



MEMORANDUM

TO: Jennifer Petruzzello
City of Janesville WI

FROM: James F. Lima
James Lima Planning + Development (JLP+D)

DATE: October 29, 2019

RE: Economic Considerations of Siting a Proposed Indoor Sports Complex

I. Introduction

This memorandum summarizes notes and observations from interviews, meetings and site tours that took place in Janesville, WI in October 2019 and included representatives from the City of Janesville, The Janesville Foundation, and James Lima Planning + Development (JLP+D). The focus was on discussion with stakeholders involved in the process of evaluating the feasibility of a proposed Indoor Sports Complex (ISC) to be located in Janesville. The discussion included considerations of where to site the ISC. The city has commissioned a feasibility study and a business plan for the facility. This memorandum is not a critique of these reports. Rather, it offers findings from JLP+D's qualitative and quantitative assessment of the city's recommended location for the ISC, its anticipated economic benefits and suggests opportunities to optimize the long-term public benefit and to mitigate public financial risk exposure from proposed public and private investment in this new facility.

II. Summary of Findings

- The deployment of upfront capital investment by public and private funders of an estimated \$23-30 million to build the ISC is a significant opportunity, if sited and

executed properly, for a small city like Janesville to benefit from multiples more additional investment that can be catalyzed by the success of an active, “18/7” ISC recreational facility anchor.

- A recreational and sports facility of this proposed scale is projected to be utilized primarily by the local community, year round and during extended hours of day and night, as is Janesville’s existing Ice Arena. While it would also host regional tournaments and other visitor events, in effect, it would become an important new **civic place** for the Janesville community. As such, *its siting should be worthy of its prominent and valued contribution to local daily civic life, as would be a library or school.*
- Additionally, a prominent location and well-designed facility would likely increase utilization of the facility by out of town visitors, as the quality of competitor facilities continues to improve. Moreover, good design does not necessarily have to cost more. Investing upfront in durable, quality materials can result in a more easily maintained, resilient, and thus economically sustainable facility.
- The City has considered numerous locations throughout the city, including downtown, the Youth Sports Complex among others and has determined that the optimal location is within the Janesville Mall premises, located at the intersection of Milton Avenue and Holiday Drive.
- There are a number of locational attributes that support the current selected ISC location. They include proximity to major arterial roadways which provide good vehicular access both for local community residents and those attending events at the ISC from the region and beyond. Among all sites considered, the selected location is closest to the city’s highest concentration of hotel beds, numerous food and beverage establishments, and many retail stores, a convenience (though immediate proximity is not a necessity) for out of town attendees at ISC events.
- Like many shopping malls globally, the Janesville Mall has suffered economically due to the impact of e-commerce and resulting loss of anchor retail tenants. The mall currently has a significant amount of unoccupied space as well as discounted rents for remaining retail tenants. Mall ownership is seeking new revenue-generating uses to re-energize the facility and support those retail tenants that remain. New tenancies include entertainment and recreation-related uses.
- The space offered to the City by the mall’s owner, RockStep Capital (RockStep), is an unoccupied portion of the mall previously tenanted by a J.C. Penney department store. This space is situated along the back side of the Mall, behind a Dick’s Sporting Goods store and without visibility from the primary thoroughfare, Milton

Avenue. RockStep proposes to add a new indoor recreation and entertainment center, known as Hype, for another large vacated former Boston Store retail space located at the center rear portion of the mall.

- As an important gateway to Janesville from points north, the image of Milton Avenue is significant to the city's future. To that end, the City sees the broader public benefit and benefit to this commercial corridor of matching a large sports facility user with a significant vacancy at the struggling Janesville Mall. (We note that JLP+D has not been privy to business terms negotiations between RockStep and the City). Further, a well-designed and visible new sports center could begin a rethink of the future of Milton Avenue as a more mixed-use, pedestrian friendly and green gateway to the city .
- It's understandable that mall ownership would offer this location at the mall to the city for the ISC facility. It would benefit from the activation of the premises year-round and 18/7, and the increased demand from ISC users and attendees for goods, services, food and other amenities that could be provided by mall tenants.
- However, it is our opinion that the current proposed "back of house" location at the Janesville Mall for the ISC is problematic for several reasons: it lacks the dignity and civic presence of the best communal and civic places in Janesville, but perhaps suffers instead from an attitude of "good enough" when it is, in fact, not; it misses the opportunity to rebrand this struggling site --and Milton Avenue--with a dynamic new "civic" use; and, perhaps most important, it weds the ISC facility's future physically to the future of a mall building that has an uncertain future.
- It was noted during meetings with city officials that there are numerous calls on city operating funds each year and that the need to maintain existing levels of municipal service delivery poses ongoing financial challenges. It's in this familiar local municipal fiscal context that the obligations of operating a sports facility must be seriously considered. What level of financial downside risk should the city be assuming with respect to operational funding shortfalls, if any?

