Rust Busters:

Putting Idle Industrial Sites Back to Work

William Fischer

Over the past 50 years, tens of thousands of factories, warehouses, railyards, and other industrial facilities have been abandoned. Although some of these sites have been reused, many continue to sit idle. The largest concentrations of inactive industrial properties are in northeastern and midwestern cities like Detroit, Cleveland, and Philadelphia, but other regions of the country and some suburbs and rural areas also face the challenge of industrial reuse.

Abandoned Properties Represent a Vital Resource For Community Development

For many reasons, it is important that local governments take steps to promote the redevelopment of industrial sites. One reason is that these sites represent a wasted resource. Vacant land almost always has some value to offer a community, whether as the site of a new factory that provides jobs and tax revenues, as open space that contributes to a neighborhood's vitality, or as the location of any number of other uses. Conversely, an empty industrial site can have serious negative effects by blighting a neighborhood and discouraging development.

It is particularly crucial to make the best possible use of former industrial sites because they tend to be located in

ıreas with a disproportionate share of ɔoverty and social problems. Often, the ıeighborhoods surrounding an industrial site have been traditionally stable, ʌorking-class areas but have deterioɔated as local industries declined and as ɔther changes occurred. Finding a way o reuse former industrial sites is an indispensable part of any strategy to revialize these places.

Finally, old industrial sites present an ɔpportunity to address the problem of decentralized development that afflicts ɔvery metropolitan area in America. As ɔesidents and industries have left cities, hey have sprawled out across suburban ınd rural areas, consuming open space ınd creating unnecessarily high infrastructure and transportation costs. Reusing old sites and old infrastructure ɔan make metropolitan areas more effiɔient and sustainable.

Contamination

One of the most complex barriers to the ɔeuse of industrial sites is environmental ɔontamination. Most abandoned industrial facilities were in use before there ʌas significant regulation of hazardous ɔubstances, and many of them have some ype of contamination. Because environmental remediation often is extremely ɔostly, contamination can make an othɔrwise promising redevelopment project ınworkable. The existence and extent of ɔontamination at a site are frequently ıncertain, and suspicion of contaminaion can obstruct development at sites ısed for activities involving hazardous ɔubstances. Uncertainty about liability ssues has further magnified the chilling ɔffect of contamination on development

Over the past few years, however, ɔoth the private and public sectors have ɔecome increasingly interested in findng ways to overcome these impediments to redevelopment of contamiıated properties, which have come to be ɔnown as brownfields. A growing numɔer of banks and developers now are villing to get involved with developnent projects at contaminated sites. The U.S. Environmental Protection Agency (EPA) has taken a number of actions to promote brownfields reuse, which include launching a pilot program that has awarded grants for state and local brownfields programs and making administrative reforms to Superfund that clarify liability-related issues.

At the state level, more than 30 programs have been created that now enable a party to voluntarily clean up a contaminated site and receive certification from the state that the party will not be held liable for additional contamination at the site. In some cases, EPA has entered into Memoranda of Agreement with state agencies supporting the state programs. Some states also provide grants, loans, or tax incentives to parties that redevelop contaminated sites.

ICMA Releases Brownfield Manual

ICMA, in collaboration with the Northeast-Midwest Institute, is preparing to release a how-to guide on brownfield development specifically designed for local governments. *Brownfield Development: A Guide for Local Governments,* scheduled to be published in March 1997, features a wide range of useful information on the practical issues that local governments need to know about when promoting reuse of contaminated properties.

How can a local government avoid exposing itself to liability when assisting in the development of a contaminated property? What steps can be taken to reassure lenders who are reluctant to lend on contaminated properties? What are the keys to developing community support for a brownfield project?

The new guide provides answers to these and many other difficult questions. In addition to liability, financing, and community involvement, the guide discusses cleanup standards, site assessments, marketing of brownfields, insurance, reuse alternatives, and state and federal brownfield programs. Concrete case studies describe the brownfield experiences of communities across the country.

The guide is available in two user-friendly formats: a printed version in a three-ring binder and a CD-ROM. Local governments interested in buying both products will be able to do so at a special combined rate.

The CD-ROM version provides local governments with an innovative, interactive resource. All of the information contained in the print version, plus graphics and video clips, is easily accessible from a central menu, while hyperlinks allow users to find out more about an issue simply by clicking on a word that catches their eye. In addition to allowing local government officials to tap into information at the stroke of a key, the CD-ROM is a useful tool for presentations to council meetings, staff training sessions, and other audiences.

