary infrastructure plan, which estimated the public and private infrastructure investment required to support new industrial development. **Additional detail is provided beginning on page 71.**

COMPETITIVE TAX POSITION & FINANCIAL INCENTIVES

Incentives are available to offset real estate-related costs

I-90/Irene Road Interchange Site – Incentive Districts



Source: Boone County Assessor's Office; Esri; Region 1; SB Friedman

INTERCHANGE SITE

BELVIDERE/BOONE EZ

Union Pacific Rail

Incentives are available to offset real estate-related costs. In addition to the Foreign Trade Zone (see page 18), the City of Belvidere and Boone County offer various local incentives to reduce tax burdens and attract industrial tenants, including:

Enterprise Zone: The Interchange Site is located within the Belvidere/Boone County Enterprise Zone. Properties within this zone are eligible for four years of property tax abatements on improvements. In addition to property tax abatements, businesses which locate in the EZ are eligible to claim investments tax credits and sales tax exemptions. Furthermore, businesses are eligible for small business loans for up to 25% of total project costs through the Illinois Enterprise Zone Business Participation Loan Program.

Other Incentives: The State of Illinois and Boone County offer a variety of grant and incentive programs to encourage businesses to locate to targeted locations. These programs include:

- Business Development Public Infrastructure Program (BDPIP) grants
- Economic Development for a Growing Economy (EDGE) tax credits
- Large Business Development Program (LBDP) grants

These location-specific financial incentives could be leveraged to fund public infrastructure projects, as well as attract new industrial users to the Interchange Site.

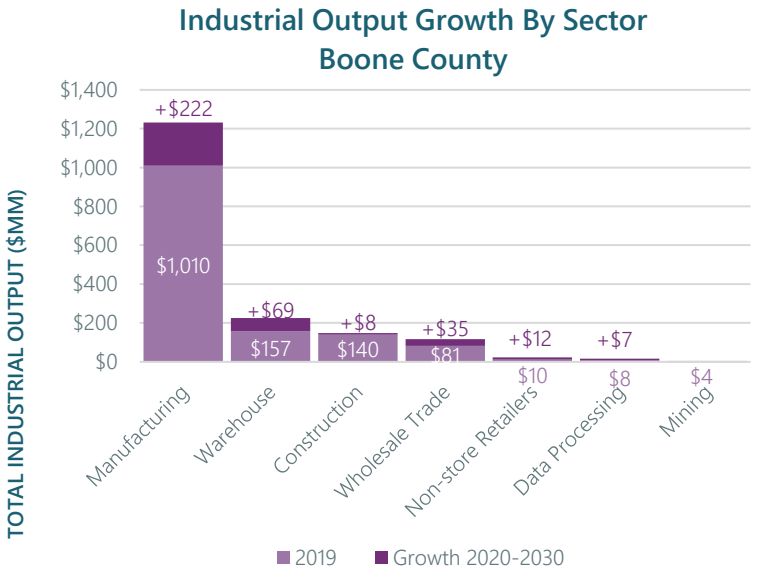
INDUSTRIAL DEMAND DRIVERS

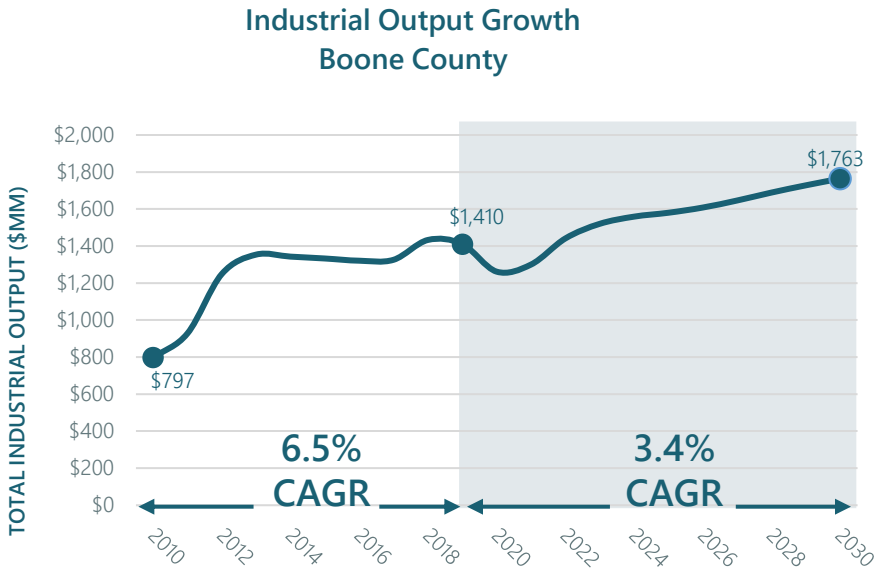
Industrial output is anticipated to grow by $500 million by 2030

Industrial demand is primarily driven by growth in output, which is the quantity of goods or services produced in a given time period. SB Friedman utilized Moody's historical and forecast output data for key industrial-related sectors (construction, manufacturing, wholesale trade, non-store retailers, data processing and mining) to project demand for additional industrial space. As advances in automation in technology continue to evolve, output per square foot has increased as a result of an increased efficiency.

Industrial output in Boone County nearly doubled between 2010 and 2019; this can be partially attributed to the expansion of the Chrysler-Fiat Assembly Plant, which was completed in 2012, and recovery from the Great Recession.

From 2020 to 2030, Moody's has projected an increase in output for all industrial sectors within Boone County, with significant growth in manufacturing. In total, output in Boone County is anticipated to grow by over $500 million over the next 10 years.



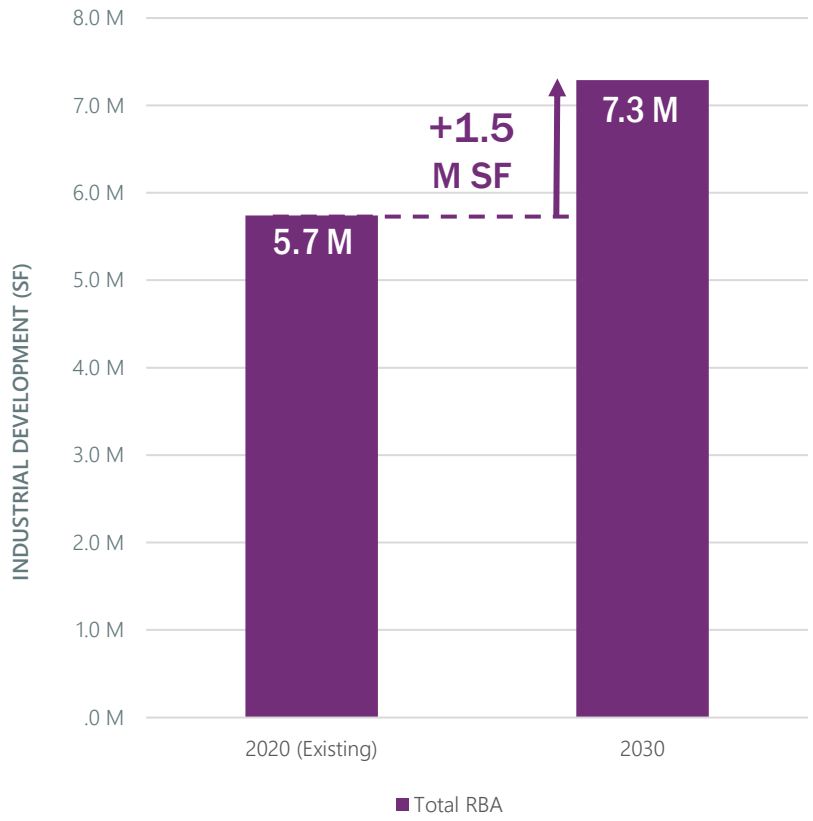


Source: Moody's Economy.com; SB Friedman

COUNTYWIDE DEMAND PROJECTIONS

Output growth will drive the need for an additional 1.5 million square feet by 2030

Boone County – Total Projected Industrial Square Footage



Source: CoStar; Moody's Economy.com; SB Friedman

SB Friedman prepared demand projections to estimate the market potential for industrial space resulting from projected countywide increases in gross domestic product in Boone County.

The forecasting model accounted for the historical trends in occupied industrial space from CoStar, industrial-sector output from Moody's, and historical rates of demolition of industrial buildings, vacancy, and efficiency ratios.

Over the next ten years, this growth could produce demand for up to an additional **1.5 million square feet** of industrial space in Boone County.

CONCEPTUAL DEVELOPMENT PROGRAM

The Interchange Site could accommodate 4.2 million square feet of new development

Based on SB Friedman's market demand forecast, growth in output in Boone County could produce demand for up to 1.5 million square feet of new industrial space by 2030. Given the limited presence of known competitive clusters in Boone County and site advantages, Interchange Site could potentially capture 80-90% of demand, or **1.2 million to 1.4 million square feet in the next 10 years,** including gateway and/or multi-city distribution as well as smaller data processing and manufacturing facilities.

Since infrastructure investment would support future development beyond the ten-year period, the long-term build-out was considered for the Interchange Site. Assuming a consistent 10-year absorption rate, the Interchange Site could accommodate nearly **4.2 million square feet** of industrial development over a 30-year period. Development of this scale only accounts for approximately 22.4% of the available acreage.

Based on conversations with the stakeholders, there was a desire to hold land with frontage along Irene Road for future supportive commercial uses, such as gas stations and restaurants. In total, the conceptual development program assumes the Interchange Site could accommodate an additional **14,000 square feet of commercial uses.**

Source: Fehr Graham; SB Friedman

Commercial
Industrial

Conceptual Development Program

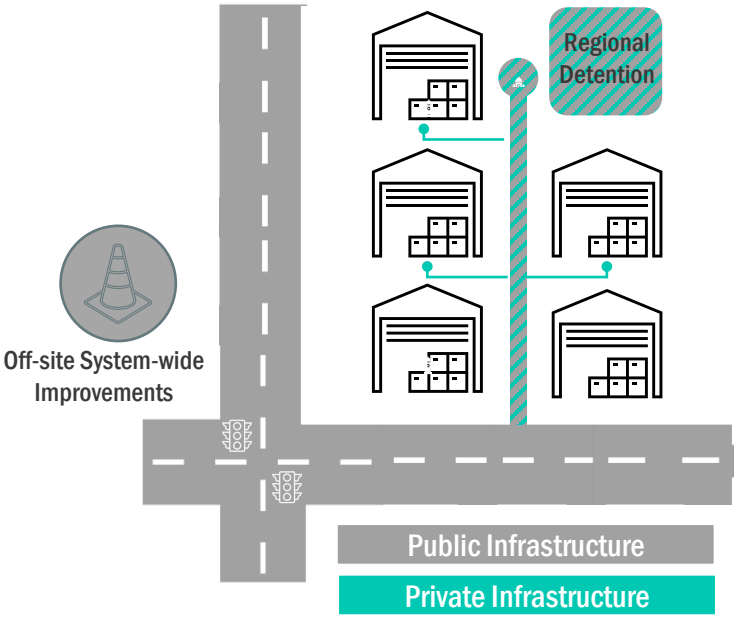
	Acres	Total SF	FAR
Industrial	304.8	4,175,000	0.31
Truck Stop	0	0	---
Gas Station	11.9	7,000	0.01
Fast Food	11.9	7,000	0.01
TOTAL	328.6	4,189,000	---

PUBLIC & PRIVATE INFRASTRUCTURE COSTS

To support build-out of the Interchange Site, infrastructure investment will be required. The extent to which the public sector will bear the infrastructure costs depends on the extent to which infrastructure improvements required for any given development benefit the broader community (e.g., sanitary lift stations or improvements within the right-of-way that could accommodate additional users) versus improvements that directly serve the development parcel. The approach for public financing should vary depending on the infrastructure required:

- **Public Infrastructure** – infrastructure facilities (road, water, sanitary sewer) that serve the general public. Because these improvements serve a broader range of users, these types of infrastructure are typically funded with public dollars.
- **Private Infrastructure** – infrastructure that will remain privately held and exclusively serve a development parcel. In these cases, infrastructure costs can be shared between the public and a private developer. Public assistance should be driven by a financial gap assessment. A gap assessment can indicate what infrastructure cost a developer can carry and still maintain a market-typical return on investment.

The Interchange Site requires investment in public infrastructure, as well as private infrastructure to directly serve the end user. A full breakdown of public and private infrastructure costs by phase is provided in the following section.



Publicly Funded Costs	$27.3 M
Privately Funded Costs	$21.8 M

INFRASTRUCTURE NEEDS

Roadways & Stormwater Detention

While portions of the I-90/Irene Road Interchange Site are already served by infrastructure and utilities, the following infrastructure is required to support future industrial and commercial development:

Total Roadway Cost - $10.9 M ***($2.3 M Public & $8.6 M Private)***

Roadway improvements needed to support development include numerous roads and signal improvements. It is anticipated that the Irene Road reconfiguration and construction would be funded publicly and the local roadways that provide access to individual lots could be constructed by developers.

Total Detention Cost - $7.0 M ***($0 Public & $7.0 M Private)***

Detention ponds to support development of specific parcels could be constructed by developers. However, larger regional detention facilities may require some level of public assistance.

Planned Roadway Projects

- Irene Road Construction **$2.3 M**
- Morreim Road Construction **$4.4 M**
- Graham Road Construction **$4.2 M**

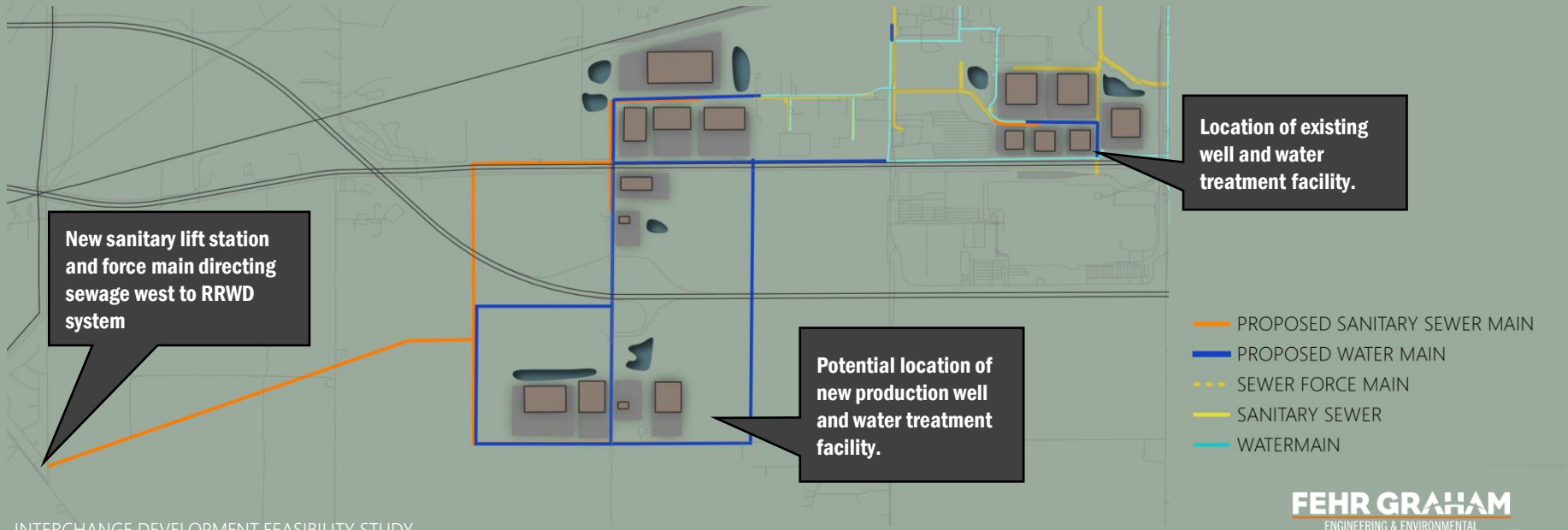
INFRASTRUCTURE NEEDS
Sanitary Sewer & Water Distribution

Total Water Cost - $14.0 M ***($9.1 M Public & $4.9 M Private)***

The northeast portion of the Interchange Site can be served by the adjacent existing City of Belvidere well house. The rest of the Interchange Site requires extension of water main from Belvidere's water main system and the construction of a new production well and water treatment facility. It is anticipated that the public sector would pay for the well house and 12" water main that will be located along Townhall Bypass and Irene Road.

