

Linking Brownfield Redevelopment and Housing

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The Albina Corner in Portland, Oregon was a typical small-scale brownfield site, many of which dot cities all over the country. Located on Martin Luther King Jr. Boulevard, the main street of several inner-city neighborhoods, the three-quarter acre site is adjacent to a bus line and near a major light rail station.

By the early 1990s, the area's existing commercial strip along the boulevard faced serious deterioration. The Albina Corner site was characterized by an old car lot, a car wash, and a vacant office building along with many small-scale contaminants such as lead paint, asbestos, and some petroleum.

The turning point came in 1993, when a zoning change allowed for high-density housing and mixed-use development, including apartments over ground floor retail shops. The expanded nature of allowable uses made the economics of the site start to work.

Today, the Albina Corner is a mixed-use project that includes 48 units of low-income housing built over 12,000 square feet of commercial space. The first-floor commercial enterprises include a bank, coffee shop, beauty shop, convenience store, and art gallery. These support the project, with their rents covering much of the maintenance costs, while providing residents on the upper floors, especially senior citizens, with handy access to banking and other services. The project also boasts a child-care center and a second floor courtyard and play lot, well shielded -- by 10 feet of first floor commercial space -- from encapsulated contamination left on-site as part of the state approved cleanup plan.

Because of the efforts of the neighborhood, the city, the state, and a small local developer with a vision, Albina Corner has become a real "gateway" project for the Albina community. It is one of the first transit-oriented developments completed outside of Portland's downtown area.

The cleanup and reuse of the Albina Corner is only one example of what is going on with brownfields redevelopment in the United States today. The brownfields issue has been evolving and maturing, and housing activities have emerged as one of the fastest growing types of reuse activity undertaken on brownfield sites. Many of these projects have been carried out as infill projects on small sites within neighborhoods.

The momentum to reclaim and reuse contaminated sites got a big boost with the passage of the Brownfield Revitalization Act in early 2002. Today, all states have

established voluntary cleanup programs or brownfield initiatives to bring certainty and public comfort with the brownfield process. These efforts are gaining credibility in the real estate market place and within the lending arena, as well as with members of the community at large. More contaminated sites are being cleaned and reused, and with a growing number of these being used for housing.

The Housing-Brownfield Connection -- Key Federal Programs

Over the past decade, more than 50,000 often abandoned brownfield properties have been brought back to productive new uses. As case study research indicates, much of the initial effort was devoted to commercial and industrial site revitalization projects. However, there is growing interest in housing uses, as the link between brownfield reuse and smart growth and infill strategies becomes better understood. More and more communities and private developers are now interested in exploring ways in which housing projects -- including affordable housing -- could successfully be undertaken at brownfield sites, and success stories are starting to emerge. These examples show that barriers can be overcome, that workable partnerships can be forged, and that money can be made with housing endeavors.

There certainly are advantages to developing brownfield sites for housing, compared to other uses. For instance, federal Low Income Housing Tax Credits (LIHTC) are available only to housing projects, and they bring with them the certainty of a minimum return on investment which is attractive to investors in a brownfield context. The \$4.4 million Albina Corner project was financed through a complex combination of 11 different public and private construction and take-out loans from banks and other sources. Low-income housing tax credits were used, and the Oregon Housing Trust Fund provided \$100,000 in project seed funding.

Banks also are seeing the economic viability of such projects. For example, in the Circle F redevelopment in Trenton, New Jersey -- one of the nation's first brownfield housing success stories, a local non-profit developer teamed up with Nat West Bank (Fleet Bank as of the May 1996 date of project completion). Nat West already had in place a strong program for participating in tax credit projects. "It is one form of Community Reinvestment Act activity that can be very profitable," said one bank official. "I'd like to say it was altruism. But, in fact, the capital structure, the quality of the participants, and the market are what made this an appealing project." And in the case of Circle F, brownfields factors were linked to that affordable housing activity without undermining its profitability.

Circle F's story started more than a century ago when the factory, which began in 1886 as the Trenton Watch Company, was the heart of a small working class

neighborhood in Trenton, NJ. When the factory closed in 1990, it set the stage for potentially serious community decline. Part of this was due to the fact that the site was extensively contaminated with lead-based paint, as well as lesser levels of asbestos and polychlorinated biphenyls (PCBs), the latter in old lighting fixtures.

