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NEW YORK STATE'S BROWNFIELD CLEANUP PROGRAM GENERATED \$7 BILLION IN PRIVATE INVESTMENT

A February 2014 Report Proved more than 42,000 construction jobs and as many as 21,300 permanent jobs resulted from the program – bringing direct benefit to communities across New York

WHY IS THIS PROGRAM BEING CUT?

JANUARY 28, 2014 – ALBANY, NY

Thank you for allowing me to provide testimony for this budget hearing. My name is Linda Shaw. I have been a practicing environmental attorney in upstate New York State for 24 years. During this time, I have worked on hundreds of contamination site brownfield transactions. None have ever been easy, but ten years ago, New York State passed a Brownfield Cleanup Program Law, codified in Environmental Conservation Law Article 27 Title 14, and an accompanying tax credit incentive program in Tax Law Section 21, which did make it easier to buy someone else's contaminated real estate. Unfortunately, the program has been unfairly criticized, and only one side of the story has been spun on this program. The true facts about what the program has accomplished over the last ten years were published in a report, entitled ***New York State Brownfields Cleanup Program: An Assessment of the Economic, Fiscal and Environmental Impacts***, prepared by Redevelopment Economics, an independent national brownfield consulting firm ("the "Report").¹ The report analyzed 96 brownfield development projects that had earned a "Certificate of Completion" from the State Department of Environmental Conservation. The report did not get the press it deserved, despite proving this program was working to encourage developers to buy contaminated sites they were not buying before, cleaning them up better than they had ever before, and putting these sites back on the tax rolls and creating jobs. In fact, the author of the report, who prior to conducting the study also thought New York's program was too generous, concluded that New York's brownfield program should be a national model due to its success rate in not only remediating, but completing redevelopment projects on these difficult properties.

Unfortunately, on January 21, 2015, the Governor submitted as part of his Budget Bill - Part R - which is a proposed bill that would severely cut this program because as admitted in the budget memo, some in the environmental community have claimed that a few developers may have gotten windfalls from the original tax credits. The original tax credit program was lucrative, but was amended in June 2008 to cap the credits so that no one could get a windfall. Since June 2008, no one has ever presented a credible story that any site in the program since this time has in fact received a windfall because since that time the credits have been capped. A second study also prepared in 2014 by NYU² proved the June 2008 capped tax credit program was fair for both developers and the state, and was not resulting in developers receiving windfalls. However, recent negative press articles resurrected on the program continue to cite a few projects in the original tax credit program, which some have perceived resulted in windfalls without providing any statistics on the post-June 2008 capped program or recognition of the facts in the two unbiased studies on the program performed last year describing all of the completed sites in the program that have significantly benefited the state, including these few

¹ The report can be found at: http://www.redevelopmenteconomics.com/yahoo_site_admin/assets/docs/BCP_Report_FINAL_R.6481345.pdf
The 67-page study was funded by the Developers Brownfield Alliance (The Alliance), a statewide group of developers who have participated in the BCP. The Alliance did not participate in the preparation of the report.

² See B. Hersh, *New York State Brownfield Cleanup Tax Analysis* (New York University Schack Institute of Real Estate, January 28, 2014); *New York State Brownfield Cleanup Program: An Assessment of the Economic, Fiscal, and Environmental Impacts* (Redevelopment Economics, February 2014).

criticized projects.³ While some may not think the developers “needed” the money they received, the projects that resulted from these tax credits provided significant benefits and were built on brownfields they remediated. The current program takes a strong position that as a State we want developers in every community to go back to used, contaminated sites and redevelop those sites instead of going to greenfields. This is a positive message and has worked. Far too much time has been spent focusing on the few projects some think did not deserve the money, rather than on the vast majority of sites and communities that have benefited from the program, which now may be cut.

I fear that if the significant cut backs in the program included in the Governor’s Bill are adopted into law, my practice will go back to what it was for the first 14 years I was an upstate environmental attorney. I will have to tell the majority of the developers who come to me asking if there are any incentives to help a developer overcome contamination issues at a site they would like to buy that the answer is “no”. Most brownfield sites, despite the presence of contamination, will not qualify for the new Brownfield Program tangible property (i.e. redevelopment) tax credits, which the Governor wants to limit to only brownfields: (1) in the poorest residential, not industrial, areas of the state; (2) where the cost of contamination is more than the value of the property (which even upstate, are only contaminated vacant lot sites) or (3) for one specific type (20-30-50) of affordable housing projects. There will be a small site preparation (i.e. remediation) tax credit that will continue for all brownfields, but studies on Brownfield programs throughout the country, which provide a much higher remediation tax credit than will continue to be offered in New York, have not resulted in nearly the level of redevelopment achieved in the New York State program. Analysis of these programs has shown that simply helping to pay for some of the cleanup costs does not result in the redevelopment of the site.

The Report concluded that the way the existing tax credit model is codified in New York—namely, providing a large incentive to developers upon the completion of their project—is working and should be used as a national model. It further notes that program models in other states which focus only on the environmental cleanup have a much lower redevelopment success rate because developers can walk away from the remediation site after it is clean if tax dollars have already paid for the cleanup, particularly if the real estate market has changed. Even programs in states that provide a 100% remediation tax credit had a significantly lower percentage of redevelopment on their brownfields than New York’s program, which included until now not only a remediation tax credit but a redevelopment tax credit for all eligible brownfields only earned after the site is redeveloped.⁴

Evans Paull, Principal of Redevelopment Economics, said, “New York’s BCP compares favorably to other state brownfields programs on several levels: just in terms of sheer numbers, the job and investment metrics are substantially higher than other states. “The emphasis on redevelopment funding, instead of cleanup-only, leads to a much higher rate of projects crossing the finish line, and the as-of-right nature of the tax credit has the maximum effect on private investment decisions,” Paull added.

In the NY BCP, I have not personally seen one developer walk away from their brownfield site, even after the 2008 real estate crash, because they want to finish their brownfield project and earn the tangible property tax credit. This incentive has encouraged commitments by developers to their brownfield sites because this credit is not earned until AFTER the development project is complete. As a result, it is this incentive that gets developers to the finish line and results in the project on the former brownfield site, which in turn results in the State’s return on investment.

New York also seems to be under the misperception is it spending more than other states on its Brownfield Cleanup Program. This misperception is also untrue. The Report reveals New York’s approximately \$200 million per year expenditure is comparable to other states that are investing in their dilapidated sites, which are often defined even more broadly than New York’s program.⁵ Analysts from Redevelopment Economics further found that because NY brownfields are being redeveloped, and put back on the tax rolls, its return on this State investment is impressive and clearly paying back the tax credit expenditures (a fact never discussed): each dollar of BCP tax credit produces \$2.11 in direct State tax revenues over 20 years, with an additional \$1.33 in indirect revenues, which does not include additional local tax

³ See discussion in the Report on page 22 in the Downtown Renewal Section on the economic benefits that were created by the Renaissance Square Project in downtown White Plains, which project helped to completely transform this City in a depressed Environmental Zone at the time of development.
Report at 56-59.
Report at 56-59.

revenues being created from these projects. All of the jobs and investments attributable to the BCP are located within existing communities, thus supporting smart growth and community revitalization objectives.

Largely missing from the public debate for the last ten years was this type of quantitative information about the economic, employment and fiscal impacts of BCP redevelopment projects. The Redevelopment Economics Report filled that data gap by providing a thorough analysis of the far reaching impacts of BCP projects throughout New York State, and cannot simply be overlooked as if this data does not exist. For example, another key finding was that the existing program was already benefiting poorer communities and helping to create manufacturing jobs:

- 43% of the projects and associated jobs created at redeveloped sites are in high poverty/high unemployment "EN Zones"
- Using a broader metric of economic distress, 63 percent of projects were either in the EN Zone or in a census tract where the poverty rate was above the statewide average
- 26% are in Brownfield Opportunity Areas
- Partly due to the 2008 reforms that accelerated BCP credits for manufacturing operations, 15 manufacturers located, expanded, or re-invested in upstate NYS leading to 2,500 jobs (1,200 new and 1,300 retained).

"For many years communities with an industrial heritage like Buffalo Niagara's have faced very expensive challenges in how to redevelop multiple brownfield sites that were obstacles to progress and economic resurgence," said Buffalo Niagara Enterprise President CEO Thomas Kucharski. "The Brownfield Cleanup Program has played a vital role in helping us to attract six major manufacturing projects and an important headquarters operation to our community. Formerly contaminated sites are now home to almost 1,000 clean manufacturing jobs and what was once thought to be impossible is now affordable, helping us to more effectively market our region," Kucharski added.

By limiting tangible property tax credits in the future program to only certain affordable housing projects and upside down sites in residentially poor areas, the Governor's office is essentially pre-selecting the only two uses and the only brownfield sites they believe should be redeveloped, and which deserve the tangible property credit. Once again, by reviewing the data related to the types of projects that have been built on brownfields to date in the Program analyzed in the Report, some insight is gained as to why limiting the types of projects and neighborhoods that can receive all the benefits will be counter-productive. Every community is plagued with brownfields and the highest and best use of every brownfield is necessarily not an affordable housing or manufacturing project.

For example, commercial projects in the program have created a large number of jobs, and brownfields are generally great sites for such projects. The Atlas Park project in Queens converted 44 defunct industrial buildings into a state-of-art life center commercial development. It is completely unclear why a project that created 600 jobs would be discouraged, which eliminated multiple industrial buildings in an area that could not have supported new industrial uses. Damon Hemmerdinger, Co-President of ATCO and a member of the Developers Brownfield Alliance, who was the developer of this commercial project has publicly stated: "Redevelopment of contaminated sites is good for all New Yorkers; by redeveloping brownfields, developers fix threats to public health and make investments that create jobs and tax revenue. They also invest in locations that are already supported by public infrastructure." "It is always easier and cheaper to develop on a clean site, so without financial incentives from the State, developers will just go back to doing greenfields," Hemmerdinger continued.

While there have been a number of affordable housing developments in the BCP, to only allow a subset of this type of housing, the details of which have now been specified in the proposed Part R bill to only include 20-30-50 affordable projects, disregards the reality that many of the state's brownfield waterfront areas cannot be used for affordable housing because the costs of development on these sites would not pass muster in an affordable housing application process. Yonkers, for example, was subject to reverse discrimination with too much affordable housing concentrated in the inner City and fought a 25 year reverse discrimination lawsuit against Westchester County. The Master Plan for its waterfront Alexander Street Brownfield Opportunity Area necessitates market rate housing because even with the brownfield tax credits, the costs to cleanup these sites, build deep pile constructed buildings and resolve the new FEMA flood plain issues, makes this Street impossible to develop with 20-30-50 affordable housing. In other words, any application to a state or federal agency for a 20-30-50 affordable housing on this street would be rejected since

construction of affordable housing would simply not be affordable. Many waterfront brownfield sites need bulkheads, upgrades to infrastructure and other improvements that are simply too costly to overcome coupled with remediation costs before this program. By limiting residential development in the future program to only a certain type of affordable housing, the new mixed use neighborhoods that were being planned for waterfronts in the Buffalo and Syracuse Inner Harbors, and the Rochester Genesee River Port are likely to be jeopardized.

While many of us who have worked in this Program for the last ten years have known much of its criticism has not been justified, we are also not oblivious to the political realities that the Program could be further improved to avoid further criticism. A group of practitioners and organizational representatives interested in seeing the BCP survive recently got together to try to devise a new way to reform the program without cutting out any good brownfield project.⁶ The group's new ideas were summarized in a Memo originally sent to the Governor's Office and Legislature before the holiday break at the end of December 2014, and which was revised into final form on January 8, 2015.⁷ The group brainstormed some new ideas and created a better way to "target" projects that receive the credits. However, the general consensus among the group was that the redevelopment tax credit must remain as-of-right if the brownfield site definition is met because no developer has to take on a brownfield site. The marketplace does not simply work just because a brownfield is in a desirable neighborhood because banks do not want to make loans on brownfields regardless of their location in the event they have to foreclose and inherit the property and its contamination mess. As a result, regardless of the neighborhood, no one wants to deal with a contaminated site. No one has to buy and lend on a residential house with a bad septic system or underground fuel tank, and the same is true in the commercial real estate marketplace.