III. Notes and Observations from the Field

Janesville is a small city with a strong sense of community. In terms of the character and the experience of place in Janesville, it is in fact two cities: at its core, an historic and compact urban settlement along the beautiful Rock River, flanked by an expansive network of public parks established generations ago; and radiating out to the city's outer edges, a city with more suburban and rural land use patterns, dominated to the north by a sizable concentration of large and medium format retail uses, including the Janesville Mall and

strip shopping centers, that are organized along Milton Avenue, proximate to the Rte. 39 regional connector.

And yet even in the predominantly commercial retail district along Milton Avenue by the Mall, there are a number of parks and green spaces that could amplify Janesville's parks identity if properly networked (see Section VII below).

IV. Alignment with Janesville's Strategic Plan

The proposed ISC advances a number of the strategic goals outlined in the City of Janesville's 2019-2023 Strategic Plan.

- A. Economy:** The City of Janesville has focused on "redevelopment of struggling retail areas" as one of its strategies for facilitating "the continued growth and diversification" of the local economy.¹ The Janesville Mall appears to be one such area that is in need of an injection of new investment in order to strengthen its value as an economic asset and attract renewed commercial activity to the upper Milton Avenue/I-90 corridor. The proposed siting of the ISC at the Janesville Mall provides the opportunity to do so, bringing both local and out-of-town users to the mall and its surrounding commercial district.
- B. Financial Sustainability:** One of Janesville's objectives within this goal is to "maintain city services by exploring opportunities to diversify and increase our revenue base". The Convention Sports and Leisure International (CSL International) study from January 2019 estimated that the Indoor Sports Complex would generate \$15-17 million in new annual spending in Janesville. This induced spending could constitute a new source of tax revenue that will contribute to the fiscal health of the City of Janesville. Moreover, the ISC could enhance the value of properties nearby due to a phenomenon known as the "proximity premium". This increase would then be captured through local property tax revenue, further contributing to Janesville's revenue base (see Section VI below).
- C. Image & Engagement:** In order to effectively compete, cities need to develop and project a distinct brand by leveraging their unique, place-based assets. The Indoor Sports Complex is an excellent opportunity for the City of Janesville to establish itself as a regional hub for recreational activity.

¹ City of Janesville - [2019-2023 Strategic Plan](#). Page 7 (Under Objective #3)

What's more, the ISC's proposed location at the Janesville Mall positions the project to become an iconic gateway for visitors entering the city from I-90.

- D. Partnerships:** The Indoor Sports Complex could be a key component of the City of Janesville's strategy to grow its public-private partnerships (P3) with businesses and community groups. The CSL International study suggested that a P3 should be a necessary component of the funding scheme for the proposed ISC. The facility could also be operated or programmed through partnerships with local sports and wellness organizations such as the Janesville Jets, YMCA, or Janesville Youth Hockey.
- E. Safe & Healthy Community:** Several local sports organizations reported looking outside of Janesville for facilities due to the lack of adequate ice time. Investment in a new Indoor Sports Complex would expand access to health and recreation for members of the Janesville community, thereby improving the quality of life in Janesville. The ISC could also be the cornerstone of a citywide strategy to *promote Janesville as a place where individuals and families seeking an active lifestyle can thrive*. This is consistent with Janesville's commitment to being a city of great parks.

