

By Tom Schuman

Yellow Light for Brownfields?

Indiana Program Moves Forward Slowly



When the subject is environmental, the discussion more often than not turns to brownfields.

The reason? A number of environmental issues are contentious, with strong partisan feelings dominating the debate. Brownfields are the exception. It's hard to find opposition to the goal of redeveloping buildings or property that is "underutilized or abandoned due to real or perceived environmental contamination."

Developers and entrepreneurs see business possibilities. Public entities are looking at a property returning to the tax rolls or being utilized at a higher value. Neighborhood and citizen organizations welcome the renewal effort. Environmental activities recognize the value in the cleanup.

Thus, the expected outcome is that all of the involved parties work together to achieve their common goals. Success stories abound, and Indiana makes national headlines for its progressive policies and progress.

Maybe that's not realistic. But seven years after the Indiana General Assembly passed legislation with the purpose of making it easier to redevelop brownfields, one Indianapolis developer says that's not the case. And while exact numbers in regard to brownfield sites and restoration projects are difficult, if not impossible, to come by, Indiana's forward movement pales in comparison to states such as Pennsylvania.

By the numbers

The somewhat vague definition can lead to different interpretations of what exactly qualifies as a brownfield. Yet, knowing what the problem is on a statewide basis would appear to be essential to a comprehensive solution.

"We've not ever focused our time and effort to complete an inventory," says Calvin Kelly, deputy director of the Indiana Development Finance Authority (IDFA), the agency responsible for the financial aspects of the state's brownfields program. "The definition is so broad that every community in Indiana has at least one."

Kelly explains that most of the inventory work is left to local groups. Part of the theory is that local compilation leads to local buy-in and prioritization when it comes to determining which projects will receive the funding available.

Carolyn Rusk, brownfields coordinator for the city of Evansville, notes that a recent grant was received from the U.S. Environmental

Evansville brownfield areas include: A former dry cleaner and later electric motor and transformer repair shop (top); Evansville Plating Works site abandoned in 1990, with the building demolished in 2003 (center); and an area targeted for recreational uses by the Evansville Parks Department, including serving as a link in the development of the Pigeon Creek Greenway Recreational Trail.

Protection Agency (EPA) with some of the funds being used to inventory the brownfield sites in Pigeon Township. Still a work in progress, she estimates the number will be in the 300 to 400 range.

The most comprehensive national numbers, with city breakdowns, appears to come from the U.S. Conference of Mayors, which released its fourth survey on the subject in June 2003. Its Indiana numbers are included in the chart on page 30.

David Valinetz, president and CEO of SESCO (Supreme Environmental Service Company) and the Brownfield Development Group (BDG), says that other states have provided grants for cities to go out and put all of their abandoned and known brownfield sites on a list. The process can be as simple as hiring college students to drive around and complete the work, he claims.

Project totals

If the total number of brownfields is unknown, how about the tally of successful projects? The information is again sketchy. The seven Indiana cities that responded to the 2003 U.S. Conference of Mayors survey reported 26 completed projects (12 in Indianapolis) covering 221 acres. Nationally, 153 cities had already successfully redeveloped 922 sites, totaling 10,594 acres. The survey indicated that 205 cities have 24,987 brownfield sites awaiting redevelopment.

Pennsylvania, universally recognized for its success in this area, started its program in 1995. Tom Fidler, division chief of the state's land recycling program, asserts that 1,500 projects have either been completed or are in progress, with another 830 on the way. (More on Pennsylvania's efforts later in this story).

Kelly cautions that such numbers must be taken with a grain of salt.

"We look around at other states and try to see what they're doing," he acknowledges. "How many projects they claim to have done depends a lot on how much money they have put into it. Michigan and Ohio have had very large bond issues to create pools of money." With IDFA's primary role being to work directly with local governments on the financing of projects, Kelly admits, "There are a lot of brownfields transactions occurring that we know nothing about."

Problematic process

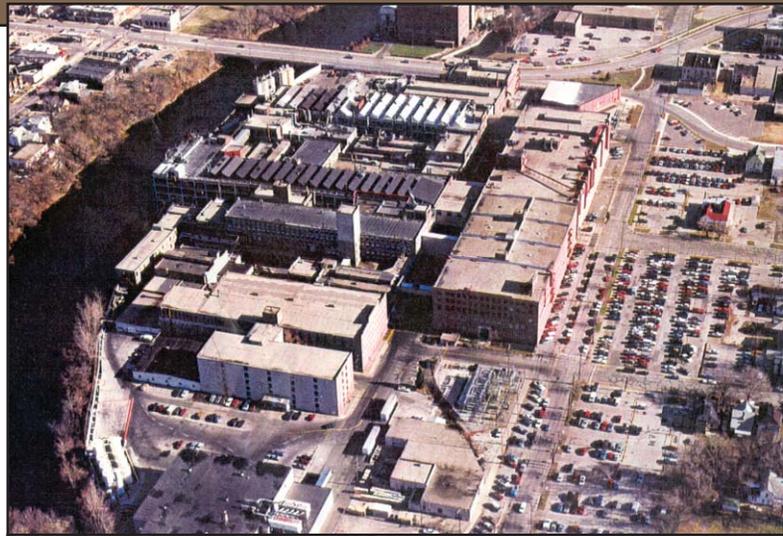
Forget the numbers and switch the focus to accomplishments. If projects are being completed in a timely and efficient manner, the statistics will eventually take care of themselves.

