

The Role of Brownfield Redevelopment in a Transition to a Low Carbon Economy

Presentation to:



SUPPORTING SUSTAINABLE ENVIRONMENTS

SUSTAINABLE COMMUNITIES
CONFERENCE



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DAVLIN DEVELOPMENT GROUP



Agenda

- I. What is a Low Carbon Economy (LCE)?
- II. What is a Brownfield?
- III. What is the Role of Brownfield Re-development in a LCE?
- IV. How can Development of Brownfield Sites Assist Transition to a LCE?
 - Land use
 - Alternative energy
 - Job creation
- V. Government Programs.
- VI. Private Sector Incentives
- VII. Next steps.



What is a Low Carbon Economy?

Definition:

- Known as Low-Carbon Economy (LCE) or Low Fossil Fuel Economy (LFFE)
- Economy which has a minimal output of Greenhouse Gas (GHG) emissions
 - Specifically refers to the greenhouse gas Carbon Dioxide.

Opportunity:

- Maximize positive economic benefits.
- Minimizing the consequences of inaction.



What is a brownfield?

"brownfield site" means real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant.

- US EPA

Abandoned, idled or under-used real property where expansion or redevelopment is complicated by the presence or potential presence of environmental contamination.

- US HUD



What is a Brownfield?

- Strip mall
- Manufacturing facility
- Chemical facility
- Gas station
- Abandon site

- Existing infrastructure
 - Water
 - Sewer
 - Electrical



Advantage of Brownfields Redevelopment

- \$10 to \$100 match for every \$4 spent at the State Level
- \$3 in leveraged private investment for every \$1 in federal spending
- 4.5 acres open space preserved for every one acre of brownfield redevelopment
- Redevelopment of brownfield sites enhances the value of the surrounding community
 - Up to 62% created value for hotels and related hospitality industry
 - Up to 6% in commercial generated value.
- Job creation
- Adds annually up to 5% of local tax rolls.