Total Sanitary Sewer Cost - $11.3 M ***($8.1 M Public & $3.2 M Private)***

The northeast portion of the Interchange Site will require a small sewer extension and connection to the existing Belvidere sewer system. The rest of the study area requires an extension of sanitary service from the west to connect into the regional sewage system operated by RRWD. This includes a new lift station, force main, and sanitary sewer mains. It is anticipated that the public sector would pay for the lift station, force main, and sanitary sewer extension to the study area.

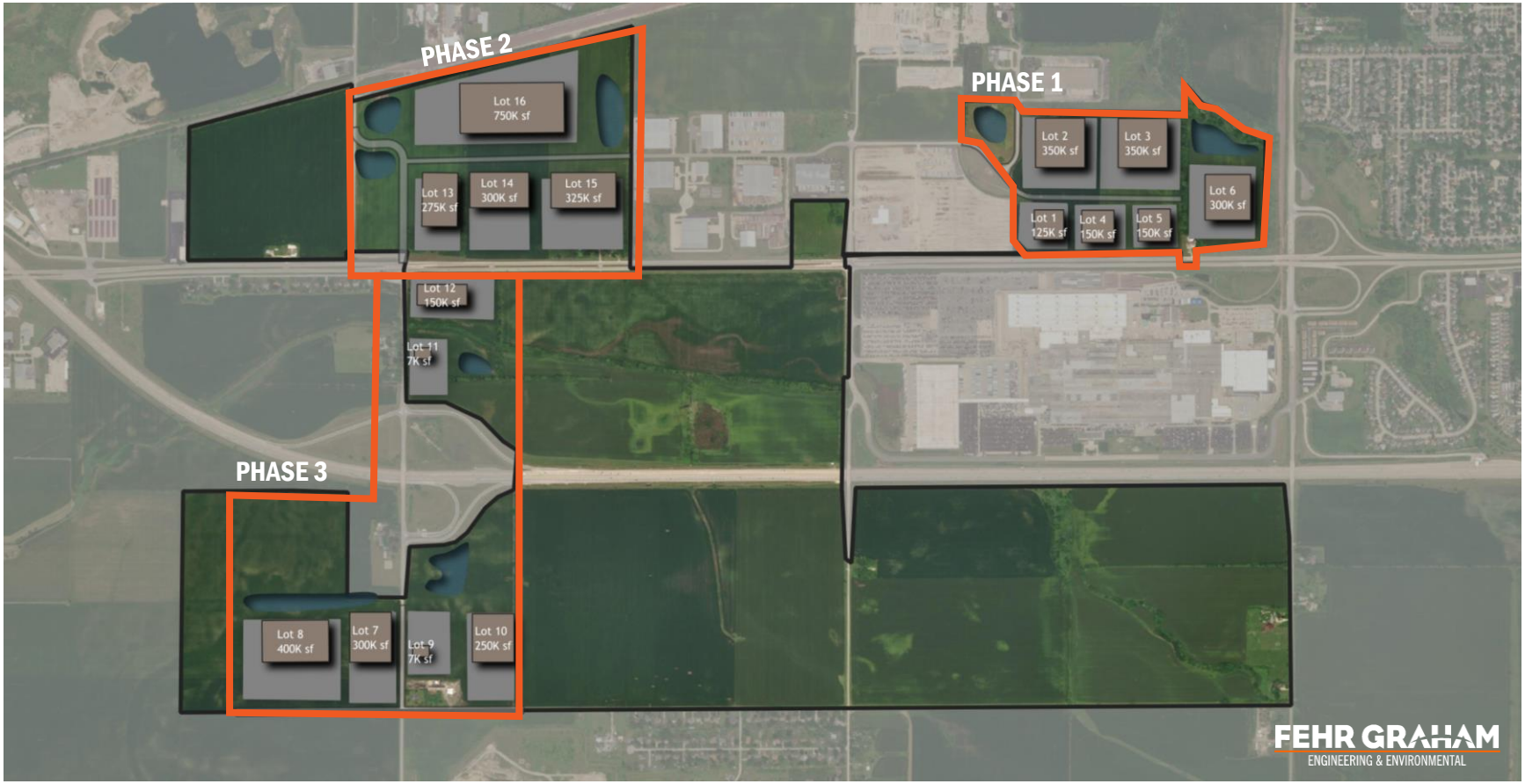


INFRASTRUCTURE PHASING

It may be possible to phase infrastructure to support new development

Given the presence of existing infrastructure, it may be possible to phase infrastructure investments over three phases to support new industrial and commercial development.

I-90/Irene Road Interchange Site Development Phasing



INFRASTRUCTURE PHASING – PHASE 1

$5 million in capital improvements are required to support Phase 1 development

Phase 1: This phase would likely involve approximately 1.4 million square feet of industrial development, which capitalizes on the existing infrastructure within the Crosslink Business Park. Assuming consistent absorption, full industrial development build-out would take approximately 10 years.

Development of Phase 1 requires the extension of Morreim Drive, water main, and sanitary sewer. No water or wastewater treatment upgrades would be necessary to support this portion of the overall development, which keeps infrastructure costs relatively low for both the public and private sectors.

I-90/Irene Road Interchange Site - Phase 1 Infrastructure Costs

	Public Costs	Private Costs	Total Costs
Roads	$0 M	$1.9 M	$1.9 M
Sanitary Sewers	$0 M	$0.2 M	$0.2 M
Water	$0 M	$0.4 M	$0.4 M
Detention	$0 M	$2..0 M	$2..0 M
Total	**$0 M**	**$4.5 M**	**$4.5 M**

Source: Fehr Graham

I-90/Irene Road Interchange Site – Phase 1

INFRASTRUCTURE PHASING – PHASE 2

$26 million in capital improvements are required to support Phase 2 development

Phase 2: SB Friedman and Fehr Graham assumed that as the Phase 1 development is absorbed, utility services and infrastructure would eventually extend to the remainder to the I-90/Irene Road Interchange Site to allow for subsequent phases of development. Phase 2 includes 1.7 million square feet of industrial development.

Phase 2 development will be located east of Irene Road and along an extension of Morreim Road. Irene Road will be reconfigured to connect with Morreim Road and allow for a reverse curve transition from its alignment at the US-20 intersection and its alignment north of the railroad.

Development of Phase 2 requires substantial public investment in water distribution and sewage facilities. Due to the demand created by this development phase, the construction of a new production well, water treatment facility, and sanitary lift station are required to support this phase. These items are required for Phase 2 and would also serve Phase 3 development. Likewise, Phase 3 could be developed first along with these infrastructure investments and Phase 2 could be developed after and supported by the same infrastructure.

I-90/Irene Road Interchange Site – Phase 2

I-90/Irene Road Interchange Site - Phase 2 Infrastructure Costs

	Public Costs	Private Costs	Total Costs
Roads	$2.3 M	$2.5 M	$4.8 M
Sanitary Sewers	$8.1 M	$1.2 M	$9.3 M
Water	$9.1 M	$0 M	$9.1 M
Detention	$0 M	$2.5 M	$2.5 M
Total	**$19.4 M**	**$6.2 M**	**$25.6 M**

Source: Fehr Graham

INFRASTRUCTURE PHASING – PHASE 3

$13 million in capital improvements are required to support Phase 3 development

Phase 3: SB Friedman assumed that Phase 3 of industrial development would occur once both Phase 1 and Phase 2 development is absorbed. Phase 3 includes 1.1 million square feet of industrial development and 14,000 square feet of commercial space.

Development of Phase 3 requires water, sewer, and roadway improvements. Significant components of the Phase 2 infrastructure must be in place to support Phase 3, including the water production well and treatment facility and the sanitary lift station.

Alternatively, this phase could be completed ahead of Phase 2 and incorporate the major water and sewer facilities that support both phases.

I-90/Irene Road Interchange Site - Phase 3 Infrastructure Costs

	Public Costs	Private Costs	Total Costs
Roads	$0 M	$4.2 M	$4.2 M
Sanitary Sewers	$0 M	$1.8 M	$1.8 M
Water	$0 M	$4.5 M	$4.5 M
Detention	$0 M	$2.5 M	$2.5 M
Total	**$0 M**	**$13.0 M**	**$13.0 M**

Source: Fehr Graham

I-90/Irene Road Interchange Site – Phase 3

COST-BENEFIT ANALYSIS

Analyses were undertaken to quantify the fiscal & economic impact of new development

The Interchange Site is anticipated to have substantial fiscal impacts for the City of Belvidere at full build-out, including growth in property values and additional sales tax generation. The equalized assessed value of the Interchange Site is projected to grow to approximately $117.8 million at full build-out in 2051, should the area develop as conceptualized.

Full build-out of the Interchange Site will require substantial public sector investment. SB Friedman analyzed the ability of tax increment financing (TIF), sales taxes and business districts, commonly-used economic development tools in Illinois, to generate sufficient revenues to:

- Partially or wholly offset the preliminary cost of extending new public infrastructure and services; and
- Potentially support private infrastructure costs.

The following sections estimates the revenue that could be generated by the conceptual, market-driven development program. These projections form the basis of a cost-benefit analysis that evaluates the fiscal impact of new development. However, the economic impact of new development should also be considered when evaluating whether to pursue development; therefore, we also projected the economic impact of the conceptual development program.

TAX INCREMENT FINANCING

Conceptual development program could generate up to $45 million in TIF revenue

TIF is a program that allocates future increases in property taxes from a designated area, or TIF district, to pay for improvements within that area. There is not currently a TIF district located within the Interchange Site.

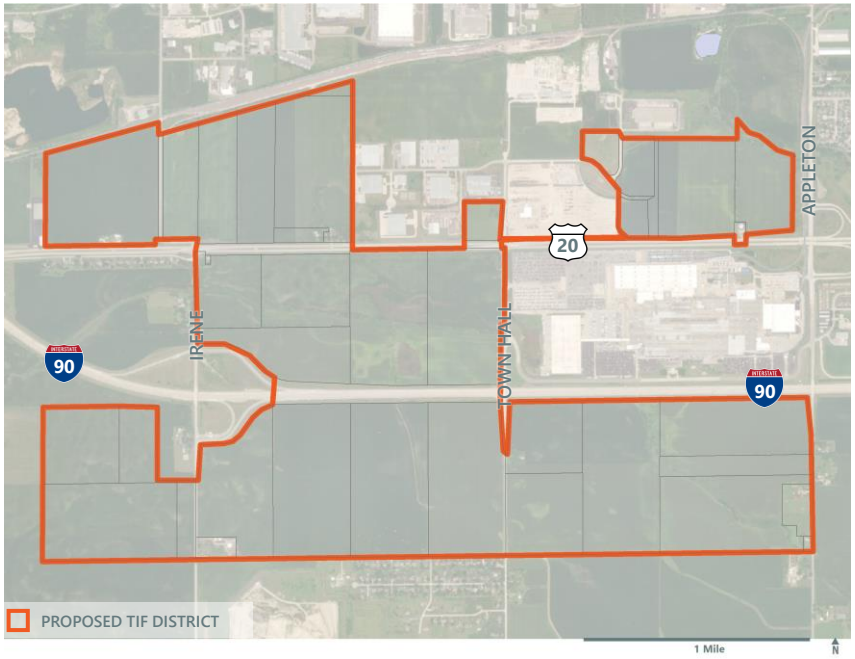
SB Friedman analyzed various strategies to estimate TIF revenues that could be available to support development:

- **Scenario 1 - New TIF**: Estimates TIF revenues that could be generated over 23-years within a newly formed TIF district.
- **Scenario 2 - New TIF with Extension:** Estimates TIF revenues that could be generated over 23-years within a newly formed TIF district. This scenario also assumes a 12-year extension of the TIF district.

The conceptual development program could generate **$44.6 million in potential TIF revenue over the 23-year period**, while a TIF extension could generate an additional $34.6 million in TIF revenue (both discounted at 4.5% to 2020 dollars).

Note: SB Friedman did not conduct a full reconnaissance study to determine whether the Interchange Site would be eligible for designation as a TIF district.

I-90/Irene Road Interchange Site - TIF District Boundary



Interchange Site Incremental Property Tax Revenue

	Scenario 1: New TIF	Scenario 2: New TIF with Extension
Undiscounted Revenue	$95.8 M	$235.0 M
Discounted Revenue	$44.6 M	$79.2 M

Note: The calculations and assumptions used to project these revenues are presented in Appendix A.

SALES TAX & BUSINESS DISTRICT REVENUE

Conceptual development program could generate up to $1 million in sales & BD taxes

Sales tax revenue streams could be used to finance improvements required for development. SB Friedman considered the following sales tax revenue streams:

- **Home Rule Sales Tax.** The City of Belvidere levies a 0.5% home rule sales tax. Sales taxes generated by businesses within a defined area could be used to finance improvements within that area.
- **Local Distributive Sales Tax:** The local distributive sales tax is a portion of the existing composite sales tax rate. Sales taxes generated by businesses within a defined area could be used to finance improvements within that area. The local distributive sales tax rate is 1%.
- **Business District (BD) Sales Tax.** A BD sales tax is an additional tax and can be levied in increments of 0.25%, up to 1.0%. BD revenues are required to fund improvements within the defined district in which the additional tax is levied.

SB Friedman estimates that the conceptual development program could generate **$0.2 million in home rule sales, $0.4 million in local distributive sales** and **$0.1 to $0.4 million in BD revenues** over 23 years (all discounted at 4.5% to 2020 dollars). Commercial development was not considered as an early phase of development; therefore, there is limited potential to utilize sales tax revenues as a significant financing source for up-front infrastructure costs. Should commercial development occur earlier, there is potential to generate additional revenue.

Projected Sales Tax Revenues

	Tax Rate	Undiscounted Revenue	Discounted Revenue (4.5% to 2020$)
Home Rule Sales Tax	0.50%	$0.9 M	$0.2 M
Local Distributive Sales Tax	1.00%	$1.7 M	$0.4 M
Business District Sales Tax	0.25%	$0.4 M	$0.1 M
	0.50%	$0.9 M	$0.2 M
	0.75%	$1.3 M	$0.3 M
	1.00%	$1.7 M	$0.4 M

Note: The calculations and assumptions used to project these revenues are presented in Appendix A. Assumes commercial development occurs in 2043, as part of Phase 3 of development

Note: SB Friedman did not conduct a full reconnaissance study to determine whether the Interchange Site would be eligible for designation as a Business District.

COST-BENEFIT CONCLUSIONS

TIF revenue alone could likely support public infrastructure costs

Key takeaways from our analysis of anticipated infrastructure costs and public sector revenue generation are outlined below:

- The conceptual development program could generate up to $44.6 million in TIF revenue over the 23-year life of the hypothetical TIF district (discounted at 4.5% to 2020 dollars). This is sufficient to finance the estimated $19.4 million in public infrastructure costs.
- The hypothetical TIF may also be able to support 100% of the private infrastructure costs. However, the prioritization of public assistance should be based on need and the catalytic impact of first movers.
- An extension of the hypothetical TIF could generate an additional $34.6 million in revenues which could be used to further support private infrastructure or otherwise incentivize development. While TIF extensions provide extra time to complete TIF projects and continue to "grow" increment, TIF extensions require an act of the State legislature, typically require consent from all impacted taxing districts and are not guaranteed.

I-90/Irene Road Interchange Site - Cost Benefit Analysis

	New TIF & Total Infrastructure Costs
Gross TIF Revenues [1]	$44,552,000
- Public Infrastructure Costs	($19,420,000)
Net TIF Revenue After Public Infrastructure Costs	$25,132,000
- Private Infrastructure Costs	($23,725,000)
Net TIF Revenue After Private Infrastructure Costs	$1,407,000
+ Revenue from 12-Year TIF Extension	*$34,632,000*
Fiscal Benefit (Burden)	*$36,039,000*

[1] Total discounted TIF revenues (4.5% discount rate)
Source: Fehr Graham; SB Friedman

ECONOMIC IMPACT

Full build-out could generate up to $1.7 billion in total economic activity [1]

If development within the I-90/Irene Road Interchange Site were to occur as conceptualized, operations at the new facilities could generate $1.7 billion in annual economic activity at full build-out, including direct, indirect and induced output. Based on the market assessment, full build-out of the Interchange Site could take 30 years. Approximately $1.4 billion in annual direct output could be generated in industrial sectors, including nearly $1.0 billion in manufacturing sectors.

