

Promoting Redevelopment of Blighted Areas – Hints for Local Government



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Nearly every city and county has blighted areas that they wish to see redeveloped. These blighted conditions can range from abandoned or dilapidated buildings to undesirable land uses to environmentally contaminated properties. Importantly, these issues can deter private investment from developers and their investors. Many communities rely on developers to identify and address these blight conditions and overcome the financial deficits they create. This article explores strategies local governments can implement to promote private investment and redevelopment in blighted areas.

Before diving into these strategies, it's essential to discuss four things that developers and investors need to feel comfortable investing in blighted areas or properties:

Understanding environmental conditions: Developers and investors need to know the environmental conditions of a property. The unknowns often pose the greatest risks, and risks that developers can identify, quantify, and manage are more manageable. If environmental issues are understood, developers are better equipped to move a project forward.

Reducing environmental risks: The next step after understanding the environmental conditions is to reduce or eliminate negative environmental factors. Some developers may proceed based on the knowledge of these risks, but many more will only feel comfortable moving forward by mitigating risks first. Activities such as abating regulated building materials like asbestos, demolishing obsolete structures, and cleaning up environmental contamination before developers acquire the property can make formerly blighted sites comparable to clean, undeveloped sites.

Confidence that environmental challenges can be effectively managed: Even with some environmental mitigation, developers must be confident in managing any remaining risks. Many developers are comfortable with implementing simple risk management measures, like installing vapor barriers, as long as they can quantify and control the risks. They are more likely to invest once they have the confidence to handle the remaining challenges.

Financial assistance: A project's financial feasibility must ultimately work for the developer to meet investment goals. Projects may no longer make financial sense if developers bear excessive costs associated with mitigating environmental risks. Blighted properties should be financially comparable to pristine sites to make redevelopment financially viable. Fortunately, local governments have access to financial resources specifically to address these issues.

The good news is that local governments can meet these needs, significantly enhancing the potential for redevelopment. Historically, communities that succeed in redevelopment often implement specific strategies designed to attract private investment. Below are several major strategies organized into three areas. Customize these tactics to address the specific needs and resources of local government.

Environmental Liability Management:

One important strategy is conducting community-wide and site-specific environmental assessments. These assessments and inventories help developers and investors understand the environmental conditions of a site—something that is often critical to overcoming investment risks. Environmental assessments identify issues such as regulated building materials (e.g., asbestos), problematic former land uses (e.g., gas stations, dry cleaners, manufacturing facilities), and existing contamination. They can also identify sites that are free of environmental concerns. In addition, environmental assessments often inventory potential development sites, which can serve as opportunities for redevelopment.

Another critical component is the reduction of environmental liability. Once environmental conditions are understood, local governments can help mitigate the risks associated with impacted properties. These activities include remediating regulated building materials, demolishing deteriorated structures, and cleaning up contamination. By taking these steps, local governments can reduce the financial burden on developers and make sites more attractive for redevelopment.

Funding:

Local governments and community stakeholders, including nonprofit entities, have access to various funding sources designed to assess and mitigate environmental impacts. Group these funding options into three categories: Brownfield grants provided by the EPA and state agencies, public finance tools like tax increment financing, empowerment zones, and community development block grants, and more creative funding sources like comprehensive general liability insurance policies. Use these funding sources to help with site acquisition, environmental assessments and mitigation, and land planning, among other activities.

Property Control and Pre-Development:

Local governments also have the unique ability to control real estate in ways that can encourage private investment and development. One strategy is acquiring, either temporarily or permanently, environmentally impacted properties. Do not undertake this strategy lightly; the perceived risk is often greater than the actual risk. For instance, the Brownfield Revitalization Act allows entities to acquire environmentally impacted properties while protected from environmental liability, provided they conduct a Phase I Environmental Site Assessment with All Appropriate Inquiry before acquisition. Brownfield grants also require this due diligence step.

By implementing these strategies, local governments can increase the understanding of environmental conditions and reduce the associated risks, making blighted areas more attractive to developers and investors.

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