



VANDEWALLE & ASSOCIATES INC.

To: Blackhawk Junction Redevelopment Team
From: Scott Harrington and Dan Johns, Vandewalle & Associates
Date: August 21, 2019
Re: **Blackhawk Junction Redevelopment Strategy and Timeline**

Attached is a detailed outline of the strategy and timeline for the redevelopment of the Blackhawk Junction Mall property. In all, nine “primary tasks” have been identified (shown in caps) along with a series of “action steps” for each. Further, the start and completion dates of various action steps have been tied to the completion of other action steps as represented by the arrows shown in the Gantt chart.

The strategy was developed based on our investigation of the current conditions of the property and the partners’ (City of Prairie du Chien, Crawford County and Driftless Development) capabilities to advance various tasks. As explained in more detail in this memo, there are two key outcomes from this analysis:

- Given current site conditions (contamination from a former dry cleaner and vacant/obsolete buildings), and market conditions (increasing construction costs and depressed commercial and residential rents), some form of incentives, such as Tax Increment Financing (TIF), may be necessary in order to achieve the type of high quality, mixed-use development that the City envisions for the site. However, the City will not be in a position to create a new Tax Increment District (TID) until 2021 due to TID valuation limits imposed by state statutes. While this is the most distant hard date in terms of timing for the project, there are many other tasks that will need to be addressed before the City could even move forward with creating a new TID (if needed), so this limitation does not significantly delay the project.
- The County has expressed a desire to transfer the property (or at least responsibilities for managing it) as soon as possible and to recover all or some portion of the back taxes. With the transfer of the property to a developer not expected until 2021, we recommend the City and County enter into some form of agreement to transfer control (if not ownership) of the property to the City in the next couple of months. The agreement also would address the amount and timing of payment to the County.

Overview of Primary Tasks

1. PREPARE INTERGOVERNMENTAL AGREEMENT

The action steps listed for this task are the key components of an agreement to be worked out between the City and County. The goal is to reach agreement on the transfer of the property/management responsibilities from the County to the City in the near term and the ultimate amount and timing of payment to the County for all or some portion of the back taxes. We recommend these discussions begin immediately with the goal of adopting an agreement in the early fall. If the timing of the transfer of responsibilities can be separated from the timing of payment, there are a number of options as to how this can be structured that would be favorable to both parties. If the County requires immediate payment, it is less desirable from the City's perspective, but there appear to be some options that can be pursued for that.

2. PROPERTY MANAGEMENT

As noted in Task #4, most of the existing tenants have indicated a desire to remain on-site indefinitely and to possibly be part of a redevelopment project. Upon foreclosing on the site, the County converted all tenants to month-to-month leases to retain maximum flexibility for a future sale/redevelopment. However, with the property sale/redevelopment now not likely until 2021, accommodations in lease terms should be considered to ensure the tenants remain on the property until then to offset the costs associated with maintaining the property.

3. ENVIRONMENTAL ASSESSMENT, REMEDIATION AND CLOSURE

A former dry cleaner on the property appears to be the original source of soil and groundwater contamination at the site. Previous site investigations conducted by the DNR detected contamination, but additional testing and analysis is needed to determine the full extent of contamination and possible methods of remediation. The City recently was successful in applying to a DNR program to receive free environmental investigation services, which will begin in the next month or so. Until that analysis is complete, the remedial requirements will be unknown. However, it appears that the most significant area of concern is groundwater contamination and that the contamination should have little impact on redevelopment on the surface of the site. Nevertheless, a full understanding of the environmental conditions, if not the completion of the remediation, will be required prior to being able to transfer the property to a private developer.

4. FUTURE TENANT IDENTIFICATION/MARKET ASSESSMENT

The remaining tenants in Blackhawk Junction have indicated a desire to continue operating on-site, including being part of a redevelopment project. These discussions need to continue as it will be much easier to attract a developer if tenants already are lined up. Likewise, there may be other businesses in the community that may be interested in the site that should be pursued. The process to prepare Redevelopment Concepts as described in Task #5 includes a general market assessment that dovetails with this task.

5. PREPARE REDEVELOPMENT CONCEPT PLANS

The DNR has approved the City's application for redevelopment planning services to be funded by the DNR. The DNR solicited proposals from planning firms and has selected Vandewalle & Associates to do the work. The project is expected to begin in October and conclude in early 2020. The timing of

this is excellent as it is the next natural step to complete prior to seeking development proposals for the property.

6. DEVELOPER RECRUITMENT

With completed redevelopment concepts in hand, the City will be in a position to begin seeking developers for the property. While different developers will have different areas of interest (residential, commercial, mixed-use) and their own ideas about how to configure the site, completing redevelopment concepts is an important step to show developers the City has completed due diligence on the site, engaged the community and is serious about redevelopment. While advertising the site as a “blank slate” might initially seem more appealing to developers, it often has the opposite effect in that developers need to know upfront what the community’s expectations are. If the developer’s vision for the property doesn’t match the community’s, it’s far better to know that up front, rather than after both have expended considerable time and resources trying to develop a mutually acceptable plan.

7. IMPLEMENT DEVELOPMENT AGREEMENT

The developer recruitment process will culminate in the execution of a development agreement that specifies in detail what the project will consist of and what related responsibilities the City will have, such as the provision of supporting infrastructure, incentives, etc. In this implementation task, both the developer and City will carry out their respective responsibilities as specified in the agreement, which primarily entail obtaining financing commitments, preparing construction plans, and obtaining regulatory approvals. Once these are complete and the project is assured to move forward, the property would then be transferred to the developer.

