

Economic Advantages of Brownfield Redevelopment

2003 Contaminated Properties Conference



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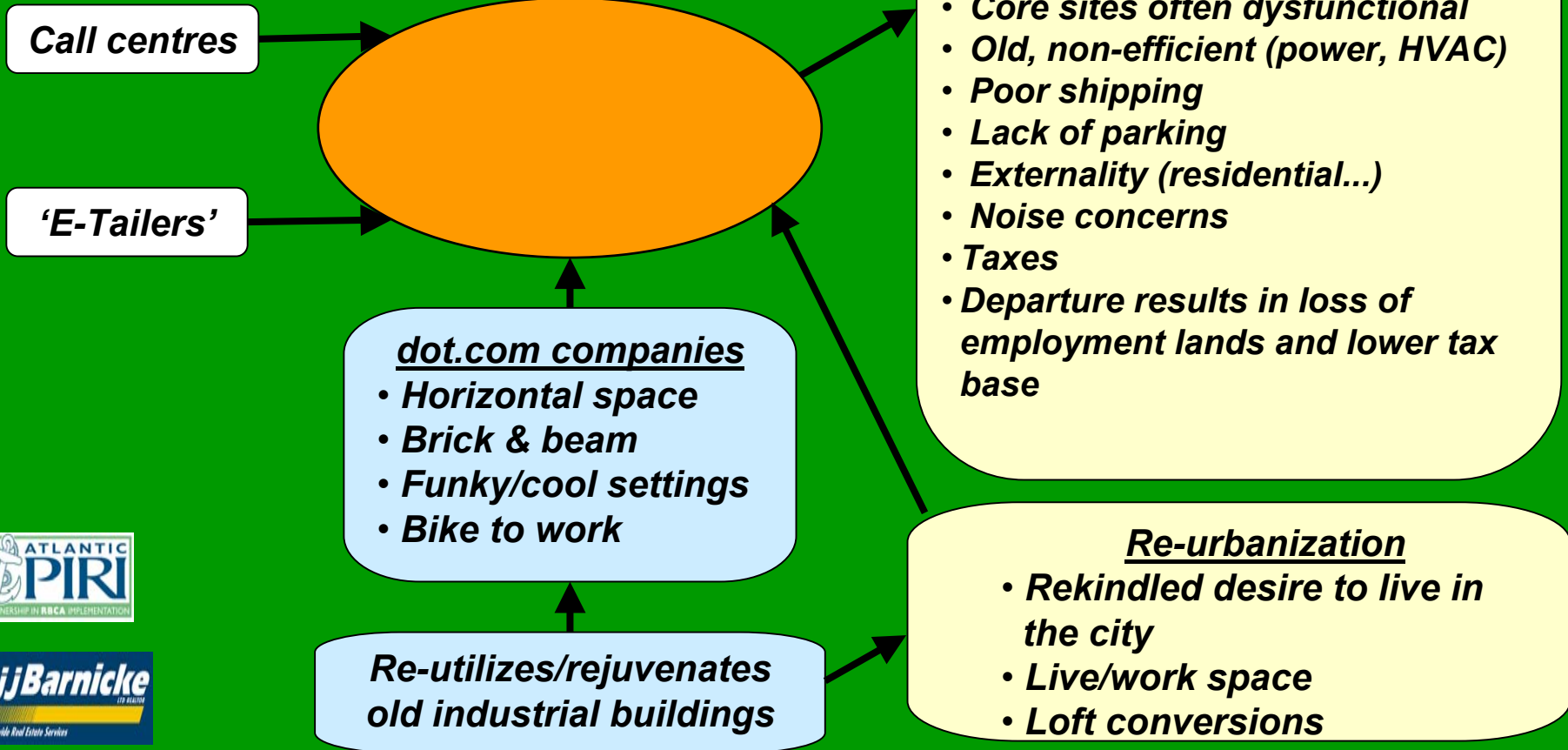








URBAN LANDSCAPE CHANGING



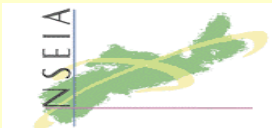
Urban



Sub-urban

BENEFITS OF BROWNFIELD REDEVELOPMENT

- ✓ Tax base restoration/preservation
- ✓ Re-use ('hard' and 'soft' service costs covered)
- ✓ Reduces urban sprawl
- ✓ Employment
- ✓ Greenfield development costly
- ✓ Community improvement (blighted/stigmatized areas)
- ✓ Cleans contaminated sites (often no municipal funds needed)
- ✓ Limits environmental liability
- ✓ Addresses crime/safety issues (abandoned, derelict buildings)



