



VILLAGE OF WINNEBAGO

MEMORANDUM

Prepared By: Joseph Dienberg
To: Village President and Board of Trustees
Date: March 18, 2026
Subject: Economic Development Tools and Strategy Review Discussion

Background: At the October 15, 2025 Committee of the Whole meeting, the Board received an overview of Tax Increment Financing from Attorney Gino Galluzzo, including how TIF districts are established, how increment is generated, and the statutory requirements under Illinois law.

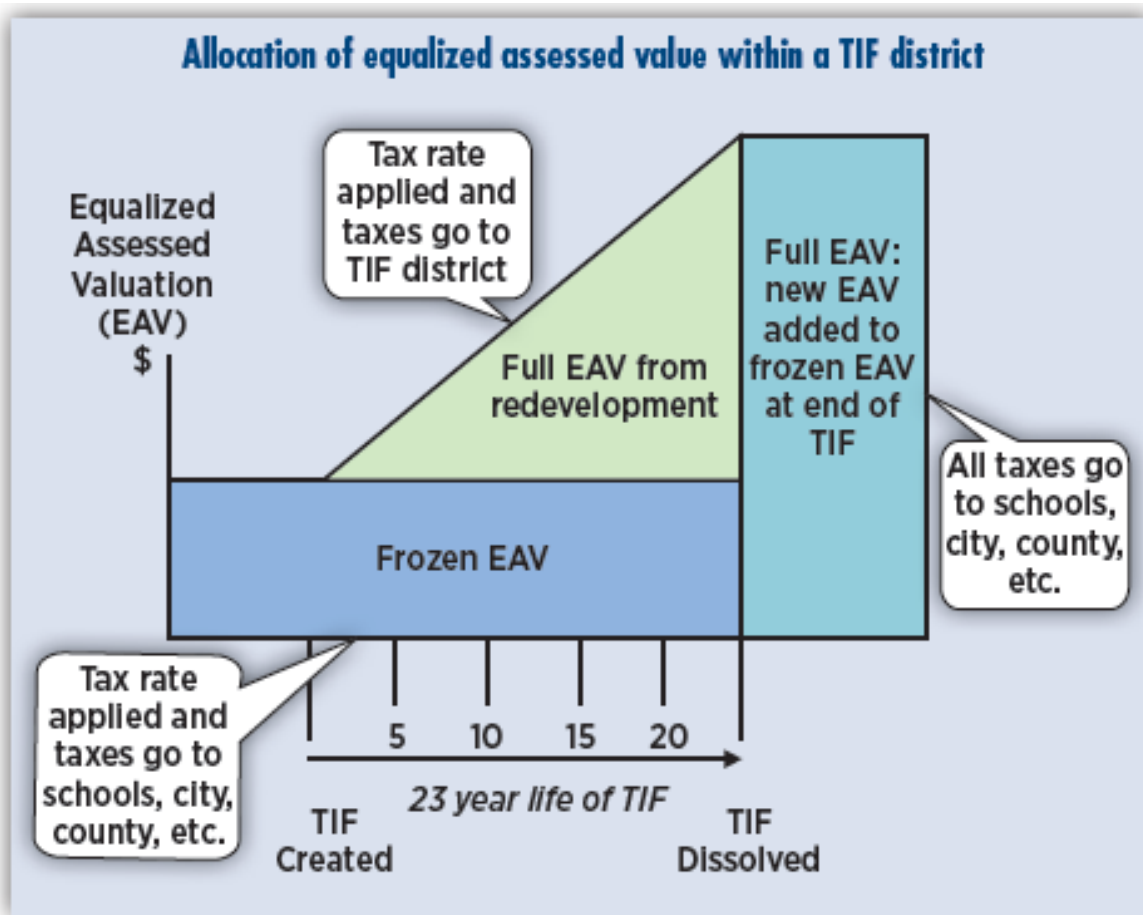
This memorandum builds on that discussion from a more practical perspective. Rather than revisiting statutory mechanics, it examines how these tools may or may not apply to specific areas of the Village, and the advantages or constraints that may exist based on geography and development pattern.