American Properties Corporation (APC), a New-York based real-estate holdings firm was owner of the factory. The city of Trenton purchased the street-side part of the site, which was potentially suitable for residential purposes. APC retained the balance of the site for light industrial purposes, since it could not be readily converted into housing because it was dominated by a large, square concrete structure, not easily modified or demolished. As part of the transaction, APC agreed to take the site through New Jersey's voluntary cleanup program and carry out the prescribed remediation, which involved standard treatment and removal practices over several months in the fall of 1995.

The city then selected the Lutheran Social Ministries of New Jersey (LSM), an experienced nonprofit developer, to take on Circle F. Today, the Circle F factory is a thriving community of 75 affordable senior housing units in Trenton's East Ward neighborhood. The units were rented almost immediately upon completion in early 1997. The project is serving as a strong centerpiece to the neighborhood's revitalization. Moreover, the industrial portion of the Circle F site – developed as a “clean” production facility because of its proximity to housing – has also been a success, growing to 90 employees from the 14 who started when the plant opened.

And like the Albina effort, the Circle F project tapped into a number of public and private financing options on the way from conceptualization to completion. The project began to gel when the nonprofit developer teamed up with Nat West. The bank provided LSM with \$4 million in construction loans and \$1 million in other financing, then joined up with the nonprofit to form a limited partnership in order to be able to take advantage of federal low-income housing tax credits. LSM had applied for and received an allocation of \$8 million in tax credits as well as state capital subsidy funds.

Local officials have also creatively used their HUD Community Development Block Grant (CDBG) resources for housing endeavors by linking brownfield projects to HUD's basic national objectives - which require benefits for low- and moderate-income persons and encourage housing rehabilitation and investment. For example:

- Dallas has used CDBG funding to pay for cleanup at the McCommas Bluff site, developed into mixed-income housing.
- Somerville, Massachusetts used CDBG to establish a reserve fund that gave a developer comfort to proceed with an affordable housing project on the site of

an abandoned mattress factory that required considerable cleanup.

- Several Wisconsin communities have linked CDBG to state home ownership assistance programs for projects at brownfield sites.

Addressing Brownfield Challenges in a Housing Context

The availability of financing and procedural incentives, however, does not make brownfield reuse a sure thing. Brownfield projects still face barriers that new construction at greenfield locations can avoid. But although these barriers are common to all sites, a few of them prove especially problematic for those being considered for housing activities.

For instance, housing projects demand more stringent cleanup levels, even with risk-based standards in place, and this drives up costs - it just takes more money and effort to clean a contaminated property to a residential standard, compared to the acceptable level for an industrial or commercial operation.

For larger, more complicated projects, interagency coordination is essential to save time and reduce costs to a manageable level. Many brownfield projects are burdened by high assessment and remediation costs and by long, drawn-out time frames, exacerbated when multiple agencies are involved. This creates time-consuming overlaps in permitting processes and oversight jurisdictions, which can be particularly troublesome for housing efforts, which entail more thorough cleanup. Some jurisdictions have tackled this by establishing inter-agency task forces or designating a lead agency, strategies which have successfully streamlined decision making and coordinated the multiple regulatory issues connected with a project in a vastly expedited manner.

Another issue is the stigma associated with contamination, which generally is more pronounced with housing projects. Put simply, brownfield sites have a lot to overcome in terms of reputation and fear. Many people would work at formerly contaminated sites, but choose not to live on them or raise their families there. This is why strong community involvement is vital to brownfield projects. Stakeholders agree it is one of the most important ingredients for housing-related brownfields projects. Community involvement can mitigate future stigma issues as well as assist with an effective property marketing strategy. In most of cases, success has been enhanced when carefully orchestrated public outreach and involvement plans are implemented from the outset.

Lender liability concerns also have blunted the availability of necessary investment capital -- new liability exemptions notwithstanding. The presence of homes and children

will probably continue to make some lenders skittish when contemplating brownfield projects, and many have not yet reached a sufficient comfort level to underwrite brownfield housing projects, although more lenders have embraced these projects in the past few years, as the prior examples illustrate.

