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Redevelopment Strategies for the Darst Street Site in Peoria, Illinois

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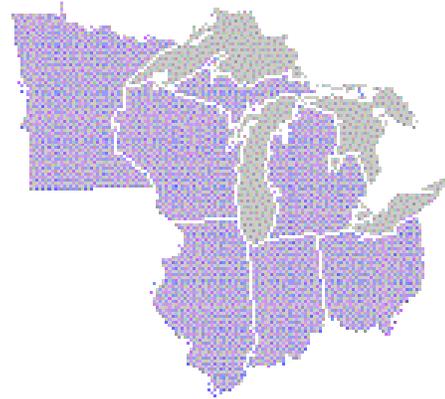
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Great Lakes Environmental Finance Center

**Redevelopment Strategies for the
Darst Street Site in Peoria, Illinois**



Final Draft (this cover for draft only)

Technical Advisory Report

September 30, 1998

*Technical Advisory Report - Great Lakes Environmental Finance Center - Cleveland State University Urban Center -
www.csuohio.edu/glefc*

Acknowledgments

Several people contributed to the success of this project. First, the United States Environmental Protection Agency provided the funding to the Great Lakes Environmental Finance Center to complete this technical advisory project. The city of Peoria, Illinois hosted and planned the July 13, 1998 meeting and organized the local participants. Richard Mulligan and Susan Schlupp provided local coordination of the workshop.

Robert Zion, President, Robert J. Zion and Associates, Inc. (Cleveland) and Mark Waterhouse, CED, President, Garnet Consulting Services, Inc. (Pleasant Valley, CT) served as Technical Advisors to the project. Jacqueline Keeling Holland, MS, and Dean Prestegaard, both of the Great Lakes Environmental Finance Center, provided key background research for the City of Peoria and workshop participants.

This report was written by Kirstin Toth, with editorial assistance from Donald Iannone, Executive Director of the Great Lakes Environmental Finance Center (GLEFC).

We express our sincere appreciation to these individuals and groups.

Kirstin S. Toth, Project Director
Community Brownfield Professional Advisory Service
Great Lakes Environmental Finance Center

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I. EXECUTIVE SUMMARY

In July, 1998, the Great Lakes Environmental Finance Center (GLEFC) conducted a consulting workshop in Peoria, Illinois. The purpose of the workshop was to assist the City of Peoria in its efforts to develop actions leading to the successful redevelopment of the Darst Street site. Particular emphasis was placed on strategies pertinent to properties with a history of environmental contamination, often characterized as brownfields. In the case of Darst Street, where the level of environmental concern was not fully known, remediation funding strategies were not addressed. Redevelopment of the site and the prospect for a variety of users was the major focus of the day's discussion, and produced some enlightening and refreshing options for the City to consider.

The key issues that the Advisory Team addressed were:

- 1) Determine the highest and best use of the site; and
- 2) Identify and overcome barriers to redevelopment.

These two issues were addressed in a participatory forum that included public officials, community leaders and developers and real estate brokers. Below outlines the Advisory Team's recommendations.

Prior to the workshop, participants were asked to review historical and economic background information that provided a framework for strategy development. Of particular interest was the City's history, and using the concept of viewing the property's highest and best potential in the context of its past. The site's history as a distilling operation was addressed and provided the backdrop for potential uses to be assessed. Given the history of the region, coupled with the surrounding area's land use as primarily industrial and salvage operations, several possible uses emerged as compatible given the existing development.

The Advisory Team made the following specific recommendations for consideration by the City of Peoria:

Recommendations for the Highest and Best Use

1. Pursue the Darst Street site's use by the following proposed users:

- **I. Erlichman Company**
- **City of Peoria Police Department**
- **Greater Peoria Sanitary District (GPSD)**
- **City of Peoria Dept. of Public Works**

These organizations all expressed a commitment to exploring use of the site for a variety of different yet compatible uses. A commercial recycling operation, a police training facility, an expansion of the existing GPSD operations, the existing transfer and waste disposal uses by the Public Works department and the use of existing water wells on the property were all identified as uses by these organizations. These uses are compatible with existing businesses and the surrounding area, and the Advisory Team recommends pursuing these as the highest and best use of the Darst Street site, given the lack of a long-term economic vision for the City.