8. TAX INCREMENT DISTRICT

As noted previously, a TID may be needed to address the extraordinary costs of redeveloping the site including environmental issues, demolition and potential financing gaps in the developer’s pro forma that otherwise make the project infeasible. The enormous success of the “Cabela’s TID” (TID #6) has resulted in significant property value growth to the point where the City is unable to create a new TID until that district has closed, which is expected in 2021. The process to create a district typically takes four to five months, so the earliest work on preparing a TID project plan could begin would be late 2020 with an early 2021 adoption. In any case, if TID resources were to be used to assist a redevelopment project, the new TID would need to be in place before construction is started.

9. PHASE 1 CONSTRUCTION

All of the above tasks will need to be complete prior to starting construction. It’s unclear at this point whether redevelopment of the site would occur all at once or in phases, but 2021 is essentially the earliest project construction could begin.

Next Steps

We will be in Prairie du Chien for the next Redevelopment Team meeting to discuss our findings and recommendations in more depth. Based on the input from that, we will then finalize the documents so they can be put into immediate action. Note, too, that open source project management software was used to create the spreadsheets and Gantt chart so they can be easily updated as the project moves forward.

Tasks

Name	Resources	Begin date	End date
1. PREPARE INTERGOVERNMENTAL AGREEMENT		8/12/19	9/30/19
Determine parties	City, County, RDA, Driftless Development Inc.	8/12/19	9/30/19
Describe responsibilities of each party	City, County, RDA, Driftless Development Inc.	8/12/19	9/30/19
Property management terms	City, County, RDA, Driftless Development Inc.	8/12/19	9/30/19
Property transfer terms	City, County, RDA, Driftless Development Inc.	8/12/19	9/30/19
Schedules and milestones	City, County, RDA, Driftless Development Inc.	8/12/19	9/30/19
Termination and default terms	City, County, RDA, Driftless Development Inc.	8/12/19	9/30/19
Finalize and approve agreement	City, County, RDA, Driftless Development Inc.	9/15/19	9/15/19
2. PROPERTY MANAGEMENT		5/2/19	2/28/21
Lease renewals	City, County	6/1/19	12/31/20
Interim property management and maintenance	City, County	5/2/19	2/28/21
3. ENVIRONMENTAL ASSESSMENT, REMEDIATION AND CLOSURE		6/15/19	2/28/21
Pursue potential funding for assistance with assessment	City, DNR	6/15/19	8/1/19
Convene a DNR Green Team meeting	City, County, Driftless Development Inc., DNR, Planning Consultant	7/2/19	7/2/19
Conduct site investigation and prepare remedial action plans	City, DNR, Environmental Consultant	8/2/19	2/29/20
Conduct site remedial activities as may be needed in advance of site transfer	City, DNR, Environmental Consultant	3/1/20	12/1/20
Obtain DNR closure letter	City, DNR, Environmental Consultant	12/2/20	2/28/21
4. FUTURE TENANT IDENTIFICATION/MARKET ASSESSMENT		7/1/19	1/31/20
Work with existing tenants to determine long-term needs and possible occupancy in an on-site redevelopment	City, Driftless Development Inc.	7/1/19	12/31/19
Identify other potential tenants for occupancy in an on-site redevelopment project	City, Driftless Development Inc.	9/1/19	12/31/19
Market assessment and use identification	City, RDA, Driftless Development Inc., Planning Consultant	10/1/19	1/31/20
5. PREPARE REDEVELOPMENT CONCEPTS		10/1/19	1/26/20
Reuse assessment	Planning Consultant, Environmental Consultant	10/1/19	12/30/19
Community engagement meeting #1	Planning Consultant	11/7/19	11/7/19
Site concept plans and implementation strategies	City, Driftless Development Inc., Planning Consultant	10/1/19	12/31/19
Community engagement meeting #2	Planning Consultant	1/13/20	1/13/20
Finalize and adopt plans	City, RDA	1/27/20	1/27/20
6. DEVELOPER RECRUITMENT		1/1/20	9/30/20
Prepare developer RFP	City, RDA, Driftless Development Inc., Planning Consultant	1/1/20	2/29/20
Solicit developers and evaluate responses	City, RDA, Driftless Development Inc., Planning Consultant	3/1/20	4/30/20
Select developer and conduct negotiations	City, RDA, Driftless Development Inc., Planning Consultant, Developer	5/1/20	8/31/20
Finalize development agreement	City, RDA, Developer	9/1/20	9/30/20
7. IMPLEMENT DEVELOPMENT AGREEMENT		10/1/20	3/31/21
Construction plans and permitting	Developer	10/1/20	3/31/21

Tasks

Name	Resources	Begin date	End date
Secure development financing	Developer	10/1/20	3/31/21
Public improvement construction plans and permitting	City	10/1/20	3/31/21
Secure financing for related public improvements	City	1/1/21	3/31/21
Transfer property	City, RDA, Developer	3/1/21	3/1/21
8. TAX INCREMENT DISTRICT		7/1/19	12/31/21
Evaluate status and closure dates of existing TIF districts	City, Driftless Development Inc., Planning Consultant	7/1/19	7/31/19
Evaluate potential TID boundaries and type	City, Driftless Development Inc., Planning Consultant	10/1/19	12/31/19
Prepare project plan	City, Planning Consultant	5/2/20	8/31/20
Adopt project plan	City, Plan Commission, JRB	9/1/20	10/29/20
Notify DOR of TID creation	City, Planning Consultant	10/30/20	10/30/20
DOR forms	City, Planning Consultant	9/1/21	9/30/21
DOR certification	City, Planning Consultant	1/1/22	1/1/22
9. PHASE 1 PROJECT CONSTRUCTION		4/1/21	3/31/22
Construct Phase 1 private components	Developer	4/1/21	3/31/22
Construct Phase 1 public improvements	City	4/1/21	3/31/22