The redevelopment of both the Albina Corner and the Circle F factory illustrates how a project can be successful when many of the critical elements are in place, creating an overall level of comfort. In each case, a willing lender/investor, a competent and highly respected developer, an active citizens group, and a committed city agency were there to oversee the process. The Circle F redevelopment in particular was not a simple job, though. It involved multiple stakeholders and a complex set of issues -- in practice, a balancing act that required determination and a strong belief that the investment would pay off in the end.

Finally, HUD-assisted affordable housing faces an additional barrier. Currently, HUD denies applications to fund low-income housing construction on sites where the cleanup remedy includes basic institutional controls which have gained widespread acceptance in the private marketplace and are frequently used. Unlike EPA, HUD does not recognize the efforts or authorities of state-based voluntary cleanup programs in its own regulatory process.

Ironically, developers in several communities, who originally intended to work with HUD on mixed-income housing developments at brownfield sites, have been forced to go all market rate because of HUD's unwillingness to adapt its approach. Currently, HUD's policy towards housing on brownfields is based on language in the agency's *Multifamily Accelerated Processing Guide* (MAP), dated May 17, 2000.

In spite of these barriers, though, initiatives across the country show that affordable housing projects can succeed at brownfield sites. In scores of cases around the country, older contaminated sites have been converted into residential uses, for senior citizens and low- and moderate-income families. Many of these projects come on the heels of market-rate developments, which also show that the stigma can be overcome, and that residents' comfort with institutional controls can be achieved. Moreover, these projects have been accomplished in a way that makes economic sense while addressing environmental considerations appropriately.

The Brownfields Revitalization Act, which took effect in early 2002, has gone a long way towards addressing barriers to redeveloping contaminated property, including that reused for housing purposes. From a procedural perspective, the law sets the stage for more innovative public-private redevelopment partnerships because it clarifies difficult liability issues that have deterred site acquisition and redevelopment. In

addition, the law allows EPA brownfield grant recipients to use a portion of their site-assessment or cleanup grants to pay insurance premiums that provide coverage (such as for cleanup cost over-runs) for these sites. This flexibility should help prospective site re-users to secure private financing by providing a better way to quantify and manage risk. In the past, this has been a key deterrent to housing activities on these sites.

Perhaps most importantly, the act clarifies the state-federal relationship regarding cleanup, making it easier for innovative remediation technologies and engineering controls to be used as part of a cleanup. Now, sites addressed by a state's voluntary cleanup or response program are protected from EPA enforcement and cost-recovery actions, except in the case of only a few statutorily defined "reopeners": sites where contamination has migrated across state lines or onto federal property; if releases of threat of releases present an imminent and substantial endangerment.

Turning a corner

A key aspect of the evolution of brownfields reuse has been the introduction of key concepts such as risk-based site cleanups, land use limits, and institutional controls. They reflect an important change in how the private sector is approaching site cleanup and reuse, which is based more on determining real, practical risks rather than achieving pristineness. In practice, this has led to reduced site preparation costs, making more sites economically viable.

Over the past few years EPA, states, local governments, and community groups have gained more experience with brownfield reuse. They have learned that institutional control strategies that allow containment and cleanup remedies where the contamination remains on site can be carried out in ways that really do sufficiently safeguard the environment, and really do adequately address health concerns. This has had an important impact on brownfield use for housing.

This, in turn, has meant that cost-effective, economically viable reuse plans can be pursued because the lower costs of a risk-based/land use linked approach means that the project numbers will work within the confines of lender underwriting and investor rate-of-return parameters. Coupled with this is the growing knowledge of new, more cost-effective remediation technologies that work. Technologies such as bioremediation can deliver the results that are needed to assure the public and the government oversight agencies, and they can do so within performance criteria that are acceptable to the insurance and financial sectors. Again, this has had a significant impact on broadening site reuse to include residential uses.

Finally, a critical component of this changing approach has played out at the state

level. While no state yet offers specifically targeted brownfield incentives for housing purposes, many do in fact offer incentives that are well-suited to housing needs. These include low-interest loans (Michigan); remediation tax credits (Illinois) that convey to new owners; grants for sites being cleaned for unrestricted use (New Jersey), a natural fit with housing projects; and targeted use of low-income or senior citizen housing construction incentives (Oregon). Several Wisconsin brownfield grant and land recycling loan programs have been used at sites being converted to housing purposes. Officials in many states have indicated that the “basic comfort and finality” offered by their VCP has proven to be an important incentive for private redevelopment of brownfield sites for all types of activities, including housing.

