

# BROWNFIELDS

## *A Two-Minute Briefing on Key Business Environmental Issues*

### The Big Picture

Brownfields — abandoned, idled, or underutilized industrial and commercial sites where expansion or redevelopment is complicated by real or perceived toxic contamination — are gaining attraction as potential development sites. For companies whose portfolio contains one or more of these apparent white elephants — many located in urban cores, near rivers, rail hubs, and interstate highways — there is new hope for turning them into productive assets. For firms seeking to acquire or relocate sites, these environmental millstones may offer competitive advantages and benefits, though they present several challenges.

### Context

Until relatively recently, liability issues hindered U.S. brownfields developers, due primarily to the federal Superfund law, which made any past, present, or future owner of a contaminated site liable for cleanup costs, regardless of whether that owner contaminated the land. Financial institutions were liable, too, making banks and other lenders leery of making loans. With few incentives to recycle brownfields, companies instead sited new facilities in suburbs and rural areas, often unwittingly contributing to increased commuting, congestion, and sprawl.

In recent years, much has changed. Government agencies are providing incentives and working to remove regulatory and legal barriers and coordinate cleanup and redevelopment efforts among federal and local bureaucracies. More than half the U.S. states have passed legislation or developed policies to ease liability and cleanup requirements for brownfield buyers. Meanwhile, the marketplace is developing its own solutions to encourage brownfield redevelopment.

### Key Players

- **Manufacturers and related businesses**, which view brownfields as potential sites to locate facilities. Other industries include warehouse, distribution facilities, shopping malls, even schools, housing, and recreational facilities.
- **Real estate developers and bankers**, who stand to profit from such developments.
- **Regulators**, who are both eager to put abandoned sites into productive (tax-generating) use, and who must guard against overzealous development that endangers public health.
- **Environmental justice organizations** representing low-income communities where many brownfields are located, which, like regulators, support cleanup of inner-city and rural sites but wish to ensure that the type of development that takes place on brownfields will benefit their constituencies through new jobs and improved, healthier communities.

### Getting Down to Business

Companies are just beginning to recognize the potential value of brownfields. A few examples:

- **Whitehall-Robins Healthcare** created hundreds of new jobs in northern Richmond, Va., the result of a collaboration with the city and the U.S. EPA. The city provided a 4.5-acre parcel of municipally-owned land to Whitehall-Robins, Richmond's 25th-largest private employer, so the company could retain, consolidate, and expand its pharmaceutical research facility. The land was formerly the site of an armory, a use that left the soil contaminated with lead and mercury. Though

Whitehall-Robins was interested in the property for years, the site sat idle until a U.S. EPA grant provided the city with environmental consultants to advise on detailed assessment and cleanup techniques. Completed in 1998, Whitehall-Robins' research center includes office, laboratory, and light industrial areas for 350 employees, including some 250 new jobs.

- **Quad/Graphics**, a Wisconsin-based printer, turned an abandoned manufacturing facility just outside Milwaukee's depressed urban core into a bustling business center. The company wanted a site that afforded cost-effective distribution capabilities for its other Wisconsin plants. Aided by a state law that allows a company to buy previously used industrial property without assuming liability for undiscovered environmental contamination, Quad rehabilitated enough of the site to open a state-of-the-art, 600,000-square-foot facility. The move gave Quad/Graphics instant access to Milwaukee's large and available labor pool, but the company was also able to inhabit the new facility faster than if it had built one elsewhere from the ground up — two months, compared to six months for new construction.

### The Upside

Developing brownfields can provide a range of business benefits. Among them:

- **Access to labor.** Brownfield redevelopment allows companies ready access to large pools of urban workers.
- **Prime locations.** Many brownfields are on waterfront properties or near rail hubs and convenient to city centers and transportation corridors.

- **Reduced costs.** Using an existing infrastructure, including buildings and services, can be less expensive than starting from scratch and may cut the time it takes to go from acquisition to occupancy.
- **Improved stakeholder relations.** While the public often is skeptical of new development, in the case of brownfields communities and governments encourage redevelopment. Benefits may include more cooperative labor relations, positive media coverage, appreciative customers, supportive community groups, and agreeable government agencies.
- **Tax incentives.** Federal and state tax laws are aimed at easing the cleanup burden. For example, the federal government has declared cleanup expenses to be fully deductible for the year in which they are spent.
- **Other incentives.** These vary across jurisdictions. For example, New Jersey recently passed a tax forgiveness plan, given to companies redeveloping brownfields.

### Reality Check

Developing toxic industrial sites can be a challenge, one not for the timid. It offers rewards, but also risks. Funding can be a problem, though it is becoming less so. Liability concerns loom large. The uncertainty over cleanup standards — how clean is clean? — can stymie projects. Communities can be barriers, too, if they feel the proposed brownfield development will not benefit local residents' personal or economic well-being.

## Action Plan

As the above challenges suggest, brownfields development must be done carefully, involving the widest possible range of players, both inside and outside the company. Some considerations:

- **Develop a team:** Most successful brownfields projects involve an interdisciplinary team. Such projects can involve analysis of law, engineering, environmental, and real estate matters. Pull together individuals from a variety of parts of the company, supplemented with outside experts, to create a team that will manage a project from beginning to end.
- **Check with national, state, and local authorities.** Laws regulating development of contaminated sites come from all levels of government. Many of the organizations and Web sites described below can serve as good starting points.
- **Involve the community.** Bring local politicians and citizens groups into the process at the earliest possible stage. Earnestly solicit their opinions and feedback and incorporate them into the plan. Engage both friendly and less-friendly groups to ensure you are getting the full range of opinions. When appropriate, enlist local nonprofits as partners in a development project.

## Leads

- **Brownfields Business Information Network** (c/o McKenna & Cuneo, 1575 I St. NW, Washington, DC 20005; 202-789-7698; 202-496-7756 (fax)) provides a forum for companies to ex-

change ideas; encourages partnerships with government agencies, advocacy groups, and community groups; and helps companies find "opportunities to be proactive on environmental justice issues."

- **Northeast-Midwest Institute** (218 D St. SE, Washington, DC 20003; 202-544-5200; 202-544-0043 (fax); [www.nemw.org](http://www.nemw.org)), has published numerous papers and books on brownfield reuse, including "Coming Clean for Economic Development," a guide for developers.
- **International City/County Management Association** (777 N. Capitol St., NE, Ste. 500, Washington, DC 20002; 202-289-4262; 202-962-3500 (fax); [www.icma.org](http://www.icma.org)) hosts the Brownfields/Superfund Consortium, which helps local governments address the financial, legal, technical, and public health concerns raised by Superfund and brownfield sites.
- **Brownfields Nonprofits Network** ([www.brownfieldsnet.org](http://www.brownfieldsnet.org)) an online network of nonprofit organizations helping to promote the redevelopment of Brownfield properties throughout the United States.

## Bottom Line

Attention to brownfields will continue to grow. Those tools will continue to increase. As the links are made between environmental improvement, economic development, and good social policy, it is likely that turning brownfields green will become a growing opportunity for companies to create valuable assets out of long-festering liabilities.