It is further recommended that these organizations work collaboratively in the near term to better define their needs in terms of land use on the site. Once land use needs have been defined, the GLEFC recommends using the City's landscape architect to draw a rough landscape plan for discussion uses.

2.) Fully explore options for expansion by adjacent property owners.

Recognizing that the key adjacent property owners were invited to participate in the strategy-building workshop, and that N. E. Finch Company and the Illinois American Water Company were present and active participants in the discussion, one final request for interest should be offered to other adjacent property owners.

3.) Pursue another industrial use of the site only if all other plans fail.

The Advisory Team recommends pursuing the existing interest in the site. There is clear commitment for using part if not all of the site by several different users that could become redevelopment partners. The Advisory Team recommends a full commercial marketing effort only if all existing redevelopment offers have failed.

Recommendations to Overcome Barriers to Redevelopment

Several barriers were identified in redeveloping the Darst Street site. These are:

- Environmental barriers
- The City's financial interests/ the need for alternative site for existing Public Works uses.
- Fear of a lost opportunity should a single large commercial user have need for a site such as Darst Street,
- Lack of a broad, overall economic development plan, and
- Perceived and real crime in the area.

These actions are recommended to overcome the identified barriers:

- 1.) **Investigate the feasibility of using the Illinois EPA for environmental assessments.** Using the no-fee services provided by the use of ILEPA's redevelopment assessment program (funded by USEPA) makes financial sense and provides a valuable service that should be pursued as soon as possible.
- 2.) **Table further consideration of a new levee until an overall economic development strategy and plan are created.** The large expense in terms of both dollars and time resources can not be justified until a clear, long-term vision for the area is created. The current worthy proposals for reuse of the site do not dictate the need for a levee.

- 3.) **Consider the current annual savings by continuing the Public Works' use of the site versus the tenuous revenue-generating capacity of the site.** The \$800,000 annual cost savings that the City currently enjoys by using the site for Public Works functions would be very difficult to match or exceed with a revenue-generating buyer that does not now exist.
- 4.) **Use the offers as presented.** Given the absence of an overall economic development strategy for the area or the City, the proposed uses are indeed the highest and best uses of the property. None are concerned about the flood plain. All proposed users understand the environmental concerns and are willing to work toward reuse. The Advisory Team sees no reason to wait any longer to plan the site's redevelopment.
- 5.) **Economic revitalization of an area is often one of the best ways to curb real and perceived crime.** New investment coupled with the Police Academy being present on the site would go a long way to fight the crime and accompanying unattractiveness of the Darst Street area.
- 6.) **Begin the development of a city-wide economic development strategy.** While the Advisory Team believes the Darst Street site's redevelopment should proceed as recommended here, there should be an effort to define a long-term vision for economic development and brownfields redevelopment for the City.

The overall conclusions of the Advisory Team are that the Darst Street site is quite well-positioned for redevelopment. Due to the proposals put forth by the five organizations mentioned in this report, it seems clear that this is the path the City should pursue in reusing the Darst Street property. To stall redevelopment planning for any other reason than to create an overall long-term economic development strategy would not be in the best interest of the City or the proposed users.

II. INTRODUCTION

The Great Lakes Environmental Finance Center (GLEFC) was established in June, 1995 through a grant from the United States Environmental Protection Agency. The Center is housed within Cleveland State University's Urban Center. Five similar centers are based around the country serving the needs of other EPA regions. The client-focused services offered by the Center include technical assistance, training, and research and advisory services in solving financial, marketing and planning problems related to environmental facilities and resources. The Center created the *Community Brownfield Professional Advisory Service* to help communities across the Great Lakes region address complex brownfield financing issues. The goal is to help clients devise effective financing and marketing strategies for brownfield projects, as well as to identify and test the most effective redevelopment strategies used across communities in our region.