The group was able to reach consensus on a new model, which was summarized in a memo prepared by the Brownfield Task Force of the New York State Bar Association's Environmental Law Section. Before this Memo was released, a unanimous vote by all 49 of the non-government attorneys on the Bar's Environmental Law Section's Executive Committee approved the new ideas in Memo, and then the Memo had to go through an internal Bar Association review before it was released. While the Governor's office and the legislature obviously have no obligation to adopt into law the recommendations in this Memo, when eight organizations interested in the brownfield issue, and 49 of the State's environmental attorneys have made a proposal to change the program in a manner that would make it even more equitable, I would hope that in our system of democracy, not only would the proposal be taken seriously, but there would be some debate about why these ideas have been rejected, particularly given that this new approach may be more acceptable to the legislature than the Governor's "gate" proposal.

The Governor's proposal of creating limited "gates" for accessing tangible property tax credits was already rejected by the legislature last year. Consensus could not be reached on the "gate" approach because it leaves too many brownfields out from receipt of the program's benefits. The group concluded that the goals of the "gate" approach could be better achieved by retaining as-of-right eligibility for the tax credits while prioritizing the tangible credit based on the benefits such projects provide to the State and to the community in which the site is located. Accordingly, the group recommended that all sites in the BCP remain eligible for the tangible property tax credit component, but that the current \$35 million cap on such credits be reduced for non-targeted sites and projects, and that targeted sites and projects receive increased percentages and limitations. Specifically, projects that have the added benefit of creating jobs receive more tangible tax credits than the current program.

Tangible Property Tax Credit is the Lower of the Applicable % or Remediation Cost Multiplier Up to the Cap

⁶ The participants in this process included representatives of the New York State Bar Association Environmental Law Section ("Section"), the New York League of Conservation Voters, the Environmental Defense Fund, the New York State Business Council, New Partners for Community Revitalization, the New York City Office of Environmental Remediation, the Real Estate Board of New York and the New York City Brownfield Partnership.

⁷ Memo can be accessed at www.nysba.org/ENVILegislativeMemo2A

Use	Type of Enhancement	Applicable %	Remediation Cost Multiplier	Sitewide Cap On Taxable Property Tax Credits
Non-Affordable Residential	None	10%	3.0	\$15,000,000
	LEED (Green Building) or TOD (Transit Oriented Development)	12%	3.0	\$20,000,000
	En-Zone/BOA*	14%	3.0	\$25,000,000
Affordable Residential	None	13%	4.0	\$25,000,000
	LEED or TOD	15%	4.0	\$30,000,000
	En-Zone/BOA	17%	4.0	\$35,000,000
Commercial	None	10%	4.0	\$35,000,000
	LEED or TOD	12%	4.0	\$40,000,000
	En-Zone/BOA	14%	4.0	\$45,000,000
Industrial	None	15%	8.0	\$50,000,000
	LEED or Near Rail/Roads/Barge	20%	8.0	\$55,000,000
	En-Zone/BOA	25%	8.0	\$60,000,000

The bottom line is that the redevelopment tax credit, not the remediation tax credit, has been the driver in New York for the past ten years for getting these sites back on the tax rolls. This program, more than any other, has resulted in a significant number of new manufacturing jobs upstate. The quality of the cleanups and projects on brownfields has exponentially increased because the project and the credits encourage a better cleanup to be implemented. Restricting the sites that can receive both tax credits will simply hinder this new field of redevelopment, which has attracted parties back to urban sites to build green inner city, higher density and transit oriented development projects, rather than new sprawling development in suburban greenfields both upstate and downstate.⁸

I highly encourage the Governor's office and legislature this upcoming session to simply look at the real statistics in the Redevelopment Economics Report and more seriously consider the new statutory approach described in the Bar Association Memo, rather than rely on incorrect press articles. The \$1 billion spent on the program has not only created significant direct and indirect economic benefits, including over \$7 billion in total investment, 42,300 construction jobs and 15,000 direct permanent jobs (21,300 direct and indirect) – much of it during one of the worst real estate recessions in recent history, but has also resulted in green, walkable urban projects and commercial and manufacturing job producing projects.

⁸ Report at 2 and 31.

NEW YORK STATE BROWNFIELD CLEANUP PROGRAM

February, 2014

Prepared for the New York
Developers Brownfield Alliance



Redevelopment Economics

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 Paul, the principal drafter of the report, has many years of experience and expertise preparing brownfield economic reports of this nature and evaluating state brownfield programs throughout the country. See: www.redevelopmenteconomics.com.

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I. EXECUTIVE SUMMARY

New York State's Brownfield 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.

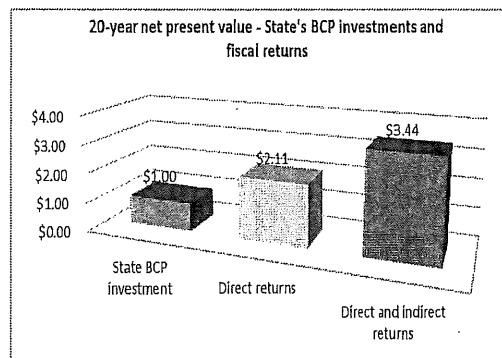
The Comptroller Office's projections of the future fiscal impact of the program (that the pipeline of approved projects will cost \$3.3 billion) appear to not take into account three factors that would lower the projected cost: 1) post 2008 credits (following the imposition of ceilings in the 2008 reforms) 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.¹ 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

II. BACKGROUND AND PURPOSE

This analysis quantifies the economic, fiscal, and environmental impact of New York's Brownfield Cleanup (tax credit) Program (BCP). The substantial tax benefits of the Program (22 to 50 percent of site preparation costs and 10 to 22 percent of redevelopment costs or three to six times cleanup costs) have drawn real estate investment to brownfields sites, but the nature of that investment has never been adequately defined or quantified.

Brownfields in New York State are currently defined as follows: "Brownfield Site' or 'Site' shall mean any real property, the redevelopment or reuse of which may be complicated by the presence or potential presence of a contaminant. Such term shall not include real property." This part of New York's definition is based on the same definition of a brownfield incorporated in federal law. Although the definition has not been controversial on a national level, the tax credits provision in the New York State program has drawn attention to this broad definition.

Brownfields sites generally require some level of public subsidy in order to counter extra costs. These extra costs are not just site assessment and cleanup, but also include: significantly greater time in gaining regulatory approvals; environmental liabilities not addressed by the state liability release; extra costs and delay for public participation; extra costs of re-purposing industrial sites for new uses; lower revenue streams for properties in distressed areas; and, very often, extra costs associated with waterfront or riverfront environmental restoration. There is an expanded discussion of these points in the "Policy Analysis" section (sub-section "the Extra Costs of Brownfields Investments").

Many states have developed some form of brownfields incentives to counter these extra costs – the strongest incentives, as would be expected, are in the rust belt states of the Northeast and Midwest. Some of these state programs are described in the "Policy Analysis" section (sub-section "Comparison to Other State Programs").

Criticism of the BCP program has focused on the level of the tax credit expenditures, but there has been little or no focus on the resulting redevelopment projects and the upside benefits associated with this new community reinvestment. This Report focuses first on quantifying the state's return on investment in terms of jobs and taxes generated; however, the productivity of the program also needs to be judged based on other factors, such as the impact on distressed areas, the degree to which the program assists affordable housing, and, perhaps most importantly, the degree to which the program is a key part of local economic development: is it aiding struggling communities in re-positioning their economies for future growth?

II-A. NEW YORK'S BROWNFIELD CLEANUP PROGRAM

In 2003, the New York State Legislature created the Brownfield Cleanup Program (BCP), which is primarily set forth in Title 14 of New York Environmental Conservation Law (ECL) Article 27. The law, which is administered by the New York State Department of Environmental Conservation (DEC), provides a process for voluntary cleanup of sites contaminated with hazardous waste or petroleum. In exchange for the cleanups, the Law provides the applicant with a liability release pursuant to ECL Section 27-1421 and tax incentives pursuant to Tax Law Sections 21-23.

For the tax credits granted under current Tax Law Section 21, there are three types of costs eligible to qualify for tax incentives. These include:

- Site Preparation Costs, including investigation and cleanup costs, demolition, other costs of preparing the land for buildings, and some "soft costs;"
- Tangible Property Costs, including all capital costs for a new construction or a building rehabilitation project;
- Ongoing on-site water treatment costs for five years.

The original 2003 Law granted a 10 to 22 percent credit of the total eligible expenses from all three of the above categories. In addition, the Law provided for an eight percent boost for projects located in distressed Environmental Zones (EN Zones), and a 2 percent increment for projects that reached the Track 1 unrestricted use cleanup standard.

In 2008, in the wake of several tax credit awards near or exceeding \$50 million, the Legislature capped the tangible component at \$35 million or three times cleanup/site prep costs (whichever is less) and boosted the site prep credit to 22 to 50 percent, with higher percentages linked to residential and unrestricted use. Two new priorities were incorporated: if the reuse was manufacturing, the ceiling

for the tangible credit was raised to \$45 million or six times site prep; and there was a 2 percent boost for projects that implement a Brownfield Opportunity Area (BOA) plan.

The tax credits are “as-of-right” – if a site meets the definition – the site is eligible for the program. This structure and the resulting fiscal impacts are another reason that the program has come under considerable scrutiny.

On the regulatory side, New York’s BCP was one of the last brownfield programs to be adopted nationally. As a result it contains all five key program components that make state programs throughout the country successful: (1) a liability limitation; (2) use based cleanup standards; (3) no off-site remediation responsibility for volunteers; 4) timed, predictable process and 5) broad eligibility. However, there are also several aspects of the New York program that appear to make it less attractive for private real estate investment relative to states that have well-regarded voluntary cleanup programs – New York has broader reopeners, more public involvement/notice requirements, a longer start-to-finish time, and the DEC’s eligibility determinations have been, according to multiple court decisions, overly stringent. Additionally, questions have been raised as to whether the use based cleanup standards are more strict than neighboring states including New Jersey and Pennsylvania.² The regulatory issues are described in Policy Analysis section, specifically the “Extra Costs: Development and Regulatory Compliance” sub-section.

While the focus of this report is on the tax credit side, from the broader perspective of the need to encourage brownfields investments, obviously there is an interplay between the ease of the regulatory side and the tax credit incentive.

III. PROFILE OF BCP PROJECTS

The consulting team was able to ascertain the re-use of 122 BCP projects. Of these, 96 had received Certificates of Completion (COC) from the state; the remainder are in the pipeline. The statistical information below, if it relates to redevelopment, is only for these 96 COC sites because the additional sites were not randomly chosen and represent a small sample of the pipeline projects. Unless otherwise specified the data in the report will be reflecting these 96 “surveyed COC sites.” The additional non-COC projects will be cited in the narrative of the report and in community-specific statistics, but not in the analysis of the program as a whole.

III-A. CHARACTERISTICS OF SURVEYED AND COC SITES

Table 2. COC Sites, surveyed and full set

	Surveyed COC Sites		All COC Sites	
	Count	Percentage	Count	Percentage
region 1	2	2.1%	2	1.4%
region 2	28	29.2%	46	32.6%
region 3	17	17.7%	22	15.6%
region 4	3	3.1%	3	2.1%
region 5	0	0.0%	0	0.0%
region 6	1	1.0%	3	2.1%
region 7	11	11.5%	15	10.6%
region 8	11	11.5%	18	12.8%
region 9	23	24.0%	32	22.7%
(One not recorded)			1	
Total	96	100.0%	142	100%

The following discussion serves two purposes: to profile the BCP projects; and to reflect on the degree to which the surveyed sites are representative of the larger universe of COC sites.

The full methodology is explained in [Appendix 3](#). As explained in that section, the surveyed sites are close to being representative of the full COC list, but the manner in which sites came into the study naturally favored larger sites, i.e. those sites for which it was easier to find information.

The surveyed sites are fairly representative of the full COC list in at least three respects. First, the 96 surveyed COC sites were similar to the full list of COC sites with respect to the DEC regions – see Table 2.

Secondly, the percent of sites that are in the EN zone is close: the split is 43 percent EN Zone for the 142 COC sites and 47 percent EN Zone for 96 surveyed COC sites. There is more about BCP and EN Zones in the [Economic Distress section](#).

