

THE REAL DEAL

MAGAZINE

Brownfields could yield future crop of profits

The next route to real estate green could well be built over brown.

The end of the 15-year building boom in South Florida used up most of the region's available land, and that means brownfields -- lands whose contamination from prior uses poses challenges to their cleanup and reuse -- may become a desirable commodity when the construction market revives.

Formally designated brownfields were typically home to chemical or pollutant-intensive businesses, including print shops, gas stations, dry cleaners or other industrial sites.

A host of tax incentives exist to spur brownfield development, and in a business climate that prizes lower costs, tainted ground could look attractive to developers. Brownfield site owners can get loan guarantees, qualify for credits for cleanup costs as high as \$500,000, get low-interest loans from the U.S. Environmental Protection Agency and receive job-creation tax rebates of up to \$2,500 for each new job created.

The EPA has stressed these goals for South Florida since 1995, when it created the Eastward Ho! initiative to encourage redevelopment of older, eastern communities to avoid further westward sprawl toward the Everglades.

The Obama administration has said it would increase opportunities for brownfields redevelopment as part of its stimulus package and 'green' initiative.

A site does not even need to be contaminated to qualify, said David Vanlandingham, an engineer with the Broward County Environmental Protection and Growth Management Department.

"It could be just a perception of contamination," he said. "But yes, there is often a stigma, and it's a real challenge to educate municipal leaders about the program because of their fears associated with the designation. But it does allow money into the redevelopment process," said Vanlandingham.

"It can be a very effective mechanism to encourage and facilitate redevelopment," said Michael Goldstein, head of the environmental practice at the law firm Akerman Senterfitt.

As an attorney, Goldstein was involved in a number of successful brownfield redevelopment projects. One is in North Miami Beach at the corner of 147th Street and Biscayne Boulevard. The 10-acre site was once a construction and demolition materials landfill, but was successfully redeveloped by Taubco as a shopping center anchored by a Publix grocery store that opened in 2003.

The developer received hundreds of thousands of dollars in tax credits for performing the cleanup, and Publix received a tax refund tied to job creation, said Goldstein.

"No one would touch that property, but we were able to work through these environmental issues," said Goldstein.

He's redeveloped several brownfield sites in Florida, and is looking forward to his biggest challenge to date: a nine-acre site near the Palm Beach International Airport and Interstate 95. From the 1920s to the 1950s the U.S. military ran an incinerator there, then used it as a landfill.

Hertz now holds title to the land. Cleanup estimates for the property, which was abandoned about 40 years ago, range from \$4 million to \$12 million. Goldstein hopes to build a mixed use project that includes a hotel, office and retail space and workforce housing. If he receives approval for the cleanup plan and a request for public-assisted financing, he hopes to break ground in mid-2010.

"You need a strong, sophisticated, risk-tolerant developer, and it's incumbent upon the brownfield developer to reach out to the community to ensure that their interests are aligned," said Goldstein. "There's a tremendous opportunity, even in this very challenging economy, to leverage capital to clean up and protect communities."

By Randy Abraham

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