For more information about *Brownfield Development: A Guide for Local Governments,* contact Will Fischer at 202/962-3506. When it is published, the guide can be ordered from the ICMA Distribution Center, P.O. Box 2011, Annapolis Junction, Maryland 20701, 1-800/745-8780 or 301/498-1227.

Other Barriers to Reuse

Although it has received the most attention in recent years, contamination is just one of the barriers to redevelopment of industrial sites. Another is the obsolescence of many industrial facilities. A factory or a warehouse that was a state-of-the-art facility in the early 1900s may be useless to industry today. While many older factory buildings have several stories, most modern facilities house all their operations on one floor. And older buildings tend to have lower ceiling heights and tighter column spacing than modern facilities. Sites which have been inactive for some time are seldom in compliance with current fire and other codes.

Similarly, the existing infrastructure,

in some cases a reason for reusing a site, also often handicaps development. For example, the advantage of an older site with a high-capacity electrical connection may be offset by the presence of obsolete switching equipment. Many industrial-era facilities have excellent rail access but are not close enough to interstate exchanges and lack trucking docks.

Because so many inactive industrial sites are located in inner-city neighborhoods, they are afflicted by many of the broader problems that exist in these areas. One of the most significant is the threat of crime. The need for security guards, improved lighting, high property insurance rates, and the cleaning and repair of vandalized property all add to the cost of doing business in high-crime areas, where it also can be harder to recruit employees.

According to Professor Michael Porter of Harvard Business School, other development barriers that afflict many inner-city neighborhoods with large numbers of idle industrial sites include low levels of education among residents, shortages of capital, high taxes, a lack of large sites, restrictive zoning codes and building regulations, and high utility costs. Clearly, industrial reuse is tightly linked to strategies that address these broader issues.

Oversupply of Sites

Partly as a result of these barriers, in many areas demand for former industrial sites is far lower than supply. Scholars from Cleveland State University studying several major midwestern cities found a large enough number of available brownfields to meet demand for an estimated 30 to 50 years. This oversupply may become even greater because sites are being abandoned all the time. In 1993, Chicago lost 334 plants to closures, relocations, or mergers but only attracted 243 new plants.

Of course, the oversupply of old industrial sites is likely to be less extreme in other regions of the country and outside the center cities. Even in the largest Rust Belt cities, such premium properties as high-quality industrial sites and land near central business districts will be in great demand. But in most areas, there will be more former industrial sites than can be used in the short term.

Successful Reuse Strategies

Because there are so many obstacles to reuse and such a great oversupply of sites, the outlook for reusing industrial facilities can appear grim. The fact is, however, that a large number of former industrial facilities have been successfully redeveloped, often with support from local governments. Successful strategies have varied from community to community, but they often have been designed to overcome the barriers described above or to build on the central location, existing infrastructure, and other advantages of older industrial sites. The approaches described below represent a small sample of the those that have been tried successfully around the United States.

Work with state and federal agencies on environmental issues. As discussed earlier, EPA and many state environmental agencies are doing more and more to facilitate the reuse of contaminated properties. It is hard, though, for a state or federal agency whose primary mission is the protection of public health and the environment to view a development project with the same urgency as would a local economic development department. By communicating as much as possible with both agencies and developers about environmental issues, local governments can help work out solutions to obstacles and push projects along.

Dallas is an example of a city that has taken a proactive role in working with environmental agencies. The city's economic development department has made an effort to serve as a one-stop shop on brownfield issues. The department acts as a contact point for the state's voluntary cleanup program, providing information to eligible developers on how they can remediate sites and obtain liability protection.

The Jefferson North End site, a 22-acre property located near the city's downtown, was recently remediated with help from the city and state governments. The site was assembled 20 years ago from a former paint factory and a number of smaller industrial sites, but it has remained idle because of fluctuations in the Dallas real estate market and concerns about contamination.

A few years ago, a developer bought the site with the intention of developing a small, lightly contaminated section and leaving the remainder vacant. Due in part to the flexibility of the state's cleanup standards and the assurances provided by the voluntary cleanup program, the developer decided that it would be feasible to develop the entire site. Remediation is nearly finished, and it is expected that the developer soon will receive certification from the state that the cleanup has been completed. Plans are in place to develop the site as a shopping and multifamily housing complex. The city's economic development staff has been in contact with the developer throughout the process and has helped in resolving some environmental permit issues.

