

AMEROCK HOTEL & ROCKFORD CONFERENCE CENTER
Answers to Frequently Asked Questions, February 19, 2017

1. **What is the scope of the project we're talking about and why is this such a big deal?** The project involves the construction of a 160 room Hilton Embassy Suites hotel in the old Amerock manufacturing building and a newly constructed 40,000 sf Rockford Conference Center adjacent to the hotel. The cost of the hotel is estimated at \$64 million and the conference center \$13.1 million. The current version of the project also includes the City's construction of surface parking but no longer includes a parking deck, train platform and train station.

The project would result in the first major brand hotel in Rockford's downtown in modern history. Combined with the the 40,000 sf Rockford Conference Center, the project would support visitors and spending, driving positive economic impact for the entire hospitality industry and the entire community. There are over 550 construction jobs and over 120 permanent jobs estimated to be direct results of this project alone.

Working with the Rockford Area Convention & Visitors Bureau, moreover, the City will be able to leverage the new Embassy Suites Hotel & Rockford Conference Center with our existing assets such as the BMO Harris Bank Center and UW Health Sports Factory to market the community to even larger events that can utilize each of the venues.

There is simply nothing close to this type of hospitality asset within our region. That's why the Hunden marketing study that evaluated the project estimated a total economic impact of over \$700 million over a 30 year time span for the project.

2. **Wasn't this project already approved by the City Council a long time ago? If so, why isn't it finished and why is it being discussed again now?** The original project agreement was approved by the City Council in April 2014. An amended agreement was approved in May 2015. A significant part of the first two versions of the plan was also based on the expectation of new Amtrak train service that would connect to the hotel and conference center through the City's investment in a 300-500 spot parking deck, new train station, new train platform, and new covered walkway connecting the train station to the hotel and conference center.

The hotel and conference center size and scope have not changed since the May 2015 agreement, but the planned Amtrak service is no longer expected in the near future. Moreover, the project has taken longer to raise investment funds, costs have been higher than expected, and the fate of the State Historic Preservation Tax Credit has been uncertain. The Great Recession has also caused a substantial loss in overall property values for the City making private financing of major projects incredibly challenging.

Consequently, the City and Gorman have created the current proposal to enable the project to go forward without the need to build the parking deck, train station, train platform, and covered walkway. Those costs savings for the City enable the City to invest in and own the Rockford Conference Center and make the project feasible.

Gorman has now successfully raised the necessary private equity investment funds to begin the project. Also, the City Council's approval of the current amendment will enable the project to go forward without concerns over the future of the State Historic Tax Credit. After a long, difficult road, this project is ready, but it needs the City Council to support the current proposal.

3. **Is it appropriate for the City to own a conference center as opposed to a parking deck? Is it appropriate to incentivize a private hotel? Do other cities do this?** The answer to each of these questions is a resounding "yes". It is absolutely appropriate for the City to invest in a conference center as opposed to a parking deck and to provide support a private sector hotel.

Throughout Illinois and throughout the United States, conference and convention centers are routinely owned by public bodies. In fact, since at least the McGaw and McNamara administrations in the 1970's and 1980's there has been a vision for a downtown Rockford hotel and publicly owned conference center. Moreover, Illinois cities like Normal, Peoria, Tinley Park, and Schaumburg all have publicly owned conference centers adjacent to hotels. For Peoria, Tinley Park, and Normal the hotels are owned by private sector developers who benefit directly from the adjacent publicly owned conference and convention centers. Schaumburg actually owns the hotel as well as the conference center adjacent to it. Peoria incentivized a \$70 million investment to renovate the Pere Marquette hotel and connect it by covered walkway to its publicly owned civic center.

The town of Normal, Illinois has invested nearly \$26 million incentivizing two private sector hotels that benefit directly from its downtown conference center. Those investments included \$10 million for the town-owned conference center; \$8.3 million for the town-owned parking deck; \$2.5 million toward the Marriott hotel that opened in 2009; and a \$5.1 million upfront grant to the developer of the Hyatt Place that opened in 2015. (see www.pantagraph.com/news/local/government-and-politics/normal-paid-upfront-to-make-uptown-hotels-happen/article_b18cc76c-7af7-585c-9847-412c7c12581c.html).

Public bodies make these investments for good reason. Conference and convention centers drive positive economic impact to communities bringing in significant outside money and supporting new jobs for a community. In fact, the analysis done by the Hilton Corporation when evaluating the Gorman application for the Embassy Suites franchise for this project concluded that the combined hotel and conference center would actually grow the hospitality market and not be detrimental to the current operations of the existing Hilton Garden Inn on Rockford's east side. The Hunden Report made similar conclusions showing a positive economic impact of over \$700 million over 30 years. Compared to what other Illinois cities have invested to support their efforts, the current plan before the City council is a great value.

