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Move, Expansion of Sugar-Free Baked Goods Company a Sweet Success

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The Rock Island, Ill., community will benefit from a sweet development—and the key player is the national leader in production of sugar-free and no-sugar-added baked goods.

The construction of a new bakery, office and warehouse for Hill & Valley, the sugar-free snack giant, will not only be a boon for the company, but a huge lift for its hometown. “It’s an amazingly great project,” said Terri Preston, the executive director of the Business Valued Advisor Fund, which provided the \$7 million new markets tax credit (NMTC) allocation. “I’m proud to be a part of it. It’s really exciting to be involved in something that does so much good.”

Rock Island Mayor Dennis E. Pauley heralded the benefit to the company and the community. “It’s a tremendous project,” Pauley said. “It kept a local company and allowed it to grow. It increased the employee count and gave the company the ability to make the product in a more efficient layout and with more testing equipment.”

NMTCs played a key role in the development—\$2.2 million in NMTC equity provided by U.S. Bancorp Community Development Corporation (USBCDC), the community development subsidiary of U.S. Bank, was the final financial piece. The Business Valued Advisor Fund provided the \$7 million NMTC allocation. It will produce the equivalent of 83 full-time construction jobs with Estes Construction of Iowa and 25 permanent jobs to Hill & Valley’s existing

140-employee workforce. More than half of those new jobs at Hill & Valley will be available to low-income workers.

The Hill & Valley move is part of a complex, three-part shuffle that helps Rock Island continue its decades-long recovery after the crippling closure of the International Harvester plant in 1986, which resulted in the loss of 5,000 jobs and the departure of nearly 25 percent of the city’s 50,000 residents. Rock Island, part of the Quad Cities area that encompasses northwest Illinois and eastern Iowa, is finally regaining financial footing, nearly 30 years later.

First Piece of the Puzzle

Hill & Valley’s move is the first major piece of a redevelopment plan approved by the Rock Island City Council in 2006. Hill & Valley is vacating the Watch Tower Plaza, which the city hopes will be the home of a new Wal-Mart Supercenter, and moving to the Quad-City Industrial Center. Meanwhile, other tenants of Watch Tower Plaza have relocated to another new business park and other areas of the city.

That Hill & Valley, the largest tenant and a significant local company, came onboard was significant, said Tom Oldenburg, the vice president of USBCDC. “When somebody sees something done, it makes the next transaction easier,” Oldenburg said. “You see that there’s somebody making it work there—there’s progress afoot. Otherwise, a plan is just a pie in the sky.”

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Preston called it significant. “It has a huge capacity to be catalytic for the community,” she said. “It’s the hallmark of what we’re looking for.”

Hill & Valley will consolidate operations into one new location on 44th Street—136,000 square feet that will include a refrigerated warehouse and expanded commercial bakery. It will expand capacity, reduce reliance on third-party warehouses and provided enhanced food safety and quality. The entire development came together in about a year and Hill & Valley expects to begin moving into the new location in January.

Keeping a Local Business

Hill & Valley opened in Rock Island in 1986 and continued to grow—moving into the Watch Tower Plaza about 15 years ago. But there was no guarantee it would stay in town. “We knew that what was once a family-owned Rock Island business was sold into an investment group (about a decade ago),” said Brian Hollenback, the president of Central States Development Partners Inc., a major proponent of the development. “We were worried

about losing the facility. That intellectual property could be used anywhere, it didn’t have to be here.”

Jeff Eder, the assistant city manager and director of community and economic development in Rock Island, agreed that there was concern that Hill & Valley could depart. “The tax credits really came into play a lot with that,” he said. “(Hill & Valley) looked on both the Illinois and Iowa side, but once we got down the road and had a viable option, the NMTCS made it feasible for the new location in town.”

The company and the city benefited from some astute moves several years ago by property owner LRC Developers. Scott Christiansen, president of LRC, said his company purchased the site of the former International Harvester plant in 1987 and brought in a heavy-equipment manufacturer, whose plant remains there. Christiansen said several other companies started on the property, then outgrew the space and moved elsewhere in town.

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Photo: Courtesy of LDR Developers, Inc.

Construction on the Hill & Valley development began last spring. The first employees will move into their new home in January.





Photo: Courtesy of LRC Developers Inc.

Hill & Valley's new location was the site of a former International Harvester plant. It closed in 1987.

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About a decade ago, Christiansen's group tore down 1 million square feet of old warehouse space and opened 15 acres. Of the four original buildings still standing, three will be filled by Hill & Valley. The rest of the property was cleaned up for future development, including a 10-acre sale three years ago to the MetroLink system as a maintenance facility that Christiansen says is now a model for similar buildings nationwide. "It's kind of neat to see something that died and was depressing be kept alive and grow," Christiansen said. "The timing (of Hill & Valley's move) was great. They are growing and need a new facility."

Christiansen said his group was "open to anything" as a new tenant, but is especially pleased that a light industrial company now calls it home. "It fits really well into the redevelopment plans," Christiansen said. "We looked at residential, too, but we prefer tenants that create jobs and growth. It's challenging to keep people here and we worked with the city and state incentives to keep Hill & Valley here."

The design-and-build construction project, which was funded in part by a \$2.4 million grant from the city and \$9.7 million Industrial Revenue Bond financing from Central State Bank and First State Bank of Illinois, began in March 2014. It came together quickly—helped by the city, which wanted the potential Wal-Mart property vacant as soon as possible.

Benefit to Community

The move is expected to have a substantial effect on other businesses in the area. "This will expand three minority-owned businesses, expansion by one-third of a Black Hawk College campus, and a nonprofit related to meeting special needs will come in," Hollenback said, citing new availability at the business park and the area around the Quad-City Industrial Center. "It's a catalytic local investment. The relocation allows for the additional investment of \$50 million and the creation of an additional 400 jobs. Other than demolition, there had been no capital improvements to that area (around the new facility) in a long time."

It was an intricate transaction. "For the city, this was very complex," Eder said. "There was an old shopping center with a department store and grocery store. The bakery took over the old department store and we had 15 or 16 other retailers in the center. There were five ownerships (at the shopping center) and the community college was there as well."

Hollenback said things came together better than he could anticipate, considering there were transportation, housing and employment components. "In a perfect world, that's what happens," he said. "Five agencies work together."

Now Hill & Valley is preparing to move into the new building and the city is trying to finalize a deal with Wal-

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Mart for the former site. “It’s huge for (Rock Island) and it’s a big driver for a plan to make all the things happen,” said Preston. “It’s a really good fit and creates synergy for their vision to enable long-term sustainable programs. This isn’t just about creating a job.”

“This is significant for us,” said Doug Davidson, the CEO of Hill & Valley. “We (were) in an outdated facility. Now we’re in a facility with much more room for expansion. We’ll add 25 new jobs.”

“This was one of the deals that was a win for everybody—the community, the company,” Eder said. ❖

HILL & VALLEY FINANCING

- \$9.7 million Industrial Revenue Bond financing from Central State Bank and First State Bank of Illinois
- \$2.2 million in federal new markets tax credit (NMTC) equity from U.S. Bancorp Community Development Corporation (USBDCD)
- \$7 million Federal NMTC allocation from The Business Value Advisor Fund LLC
- \$2.4 million grant from the city of Rock Island, Ill.

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