Direct

$1.4 B

Annual direct output

Indirect & Induced

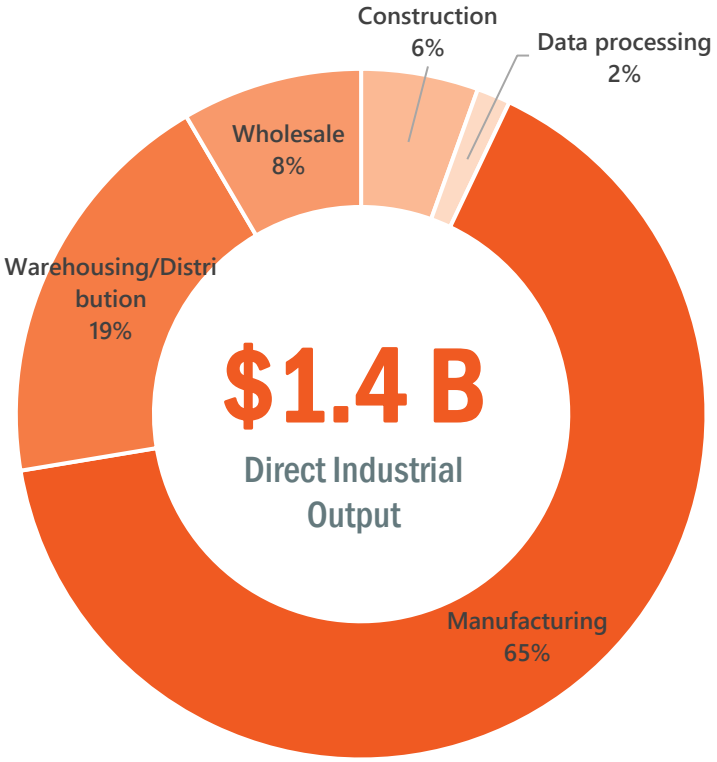
$0.3 B

Annual indirect & induced output

Total Project Period

$1.7 B

Total annual output within Boone County



[1] Economic Activity is the value of industry production, as estimated by revenue.
Note: The calculations and assumptions used to project these impacts are presented in Appendix B.
Source: IMPLAN; SB Friedman

ECONOMIC IMPACT

Full build-out could create up to 10,200 permanent jobs [1]

At full build-out, the conceptual development program could result in approximately 10,200 annual permanent FTE jobs, including direct, indirect and induced jobs. Approximately 7,900 annual direct permanent FTEs could be created in industrial sectors, including over 3,600 direct jobs in the wholesale sector.

Direct

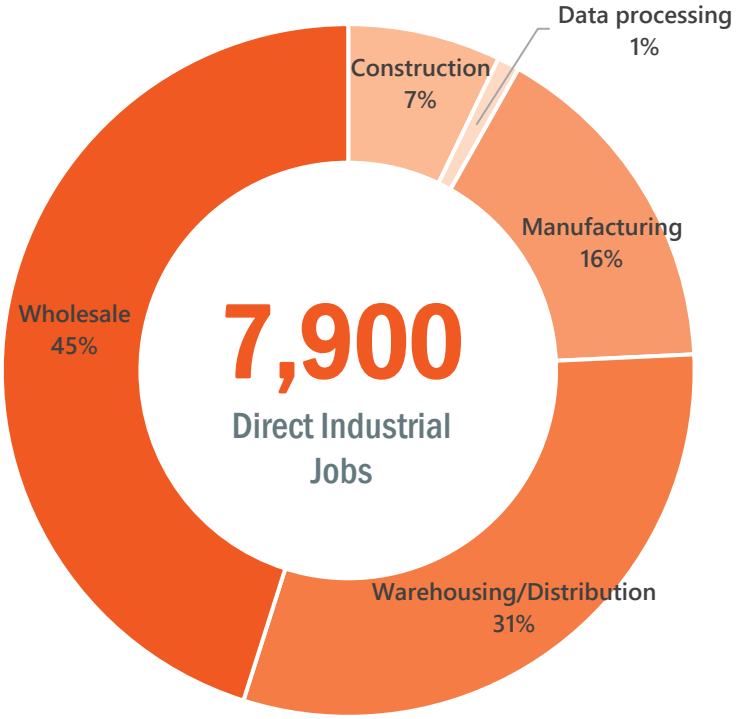
7,900
Direct permanent jobs created

Indirect & Induced

2,300
Indirect & induced permanent jobs created

Total Project Period

10,200
Total permanent jobs created



[1] Permanent jobs includes full-time, part-time and seasonal workers, and therefore does not represent full-time-equivalents (FTEs). SB Friedman converted jobs estimates to FTE jobs using the FTE conversion table provided by IMPLAN.
Note: The calculations and assumptions used to project these impacts are presented in Appendix B.
Source: IMPLAN; SB Friedman

ECONOMIC IMPACT

Full build-out could generate up to $0.4B in employee compensation [1]

At full build-out, the conceptual development program could create $0.39 billion in wages and benefits for FTE jobs, including direct, indirect and induced jobs.

Direct

$0.3 B

Direct permanent employee compensation

Indirect & Induced

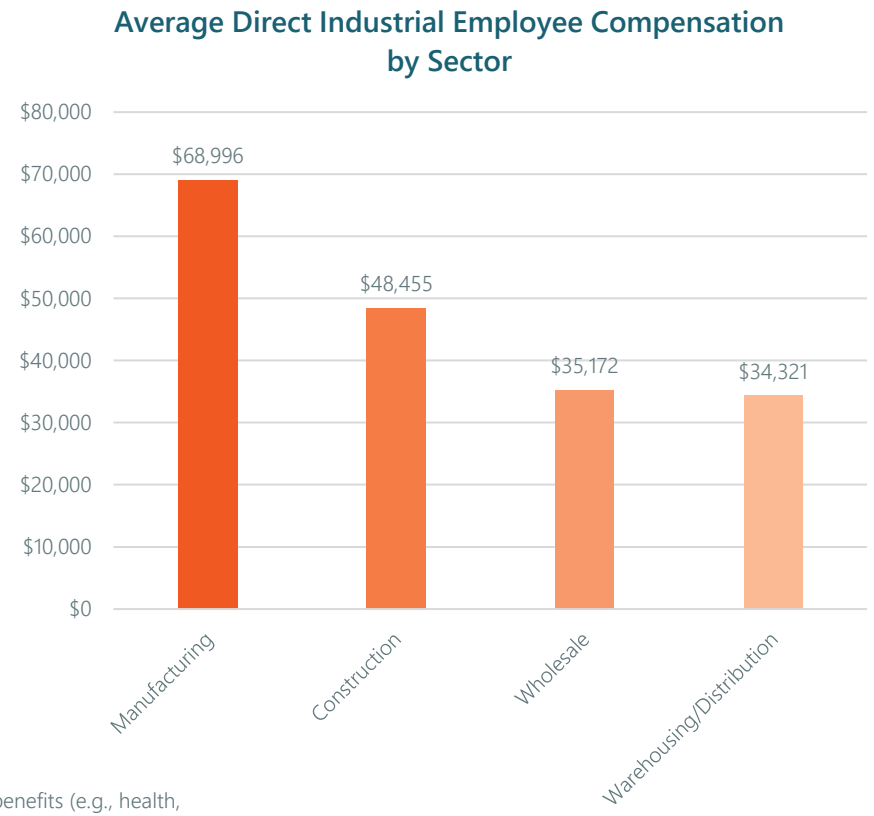
$0.1 B

Indirect & induced permanent employee compensation

Total Project Period

$0.4 B

Total permanent employee compensation



[1] Total payroll cost of wage and salary paid to the employee. This includes wages and salaries, all benefits (e.g., health, retirement), and payroll taxes (both sides of social security, unemployment insurance taxes, etc.).
Note: The calculations and assumptions used to project these impacts are presented in Appendix B.
Source: IMPLAN; SB Friedman

IMPLEMENTATION STRATEGY

Development of the Interchange Site will require a coordinated effort among stakeholders and property owners. The following section outlines various action steps that could be undertaken and financial tools that could be leveraged to overcome barriers/ challenges to development, maximize economic development potential, and facilitate development.

MARKET SITES & CAPITALIZE ON COMPETITIVE ADVANTAGES

Implementation Strategy

Prospective industrial users are likely to consider a number of factors during the site-selection process, including end user locational preferences/requirements, convenient access to transportation systems, the extent to which development pads are shovel-ready, and the availability of competitive development sites. There is a significant supply of land available for industrial development in the region, including existing shovel-ready sites and undeveloped farmland. Therefore, local stakeholders will need to aggressively market the Interchange Site to prospective users and capitalize on the advantages of the location. Key action steps are outlined below.

1. Coordinate with landowners to market sites. Marketing the Interchange Site will require coordination with individual landowners and, in some cases, may require assembling property. If site assembly is required, we recommend working with landowners to jointly market adjacent sites, rather than the municipality or stakeholders acquiring the sites. The latter transfers risk to the public sector and redirects financial resources that are likely needed to bring infrastructure to the Interchange Site. It is our understanding that the value expectations of various landowners may be limiting the ability to develop specific sites; therefore, stakeholders could also take an active role in educating landowners about achievable land prices.

Implementers: All local stakeholders; Region 1 Planning Council; property owners

2. Define industrial user attraction strategies. Industrial development is typically driven by the end user; therefore, it is important to market the sites to both growing companies locally and potential wild card users.

Target industries should include industries that:

- Already have a strong presence in the local economy;
- Are projected to grow in the near-term; and
- Supply chain businesses with industries that both have a strong local presence and/or are projected to grow.

A matrix of these industries are outlined on the following page.

Wild card users are companies that could be evaluating sites throughout the region or nation. Many of the wild card users that are currently active in the market are associated with e-commerce and could be attracted to the Interchange Site due to its proximity to major markets and transportation systems.

Implementers: Growth Dimensions; Region 1 Planning Council

MARKET SITES & CAPITALIZE ON COMPETITIVE ADVANTAGES

Implementation Strategy

Projected top 10 industries in 2031 by total employment (Boone County)	Industries with the largest anticipated growth in employment from 2015 to 2031	Supply chain for industries that have a strong local presence and/or are projected to grow
Transportation Equipment Manufacturing	Warehousing and Storage	Transportation Equipment Manufacturing
Warehousing and Storage	Electrical Equip., Appliance, and Component Manufacturing	Merchant Wholesalers, Durable Goods
Fabricated Metal Product Manufacturing	Machinery Manufacturing	Fabricated Metal Product Manufacturing
Truck Transportation	Transportation Equipment Manufacturing	Primary Metal Manufacturing
Wood Product Manufacturing	Paper Manufacturing	Plastics and Rubber Products Manufacturing
Machinery Manufacturing	Furniture and Related Product Manufacturing	Machinery Manufacturing
Furniture and Related Product Manufacturing	Truck Transportation	Truck Transportation
Merchant Wholesalers, Nondurable Goods	Miscellaneous Manufacturing	Nonmetallic Mineral Product Manufacturing
Merchant Wholesalers, Durable Goods	Computer and Electronic Product Manufacturing	Computer and Electronic Product Manufacturing
Support Activities for Transportation	Merchant Wholesalers, Nondurable Goods	Chemical Manufacturing
		Merchant Wholesalers, Nondurable Goods
		Wood Product Manufacturing
		Warehousing and Storage
		Paper Manufacturing
		Electrical Equipment, Appliance, and Component Manufacturing

Source: Emsi

MARKET SITES & CAPITALIZE ON COMPETITIVE ADVANTAGES

Implementation Strategy

3. Market competitive advantages of the Interchange Site. To be competitive with the large supply of alternative sites, it is important to educate prospective industrial users, especially wild card users, about the competitive advantages of the Interchange Site, including proximity to major consumer markets, established industrial supply chains, and major transportation networks. Key competitive advantages of the Interchange Site include:

- Availability of shovel-ready sites (including some with rail access);
- Existing manufacturing and distribution supply chain, including the presence of a major industrial base and regional auto-manufacturing hub; and
- Direct access to major transportation networks.

Marketing efforts could include developing marketing materials/websites that highlight the competitive position of the Interchange Site.

Implementers: All local stakeholders; Region 1 Planning Council; property owners

4. Consider regional approaches to enhance competitiveness. The Interchange Site competes both regionally and nationally to attract industrial users. Developing a coordinated regional approach to support economic development would create a framework to support industrial development while leveraging the key competitive advantages of individual Interchange Sites. Potential strategies to enhance regional competitiveness include:

- Continuing to invest in regional infrastructure (airport, rail, etc.) to expand current capacity. Several sites are served by rail; however, it may be necessary to partner with railroad operators to ensure access and capacity to support industrial users;
- Continuing to market existing workforce development and training programs, grants, and other incentives available in the region, such as the Employee Investment Training Program; and
- Establishing partnerships between the private and public sectors to align training programs and hiring practices to ensure training programs adequately develop the required on-the-job skills.

Implementers: Growth Dimensions; City of Belvidere; Boone County; Region 1 Planning Council; local community colleges; adult education and workforce training partners; major employers

REDUCE UNCERTAINTY FOR PROSPECTIVE USERS

Implementation Strategy

Industrial users typically move quickly with development of new facilities. Therefore, it is important to limit the number of uncertainties regarding how and when development could occur. Doing so sends a clear signal to the market that the Interchange Site is available for development and shovel-ready.

5. Establish regulatory framework to support development. Ensuring that proper entitlements are in place reduces risk and uncertainty in the site-selection process, as well as reduces the time required to facilitate development. It is important to address any annexation and zoning-related issues to set the stage for industrial and supporting commercial development. Zoning regulations should reflect evolving trends in terms of industrial space requirements (e.g., higher ceiling heights, typical floor area ratios). Furthermore, clearly defined design guidelines, signage requirements, building codes, and other restrictions can reduce uncertainty in the pre-development process.

Parcels located within the Crosslinks Business Park (Phase 1) are located within the city limits of Belvidere and are currently zoned for industrial uses. However, the remainder of the Interchange Site will need to be annexed into the City and rezoned in order to allow for future industrial and supportive commercial development. To the extent possible, the City should pursue annexation and zoning for industrial as soon as possible to reduce uncertainty in the entitlements process.

Implementers: City of Belvidere

REDUCE UNCERTAINTY FOR PROSPECTIVE USERS

Implementation Strategy

6. Pursue phased approach to infrastructure investment. In situations where infrastructure is not yet in place to serve future development, a clear plan and timeframe for extending services can reduce uncertainty and increase attractiveness for development. Furthermore, clustering new development is a key strategy to managing the need for new infrastructure.

Phase 1 development sites are located within the Crosslinks Business Park. The business park is already serviced with public utilities, but additional private infrastructure investments are required to facilitate development. To leverage the existing utility capacity, it will be important to minimize leapfrog development and cluster new development to manage the need for new infrastructure. Establishing this area as a priority redevelopment area could support this goal.

In order to develop either Phase 2 or Phase 3, substantial public investment in water distribution and sewage facilities will be required, including the construction of a new production well, water treatment facility, and sanitary lift station. Since these are considered off-site improvements, facilities could be constructed as part of Phase 2 or 3, depending on end user locational preferences. Should the end-user prefer to locate in Phase 3, development could occur prior to Phase 2.

Due to the absence of the Townhall Bypass construction, this approach would require less public funding than Phase 2, if it were to precede it.

In the interim, focusing development within the existing Crosslinks Business Park has the highest near-term development potential and requires limited infrastructure investment.

Implementers: City of Belvidere, Region 1 Planning Council

7. Set the stage for infrastructure investment. It would be fiscally prudent to limit large-scale infrastructure investment until there is a clearly defined project seeking entitlements. While the existing infrastructure and limited required upgrades within the Crosslinks Business Park would likely be able to support a first-mover, a clear plan and timeframe for extending services to support development in either Phase 2 or Phase 3 would reduce uncertainty and increase attractiveness for development. To do this, the City could prepare detailed cost estimates and establish a physical and financing plan for infrastructure that is implemented when a user has fully committed.