V. Models for Operation (Peer Facilities)

The decision regarding the operations and maintenance of the ISC is a critically important one that should be informed both by a careful consideration of how similar facilities operate elsewhere as well as the city's capacity and appetite to assume this responsibility (and potential risk). There is no one model you must follow. The key is to find the right set of partners with aligned interests to make well thought out plans a reality. We encourage you to remain open to considering all options and potential partners.

A. City Owned and Operated

- a. Kennedy Recreation Center (Trenton, MI): A 150,000 square foot facility with three professional-sized ice arenas, a hockey pro shop, and a restaurant. The Center runs on an enterprise fund with an annual subsidy for the City of Trenton, which changes each year depending on the needs of the facility. The lease agreements with the pro shop and the restaurant constitute a major source of yearly revenue for the city. The Center has six major tenants including the local hockey association, area high schools' hockey programs, and public recreational skating programs.

B. Public-Private Partnership

- a. MidAmerican Energy RecPlex (West Des Moines, IA): The 60 acre facility was proposed by the Iowa Soccer Association and the Iowa Ice Sports Foundation to help meet the growing demand for indoor sports in the community. It will contain several full-sized rinks, fields, and courts as well as exhibit and meeting space. A mix of public and private money will be used to fund the \$30 million facility's development and operations. Approximately \$10 million has been raised from individual and corporate donors, including \$5 million from MidAmerican Energy Company, who was granted naming rights. The remainder of the cost will be covered by revenue from the West Des Moines hotel/motel tax.

C. Privately Owned and Operated

- a. Jacksonville Ice & Sportsplex (Jacksonville, FL): A 100,000 square foot facility with a professional-sized ice arena, six indoor courts and 9,000 square feet of turf fields. The facility is owned and operated by a company called Skate World, Inc. and has six primary tenants, including the University of Florida and several youth sports academies. The complex has been credited with making Jacksonville the primary location ice and indoor sports in Northeastern Florida.

VI. Impact on Nearby Properties - Proximity Premiums

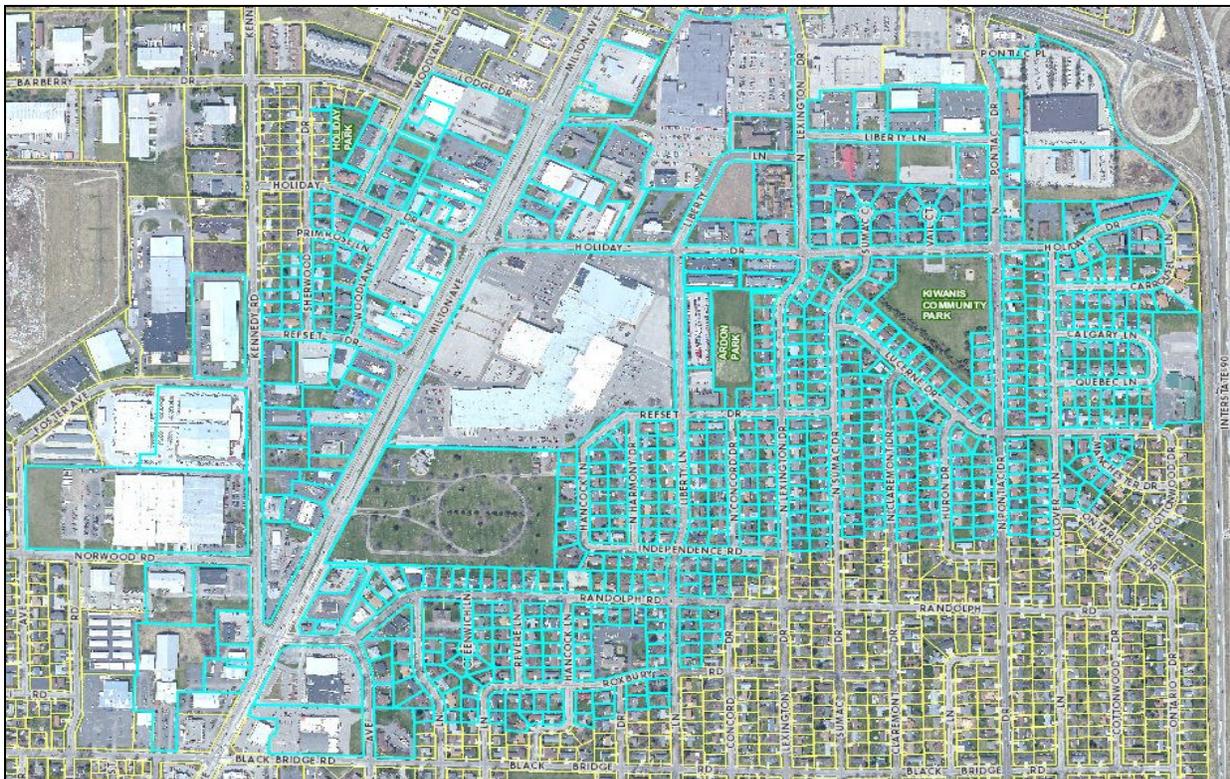
- A. **Proximity Premiums**: The "proximity premium" is the notion that people are willing to pay more for real estate, primarily residential, within a reasonable distance of a park or recreational asset (100 to 2,600 feet depending on a variety of factors), which in turn raises assessed property values. This concept is predicated on the "hedonic" model that economists use to try and estimate the impact of particular amenities (parks, transit stops, libraries, etc.) on the prices of various assets.² The rationale is that cities make investments in a park or recreational facility and proceed to capture a portion of proximity premiums through increases in the assessed value of properties within a certain radius of the park. They then leverage this revenue stream to service bond payments (if the project was debt financed) or directly fund site maintenance, improvements, and even programming in some cases.³ A survey of research literature related to the real estate impacts generated by proximity to parks and recreation assets

