

Brownfield Redevelopments

By Gary Bartek

STOP BYPASSING THIS OPPORTUNITY TO REVITALIZE A CENTRAL BUSINESS DISTRICT

All too often, economic development organizations choose greenfield projects and bypass the opportunities associated with brownfield redevelopments. In many cases, however, brownfield redevelopment and historic preservation can be the most cost effective option and can also produce the best results. This article focuses on the successful efforts in Leavenworth, Kansas, to redevelop a deteriorating downtown industrial property on a city block in the central business district. It offers lessons learned and tips for success for other communities considering the prospect of brownfield redevelopment.

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brownfield redevelopments

By Gary Bartek

All too often, economic development organizations (EDOs) are choosing greenfield projects and bypassing opportunities associated with brownfield redevelopments. Many EDOs assume brownfields are too costly for redevelopment project candidates. However, Leavenworth, Kansas, has found that brownfield sites are often cheaper than greenfield sites as they have the necessary utility infrastructure already in place like water, sewer, gas, electric, data and voice networks. Equally important, the infrastructure is already paid for by the previous development.

By considering this approach, you can often achieve better economic development returns for your community. There is no faster way to make an immediate impact in your community than to eliminate all of the negative demographics of a brownfield site and turn that unfavorable situation into a more successful, better use in your city. Think of a new community imaging benefit by eliminating a problem area – an area or site (perceived or real) that is holding back your community potential and possibly holding back your community brand – thereby creating something of greater economic and social value.

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City of Leavenworth Central Business District.

Many EDOs have some brownfields in their communities. These sites have far reaching negative impacts on new business development and retention that may be difficult to realize at first glance, like a nearly invisible fog of blight impacting your community. In response, consider for your next strategy a direct, hands-on economic development approach to brownfields. By carefully choosing your EDO tactics and analyzing your returns on investment, successful brownfield projects can produce “a multiple win payout” result like no other type of greenfield economic development project. They can achieve this by eliminating all of the negative impacts of the past and creating new jobs and investment for the future – all within one successful project.

Let's take a closer look at brownfield redevelopment as a favorable way to impact neighborhoods by creating better living space environments and by eliminating blighted conditions in the community. This article describes the successful efforts in Leav-

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Choctaw Lofts Apartments



High Noon Saloon

enworth, Kansas, to redevelop a deteriorating downtown industrial property. It features lessons learned and tips for success, emphasizing the importance of collaborative relationships and the need for patience and commitment.

THE GEOGRAPHY AND HISTORICAL SIGNIFICANCE

Leavenworth, Kansas, home to the United States Army's Fort Leavenworth, is one of the 50 Ring-Road Cities of the Greater Kansas City, Missouri, area. This historic region became the indisputable "First City" of Kansas in 1854. Leavenworth immediately grew and prospered into a leading manufacturing center in Kansas, serving customers throughout the United States, particularly cities west of the Missouri River.

Today, the city is the 12th largest in Kansas with a population of 35,000. It is also a part of the 2,000,000 Greater Kansas City MSA population area. The city continues a rich tradition of historic preservation with eight landmarked districts throughout, as well as the diverse economy supported by a strong federal employment presence.

THE BROWNFIELD DOWNTOWN SITE

The Great Western Manufacturing Center was established in 1858 on the corner of Second and Choctaw Streets. In the beginning, they produced flour-mill machinery, saw mill equipment, and manufactured cooking and heating stoves. By 1875, they specialized in manu-

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facturing stoves for their product line and renamed the company, Great Western Stove Company. During its heyday, the company occupied two brick foundries plus six industrial buildings that employed about 150 people. At its peak, their product line comprised over 100 styles and sizes of cooking stoves, ranges, and heating stoves. The company was located at a downtown location, ideal for worker and water barge access as well as easy transport. The facility later closed and relocated several times over the next 60 years.

