

BENEFITS & RISKS OF BROWNFIELD REDEVELOPMENT

2011 HAWAII BUILD & BUY GREEN +
BROWNFIELD REDEVELOPMENT
CONFERENCE & EXPO
MAY 24, 2011



IF YOU CLEAN THEM,
WILL THEY COME?



Brownfield sites are impacted by factors that drive all real estate development ...
so let's first review the current state of the real estate market



MACRO-ECONOMIC VARIABLES INFLUENCING THE REAL ESTATE MARKET

- Global Economic Growth
- Capital Flows
- Federal/State/Local Budget
- Energy Prices
- Supply/Demand Equilibrium



TRENDS CREATING SURPLUS PRODUCT

- Industrial buildings/land - Mfg. declines results in oversupply
- Retail/warehouse space - Internet shopping creates less need
- Office space - Outsourcing of jobs overseas and home based freelancers lowers demand
- Oversupply of product in most asset classes has created high vacancy rates

FACTORS IMPACTING NEW DEVELOPMENT

- Financial Markets
- Land Valuations/Appraisals
- Exit Strategy/User Commitments
- Sellers waiting for market recovery (unless forced to sell due to mortgage obligations or other drivers)
- Pricing of existing assets well below replacement costs (forced sale of troubled assets will establish corrected new pricing levels)



BENEFITS OF BROWNFIELDS – AN INVESTOR/DEVELOPER PERSPECTIVE



BENEFITS TO BROWNFIELD REDEVELOPMENT

- Location
- Existing infrastructure
- Environmental restoration
- Financial incentives
- Govt. policies

BENEFITS TO BROWNFIELD REDEVELOPMENT (contd.)

- Job creation
- Increase tax base
- Promotes adaptive reuse
- Community revitalization
- Reduce suburban sprawl

RISKS OF BROWNFIELDS – AN INVESTOR/DEVELOPER PERSPECTIVE

RISKS TO BROWNFIELD REDEVELOPMENT

- Financial risk
- Regulatory risk
- Technical risk
- Development risk
- Business interruption risk
- Reputation risk

SUMMARY OF SPECIFIC RISKS

- Pre-closure cleanup costs
- Post-closure O&M costs/re-openers
- Third party liability/NRD claims
- Changes in regulatory standards/requirements
- Changes in reuse impacting cleanup costs

SUMMARY OF RISKS AFFECTING ALL REAL ESTATE

- Land valuations
- Permitting uncertainties
- Construction costs
- End user/leasing commitments
- Public sector commitments



HOW DEVELOPERS & COMMUNITIES CAN MITIGATE THE RISKS

- Development Plan should be sustainable – focus on market based long-term uses
- Align developer, govt., and community incentives/benefits
- Seamlessly allocate environmental liabilities
- Realistically incorporate public sector commitments



AN ALTERNATE APPROACH TO RISK MITIGATION



Reverse Site Selection

Understand the link between site attributes and business needs



Location Planning for Business

PROPERTY CHARACTERIZATION

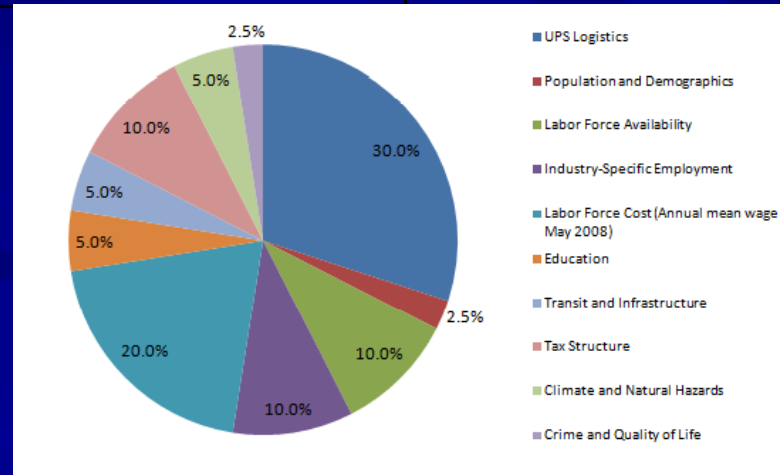
- What is the existing ownership structure? What does the land owner (and community) want to achieve? What are the development goals
- Are there existing buildings that can be adapted and re-used? What is the status of existing infrastructure/utilities
- What are the known (or suspected) environmental liabilities?
- What is the existing zoning and allowable uses?
- What public and private resources can be brought to bear on the process?

Screening – Determining Relative Advantages

- An honest, objective and complete assessment of the community's strengths, weaknesses, and goals
- This then gives a basic definition of the ingredients that may be combined to develop the strategy to qualify and attract end-users
- This also identifies areas where competitive improvement is required

Sample Ranking/Weighting Model

Criteria	Ranking/Weighting %
1. Labor Force Availability	20
2. Existing Business, Industry, and Functional Base	15
3. Total Operating Costs	20
4. Regulatory and Tax Environment	5
5. Cost and Complexity of Environmental Remediation	15
6. Zoning/Permitting Process and Timeline	10
7. Infrastructure and Utilities	10
8. Availability and Applicability of Incentive Programs	5
TOTAL	100%



Identifying the Likely Suspects

What is the match between the Site and Target Users?

Internal/Site Factors

- What is the existing regional base for the industry, and what are the dynamics
- What are the greatest pressures and opportunities facing the industry
- What typically forces changes in any of these companies' real estate and asset strategies

External Market/Industry Factors

- Which industry target are facing or will be facing a key decision in the near future
- What are the roadblocks keeping these companies from changing to meet new business demands
- What is the market risk associated with each opportunity

Moving from Plan to Reality

Alternatives Evaluation

- What is degree of match between site/community and target user?
- Is the plan financially (and politically, organizationally, etc) feasible
- Do we have the resources (and partners) to implement the plan?

Disposition/Redevelopment Strategy

- Identify key target opportunities (users/industries)
- Financing plan (both public and private)
- Remediation and Infrastructure plan
- Conceptual (schematic) development plan
- Site and community marketing plan

Sample Outcome

Type	Internal Score	External Score	Combined Score
Med Device Light Mfg/Assembly	80	100	80
Life Sciences Lab/R&D	85	90	76.5
Life Sciences Back Office	70	90	63
Financial Serv Back Office	100	60	60
Multi-Family Rental Residential	65	90	58.5

RE-USE ALTERNATIVES, DISPOSITION, & REDEVELOPMENT

THANK YOU

Rayo Bhumgara

President

Sustainable Strategies 2050 LLC

p: (617)413-8858

e: rbhumgara@sustain2050.com

w: www.sustain2050.com