Third, the mean and median site size was similar in both data sets:

Surveyed COC sites:

- Mean: 6.8 acres
- Median 2.7 acres

All COC sites:

- Mean: 6.5 acres
- Median: 2.3 acres

There is a somewhat larger divergence in that COC sites had a median total tax credit of \$1.5 million, and surveyed sites had a median of \$1.76 million. This reflects the relative ease of finding information about more significant redevelopment projects.

As noted in the [Methodology Appendix](#), care must be taken in extrapolating the survey site results to the larger list of COC sites or to the full universe of BCP sites. The above indicates the survey sites are reasonably representative.

III-A-1. REGULATORY STATUS

Of all the COC sites where there was a recorded cleanup standard, the largest number (40 percent) were cleaned up to a commercial cleanup standard. (See Figure 2).

Among COC sites, the average number of years from the date of the BCP agreement to the COC is 3.72 (the median is 3.21 years). The perception in the brownfields development community is that this timeframe is too slow. This and other regulatory issues are discussed in more detail in the policy section, Extra Costs: Development and Regulatory Compliance.

III-B. SITE REUSE SUMMARY

The consulting team was able to determine the re-use status of 96 projects. As indicated in Figure 3, the largest number (64 or 67 percent) were completed projects, 2 were under construction, and 22 are still in planning. Eight were classified as "clean-up only" in that they appeared to be serving an existing business or industrial park and there was no evidence of tangible improvements.

With respect to site re-use, there is more detail in subsequent chapters. However, the general picture, portrayed in Table 3, is that surveyed sites are accommodating almost 16.5 million square feet of new or renovated space. While the majority of the square footage is devoted to residential re-use, 7.3 million sq ft of commercial space is generating more than 15,000 permanent jobs. To state the obvious, 100 percent of the investment induced is located in existing communities, reusing vacant and contaminated land.

Figure 2. Cleanup standard achieved for COC sites

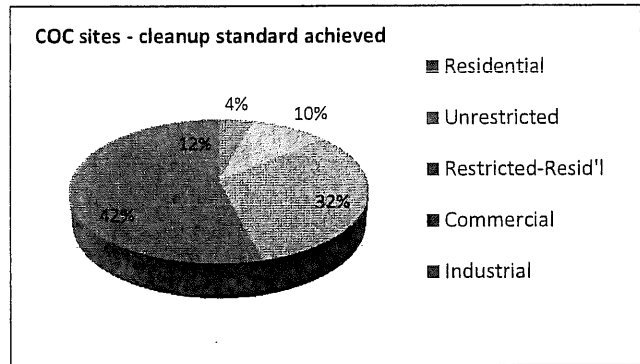


Figure 3. Re-use status of surveyed sites

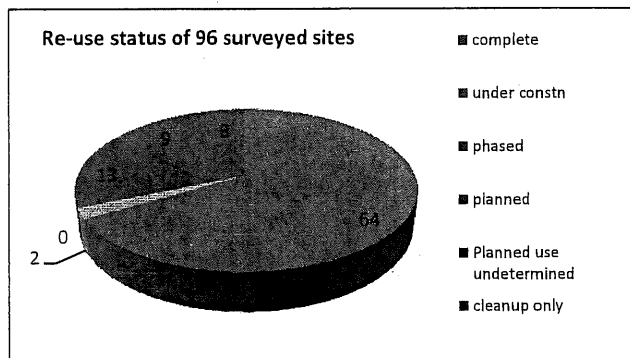


Table 3. Re-use of surveyed COC sites

	no. projects	square feet					no. jobs (new & retained)
		industrial	office/tech	retail	residential	total	
completed, under construction	66	1,555,930	1,312,800	3,528,475	7,921,575	14,318,780	15,041
planned	13	744,474	149,200	28,000	1,270,377	2,192,052	1,247
planned, no use determined	9						
Just cleanup	8						
Total	96	2,300,404	1,462,000	3,556,475	9,191,952	16,510,832	16,288

Note this table excludes hotel space

III-B-1. GEOGRAPHY AND UPSTATE-DOWNSTATE

As noted in Figure 4, there is a striking geographic divergence in site re-use:

- Downstate (roughly equivalent to Regions 1,2, and 3), BCP is used primarily for residential, residential mixed use, and retail.
- Upstate (roughly equivalent to Regions 4-9), BCP is used primarily for economic development, and 100 percent of all BCP-produced industrial space is in those DEC regions.

Table 4 shows the distribution of jobs in redeveloped sites by DEC Regions. Again using Regions 1-3 as a proxy for downstate and Regions 4-9 as a proxy for upstate, job generation exceeded 7,500 jobs in both upstate and downstate regions, with a slight majority of jobs in upstate communities.

Figure 4. Re-use by DEC regions

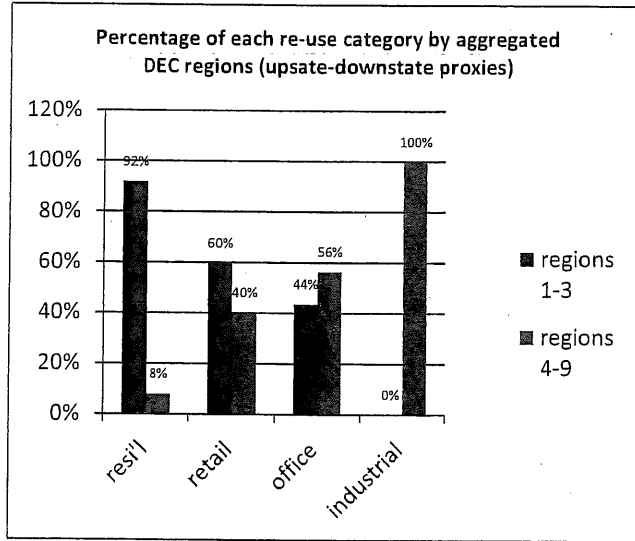


Table 4. Permanent jobs by DEC Region (96 surveyed COC sites, completed projects)

REGION	no. perm jobs	percent of all
Region 1	1,228	8.1%
Region 2	5,618	37.1%
Region 3	681	4.5%
Region 4	873	5.8%
Region 5	-	0.0%
Region 6	-	0.0%
Region 7	2,554	16.9%
Region 8	1,416	9.4%
Region 9	2,771	18.3%
Region 1-3 sub-total	7,527	49.7%
Region 4-9 sub-total	7,614	50.3%
Total	15,141	100.0%

IV. ECONOMIC AND FISCAL IMPACTS

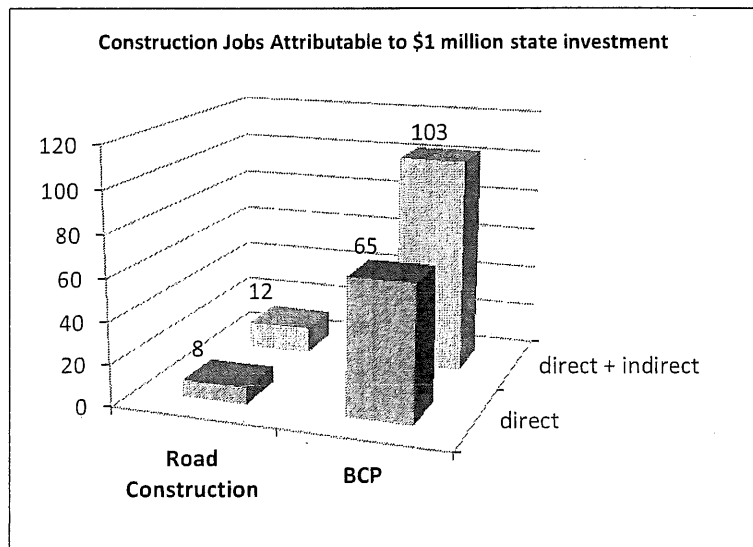
If lawmakers in other states were looking for creative ideas for stimulating jobs while supporting environmental, community development, and smart growth objectives, New York's BCP would make an intriguing model. Usually elected officials gravitate to road building and infrastructure projects as job stimulators, but a comparison with BCP might reveal the following:

	<i>Road-Building</i>	<i>BCP-sites</i>	<i>Impacts favor:</i>
<i>Impacts of construction</i>	Direct and indirect jobs attributable to direct public spending	Because public spending is leveraging private spending, direct and indirect construction spending is approximately 8.24 times the public-dollars-only road spending.	BCP
<i>Permanent jobs</i>	Unclear	15,000 permanent jobs at BCP-assisted projects	BCP
<i>Distressed area impacts</i>	Neutral	63% of BCP projects are in census tracts that have median income below the state median	BCP
<i>Smart growth impacts</i>	Depends, but critics say highway/road spending more often works to accommodate sprawl	All development in existing communities; most projects are walkable.	BCP
<i>Protection of public health</i>	No benefit	142 sites cleaned up	BCP

Figure 5 focuses only on the temporary impacts of construction. BCP funds leverage total funds by a ratio of 8.24:1 and, consequently, create far more temporary jobs than road construction. Note also that, when analysts isolated the post-2008 reform sites, the leverage ratio improved to 9.64:1.

This is, of course, a simplistic analysis. As an economic stimulus matter, extra infrastructure spending is often considered when the economy is in the doldrums and even subsidized private development has slowed. The main point still stands up: aggressive brownfields incentives can be strong economic development drivers, while also serving equity, sustainable growth, and environmental objectives.

Figure 5. Road construction vs. BCP investments - the temporary impacts of construction



Source: IMPLAN and Redevelopment Economics

IV-A. INVESTMENT AND TEMPORARY CONSTRUCTION IMPACTS

There were 64 complete and 2 under construction projects from the universe of 96 surveyed COC sites. These projects represented an estimated \$6.4 billion in total investment. Comparable economic impact studies in other states have had different sampling methods, making comparative analysis problematic; however, at a superficial level, the New York BCP investments significantly exceed the investment generated by brownfields incentives in other states: studies in Massachusetts, Ohio, and Missouri found brownfields incentives leveraging \$2.4 billion, \$1.2 billion, and \$2.2 billion, respectively.³

Analysts estimated the construction portion of NYS new investment at 5.4 billion.⁴ As shown in Table 5, construction spending generated 42,000 direct construction jobs, and 67,000 direct and indirect jobs.

Table 5. Temporary construction impacts of surveyed BCP COC sites, completed and under construction projects⁵

	Construction spending	Jobs	State taxes	Local Taxes	Total state and local taxes
<i>direct</i>	\$ 5,400,601,059	\$ 42,315	\$ 228,521,663	\$ 162,782,554	\$ 391,304,217
total (direct and indirect)	\$ 9,453,744,136	\$ 67,443	\$ 569,940,326	\$ 405,984,890	\$ 975,925,216

Source: IMPLAN and Redevelopment Economics

The discussion of tax impacts is expanded, [below in this chapter](#); however one take-away is that the state recovers a significant portion of its investment just in the construction period. (Note that this table differs from later tax impact tables because the universe of sites counted is different: this table includes projects that have been completed but the tax credit has not yet been registered.)

IV-B. PERMANENT JOB IMPACTS

The analysis shows that the 96 BCP-assisted sites have produced a little more than 15,000 permanent jobs, with another 1,200-plus in planning. Again, these job numbers are only for the surveyed COC sites; therefore the actual impacts so far are one-third to one-fourth larger. Cross state analysis is problematic (see investment discussion, above), but, at a superficial level, the number of NYS BCP-generated jobs exceeds other states where economic impact analysis has been carried out: Massachusetts, Ohio, and Missouri found brownfields incentives generating 7,000, 4,700, and 11,000, respectively.⁶

Table 6. BCP surveyed COC sites in job-producing sectors: space developed and new/retained permanent jobs by sector

	industrial		office/tech		retail		units	hotel		total	
	sq ft	jobs	sq ft	jobs	sq ft	jobs		sq ft	jobs	sq ft	jobs
completed and under construction	1,555,930	2,564	1,312,800	3,994	3,528,475	8,051	721	360,500	433	6,757,705	15,041
planned	744,474	651	149,200	522	28,000	74	-	-	-	921,674	1,247
Total	2,300,404	3,215	1,462,000	4,516	3,556,475	8,124	721	360,500	433	7,679,379	16,288

Among the job producing sectors the largest category by both square footage and jobs is the retail sector. Economists tend to stress the greater indirect impacts of sectors where there is greater potential for exporting goods and services: especially the industrial sector, some service sector (office/technology), and tourism (hotel). These non-retail sectors total 6,991 new and retained jobs, an important gain for the state. (See Table 6.)