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Early Partial Success

Greenamyre Rentals, a developer, acquired two buildings of the former Great Western Stove Company complex in 1990. They rapidly redeveloped one brownfield property unit into new residential housing. By 1991, the developer converted this 3,000-square-foot building into new housing stock, naming the new apartment building Choctaw Lofts. One unique architectural feature of the building is that the first floor is four feet above street level. In its early history, this floor was used to load and un-load product out of the door directly to awaiting rail cars. The four feet mark was the perfect height to do this. Today, the two-story building contains six residential apartments with market rents ranging from \$695 to \$715 per month and a long waiting list for persons wanting to rent.

Greenamyre Rentals converted a second, 16,250-square-foot building on the original site into commercial space in 1991. Today, the building is occupied by popular High Noon Saloon, a Midwest micro brewery made famous for their production of Annie's Amber Ale.

During the period of 1991–2005, a CPA firm became a tenant next door to the High Noon Saloon, successfully growing their accounting business with many clients.

Later Success

In 2005, the city of Leavenworth completed a three party agreement with the property owner (Tire Town Inc.) and a regional real estate developer, Foutch Brothers, to relocate the property owner to a new location at 1825 S. 4th Street and allow the developer to acquire the remaining six buildings of the Great Western Stove Company for future redevelopment. From 2005 to 2012, the Foutch Brothers faced several pre-development obstacles. From the very start, it was a difficult financing environment to secure federal and state tax credits and to secure adequate financing for the project. Commercial bank financing markets also collapsed in 2008 and hurt the project's momentum, subsequently halting redevelopment until mid 2012.

Fortunately, the Foutch Brothers had developed a strong relationship with the city and area businesses in the very beginning of this undertaking, while working with the Kansas Department of Health and Environment on environmental issues at the site itself. This early relationship later became a key lesson in the success of getting the project financed and overcoming many of these early obstacles.

In mid 2012, the banks were again interested in lending for the project. By December of that same year, the city negotiated an addendum to the 2005 agreement with the developer, allowing it to restart the project. On December 23, 2012, the developer received new financing for the entire project and named the redevelopment Stove Factory Lofts.

The addendum to the 2005 agreement called for the project to be completed in three phases: Phase 1 – Buildings E & F; Phase 2 – Buildings B, C, D; and Phase 3 – Building A.



Foutch Brothers Building F Redevelopment

In January 2013, the developer began construction on Buildings E & F. Today, nearly 20 carpenters and masons work on the project, many of them hired locally. The developer's Master Plan calls for 186 market-priced apartments plus an additional 15,000 square feet of office, retail, and a restaurant site.

FINANCIAL IMPACTS

The original site has improved property valuations by \$233,500 and \$563,700, respectively, for the first existing two redeveloped buildings. It also has over \$14 million in planned improvements for the remaining six buildings over the next three years. The progress thus far has all been accomplished on a brownfield site that originally had a combined property tax valuation of \$186,120 in 1990. This all changed when community stakeholders responded with a viable solution for the property.

SITE NAME	1990 \$ TAX VALUATIONS	2013 \$ VALUE
Choctaw Lofts	\$31,800	\$233,500
High Noon Saloon	\$101,000	\$563,700
Stove Factory Lofts	\$53,320	Planned \$14,000,000

COMMUNITY IMPACTS

Today, the brownfield redevelopment has had an immediate, positive impact on Leavenworth's downtown businesses and residential housing neighbors. Nearby property owners have advised that they are now planning to make new investments in the area. External investors are also making plans for a new hotel, as well as retail and housing projects, all within a mile of the former Great Western Stove Company property.

The emotional impact to the community was much larger in lifted spirits and pride for the major improvements in the city. That renewed spirit in 2013 made community residents throughout the area rethink their perceptions of Leavenworth, as that particular site was no longer viewed as a redevelopment failure but another win to be added to the city's long history of successful historic preservation projects. The city is now realizing

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the multiple win payout because of this successful redevelopment. As with any redevelopment project, there were some challenges along the way.

CHALLENGES MET

One of the contract challenges for both parties was that the original agreement signed in 2005 did not contain terms with construction start dates or planned completion dates; it was more open-ended as to when the project would commence. A second challenge was that the original contract failed to contain standard financing completion date language. Both items were successfully added to the 2012 addendum signed by the city and the developer. These became critically important items in the contract to bring the project forward. It is especially beneficial to pay close attention to the contract details and secure, if necessary, outside legal counsel in drafting real estate development agreements.