The technical assistance workshop for Peoria, Illinois was conducted July 13, 1998. An Advisory Team was assembled, matching the expertise needed to solve the unique needs presented by the Peoria officials. The team members had special skills in marketing and finance, real estate and industry development and urban land use planning. The format of the workshop was developed in cooperation with Richard Mulligan, Director of Economic Development, City of Peoria, to provide an open and organized forum for the discussion and selection of appropriate strategy solutions. One specific brownfield site served as the focal point for discussion during the workshop. The Darst Street site was selected by the community for examination and to provide the context from which broader discussion followed. A copy of the agenda and a list of workshop participants are included in the Appendix to this report.

The workshop began with a tour of the Darst Street area and the specific city-owned site. The ensuing discussion at the workshop centered on two key issues needing strategy development. These issues are: 1) determining the highest and best use of the site; and 2) identifying and overcoming the barriers to redevelopment of the Darst Street site. This report will highlight the most relevant topics of discussion

and focus on recommendations that the Advisory Team believes will be of most benefit to Peoria's development efforts.

[INSERT MAP HERE]

III. THE DARST STREET SITE

A. History

The Darst Street site encompasses 42 acres along the southern border of the City of Peoria along the Illinois River. The site was previously used by the distilling industry until Prohibition, and most recently as an alcohol and solvent manufacturing facility. Commercial Solvents Inc. closed the plant in 1963 and the site has remained dormant since that time. The City of Peoria purchased the property in 1979 for \$1, and has attempted marketing the property on several occasions. A Korean company known as Amkor was in negotiations with the city for purchase of the property in 1985, but the deal was terminated when Amkor opted for another site.

The site is adjacent to several industrial users, such as a Caterpillar manufacturing operation, and a steel salvage yard. Across the street from the site are two major neighbors, NE Finch Company and the Greater Peoria Sanitary District.

Some remediation and demolition has occurred on the site based upon a Phase I assessment performed in 1989. The site is in the 100-year floodplain of the Illinois River and there has been some discussion recently of building a levee to support a long-term development plan for the entire area. In the 1970's, the Corps of Engineers was involved in discussions with the City to assess the feasibility of a full-fledged levee study, and a more recent request was made to address the possibility of conducting this study. No further action has occurred to pursue this action.

Darst Street itself is heavily traveled by trailer-trucks hauling automotive scrap, recycling materials and other manufacturing materials to the street's commerce. Rail service is available adjacent to the site, however the rail line closest to the property is privately owned by ADM and not currently available to other users.

The Darst Street site is currently utilized by the city's Department of Public Works as a storage location for tree and yard waste hauled from city properties and residential areas, as well as palletized bricks used or removed in street paving and storage of tires removed from city work vehicles. Fall leaf collection from residents

is also stored on the site during the active collection season. These uses currently utilize approximately 15 acres of the site.

IV. DETERMINING THE HIGHEST AND BEST USE FOR THE DARST STREET SITE

A. Background

Amidst several marketing attempts to redevelop the Darst Street site in recent years, it is clear that one critical path of decision-making for the site had not occurred. The GLEFC Advisory Team facilitated the role of the city in its pursuit of determining the highest and best use for the site. Through detailed discussion led by Robert Zion, and with the participation of key potential stakeholders in the site's redevelopment, clear choices emerged from the strategy-building workshop as to the future use of the site.

There is no long-term economic development strategy for the City or the area relevant to Darst Street at this time. The GLEFC Advisory Team believes that it is critical for the City to undergo serious economic strategy development that incorporates and weaves into it an environmental and brownfields redevelopment focus. There was clear consensus on this planning requirement from the workshop participants.

As demonstrated by the attendance and active participation of both private and public interests at the strategy-building workshop, it was clear to the Advisory Team that a path of redevelopment involving these key stakeholders should be followed. The Advisory Team helped the group to conclude several key issues about the highest and best use, and makes these recommendations, recognizing that there are currently no resources dedicated to long-term economic strategy development.

B. Recommendations

1. **Pursue the site's use by the following proposed users:**
 - **I. Erlichman Company**
 - **City of Peoria Police Department**
 - **Greater Peoria Sanitary District (GPSD)**
 - **City of Peoria Department of Public Works**

Each of these organizations conveyed sincere interest in participating in the Darst Street site's redevelopment. I. Erlichman Company has previously made clear, written proposals to occupy approximately seven acres of the site. As a commercial user, Erlichman intends to utilize the site as a scrap area consistent with the immediate area's other users. In addition, Erlichman intends to renovate and improve their existing, highly visible property on Washington Street as part of its expansion to Darst. These proposed plans are very beneficial to the City due to this revenue-generating nature of the site's use, and in keeping 45 jobs in the neighborhood.

