

BROWNFIELDS REPRESENT INCREASINGLY RARE DEVELOPMENT OPPORTUNITIES IN SAN DIEGO

Professional assessment and remediation unlock the potential for contaminated properties.

By Luke Montague

The construction cranes dotting the skyline are an indication of the renaissance Downtown San Diego is experiencing. New residential buildings seem to be going up on every corner of the formerly blighted East Village.

But in a new twist, this time around the building boom also includes office space that will bring workers Downtown. In this category, we find UCSD Extension's new Downtown campus, IQHQ's biotech center on the former Navy Broadway complex and the Horton Plaza shopping center's reimagining as a tech center, among other projects underway.

But with the urban core already largely built out, developers are on the hunt for any available land. Increasingly, that means consideration of brownfield properties.

The Opportunity In Brownfields

Brownfields can be excellent investment opportunities if you perform thorough due diligence and understand the risks of each site. Many potential sites exist in desirable locations or emerging areas. They should be available below market value and may have been on the market for a long time.

The development of Petco Park more than 20 years ago is a classic example of a brownfield project done right. It brought the San Diego Padres to Downtown San Diego within the 26 city block portion of the East Village area now known as the Ballpark District. Before developing this beautiful stadium — as well as the new hotel, residential, and commercial development that blossomed around it — the area housed various commercial and industrial properties dating back to the 1800s. Many of these had a legacy of environmental issues.

Brownfields were once a scary proposition — some too risky to touch. But Petco Park demonstrated that a contaminated property could be successfully rehabilitated on a large scale. A new generation of builders is embracing brownfields as excellent opportunities when you do your homework. They also realize that the opportunities aren't limited to Downtown, but include outlying areas as well.

Identifying Property with Potential

Identifying environmental risks before acquiring properties is critical, as is assigning potential cleanup costs to these risks. Depending on the nature of the transaction, these items are of-

ten useful as leverage during negotiations.

Feasibility and cost are dependent upon the environmental issues unique to each site and can vary widely. Evaluations determine how the property can be safely used. Cleanup standards will be stricter for residential uses and, in some cases, it may not be cost-effective to achieve.

The American Society for Testing and Materials (ASTM) has standard protocols for Phase I ESA studies. However, as an integral part of your team, your environmental consultant can do more than meet these technical standards. The result of the evaluation provides you with an understanding of how this information will impact your project.

Your first concern is to estimate how much contamination is present and what it will cost to address, which will affect your bottom line and project feasibility. It's also important to know that cleaning up contamination is manageable and can even be left on-site during construction and through your planned use. Your environmental consultant will help you mitigate any risks.

Brownfields are typically evaluated by performing a Phase I Environmental Site Assessment (ESA) to first study historic site information and previous uses. A Phase II study may be performed if the Phase I ESA identifies potential issues (known as Recognized Environmental Conditions). Phase II includes collecting and analyzing samples (i.e., soil, soil vapor,

and groundwater) to assess whether environmental impacts are present. If enough sampling is completed, the extent of the impacts can be estimated.

Grant Programs and Offsetting Expenses

The U.S. Environmental Protection Agency has grant programs that can pay for the assessment and cleanup of brownfields, but these programs are only available to governmental and non-profit organizations. However, a private entity may be able to team with these eligible parties. In addition, grants are available from agencies like the California State Water Resources Control Board or the Department of Toxic Substances Control for certain soil and groundwater contamination from gas stations or dry cleaner releases. Each grant has its eligibility criteria. In general, the entity that "caused" the contamination is not eligible. Federal, state and local tax incentives may also be available.

Obtaining a grant or loan with the help of a qualified environmental consultant or an environmental attorney can be the difference in acquiring, cleaning up and redeveloping a property. The grants don't typically cover all the costs associated with the necessary cleanups, but they can cover most of these costs.

A new property owner can obtain an environmental insurance policy to cover cleanup requirements, third-party claims for bodily injury and property damage, and associated legal expenses resulting from pollution

or contamination. These insurance policies are available with various term lengths, and deductible amounts to satisfy the concerns of lenders or equity investors.

Other solutions include "insurance archaeology" to find old insurance policies that may have coverage for "pollution conditions."



Montague

Finding the Right Support Keeps Your Redevelopment on Track

The most important risk management strategy is to have a thorough understanding of the environmental issues on the site and how those issues can impact your redevelopment plans and bottom line. It is critical to have environmental and legal support experienced in identifying, anticipating and managing risks on brownfields.

With proper planning and the help of a qualified environmental consultant, the mitigation or remediation of these impacts can be incorporated into the acquisition and development processes, resulting in a vibrant, profitable project that is protective of human health and the environment.

Luke Montague, Vice President and Brownfield Specialist, SCS Engineers in San Diego

SCS ENGINEERS

WWW.SCSENGINEERS.COM

BROWNFIELDS REDEVELOPMENT SERVICES:

- PHASE I AND II ENVIRONMENTAL SITE ASSESSMENTS
- RISK ASSESSMENTS
- HAZARDOUS MATERIALS STUDIES
- REMEDIATION AND SOIL DISPOSAL/REUSE
- CONCEPTUAL COST ESTIMATES