One public relations challenge and city response that frequently came up throughout the project was the importance of defending the developer's reputation when things didn't proceed as quickly as everyone in the community would like. The reality was that the developer knew all the facts about the difficulty of securing bank financing and the city also had a good understanding of financial markets, but many in the community didn't understand the complexity of a brownfield redevelopment. Given the fact that the first two buildings of the Great Western Stove Company were so quickly developed, this early success created some very high community expectations for the second developer to meet. In order to appease the city's citizens, mayors and commissioners provided support for the developer to reduce any negativity. Again, this is where the importance of relationships is essential throughout the project.

LESSONS LEARNED

First and foremost, patience is absolutely necessary. Brownfield redevelopment can be complex, to say the least. During the process, the city understood the tax credits and bank financing markets along with the challenges facing the developer over that seven-year period. During that time, the federal government was issuing emergency TARP funds to shore up weak banks, approving and establishing forced mergers among financial institutions, and quickly approving new massive infra-

structure projects across the United States as a reborn Keynesian approach to stimulate the economy.

Leavenworth civic leaders had respect for and confidence in the Foutch Brothers to complete the project. That confidence and respect was initially secured by the company's first successful brownfield redevelopment in 2001 in Leavenworth. Then from 2005 to 2012, the developer continued to make new real estate investments in the community, demonstrating to city officials their continued long term commitment to the area. Today, the Foutch Brothers are one of the largest property owners in Leavenworth. A prime example of persistence and patience was the fact that the developer and the city continued an open dialogue with neither party ever giving up on the realization of the project. The developer was always looking for new ways and approaches to secure financing. That tenacity, as explained previously, produced success in 2012.

Collaborative relationships were also necessary for the success of this enterprise. The Foutch Brothers developed excellent working relationships with the city of Leavenworth, Leavenworth County, and the Kansas Department of Health and Environment throughout the entire process. This communication provided a sense of fluidity and cooperation that helped all parties understand and accept the challenge to preserve the history of the buildings by maximizing their functionality.

TIPS FOR SUCCESS

There are several steps a community can take to help ensure a successful redevelopment project.

- *Make a commitment to the brownfield redevelopment.* From the start, all parties made a commitment to restore the buildings, refusing to abandon or demolish them at any point in the project.
- *Be open to new ideas on the revised contract language between the city and the developer to meet both sides' present needs and real estate market realities.* Several examples for the benefit of the city included: standard construction start date terms and planned completion date terms. Examples that benefited the developer, included: new incentives that waived all city permit fees, sewer connection and city internal plan review fees for the project. This represented

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Frederick Henry Harvey House built in 1883.



Historic residential residence along Broadway Street.

no direct cost to the city. However, it meant the city would forego future revenue and did translate to a \$120,000 benefit to the developer.

- *Engage and bring in the appropriate environmental regulators early on in the brownfield redevelopment.* In the beginning, the Kansas Department of Health and Environment was a very important stakeholder to identify all the environmental risks with the project. Both potential and real environmental risks were identified in the early project phases. This helped each site developer with information needed to make necessary business decisions with their projects. Remove the clouded uncertainties as early as possible. This was a critical success factor for the decision makers at the time and can't be emphasized enough for any brownfield project.
- *Focus on solutions instead of problems with all stakeholders.*
- *The use of city and county economic development tools is also imperative.* In the 1990s, Leavenworth established a Special Street Paving District on Choctaw Street. Through this, the city determined it would remove abandoned rail tracks on the existing non-paved street and pave Choctaw Street approximately seven blocks through the central business district. This was especially important to Greenamyre Rentals in getting the first two properties developed as an early success of the project. The Foutch Brothers' Stove Factory Lofts qualified for a 95 percent property tax abatement for their capital investment for a period of ten years on any incremental increase in property valuations. The Leavenworth School Dis-

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trict, Leavenworth County, and city of Leavenworth jointly contribute to the success of this property tax abatement program. Both incentives were critically important as they lowered the cost of redevelopment for the high risks associated with the property.