In addition to the Erlichman proposal, the City Police department expressed serious interest in developing up to 15 acres of the site for a police training facility that could accommodate local as well as regional and statewide training academy needs.

The other proposed public uses of the property, namely the Department of Public Works and the GPSD are also consistent with the surrounding area's land use.

It is clear to the Advisory Team that given the level of interest presented by the above parties, that this group should form an exploratory partnership in order to consider a shared redevelopment strategy.

2. Explore options for expansion by adjacent property owners. The Advisory Team believes it is essential to inquire of neighboring property owners whether they might have an interest in utilizing some or all of the available property. While the City has already extended its request for interested parties in several ways, this civic courtesy can be easily extended as one final outreach attempt, especially to the property owners not in attendance at the workshop. The NE Finch Company and Illinois American Water Company were both active participants and expressed their plans for their own properties, so a final offering to the other property owners is worth the asking. If the neighboring property owners show no interest in the Darst Street property, then the City will nonetheless have a clear understanding of

the surrounding businesses and their needs. The question presents the opportunity to discuss plans for the site and to extend outreach to the neighborhood.

3. Pursue another industrial use of the site *only* if all other plans fail. It is clear to the Advisory Team that the most obvious course of action would be to pursue the existing interest in the property. Given the surrounding area users, most of whom are in the heavy industry and scrap businesses, there seems little prospect of new commercial redevelopment of the Darst Street site, at least in the near term. The Advisory Team considers it unlikely that one or two major property users will find interest in the site. Many factors make the site a difficult property to market to a potential commercial interest including the flood plain, the unknown environmental assessment, the adjacent uses, and the need for revamped transportation access, not to mention the competitive advantage of readily available commercial properties elsewhere in the Peoria area. The currently proposed use of the site by the entities mentioned above presents much greater potential. Erlichman and the aforementioned public users are already committed to Peoria, they are aware of the need for further environmental assessment and can wait until that investigation is completed, and they already know that the site is in the 100-year flood plain. Few commercial clients seeking to break ground for a new facility will have the time or resources to absorb these issues and plan around them.

V. OVERCOMING BARRIERS TO REDEVELOPMENT

A. Background

Several barriers to redeveloping the Darst Street site were identified and discussed at the strategy-building workshop. Consultant Mark Waterhouse led the discussion of identifying the barriers, and how to overcome the more onerous and difficult stumbling blocks to redeveloping Darts Street. Active participation by all members helped to focus on the relevant issues of greatest concern, namely how to implement

a partnering strategy by the proposed users identified above, while removing each of the barriers.

The barriers identified are grouped into these categories:

- 1.) ***Environmental barriers:*** These barriers to redevelopment are those that include the unknown issues of operating in the 100-year flood plain; the unknown contamination that may be present on the site, and the lack of a current environmental audit; including the Rescue Ministries parcel to be donated; the quality of the water on the parcel ; and, access problems including those caused by flooding.
- 2.) ***The City's financial interests:*** the need for the Public Works Department to determine a replacement site if the Darst Street property were to be completely converted to commercial use poses a significant barrier. The need to fund the current annual expense savings of \$800,000 in transfer fees for the existing Public Works uses on the site would have to be re-assessed on an alternative site if the current storage and waste dumping were to be moved.
- 3.) ***The lack of a demonstrated market for the site; fear of a lost opportunity.*** This barrier was presented as a concern raised by public officials that the property could have significant market value to a private, commercial interest, and the accompanying fear of removing the property from the market.
- 4.) ***Lack of a broad overall economic development strategy:*** The barrier to redeveloping the site has to do with the fact that the City lacks an overall, comprehensive economic development strategy. Because of this, development of the Darst Street site would be done without regard to a longer-term economic vision for the area as well as the City. In addition, other economic and planning projects have taken up the limited planning and development resources of the City, making redevelopment of the Darst Street site a low priority.
- 5.) ***Perceived and real crime in the neighborhood; attractiveness of the area:*** This barrier is not unusual for brownfield sites, but is

greatly accentuated as a result of the death of a juvenile on the site several years ago.

