

Developers See Green in 'Brownfield' Sites

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For six years, the hulking Philadelphia Electric Co. building sat empty, a symbol of blight in the suburb of Ardmore, Pa. Efforts to clean up the former truck-repair site remained stalled, as the town weighed competing bids from builders eager to remove the leaking underground fuel tanks and transform the site into retail or office space.

The winning developer, Strategic Realty Investments, was the one willing to build affordable and market-rate housing. Demolition began in April, and construction is expected to begin this month on a development combining housing for seniors and townhouses aimed at young families.

The builder never intended to get involved in a contaminated site. But prices for pristine areas got so high that the company switched gears. "It became clear to us there were tremendous opportunities in brownfields," said Peter H. Monaghan, chief investment officer of the Wayne, Pa., company.

Brown is the new green in a hot real-estate market. Years ago, only brave developers would touch brownfields, the name given to environmentally contaminated properties that are abandoned or unused. But in an era of high land prices, fierce competition for real estate and federal-government incentives, investors and developers are actually competing for abandoned steel mills, gas stations, and shuttered factories.

Builders submitted competing bids for an empty utility truck repair site in Ardmore, Pa., where underground fuel tanks were leaking. Construction is set to begin on a redevelopment focused on affordable housing.

In many cases, states and cities, eager to protect open space and slow sprawl, are sweetening the pot for developers proposing to turn fallow sites into tax-generating properties. Environmental Protection Agency grants to nonprofits and other recipients for brownfield cleanup and development totaled \$75.9 million for the current fiscal year, up from \$38 million four years ago. Congress appropriated \$165 million to the EPA's brownfields redevelopment office for the current year, up from \$98 million four years ago. And even as the Bush administration calls for a wide range of spending cuts, it is seeking \$210 million, a 28% increase, for the EPA brownfields program for next year.

Where there's money, there are developers. When the EPA held its first annual brownfields conference in 1996, it attracted about 750 attendees. Last year, about 4,200 people crowded the meeting, many of them developers. Resale prices in these redevelopments usually aren't discounted in the market.

One of the nation's biggest brownfield projects is in Atlanta, where the 138-acre site of an old steel mill that sat nearly empty for 20 years is being redeveloped. By around 2015, when it is expected to be complete, the \$2 billion project, called Atlantic Station, will include six million square

feet of high-quality office space, 11 acres of public parks, 3,000 to 5,000 rental apartments and condos, 1,000 hotel rooms and 1.5 million square feet of retail and entertainment space, including restaurants, movie theaters and the Southeast's first Ikea.

Fifteen years ago, **Jacoby Development Inc.**, the Atlanta-based co-developer of Atlantic Station, would have rejected a formerly toxic site right off the bat. The company only built on pristine land. But with desirable urban locations becoming harder to find and government encouragement, **"we became very interested,"** says James Jacoby, chairman of the company, **which now focuses almost exclusively on brownfield sites.**

Remediation and cleanup technologies have evolved to the point where many people who shop, eat dinner and buy homes on once-contaminated properties may have only a dim idea of the environmental horror stories from Love Canal in upstate New York and elsewhere.

In the late 1970s in Niagara Falls, N.Y., hundreds of residents of a development called Love Canal, built on top of a former chemical landfill, abandoned or were evacuated from their homes after toxic chemicals bubbled to the surface and caused health problems. The resulting citizen outrage led to the federal Superfund legislation, which held polluters responsible for paying for cleanups and forced them to pay more attention to waste handling and management.

Last year, after 20 years of cleanup, Love Canal was declared clean enough to be removed from the Superfund list. In the meantime, one section that had been abandoned, although declared safe by the EPA, has been renamed Black Creek Village, with the empty homes there fixed up and resold.

Residential units at Ardmore Crossing include housing for seniors and townhouses aimed at young families.

More recent brownfields range from toxic-waste dumps that are unlikely ever to be inhabitable, to the sites of old warehouses and gas stations that have only modest contamination and can be cleaned up at a reasonable cost.

Environmentalists tend to favor brownfield development. Building on these sites, which tend to be in or near urban centers, **limits sprawl by sparing undeveloped land from being paved over.** **"We would prefer to have development occur in cities where infrastructure already exists...because it helps to protect green spaces,** which we would like to retain as green spaces," says Ed Hopkins, director of the environmental-quality program at the Sierra Club. The risk, he says, is that developers who rush or cut costs won't do a complete cleanup.

Home buyers, meanwhile, seem unfazed by what came before them. Some condo buildings at Atlanta's Atlantic Station sold out before ground was broken; there is a waiting list for desirable rooftop units that haven't yet hit the market. Prices start in the high \$100,000s, with rooftop lofts starting at \$300,000 -- roughly comparable with other upscale urban developments in Atlanta.

Amy Renfrow was pregnant when she and her husband bought a two-bedroom, three-level townhouse in one of Atlantic Station's first residential

buildings two years ago. She was concerned about safety at first. "But once we heard about all the work the developers did with soil remediation and all the inspections by the EPA, we felt very comfortable about it," she says. The couple, who had lived in New York for three years, wanted to be near the grocery store and restaurants. "We think making this a safe place to live and work has been one of the developer's primary concerns," she adds. "I would hope that is the case."

In many old industrial areas, the only available sites are brownfields. After buying only greenfield sites, J.G. Petrucci Co., an Asbury, N.J., developer, has been focusing solely on buying up contaminated sites in New Jersey and Pennsylvania. "Ten years ago, if a [parcel] had an environmental problem, we didn't want to talk about it," says Gregory T. Rogerson, a principal at J.G. Petrucci. "Today, we say, 'If it doesn't have an environmental problem, we don't want to talk about it.' "

"A brownfield is in some cases much safer because they have exhaustive testing, so you know what's there," says William James, a venture capitalist who bought a three-bedroom condo in Carnegie Abbey, a Portsmouth, R.I., redevelopment of a former aluminum-manufacturing tower. Homes in the project, developed by O'Neill Properties, of King of Prussia, Pa., start at \$1 million.

The 2002 federal Small Business Liability Relief and Brownfields Revitalization Act has fueled investor interest by giving buyers of the sites additional liability protection, cutting one of their biggest risks.

States and cities have begun or expanded incentive programs. Last year, six states passed legislation giving new or expanded financial incentives for brownfield cleanup and redevelopment, according to the National Conference of State Legislatures. Mississippi this year passed legislation with a number of incentives for property owners and local governments.

According to a survey by the U.S. Conference of Mayors, 121 cities said they have successfully redeveloped more than 1,187 sites, or 10,882 acres, over the last five to seven years. Redevelopment of 624 sites, comprising 8,929 acres, is under way.