Consistent with the Village’s long-standing planning principles, including those in the Comprehensive Plan, this discussion remains grounded in the following:

- Growth is inevitable; unmanaged growth is optional.
- Infrastructure capacity determines development capacity.
- The Village should act proactively rather than reactively.
- Community character and fiscal stability must remain central considerations.

Tax Increment Financing: A TIF district captures growth in equalized assessed value (EAV), the statewide standardized measure of a property’s taxable value, within a defined boundary and reinvests that increment into eligible redevelopment and infrastructure costs within the same area. It is commonly used to address blight, upgrade infrastructure, assemble sites, or support projects that would not occur “but for” assistance.

The Village’s Comprehensive Plan consistently emphasizes that infrastructure capacity — water, sewer, transportation, and coordinated service expansion — drives development capacity. A TIF can function as a financing tool to implement those priorities where upfront infrastructure costs would otherwise delay growth.



Source: The "Final Report of the TIF Reform Task Force," June 1, 2018.

Eligible Uses of TIF Funds

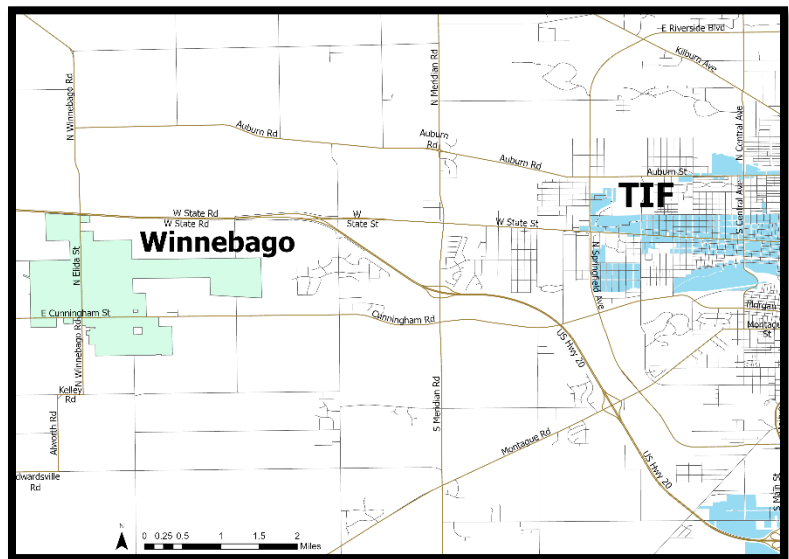
Under Illinois statute, tax increment revenues may be used for a variety of redevelopment and public improvement activities within the designated TIF district, including:

- Public infrastructure improvements such as roads, utilities, stormwater systems, sidewalks, and public facilities.
- Land acquisition, site preparation, demolition, and environmental remediation. Public works improvements necessary to support redevelopment, including water and sewer extensions or upgrades.
- Financing costs associated with redevelopment projects, including interest and issuance costs.

- Job training, workforce development, or relocation assistance tied to redevelopment activities.
- Rehabilitation or renovation of existing buildings to support economic development.
- Site assembly and preparation necessary to make properties development-ready.
- Reimbursement to private developers for eligible redevelopment costs when consistent with a redevelopment agreement approved by the Village.

TIF funds must be spent on activities that support redevelopment within the designated project area and must comply with the redevelopment plan and Illinois statutory requirements.

Regionally, Tax Increment Financing is a commonly used economic development tool. The City of Rockford has established multiple TIF districts in areas that the Village of Winnebago competes directly with for investment, including the State Street corridor, the Springfield Avenue corridor, and the U.S. 20 / Main Street area. These districts allow Rockford to capture and reinvest new value in infrastructure, site preparation, and development incentives in locations that compete directly with surrounding communities for commercial and industrial projects.



Similarly, other communities in Winnebago County utilize TIF districts as part of their development strategy, including nearby municipalities such as Loves Park (Costco Area), Machesney Park, Cherry Valley (Rock 39), Durand, and others that have active redevelopment project areas.

Beyond Winnebago County, many smaller communities in neighboring Ogle County and surrounding regions also utilize TIF districts, including communities such as Stillman Valley, Byron, Davis Junction, and Forresteron. These municipalities are not located along the U.S. 20 corridor but still rely on TIF as a tool to support downtown revitalization, infrastructure improvements, and industrial park development.