Industry Gains – In a particularly important economic gain for the state, there are 3,200 existing and planned industrial jobs, and industrial space accounts for a surprisingly high 30 percent of the existing and planned square footage in the job-producing sectors. Approximately half (1,600) of the jobs in the industrial sector are retained and half are new.⁷

In the following chapter (*Economic Development “Game-Changers”*), the analysis focuses particularly on manufacturing which accounts for the vast majority of the industrial jobs, a surprising gain largely attributable to the BCP incentive.

IV-B-1. JOB LEVERAGE RATIO:

Analysts isolated 32 sites where the primary re-use was in one of the job-producing sectors and credits have already been claimed. For these sites, the job leverage ratio is as follows:

- BCP tax credits: \$187.5 million
- Jobs created or retained: 11,600
- BCP investment required to produce per job: \$16,000

This leverage ratio is well under the usual ceilings for public investment per job in economic development programs. For example, SBA allows up to \$35,000 per job, HUD CDBG guidelines range up to \$50,000 per job, and rural economic development agencies often have upper ceilings of \$25,000 to \$35,000 per job. However, the BCP investment per job is somewhat higher than is typical for brownfields incentives. Northeast-Midwest Institute’s review of multiple brownfields impact reports said that it takes an average of \$10,000 - \$13,000 of public investments to produce one job,⁸ and EPA reports that it takes an average of \$13,700 of EPA Brownfields funding to produce one job.

The reason that New York’s BCP costs somewhat more to produce one job is that BCP in NYS is the primary gap incentive in most cases; whereas, for example, the EPA brownfields program is usually one of several public sources, and, in the case of larger projects with larger gaps, EPA funds are proportionately smaller (which improves the leverage ratio). As discussed in the “Policy Analysis and Comparison to Other States” section, BCP should be recognized as a redevelopment incentive, not just a brownfields incentive.

Another comparison, to add some perspective, is that Empire State Development Corp. committed \$1.3 billion in incentives in 2011 to lure 1,450 jobs at Global Foundries to a greenfields site in Malta NY.⁹ This amounts to \$900,000 per job. To be fair, the Global Foundries jobs are expected to grow beyond 1,450, are of a high quality, and may contribute more to the state’s economic base than many of the BCP-generated jobs. For a more direct comparison, new \$35,000-\$45,000 manufacturing jobs in Niagara Falls and Buffalo supported by BCP may be similarly significant to that region at significantly less cost to taxpayers – see manufacturing section of this report.

IV-C. PERMANENT DIRECT AND INDIRECT SPENDING AND TAX IMPACTS OF BUSINESS OCCUPANTS

BCP projects are occupied by businesses that are generating economic activity for the state economy, both through direct spending and indirect spending. The indirect spending is captured by input-output analysis, essentially the modeling of the secondary impacts of spending (for example, the business’ employees spending wages in the local economy).

Even though just over 50 percent of the space generated by the Program is residential, the job and business sectors produce very substantial direct and indirect jobs and taxes.

Table 7 summarizes the results. (It is important to clarify the universe of sites in this table: these are the 66 surveyed COC sites that are complete or under construction, 44 of which were developed, at least in part, for job-producing uses. Some of these sites are not yet registered for taking the tax credit; so the fiscal impact analysis, below, will further narrow the universe of sites so that the taxes generated will correspond to the State’s tax outlay.)

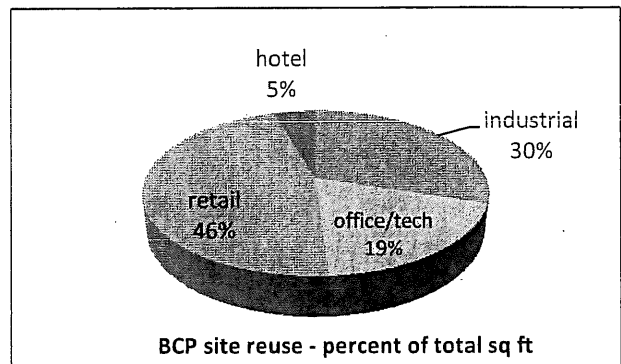


Figure 6. BCP projects in job-producing sectors, by re-use category and total square feet (current and planned)

Table 7. The direct and indirect impacts of BCP business occupants, on-going, surveyed COC sites for completed projects

	jobs		local tax revenues		State Tax revenues		total state and local tax	
	direct	direct and indirect	direct	direct and indirect	direct	direct and indirect	direct	direct and indirect
Industrial	2,564	4,450	\$ 24,466,718	\$ 31,337,259	\$ 34,347,508	\$ 43,992,691	\$ 58,814,225	\$ 75,329,950
Office	3,994	7,676	\$ 18,900,817	\$ 36,936,340	\$ 26,533,839	\$ 51,852,938	\$ 45,434,656	\$ 88,789,278
Retail	8,051	9,907	\$ 30,377,546	\$ 40,009,743	\$ 42,645,401	\$ 56,167,524	\$ 73,022,948	\$ 96,177,266
Hotel	433	729	\$ 128,895	\$ 240,698	\$ 180,948	\$ 337,904	\$ 309,843	\$ 578,602
Total	15,041	22,761	\$ 73,873,975	\$ 108,524,040	\$ 103,707,696	\$ 152,351,056	\$ 177,581,672	\$ 260,296,494

Source: IMPLAN and Redevelopment Economics

The take-aways for jobs are that:

- Adding to the 15,000 permanent jobs outlined above, there are an additional 7,700 (22,800 total) jobs generated by secondary spending.
- Retail is the largest job generating sector (8,000/direct and 9,900/direct and indirect), but the indirect spending benefits are much higher in the industrial and office/technology sectors.
- The State is gaining annual tax revenues of \$104 million/direct and \$152 million/direct and indirect from the businesses that occupy BCP sites.

IV-D. FISCAL IMPACTS

Because the cost of the BCP program has been approximately \$188 million annually (greater than the \$135 million per year originally estimated), the Program is being scrutinized, cost projections have been prepared, and proposals to curtail the benefits are being considered.

There are two aspects of the issue that the consulting team is able to add factual fiscal impact information to educate policy makers:

- Is the State recouping its investment in tax revenues generated by the project?
- Are the projections of the cost accurate?

IV-D-1. IS THE STATE RECOUPING ITS INVESTMENT THROUGH TAX REVENUES GENERATED BY THE PROJECTS?

To summarize the findings: the State is more than recouping its investment – over a 20 year period, the State is gaining revenues in the amount of \$2.11 direct tax revenue (or \$3.44 direct and indirect revenue) for every \$1 invested (measured in discounted dollars).

Tables 8 and 9 contain the calculations. In order to make this projection, analysts created a subset of 44 COC sites that were: completed or under construction; had been awarded the tax credit; and had been surveyed for reuse by the current project. (This differs from Table 8 in that Table 9 includes residential projects in the construction phase and eliminates COC projects that have not registered tax credits.)

For the state’s outlay of \$600 million in tax credits, these 44 sites produced economic benefits, as follows:

- \$4.9 billion in total new investment (\$4.2 billion of which is in construction)
- A leverage ratio of \$8.24 total funds generated from \$1.00 of BCP tax credits (includes pre-and-post 2008 projects)
- 32,900 direct (60,600 direct and indirect) temporary construction jobs
- 11,300 direct (16,600 direct and indirect) new/retained permanent jobs

Analysts employed IMPLAN to estimate tax generation impacts, as follows:

- \$178 million in direct state revenues from construction (\$444 million in direct and indirect)

- \$71.5 million in direct revenues from on-going business operations (\$106 million in direct and indirect)

To estimate the return to the state, the above inputs were annualized and recurring impacts were projected over a 20-year period, using a 2 percent inflation rate; then discounted at 4 percent to produce a net present value. The projection shows that BCP produces net positive revenues to the State, i.e. revenues exceeding the State's outlay, as follows:

- \$596 million/direct state revenues generated (\$2.11 returned for each \$1.00)
- \$1.3 billion/direct and indirect state revenues (\$3.44 returned for each \$1.00)

Lastly, the team also isolated 10 post-2008 projects from this subset. The number of projects was too small to justify a full analysis; however, the leverage ratio of tax credit dollars to total funding improved to \$9.64 (relative to \$8.24 for the 44-project subset, above).

Table 8. Costs and impacts of 44 surveyed COC sites with tax credit reported, complete or under construction

	total	annual
BCP Cost (2008-12)	\$ 600,066,867	\$ 120,013,373
Percentage of total tax credits	70.4%	
Impacts - surveyed sites, tax credit reported, project completed:		
BCP Total Investment	\$ 4,945,167,790	\$ 989,033,558
Construction	\$ 4,203,392,622	\$ 840,678,524
Direct state revenues from construction	\$ 177,862,845	\$ 35,572,569
Direct/Indirect state revenues from construction	\$ 443,595,618	\$ 88,719,124
Direct state tax benefits from on-going operations	\$ 71,445,828	\$ 14,289,166
Direct and indirect state tax benefits from on-going operations	\$ 105,950,454	\$ 21,190,091
Leverage ratio	\$ 8.24	
Construction jobs, direct	32,935	
Construction jobs, indirect	60,555	
Permanent jobs, direct	11,318	
Permanent jobs, direct and indirect	16,594	

Source: Redevelopment Economics and IMPLAN

Table 9. Fiscal impacts of 44 surveyed COC projects, complete or under construction

	Impacts - 20-year Net Present Value	
	direct	direct and indirect
State cost	\$534,278,216	\$534,278,216
State revenues:		
State revenues due to construction	\$158,362,757	\$394,961,775
State revenues due to on-going business operations	\$971,595,509	\$1,440,825,692
Total	\$1,129,958,266	\$1,835,787,467
Net revenues to the state	\$595,680,050	\$1,301,509,251
Return to the state for each \$1 invested	\$2.11	\$3.44

Source: IMPLAN and Redevelopment Economics

IV-D-2. PROJECTED COSTS - WILL THE PROGRAM COST \$3 BILLION IF IT IS NOT CURTAILED?

The State Comptroller's Office issued a report in April, 2013 reviewing BCP and projecting the overall tax credit liability for sites currently admitted to the program.¹⁰ The report's cost estimates are based on past per project average costs (\$9.36 million), adjusted to upstate-downstate averages, and applied to the full list of sites that have been accepted into the program. The report projects the cost of BCP to be \$3.3 billion (the period of time is unclear). The Comptroller states that the 2008 ceilings alter the projected fiscal impacts, but only from \$3.6 billion to \$3.3 billion.

At the outset it should be stated overtly that the consulting team does not have access to the same level of information as the state. The information the team was able to gain access to, when added to the new information this study generated, points toward a significantly lower projected cost of the pipeline, approximately 40 to 45 percent lower than the State's projection or between \$1.8 and \$2.0 billion.

This is based on the following four factors:

1. **Post-2008 sites appear to have lower tax credit claims.** From the 2008-12 records the consulting team isolated 40 sites with BCP date-of-acceptance after June, 2008. The mean TOTAL tax credit for 18 sites that have been awarded tax credits was \$5.3 million, significantly less than the \$9 million per site used in the State Comptroller's projection. Note, however, that some of the projects in this sub-set may have on-going claims that are not yet in the record. The small sample size also leads to some reservation about relying on this finding.
2. **Pre-2008 sites, had they been subject to the post-2008 ceilings, would have significantly reduced the tax credit claims.** The team created a scenario based on what the cost of the program would have been if the 2008 ceilings had been in place since program inception. Focusing only on the \$35 million ceiling for the Tangible Credit, the team isolated six projects that exceeded the \$35 million ceiling by a total of \$279 million or 33 percent of the credits granted in the full five-year window. This finding is generally consistent with point one: that the post 2008 projects are likely to cost the State approximately \$5.3 to 6.0 million per project, not \$9 million per project.
3. **Making the assumption that all projects in the pipeline will be completed is also unrealistic.** BCP projects must be completed within 10 years of the date of Certificate of Completion (COC) in order to receive the tax credit. The BCP pipeline includes many projects that are either unlikely to get to the finish line or may not claim the credit for other reasons. In the consulting team's inventory of 123 sites where redevelopment information was found (includes non-COC sites), there were:
 - 29 sites (25 percent) for which there was an announced plan but redevelopment had not proceeded;
 - 12 sites (10.3 percent) where reuse plans had not been determined;
 - 9 sites (7.8 percent) that were classified as "cleanup only" (usually sites where cleanup was serving existing industrial or commercial businesses);
 - 2 sites owned by non-profits that may not be eligible for the credits;
 - 1 site where a responsible person was cleaning up the site to get the liability protections, not the tax credit; and,
 - 1 site that was entered into the program because of a land use restriction that is no longer applicable.