Recent Housing Success Stories

Rheingold Brewery, New York City. The Rheingold Brewery lies in the Bushwick neighborhood in northern Brooklyn. Bushwick was chartered as a town in 1660 by Dutch settlers and was named “Boswijck”, which translates as “Town in the woods”. In 1834, Bushwijck and four other towns merged to form Brooklyn. During the first two hundred years, the Bushwick area was a farming community. First the Dutch farmed the area, then the Hessian mercenaries settled in the area after the 1776 Battle of Long Island and they continued to farm the land. The strong German influence in the neighborhood would endure for the next century.

In the nineteenth century, Bushwick and the nation underwent a dramatic transition from an agrarian to industrial economy. A gravity fed water system was implemented in 1859, providing Brooklyn with drinking water that had low mineral content. This water was perfect for brewing beer, and the community became the center for American brewing. In thirty years, fourteen breweries opened in the fourteen block area of Bushwick. The successful breweries attracted wealthy industrialists to the area and several large mansions were built along Bushwick Avenue.

Italian immigrants moved into the area as the end of World War I approached. The Italian immigrants soon outnumbered the Germans, and became the dominant ethnicity. The Bushwick area became known as the Italian neighborhood of Brooklyn.

As the demographics changed in Bushwick, so did the brewing industry. After World War II brewing practices changed and breweries were consolidated. Several breweries in Bushwick closed and the area was beginning to decline. In 1976, Rheingold Brewery, the last remaining brewery closed. In 1977, the Bushwick neighborhood was part of the infamous New York blackout. The blackout devastated the neighborhood--fires ensued, businesses closed, homes abandoned, and people fled. Bushwick neighborhood was suffering with dilapidated buildings and a declining population in the

1980s, a shadow of its proud, prosperous past.

In the 1990s, nonprofits and the federal government spearheaded efforts to revitalize Bushwick. A pinnacle project in revitalizing the neighborhood is reusing the old Rheingold Brewery property for affordable housing. The Rheingold Brewery left behind contaminants from its industrial past. In October 2000, an international design workshop was organized by the Waterfront Regeneration Trust's International Brownfield Exchange Program and the New York City Department of Housing Preservation and Development (HPD) in association with the Ridgewood Bushwick Senior Citizens Council (RBSCC). The workshop brought together architects and urban planners from Germany, Northern Ireland and Canada with local community leaders, elected officials, and city staff. A design concept emerged that reflected the community's desire for affordable housing while integrating green space and neighborhood retail. Following a site contamination study, a remediation plan was developed.

Bushwick Gardens is a phase of the multiphase redevelopment of the 6.7 acre Rheingold Brewery site that has resulted in 40 affordable housing units and 18,000 square feet of commercial space. The mixed use building has retail space on the ground floor with five stories of housing units above. Private equity, bank financing and federal HOME funds helped finance the housing component. As part of the \$11.9 million project, developers worked with the city to secure a \$665,000 HUD brownfield (BEDI) grant and \$3,265,000 in Section 108 loan funds to help finance the development of the ground floor commercial space component.

From the beginning of the process, developers Bluestone Organization and the Bushwick Senior Citizens Council conducted extensive planning and outreach efforts. They brought stakeholders and key players in the city government together at an early stage and enabled many bureaucratic barriers to be overcome. The community was involved with the project from the design concept stage and is fully supportive of the project.

The project serves as an example of a successful brownfield project that involved extensive community outreach and involvement, and in return, the community has received affordable housing. These efforts were rewarded with a national brownfield Phoenix Award in 2005.

South Side on Lamar, Dallas. The neighborhood along South Lamar in Dallas was deteriorating in the early 1990s. Boarded up buildings dominated the neighborhood and few people lived in the area. The neighborhood was perceived as being a high crime area. The largest property in the area, a Sears Catalog Store, closed in 1993. The Sears complex was constructed in 1912 and was the first catalog store built outside of Chicago.

The Sears site had five buildings, over a million square feet of space and 1,500 parking spaces. The potential environmental concerns included underground storage tanks, asbestos, and lead-based paint. A Dallas developer, Matthews Southwest, saw the potential to reuse the property, and committed \$65 million to the project.