B. Recommendations

To overcome the barriers to redeveloping the Darst Street property, the Advisory Team recommends adopting a step-by-step approach of redevelopment strategy-building that incorporates the determination of a long-term strategy and vision for economic development in the City of Peoria. Without this larger vision of development for the city, the redevelopment of Darst Street can indeed happen, but without the benefit of fitting the redevelopment of the Darst Street area into a longer-term vision.

Short of being able to develop this long-term vision right away, the Advisory Team acknowledges and recommends that many of the barriers can still be overcome to successfully redevelop the site given the existing commitments made by the public and private organizations previously identified.

These barriers can be systematically overcome with careful planning and cooperation of the interested redevelopment partners.

- 1.) **Investigate the feasibility of using the Illinois EPA for Phase I and Phase II assessment.** The Advisory Team recommends acting upon this recommendation as soon as possible to determine the timing and availability of this no-fee resource available in the state of Illinois. The Illinois EPA offers redevelopment assessments for selected municipalities and are funded by USEPA. This valuable service should be pursued considering the typical costs associated with these assessments. Even if the ILEPA cannot provide the assessments immediately, the request could be made prior to any other planning given that no user, public or private, can proceed with redevelopment of the site without knowing what's in the ground. The Advisory Team recommends proceeding with a request to conduct Phase II

testing without waiting for Phase I results as there is already present some knowledge of Phase I assessment albeit dated several years ago.

- 2.) **Table further consideration of levee construction until an overall economic development strategy is developed.** Until an overall economic development vision is identified and developed for the City, the Advisory Team does not see the need for the time and expenditure to build a levee given the current users in the flood plain. While the Darst Street site does sit in the 100-year flood plain, it is clear that none of the proposed users were concerned about that issue. Until another economic development plan were to emerge that might (or might not) dramatically change the proposed uses for the entire commercial area in and around the Darst Street site, the enormous resources needed to investigate and implement the building of a one-mile levee does not seem justified at this time.
- 3.) **Consider the annual projected cost savings of \$800,000 versus the perceived revenue generating capacity of the Darst Street site.** It is fairly clear to the Advisory Team that the annual projected costs savings afforded the City by using the site for the Department of Public Works' current transfer point and waste storage uses will outweigh most if not all future revenue-generating benefit provided by a tax-paying commercial user. While it is most desirable to seek revenue-generation from the site, the Advisory Team is doubtful the City could find a commercial user that could generate an equal amount of revenue to the current projected cost savings. \$800,000 is a substantial sum to expect to receive in revenue from a property that may require remediation and additional infrastructure investment on the City's part, not to mention the likelihood of tax abatement and other financial incentives that would offset any revenue stream for many years.
- 4.) **Redeveloping the site with the collaboration of the proposed users is considered to be the highest and best use of the property and is thus the best opportunity for marketing the site.** The Advisory Team does not recommend further marketing of the site outside of the proposed users

already identified, *in the absence of a long-term economic development strategy*. I. Erlichman has already made its commitment formal by proposing its purchase of a portion of the site. The other proposed users stand ready to plan and act as redevelopment partners with the City to reuse the site. With such able and willing users, the best course of action is to accept these as the right offers and to move ahead with planning.

- 5.) **Economic redevelopment is often the best tool to fight crime and /or the perception of criminal activity.** Increased and renewed interest in a blighted or dilapidated area by business and the City alike will go a long way to fight the area's crime. In addition, the proposed Police Training Facility will add a major element of safety to the entire area, including the adjacent neighborhood, that will be greatly welcomed to the Darst Street site.