Implementers: City of Belvidere

DEFINE INFRASTRUCTURE FINANCING PLAN

Implementation Strategy

The cost of expanding the infrastructure network can be prohibitive to some new development. Municipal financial support is often required to offset these extraordinary costs. The following are best practices for financing public infrastructure to support development:

8. Leverage all available sources to finance up-front infrastructure. To unlock development, the City could take a proactive role in financing public infrastructure that serves a broader area and has the potential to unlock multiple development sites. Potential strategies include:

- Exploring all available local funding/financing sources, including enterprise reserve funds (which are separate from municipal general funds) with the capacity to self-fund required improvements;
- Exploring all available state funding/financing sources, including the IDOT Truck Access Route Program and Rebuild Illinois Public Infrastructure grants; and
- Exploring all available federal funding sources, including Community Development Block Grants (CDBGs), Infrastructure for Rebuilding America (INFRA) grants, and Better Utilizing Investments to Leverage Development (BUILD) Transportation Discretionary Grant program.

Once all available funding/financing sources are identified, the City could estimate the public funding "gap" for public infrastructure.

Implementers: City of Belvidere

9. Optimize use of special districts to finance public infrastructure. Creative infrastructure financing solutions for extraordinary costs can help alleviate the burden on municipal general funds. However, different financing mechanisms result in varying levels of risk to the public sector. While special districts, such as TIF and Business Districts, are useful tools for capturing incremental value creation over time, it may take several years for sufficient revenues to materialize. If development is delayed or absorption is slower than currently projected, less revenue will be generated. The mismatch associated with the need for upfront improvements/investment and when the subsequent value is generated through special districts presents a degree of risk to the public entity. Therefore, in advance of agreements which put the City at risk, full feasibility assessments should be conducted to project revenues based on the proposed development and phasing to determine financing capacity. Additionally, an eligibility study will be required to assess whether the area qualifies as a TIF and/or Business District under State law to ensure a pathway forward.

DEFINE INFRASTRUCTURE FINANCING PLAN

Implementation Strategy

Despite strong growth in demand for industrial space over the next ten years, full absorption of the US-I-90/Irene Road Interchange Site could take 30 years, assuming consistent absorption during this period. If development is delayed or absorption is slower than currently projected, less revenue will be generated. If development occurs as conceptualized, it is likely that new development could generate sufficient TIF revenue to finance public and private infrastructure costs. Prioritization of assistance should be based on need and the catalytic impact of first movers. To maximize increment generation, potential new TIF districts should only be established once a user has committed and development is imminent, as outlined in a letter of intent (LOI), redevelopment agreement (RDA) or other documentation.

Two additional approaches to maximize revenue generation include:

- Implementing a phased approach to increment generation that creates multiple contiguous TIF districts with the potential to port funds; or
- Extending the TIF district for an additional 12-year period.

While TIF extensions provide additional time to complete TIF projects and continue to "grow" increment, TIF extensions require an act of the State legislature, typically require support from all impacted taxing districts, and are not guaranteed. Therefore, the City could consider incorporating a phased TIF district designation approach in order to optimize the generation of TIF revenues to support infrastructure investments for the Interchange Site as a whole. This phased approach leverages increment that is generated from the first phase of development to support public infrastructure investments needed to support other phases of development.

In the conceptual development program, commercial development occurs in the final phase; therefore, there is limited potential to utilize sales and Business District tax revenues as a source for up-front infrastructure costs. Home rule sales tax, incremental sales tax and Business District tax revenues could generate up to $1.0 million (discounted to 2020 dollars). Should commercial development occur earlier, there is potential to generate additional increment. However, sales tax revenues should only be considered as a potential financing source once definitive plans for the commercial areas advance. At that time, a feasibility study should be undertaken to estimate the potential tax revenues.

Implementers: City of Belvidere

DEFINE INFRASTRUCTURE FINANCING PLAN

Implementation Strategy

10. Mitigate risk to the public sector by implementing a shared-burden backstop. The City could consider alternative approaches to financing infrastructure improvements, including:

- **Impact fees –** A one-time fee to help reimburse the City for up-front infrastructure that is required by new development. The fee is typically structured to require that each development pay an equitable portion of the costs. These fees can come in various forms including exaction fee (to fund on-site infrastructure), impact fee (to fund off-site infrastructure), or negotiated contributions.
- **Special service areas/special assessments -** Allows property taxpayers to form a special taxing district in which they agree to levy an additional property tax on themselves for desired public improvements that would not be funded by the City otherwise.

Implementers: City of Belvidere

11. Explore public-private partnership to support private infrastructure. On-site infrastructure that primarily serves a single project or user should be funded by the private entity. However, in some instances it may be necessary for the public sector to contribute to private infrastructure costs that cannot be fully carried by the project. In those situations, city participation could be based on a financial gap analysis that includes a detailed review of project financials. This would involve:

- Right-sizing the public assistance to the amount required for the project to be financially feasible; and
- Structuring an agreement with the developer or industrial user that outlines the terms, timing, and structure of public assistance and includes protections for the public sector to guarantee development outcomes.

If financial assistance is provided for a first-mover, the City could consider the use of inducement resolutions to provide assurance that TIF-eligible costs that were incurred prior to the final approval of a TIF district may be eligible for reimbursement as part of a redevelopment agreement.

Implementers: City of Belvidere

LEVERAGE ALL AVAILABLE PROGRAMS TO ATTRACT USERS

Implementation Strategy

12. Consider incentivizing wild card users. Public entities are utilizing both jobs-based and real estate development incentives to attract "wild card" industrial users to their communities. To compete for these types of end users, additional forms of assistance may be requested from the business. Federal programs such as Foreign Trade Zones (FTZ), could provide wild card industrial users with desirable incentives such as reduction/elimination of duty on foreign imports and exemptions from state and local inventory taxes for local goods held for export. Given the job creation potential, the City could also work directly with identified industrial users to apply for federal grants available to support job creation, such as the US Economic Development Administration (EDA) Economic Adjustment Assistance grants.

Additionally, a variety of statewide programs could be leveraged to encourage businesses to locate within the Interchange Site, such as Business Development Public Infrastructure Program (BDPIP) grants, Economic Development for a Growing Economy (EDGE) tax credits, IDOT Economic Development Program (EDP), and Large Business Development Program (LBDP) grants. Boone County and the City of Belvidere also manage an Enterprise Zone, which enables eligible properties to receive tax abatements for up to 4 years on improvements. Businesses which locate in the Belvidere/Boone County Enterprise Zone are eligible to claim investments tax credits and sales tax exemptions. Furthermore, businesses are eligible for small business loans for up to 25% of total project costs through the Illinois Enterprise Zone Business Participation Loan Program.

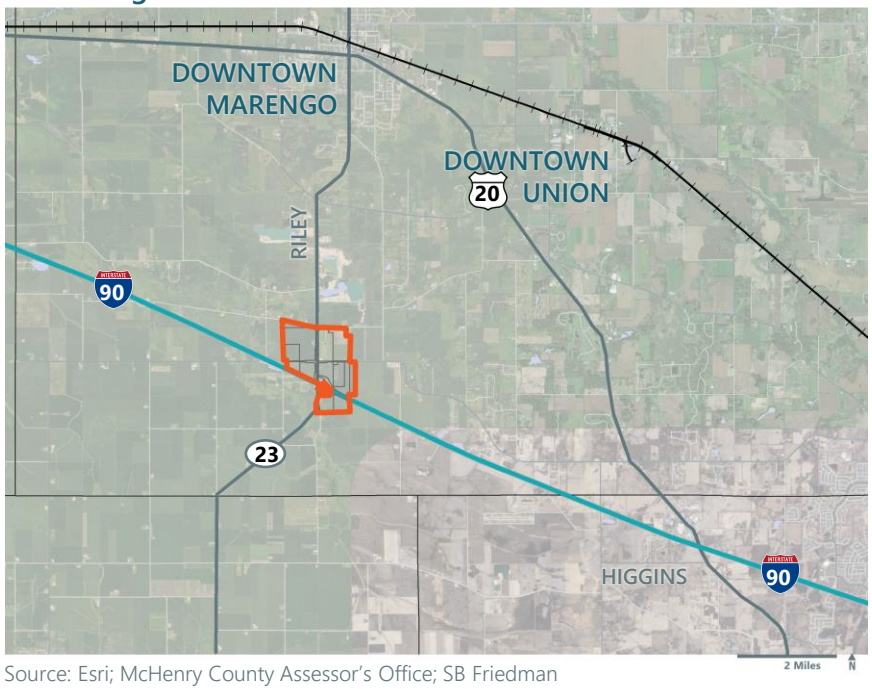
Implementers: City of Belvidere

I-90/IL-23
DEVELOPMENT FEASIBILITY

I-90/IL-23

Adjacent parcels include ±580 gross acres of potentially developable land

Interchange Site Context



Source: Esri; McHenry County Assessor's Office; SB Friedman

INTERCHANGE SITE

Union Pacific Rail

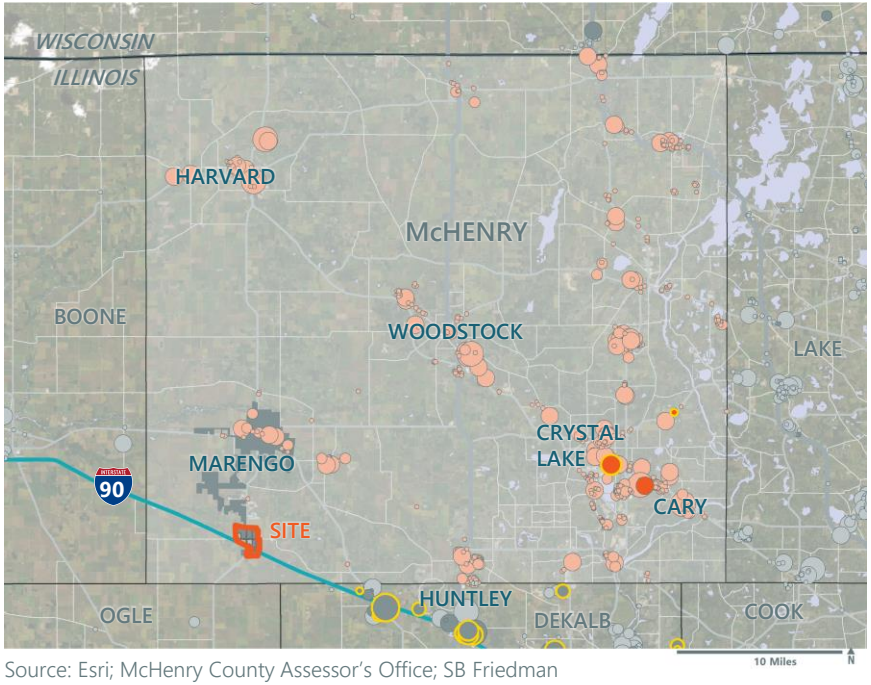
The I-90/IL-23 Interchange Site in McHenry County is located approximately 5 miles from the downtown areas of Marengo and Union.

Prior to the construction of the interchange, the US-20 and IL-47 interchange sites, located just south of the McHenry County border served as the primary access points to the interstate. The new IL-23 interchange was complete in December 2019 and is the first interstate access within McHenry County. To leverage this investment, Region 1 and local stakeholders are seeking to understand the feasibility of developing 580 gross acres surrounding the interchange, which comprises 15 parcels.

LOCAL INDUSTRIAL SUPPLY

The County has seen little new industrial development since 2010

McHenry County Industrial and Flex Existing Supply



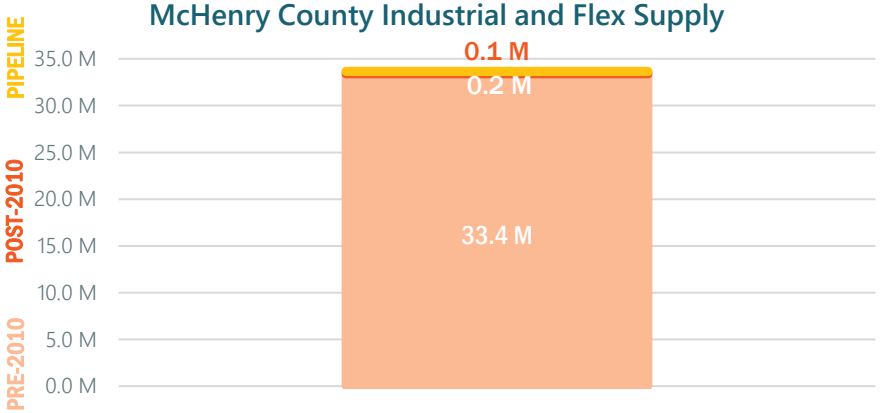
Source: Esri; McHenry County Assessor's Office; SB Friedman

To understand the market feasibility of new industrial development, SB Friedman analyzed current market conditions.

McHenry County consists of ±33.6 million square feet of existing industrial and flex space, which is the highest among the three Interchange Site counties. However, there has been limited new construction with only 223,000 square feet of industrial and flex space delivered within McHenry County since 2010.

CoStar indicates that there is only one proposed industrial development within the County, a 6.5-acre site in Crystal Lake currently being marketed for build-to-suit development.

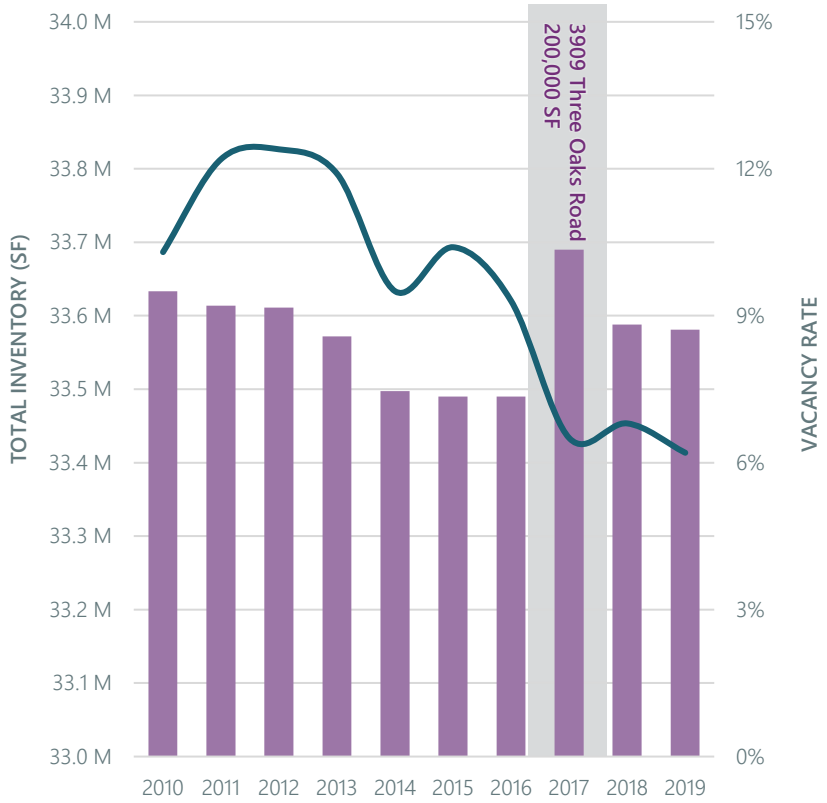
McHenry County Industrial and Flex Supply



LOCAL MARKET DYNAMICS

Industrial rents are the highest among other Interchange Sites

McHenry County Industrial Dynamics: 2010 to 2019



Source: CoStar; SB Friedman

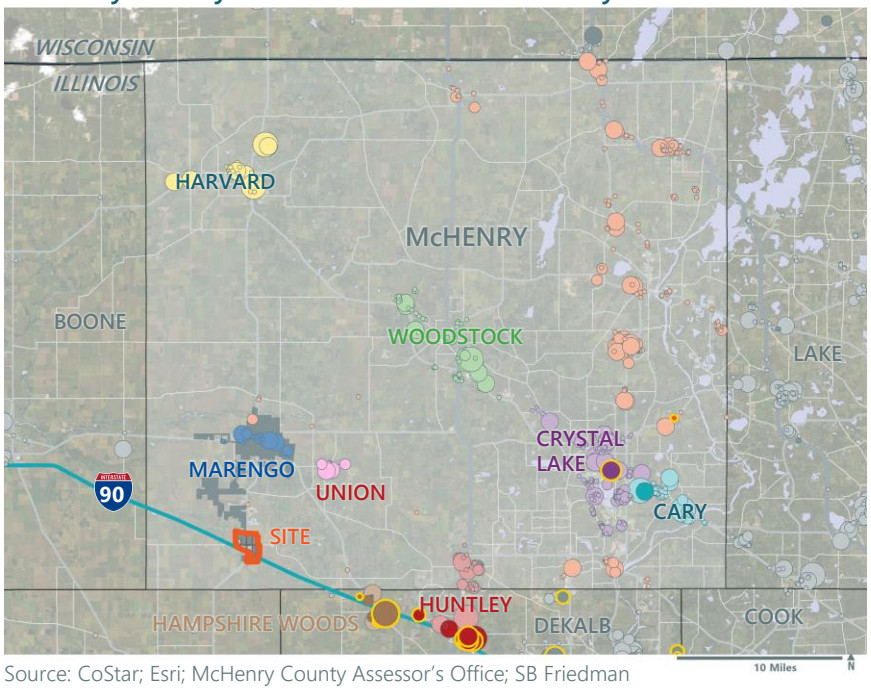
Over the last 10 years, McHenry County has seen a slight net loss in industrial space. While one new 223,000 square feet building was delivered in 2017, the County has seen demolition of obsolete industrial space. Industrial rents within the County are the highest among the Interchange Site counties at $5.00 per square foot triple-net (NNN).

