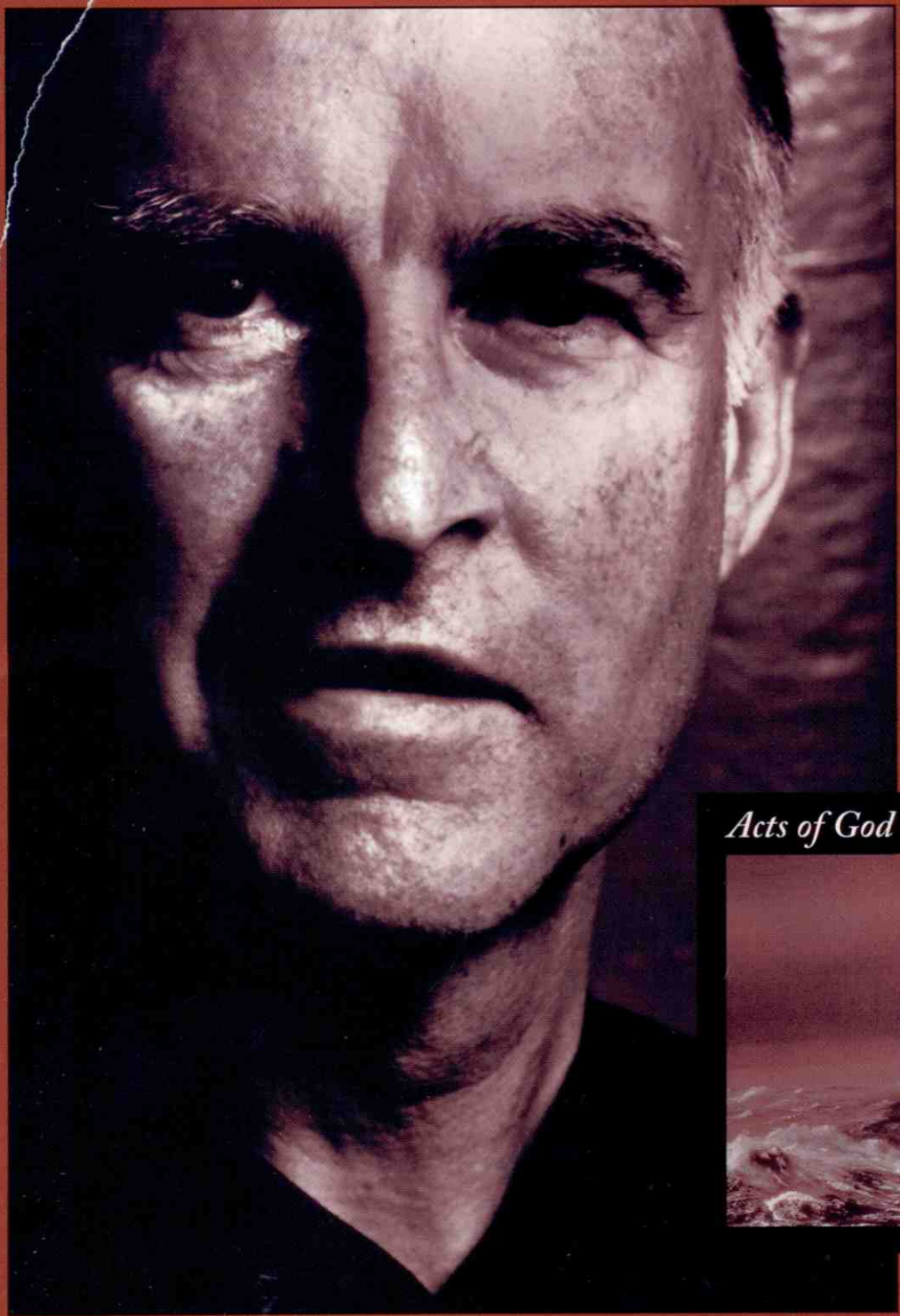


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Entitling Brownfields: Density, Timing and End-Use

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All real estate development, whether on formerly contaminated sites or not, benefits from efficient, clear, expedited entitlement processes. Communities can encourage either greenfield or brownfield development by making applications for building permits, site plan approvals, zoning changes, and other entitlements smoother and easier. Communities concerned about smart growth should therefore give thought to which type of development—greenfield or brownfield—they are favoring through their entitlement processes.