² Harnik, P. and Welle, B. *Measuring the Economic Value of a City Park System*. Trust for Public Land, 2009.

³ Crompton, J. *The impact of parks on property values: empirical evidence from the past two decades in the United States*. Managing Leisure, 2005.

contracted by the Illinois Association of Park Districts (IAPD) found that proximity premiums generally range from 9 to 33 percent.⁴

- B. **Proximity Premiums in Action:** Evidence from cities across the United States attests to the findings of the research above. In 2001, Indianapolis designated five neighborhoods near the city's core as cultural districts and proposed the development of a trail to link all of the districts' assets and provide a venue for public art. Between 2008 and 2014 (the period of the trail's construction), the total assessed value of properties within 500 feet of these new public spaces increased by 148 percent.⁵ Dallas' parks and recreation system enhanced the value of existing real estate within a 750-foot radius by \$119 million aggregately. Downtown parks, including recent marquee investments such as Klyde Warren Park and Katy Trail drove a sizable portion of this premium.⁶ The parcels highlighted in blue represent the area that could benefit the most from enhanced value due to proximity to the ISC. The 1000 foot buffer selected is based off of established research precedents (some of which are mentioned above).



⁴ Economics Research Associates. *Real Estate Impact Review of Parks and Recreation*. Illinois Association of Park Districts, March 2005.

⁵ Majors, J. and Burow, S. *Assessment of the Impact of the Indianapolis Cultural Trail: A Legacy of Gene and Marilyn Glick*. IU Public Policy Institute, 2019.

