

# National Association of Regional Councils

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## Brownfields: Market Based Solutions for Rehabilitation

BY CHRISTOPHER M. KVAM

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I-r  
Scott Sherman,  
Dr. David Sampson and  
Doris McMillon

Two principal panelists and  
the moderator for the  
Brownfields telecast on  
March 5, 2003

I-r  
Carolyn Dekle, Executive  
Director for the South Florida  
Regional Planning Council  
discusses with Scott Sherman  
South Florida's focus on  
brownfields.



Todd Davis, President of  
Hemisphere Development  
Corporation talks about the  
firms focus on brownfields  
redevelopment.

On March 5th, NARC held its third national satellite telecast at the George Washington University. Perspectives from both the public and private side of brownfields rehabilitation were discussed during the hour-long broadcast. The program featured important players in the brownfields rehabilitation process: Dr. David A. Sampson, the Assistant Secretary of Commerce for Economic Development, Mr. Scott Sherman, a leading brownfields expert, and three case studies representing private developers, local government, and regional councils. The telecast provided viewers with different approaches used to achieve successful brownfields redevelopment.

## What is a Brownfield? -- Perceptions Versus Reality

Mr. Sherman opened the discussion by defining brownfields as "former industrial or commercial properties that have some level of environmental contamination, typically related to their former industrial or commercial use." Stressing the need to "Protect, Remediate, and Transform" Dr. David A. Sampson emphasized the importance of brownfields in EDA's mission of building strong regional business environments. The protection of public health, the remediation of environmental hazards, and the transformation of brownfields into productive community assets are the major objectives of EDA's brownfield program. EDA has made brownfield redevelopment a priority, having allocated \$167 million in Fiscal Year 2003 for Brownfields redevelopment projects.

Brownfields is generally linked to serious environmental contamination and blight. According to Mr. Sherman, for Brownfields to be remediated by private sector interests, opportunities to generate sufficient income or rent to cover the large costs of clean up are essential. This incentive is needed for a brownfields project to make sense from a market perspective, and for it to generate private sector investment. Factors such as available infrastructure, access to ownership, and liability greatly influence private sector investment.

The Environmental Protection Agency (EPA) has estimated that there are over 600,000 brownfields in the country. Given the high costs of clean up at many sites -- tens of millions of dollars -- the government alone does not have the resources to act singularly as the sole remediator of brownfields. Partnerships are needed and with the correct incentives, such as tax credits, and low interest loans, billions of private sector dollars can be directed toward the redevelopment of brownfields.

The first case study clearly demonstrates the value of private sector participation in brownfields redevelopment and makes the case for incentives that attract the private sector.

## Private Sector Developers: What makes a deal?

Mr. Todd Davis, Esquire, is President of Hemisphere Development Corporation, a real estate development firm that focuses its efforts specifically on brownfields redevelopment. Mr. Davis is an accomplished author; his works include the best-selling treatise on brownfield redevelopment, *Brownfields: A Comprehensive Guide to Redeveloping Contaminated Property*. In his conversation with Sampson and Sherman, Davis highlighted two areas where government can partner with private developers on brownfields redevelopment efforts. First, he stressed the need to understand that aside from the environmental issues, many sites lack basic, critical infrastructure, such as road access, sewer lines, and/or electric service. These deficiencies tend to create barriers for private investment in brownfields redevelopment. Secondly, increased flexibility in allocating money is needed by government. When funding is tied to strict timelines or procedures, it jeopardizes a deal, especially when the window of opportunity is narrow.

Davis praised EDA's endorsement and participation in public/private partnerships in brownfields projects. He made reference to a specific project his firm is involved with Cleveland, Ohio and said, "progress would have been impossible without an intense effort from all parties involved, proving that vision, creativity, flexible use of funding sources, and the power of partnership between public and private entities can put long forgotten places back on the economic development map."

## Local Governments: How They Help?

Local governments can help by moving projects forward in their communities. Sherman stressed the important role local governments play in bridging the gap between developers and brownfield sites. Local governments have been helpful in resolving ownership and liability issues through eminent

domain, or facilitating discussions that can make a project happen. State and local governments often have unique funding sources such as revolving loan funds, and may be able to offer developers tax incentives to encourage developers to take on the more difficult projects. In areas where brownfields are considered a major issue, such as the larger and former heavy industrial centers, local governments may be willing to assume the role of major developer, acquiring the property, rehabilitating it, and determining best use. The second case study in Pittsburgh, Pennsylvania highlights this phenomenon.

## **Local Governments: Real Results**

The Urban Redevelopment Authority (URA) was founded in 1946 as the development arm of the City of Pittsburgh, PA. Since then, URA has become a driving force in Pittsburgh, encouraging economic growth and diversity. Over the last 75 years, the economy of Pittsburgh has been dramatically transformed from a steel industry dependent area to what we know it today. The redevelopment of abandoned industrial sites has been a top priority for more than two decades for URA -- long before the term "brownfields" became vogue.