10-YEAR TOTAL NEW DELIVERIES:	223,000 SF
10-YEAR AVG VACANCY:	9.6%
10-YEAR AVG DEMOLITION RATE:	-0.9%
CURRENT RENT PSF:	$5.00

LOCAL COMPETING CLUSTERS

There is limited industrial development surrounding the Interchange Site

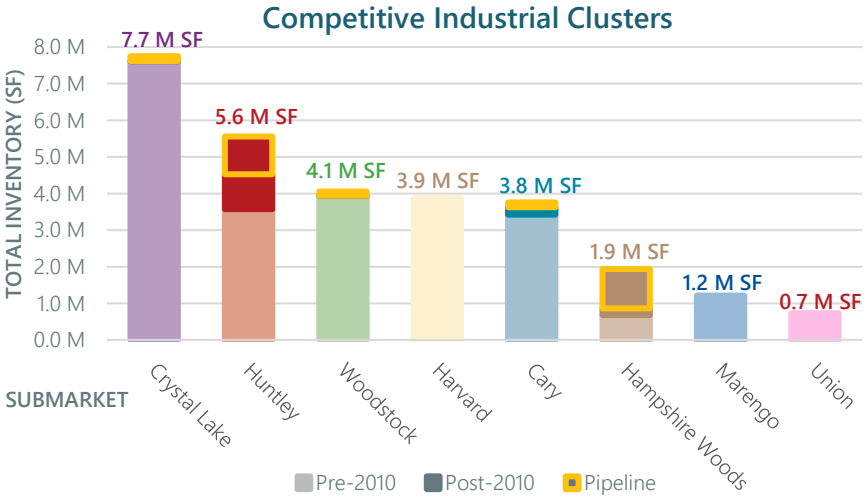
McHenry County Industrial and Flex Inventory



Source: CoStar; Esri; McHenry County Assessor's Office; SB Friedman

There has been limited industrial development occurring around the Interchange Site and the greater McHenry County area where the lack of interstate access has limited development potential.

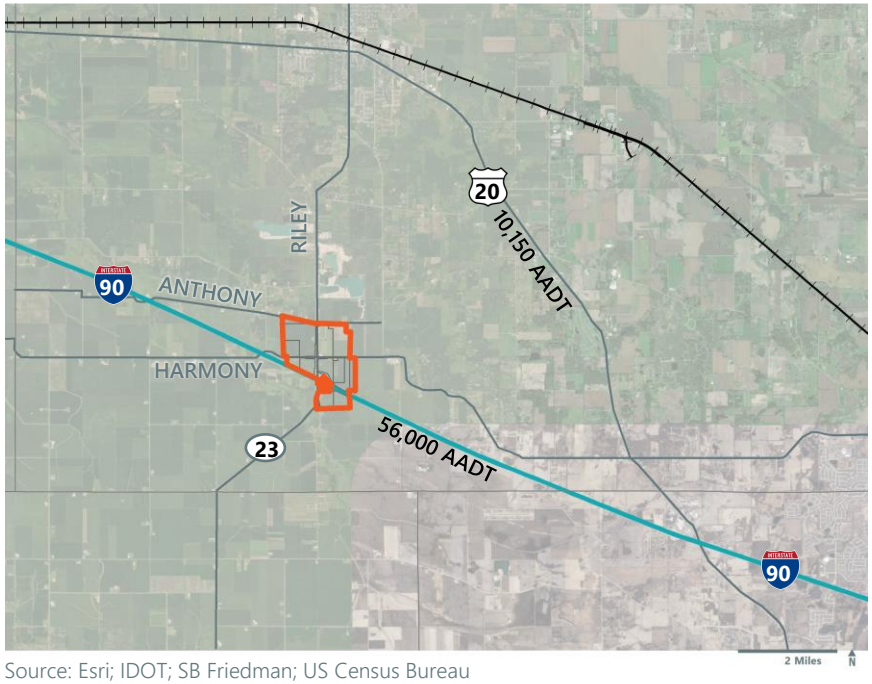
As development momentum continues to move west along I-90 from O'Hare, there has been industrial development adjacent to interchanges in Huntley and Hampshire Woods to the south of McHenry County. Both interchange locations also have significant pipeline projects being marketed by Costar, indicating growing interest for interchange-adjacent development further west.



ACCESS TO TRANSPORTATION NETWORKS

The Interchange Site benefits from strong accessibility to the interstate system

I-90/IL-23 Interchange Site – Access Considerations



Source: Esri; IDOT; SB Friedman; US Census Bureau

INTERCHANGE SITE

SB Friedman reviewed site specific characteristics of the I-90/IL-23 Interchange Site to assess the site's competitive advantages for industrial development.

INTERSTATE SYSTEM: The entirety of the I-90/IL-23 Interchange Site is accessible from I-90. Traffic counts for this portion of I-90 are 56,000 vehicles per day. There are 406,000 businesses and 4.6 million households located within 100 miles, which is a frequently used radius for distribution users.

ROAD: The Interchange Site is also served by IL-23 (a state road) Harmony Road (a county highway), and Anthony Road (a township road)

RAIL: The Interchange Site has no direct access to any major rail network.

AIRPORT: RFD is accessible within 45 minutes and ORD is accessible within 40 minutes.

The current transportation infrastructure provides an opportunity for multi-market distribution centers.

ACCESS TO THE SUPPLY CHAIN

Local industrial sectors are largely wholesale, manufacturing & transportation-focused

Prior to construction of the I-90/IL-23 interchange, the Interchange Site was not as competitive for industrial development. Therefore, industrial development with interstate access had previously concentrated around the US-20 interchange. Construction of the new IL-23 interchange presents as opportunity to access the wider McHenry County supply chain and business in adjacent counties. Logistics and distribution centers have started to locate nearby, including along I-90 near the Hampshire Woods industrial cluster.

Key local industries are outlined below.

Projected top 10 industries in 2031 by total employment (McHenry County)

1. Merchant Wholesalers, Durable Goods	6. Food Manufacturing
2. Fabricated Metal Product Manufacturing	7. Truck Transportation
3. Machinery Manufacturing	8. Wholesale Electronic Markets and Agents and Brokers
4. Plastics and Rubber Products Manufacturing	9. Computer and Electronic Product Manufacturing
5. Miscellaneous Manufacturing	10. Merchant Wholesalers, Nondurable Goods

Top 10 industries with the largest anticipated growth in employment from 2015 to 2031

1. Merchant Wholesalers, Durable Goods	6. Support Activities for Transportation
2. Miscellaneous Manufacturing	7. Transit and Ground Passenger Transportation
3. Textile Mills	8. Food Manufacturing
4. Paper Manufacturing	9. Couriers and Messengers
5. Wholesale Electronic Markets and Agents and Brokers	10. Apparel Manufacturing

Source: Emsi

ACCESS TO THE SUPPLY CHAIN

The new interchange provides opportunities to easily access wider supply chains

TOP SUPPLY CHAIN INDUSTRIES	Businesses in Northern IL [1]
Primary Metal Manufacturing	19
Chemical Manufacturing	44
Fabricated Metal Product Manufacturing	345
Merchant Wholesalers, Durable Goods	510
Merchant Wholesalers, Nondurable Goods	162
Plastics and Rubber Products Manufacturing	59
Food Manufacturing	59
Truck Transportation	495
Machinery Manufacturing	238
Warehousing and Storage	31
Paper Manufacturing	11
Couriers and Messengers	27
Computer and Electronic Product Manufacturing	48
Support Activities for Transportation	95
Transportation Equipment Manufacturing	42
Primary Metal Manufacturing	19

[1] Defined for the purposes of this analysis as Winnebago, Boone & McHenry Counties | Source: Emsi

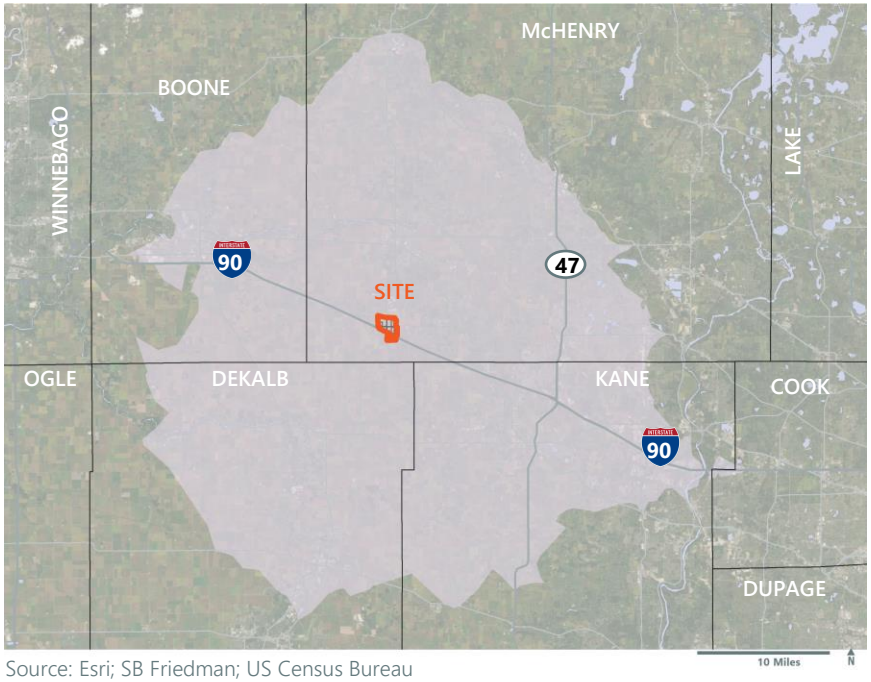
Outlined to the left are industries within the supply chain of McHenry County's industrial sectors with either 1) the largest total projected employment by 2031 or 2) largest anticipated growth in employment from 2015 to 2031, based on previous analyses.

These supply chain industries are prevalent in the local economy and provide opportunities for similar industrial users to leverage access to the existing supply chain.

ACCESS TO THE LABOR FORCE

Over 181,000 labor force participants live within a 25-minute drive time

I-90/IL-23 Interchange Site – Labor Market



Source: Esri; SB Friedman; US Census Bureau

25 MINUTE DRIVE TIME

There are approximately 181,100 workers within a 25-minute drivetime of the I-90/IL-23 Interchange Site. Approximately 28% of these workers are involved with industrial-related employment such as construction, manufacturing and transportation/utilities.

Approximately 153,700 residents over the age of 25 live within a 25-minute drive time of the Interchange Site. Nearly 93% of these residents have attained a high school diploma or above.

181,051

TOTAL LABOR FORCE

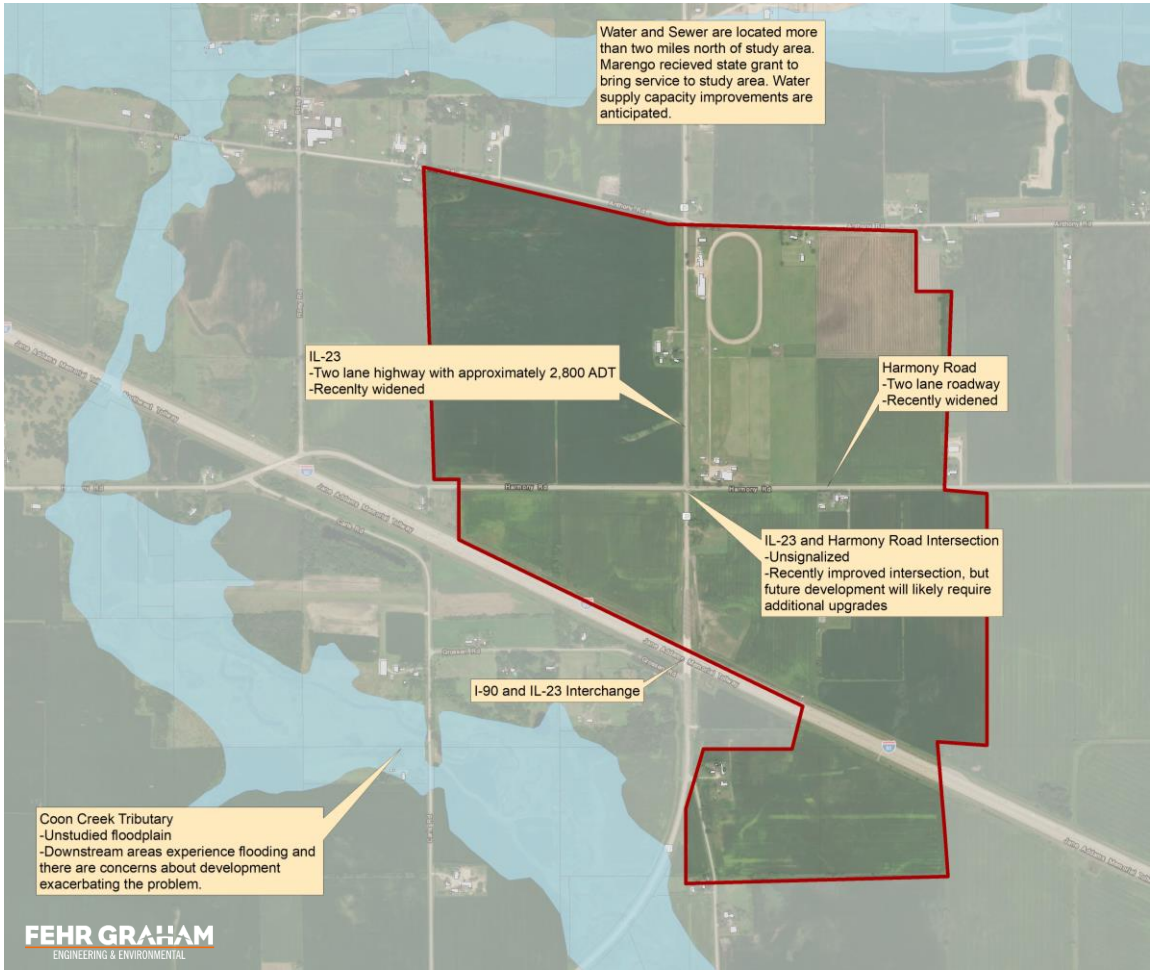
92.8%

HIGH SCHOOL DIPLOMA ATTAINMENT OR HIGHER

SHOVEL-READINESS

Utility extensions are required for the Interchange Site to be shovel-ready

I-90/IL-23 Interchange Site Shovel-Readiness



Key findings from the review of existing infrastructure conditions are outlined below.

- **Sewer.** No sewer service in the Interchange Site. The City received a grant from the state to extend service to this location.
- **Water.** No water service in the Interchange Site. The City received a grant from the state to extend service to this location.
- **Transportation.** IL-23 and Harmony Road will require improvements to serve future development.
- **Stormwater.** No detention has been constructed to serve future development. Floodplain areas area noted on the map.

This information formed the basis of the preliminary infrastructure plan, which estimated the public and private infrastructure investment required to support new industrial development.

Additional detail is provided beginning on page 109.