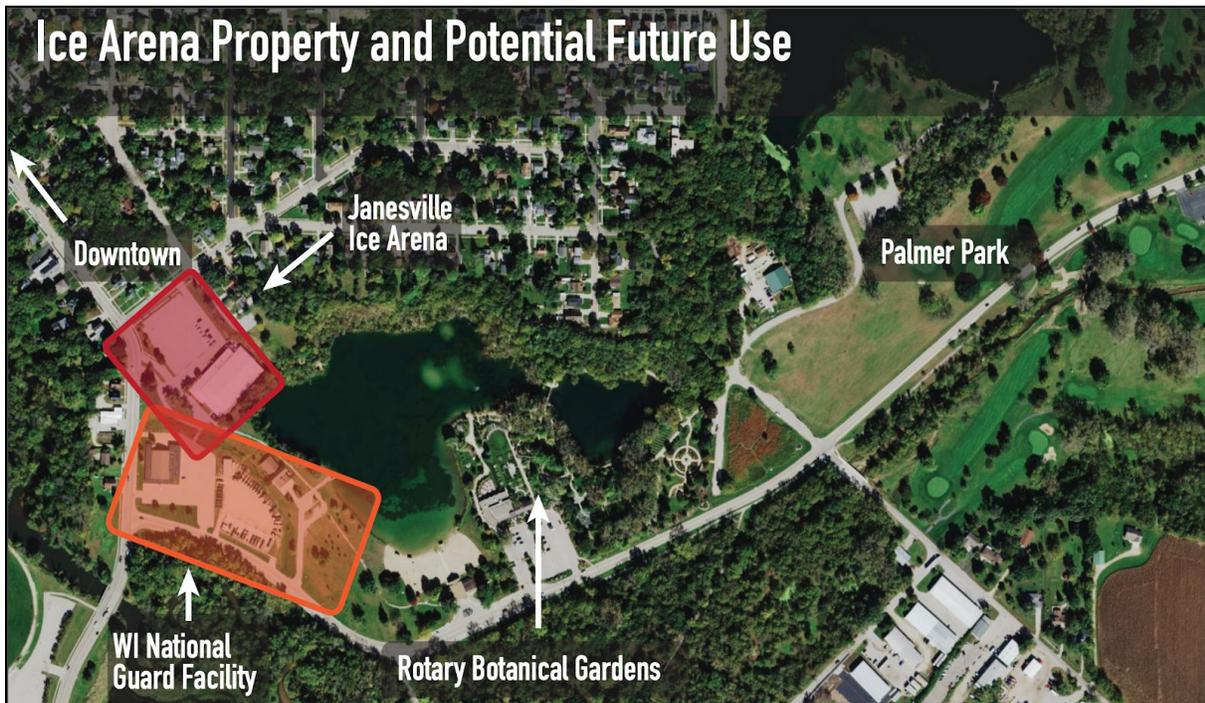
⁶ *Economic Value and Benchmarking Study of the Dallas Park System*. HR&A Advisors, 2016.

VII. Potential for the ISC to Anchor a Greenway Network



Connecting Assets: It's possible to re-imagine the big-box retail context within which the ISC can be situated along Milton Avenue and Holiday Drive as a far more pedestrian-friendly environment. While this seems far from current reality, the key part of transformation in cities is imagining what can be. Janesville recently made a similar big move, replacing a vast surface parking deck over the Rock River with the beloved Town Square. One approach to reimagining this section of Milton Avenue would be to establish a public realm, or "place" anchored by the ISC with natural local landscape elements connecting the three sizable existing parks all within walking distance of the mall, namely Kiwanis Community Park, Ardon Park (which could be redesigned and programmed for greater year round public enjoyment), and Milton Lawns Memorial Park, a cemetery and otherwise attractive open space. We believe this approach would increase the value of RockStep's shopping mall asset. **Goal: More Janesville. Less Chainsville.**

VIII. Ice Arena Property and Potential Future Use



Among the delights for a first-time visitor to Janesville (and we suspect for life-long residents no less) is to experience the beauty of the city's distinguished parks network. Notable among the city's expansive greenways are the Rotary Botanical Gardens, Lions Beach, Palmer Park, Kiwanis Pond, Blackhawk Golf Course and Jeffris Park, all a short distance from the Rock River and downtown. If one were to seek the DNA of the Janesville community, it seems this is it. A generosity of civic spirit among city and philanthropic leaders generations ago created this remarkable emerald necklace of public places dedicated to nature, recreation and discovery. The existing Janesville Ice Arena, a civic center of sorts, is situated at the edge of the lake at Lions Beach.

Also overlooking the lake at Lions Beach is a large and incongruous federal governmental facility, the US Army National Guard Recruiting Center and military vehicle surface parking lot. It is entirely out of place in this public park setting.

Few sites in Janesville offer as much potential to create a next generational investment in placemaking for the broader Janesville community's enjoyment. Enormous investments have already been made, private and public, to establish the cultural and parks amenities that define this corner of the city. Planned together, the Ice Arena site combined with the National Guard property could host any number of prominent complementary cultural, recreational, and or parks-related uses that cleverly conceal car parking to allow the parks qualities of the site to dominate.