A look at the portfolio of properties purchased and redeveloped by LandBank, a brownfield company in Lakewood, Colorado, can be instructive in this regard. LandBank buys and redevelops brownfields nationally, with a focus on the major real estate markets on both the East and West Coasts. Since 1995, LandBank has evaluated brownfield properties in most of the country's major population centers. LandBank is interested in real estate transactions that quickly put obsolete properties back into productive use, and that work economically. The successful transactions have been those where zoning designations have allowed for higher densities, and where public agencies have actively assisted in expediting entitlement processes.

Most people picture brownfields only in the centers of old industrial cities. LandBank's sites, with a few significant exceptions, are in suburban locations, and are not only in industrial-era cities but are predominately in western and southern new-growth areas: Fremont and Hercules, Ca., in the eastern San Francisco Bay Area; Chula Vista, a suburb of San Diego; Santa Clarita, in suburban Los Angeles; Palm Bay, Florida, 30 miles south of Orlando; Hanover Township, N.J., a bedroom community of New York. All of these

brownfields are in "infill" locations; that is, development already surrounds them. (LandBank also has purchased brownfields in San Pedro, Ca., adjacent to the Port of Los Angeles, and in Queens, N.Y.—both more stereotypical brownfields locations.) What do all of the brownfield sites have in common? They are located in communities experiencing growth on the fringes of major metropolitan areas, and they are highly visible within those communities. The real estate markets in such communities support the reuse of brownfields not only economically, but also in terms of the ability to go through public processes to entitle land quickly and efficiently for redevelopment.

Crucial Success Factors: Timing, End-Use, and Density

A project must be able to go through public entitlement processes (zoning, permit applications, site plan approvals, and so on) quickly. Landowners must minimize the carrying costs of developing land; the property taxes, interest on debt, and opportunity cost of equity are real and mount everyday a project is delayed. If a developer must respond to complicated and lengthy public land acquisition and entitlement processes, the developer is much less likely to pursue an otherwise enticing opportunity. The Urban Land Institute's Michael Pawlukiewicz notes in "What is Smart Growth?": "Projects that are the most sensitive to the environment and to community values should be given the best opportunity to succeed and should not be subject to costly delays and conditions." Many communities now see the potential of brownfields, and are helping to streamline processes.

LandBank's experience in Hanover Township, New Jersey, demonstrates the value of expedited entitlements. In this situation, LandBank intervened in a disagreement between the Town Board and

a brownfield owner. The owner had brought a lawsuit against the Township, complaining that the Township's rezoning of the owner's inactive site from industrial to residential use harmed them financially: they would have to clean the property up to a higher standard and incur higher costs to insure against greater liabilities. In acquiring the property, LandBank was able to convince the owner to drop the lawsuit. LandBank also chose to work with a vertical developer the Township recommended and with whom they were comfortable. In exchange, the Township expedited site approval processes for LandBank and its developer partner. In expediting the processes, the Township enhanced the likelihood that the transaction would be completed by reducing the uncertainty associated with building the project.

The developer must be able to build a product that can support the cleanup and soft costs associated with a brownfield transaction. This usually means being able to build at high densities, whether for residential, commercial, industrial, or mixed uses. It also means being able to obtain zoning designations that reflect the true "highest and best use" of a given property. LandBank purchased a property in Chula Vista, Ca., a suburb of San Diego. The former owner restricted the future use of one section of the property, which had been environmentally impacted. In order to make the project more attractive for development, and thus more economically viable, LandBank proposed that the density allocation for the unbuildable area be spread over the rest of the acreage, as a density bonus. This bonus allows for a higher density building coverage over developable portions of the site, which has a direct and positive impact on land value and project feasibility.

As a second example, LandBank was considering purchasing a portfolio of properties in the Northeast, which had all been fuel storage and distribution facilities. One of the properties was located in Queens, New York, in a manufacturing district that was the subject of

a rezoning proposal. While LandBank was negotiating the purchase of the portfolio, the "Downtown Flushing Plan" (Flushing, N.Y.) was still being debated. If the measure were approved, the site would benefit from a new commercial designation that would allow a wide range of new uses, increasing the property's value substantially. If it were defeated, the property would retain a limiting and relatively low-value manufacturing designation. LandBank chose to purchase this site, and took on the entitlement risk that the new designation might not be approved. When the plan was approved, LandBank's property immediately enjoyed a substantial increase in value, and was quickly sold to an eager mixed-use developer. Rezoning this site to accommodate a broader range of potential reuses was a major key to its cleanup and redevelopment.