COMPETITIVE TAX POSITION & FINANCIAL INCENTIVES

Incentives are available to offset real estate-related costs

Incentives are available to offset real estate-related costs. In addition to the Foreign Trade Zone (see page 18), the City of Marengo and McHenry County offer various local incentives to reduce tax burdens and attract industrial tenants.

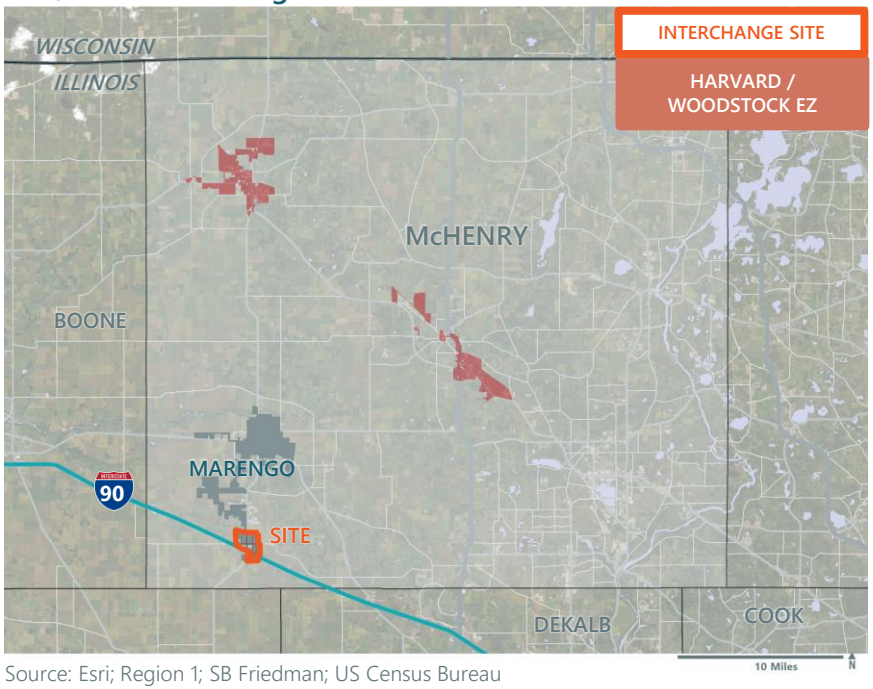
Business Incentive Program in Marengo (BIPiM): Industrial businesses which locate to Marengo, create at least 5 new FTE jobs paying over $12 per hour, and make at least $200,000 in capital investments are eligible for 3-, 5-, or 10-year property tax abatements depending on the level of investment.

Enterprise Zone: The Harvard/Woodstock Enterprise Zone does not extend to the Interchange Site. There are preliminary discussions to include additional properties in the Zone.

Revolving Loan Funds (RLF): The City of Marengo and McHenry County have a variety of revolving loan funds to assist businesses in relocating and expanding within the area:

- Marengo RLF: Financial assistance for businesses planning to expand or locate within the City which create or retain net new jobs. Loans range from $30,000 - $150,000 (up to 45% of project costs).
- McHenry County Micro Loan Fund: Loans for up to $25,000 to be used for building expansions, renovations, moving costs, machinery or equipment purchases, and/or capital.

I-90/IL-23 Interchange Site – Incentive Districts



Source: Esri; Region 1; SB Friedman; US Census Bureau

- McHenry County RLF: Provides loans for up to $200,000 (45% of total project costs) to purchase a new facility and/or new equipment.

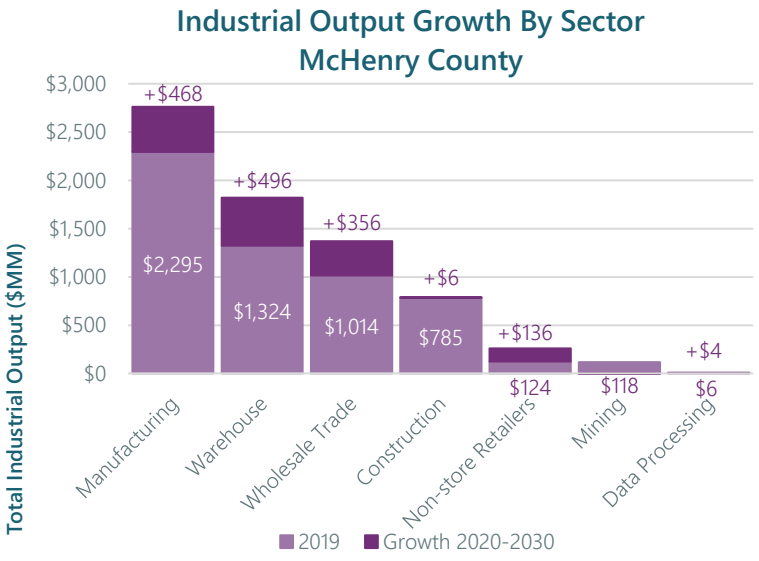
These location-specific financial incentives could be leveraged to attract new industrial users to the Interchange Site.

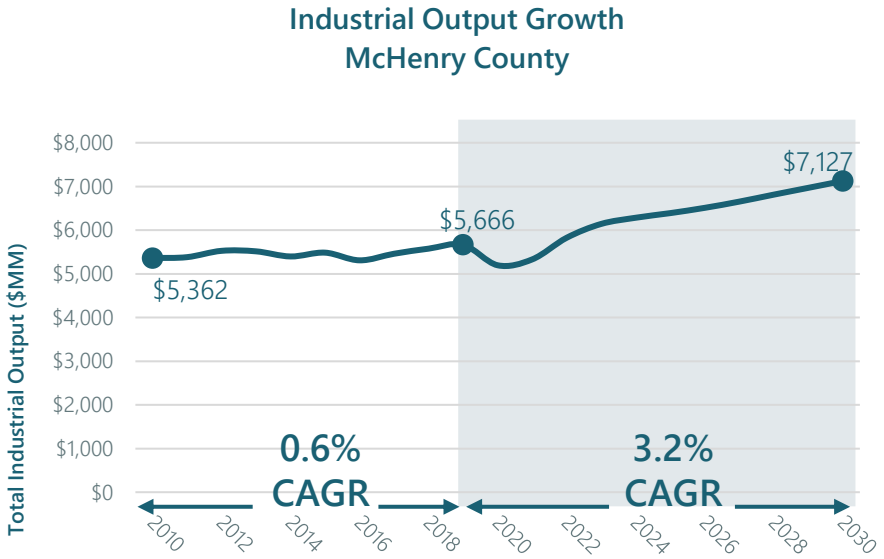
INDUSTRIAL DEMAND DRIVERS

Industrial output is anticipated to grow by $1.9 billion by 2030

Industrial demand is primarily driven by growth in output, which is the quantity of goods or services produced in a given time period. SB Friedman utilized Moody's historical and forecast output data for key industrial-related sectors (construction, manufacturing, wholesale trade, non-store retailers, data processing and mining) to project demand for additional industrial space. As advances in automation in technology continue to evolve, output per square foot has increased as a result of an increased efficiency.

From 2020 to 2030, Moody's has projected an increase in output for all industrial sectors within McHenry County with the exception of the natural resources and mining sector. Industrial output within McHenry County has remained stable over the past ten years. By 2030, industrial output in McHenry County is anticipated to grow by $1.9 billion, primarily driven by increases in warehousing, wholesale trade, and manufacturing.

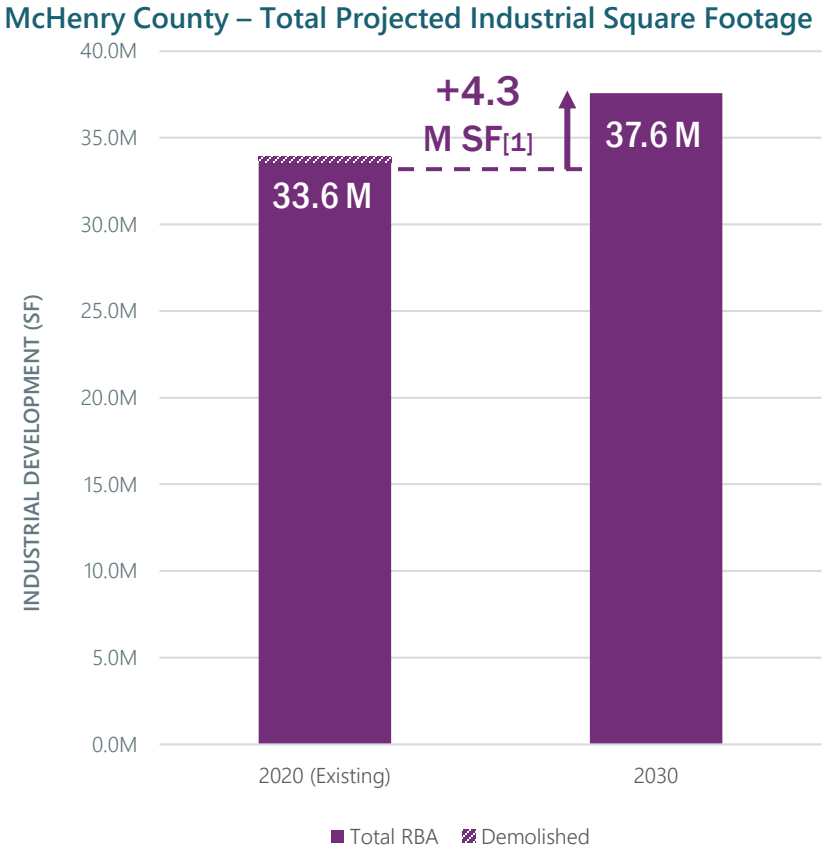




Source: Moody's Economy.com; SB Friedman

COUNTYWIDE DEMAND PROJECTIONS

Output growth will drive the need for an additional 4.3 million square feet by 2030



[1] Accounts for future demolition of existing space based on historic demolition rates
Source: CoStar; Moody's Economy.com; SB Friedman

SB Friedman prepared demand projections to estimate the market potential for industrial space resulting from projected countywide increases in gross domestic product in McHenry County.

The forecasting model accounted for the historical trends in occupied industrial space from CoStar, industrial-sector output from Moody's, and historical rates of demolition of industrial buildings, vacancy, and efficiency ratios.

Over the next 10 years, this growth could produce demand for up to an additional **4.3 million square feet** of industrial space in McHenry County.

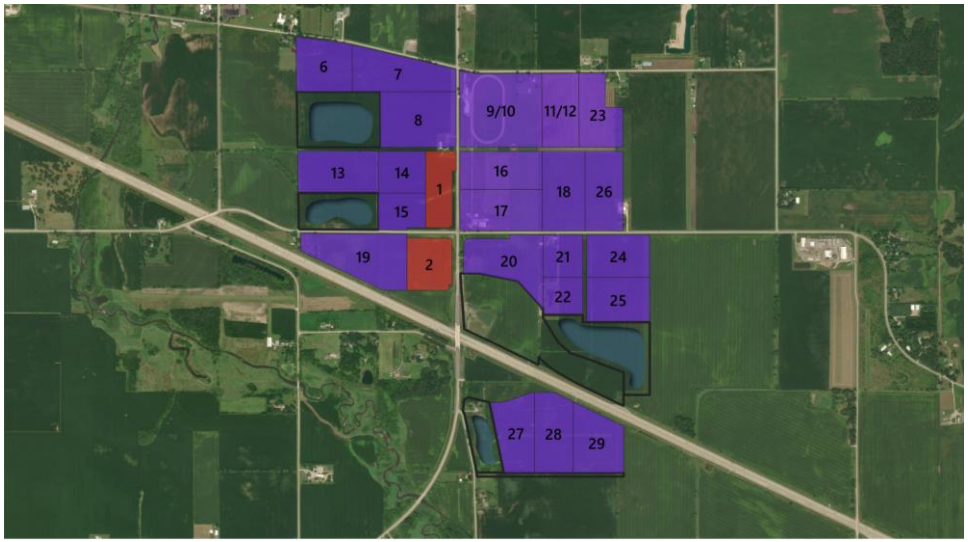
CONCEPTUAL DEVELOPMENT PROGRAM

The Interchange Site could accommodate 5.9 million square feet of new development

Based on SB Friedman's market demand forecast, growth in output in McHenry County could produce demand for up to 4.3 million square feet of new industrial space by 2030. As the only interstate-adjacent site within McHenry County, it is likely that the Interchange Site could capture more than its "fair share". Given known competitive clusters and site advantages, the Interchange Site could potentially capture 50-60% of demand, or **2.2 million to 2.6 million square feet in the next 10 years.**

Since infrastructure investment would support future development beyond the ten-year period, the long-term build-out was considered for the Interchange Site. Taking into account site capacity, the I-90/IL-23 Interchange Site could accommodate nearly **5.9 million square feet** of industrial development. Assuming a consistent 10-year absorption rate, it would take approximately **23 years to fully build out** the Interchange Site.

Based on conversations with stakeholders, there was a desire to hold land with frontage along IL-23 for future supportive commercial uses, such as a truck stop, gas station and restaurants. In total, the conceptual development program assumes the Interchange Site could accommodate an additional **19,000 square feet of commercial uses.**



Source: Fehr Graham; SB Friedman

Conceptual Development Program

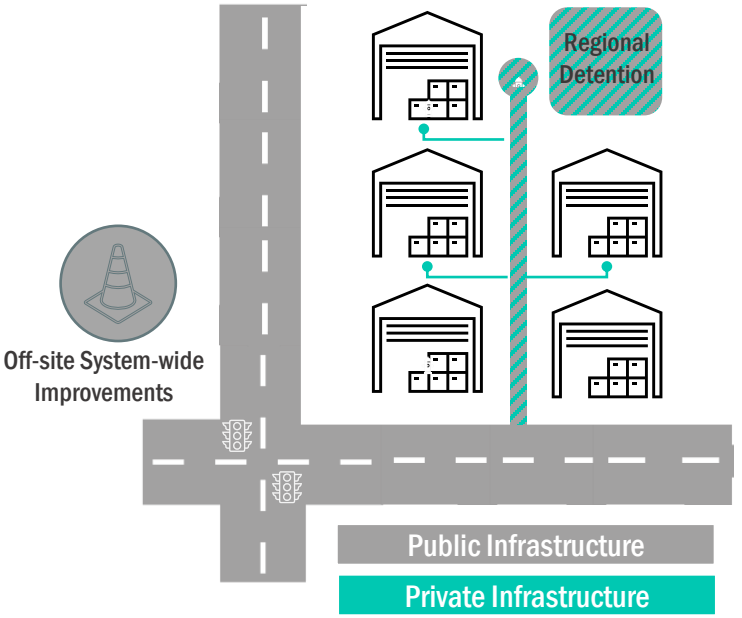
	Acres	Total SF	FAR
Industrial	422.6	5,885,000	0.32
Truck Stop	14.6	12,000	0.01
Gas Station	6.6	3,500	0.02
Fast Food	6.6	3,500	0.02
TOTAL	450.5	5,904,000	---

PUBLIC & PRIVATE INFRASTRUCTURE COSTS

To support full build-out of the Interchange Site, infrastructure investment will be required. The extent to which the public sector will bear the infrastructure costs depends on the extent to which infrastructure improvements required for any given development benefit the broader community (e.g., sanitary lift stations or improvements within the right-of-way that could accommodate additional users) versus improvements that directly serve the development parcel. The approach for public funding should vary depending on the infrastructure required:

- **Public Infrastructure** – infrastructure facilities (road, water, sanitary sewer) that serve the general public. Because these improvements serve a broader range of users, these types of infrastructure are typically funded with public dollars.
- **Private Infrastructure** – infrastructure that will remain privately held and exclusively serve a development site. In these cases, infrastructure costs can be shared between the public and a private developer. Public assistance should be driven by a financial gap assessment. A gap assessment can indicate what infrastructure cost a developer can carry and still maintain a market-typical return on investment.

The Interchange Site requires investment in public infrastructure, as well as private infrastructure to directly serve the end user. A full breakdown of public and private infrastructure costs by phase is provided in the following section.



Publicly Funded Costs	$57.3 M
Privately Funded Costs	$36.6 M

INFRASTRUCTURE NEEDS

Roadways & Stormwater Detention

The following infrastructure is required to support future industrial and commercial development:

Total Roadway Cost - $24.3 M ***($14.3 M Public & $10.0 M Private)***

Roadway improvements needed to support development include reconstruction of portions of Harmony Road and IL-23, construction of local roads to service development, and a roundabout at the intersection of Anthony Road and IL-23. The existing roadways that would be reconstructed and the roundabout are anticipated to be publicly funded while the local roads created to serve development could be constructed by developers and funded privately.

