

NEW YORK STATE BROWNFIELDS CLEANUP PROGRAM

Prepared for the New York Developer Brownfields Alliance



Redevelopment Economics

EXECUTIVE
SUMMARY: AN
ASSESSMENT OF THE
ECONOMIC, FISCAL,
AND
ENVIRONMENTAL
IMPACTS

ABOUT THE DEVELOPERS BROWNFIELD ALLIANCE

Developer Brownfield Alliance is a group of developers who have utilized the program and who believed it was important to fund an independent study prepared by national brownfield experts to objectively gather and summarize data not only including the cost of the tax credits as has been done to date, but also including what benefits the State has derived from the tax credits in terms of remediated and redeveloped sites, improved neighborhoods, equity investments in hard capital real estate projects, tax revenues and created jobs. While Developers Brownfield Alliance funded the study, the group had no influence over its content so that the report would be respected as an objective economic analysis of the New York State Brownfield Cleanup Program.

ABOUT REDEVELOPMENT ECONOMICS

Redevelopment Economics was organized in 2009 with a mission of providing economic development expertise to assist communities with revitalization strategies and overcoming obstacles to successful redevelopment projects. The firm has particular expertise in economic impact analysis, brownfields and smart growth policy and planning, and redevelopment financing. Evans Paull, the principal drafter of the report, has many years of expertise preparing brownfield economic reports of this nature and evaluating state brownfield programs throughout the country. See: www.redevelopmenteconomics.com.

ACKNOWLEDGEMENTS

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I. EXECUTIVE SUMMARY

New York State's Brownfields Cleanup Program (BCP) offers tax credits to parties that voluntarily cleanup and then redevelop brownfields sites. The substantial tax benefits of the Program (22 to 50 percent of site preparation costs and 10 to 22 percent of redevelopment costs or 3 to 6 times the cleanup costs) have drawn real estate investment to brownfields sites, but the costs of the program have meant increased scrutiny. Debate over curtailing the program commenced immediately after its inception and continued after amendments in 2008 did curtail the credits. Largely missing from the debate is any quantitative information about the impacts of the redevelopment projects that have been assisted by BCP. This report aims to close that gap.

As of the writing of this Report, 142 sites have earned a Certification of Completion (COC) from participation in the Brownfield Cleanup Program (BCP). The job, economic benefit and spending impacts analyzed in this report evaluated a data sub-set of 96 of these 142 COC sites where information about the remediation, tax credits and redevelopment efforts were ascertained.

Jobs and Investment – The analysis shows that these 96 BCP-assisted sites have generated a little more than 15,000 permanent jobs, with another 1,200 jobs in planning, and \$7.0 billion in completed and planned economic reinvestment in brownfields throughout the State. Counting indirect impacts from secondary spending, the job count grows to 21,300. Analysts estimated the construction portion of *completed* projects at \$5.4 billion. This construction spending generated 42,300 direct construction jobs, and 67,400 direct and indirect jobs. BCP investments leverage other funds in a ratio of \$1.00/BCP to \$8.24/total funds; the leverage ratio improves to a ratio of \$1.00/BCP to \$9.64/total funds for a limited sample of post-2008-reform sites. All of the jobs and investments attributable to BCP are located within existing communities, thus supporting smart growth and community revitalization objectives.

Fiscal Impacts – As illustrated in Figure 1, each dollar of the State's initial investment in BCP is more than recouped through taxes generated during the construction period and then from the on-going operations of the business occupants at BCP sites: over a 20-year period \$2.11 in direct tax revenues (\$3.44 in direct and indirect) is returned to the State's coffers from the initial \$1.00 outlay.