Tradeoffs:

- Long statutory duration.
- Ongoing administrative and reporting requirements.
- Increment retained within the district rather than immediately distributed to overlapping taxing bodies.
- Eligibility findings required under statute.

Base tax revenues are unaffected; only new growth is reinvested. Because residential growth can increase service demands, TIF use in primarily residential areas warrants careful fiscal analysis. TIF is most effective where there is anticipated EAV growth, identifiable infrastructure gaps, and a clear long-term public benefit.

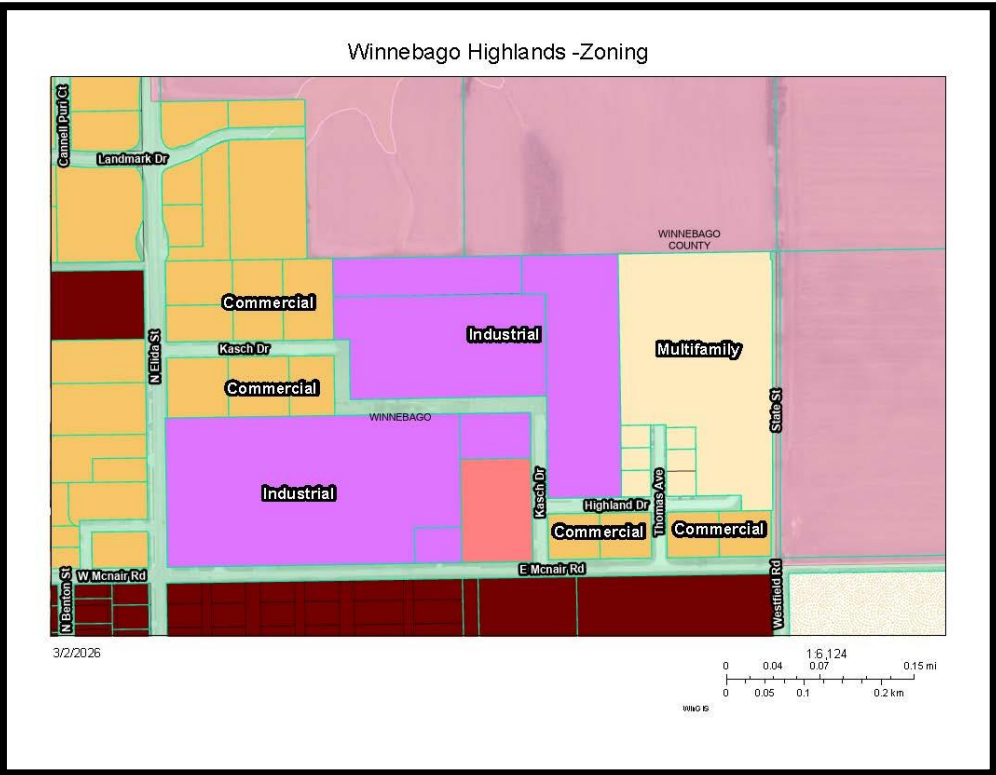
Business District: A Business District operates differently. Rather than capturing property tax increment, it captures a limited additional sales tax within a defined area for a defined period. That revenue can be used for redevelopment-related purposes but is tied to commercial activity and consumer spending rather than property value growth.

The Comprehensive Plan identifies Route 20 as a major regional corridor and recognizes commercial development as a significant source of sales tax revenue that expands municipal options for capital improvements. A Business District aligns most naturally with corridors that already function as retail or service centers.

Regional Characteristics:

Winnebago Highlands: The Winnebago Highlands area includes approximately 30 acres of available property acquired through the Mantle development litigation. The western portion along Kasch Drive is commercial, transitioning into an undeveloped eight-acre industrial parcel. Moving east past Crossroads Church, the area includes four existing duplexes, two recently sold vacant lots, and approximately 13.21 acres zoned multi-family. Immediately north of that acreage are four one-acre commercial lots abutting McNair, all currently vacant.

There has been legitimate interest in the industrial lots. However, the primary constraint across this area is infrastructure. Road extensions, utilities, and related improvements are necessary to unlock full development potential. The Village Board's commitment to completing the water main loop has renewed development interest in



the area, as it signals long-term utility reliability, improved system redundancy, and a willingness to invest in foundational infrastructure. It also removes a significant barrier for developers, as the Unified Development Ordinance appropriately requires that utilities be extended to the end of the property line as part of development.