Finally, the City Council faced the question of owning a much more unusual and controversial asset when we voted to finance and own the Chicago Blackhawks AHL franchise. Thankfully, we had the courage and determination to get past the controversy to close that deal. It's hard to imagine what downtown Rockford would be like if the City had not taken advantage of that opportunity to acquire the Blackhawks franchise. Today, nobody remembers the debates over

that decision; they're too busy enjoying the incredible positive impact of that decision. We believe the same will be true in the case of the City owning the Rockford Conference Center. We need to show the same courage and determination to get past the controversy here to complete this project.

4. **What is the opportunity cost of using the redevelopment fund to pay for the conference center over 20 years?** It certainly is a fair point that there is an opportunity cost to investing redevelopment funds into the Rockford Conference Center. There was also an opportunity cost, however, when the City decided to purchase the Chicago Blackhawks AHL franchise. There was a similar opportunity cost of investing at that time in the expansion and renovations of the MetroCentre. Likewise, there was an opportunity cost when the City invested in the UW Health Sports Factory.

The key analysis for each of those investments, just like with the current decision about the proposed conference center, is whether it is a good investment and whether we can afford to make the investment. The answer to both of those questions is a resounding "yes".

The analysis from the City's Finance Department not only shows that we can afford to invest in the proposed Rockford Conference Center, but we can also afford to invest in the proposed Indoor City Market. At the end of 25 years, supporting both projects for 20 years, a positive ending balance of over \$39 million is projected. Moreover, not only can we afford the Rockford Conference Center, but this is an outstanding use of the Redevelopment Fund. It will result in over \$64 million in private sector direct spending just to build the adjacent 160 room hotel. The construction of the hotel and conference center will create over 550 direct construction jobs. It will result in over 120 direct permanent jobs. It will drive additional visitor purchasing and economic activity supporting local businesses. All told, over the course of a 30 year project span, the Hunden report estimates over \$700 million in cumulative economic impact.

5. **Do the benefits of the project outweigh the risks?** This is another resounding "yes". The positive economic impact of this project clearly outweighs the risk. In fact, the current version of the project actually has less risk to the City.

In prior versions of our agreement, the City was expected not only to build between a 300 and 500 stall parking deck, the City would have also born the operating risk of losses for the parking deck operations. In addition, we were planning on building and maintaining a long train platform, train station, and connected, covered walkway between the train station and the adjacent hotel. While we had accepted those risks in exchange for the benefit of the hotel and conference center and train service, there was clearly more risk than in the current agreement. We expected the costs for the construction of those assets to be in the neighborhood of \$16 million in addition to the risks of losses for operating and maintaining them. Moreover, the City also pledged to guarantee a \$3 million loan for the developer in that prior agreement.

In the current agreement, while the City will own the Rockford Conference Center and pay \$13.1 million in bonds to finance it, Gorman is obligated to cover the maintenance costs and bear all of

the operating risk of conference center operating losses. The City will also retain the parking fee revenue generated from hotel and conference center guests. Moreover, the City is no longer guaranteeing a \$3 million loan for the developer. Consequently, while we are still getting a 160 room hotel and 40,000 sf conference center, we are doing so spending less money up front and bearing less risk over time.

6. **Why is the City proposing to rebate hotel taxes back to the developer?** The City has agreed to rebate hotel taxes to support the Conference Center operations in each and every version of the agreement. This version is no different. Conference center operations are typically supported by hotel taxes in order to support marketing and sales for the conference center. That has been the plan for every version of the agreements that have supported this project. In fact, in this version of the agreement, the City owns the Rockford Conference Center and Gorman will be required annually to account for the use of the hotel tax to support the conference center operations.
7. **What is the TIF District support for this project and why is the City extending the life of the TIF?** The City is pledging to rebate the property taxes generated by the hotel for the life of the agreement. This has been consistent throughout each prior version of the agreement. The City has also agreed to extend the life of the TIF in the current version of the agreement in order to support the hotel operations and the private sector loans necessary to make the project a reality.
8. **Wasn't the City also considering a \$3 million loan guarantee for the project?** In the May 2015 agreement, the City pledged to guarantee a \$3 million loan to the developer from the Department of Housing and Urban Development. The current version of the agreement eliminates that loan guarantee reducing the City's risk related to that prior commitment.
9. **Is the City putting all the money into this project? Is the developer putting anything into it?** The City is not putting all of the money into this project, not even close. The developer is responsible for the vast majority of the project costs.