Additionally (not in the 116 sites surveyed), there are ten COC sites that have date-of-agreements going back 2004-2006 that have not recorded any tax credits, and are nearing the expiration date.

This totals to roughly 40 percent of the pipeline for which there is a real question whether the site will ever get to the finish line and claim the tax credits. Note additionally that the universe of sites considered in the above analysis is primarily (88 percent) COC sites (the sites that are the most advanced in the BCP pipeline), and that non-COC sites will likely have a greater attrition rate than COC sites. Obviously, not all plans come to fruition, and the state should take a predictable rate of failure into account in projecting fiscal impacts.

4. **The State has historically over-estimated the fiscal impact of BCP by a factor of approximately 2:1.** The team reviewed the State Departments of Division of the Budget and Department of Taxation and Finance's "Annual Report on New York State Tax Expenditures" for the years 2008-2012. Table 10 compares the forecasts to actual BCP credits granted.¹¹ The data indicate that the State's forecasts for the cost of BCP have been approximately double actual credits granted. Further, in the recent years of 2010-12, the forecasts have been too high by a factor of 2.6:1.

Projection – A conservative conclusion is that the 2008 reforms, when correctly accounted for, would reduce the per project tax credit claims by at least 15 to 20 percent relative to pre-2008 levels, and that attrition from the pipeline represents another 25 percent savings, totaling a 40

Table 10. BCP costs: State's Annual Fiscal Forecast vs. Actual

Tax Year	Predicted per Tax Exp Rpt	Actual per DTF	Over (under) Estimate
2006	61.5	72.3	(10.80)
2007	116.0	243.1	(127.10)
2008	136.0	124.5	11.50
2009	255.0	201.1	53.90
2010	355.0	198.0	157.00
2011	623.0	99.9	523.10
2012	549.0	102.4	446.60
total	2,095.5	1,041.3	1,054.20

For sources, see endnote 11.

to 45 percent reduction relative to the state's predicted cost of the BCP pipeline. When applied to the projected cost of the pipeline, this amounts to a total of \$1.8 to \$2.0 billion rather than \$3.3 billion.

Lastly, the team points out that the State's projection that BCP will cost \$3.3 billion was not linked to a specific time frame (nor was the Redevelopment Economics' counter estimate). For the seven years represented in Table 10, the average annual tax credit claims were \$148 million. The State Comptroller Office's estimate is \$188 million for 2008-12. The State's forecast for the cost of the program is \$503 million in 2013 and \$501 million in 2014. Redevelopment Economics was not charged with making an alternative forecast, and, again, the team does not have access to all the information available to the State. The consulting team recommends that these forecasts be revisited in light of the State's past over-estimates of the cost of the program and possible under-accounting of both project attrition and the impacts of the 2008 reforms.

Conclusion for Economic and Fiscal Impacts

It is readily acknowledged that BCP is an expensive program. However, the State's forecasts for the cost of the program appear to over-estimate the likely fiscal impact by at least 40 percent.

On the positive side of the ledger, BCP is generating:

- 42,000 direct temporary construction jobs (67,000 direct and indirect)*
- 15,000 direct permanent jobs (21,300 direct and indirect)*
- \$596 million in direct State tax revenues (\$1.3 billion in direct and indirect), which represents \$2.11 in direct State tax revenues (or \$3.44 direct/indirect) generated for each \$1 invested*

V. ECONOMIC DEVELOPMENT "GAME-CHANGERS" – BEYOND THE NUMBERS

In this section the analysis goes beyond the numbers and tells the story of local economic development projects that are making a real difference in their communities. BCP-funded projects play a very significant role in local economic revitalization, generally divided into the following kinds of "game-changing" projects:

- Manufacturing
- Service economy headquarters
- Re-making waterfronts
- Downtown renewal
- Small town tourism/hotel

V-A. BCP SPURS MANUFACTURING INVESTMENTS¹²

The 2008 BCP reforms further enhanced new manufacturing projects on brownfield sites by providing additional benefits, as the ceiling for the tangible credit goes up to \$45 million (relative to \$35 million for all other projects) or six times the cost of the site preparation and on-site groundwater remediation costs (relative to three times the same base for all other projects). The pre-2008 program had no such ceilings, so it offered the same benefits to manufacturers and non-manufacturers, alike.

Another key element of BCP participation for existing manufacturing site owners is that current owners of sites are eligible for the program benefits, including the tax credits, just the same as prospective purchasers. This assistance, which is relatively unique among state brownfields programs, means that manufacturers can clean up past contamination, as part of current modernization/expansion projects, and BCP credits can be used to offset some of the costs and keep jobs in New York. This can be an exceptionally strong incentive for New York's manufacturers to stay in the state and reinvest.

These BCP incentives are having the desired effect: there are new manufacturers moving to New York and existing manufacturers are re-investing and expanding. The result: 1,202 new jobs, 1,343 retained jobs, and almost 2.0 million sq. ft. of new or upgraded manufacturing space. This is even more important as manufacturing is re-shoring to the U.S. from overseas locations. Reclaiming brownfield sites plays a pivotal role in meeting the new demand for manufacturing space.

Seventeen manufacturers are using BCP for these new, expanded, and refurbished plants. See [Table 11](#) for more detail about the manufacturing projects.

V-A-1. NEW MANUFACTURING PLANTS

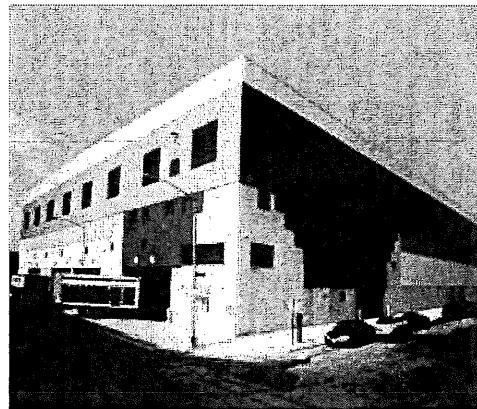
The consulting team found at least ten projects where manufacturers were lured to New York's brownfield sites and established new or relocated operations. It might be noted that six of these are in the Buffalo-Niagara region where: 1) the BCP credit is promoted by both DEC and local agencies; 2) some early projects set a precedent for later ones; and 3) there is an abundance of vacant industrial land. Other regions in the state may want to look at the Buffalo-Niagara success stories, described herein, to create their own BCP-fueled manufacturing strategies.

The first four of these (Welded Tube, Greenpac, Alita Steel, and Smith Electric) are new to the State, producing 500 totally new jobs.

- Welded Tube, Lackawanna – 121 jobs in a new 100,000 sq ft facility. The project redevelops a portion of the Bethlehem Steel manufacturing plant that has been vacant for 30 years – open hearth furnaces, a blooming mill, billet preparation mills, roughing mills, rail mills, a foundry and a water treatment plant were located on or proximate to the 40-acre Welded Tube parcel. Welded Tube manufactures steel tubes for use in oil and gas drilling on sites out-of-state, especially in Pennsylvania and Ohio. See the [Focus Projects appendix](#) for more detail.
- Greenpac Mill, Niagara Falls – 100 jobs in 250,000 sq ft plant. This "green" facility will manufacture high performance, lightweight liner board using all recycled materials. Greenpac performed a \$6 million cleanup of the 18-acre former paper mill. Mayor Dyster, commenting on this new Greenpac project stated: "The new plant will also create spin-off jobs for other Falls businesses and could help to make the industry cluster developing on Packard Road even more attractive to potential investors."¹³

- Alita Steel, Buffalo – Announced in September, 2013, 175 jobs in a new 350,000 sq ft manufacturing plant in the Riverbend Business Park, formerly the Republic Steel and Donner Hanna Coke Company operations. The Company will produce 150,000 tons annually specialized steel casings used in the gas exploration and hydrofracking industries. Company President Ali Hosseini indicated that what “put Buffalo on his radar screen was a deal crafted last year that brought Welded Tube Inc... It was an eye-opener.”¹⁴ (See Welded Tube, above.)

- Smith Electric Cars, Bronx – 100 jobs are planned for a site cleaned up and made ready to reuse through BCP. Smith Electric builds the Newton™, a zero-emission all-electric commercial vehicle at the facility. Simone Development purchased and cleaned up the site, a former manufactured gas plant and automobile service station in a part of the Bronx in need of good quality manufacturing jobs.



Smith Electric Cars announced plans to locate in the Bronx at a site where BCP credits aided cleanup

- Hydro-Air Components, now Zehnder Rittling, Buffalo – 130 jobs in a 156,000 sq ft facility in the Riverbend Commerce Park, formerly the Republic Steel and Donner Hanna Coke Company operations. The Company manufactures heating and cooling systems. Dave Stebbins, Vice president, Buffalo Urban Development Corp indicated that, “BCP was critical to their project.”¹⁵

- Gannett Corporation, Johnson City – 115 jobs in 96,000 sq ft state-of-the-art printing facility, formerly the shoe manufacturing operation of Endicott Johnson – Ranger Paracord. A status report on the Broome County Endicott Johnson Corridor BOA project indicated that “the catalytic effect of the Gannett project is clear and ongoing,” as a new Walmart and a New Visions Credit Union have sprung up on former abandoned property, and a farmers’ market is planned, as well. Local officials also confirmed that BCP tax credits were critical to the project financing.¹⁶ See the [Focus Project Appendix](#) for more detail.

- Certain Teed, Buffalo – 275 jobs in 276,000 sq ft plant, located in Buffalo-Lakeside Commerce Park, formerly the Hanna Furnace Company blast furnace and ironworks plant. Certain Teed manufactures Bufftech® and EverNew® fence, railing and deck products at the Buffalo facility. The facility utilizes 100 percent hydropower, and incorporates a closed-loop water system, which saves more than 372 million gallons of water per year. Dave Stebbins, Vice President, Buffalo Urban Development Corp. stated, “The ability to receive BCP Tax Credits as well as the liability release provided by the program was a major factor in convincing the company to locate in the Commerce Park – the first company in the Park and one of the first companies statewide to use the program.”¹⁷

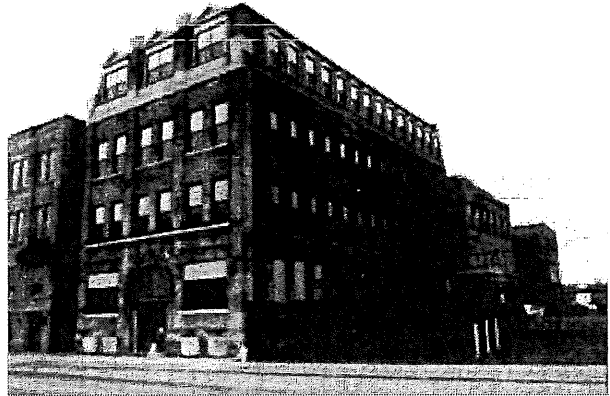
- South Hills Business Campus, Ithaca – South Hills Business Campus (SHBC) is a multi-tenant business park accommodating more than 40 companies who employ 350 people. There are three manufacturers, totaling approximately 60 employees:
 - *Therm, Inc.* – specializes in making blades and vanes for aerospace and industrial gas turbines.
 - *Primet Precision Materials* – is an advanced materials company with a breakthrough patented NanoScission® process technology that reduces the cost of electrode materials.
 - *Novomer* – is an emerging sustainable chemistry company pioneering a family of high performance, environmentally responsible polymers and chemical intermediates

Primet and Novomer were start-ups at SHBC, and Therm was an expansion of a nearby business. The facility was only 20 percent occupied when developer Andy Sciarabba began cleanup and other improvements of the former National Cash Register (later Axiohm) manufacturing facility. SHBC is now over 70 percent occupied.