Planned Roadway Projects

- Roundabout Cost Per Intersection **$0.4 M**
- Harmony Road Reconstruction **$4.8 M**
- IL Route 23 Road Reconstruction **$2.4 M**
- Anthony Road Reconstruction **$5.5 M**
- Manufacturer Road Construction* **$5.5 M**
- Gateway Court Construction* **$1.5 M**
- Stock Road Construction* **$3.0 M**

Total Detention Cost - $15 M ***($0 Public & $15 M Private)***

Detention ponds to support development of specific parcels could be constructed by developers. However, larger regional detention facilities may require some level of public assistance.

* Indicates illustrative road name

INFRASTRUCTURE NEEDS

Sanitary Sewer & Wastewater Treatment

Total Sanitary Sewer Cost - $39.9 M ***($35.1 M Public & $4.8 M Private)***

The main challenge for bringing public infrastructure to the sites is transmitting and treating the wastewater from the development area. The interchange is 5 miles from Marengo and its sanitary infrastructure, so a lift station and a force main would be needed to transfer sewage from the site to the system that is treated by the Marengo wastewater treatment plant. Additionally, the demand caused by the development would require significant expansion of the existing wastewater treatment plant.

The lift station, force main, and wastewater treatment expansion would need to be funded publicly in advance of development at the Interchange Site. The sanitary sewers along newly constructed roads could be built and funded by developers.

INFRASTRUCTURE NEEDS
Water Treatment & Distribution

Total Water Cost - $14.7 M ***($7.9 M Public & $6.8 M Private)***

Existing wells and water treatment facilities are not located near enough to the Interchange Site to service the development. A new independent water production well, water treatment facility, and water distribution network are proposed. The system would not be directly connected to the City of Marengo, 5 miles to the north, but would be operated and owned by Marengo. The production well, water treatment facility, and water mains along main roadways would need to be funded publicly. Water mains along new roadways could be constructed and funded by developers.

INFRASTRUCTURE NEEDS

A substantial amount of upfront public infrastructure investment is needed

The I-90/IL-23 Interchange Site is located approximately 5 miles south of downtown Marengo. While development will be phased over time, a significant amount of up-front investment is needed in order to extend infrastructure and utilities to the Interchange Site. This is mainly due to the cost of transporting and treating wastewater from the sites. Temporary wastewater treatment near the site is a feasible option for development but would not likely be cost-effective as the cost would be in addition to a wastewater treatment plant expansion that is required regardless of a temporary installation.

I-90/IL-23 Interchange Site - Infrastructure Costs

	Public Costs	Private Costs	Total Costs
Roads	$14.3 M	$10.0 M	$24.3 M
Sanitary Sewers	$35.1 M	$4.8 M	$39.9 M
Water	$7.9 M	$6.8 M	$14.7 M
Detention	$0	$15.0 M	$15.0M
Total	**$57.3 M**	**$36.6 M**	**$93.9 M**

Source: Fehr Graham

I-90/IL-23 Interchange Site Plan

COST-BENEFIT ANALYSIS

Analyses were undertaken to quantify the fiscal & economic impact of new development

The Interchange Site is anticipated to have substantial fiscal impacts for the City of Marengo at full build-out, including growth in property values and additional sales tax generation. The equalized assessed value of the Interchange Site is projected to grow to approximately $105.0 million at full build-out in 2044, should the area develop as conceptualized.

Full build-out of the Interchange Site will require substantial public sector investment. SB Friedman analyzed the ability of tax increment financing (TIF), sales taxes and business districts, commonly-used economic development tools in Illinois, to generate sufficient revenues to:

- Partially or wholly offset the preliminary cost of extending new public infrastructure and services; and
- Potentially support private infrastructure costs.

The following sections estimates the revenue that could be generated by the conceptual, market-driven development program. These projections form the basis of a cost-benefit analysis that evaluates the fiscal impact of new development. However, the economic impact of new development should also be considered when evaluating whether to pursue development; therefore, we also projected the economic impact of the conceptual development program.

TAX INCREMENT FINANCING

Conceptual development program could generate up to $63 million in TIF revenue

TIF is a program that allocates future increases in property taxes from a designated area, or TIF district, to pay for improvements within that area. There is not currently a TIF district located within the Interchange Site.

SB Friedman analyzed various strategies to estimate TIF revenues that could be available to support development:

- **Scenario 1 - New TIF**: Estimates TIF revenues that could be generated over 23-years within a newly formed TIF district.
- **Scenario 2 - New TIF with Extension:** Estimates TIF revenues that could be generated over 23-years within a newly formed TIF district. This scenario also assumes a 12-year extension of the TIF district.

The conceptual development program could generate **$62.9 million in potential TIF revenue over the 23-year period**, while a TIF extension could generate an additional $22.0 million in TIF revenue (both discounted at 4.5% to 2020 dollars).

Note: SB Friedman did not conduct a full reconnaissance study to determine whether the Interchange Site would be eligible for designation as a TIF district.

I-90/IL-23 Interchange Site - TIF District Boundary

Interchange Site Incremental Property Tax Revenue

	Scenario 1: New TIF	Scenario 2: New TIF with Extension
Undiscounted Revenue	$134.4 M	$285.8 M
Discounted Revenue	$62.9 M	$84.8 M

Note: The calculations and assumptions used to project these revenues are presented in Appendix A.

SALES TAX & BUSINESS DISTRICT REVENUE

Conceptual development program could generate up to $2.6 million in sales & BD taxes

Sales tax revenue streams could be used to finance improvements required for development. SB Friedman considered the following sales tax revenue streams:

- **Local Distributive Sales Tax:** The local distributive sales tax is a portion of the existing composite sales tax rate. Sales taxes generated by businesses within a defined area could be used to finance improvements within that area. The local distributive sales tax rate is 1%.
- **Business District (BD) Sales Tax.** A BD sales tax is an additional tax and can be levied in increments of 0.25%, up to 1.0%. BD revenues are required to fund improvements within the defined district in which the additional tax is levied.

SB Friedman estimates that the conceptual development program could generate **$1.3 million in local distributive sales tax revenue** and **$0.3 to $1.3 million in BD revenues** over 23 years (both discounted at 4.5% to 2020 dollars).

Projected Sales Tax Revenues

	Tax Rate	Undiscounted Revenue	Discounted Revenue (4.5% to 2020$)
Local Distributive Sales Tax	1.00%	$2.2 M	$1.3 M
Business District Sales Tax	0.25%	$0.6 M	$0.3 M
	0.50%	$1.1 M	$0.6 M
	0.75%	$1.7 M	$0.9 M
	1.00%	$2.2 M	$1.3 M

Note: The calculations and assumptions used to project these revenues are presented in Appendix A.

Note: SB Friedman did not conduct a full reconnaissance study to determine whether the Interchange Site would be eligible for designation as a Business District.

COST-BENEFIT CONCLUSIONS

TIF revenue & awarded grant could likely support public infrastructure costs

Key takeaways from our analysis of anticipated infrastructure costs and public sector revenue generation are outlined below:

- New development could generate $62.9 million in TIF revenue over the 23-year life of the hypothetical TIF district (discounted at 4.5% to 2020 dollars). This is sufficient to finance the $57.3 million in public infrastructure costs. The City was recently awarded a $26.9 million grant from the State's Department of Commerce and Economic Opportunity's Rebuild Illinois Projects Fund which could further offset the upfront costs for water and wastewater infrastructure development.
- The hypothetical TIF alone would not be able to support 100% of the private infrastructure costs.
- An extension of the hypothetical TIF could generate an additional $22.0 million in revenues which could be used to further support private infrastructure investment or otherwise incentivize development. While TIF extensions provide extra time to complete TIF projects and continue to "grow" increment, TIF extensions require an act of the State legislature, typically require consent from all impacted taxing districts and are not guaranteed.

I-90/IL-23 Interchange Site - Cost Benefit Analysis

	New TIF & All Infra. Costs	New TIF w/ Grant & All Infra. Costs
Gross TIF Revenues [1]	$62,891,000	$62,891,000
- Public Infrastructure Costs	($57,300,000)	($57,300,000)
+ Grants and Other Funding Sources		$26,900,000
Net TIF Revenue After Public Infra. Costs	**$5,591,000**	**$32,491,000**
- Private Infrastructure Costs	($36,555,000)	($36,555,000)
Net TIF Revenue After Private Infra. Costs	**($30,964,000)**	**($4,064,000)**
+ Revenue from 12-Year TIF Extension	*$21,955,000*	*$21,955,000*
Fiscal Benefit (Burden)	***($9,009,000)***	***$17,891,000***

[1] Total discounted TIF revenues (4.5% discount rate)
Source: Fehr Graham; SB Friedman

ECONOMIC IMPACT

Full build-out could generate up to $4.6 billion in economic activity [1]

If development within the I-90/IL-23 Interchange Site were to occur as conceptualized, operations at the new facilities could generate $4.6 billion in annual economic activity at full build-out, including direct, indirect and induced output. Based on the market assessment, full build-out of the Interchange Site could take over 20 years. Approximately $2.9 billion in annual direct output could be generated in industrial sectors, including over $1.1 billion in manufacturing and warehousing/distribution sectors separately.

Direct

$2.9 B

Annual direct output

Indirect & Induced

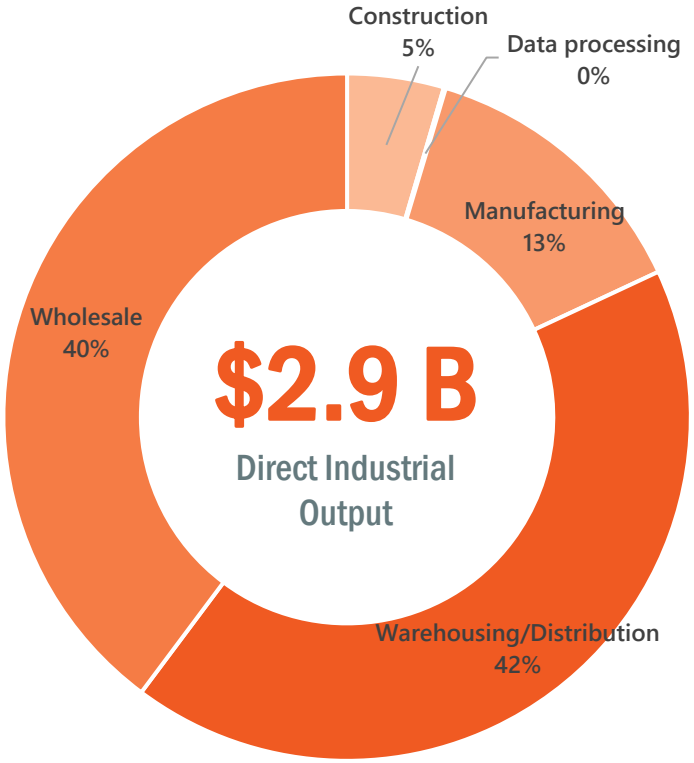
$1.7 B

Annual indirect & induced output

Total Project Period

$4.6 B

Total annual output within McHenry County



[1] Economic Activity is the value of industry production, as estimated by revenue.
Note: The calculations and assumptions used to project these impacts are presented in Appendix B.
Source: IMPLAN; SB Friedman

ECONOMIC IMPACT

Full build-out could create up to 29,800 permanent jobs [1]

At full build-out, the conceptual development program could result in approximately 29,800 annual permanent FTE jobs, including direct, indirect and induced jobs. Approximately 18,600 annual direct permanent FTEs could be created in industrial sectors, including nearly 8,000 direct jobs in warehousing and distribution sectors.

Direct

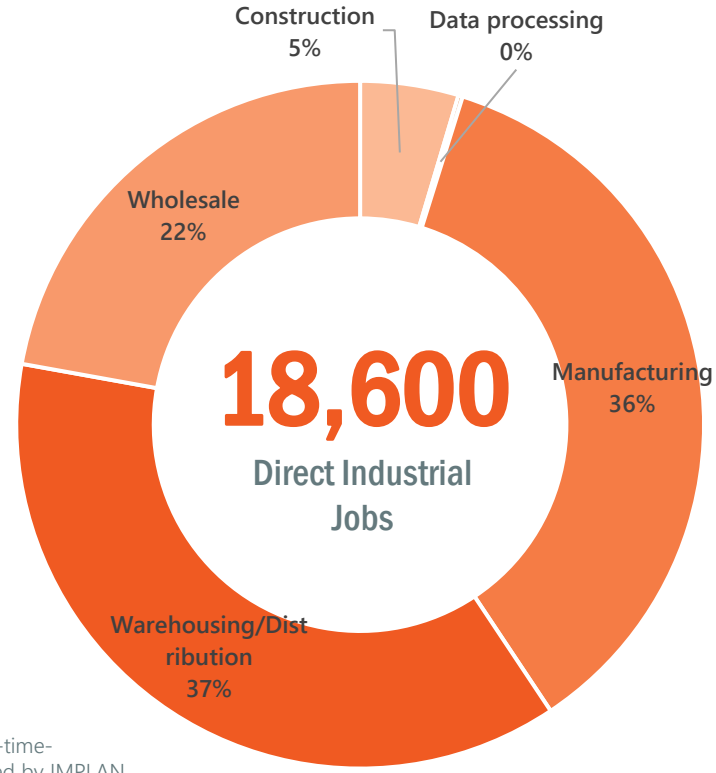
18,700
Direct permanent jobs created

Indirect & Induced

11,100
Indirect & induced permanent jobs created

Total Project Period

29,800
Total permanent jobs created



[1] Permanent jobs includes full-time, part-time and seasonal workers, and therefore does not represent full-time-equivalents (FTEs). SB Friedman converted jobs estimates to FTE jobs using the FTE conversion table provided by IMPLAN.
Note: The calculations and assumptions used to project these impacts are presented in Appendix B.
Source: IMPLAN; SB Friedman

ECONOMIC IMPACT

Full build-out could generate up to $1.9 billion in employee compensation [1]

At full build-out, the conceptual development program could create $1.93 billion in wages and benefits for FTE jobs, including direct, indirect and induced jobs.

Direct

$1.5 B

Direct permanent employee compensation

Indirect & Induced

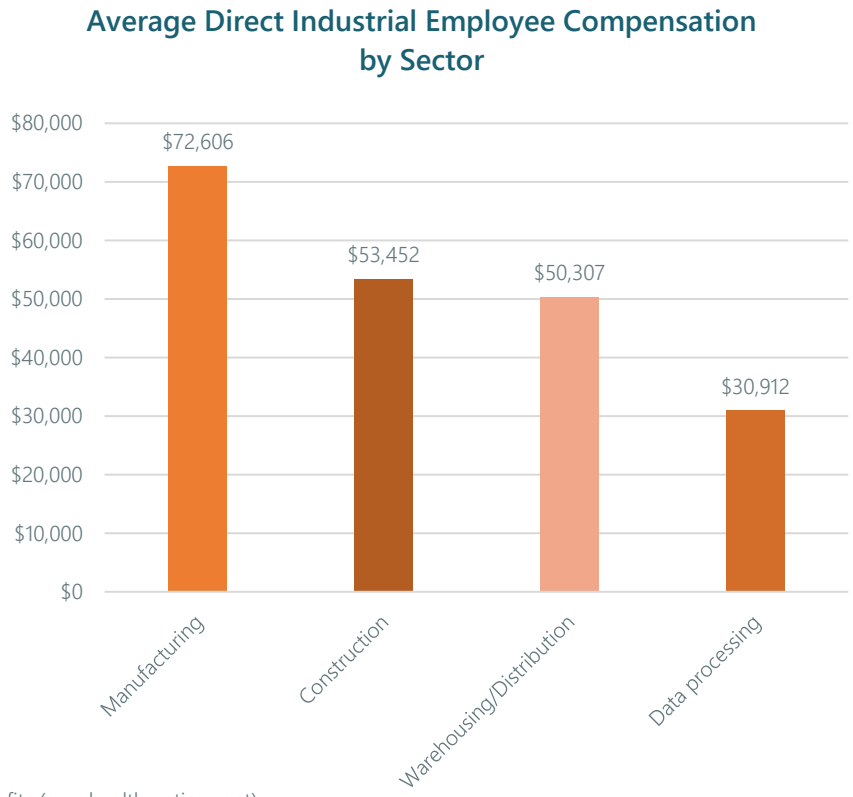
$0.4 B

Indirect & induced permanent employee compensation

Total Project Period

$1.9 B

Total permanent employee compensation



[1] Total payroll cost of wage and salary paid to the employee. This includes wages and salaries, all benefits (e.g., health, retirement), and payroll taxes (both sides of social security, unemployment insurance taxes, etc.).
Note: The calculations and assumptions used to project these impacts are presented in Appendix B.
Source: IMPLAN; SB Friedman

IMPLEMENTATION STRATEGY

Development of the Interchange Site will require a coordinated effort among stakeholders and property owners. The following section outlines various action steps that could be undertaken and financial tools that could be leveraged to overcome barriers/ challenges to development, maximize economic development potential, and facilitate development.