The Comprehensive Plan identifies infrastructure adequacy — including water main sizing, sewer capacity, and arterial road coordination — as a prerequisite to sustainable growth. In this context, the Highlands presents an infrastructure barrier more than a market barrier.

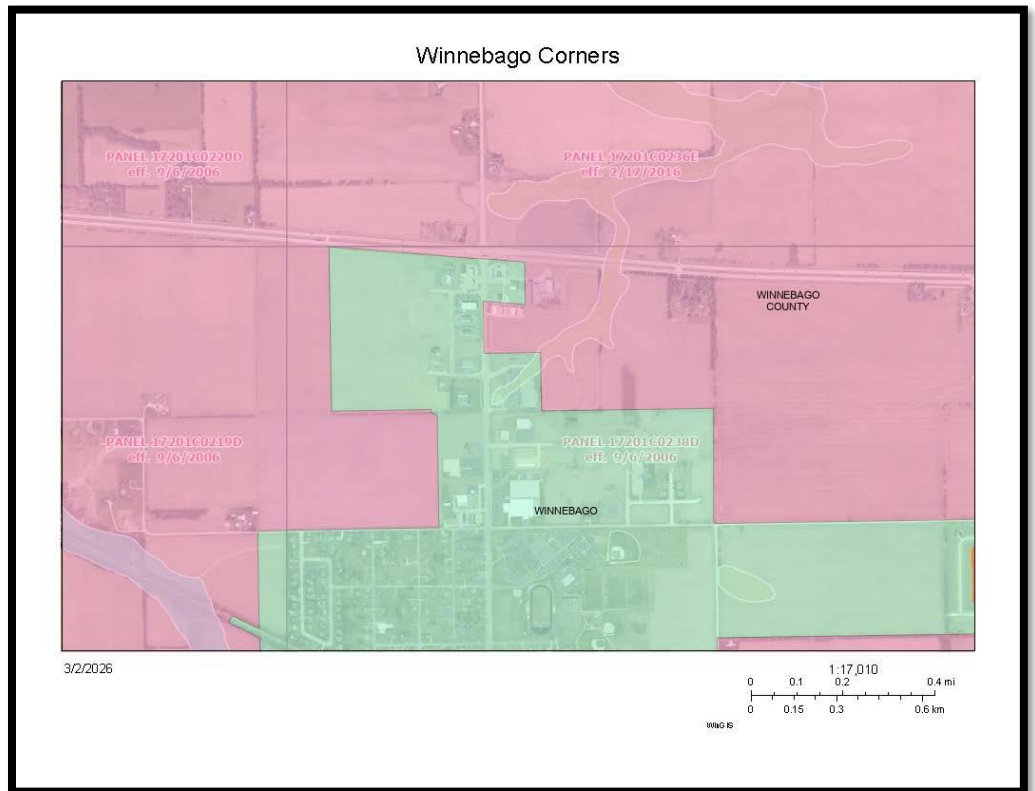
Because the Highlands area is largely EAV-driven — industrial, multi-family, and commercial — a TIF structure would align more naturally than a Business District. The central policy question is whether the infrastructure gap rises to the level that justifies long-term increment capture, or whether phased private development can occur without structured assistance.

Winnebago Corners: Winnebago Corners is centered along Route 20, running along Elida Street south to McNair Road, with approximately 15,000 vehicles per day. It includes established retail and food anchors such as McDonald's, Taco Bell, Culver's, Mobil, Subway, Road Ranger, Sullivan's, Family Dollar, Dollar General, Snyder's, and Mercyhealth.

Immediately west of the current retail concentration is a 51-acre development site within the village limits. First Midwest Group is marketing a small portion of this parcel for tenant spaces in a new building anchored by Starbucks, though no updates have been provided.

There are also annexation opportunities north of the highway that present water extension and floodplain considerations, as well as properties to the east, including a 27-acre parcel, Denny's Towing, and existing storage units. The 27-acre unincorporated parcel directly abuts the northern boundary of the Highlands.