- Scott’s Rotary Seals, Olean – 14 jobs in 16,000 sq ft facility. The site is a portion of a former petroleum refinery and petroleum bulk storage facility. The business designs and manufactures custom and off-the-shelf fluid rotary timing valve and rotary union products for a wide range of industrial applications.
- Cobey, Inc, Buffalo – 99 jobs (25 new) in a 90,000 sq ft facility in the Buffalo Lakeside Commerce Park, formerly the Hanna Furnace Company. The company designs and makes specialized systems and compressor packages used by the petrochemical industry. In a press account John Obey, President, Cobey, Inc. indicated that “the opportunity to qualify for “brownfield” tax credits, as well as Empire Zone incentives, made Buffalo Lakeside Commerce Park appealing.”¹⁸

V-A-2. CURRENT MANUFACTURERS CLEANING UP PAST CONTAMINATION AS PART OF PLANT REINVESTMENT/EXPANSION:

- Germanow-Simon, Rochester – 28 new jobs and 93 retained jobs in a \$3 million cleanup, expansion, and upgrade of their current facility, a century old historic building near downtown Rochester. The project doubled space for two of the company's divisions, G-S Plastic Optics and Tel-Tru Manufacturing Co. The former produces custom-made precision-polymer optics, and the latter manufactures bimetal dial thermometers and other instruments. Mark Gregor, Manager, Rochester Environmental Quality Division, confirmed that the project relied on the BCP tax credits.¹⁹
- Other manufacturers that participated in the BCP program, cleaned up past contamination, received (or were approved for) BCP credits, and reinvested in their existing plants include:²⁰
 - Garlock (Division of Enpro), 950 jobs retained, Palmyra
 - Syracuse Label, 80 jobs retained, Liverpool
 - Pass & Seymour (Division of Legrand), 195 jobs retained, Solvay
 - Niagara Transformer, Cheektowaga, cleaning up a parcel adjacent to their current operation for a planned expansion of their manufacturing plant.



Germanow-Simon – historic building renovated for expanded manufacturing in Rochester

A parenthetical data conformance note: the above list includes a number of projects that have not received the COC, as of yet; therefore, the data in Table 10 does not agree with other tables that list only COC sites.

V-B. HEADQUARTERS PROJECTS AND SERVICE ECONOMY GENERATORS

Many brownfield sites were former economic generators for the local economy, usually manufacturers that employed local talent to assemble a product that was then exported out of the region. These kinds of businesses are referred to as part of the “economic base” of the region. When these businesses close it has a ripple effect in the local economy; so economists far prefer that new uses for these sites should be similar economic generators, if not manufacturers, then service sector businesses that similarly export their product and become local generators. This has the effect of continuing the site’s role as part of the economic base of the region. Office development projects that accommodate a regional or national headquarters certainly fit into this objective.

V-B-1. HEALTH NOW /BUFFALO

HealthNow New York, Inc. (also referred to as Blue Cross/Blue Shield of Western New York), located at 257 Genesee Street, enabling the transformation of approximately 16 acres of industrial land into a 469,000 sf corporate office campus. HealthNow’s \$110 million headquarters is the largest commercial office development in downtown Buffalo in over 20 years.



Health Now (Blue Cross/Blue Shield of Western New York) headquarters in downtown Buffalo

Table 11. BCP-assisted Manufacturing Projects

Business	DEC Project Site Name	Address	Locality	Total Investment	Total BCP Credit	Perm. New Jobs	Jobs Retain	TOTAL SF Redevelopment
Germnow Simon	Ward Street Site	Corner of Ward St. & St. Paul St.	Rochester	\$ 3,025,000	\$ 384,126	28	93	50,000
Scotts Rotary Seals*	Scott Rotary Seals	301 Franklin Street	Olean	\$ 2,028,750	\$ 525,000	14		16,230
Syracuse Label	Luther Ave Site	110 Luther Avenue	Liverpool	\$ 3,040,000	\$ 437,109		80	41,000
Garlock	Garlock - Klozures	1666 Division Street	Palmyra	\$ 7,019,047	\$ 842,285			
Garlock	Garlock - Gylon	1666 Division Street	Palmyra	\$ 2,635,363	\$ 316,244		950	
Gannett Printing - Gannett Corporation	Former Endicott Johnson-Ranger Par.	10 Gannett Drive	Johnson City (V)	\$ 51,000,000	\$ 5,443,444	115		96,000
Certain Teed Corporation	Buffalo Lakeside Commerce Park	231 Ship Canal Parkway	Buffalo	\$ 35,880,000		275		276,000
Cobey, Inc	Cobey-Buffalo Lakeside Commerce Park-Parcels 1&2	1 Ship Canal Parkway	Buffalo	\$ 11,700,000		99		90,000
Hydro-Air Components, now Zehnder Rittling	Steelfields Area IV	100 Rittling Blvd.	Buffalo	\$ 14,247,776	\$ 1,709,319	130		156,700
Therm, Inc; Primet; and Novomer	Former Axiohm Facility	950 Danby Road	Ithaca	\$ 95,000,000	\$ 305,199	35	25	280,000
Greenpac Mill*	Former Mill No.2	4400 Royal Avenue	Niagara Falls	\$ 430,000,000	\$ 48,300,000	110		250,000
Pass & Seymour/Legrand	P&S Boyd Avenue	50 Boyd Avenue	Solvay	\$ 5,889,554	\$ 3,172,396		195	175,000
Welded Tube	Site I-7 Tecumseh Phase I Business Park	2303 Hamburg Turnpike	Lackawanna	\$ 60,000,000		121		100,000
Smith Electric**	295 Locust Ave	295 Locust Ave	Bronx	\$ 2,200,000		100		90,000
Corning	Tioga Avenue Site	East Tioga Avenue	Corning					10-acre park
Alita Steel	Steelfields Area IV	100 Rittling Blvd.	Buffalo	\$ 102,000,000		175		350,000
Niagara Transformer	Niagara Transformer Corp.	1755 Dale Road	Cheektowaga	\$ 687,969	\$ 185,752	tbd		
Total				\$ 826,353,459	\$ 61,620,874	1,202	1,343	1,970,930

* BCP credit estimated from independent sources
 ** Project planned

The Buffalo Gas Light Company, a manufactured gas plant, occupied the site for decades. The site was abandoned for more than 40 years. There is more information in the [Appendix 1](#).

V-B-2. GOLUB/PRICE-CHOPPER HEADQUARTERS, SCHENECTADY

The Golub Corporation/Price Chopper project enabled the transformation of about nine (9) acres of industrial land into a corporate campus that supports the company's 120 supermarkets throughout the Northeast. Its six-story, 240,000 sq ft office tower is rated LEED Gold. The total project cost was \$38 million.

The site was formerly occupied by the American Locomotive Company (ALCO), a locomotive manufacturing business dating to the 1840's.

Ray Gillen, Chair, Schenectady County Metroplex Development Authority,



Golub Corporation's near downtown headquarters in Schenectady

confirmed “the importance of the project to the resurgence of downtown.”²¹ There is additional description in the [Focus Projects appendix](#).

V-B-3. CONVENTUS/BUFFALO

Another service sector economic generator, the Conventus project in Buffalo “puts you at the center of it all, where, for the first time ever, physicians, researchers, students, patients, and affiliated businesses can connect, collaborate, innovate, and make our region stronger - together.” The 287,000 square foot building will provide clinical, office, research and retail space, while functioning as the “northern gateway to the burgeoning Buffalo Niagara Medical Campus.”²²

A \$10 million cleanup of the former automobile service station and automobile repair shop is paving the way for the \$98 million project, designed to accommodate 1,200 employees.

The Buffalo Niagara Medical Campus is “a consortium of the region's premier health care, life sciences research, and medical education institutions, all located on 120 acres in downtown Buffalo, New York. The BNMC is dedicated to the cultivation of a world-class medical campus for clinical care, research, education, and entrepreneurship.”²³

V-C. RE-MAKING WATERFRONTS

It was probably not an accident that it was a New York State Representative to Congress (Rep. Louise Slaughter, NYS 25th) who was the lead sponsor of a bill that would establish a Waterfront Brownfields Program as a carve out of the current EPA Brownfields Program.²⁴ Cities and towns all over the state are struggling through the issues involved with remaking their mostly abandoned industrial waterfronts and riverfronts. Many cities see these waterfront makeovers as the primary way for the city to rebrand its image from a declining industrial town to a vibrant live-work-play environment that will make the city more attractive for new businesses and residents, alike.

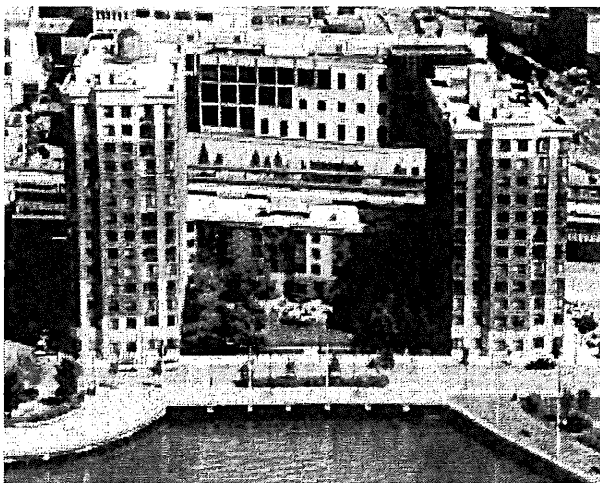
Despite the vast potential, these waterfront makeovers are not easy or inexpensive. There are extra costs that often include:

- The higher cost of cleanup to residential standards (sometimes also including sediment cleanup);
- Infrastructure costs (larger industrial parcels often lack infrastructure amenable to subdivision);
- Extra costs related to public access to the waterfront such as esplanades, waterfront trails and bike paths;
- Shoreline/riverbank stabilization, erosion control, new FEMA requirements and eco-restoration.

V-C-1. TRANSFORMING YONKERS – WATERFRONT TOD PROJECTS REVITALIZE AND UPGRADE CITY’S IMAGE

Yonkers’ abandoned and derelict waterfront is undergoing a transformation into a vibrant new mixed use transit-oriented development (TOD) community. Two now-completed BCP projects were identified by Yonkers Planning Director Lee Ellman as two of the three linchpin projects that got the ball rolling.²⁵ The two BCP projects were both located on City-owned land, later sold to brownfield developers.

Hudson Park North: The Hudson Park North twin towers (292 market rate apartments) redeveloped a waterfront surface parking lot with more than 100 years of industrial history, including a lumber yard, coal storage, automotive storage, building supplies, elevator manufacturer, asphalt mixing plant and a sand and stone company. The BCP credits paid for critical infrastructure and a public open space esplanade and bulkhead on the waterfront. Located adjacent to the main Yonkers commuter station, the project helped establish



A linchpin project: Hudson Park North waterfront-TOD

Yonkers as a viable option for New York commuters. The developer of this project, is now implementing its next BCP project next door.

66 Main: 66 Main is similarly located near the Yonkers commuter station and the waterfront. Past uses, which contributed to onsite contamination, include a foundry, paint factory, machine shop, garages, printing shop, paint store and auto body shop. EN zone qualifying tax credits of \$5.7 million leveraged \$37.6 million total project investment, resulting in a green, mixed use/TOD project of: 24,000 sq ft of retail space and 170 apartments and live-work spaces (35 affordable). The building is powered by a geothermal pump power system. The developer is also implementing its next BCP project in the same area in a former auto dealership site.

Excerpts, interview with Ed Sheeran, former Executive Director, Yonkers Industrial Development Authority:

“Without the tax credits, these projects would not have happened... Downtown Yonkers was not the garden spot with abandoned buildings and prevalent poverty...lenders were not interested...the Collins project (Hudson Park) was pioneering”

The Yonkers transformation is written up in more detail in [Appendix 1](#).

V-C-2. REMINGTON LOFTS/NORTH TONAWANDA, HISTORIC RENOVATION ALONG THE CANAL

Remington Lofts is a \$25 million makeover of the Remington Rand plant into a mix of 79 upscale lofts and 20,000 sq ft of commercial space overlooking the Erie Canal. At the grand opening ceremony James Sullivan, Executive Director, Lumber City Development Corporation was quoted as saying, *“We are concentrating on the waterfront area. [Developer Kissling Interests founder] Tony Kissling had the vision. This is the cornerstone. It makes all the difference in the world.”*²⁶



The former Remington-Rand complex, now Remington Lofts

DEC’s website chronicles the storied history of the site: Power House for the Buffalo and Niagara Falls Electric Railway Co; the Herschell-Spillman company, the world’s largest manufacturer of carousels; Remington Rand, an office equipment manufacturer, also produced the world’s first mainframe computer.