MARKET SITES & CAPITALIZE ON COMPETITIVE ADVANTAGES

Implementation Strategy

Prospective industrial users are likely to consider a number of factors during the site-selection process, including end user locational preferences/requirements, convenient access to transportation systems, the extent to which development pads are shovel-ready, and the availability of competitive development sites. There is a significant supply of land available for industrial development in the region, including existing shovel-ready sites and undeveloped farmland. Therefore, local stakeholders will need to aggressively market the Interchange Site to prospective users and capitalize on the advantages of the location. Key action steps are outlined below.

1. Coordinate with landowners to market sites. Marketing the Interchange Site will require coordination with individual landowners and, in some cases, may require assembling property. If site assembly is required, we recommend working with landowners to jointly market adjacent sites, rather than the municipality or stakeholders acquiring the sites. The latter transfers risk to the public sector and redirects financial resources that are likely needed to bring infrastructure to the Interchange Site. It is our understanding that the value expectations of various landowners may be limiting the ability to develop specific sites; therefore, stakeholders could also take an active role in educating landowners about achievable land prices.

Implementers: All local stakeholders; Region 1 Planning Council; property owners

2. Define industrial user attraction strategies. Industrial development is typically driven by the end user; therefore, it is important to market the sites to both growing companies locally and potential wild card users.

Target industries should include industries that:

- Already have a strong presence in the local economy;
- Are projected to grow in the near-term; and
- Supply chain businesses with industries that both have a strong local presence and/or are projected to grow.

A matrix of these industries are outlined on the following page.

Wild card users are companies that could be evaluating sites throughout the region or nation. Many of the wild card users that are currently active in the market are associated with e-commerce and could be attracted to the Interchange Site due to its proximity to major markets and transportation systems.

Implementers: McHenry County Economic Development Corporation; Region 1 Planning Council

MARKET SITES & CAPITALIZE ON COMPETITIVE ADVANTAGES

Implementation Strategy

Projected top 10 industries in 2031 by total employment (McHenry County)	Industries with the largest anticipated growth in employment from 2015 to 2031	Supply chain for industries that have a strong local presence and/or are projected to grow
Merchant Wholesalers, Durable Goods	Merchant Wholesalers, Durable Goods	Primary Metal Manufacturing
Fabricated Metal Product Manufacturing	Miscellaneous Manufacturing	Chemical Manufacturing
Machinery Manufacturing	Textile Mills	Fabricated Metal Product Manufacturing
Plastics and Rubber Products Manufacturing	Paper Manufacturing	Merchant Wholesalers, Durable Goods
Miscellaneous Manufacturing	Wholesale Electronic Markets and Agents and Brokers	Merchant Wholesalers, Nondurable Goods
Food Manufacturing	Support Activities for Transportation	Plastics and Rubber Products Manufacturing
Truck Transportation	Transit and Ground Passenger Transportation	Food Manufacturing
Wholesale Electronic Markets and Agents and Brokers	Food Manufacturing	Truck Transportation
Computer and Electronic Product Manufacturing	Couriers and Messengers	Machinery Manufacturing
Merchant Wholesalers, Nondurable Goods	Apparel Manufacturing	Warehousing and Storage
		Paper Manufacturing
		Couriers and Messengers
		Computer and Electronic Product Manufacturing
		Support Activities for Transportation
		Transportation Equipment Manufacturing

Source: Emsi

MARKET SITES & CAPITALIZE ON COMPETITIVE ADVANTAGES

Implementation Strategy

3. Market competitive advantages of the Interchange Site. To be competitive with the large supply of alternative sites, it is important to educate prospective industrial users, especially wild card users, about the competitive advantages of the Interchange Site, including proximity to major consumer markets, established industrial supply chains, and major transportation networks. Key competitive advantages of the Interchange Site include:

- Proximity to the nearby logistics and distribution supply chain; and
- Direct access to the interstate network.

Marketing efforts could include developing marketing materials/websites that highlight the competitive position of the Interchange Site.

Implementers: All local stakeholders; Region 1 Planning Council; property owners

4. Consider regional approaches to enhance competitiveness. The Interchange Site competes both regionally and nationally to attract industrial users. Developing a coordinated regional approach to support economic development would create a framework to support industrial development while leveraging the key competitive advantages of individual Interchange Sites. Potential strategies to enhance regional competitiveness include:

- Continuing to invest in regional infrastructure (airport, rail, etc.) to expand current capacity;
- Continuing to market existing workforce development and training programs, grants, and other incentives available in the region, such as the Employee Investment Training Program; and
- Establishing partnerships between the private and public sectors to align training programs and hiring practices to ensure training programs adequately develop the required on-the-job skills.

Implementers: McHenry County Economic Development Corporation; City of Marengo; McHenry County; Region 1 Planning Council; local community colleges; adult education and workforce training partners; major employers

REDUCE UNCERTAINTY FOR PROSPECTIVE USERS

Implementation Strategy

Industrial users typically move quickly with development of new facilities. Therefore, it is important to limit the number of uncertainties regarding how and when development could occur. Doing so sends a clear signal to the market that the Interchange Site is available for development and shovel-ready.

5. Establish regulatory framework to support development. Ensuring that proper entitlements are in place reduces risk and uncertainty in the site-selection process, as well as reduces the time required to facilitate development. It is important to address any annexation and zoning-related issues to set the stage for industrial and supporting commercial development. Zoning regulations should reflect evolving trends in terms of industrial space requirements (e.g., higher ceiling heights, typical floor area ratios). Furthermore, clearly defined design guidelines, signage requirements, building codes, and other restrictions can reduce uncertainty in the pre-development process.

The majority of Interchange Site parcels have recently been annexed into the City of Marengo. In addition to annexing the remainder of the Interchange Site, parcels will need to be rezoned from the Agricultural-Transition designation to allow for future industrial and supportive commercial development. To the extent possible, the City should pursue zoning for industrial as soon as possible to reduce uncertainty in the entitlements process.

Implementers: City of Marengo

6. Pursue phased approach to infrastructure investment. In situations where infrastructure is not yet in place to serve future development, a clear plan and timeframe for extending services can reduce uncertainty and increase attractiveness for development. Furthermore, clustering new development is a key strategy to managing the need for new infrastructure.

The Interchange Site is further removed from other buildings in Marengo; therefore, a significant amount of up-front investment is needed in order to extend infrastructure and utilities to the Interchange Site. It may be possible to reduce some of the up-front costs by constructing a temporary wastewater treatment near the site to serve development; however, this approach would likely not be cost-effective in the long-term since the full treatment plant expansion will still be required to support full development of the Interchange Site. Since phasing of the public infrastructure costs may not be as feasible, it is necessary to identify additional grants that could help offset some of the upfront costs.

Implementers: City of Marengo, Region 1 Planning Council

REDUCE UNCERTAINTY FOR PROSPECTIVE USERS

Implementation Strategy

7. Set the stage for infrastructure investment. It would be fiscally prudent to limit large-scale infrastructure investment until there is a clearly defined project seeking entitlements. To do this, the City could prepare detailed cost estimates and establish a physical and financing plan for infrastructure that is implemented when a user has fully committed.

Implementers: City of Marengo

DEFINE INFRASTRUCTURE FINANCING PLAN

Implementation Strategy

The cost of expanding the infrastructure network can be prohibitive to some new development. Municipal financial support is often required to offset these extraordinary costs. The following are best practices for financing public infrastructure to support development:

8. Leverage all available sources to finance up-front infrastructure. To unlock development, the City could take a proactive role in financing public infrastructure that serves a broader area and has the potential to unlock multiple development sites. The City of Marengo was recently awarded a $26.9 million grant from the State's Department of Commerce and Economic Opportunity's Rebuild Illinois Projects Fund for water and wastewater infrastructure development. Additional potential strategies include:

- Exploring all available local funding/financing sources, including enterprise reserve funds (which are separate from municipal general funds) with the capacity to self-fund required improvements;
- Exploring all available state funding/financing sources, including the IDOT Truck Access Route Program and Rebuild Illinois Public Infrastructure grants; and
- Exploring all available federal funding/financing sources, including Community Development Block Grants (CDBGs), Infrastructure for Rebuilding America (INFRA) grants, and Better Utilizing Investments to Leverage Development (BUILD) Transportation Discretionary Grant program.

Once all available funding/financing sources are identified, the City could estimate the public funding "gap" for public infrastructure.

Implementers: City of Marengo

9. Optimize use of special districts to finance public infrastructure. Creative infrastructure financing solutions for extraordinary costs can help alleviate the burden on municipal general funds. However, different financing mechanisms result in varying levels of risk to the public sector. While special districts, such as TIF and Business Districts, are useful tools for capturing incremental value creation over time, it may take several years for sufficient revenues to materialize. If development is delayed or absorption is slower than currently projected, less revenue will be generated. The mismatch associated with the need for upfront improvements/investment and when the subsequent value is generated through special districts presents a degree of risk to the public entity. Therefore, in advance of agreements which put the City at risk, full feasibility assessments should be conducted to project revenues based on the proposed development and phasing to determine financing capacity. Additionally, an eligibility study will be required to assess whether the area qualifies as a TIF and/or Business District under State law to ensure a pathway forward.

DEFINE INFRASTRUCTURE FINANCING PLAN

Implementation Strategy

The City of Marengo has recently been awarded $26.9 million in grant funds which can defray the costs of the upfront infrastructure. Nevertheless, the City will likely need to finance nearly $30 million in public infrastructure improvements. Despite significant growth in demand for industrial space over the next ten years, full absorption of the I-90/IL-23 Interchange Site will likely take over 20 years, assuming consistent absorption during this period. If development is delayed or absorption is slower than currently projected, less revenue will be generated. However, if development occurs as conceptualized, it is likely that new development could generate sufficient TIF revenue to finance public infrastructure costs.

The hypothetical TIF would not be able to support 100% of the private infrastructure costs. Prioritization of assistance should be based on need and the catalytic impact of first movers. To maximize increment generation, potential new TIF districts should only be established once a user has committed and development is imminent, as outlined by a letter of intent (LOI), redevelopment agreement (RDA) or other documentation.

Additionally, the City could also consider extending the TIF district for an additional 12-year period in order to capture additional revenue. While TIF extensions provide extra time to complete TIF projects and continue to "grow" increment, TIF extensions require an act of the State legislature, typically require support from all impacted taxing districts, and are not guaranteed.

While incremental sales and Business District tax revenues could generate $1.6-$2.6 million (discounted to 2020 dollars), future revenues are dependent upon supportive retail development and should only be considered as a potential funding source once definitive plans for the commercial areas advance. At that time, a feasibility study should be undertaken to estimate the potential tax revenues.

Implementers: City of Marengo

DEFINE INFRASTRUCTURE FINANCING PLAN

Implementation Strategy

10. Mitigate risk to the public sector by implementing a shared-burden backstop. The City could consider alternative approaches to financing infrastructure improvements, including:

- **Impact fees –** A one-time fee to reimburse the City for up-front infrastructure that is required by new development. The fee is typically structured to require that each development pay an equitable portion of the costs. These fees can come in various forms including exaction fee (to fund on-site infrastructure), impact fee (to fund off-site infrastructure), or negotiated contributions.
- **Special service areas/special assessments -** Allows property taxpayers to form a special taxing district in which they agree to levy an additional property tax on themselves for desired public improvements that would not be funded by the City otherwise.

Implementers: City of Marengo

11. Explore public-private partnership to support private infrastructure. On-site infrastructure which primarily serves a single project or user should be funded by the private entity. However, in some instances it may be necessary for the public sector to contribute to private infrastructure costs that cannot be fully carried by the project. In those situations, city participation could be based on a financial gap analysis that includes a detailed review of project financials. This would involve:

- Right-sizing the public assistance to the amount required for the project to be financially feasible; and
- Structuring an agreement with the developer or industrial user that outlines the terms, timing, and structure of public assistance and includes protections for the public sector to guarantee development outcomes.

If financial assistance is provided for a first-mover, the City could consider the use of inducement resolutions to provide assurance that TIF-eligible costs that were incurred prior to the final approval of a TIF district may be eligible for reimbursement as part of a redevelopment agreement.

Implementers: City of Marengo

LEVERAGE ALL AVAILABLE PROGRAMS TO ATTRACT USERS

Implementation Strategy

12. Consider incentivizing wild card users. Public entities are utilizing both jobs-based and real estate development incentives to attract "wild card" industrial users to their communities. To compete for these types of end users, additional forms of assistance may be requested from the business. Federal programs such as Foreign Trade Zones (FTZ), could provide wild card industrial users with desirable incentives such as reduction/elimination of duty on foreign imports and exemptions from state and local inventory taxes for local goods held for export. Given the job creation potential, the City could also work directly with identified industrial users to apply for federal grants available to support job creation, such as the US Economic Development Administration (EDA) Economic Adjustment Assistance grants.

Additionally, a variety of statewide funding programs could be leveraged to encourage businesses to locate to the Interchange Site, such as Business Development Public Infrastructure Program (BDPIP) grants, Economic Development for a Growing Economy (EDGE) tax credits, IDOT Economic Development Program (EDP), and Large Business Development Program (LBDP) grants. The City of Marengo and McHenry County have a variety of revolving loan funds to assist businesses in relocating and expanding within the area:, including:

- Business Incentive Program in Marengo (BIPiM): Industrial businesses which locate to Marengo, create at least 5 new FTE jobs paying over $12 per hour, and make at least $200,000 in capital investments are eligible for 3-, 5-, or 10-year property tax abatements depending on the level of investment.
- Marengo Revolving Loan Fund: Financial assistance for businesses planning to expand or locate within the City which create or retain net new jobs. Loans range from $30,000 - $150,000 (up to 45% of project costs).
- McHenry County Micro Loan Fund: Loans for up to $25,000 to be used for building expansions, renovations, moving costs, machinery or equipment purchases, and/or capital.
- McHenry County Revolving Loan Fund: Provides loans for up to $200,000 (45% of total project costs) to purchase a new facility and/or new equipment.

Implementers: City of Marengo, McHenry County Economic Development Corporation

LIMITATIONS OF ENGAGEMENT

LIMITATIONS OF ENGAGEMENT

Our deliverables are based on estimates, assumptions and other information developed from research of the market, knowledge of the industry, and meetings/teleconferences with Region 1 Planning Council during which we obtained certain information. The sources of information and bases of the estimates and assumptions are stated in the deliverable. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will necessarily vary from those described in our report, and the variations may be material.

The terms of this engagement are such that we have no obligation to revise analyses or the deliverables to reflect events or conditions that occur subsequent to the date of the deliverable. These events or conditions include, without limitation, economic growth trends, governmental actions, changes in state statute or city ordinance, additional competitive developments, interest rates, and other market factors. However, we will be available to discuss the necessity for revision in view of changes in the economic or market factors affecting the proposed project.

Our deliverables are intended solely for your information, for purposes of reviewing a request for financial assistance, and do not constitute a recommendation to issue bonds or other securities. The report should not be relied upon by any other person, firm or corporation, or for any other purposes. Neither the report nor its contents, nor any reference to our Firm, may be included or quoted in any offering circular or registration statement, appraisal, sales brochure, prospectus, loan, or other agreement or document intended for use in obtaining funds from individual investors without our prior written consent.

We acknowledge that upon submission to the Region 1 Planning Council, the report may become a public document within the meaning of the Freedom of Information Act. Nothing in these limitations is intended to block the disclosure of the documents under such Act.

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