- 6.) **Secure the resources needed to begin the creation of a City-wide economic development strategy.** While the Advisory Team believes redevelopment of the Darst Street site can and should begin now, there is a need for a longer-term vision for economic development and brownfield redevelopment for the entire city. Upon review by the Team of the City's Comprehensive Plan (1992), there does not appear to be an overall economic development strategy to complement the Comprehensive Plan. There does appear to be a beginning effort at a systematic way of marketing individual properties, with the creation of an inventory currently underway by the City. The Advisory Team recommends taking this action further and moving into a comprehensive economic development planning and strategy-building effort that incorporates an overall brownfield redevelopment focus as a key element.

VI. IMPLEMENTATION

A. Introduction

The Advisory Team believes that the Darst Street site is capable of being redeveloped into productive reuse. In order for a successful redevelopment

initiative, the Team recommends an implementation plan that incorporates the following major actions, in order of priority.

B. Recommendations

- 1.) **Form a Darst Redevelopment Committee** comprised of decision-making representatives from the I. Erlichman Company, the Peoria Police Department, Greater Peoria Sanitary District (GPSD), Peoria Department of Public Works and Illinois American Water Co. The purpose of this group is to: facilitate a more serious commitment from each Committee member as to what portion of the site they are willing to redevelop; to make specific action recommendations to City Council via the Director of Economic Development; and, to advise the Director of Economic Development as to redevelopment actions for the Darst Street site. This group should have its first meeting within 30-60 days so as to keep the workshop's dialogue fresh.

- 2.) **Conduct the Phase II assessment and conduct water samples.** As previously mentioned, the Advisory Team recommends that this testing be conducted by the Illinois EPA due to their ability to provide this service at no fee to selected cities for viable sites. (Contact: Thomas Crause, Illinois EPA, (217) 524-1658) The water sampling could be done in a timely fashion by Illinois American Water Company, if not the ILEPA.

- 3.) **Develop a draft site plan as soon as possible.** Use the City's Planning Department/landscape architect to devise a draft site plan based upon early discussions of the Darst Redevelopment Committee. Use the draft to visualize the proposed uses and to present to public and elected officials in discussions about Darst Street redevelopment.

- 4.) **Investigate feasibility of utilizing the ILEPA's Brownfield Technical Assistance.** The Advisory Team recommends utilizing these no-fee resources that are available in order to gain information and help on a wide variety of brownfield redevelopment issues, both environmental and financial. The ability to access state grants (up to \$120,000) for remediation,

and the knowledge in applying for and receiving federal tax credits can be made much easier by utilizing the knowledgeable staff available statewide. Because resources are limited at the City level, not to mention the need for understanding of all of the environmental and financial resources by the proposed Darst Redevelopment Committee, the use of the state's service is recommended, even if they are not able to provide services right away. The property has been dormant since 1979. Waiting a few months, if necessary, may be well worth the effort.

VII. CONCLUSION

The GLEFC Advisory Team's recommendations come as a natural outgrowth of the commitment demonstrated by the very active participation of those present at the strategy-building workshop. It is clear that the proposed users, specifically, and the rest of the key stakeholders at the workshop, were very committed to helping the city's economic development efforts. The Darst Street site is simply one example of the presence of brownfields. For the city of Peoria, the Darst Street site is the largest example of a property that needs attention from an economic development perspective. How many other properties remain yet to be redeveloped into productive reuse? How many are brownfields?

To answer these questions, the GLEFC urges the adoption of a long-term economic development strategy that incorporates sound economic development planning practices and incorporates a brownfield redevelopment strategy. Development of a long-term vision and goals for the redevelopment of the City's underutilized properties provides many obvious benefits:

- A plan of action providing prioritization of economic goals;
- A common vision that city planners, developers and elected officials can embrace and use as their map for the future;
- A plan for productive reuse and revenue generation; and
- A guide to becoming a more environmentally-conscious and "green" community.

Without an overall economic development vision, the City can continue to redevelop properties one at a time, on a project-by-project basis, but it will not benefit from a cohesive, coordinated, planned approach to redevelopment within a clear vision.

The Advisory team believes that redevelopment of the Darst Street site can occur, and indeed, many of the actions proposed here can occur with or without an existing economic development strategy. However, the Advisory Team recommends that serious consideration be made to devote the time and resources to a long-term vision for economic development.

APPENDIX

[INSERT AGENDA and
PARTICIPANTS LIST]