IX. Conclusion and Next Steps

The City of Janesville faces an important decision about a significant funding commitment to realize the ISC vision. Yet it has already made similar smart investments in public benefit placemaking that will help Janesville’s ability to compete for talent, visitors and investment. ***Capital Follows Talent. Talent follows Place. And Place needs Investment.***

Recent downtown riverfront planning and capital investment in Town Square is a good example of the economic benefits of placemaking, of investing in places of shared community life. Investment in converting a car parking deck and other underutilized space into the Town Square project has elevated civic life downtown and can be expected to continue to attract further private investment in the area. The City should be reassured by this smart investment of city funds in downtown placemaking that there are public benefit dividends to accrue from a similar city commitment of capital funding, paired with private dollars, to help build the ISC.

Your city has the opportunity if done well to rethink what *place* means for one of its primary gateway corridors. What is needed is a shared vision and leadership. The money will follow. Your past leaders had an inspired vision of Janesville as a verdant city of parks open to all. We hope that that vision and a belief in what placemaking can do will inspire your decision-making and result in a sustainable well-programmed facility that brings the community together and showcases Janesville to visitors.

X. Citations

- A. Convention, Sports and Leisure International (CSL International). *Study of a Potential New Indoor Sports Complex for Janesville, WI*. City of Janesville, January 2019. (“CSL Report”)
- B. Johnson Consulting. *Janesville Indoor Sports Complex: Business Plan*. Janesville Area Convention & Visitors Bureau, October 2019. (“Johnson Report”)

XI. Appendix I

- A. **Indoor Sports Complex Community Engagement Focus Groups with James Lima
- List of Attendees**

1. Janesville Area CVB – October 7, 2019 - 12 PM: Racine Leahy (Rockstep Capital, owner of Janesville Mall), Julie Cabbage (Janesville Mall General Manager), Carla Olson (JACVB Board), Ben Brantmeier (TownePlace Suites), Amanda Barfknecht (TownePlace Suites), Bob Patel (Quality Inn, Super 8), Kim Jacobs (Baymont Inn), Missy Jacobs (Baymont Inn), Nathan Burkart (Janesville Performing Arts Center), Mason Lyttle (Janesville Jets), Scott Skelly (Skelly's Farm Market), Tim Maahs (Rock County Historical Society), Karl Anderson (AmericInn), Jennifer Seibert (Hampton Inn), Alan Lockett (JATV Media Services – recording), JACVB Staff: Christine, Sue, Sandi, Danielle.
2. Bodacious Shops – October 7, 2019 - 1 PM: John Beckord (Forward Janesville), Sherri Stump (BHCCU), Tim Lindau (Nowlan & Mouat), Larry Squire (Johnson Bank), Mary Jo Villa (Gazette), Sue Conley (City Council), Rich Gruber (City Council), Paul Benson (City Council), Tim Weber (Webco), Diane Brown (Janesville Foundation), JoLynn Burden (ARISENow), Claudine Manor (Forward Janesville), Craig DeGarmo (DeGarmo Plumbing), Janesville Figure Skating Club, Mark Groshan (Janesville Athletic Club)
3. Bodacious Shops – October 7, 2019 – 3:30 PM: Shelley Slapak, (COJ) Dave Frank (Jet Billet), Jen Seeley (Jet Billet Coordinator), Mason Lyttle (Jet Staff), Shelton Tripp (Jets Staff), Lennie Childs (Jets Coach), Corey Lieverman (Jets Coach) Carter Hottman (Jets Player), Casey Roepke (Jets Player), Nick Gonrowski (Jets Player), Ben McCormick (JSD Athletic Director), Clayton Krueger (JSD Athletic Director), Jeff Schnell (Janesville Youth Hockey), Ed Chady (Janesville Youth Hockey) and Nick Huber (Rock Soccer Club)
4. Bodacious Shops – October 8, 2019 – 7:30 PM: Curt Parish (Forward Janesville), Duffy Dillon (Dillon Law Firm, JYBSA), Dave Holterman (First Community Bank of Milton), Shelton Tripp (Janesville Jets), Mick Gilbertson (Developing Edge), Brian Hammel (Milton HighSchool), Kari Heidenriech, (UW Whitewater)