Today South Side on Lamar is a nine-story building with over a million square feet containing 455 residential loft apartments. A former docking area in the building has been converted to a retail/entertainment promenade with brownstone façade. A row of artists' lofts along the promenade allow an artist to display and sell their work. The lofts feature fluted columns, natural ceilings, sliding panels, over-sized bathrooms exposed brick walls, and original maple flooring. Amenities include a pool and jogging track on the roof, as well as a fitness center, movie theater and business center. A municipal rail station is a block from South Side on Lamar. The loft apartments range from 1,000 to 3,300 square feet and lease for \$800 to \$3,500 a month.

Matthews took advantage of the area's federal Enterprise Zone status and tax credits for renovating the historic Sears structure. In addition, the developer creatively addressed a stigma and marketing issue; the perception of high crime activity prompted Matthews to donate land to the city to build a new police headquarters across the street, bringing 1,500 police department employees to the neighborhood.

Washington Courtyard, Houston. In October, 2000 a ribbon cutting ceremony was held to commemorate the development of Washington Courtyards, a 74 unit mixed income building built on a former brownfield. The project was launched as a result of a 1996 door-to-door survey of the Washington Avenue area, carried out to identify community needs. The study, conducted by the Avenue Community Development Corporation (ACDC), identified affordable housing as a critical need. ACDC partnered with the Texas Interfaith Housing Corporation and began searching for an appropriate site within the community. In December 1997, ACDC entered into a contract to purchase a 2.76 acre site at 2505 Washington Avenue.

The site was previously used for a municipal greenhouse, automobile sale/repair, truck parts storage and a used car dealership. ACDC was concerned that the site was contaminated and approached the city of Houston for assistance in obtaining an environmental assessment of the site through the Brownfields Redevelopment Program. Federal EPA Brownfields Program grant funds were used to conduct a Phase I and Phase II Environmental Site Assessment.

Development of this site was accomplished through alliances and partnerships between private, public, and community agencies that include Adams Architects, Inc., Avenue Community Development Corporation, City of Houston Brownfields

Redevelopment Program which was funded by the U.S. Environmental Protection Agency, Community Design Assistance, Inc., ERM-Southwest, Inc., Hettig Construction Corp., Land Redevelopment Committee, MECA, Goodwill Industries of Houston, Southwest Bank of Texas, Boston Capital, Texas Department of Housing and Community Affairs Low Income Housing Tax Credit Program, and the Texas Natural Resource Conservation Commission's Voluntary Clean-up Program.

Myrtle Street, Lynn, Massachusetts. On Myrtle Street, five single family homes for low and moderate income first-time homebuyers were built on a site that was occupied by Empire Laundry. Empire Laundry operated a laundering facility from the early 1900s until 1993, when the property was abandoned. The land was heavily contaminated by industrial waste. Throughout the four year development process, the community has wanted and supported residential development of the 36,000 square foot site.

Several groups have partnered in the project, including the City of Lynn, the Economic Development Industrial Corporation (EDIC), the Conservation Law Foundation and the Lynn Community Development Housing Corporation (LCDHC). The surrounding neighbors have remained involved throughout the process. One as quoted in the local press as saying that "...The neighbors are very happy about the way this turned out. The city and LHAND stayed on top of it. They kept us involved through the whole process."

Washington's Landing, Pittsburgh. Washington's Landing has garnered considerable recognition for its successful transformation of an island of urban waste to a premiere residential community. Washington's Landing is a seven acre residential development of 93 townhouses, a public park, tennis courts, a jogging and bike trail, a fitness and rowing center, a 150 slip marina with dry dock, three office buildings and a light industrial manufacturer. It is located on Herr Island in the Allegheny River, not far from downtown Pittsburgh. The island was well known for its foul odors, referred to as "Herrs' stink" and the island was renamed in 1987 as Washington's Landing.

The island has a long industrial heritage and has been host to oil refining and storage, tube works, soap works, stockyards and rendering plant, scrap metal recycling, hotels and worker lodging houses. The Urban Redevelopment Authority (URA) began to purchase parcels of land on the island in 1979 and made its final purchase in 1989, acquiring the entire island. Contaminants included PCBs, heavy metals, and organic waste.

Homes that originally sold for \$50,000 are now being sold for \$650,000. The island has produced over 600 jobs and generates over \$700,000 in annual tax revenue for Pittsburgh.