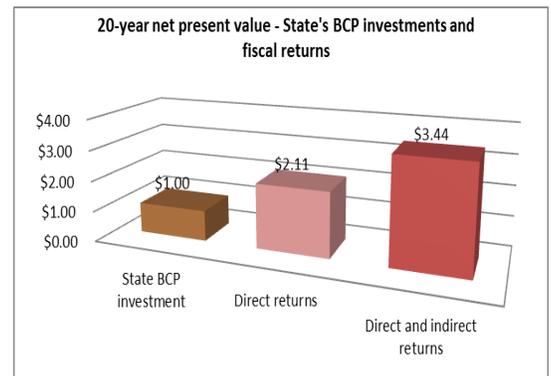
The Comptroller Office's projections of the future fiscal impact of the program (that the pipeline of approved projects will cost \$3.3 billion) appear to not take into account three factors that would lower the projected cost: 1) post 2008 credits (following the imposition of ceilings in the 2008 reforms) are significantly lower per project than pre-2008 credits; 2) the credits granted pre-2008 would have been approximately 33 percent lower if the post-2008 ceilings had been in effect; and 3) not all plans come to fruition – many projects in the pipeline (all of which are assumed by the Comptroller to be redeveloped in the same manner as past successful projects) are unlikely to be completed. Considering additionally that the State's past annual fiscal forecasts for the cost of the program have been approximately double the actual costs, analysts conclude that the State's projection is too high by a factor of at least 40 percent.

Supporting Economic Revitalization – Partly due to the 2008 reforms that accelerated BCP credits for manufacturing operations, there are 16 manufacturers that are locating, expanding, or re-investing in NYS. These investments are leading to 2,500 jobs (1,200 new and 1,300 retained). At least four of the manufacturers are new to the State (Alita Steel/Buffalo, Welded Tube/Lackawanna, Greenpac Mill/Niagara Falls, and the planned Smith Electric facility/Bronx) – these represent 500 new jobs.

BCP has also provided a key gap closing incentive to secure 2,000 jobs in two headquarters projects: Health Now in Buffalo and Golub Corporation in Schenectady. Additionally, numerous NYS communities are using BCP to incentivize the transformation of former industrial waterfronts into new live-work-play environments. In Yonkers two BCP funded waterfront/TOD projects have upgraded the image the downtown area, leading to other new investment.

Tourist-dependent small towns in upstate (Watkins Glen, Auburn, and Orangeburg) have found that BCP can be the key incentive to turn former industrial properties into hotels that then generate customers for local businesses.

Figure 1. Tax revenue returns to the State for each \$1.00 BCP investment



Distressed Areas - With respect to the demographic distribution of the projects, the analyst team determined that, of the 142 sites that have a certificate of completion, 61 (or 43 percent) are in an EN Zone. This is a significant gain given that only 21.5 percent of New York's census tracts qualify for EN Zone status. Additionally, more than half (36 of 65) of the non-EN Zone sites were in census tracts that rank as having a median income below the statewide median income, and 40 percent (29 of 72) of non-EN zone sites rank as having a higher poverty rate than the statewide average. Depending on which measure is used, the total number BCP/COC sites that are either EN Zone (61) or otherwise ranking below the state median (36 or 29), is between 90 and 97 or at least 63 percent of all BCP/COC sites.

Affordable housing developers have also utilized the program successfully. One-third of all dwelling units produced in BCP projects are classified as affordable; the vast majority of these are in New York City. In Melrose (a low income majority Hispanic neighborhood in the South Bronx) six BCP-funded affordable housing complexes have led the way to a larger neighborhood renewal that has been recognized with a LEED Stage II Silver Certification for Neighborhood Development.

Environment and Sustainability - For 2008-2013, a total of \$579 million was spent on remediation/site prep, and only 16 percent (or \$95.5 million) was credited back from state funds. While there may be some other public funds mixed in, clearly the vast majority (likely 80 percent) of cleanup/site prep funds are private. New York's relatively lucrative tangible (redevelopment) credits can be seen as inducing this private investment in upfront cleanup.