A significant factor in evaluating this corridor is the Village's assumption of Elida Street in 2005, when jurisdiction was transferred from the State to the Village. At that time, the long-term reconstruction cost for the segment from Route 20 to McNair was estimated at approximately \$1,000,000 on a ten-year cycle, or roughly \$100,000 annually when annualized.



Two decades later, construction costs have escalated substantially. The same reconstruction cycle now carries a materially higher price tag, increasing the Village's ongoing capital exposure well beyond the original projection. This obligation exists regardless of new development activity and is directly tied to the corridor that produces the Village's highest concentration of commercial sales activity.

The policy question becomes whether the corridor that benefits from this former State highway infrastructure should also serve as the revenue base supporting its long-term maintenance and reconstruction.

A Business District in this corridor could create a revenue mechanism directly tied to the commercial activity that depends upon this roadway. Rather than funding long-term corridor maintenance solely through general revenues, a Business District would align infrastructure costs with corridor-generated sales activity.

This corridor is both sales-tax-generating and property-value-generating:

- A Business District could align with continued retail growth and provide a dedicated revenue stream to offset corridor infrastructure obligations, including the periodic reconstruction of Elida Street.
- A TIF structure could support annexation-related infrastructure, floodplain mitigation, utility extensions, and coordinated long-term development.

Unlike predominantly residential areas, this corridor presents a direct nexus between commercial intensity, traffic volume, and roadway wear. That nexus may strengthen the policy justification for a Business District designation, particularly given the Village's inherited responsibility for what was once a State-maintained facility.

The Village currently imposes a 1% local sales tax dedicated to the Water Fund, which generates approximately \$461,676.60 annually. Staff conservatively estimates that at least 50% of village sales activity originates within the Winnebago Corners corridor. Using a conservative 50% estimate, at least **\$230,838 per year** in sales activity is directly attributable to the Corners.

If the Village were to establish a Business District in this area with an additional 1% Business District sales tax, a comparable revenue stream — at least **\$230,838 annually**, using the same conservative assumption — could be generated within the corridor itself.

That figure provides context when evaluated against the approximately \$100,000 annualized obligation associated with the former State highway segment of Elida Street, suggesting that a

Business District could not only offset roadway reconstruction costs but also provide capacity for related corridor infrastructure improvements.

The Board may wish to consider whether:

- The corridor will continue to develop organically under market demand.
- Structured assistance is necessary to coordinate annexation and utilities.
- The Village should proactively establish a tool that ties corridor reinvestment to corridor-generated revenue.

Downtown (Main Street and Benton Street): Downtown includes aging building stock, multiple vacancies, and several properties in severe code violation. At the same time, there are anchor businesses and an observable increase in private reinvestment.

The Comprehensive Plan acknowledges downtown's traditional form and historic commercial function, while recognizing deterioration, vacancies, and the need for redevelopment strategy.

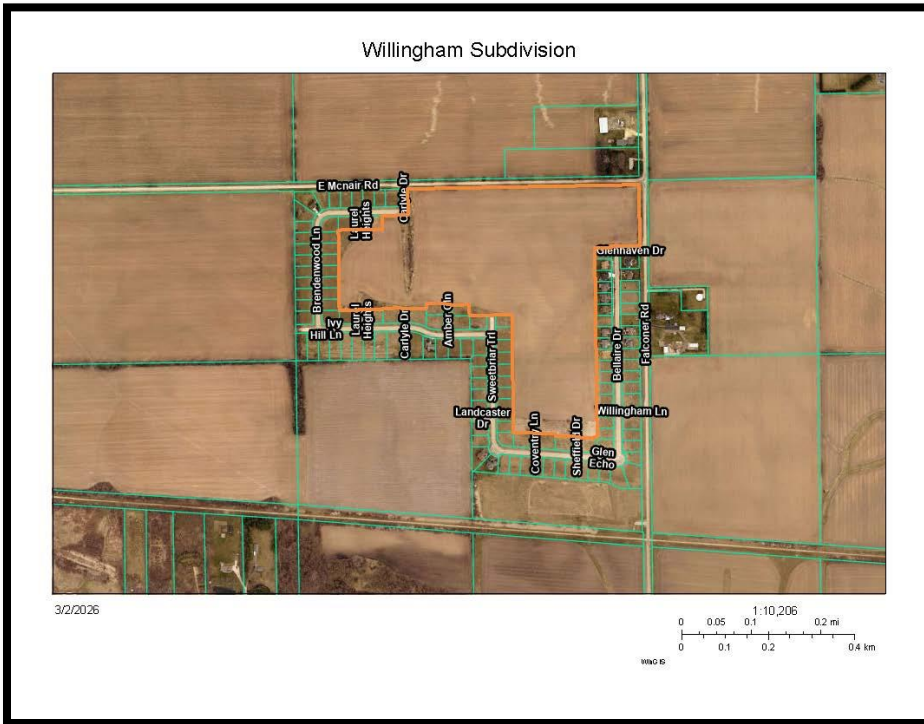
Main Street includes a number of industrial parcels, while Benton Street is primarily commercial. The area presents redevelopment characteristics rather than greenfield growth.