A news article credited renewal of the BCP tax credits program as saving the deal: *“An agreement between Gov. David Paterson and the state Legislature (that) came together in the nick of time. The state brownfield tax credit program, which aims to help underwrite projects specifically like this one where old industrial buildings are reused, is expected to provide up to 10 percent of the (redevelopment) money.”*²⁷

V-C-3. ERIE HARBOR TOWNHOMES AND THE HAMILTON TOWER, ROCHESTER, NY: NEIGHBORHOODS GAIN ACCESS TO RIVER AND TRAILS



Erie Harbor Townhomes, Rochester

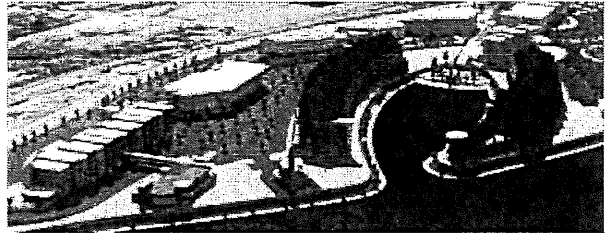
Erie Harbor (an 80/20 residential project), located at 225-405 Mt. Hope Avenue, and renovation of The Hamilton at 185 Mt. Hope Avenue has reinvigorated a low-income, walled-off neighborhood along the Genesee River, creating a development accessible to the waterfront with a total of 333 market rate and affordable housing units.

Interviewed for this study, Mark Gregor (Manager, Rochester Environmental Quality Division) maintains that *“Erie Harbor was truly a transformative project for the southeast quadrant of the City.”* The project is fully detailed in the [Focus Projects appendix 1](#).

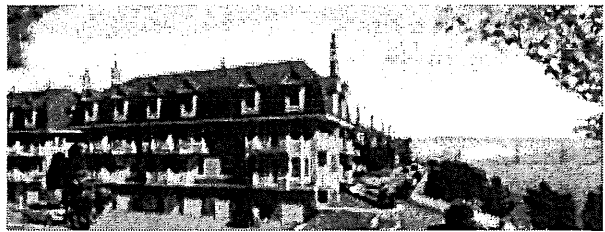
V-C-4. WATERFRONT PLANS IN SCHENECTADY AND POUGHKEEPSIE

Waterfront transformation plans have been announced for BCP eligible sites in Schenectady and Poughkeepsie, as follows:

ALCO Site Phase II, Schenectady – The Galesi Group has announced plans for a \$150 million mixed use development for the 45-acre waterfront section of the ALCO site, including, a 124-room hotel and banquet center, 304 apartment units. This is the second phase of the ALCO redevelopment, following the successful [Golub Headquarters project](#).



AC Dutton Property, Poughkeepsie – The former AC Dutton lumberyard is expected to receive its Certificate of Completion in 2014 and is proposed for 384 units and 20,000 sq ft of commercial space. Greenspace and a waterfront trail will help connect the existing community to the waterfront. A news account puts the plan in perspective: "The southern waterfront is being reclaimed after sitting dormant for decades as polluting industries came and went along the Hudson River banks."²⁸



V-D. DOWNTOWN RENEWAL

V-D-1. RENAISSANCE SQUARE, WHITE PLAINS

Located in an EN Zone, the \$750 million Renaissance Square was a linchpin project for downtown White Plains. The \$569 million Ritz-Carlton at Renaissance Square provides a 123-room hotel, 213 residences, 23 condominium-hotel units, and 11,000 sq ft of retail space. Developer, the Cappelli Organization, also built 65,000 sq ft of office space (employing almost 400 people) and a second residential tower bringing the residential total to 400 condominium units. Renaissance Square demonstrated the potential for high quality redevelopment in downtown White Plains, and an additional \$1 billion investment (not assisted by BCP) followed, including the Cappelli Organization's White Plains City Center, which is 1.1 million sq ft, 550 residences, 500,000 sq ft of retail space. City Center and Renaissance Square pay a total of \$12 million in local annual real estate taxes, annually.

These downtown investments all advance the City's objective of having a walkable, vibrant city center with an emphasis on transit oriented development.²⁹ The Walk Score® for Renaissance Square is 94 or "a walkers paradise." Its location is four blocks from the Metro-North White Plains commuter station.

V-E. SMALL TOWN TOURISM

In this section, three small town hotel projects are summarized. There have been four BCP-assisted hotel projects resulting in 721 new hotel rooms. This section highlights three small town examples because of the relative significance of the new facilities to the local economy.

Aside from the completed projects, below, another is in planning: In Tuckahoe, developer Bill Weinberg has developed plans to locate a hotel on a former landfill.

V-E-1. WATKINS GLEN HARBOR HOTEL, WATKINS GLEN

Watkins Glen Harbor Hotel provides 104 guestrooms and suites, as well as a banquet center and conference space. A local news article commented on the manner in which the new hotel enhances the area's ability to attract tourists:

Despite these attractions (referring to a state park, NASCAR track, and historic train), Watkins Glen has remained a sleepy village that has struggled with its transition from an industrial to a tourist economy. This hotel, located on the site of a former jelly factory, is one of many new improvements to an area that is poised to become just as much of a destination as Canandaigua and Geneva.³⁰

Previous uses of the site included: Seneca Hardwoods, a manufacturer of custom flooring, Welch's Grape factory, and dry cleaning building. Before entering BCP the site was a Class 2 (state Superfund) site. The cleanup and site prep cost \$1.4 million. BCP tax credits totaling \$1.8 million leveraged the \$17.4 million total project investment.

V-E-2. HILTON GARDEN INN, AUBURN

The 92-room hotel in Auburn replaces a vacant lot, formerly a gas station and dry cleaning establishment, but its significance was more than new uses replacing derelict uses, as the local media touted its benefits:

For years tourism experts have said Auburn needed more hotels, specifically higher-end lodging. Mission accomplished. Thursday, the Hilton Garden Inn opened at 74 State Street. The four-story hotel was built on space once occupied by a furniture store and other retail.

"This is a big deal for us," said Andy Fish, president of the Cayuga County Chamber of Commerce. "Studies identified we really don't have enough beds." One done in 2006 said there was a particular need for "higher-end lodging," and named Hilton Garden Inn.³¹

The \$11 million project created 20 full-time jobs and nearly 30 part-time jobs.

V-E-3. ORANGEBURG COMMONS, RESIDENCE INN BY MARRIOTT, ORANGETOWN

Orangetown Commons is a mixed use hotel and retail redevelopment of the former Orangetown Pipe Company manufacturing facility. Completed projects include a Residence Inn by Marriott and a Stop-Shop-and-Save. There are plans for an additional hotel and more retail space. Local leaders were quoted in media stories citing the benefits of the cleanup:

"A lot of cleanup had to take place to make it the beautiful site that it is today," Orangetown Supervisor Andy Stewart said. "A lot of planning and work to go into transforming what was really kind of a wasteland into a very productive and beautiful resource for our community. What we're really standing on here today is not just a new store, but a whole history of work that went into making it happen."

The consulting team estimated the number of permanent jobs associated with the redevelopment at 163.

VI. EQUITY IMPACTS: DISTRESSED AREAS, AFFORDABLE HOUSING, COMMUNITY DEVELOPMENT, AND BOA'S

VI-A. DISTRESSED AREAS AND EN ZONES

The BCP authorizing legislation provides very substantial incentives for investment in distressed areas, while still enabling the remainder of the state to benefit. Projects that qualify as "EN Zone" gain an 8 percent tax credit relative to non-EN Zone sites and sites located in Brownfield Opportunity Areas (BOAs) gain another 2 percent tax credit. The following is the Empire State Development (ESD) explanation of EN Zones:

The law directed ESD to designate Environmental Zones ("EN Zones") in which these tax credits are enhanced. Designation of En-Zones is limited to Eligible Census Tracts with a poverty rate of at least 20% according to the 2000 Census and an unemployment rate of at least 125% of the New York State average, or a poverty rate of at least double the rate for the county in which the tract is located.³² Note: the county standard expired in 2012 and has not been renewed.

Press articles have focused on the issue of the degree to which the Program is or is not aiding economically distressed areas; so the consulting team examined the issue very closely.

The team determined that, of the 142 sites that have a certificate of completion, 61 (or 43 percent) are in the EN Zone. Although less than half of all BCP sites, this still represents a positive result for economic/geographic distress targeting.

First, it should be understood that only 21.5 percent of New York's census tracts meet the EN zone standard.³³ The EN zone credit is working in the sense that it has resulted in a significantly higher percentage of real estate investments going to distressed areas than might otherwise be expected. One could assume that, absent the credit, many of the BCP real estate investments would have shifted to greenfields development, and it would be no surprise if less than 10 percent of the resulting development would be in an EN Zone.

Second, the EN Zone standard sets a relatively high bar relative to other measures of economic distress. For contrast, 44 percent of New York's census tracts qualify for New Markets Tax Credits,³⁴ more than double the EN zone census tracts.

Third, the EN zone criteria are fairly crude measures, not necessarily sensitive to the issues that define brownfields-impacted areas. Brownfields sites are usually in industrially zoned areas somewhat set apart from residential areas, and it is often fairly arbitrary which census tract they are assigned to.

Some groups have called for greater geographic/distressed area targeting of BCP credits. If the implications of that policy lead to lower credits *outside* of the EN Zone, there should also be a parallel consideration of an expanded definition of areas of distress or possibly a two-tiered ladder of economic distress. Factors to consider might include community-wide or county-wide distress factors such as loss of jobs.

A study could be done to determine where the State's brownfields are and to reevaluate the geographic targeting issue. The current census tract-only criteria are not "environmental" criteria. Taking industrial zoning into account within the EN Zone classification could better place EN Zones where the brownfields are located. BOA areas could be part of the test but the bar to submit a BOA application and to get into the BOA program is fairly high. Some upstate and smaller communities simply do not have the resources to get into the program. In addition, there are parts of the state that are not low income, such as Long Island, but have an extraordinary high number of brownfields and Superfund Sites principally because it is difficult to remediate sandy soils. An evaluation of where the state's industrially zoned brownfields are located for a redefined EN Zone may be the solution to the "targeting" issue discussed in a recent multi-stakeholder letter signed by a number of real estate, business, environmental and community development groups.

VI-A.1. EN ZONE IMPACTS

There were 61 sites in the EN Zones that have received Certificates of Completion. As would be expected, the sites have high rates of poverty, low median income, high percentages of non-white populations, and high unemployment rates (See Table 12).

Of these 61 sites, the consulting team was able to determine the re-use of 43 sites, 32 of which were complete or under construction. While the majority of the space being created is residential, the commercial space is still producing 5,100 permanent jobs (new and retained) in completed projects and another 570 on the drawing boards.

Table 12. EN Zone site demographic characteristics

	% HH poverty	med HH inc	% non-white	UE rate
mean	31.5%	\$ 35,514	48.2%	14.0%
median	30.7%	\$ 27,595	49.3%	13.7%

Table 13. Redevelopment in the EN zone: sq ft by re-use and jobs created/retained

	no. projects	square feet					no. jobs (new & retained)
		industrial	office/tech	retail	residential	total	
completed, under construction	32	300,000	691,320	782,850	6,672,800	8,446,970	5,125
planned	8	206,474	-	124,200	731,377	1,062,052	572
planned, no use determined	2						
Just cleanup	1						

VI-A-2. ECONOMIC DISTRESS OUTSIDE THE EN ZONE

Given that EN Zone status is a fairly high standard for establishing economic impact on economically distressed areas, the Redevelopment Economics team performed a demographic analysis of BCP COC sites that were not in the EN Zone. We note the following (see Table 14):

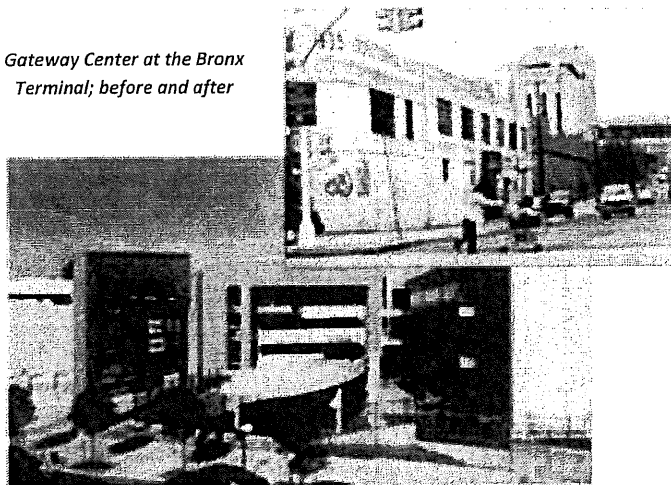
- More than half (36 of 65) of the non-EN Zone sites were in census tracts that rank as having a median income below the statewide median income and 40 percent (29 of 72) of non-EN zone sites rank as having a higher poverty rate than the statewide average.
- Depending on which measure is used, the total 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 63 percent of all BCP/COC sites.

