

Redevelopment brings developers, conservationists together

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Much has been said about the occasional conflicts between developers and conservationists. But not enough has been said about an area where they do agree and where they have the opportunity to forge a win-win relationship—brownfield redevelopment.

Brownfields, abandoned or under-used commercial or industrial properties, usually have some environmental contamination. Many of these brownfields sit in the midst of populated areas where the need for affordable land for residential and commercial uses is critical.

The combination of two objectives—environmental cleanup and developable land—brings developers and conservationists together.

Taking advantage of this unique opportunity requires an open mind, a tolerance for risk and cooperation between the public and private sectors. But such infill, another term for urban revitalization, can be an effective solution for reducing urban sprawl and its attendant problems.

The city of Charleston has taken measures to encourage brownfield redevelopment by establishing a renewal community.

With the help of the Environmental Protection Agency, the city identified properties within the renewal community that were not considered saleable, then consolidated packages of key tracts to encourage prospective purchasers and developers. By pursuing EPA funding, the city received grants to support these sale efforts and offer tax incentives to encourage development and job creation.

The benefits to Charleston are tremendous because residents are then able to live next to their workplaces and enjoy the city's amenities, such as stores, libraries, cultural events and retail and grocery stores. The result is more jobs and more residents, which produces an increased tax base.

Vehicle traffic doesn't increase greatly because the need to drive is reduced. Older neighborhoods are revitalized by the influx of younger residents who no longer want to face long commutes. Older residents now don't have to travel miles for food or medication.

Two of Charleston's success stories are the Magnolia development and the Romney Street landfill. Both of these are due to the efforts of developers, investors, city officials and federal and state regulators reaching a consensus on the need for redeveloping areas that have blighted the entrance into Charleston for decades.

Magnolia encompasses more than 400 acres of former industrial property that was being used to stack shipping containers. This land includes two linear miles of Ashley River coastline that will be redeveloped for commercial and residential uses without displacing a single area resident.

The public and private sectors worked together to address the concerns of area residents and even established a fund to aid in offsetting the cost of property tax increases.

The Romney Street landfill is a 120-acre tract with thousands of feet facing the Cooper River. This, too, will boost residential and commercial development when completed.

The shortage of developable land and continuing urban sprawl is an increasingly critical problem. Residential developers and conservationists in the Lowcountry have had showdowns during zoning board meetings over any proposal to develop new neighborhoods in presently undeveloped areas.

For developers, land must be accessible, conveniently located, properly zoned and supplied with necessary public services, such as utilities and transportation. In this environment, areas such as those behind the street fronts of main streets in cities like Charleston are perfect candidates for infill redevelopment.

These areas have excellent road access, utilities and public services. There is no need for a developer to set aside acreage for utility corridors, new schools, new fire departments or police departments, or any of the other service needs that have to be addressed for a typical new development.

For the public sector, a new development should generate public revenue in excess of public costs, improve the surrounding environment and provide an appropriate mix of both commercial real estate and housing for all income levels.

Public-private partnerships are the key to these transformations. The private sector brings development expertise and equity capital to the table. Given their other investment options, it is only reasonable that they expect an above-average, risk-adjusted rate of return for undertaking these projects.

The public sector brings certification expertise, zoning and density variances or other concessions, and is often able to waive certain regulatory/compliance costs. Also, because the public sector has a mandate to create affordable housing in urban areas, states and municipalities can often bring tax-free financing, tax credits, credit guarantees or other incentives to bear.

The challenge in each of these higher-risk, higher-reward projects is that they require highly specialized expertise to determine what a piece of property is worth both before and after the remediation process so that the owners know how much they can invest in the project and still get their money back.

Such complex valuations are performed by a handful of real estate consulting firms working closely with engineering firms to determine what has to be done to mitigate any environmental concerns at the site and calculate the project's costs. These costs can often be offset by addressing environmental concerns as part of the construction versus a stand-alone project.

Municipal governments need to find, cultivate and work with these risk-adapted developers or face the continued loss of developable land due to brownfield abandonment while the demand for urban places to live continues to grow.

The better solution is for more public-private partnerships of developers and municipalities to actively work to reuse the abandoned brownfields that exist today.

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