In another case, the city intervened to help prompt EPA to move a small site from the jurisdiction of the Resource Conservation and Recovery Act onto the list of sites nominated for the Superfund National Priority List. This administrative maneuver made it easier for EPA to declare that it did not plan an further remedial action at the site. Reuse of both the small site and a larger, neighboring property has gone forward.

Commit local funds to show that reuse can work. It has been estimated that Chicago has more than 5,000 acres of industrial brownfield properties. To reuse a significant part of this massive area of idle sites, it was clear that the city had to promote increased private sector involvement with brownfield develop

ment. With that goal in mind, the city has created the Brownfields Pilot Program as the centerpiece of its broad-based brownfields initiative.

The premise of the pilot program is that by funding assessment and remediation at a small number of sites, the city can demonstrate the feasibility of brownfield redevelopment and encourage private sector parties to reuse other sites on their own. To increase the chances that the investment of public money will produce demonstrable results, sites have been chosen where environmental and economic conditions have been relatively favorable to development. At several of the sites, a neighboring business was interested in expanding its operation, providing a ready private investor to undertake redevelopment.

The pilot program has succeeded in showing that brownfield reuse can work. The initial round of pilots, budgeted at $2 million, was assessed and remediated at a cost to the city of only $850,000. Since a major goal of the pilot program was to educate the public, and particularly businesses, about brownfield redevelopment, the city has made a point of ensuring that program results are well publicized.

One example of a facility that has been reused through the Chicago program is an abandoned industrial building in the city's East Garfield Park neighborhood. Scavengers had stolen most of the building's wiring and plumbing, and the structure was gradually decaying. Madison Equipment, a firm located across the street, was looking for expansion space but was concerned that the abandoned building was contaminated. The city carried out an assessment, however, and found no significant contamination. Madison now is rehabilitating the building for use as a warehouse and has pledged to hire at least six workers from the empowerment zone in which it stands. The Madison expansion has helped spark interest in the reuse of several nearby buildings.

Be flexible in planning reuse. There are good reasons why a local government might want to try to keep industrial sites in industrial use. A former factory may have been a source of jobs and tax revenues for many years, and it can be difficult for a locality to accept that the site will not be able to make the same kinds of contributions in the future. But some cities have more industrial land than they can use, and many older sites are no longer well suited for industry. Under these circumstances, it makes a lot of sense to consider redeveloping sites for other uses. This may be particularly true where old industrial sites are surrounded by residential areas that may be hurt by some types of reuse. As Trenton, New Jersey, Housing and Development Director Alan Mallach has put it, "Even if a site can be used for industrial development, the question remains whether it should be."

Trenton took a flexible, creative approach to the redevelopment of the former Circle F factory in the city's East Ward. The factory, first owned by a watch company and then by a manufacturer of electrical components, had helped sustain a small working-class neighborhood for over one hundred years before it was closed in 1990. One-half of the site contained a single concrete building that still was well suited for industry, while the other half was occupied by a number of long, narrow structures that would be less appealing to a potential industrial user.

The city found a manufacturer of swimming pool covers to use move into the concrete building and chose a nonprofit developer to develop the other half as affordable housing for senior citizens. Both the industrial use, which generated little noise or pollution, and the residential development were agreeable to the local neighborhood organization, which worked with the city throughout the project.

There are an almost endless number of potential alternative uses for industrial sites. New York City recently took steps to make it easier for big-box retailers to use several former industrial sites. In Jersey City, Liberty State Park was opened on a large tract of idle industrial land facing the Statue of Liberty and Ellis Island. And in Scranton, Pennsylvania, old industrial sites have been acquired by the National Park Service and used as attractions for "heritage tourism."

An Important Role for Local Governments

The closing of an industrial facility can deal a serious setback to the surrounding community. This setback can become even harsher if the abandoned site sits idle for years, blighting the neighborhood and acting as a symbol of community decay. Alternatively, the site can be an important tool for helping people and revitalizing neighborhoods. Committed, creative, and flexible local governments have a crucial role to play in making sure that former industrial sites fulfill their potential as community resources. PM

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Economic Development At ICMA

ICMA's Economic Development Program educates and assists local governments on issues and practices that impact their ability to initiate appropriate economic development strategies in their communities. The program has placed a high priority on efforts to assist with the reuse of brownfields.

For more information about the Economic Development Program, contact Will Fischer (202/962-3506; e-mail, wfischer@icma.org) or Seth Kirshenberg (202/962-3663; e-mail, skirshenberg@icma.org) at ICMA, 777 North Capitol Street, NE, Suite 500, Washington, D.C. 20002-4201; fax, 202/962-3500.