City of McHenry
Strategic Economic Development Policy as of August 2025

Purpose

McHenry recognizes the critical role of business growth in fostering a dynamic local economy. The City offers targeted economic incentives to support business attraction, retention, expansion, and modernization. This policy provides a flexible framework for engaging developers, while aligning with the City's long-term economic development strategy.

This policy shall replace the Economic Development Strategy adopted by the City Council on July 25, 2011.

Strategic Goals

The City's economic incentives are strategically designed to:

- Strengthen McHenry's property and sales tax base.
- Drive investments in priority development areas (e.g., North Richmond Road Corridor, South Front Street, West Illinois Route 120, East Illinois Route 120, and Downtown McHenry, including Main Street, Green Street, Riverside Drive and Elm Street).
- Promote high-value projects that advance business corridors and industrial zones including all business and industrial parks in the City.
- Maximize employment opportunities across key business and industrial districts.
- Rehabilitate vacant or underutilized properties to boost community vibrancy.
- Invest in critical infrastructure to catalyze private-sector growth.
- Enhance McHenry's image as a prime destination for commerce, entertainment, and dining.

Types of Incentives

Strategic incentives may include:

- Waivers or reductions on development fees to reduce entry barriers.
- Cost-sharing on essential infrastructure projects.

- Revenue-sharing agreements (e.g., sales tax).
- Business Improvement Grants (façade grants, interior and exterior building improvements).
- TIF District incentives to accelerate redevelopment.
- Property tax abatements, Underutilized Property Tax Abatement and Incentive Program, and low-interest revolving loans.
- Conveyance or discounted land for targeted business uses.

Evaluation Criteria

Incentive proposals will be scrutinized for alignment with McHenry's broader economic objectives. Key criteria include:

- Necessity of the incentive ("but for" analysis).
- Compatibility with the City's Comprehensive and Downtown Plans and strategic goals.
- Impact on tax revenues, employment, and infrastructure.
- Potential for unlocking further development (trigger projects).
- Suitability of the developer and project for long-term success.
- Strategic use of blighted or vacant properties to drive broader economic revitalization.

Submittal Requirements

Developers must provide comprehensive project data to facilitate an informed decision. This includes:

- A clear project summary aligned with City goals.
- Financial models, investor information, and project cost estimates.
- Projections on tax revenue and employment impacts.
- Specific details on requested incentives and financial guarantees.

Review Process

All proposals undergo a thorough review by City staff, external consultants, and ultimately the City Council on a case-by-case basis. The decision to approve any incentive will be driven by demonstrable public benefit and strategic alignment with McHenry's development goals.

Incentive Agreement Guidelines

All agreements will include the following:

- A detailed project scope, including financial structure and responsibilities.
- Phased timelines and performance milestones.
- Provisions for monitoring compliance, with access to records where necessary.
- Specific uses of incentives with claw-back clauses if project targets are unmet.

Strategic Implementation

McHenry's economic incentives are integral to building a resilient and diversified local economy. The City will prioritize projects that not only deliver immediate value but also lay the groundwork for sustained economic growth. Partnerships with private-sector developers will be fostered through transparent negotiations and mutual accountability.