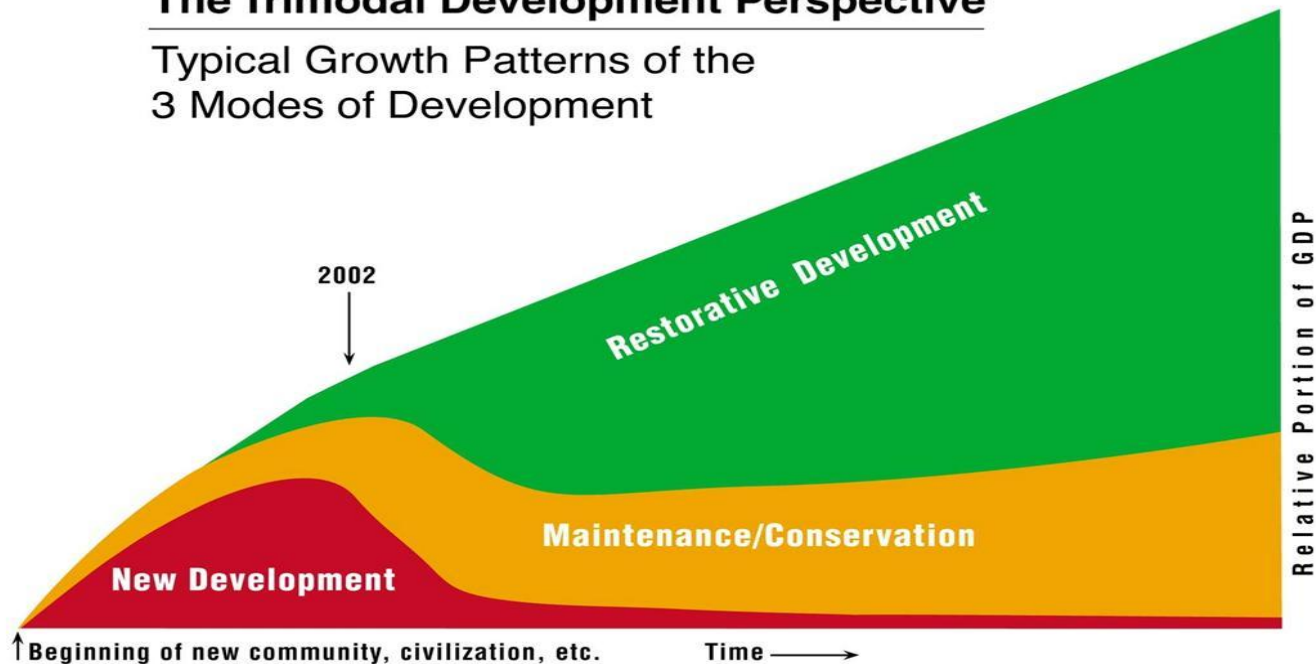
Market Trends

Graphic #1

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The Trimodal Development Perspective

Typical Growth Patterns of the
3 Modes of Development

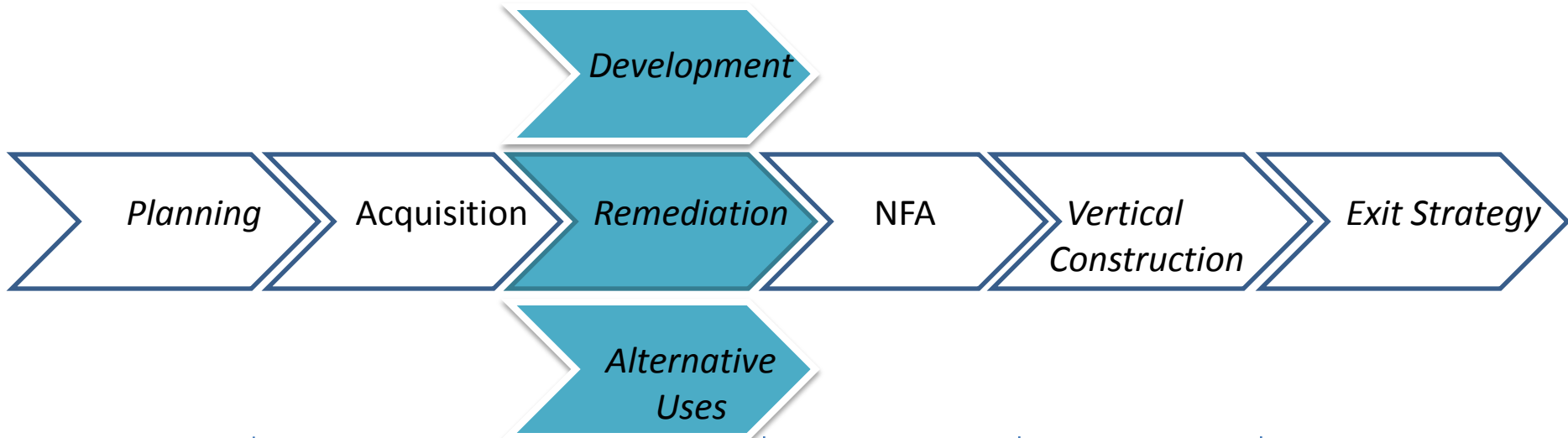


Estimates of total **worldwide restoration expenditures** are **\$1.75 Trillion per year** with the estimated total U.S. restoration backlog of **\$2.689 Trillion on over 450,000 brownfield sites.**

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Investment Process



<ul style="list-style-type: none"> • Due Diligence <ul style="list-style-type: none"> - Price - Contamination - Development - Alternatives - Grants 	<ul style="list-style-type: none"> • Acquire • Discounted • Direct buy • Free • Distressed & discounted 	<ul style="list-style-type: none"> • Competitive advantage • Environmental cleanup 	<ul style="list-style-type: none"> • Regulatory “No Further Action” • Potential sale 	<ul style="list-style-type: none"> • All types • History of successful Residential / mixed use development 	<ul style="list-style-type: none"> • Sale • Rental • Added upside <ul style="list-style-type: none"> - cleanup cost reimbursement - Cash flow realization
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Potential Investment Opportunities

Pennington Gardens

5 acre commercial property is currently a closed environmentally contaminated hospital



Note: This is a rendering of the current proposal for this project, subject to change or termination.