- *Finally, stay committed for the long-term and secure an early success as soon as possible.* In almost all real estate transactions, there are ups and downs, hills and valleys, and emotional swings. Brownfields are aged projects, usually far more complex in makeup than that of greenfield sites. Brownfields simply take more time. Make sure to factor that in your time-tables and community expectations.

WHAT THE CITY OF LEAVENWORTH GAINED FROM BROWNFIELD AND HISTORIC REDEVELOPMENT OVER THREE DECADES

The city of Leavenworth is fortunate to have in the community a strong will for historic preservation. There is a widespread commitment that continues today to preserve structures worth saving.

In 2001, the Foutch Brothers began a successful brownfield redevelopment in Leavenworth at the former Abernathy Brothers Furniture warehouse located at 2nd & Seneca. The furniture manufacturing business was established in 1856 by Colonel James L. Abernathy and quickly became the leading furniture manufacturer in the Midwest. The building received a second life and is today a 54-unit affordable senior living facility. Exposed structural wood beams and columns are featured in each apartment. Abernathy Lofts has received the Kansas Preservation Award of Excellence and is also a National Main Street Redevelopment Award Winner.

Eight historic districts have been created to date in Leavenworth. They include: the Downtown Historic District, North Broadway Historic District, North Esplanade Historic District, South Esplanade Historic District, Arch Street Historic District, 3rd Avenue Historic District,

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Union Park Historic District, and the Leavenworth Industrial Historic District.

Additionally, "stand alone" National Register Historic Properties include: Angel House, Insley House, Sante Fe Depot, Union Pacific Depot, Leavenworth County Courthouse, Brewer House, Burt House, and Carroll Mansion.

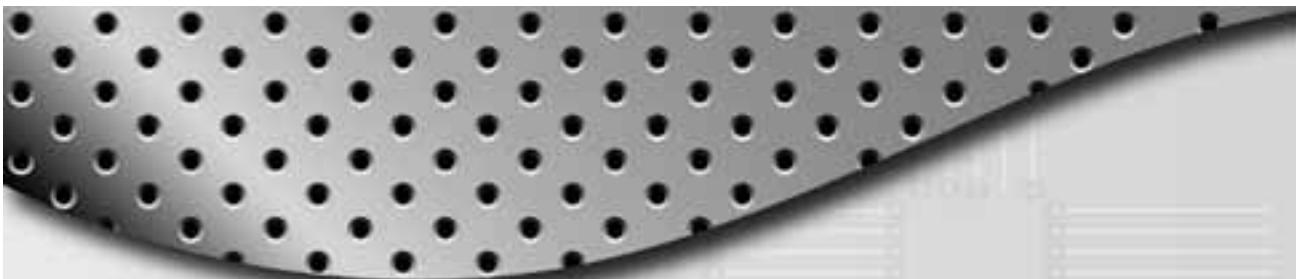
These properties were all actively generated by a community population of approximately 35,000. Multiple generations in the community have done the preservation "pushups and chin-ups" over a long period of time. This work is not always easy, but real accomplishments have been made and realized. The Leavenworth County

Historical Society, Leavenworth Historical Museum Association, and the Preservation Alliance of Leavenworth are community based non profits that continue to be active voices for brownfield redevelopment and historic preservation in the community.

CONCLUSION

Brownfield redevelopment is a necessary part of any neighborhood and CBD revitalization program. Economic development professionals frequently face the time and investment decision on what to do with brownfields. In many cases, however, historic preservation and brownfield redevelopment can not only be the most cost effective option but also produce the best results.

In examining brownfield decisions in the community, consider the value of creating a portfolio of redevelopment properties just as you might for the high-profile, new capital investment offices or industrial buildings that all economic development professionals pursue. Keeping both the old and new within a community provides the diversity needed to create a healthy balance. Economic development projects should mirror the composition and commitments of the city, and target each segment of the developer community as a whole. 



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