The City is investing \$13.1 million to build the Rockford Conference Center and the City will own it. The developer is responsible for raising \$64 million to construct, maintain, and operate the hotel. The developer will also be responsible for operating and maintaining the Rockford Conference Center.

The City has also invested along with the Park District and others in the UW Health Sports Factory. The City and State have also invested in the rebuilding of South Main Street and the conversion of Main Street to two-way traffic around the Amerock site. The City is also committed to improving traffic flow and way finding around the area to support pedestrian and vehicle movements in that area.

All of these related investments both public and private are focused on improving our downtown and supporting prosperity for our entire community and entire region.

10. Isn't Gorman the same developer building the affordable housing development on New Towne Drive? If so, why should we help someone on a downtown project when they did a project that caused so much controversy? Gorman is the same developer that is building affordable housing on New Towne Drive, but this is a totally unrelated development and it is not appropriate to consider New Towne when evaluating the Amerock Hotel & Conference Center project.

In fact, the City has been directly told by the Department of Housing and Urban Development (HUD) that it is illegal to "punish" a developer on a different project for a developer's work advancing affordable housing. The City is still under investigation related to the New Towne affordable housing proposal. Simply put, negative feelings toward the developer related to the New Towne project and affordable housing in general cannot legally be a basis for voting against the Amerock project.

11. How many jobs will be created from this project and what is the return on the City's investment? The economist Michael Evans calculated that the project will create over 550 construction jobs and over 120 permanent hotel and conference center jobs related to the project.

The permanent jobs created from this project will help provide needed jobs in one of the City's most poverty stricken areas with both entry level service jobs and higher paying management jobs. The four-star Embassy Suites Hotel & Rockford Conference Center will also provide an amenity that supports the corporate meeting and hospitality needs of the largest, most sophisticated and highest paying manufacturing and technology employers in the region. The Rockford area doesn't currently meet those needs which hurts our ability to attract and retain the jobs that support those employers.

The Hunden Economic Impact report estimates spending totals of nearly \$427 million over a 30 year project period, with indirect and induced spending adding another \$144 and \$166 million, respectively. In total, \$738 million in net economic impact is projected from the project giving the City an incredible return on its investment.

12. Hasn't downtown had enough investment? How about more on my side of town? There are some opponents to this project arguing that "downtown has had enough" public support and should no longer be the recipient of this type of City focus and economic support. That type of parochial approach and way of thinking about economic progress is what got Rockford into trouble in the first place and from which we have been trying to recover.

For the City to be able to prosper, and to reduce our overall property tax burden, every part of the community needs to receive investment. When the entire community grows in value, then the tax burden is less for all. The citizens of this community have supported this type of comprehensive approach to economic progress by approving now three times the *Rebuilding Rockford* 1% public infrastructure sales tax referendum. The tax dollars generated are

supporting record levels of public infrastructure investment throughout the community guided by the City Council and City of Rockford staff and partnering with State, Federal and local government partners. Together, we have worked on projects throughout the City like rebuilding the East Side Gateway at State and Bell School Roads, rebuilding Harrison Avenue, rebuilding North Main and South Main corridors, rebuilding roads around the Rockford Airport and rebuilding West State Streets.

We have also worked hard to restore integrity to the City's Redevelopment Fund so that we have had the financial resources to invest in transformational economic development projects like our purchase of the Chicago Blackhawks AHL franchise to support the Rockford Ice Hogs and the expansion and renovation of the BMO Harris Bank Center. We've also used those funds to partner with the Park District and others to build the UW Health Sports Factory. And we've used support from Tax Increment Financing (TIF) Districts to partner with others like the Rockford Airport to support major new employment centers like the new AAR Maintenance and Repair facility at the airport.

We've combined our focused use of local economic development funds with a strategic approach to lobbying State government to support programs like the River Edge Redevelopment grants and the State River Edge Historic Tax Credit. Through these financial incentives, we have partnered with local developers and organizations to launch initiatives like the Downtown City Market Pavilion and North End City Market. We have supported projects like the Prairie Street Brewhouse, multiple housing developments, and the UW Health Sports Factory.

All of these projects together support the prosperity of the entire City and region. Our downtown projects in fact are enjoyed by local residents as well as visitors and support a positive quality of life and prosperity for the entire region. We have accomplished these many successes despite the ongoing difficulty of financing projects in a community that has been battered by a major loss of property values due to the Great Recession and despite the difficult political landscape in our State Capitol.

Now is not a time to go backward. Now is the time to leverage the positive momentum that has developed to move projects forward like the Amerock Hotel & Rockford Conference Center.