Dr. Mulugetta Birru, Executive Director of URA and President of the Pittsburgh Economic & Industrial Development Corporation, joined Sampson and Sherman to discuss URA's successes. Birru highlighted the three essential jobs URA performs: the acquisition of sites; the pursuit of funding from multiple sources, and the development of master plans for redevelopment.

Over the course of the last 10 years, URA has acquired over 1,000 properties, most purchased without issues. A few, however, have required the use of eminent domain, a unique government resource. Birru stressed that "(brownfield) sites are opportunities and assets, not liabilities as they are perceived."

In order to cover the massive costs of environmental cleanup, URA actively pursues funding from federal, state, and local government. Upon completion of the environmental cleanup, private sector funding is secured through land-lease agreements with local businesses.

Once the land and funding have been secured, URA seeks input from community groups, developers, and the private sector to determine the best new use for the rehabilitated land. The URA video package clearly demonstrated the success of this approach in fostering public/ private partnerships to bring new investment to Pittsburgh on brownfield sites.

In 1983, URA set out to redevelop a 42-acre island on the west bank of the Allegheny River by acquiring ownership, performing demolition and environmental cleanup, and making infrastructure improvements that included a new bridge, a road, and underground utilities. URA went after a variety of government funding sources: federal, state, and local government.

Once the land was assembled, it was almost a decade before the city was ready to lease the land to private developers. Few, if any, private developers are willing to obtain land without knowing in advance the timeframe and return on investment. However, with much of the "heavy lifting" already in place and other incentives, a massive commitment to the project made redevelopment of the site possible, that demonstrates how public entities can make long-term projects a reality. Today, "Washington's Landing" is complete. It is home to market priced housing lots, office space, restaurants, light industrial areas, as well as recreational areas including a marina, and a public park complete with tennis courts, bike path, and open space.

Achievements of URA included in the presentation were the Pittsburgh Technology Center, and the Southside Works project, both redeveloped abandoned sites from the steel era. URA's success is

demonstrated by the amount of private funds it has been able to leverage in each of these projects. Total public funding for the three projects totals \$154.8 million that generated nearly \$400 million in private investment in Pittsburgh.

## **Regional Councils: Partnerships At Work**

As the discussion shifted from local governments to regional organizations, Sherman had a lot to say about how these groups help redevelop brownfields. A broad perspective of the work done by regional organizations is important to the brownfields redevelopment process. Capital improvements and investment in infrastructure beyond local government boundaries can "foster an environment in which brownfields can be redeveloped." Aside from eliminating barriers to the creation of infrastructure, regional councils serve as information resources for developers, and are well postured to assess, prioritize and identify those brownfield sites netting the most impact on a community.

The third case study highlights efforts by the South Florida Regional Planning Council (SFRPC) and its priority commitment to brownfields redevelopment. Located between the eastern edge of the Everglades and the Atlantic Ocean, SFRPC represents a very unique region. In a short video, Terry Manning, the brownfields specialist of SFRPC, explained their brownfields program as a response to the pressures of population growth and the protection of the everglades considered an environmental asset and a primary water supply.

The SFRPC is "targeting older historic developed areas, the inner city areas, where there is land available for development. This also helps prevent industries from moving out west towards the Everglades, which we are trying to protect," said Manning.

Carolyn Dekle, the Executive Director of SFRPC joined the panel to talk about how SFRPC has promoted brownfields redevelopment. Ms. Dekle explained the role of SFRPC in brownfields projects in the following way: "we have to make it easy for our development community to know where sites are. We also work with our local elected officials to insure that the products created on those properties integrate with existing communities."

To facilitate this type of communication between developers and local government, SFRPC has helped create a coalition of public and private, non-profit, and community groups that is working to encourage urban revitalization and environmental restoration. This type of communication and collaboration has assured the redevelopment of several brownfields in Florida.

## **Tying it all Together**

Mr. Sherman focused on two key messages conveyed at the telecast:

### **(1) Financial Incentives Make a Difference**

Incentives can reduce costs to developers of a brownfields project, or they can reduce the burden of owning and operating the property. Income or Property tax abatement can make a tremendous difference, especially those projects with a 5-10 year period of clean up and reconstruction before any return on investment can be expected.

### **(2) Communities Can Make a Difference**

By providing developers with information and links to local government funding sources, local institutions can facilitate projects. Investments in critical and basic infrastructure are fundamental for communities to make the redevelopment of brownfields a reality.

Sampson emphasized EDA's commitment to brownfield projects, and the need to focus government resources on those projects with the right incentives that maximize the results of each federal dollar invested, and the private sector's contribution to the redevelopment effort.

This article is sponsored under a cooperative agreement with the Economic Development Administration, U. S. Department of Commerce, and the National of Regional Councils in fulfillment of the grant requirement for "Information Dissemination Strategy for the New Economy."

NARC thanks participants and viewers who made the telecast a success. If you are interested in a video of the program, copies are available for \$30.00 each (shipping included) from Peggy Tadej at [tadej@narc.org](mailto:tadej@narc.org).

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#### About the Author

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