A TIF structure could:

- Support façade improvements.
- Facilitate building rehabilitation.
- Address infrastructure upgrades.
- Encourage adaptive reuse consistent with preserving community character.

A Business District may align with strengthening restaurant and retail activity, particularly if the goal is to increase foot traffic and local spending.

However, consistent with the Comprehensive Plan's emphasis on enforcement, regulatory clarity, and proactive planning, the Board may determine that; Code enforcement, Updated zoning tools, Streetscape investment, and targeted investment, may accomplish similar outcomes without formal district designation.



Willingham Subdivision: The Willingham subdivision is located at the easternmost portion of the Village limits at the corner of McNair and Falconer. Of more than 100 platted lots, approximately 15 have been developed. The remaining lots have remained largely vacant.

The stagnation traces back to sewer capacity concerns under IEPA prior to the

Village’s transition to Four Rivers Sanitary Authority, which resolved the underlying constraint.

The Comprehensive Plan consistently identifies the need to align residential growth with infrastructure capacity and school district impact. It also recognizes that rapid residential growth can strain municipal services and alter community character if not properly managed. There is now renewed interest in the subdivision, with a national homebuilder currently under contract and in its due diligence phase.

If the Village were to consider a TIF structure in this area, the Board should be mindful that:

- Residential growth increases service demands, particularly for the school district.
- Base property taxes would continue to flow to overlapping taxing bodies.
- Increment would be retained within the district for reinvestment during its term.

In a residential subdivision, that dynamic may create tension between housing growth and the school district’s ability to immediately access incremental revenue associated with new students.

The policy question becomes whether this subdivision is at a natural market turning point or whether structured assistance would meaningfully accelerate build-out in a way that aligns with the Village’s long-term fiscal and character objectives.

Board Discussion:

The establishment of either a Tax Increment Financing (TIF) District or a Business Development District (BD) requires that the proposed area meet specific statutory eligibility requirements under Illinois law, including documented conditions related to blight, redevelopment need, infrastructure constraints, or economic underperformance. Because these tools require formal eligibility studies and supporting documentation, staff is seeking direction from the Village Board before pursuing further evaluation.

Specifically, staff is seeking guidance on the following items:

- Whether the Village should pursue the potential establishment of a TIF district, a Business Development District, both tools, or neither at this time.
- Which geographic areas of the Village the Board believes should be the highest priority for evaluation under each tool. This direction will allow staff and any retained consultant to focus eligibility analysis on the areas most aligned with Board priorities.
- Whether there are areas of the Village where the Board prefers development to occur through natural market conditions without the use of financial incentive tools.

Providing this direction will allow staff to focus the next phase of analysis on specific areas and tools rather than conducting a broad Village-wide evaluation.

Potential Next Steps

If the Board expresses interest in further evaluation, staff recommends retaining a TIF or economic development attorney to advise the Village on statutory requirements and available tools. This could be accomplished through either a formal Request for Proposals (RFP) or a direct request for information from known regional firms with experience in redevelopment districts. Several firms the Village currently or has previously worked with that operate regularly in this space include Sosnowski & Szeto, AGHL Law (Gino Galluzzo), and Ancel Glink, all of whom have experience advising municipalities on TIF and related redevelopment tools.

Following that engagement, staff could work with the selected consultant to conduct a TIF or Business District eligibility study to determine whether specific areas of the Village meet statutory requirements and whether such tools would be appropriate.