Some public projects in the works – Fredrickson Park in South Bend and the former Uniroyal industrial location in Mishawaka are pictured on these pages – with others having already been completed. Kelly points to a former hospital in New Albany and a high school in Madison both operating effectively today as senior housing developments.

Valinetz, though, says it's most unlikely that his companies will undertake further projects in their home state. He points to the Indiana Department of Environmental Management (IDEM) as a roadblock, with a general lack of understanding about what it takes to make a project work from the developer's standpoint.

"Because we have a pretty good reputation, we're going to go where we're wanted," he relates, citing New Orleans and Montgomery, Alabama as current possibilities. "We're going to go where people are willing to do it the way we're suggesting. We know what we're doing and can put the right team together of investors, bankers and developer partners."

The Riverside Plaza project north of downtown Indianapolis (that includes the SESCO/BDG office)



The Uniroyal site in Mishawaka was an industrial stronghold for years. Cleanup has taken place to restore the land, with a plan in place for development and green space in the key spot along the St. Joseph River.



earned national acclaim for its role in community redevelopment. The experience, however, typifies Indiana's brownfields problems, according to Valinetz.

After starting the project and working with the city administration while Steve Goldsmith was mayor, the 2000 election brought a new regime. An anticipated \$400,000 federal grant was not approved locally. The impact on his efforts was significant, but Valinetz asserts that the successful use of that grant money would have brought an additional \$1.2 million to the city in EPA funding.

The alternative was an IDFA loan. Provisions of that loan include the opportunity for 20% forgiveness if "substantial completion of environmental work" takes place before the established deadline. IDEM, he says, makes the final determination and its ruling was that remaining work on one well at the site does not meet the "substantial completion" criteria.

"We committed \$500,000 and spent \$1.3 million on the building. We indemnified the city of any environmental issues. We paid an environmental insurance policy of \$36,000," details Valinetz, adding that the concern appears to be that if his company receives the forgiveness, it won't complete the remaining work.

"We don't have \$35,000 more for this project. If we had the forgiveness money, we would use it to finish it up. We did a good thing, we won an award, we brought taxes back to the city. ... Things should be easier for people willing to deal with sites like this all over."

Teamwork missing

Valinetz insists his experience is symbolic of a much larger problem.

"There needs to be a full understanding of how the process works. IDEM doesn't have staff that wears a development hat," he maintains. "There needs to be a paradigm shift. When all the people involved in a transaction view the environmental as another line item on the closing statement, that will be when that paradigm shift comes."

Government agencies have their job, he realizes, but they also need to understand the importance of time in real estate transactions.

Rusk, whose Evansville position was created by the city in 2001, says that with the nature of the projects "it tends to take a long time to get things done." Part of IDEM being "extremely slow to respond" is based on low staffing and high turnover levels within the agency.

Kelly contends, "It's irresponsible to say you can redevelop a brownfield site as quickly as a greenfield site. For IDEM to maintain its mission and important role of assessing the future use of the site, that does take some time."

Money on the table

Money, no matter where obtained, eventually makes the difference in the majority of brownfield projects. Local governments, for one, must make determinations on how their efforts will be focused. That often requires neighborhood input.

"We have to allocate money to what we see as top priorities. Why put \$20,000 into a Phase I (assessment) if there is no proposed reuse of the property?" Rusk offers. While substantial funding appears to exist for assessments, she would like to see "some money out there for remediation projects. It's how do we take it from 'here it is and get it cleaned up' to actually doing something with the property. If new technologies make it more cost efficient, that's more likely than greater funding."

IDFA is sensitive to the perception of more funding for assessment than remediation, Kelly says. The agency's Petroleum Remediation Grant Incentive, being utilized in a major Evansville undertaking and in other locations, is one answer to the dilemma for qualifying projects.

He adds that all brownfield developments include a "local champion who is going to find money for that project."