Community's Role

These examples show a consistent and important ingredient in successful brownfield transactions: quick approvals for development at densities greater than

surrounding sites. Communities usually benefit from expedited, higher density entitlements in several ways:

1) Environmentally contaminated properties are more likely to be cleaned up when the whole transaction is made more economically attractive; 2) Using less land for more development (the essence of density) ultimately mitigates suburban sprawl; 3) New investment in areas that were underutilized or abandoned encourages more investment and job growth.

There is a long way to go to educate the public to embrace the concept of higher density developments, whether industrial, commercial or residential. Higher densities may be associated with strong negatives, such as traffic congestion, noise, and other impacts on existing communities. But through new design techniques and, especially, careful community planning which allocates density in the most appropriate locations, many of the esthetic and environmental objections to density can be overcome.

Many cities and municipalities are already working to make brownfields more competitive. They promote specific

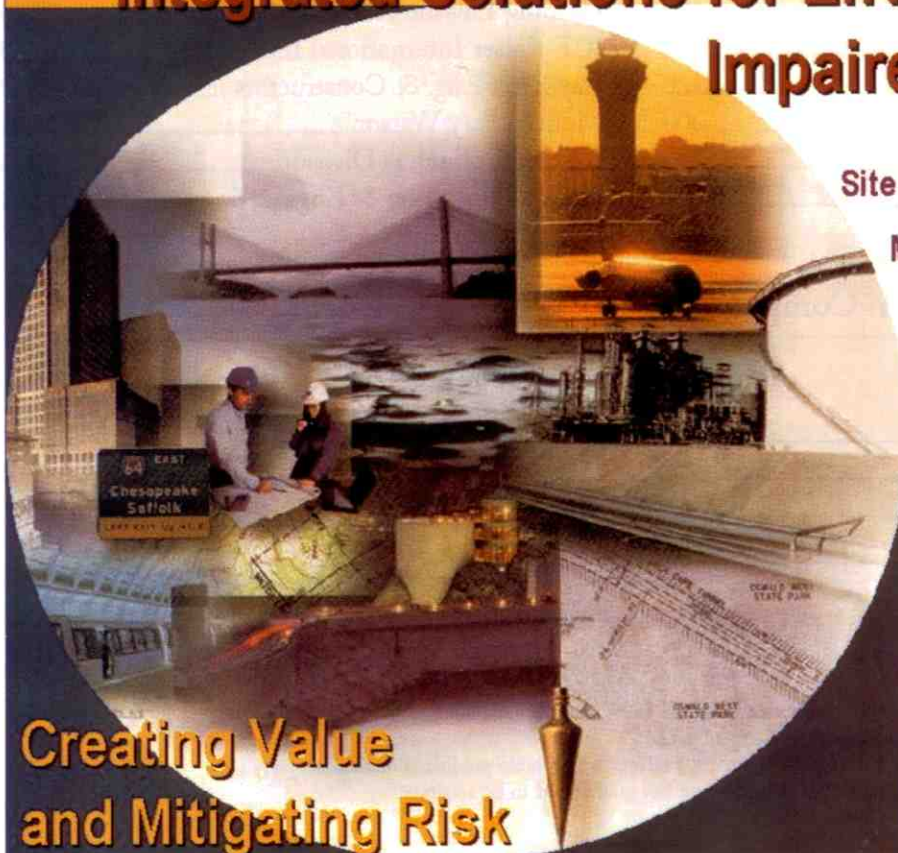
brownfields through economic redevelopment agencies; they give targeted tax breaks and other incentives; they employ "brownfield coordinators" to communicate with the private sector and assist in government-business interface. Another role that brownfield coordinators can play is to work specifically with planning and zoning boards to help create expedited approval processes for brownfields, and to create density bonus systems where appropriate to further reward cleanup efforts. ❖

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