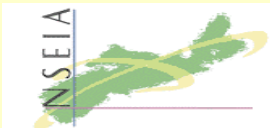
BALANCE SHEET APPROACH: FACTORS IMPINGING ON BROWNFIELD REDEVELOPMENT

Assets

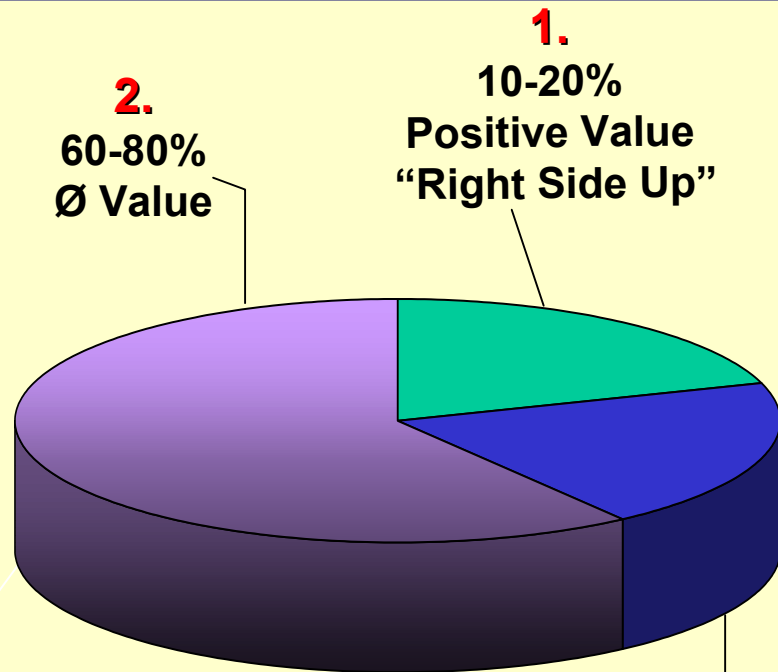
- + Access to nearby labour pool
- + Arterial access
- + Existing infrastructure
- + Logistics/distribution costs
- + Port-water ingress/egress
- + Proximity to core
- + Rail adjacency
- + Recyclable Resource
- + Synergies with neighbouring firms
- + Unique zoning
- + Zoning conversion

Liabilities

- Contingent liability
- Decommissioning
- Demolition
- Development charges
- Phantom partners
- Remediation
- Residual value
- Tax arrears
- Title encumbrance