BCP investments have a high degree of conformance with smart growth and sustainability objectives. The measures for density (1.5 FAR for non-industrial projects), walkability (Walk Score® of 75), and transit access (transit score of 89 for a limited sample of sites) all indicate that BCP projects are mostly in locations that reduce automobile travel, lower greenhouse gases, and reinforce smart growth. The conclusion is that BCP can be credited with reducing vehicle miles traveled by at least the middle range of that attributed to brownfields nationally, which is a reduction of 32 to 57 percent relative to alternate growth patterns.

Policy Issues – Because of New York's substantial investment in BCP, the persistent funding shortfall that plagues brownfields efforts in other states is much less the case in NYS. The cost of BCP is high in relation to other state *brownfields* programs; however, when analysts also considered funding from outside the "brownfields funding silo," it appears that New York's BCP commitment is similar to other states where brownfields redevelopment is a high priority. Other differences relative to other states have upside benefits to NYS: the as-of-right structure of BCP is an advantage, because the credit has the greatest impact on private investment decisions; and the relative weight given redevelopment over cleanup has created a redevelopment success rate well beyond the experience of "cleanup-only" programs. What makes BCP stand out is the magnitude of the private dollars leveraged by the program – BCP is causing the private sector to put more capital at risk upfront than any other state brownfields program.

If New York wants to continue to gain the positive community, environmental, and economic development benefits of brownfield redevelopment, it should eliminate the sunset for the tax credits in the BCP and create an expedited liability release only program for the smaller, less complex cleanup sites. Removing or substantially diminishing incentives, changing the program to a capital grant type program, significantly reducing the opportunity to participate in the program, or making the program a cleanup only program for many sites that are currently eligible for the tax credit would diminish the success that has taken place in New York through the current program.

Table 1. BCP - by-the-numbers

Item	Direct impacts and measures	Direct and indirect impacts	Universe
Jobs:			
Permanent jobs	15,041	21,335	from 96 surveyed COC sites, 66 completed or under construction
Manufacturing jobs	2,545		15 manufacturers (includes new, retained, existing, planned in COC and non-COC sites)
Permanent jobs, planned	1,247		from 96 surveyed COC sites, 22 planned
Construction jobs	42,344	67,489	from 96 surveyed COC sites, 66 completed or under construction
Investment:			
Total investment (all sources, existing and planned)	\$ 6,935,872,606		96 surveyed COC sites
Total investment (all sources, completed and under construction projects)	\$ 6,357,981,638		from 96 surveyed COC sites, 66 completed or under construction
Fiscal:			
State tax revenues generated (net above outlays, 20-years net present value)	\$ 595,680,050	\$ 1,301,509,251	44 sites (surveyed COC, tax credit recorded, completed project)
State revenues generated for each \$1 BCP outlay (20 years net present value)	\$ 2.11	\$ 3.44	44 sites (surveyed COC, tax credit recorded, completed project)
Economic Distress:			
Number of sites in the EN Zone	61		142 COC sites
Number of sites in EN zone or in census tracts below statewide median income	90		142 COC sites
Number of jobs produced in EN Zone	5,127		43 surveyed COC sites that are also in the EN Zone
Number of affordable housing units created	2,917		32% of all residential units are affordable
Environment and Sustainability:			
Remediation and site prep funding	\$ 264,963,826		42 COC sites with remediation numbers
Walkscore, median	75		142 COC sites
Transitscore	89		33 sites where transitscore was available
Estimated vehicle miles traveled reduction relative to alternative growth	45%		Non-industrial COC sites
Leverage ratios			
BCP investments required to create 1 job	\$ 16,208		33 Surveyed COC sites, non-residential, tax credit recorded
\$1.00 BCP outlays generates total spending of:	\$ 8.24		44 sites (surveyed COC, tax credit recorded, completed project)
For post-2008 sites, \$1.00 BCP outlays generates total spending of:	\$ 9.64		10 post-2008 surveyed COC sites