Local Government Partners

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Community Brownfields Foundation

Discussion Topics

• Role of Real Estate in Local Government

• Deal Economics

• Leveraging the Deal through Public-Private Partnerships
Economic Development

Community Development

Workforce Development

← Workers

Job Creation

→ Economic/Investment Stability

Shovel-Ready Sites & Business Ready Buildings

Real Property

Workforce Development

Public Facilities & Mobility

Housing & Educational Facilities
Public Investment Opportunities

- Business growth and job creation
- Increased tax base
- Economic stability
- Increase overall property values
- Encourage infill vs. sprawl
  (Reduce infrastructure costs/Service areas)

Standard Real Estate Investment

- Market Studies & Due Diligence
- Equity
- Debt & Financing Costs
- Capital Improvements
- Time & Coordination
**Brownfields Development Hurdles**

- Environmental Assessment & Engineering Studies
- Cleanup Costs
- Added Capital Costs
- Liability Management
- Extended timeline/Longer Timeline

**Brownfields Lender Hurdles**

- Qualifying the Collateral
- Qualifying the Borrower
- Liability in Foreclosure
- Value as Real Estate Owned
- Limited Ability to Lend on Cleanup
Brownfields Transaction Hurdles

- Pricing
- Market value vs. Investment Value
- Required Rates of Return
- Assignment of Liability
- Increased Due Diligence Needs
- Extended Contingency Period

Deal Economics

MARKET VALUE (Clean)

Less: Hard costs
  -- Assessment Costs
  -- Engineering Studies & Cleanup Planning
  -- Cleanup Activities

Less: Contingencies & Risk
  -- Reserves for Liabilities/Management
  -- Reserves for Cost/Time Overruns
  -- Return on Coordination & time

Less: Stigma
  -- Small pool of buyers
  -- Increased yield requirements
  -- Increased financing costs
  -- Reserves for unknown

= MARKET VALUE (Impaired)
**Impact on Investment Outlay**

- Remediation
- Environmental Due Diligence
- Contingency
- Typical Due Diligence
- Purchase Price/Market Value

**Market Impairment Lifecycle**

- $ Market Value
- Value "Clean"
- Hard Costs
- Contingencies
- Risk
- Value "Impaired"
- Time
Market Impairment Lifecycle

$ Market Value

Value "Clean"

Value "Impaired"

Time

Contaminated  Assessment Completed  Cleanup Planned  Cleanup Complete

Process

$0

Market Impairment Lifecycle

$ Market Value

Value "Clean"

Value "Impaired"

Time

Contaminated  Assessment Completed  Cleanup Planned  Cleanup Complete

Process
Plating shop waste was characterized, containerized and disposed
<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Price Clean</td>
<td>$900,000</td>
</tr>
<tr>
<td>Land</td>
<td>$350,000</td>
</tr>
<tr>
<td>Cleanup</td>
<td>$250,000</td>
</tr>
<tr>
<td>Renovation/Other</td>
<td>$60,000</td>
</tr>
<tr>
<td><strong>Profit</strong></td>
<td><strong>$240,000</strong></td>
</tr>
<tr>
<td><strong>Margin</strong></td>
<td><strong>27%</strong></td>
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</tbody>
</table>

**Bottom Line: Private Returns**
**Bottom Line: Public Returns**

- Deteriorating Building removed
- Business-ready building created
- New business and jobs for the community
- Business development goodwill

<table>
<thead>
<tr>
<th>Item</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total City Tax Revenues</td>
<td>$2,424</td>
</tr>
<tr>
<td>Total County Tax Revenues</td>
<td>$4,834</td>
</tr>
<tr>
<td>School District Property Tax Revenue</td>
<td>$14,677</td>
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<tr>
<td>New Employment</td>
<td>5</td>
</tr>
<tr>
<td>Annual Payroll</td>
<td>$100,000</td>
</tr>
</tbody>
</table>

**Another Example**

[Image of an empty parking lot with buildings in the background]
Site Layout

Auto Service/Gas

Dairy King

Petro Plume

Before
Site Layout

Redevelopment

Site Layout

Redevelopment & Remediation System
Economic Benefits
Blight removal
Now small business incubator, offices
Increased tax revenues (city, county, schools)

PUBLIC INVESTMENT
Land acquisition
Street improvements
Fee waivers
Financial modeling

PUBLIC RATE OF RETURN
Investment $550,000
Direct Revenue 2.2%
Direct & Indirect Revenue 10.0%

NEW BUSINESSES 15
NEW EMPLOYMENT 32
NEW PAYROLL $1.1 million

Potato Growers Cooperative

• Former agricultural processing facility
• Soon to be town offices, business incubator & educational campus