Green Real Estate Development Example

- Profit Drivers: Remediation, Entitlements, Brownfield Tax Credits, Redevelopment Subsidies
- Cash in: \$12,000,000
- Proforma Cash out: \$33,000,000
- Time to Exit: 3 years
- Proforma IRR: 20.3%
- Previous use as a hospital has resulted in contaminated soil from medical waste, underground storage tanks, and lead paint
- Property to be rezoned for high-density residential, parking and commercial uses
- Strong city and county support for land-use change
- Project will revitalize a blighted urban area, bring additional revenue to the City, help alleviate the shortage of rental apartments in Passaic.

How do we address brownfields?

- Investigate – Phase I and Phase II
 - Engineer it.
 - Determine what contaminants are on-site
 - Concentrations of the contaminants
- Remediation Plan
 - Write a remediation plan that reflects *risk based standards*
 - Get government-approved remediation plan.
 - Standardized remediation
 - contaminants and cleanup methodology is well-documented and implemented.
- Remediate
 - Six months to several years – including permitting.



Environmental Insurance

- Carriers remain solvent – competitive market
 - (AIG), ACE, Chubb, XL, Zurich
 - Cleanup Cost Cap – covers cost overruns for remediation projects
 - Available for projects with costs over \$2,500,000
 - Pollution Legal Liability – addresses unknowns
- Assures fixed price for remediation



What is the role of brownfield redevelopment in a LCE?

- Land is finite resource. *We are not making any more.*
- Need to manage what we have better.
- Redevelop on the existing developed (brownfields) land
- Protect greenspace /open space
- Exploit opportunities to implement sustainable development principles on the contaminated property.



How can development of brownfield sites assist transition to a LCE?

- Reuse existing infrastructure, instead of creating new.
- Green job creation from cleanup to build out.
- Implement sustainable development principles.
- Design to best integrate and benefit community.
- Land reuse could be:
 - Sustainable vertical development
 - Siting alternative energy generation (Brownfields to Brightfields)
 - Green manufacturing facilities.
 - Open space - park



Market Opportunities – Federal/State

- Federal and State financial incentives that encourage the remediation and development of environmentally impaired land.
- Stimulus Bill:
 - \$600,000,000 for remediation
 - \$200,000,000 for underground storage tank removal
- Between 40% - 100% of remediation costs are reimbursable.
- US HUD funding for various housing development projects.
 - Stimulus Bill: Weatherization: ~\$2,000,000,000



Examples of Texas State Programs

- Brownfield Grants
 - Site Assessment Program
 - State Property Tax Incentives for Brownfields Redevelopment
- Housing Grants
- Planning
- Public Safety
- Juvenile Services – education and training
- Tax incentives (TIF, New Market Tax Credits)
- Texas Department of Aging – Senior housing
- Technical Assistance
 - Job training grants



Private Sector Developer Opportunity

- Opportunities are financially viable.
- Governments are committed to getting the brownfield properties back into productive use.
 - Expedite permitting.
 - More flexible with reuse – i.e. higher densities.
- Communities are tired of seeing abandon properties
 - Speak in favor of development at town meetings, not in opposition.
- Access to unique funding both from government and dedicated bank funds.



Conclusions

- Developing brownfield sites helps move us closer to a low carbon economy.
- Private sector is engaged.
- Government is committed to brownfield remediation and reuse.
- Local governments and communities want to put the sites back into productive use.
- An organized community can integrate sustainability standards at each milestone that demonstrate economic benefit.
- Reuses can be vertical development, open space or energy.
- Any reuse is beneficial and superior to the alternative.