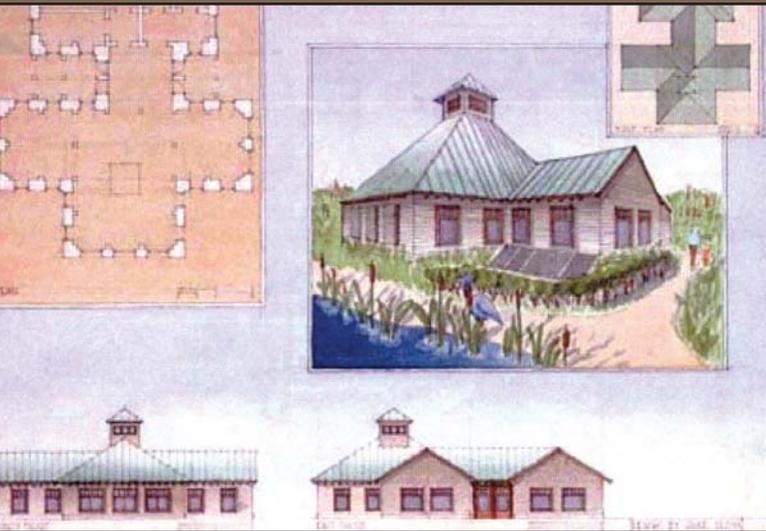
U.S. Conference of Mayors

2003 Brownfields Survey

City	Total sites (estimated)	Total acres (estimated)	Completed sites	Completed acres
Bloomington	8	100	2	5
Evansville	350	1,000	2	5
Fort Wayne	40	500	7	50
Gary	120	NA	2	120
Indianapolis	175	400	12	41
Kokomo	15	150	0	0
Lafayette	4	10	1	NA

NA: not available

Source: U.S. Conference of Mayors at www.usmayors.org



Fredrickson Park in South Bend is an abandoned dump site. Extensive cleanup has occurred. Future use calls for construction of an outdoor education center

Pennsylvania plan

The many factors involved in brownfield redevelopment make it problematical to compare state performances. But that doesn't mean that one can't learn from the best practices of others.

Fidler, the division chief of the Pennsylvania program, outlines a few of his state's initiatives that have proven successful. It all began, he says, with a statute that established a program that was "easy to implement and comply with." Advisory boards – primarily comprised of technical experts from business and academia – have been an invaluable resource, he adds, in updating standards and procedures.

"One of the things we've initiated is an action team approach. We have six field offices across the commonwealth. There is a cleanup and program unit in each office, with a regional director and assistant director in each office," Fidler explains. "A team is compiled and arranged based not only on the characteristics of the property, but the projected end use. This action team facilitates the process every step of the way."

When reports are submitted to the state environmental agency for approval, there is a required turnaround time of 60 to 90 days depending on the nature of the project. The goal, Fidler notes, is to exceed those expectations, with some determinations having been reached within two weeks with the action team approach. If no action is taken within the prescribed time period, the report is deemed approved.

Although zoning is a local, not a state, issue, the agency is working with counties in the effort to minimize the number of authorizations needed for economic development projects.

In addition, the state task forces meet with local economic development agencies to strive to match funding to project needs. Fidler terms it a very proactive approach, with significant funding from state government and more on the way as part of the governor's economic stimulus package.

Adequate levels of money and personnel, along with an efficient system, seem to make the difference in Pennsylvania. Kelly, and certainly others in Indiana, brings passion and commitment to the job as he describes the goal of reaching out to private developers and expanding IDFA's customer base. The tools, however, to get the job done may be lacking.

The Indiana Chamber asserts that no blame should be assigned for Indiana's struggling brownfields program. Vince Griffin, vice president of environment and energy policy, states that the slate should be wiped clean on the current effort, best practices from around the nation identified and the most appropriate of those practices utilized in developing a program that works.

INFORMATION LINK

Resource: Calvin Kelly, Indiana Development Finance Authority, at (317) 233-4332 or go to www.in.gov/idfa/

Carolyn Rusk, Evansville brownfields coordinator, at (812) 436-7823

David Valinetz, SESCO and BDG, at (317) 347-9590

Tom Fidler, Pennsylvania Land Recycling Program, at (717) 783-9472 or go to www.dep.state.pa.us

Evansville has adopted a different approach than many other communities by forming the Evansville Brownfields Corporation. Rusk says the non-profit will be able to pursue a variety of grants that are not available to government entities. The corporation will be able to hold property and lease it back to those directly involved.

"It's just another tool in our toolbox," Rusk states.

Areas of concern

Valinetz cites some of the other keys that are important to keeping projects on track:

- Zoning issues. "There's too much red tape. The amount of money spent on zoning is tremendous."
- A statement at some point in time, sooner rather than later, that no further environmental enforcement actions will be taken. "That's what the lawyers and bankers are looking for." Indiana does have comfort letters for parties relieved from liability and site status letters that updates the likelihood of additional IDEM enforcement. Seventy-two comfort and site status letters have been issued.
- Environmental and lender liability policies that are proving beneficial in other states. "Indiana people need to use them."

Coloring People's Perceptions?

Does the attempt to redevelop land and buildings begin with a strike against it by the use of the term brownfield?

Private developer David Valinetz suggests that the negative connotation doesn't help. State brownfield officials in Indiana and Pennsylvania have mixed opinions.

Calvin Kelly of the Indiana Development Finance Authority says he's not aware of instances in which simply calling a site a brownfield has slowed the progress. Although land recycling is more accurate in describing the goals of the projects, the brownfield term has become so popular among those involved in the business. He takes a neutral position on the issue.

Tom Fidler of Pennsylvania's Land Recycling Program says that name was clearly chosen in the mid-1990s because of the stigma attached to contaminated properties. While the moniker was important then, its value has dwindled as time has elapsed.

"In the last 10 years, there has been an evolution in the thinking. Brownfields no longer carries the same burden with many developers who realize the assets of the properties," Fidler contends.