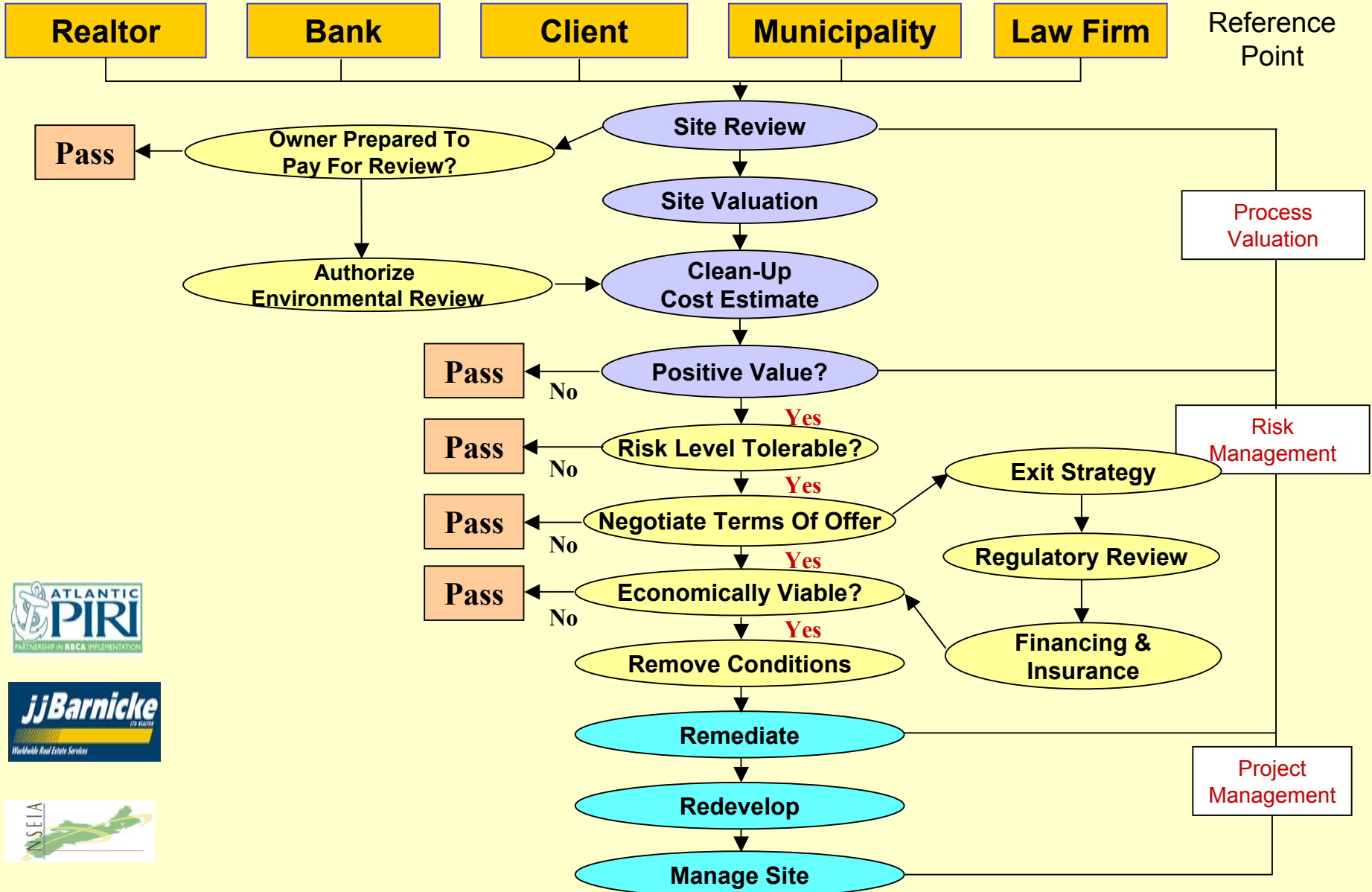
BROWNFIELD SITES: ESTIMATED RESIDUAL VALUES



1. Marketplace will absorb. Typically possess good location and development potential. Minimal incentives required.
2. As above, at a slower rate of absorption. Some policy tools/inducements will be required to assist process due to significant front-end costs.
3. Requires dedicated undertaking by all stakeholders. Severely challenged. Cross-over economics are absent. High-risk development. Extreme measures needed. Generous allowances are mandatory.



BROWNFIELDS: DETERMINISTIC ANALYSIS



Opportunities to Encourage Redevelopment

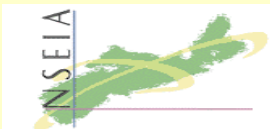
Educate Owners - as they have assets (albeit diminished due to 'environmental personality')

Owners have proactive options; unnecessary to hoard them or give them away

'As Is, Where Is' transactions take time to implement comprehensive marketing program and enhance asset value

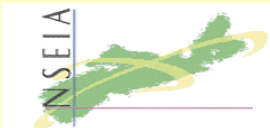
Plethora of Purchasers requires time to work through and determine best fit (appetite, reasonableness...)

Lobby Federal Government and Lending Institutions to provide inducements, lending capacity and 'innocent party' liability relief



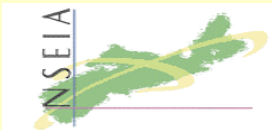
CRITICAL CHALLENGES TO REDEVELOPMENT

- **Fiscally viable** or upside down? Those languishing are the latter
- **No traditional lending** (sched 'A' bank) available; requires private placement or strong balance sheet/self-financing
- A **strong balance sheet is a two-edged sword** – precludes concern re. non-participation of Lenders BUT provides a target for subsequent litigation due to liability issues
- The **spectre of liability** risk successfully spooks 'bona fide' Buyers
- The net effect of the aforementioned: **impecunious parties most readily participatory** as their liability largely a non-issue due to lack of attachable assets



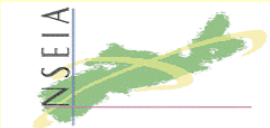
PROCESS TO ENHANCE UTILITY & VALUE

- ✓ Dedicated team approach (private (owners, purchasers, developers) and public (municipal, provincial & federal) sectors must work towards common goal
- ✓ Creativity, collaboration & co-ordination are essential to kick-start redevelopment



BROWNFIELD REALITY CHECK

- Canada is the only G7 partner with no program to deal with Brownfields
- The Canadian Federal & Provincial governments are completely absent from this process
- Ontario's Bill 56 (Royal Assent on November 2nd, 2001 – will be effective on proclamation) is a step forward...a start, but only a start
- Federal, Provincial and Municipal incentives (tax treatment being only one catalyst) are critically important
- The Hamilton, Ontario ERASE program is the first comprehensive Brownfield plan in Canada
- Municipalities must be fully committed and an active partner in the process
- In the US \$1.5B in tax relief generated \$6B in private Brownfield investments
- Additionally, \$162M in State and Federal grants levered \$2.9B in private sector funds investment and created over 11,000 new jobs



*about*REMEDIA**TION**

- Education/outreach website for brownfields redevelopment and site remediation
- Network of information, tools and opportunities
- Canadian & International - resource, technologies, solutions
- Public and private partnerships
- Leaders – focused on a common goal
- Global awareness



Thank you.