Gateway Center at the Bronx Terminal Market – An example of distressed but-not-EN-Zone projects is the Gateway Center at the Bronx Terminal Market. The census tract is 94 percent non-white and has a median income of \$32,058, barely half of the median income of the New York-New Jersey metro area (\$63,553), yet the census tract did not meet the definition of EN Zone. The \$500 million mall employs 2,500 people in 1 million square feet in space. At the ground-breaking, former Deputy Mayor Doctoroff said, "Just as the deteriorating Bronx Terminal Market served as a constant reminder of the long-standing neglect of the South Bronx, the new, vibrant Gateway Center will symbolize the area's resurgence."

Table 14. Distress characteristics of Non-EN zone BCP sites

	% HH poverty	med HH inc	% non-white	Unemployment rate
mean	13.4%	\$ 58,556	27.0%	9.3%
median	9.8%	\$ 52,190	21.8%	8.1%

Gateway Center at the Bronx Terminal; before and after



VI-B. COMMUNITY DEVELOPMENT AND AFFORDABLE HOUSING

VI-B-1. BCP AND AFFORDABLE HOUSING

Of the 96 surveyed BCP COC sites, 29 were residential or residential/mixed use and 20 of those included an affordable housing component. Of the total 9,100 units, 2,917 (32 percent) are classified as affordable. Of the 29 projects, 19 were complete, two were under construction, and six were planned. The completed and under construction projects represented 84 percent or 7,891 units; planned projects comprise 15 percent or 1,216 units.

As indicated in Table 15, New York City projects comprised the majority of residential units in the Program: 79 percent or 7,072 units are being produced in BCP-assisted projects in NYC. Affordable units comprised 37 percent (2,588 units) of the NYC total. Former New York Mayor Bloomberg set an ambitious goal of providing 165,000 affordable units to house 500,000 New Yorkers by June 2014. This goal will likely be expanded by new Mayor DiBlasio, and it appears from the BCP statistics gathered, the BCP has been helping the City meet its affordable housing project goals.

Table 15. BCP residential and affordable housing projects

	total	affordable	percentage affordable
NYC	7,072	2,588	36.6%
Remainder of the State	2,035	329	16.1%
Total	9,107	2,917	32.0%

Affordable housing was split between eight "80-20" projects, eleven 100 percent affordable projects, and one 60 percent affordable.

The overall percentage of units devoted to affordable housing (32 percent) compares favorably to neighboring Massachusetts where 18.5 percent of units assisted through the Commonwealth's Brownfields Tax Credit Program are

affordable.³⁵

VI-B-2. MELROSE – BRONX COMEBACK

Melrose is an example of a neighborhood that is on the rebound, partly due to redevelopment of six brownfield sites for new affordable housing.

Melrose has a diverse population (approximately 75 percent non-white) with Latin Americans (mostly Puerto Ricans) comprising the largest population segment. The demographics of the census tracts where six BCP sites are located appear daunting: poverty rates over 50 percent and median household incomes no higher than \$16,000. The [neighborhood blog](#) refers to the area as "a neighborhood that, just 20 years ago was a forgotten land, empty shells, of buildings and rubble strewn lots." A 2010 article in the Mott Haven Herald made the connection between brownfields and neighborhood conditions:³⁶

Called "brownfields," underutilized and often contaminated sites like these are found throughout urban areas, but are especially numerous in neighborhoods like Mott Haven, Melrose and Hunts Point where crime, poverty and a changing economy have led many businesses to close and many building owners to abandon their property. "In a place like NYC where land is scarce, we need to develop our brownfields," said Shira Gidding, the director of environmental planning and development at the South Bronx Overall Development Corporation (SoBRO), which has applied to the state for aid in redeveloping brownfields in Port Morris.

There have been at least six BCP-assisted projects in Melrose, and one has to suspect that developers have been scouting the neighborhood to find contaminated sites that will qualify for aggressive BCP EN Zone incentives (presumably, this is what Albany policy-makers had in mind when the BCP EN zone incentives were adopted).

The six BCP projects have produced almost 1,000 affordable units:

- **Via Verde - New Housing Legacy Project** (See [Sustainable Development Section](#))
- **Courtland Corners (I and II)** – 323 affordable units. The site redeveloped a former gas station and automobile repair shop. Developer The Phipps Houses Group is one of the largest not-for-profit developers of affordable housing in the country. 30 percent of the units have been designated for particularly low income households of less than 50 percent AMI.
- **La Terraza** -- 107 units affordable housing. For the cleanup and redevelopment of a former dry cleaning operation, L+M Developmental Partners won the 2011 Big Apple Brownfields Award in Affordable Housing. In all, 10 sources of funding were assembled. The developer Tell Metzger referred to the \$4 million BCP tax credit as “an essential piece of the financing package.” A ground floor grocery store also fills a neighborhood need.
- **Courtland Crescent** - 217 units of low-income affordable housing. Also developed by Phipps Houses Group, Courtland Crescent included cleanup of contamination left by a long list of commercial-industrial operations: auto repair and service station; machine shop; iron works; boiler repair; brass fabricator; machinery, waste paper company; and cosmetics company.
- **Parkview Commons** – 110 rental apartments for low income households, 7,000 square feet of commercial space, and an open courtyard. Non-profit developer Nos Quedamos cleaned up the former automobile upholstery store, gasoline station and an automobile service facility.



Courtland Corners I and II

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 as a LEED Stage II Silver Certification for Neighborhood Development.

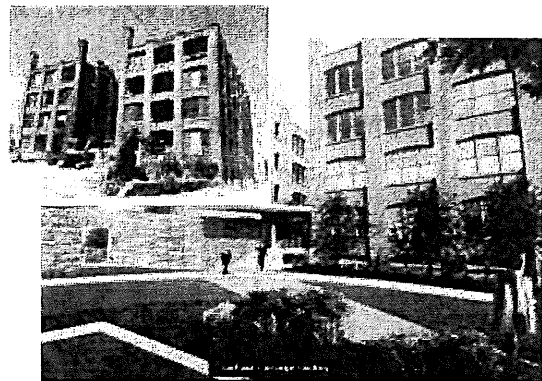
VI-B-2. BRONX AFFORDABLE HOUSING PLANS KEEP UP THE MOMENTUM

255 East 138th Street Site/Bronx - Lettice Construction through an affiliated LLC has just finished investigating and is actively remediating a 0.46-acre site located at 255 East 138th Street, Bronx, New York adjacent to the 138th Street subway station. This conveniently located affordable housing project will eliminate a former blight on the neighborhood. Two former gas stations, auto repair and shuttered Kentucky Fried Chicken restaurant closed on the site in 2005 and the site sat vacant until this time. Multiple underground storage tanks were located on the Site. Unique structural requirements are being mandated by MTA before excavation can begin because the site is so close to a subway tunnel, but this project will result in 99 units of affordable housing when constructed.

VI-B-3. ROCHESTER AFFORDABLE HOUSING FOR VULNERABLE POPULATIONS ALSO BOOSTING NEIGHBORHOOD RENEWAL

Carriage Factory – Currently under construction in the Susan B. Anthony neighborhood, the former Cunningham Carriage Factory is being transformed into 71 affordable units, including 39 licensed treatment apartments for clients with special needs. In an interview conducted for

this project Mark Gregor, Manager, Rochester Environmental Quality Division, describes the project as “addressing a long-time vacant and problem property in a neighborhood that needs a lot of help.” Further, he thinks the project will “catalyze other investment and stabilize a neighborhood that has been subject to disinvestment.”



Carriage Factory pre and post development (rendering by SWBR architects)

The neighborhood is 89 percent non-white and the poverty rate is 48 percent. Contaminants from the former carriage and automobile manufacturing operation include: trichloroethene (TCE) and tetrachloroethylene (PCE), VOC's, PAHs, and heavy metals.

Eastman Commons – A similar project to the Carriage Factory, Eastman Commons is 80 affordable units targeted to vulnerable populations, such as, returning veterans, disabled, elderly, and formerly homeless individuals.

Mr. Gregor refers to the property as “one of the City’s high priority sites because it was vacant and derelict for more than 20 years.” Former uses included a laundry, plastic fabrication, printing, and tool machining.

The neighborhood is majority non-white (52 percent) and the poverty rate is 27 percent. Also, similar to Carriage Factory, Gregor maintains that Eastman Commons has established a seed for neighborhood revitalization.

VI-C. BROWNFIELD OPPORTUNITY AREAS

New York’s Brownfield Opportunity Areas (BOA), governed under General Municipal Law Section 970-r, “provides a neighborhood or area-wide approach, rather than the traditional site-by-site approach, to the assessment and redevelopment of brownfields and other vacant or abandoned properties.”³⁷ There is a carefully prescribed three-stop process: Pre-Nomination Study; Nomination; and Implementation Strategy. Over 100 New York communities are participating.

Municipalities are universally eligible, but non-profits must demonstrate need.

The implementation mechanisms are 1) that BOA’s gain priority for certain state funds; 2) that BCP projects located in BOA’s and determined to aid implementation of a BOA plan are eligible for a 2 percent boost in the BCP tax credit. The latter link has not been a significant factor to date, because so few BOA’s have gotten through the implementation plan phase. As BOA’s progress through the complete process, this link to BCP will likely become a significant factor. Nevertheless, even though the 2 percent boost is not yet in effect for most BOA’s, BCP is already functioning as a strong incentive to encourage investment in BOA areas.

New Partners for Community Revitalization recently provided the legislature with an analysis of BCP projects in BOA areas: Table 16 indicates that 27 percent of BCP sites are located in and presumably contribute to BOA planning objectives.³⁸

One of the best examples of BCP-BOA tie-ins is the Yonkers waterfront, outlined in the Waterfront section, and detailed in the Appendix I Focus Project section.

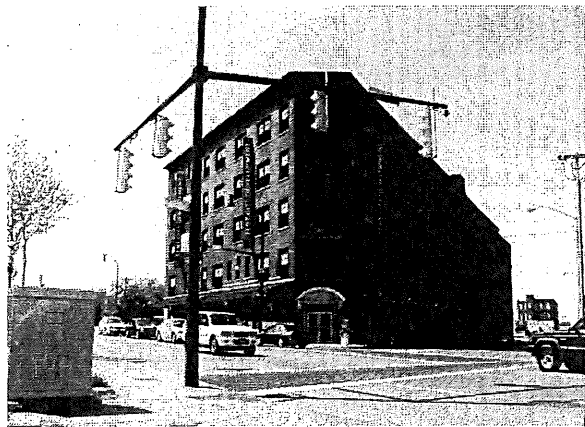
The consulting team also carried out two interviews with local managers of BOA projects in Broome County and Rochester. The focus was on the potential for BCP to act as an implementation mechanism for BOA plans.

Rochester – Mark Gregor, Manager Rochester Environmental Quality Division, cited an example of BCP sites aligned with BOA priorities: the potential redevelopment of the Tent City building as mixed income apartments. The project would advance Lyell-Lake-State (LLS) Street BOA plans which call for infill townhomes, improvements to Canal Park, mixed use on Oak Street, industrial/flex space, and urban agriculture.

Table 16. BOA Projects in the BCP

Region	# of Projects in the BCP	# of BCP sites that are in BOAs	%
Western NY	83	46	55.4%
Finger Lakes	46	5	10.9%
Southern Tier	13	3	23.1%
Central NY	17	4	23.5%
Mohawk Valley	6	0	0.0%
North Country	3	2	66.7%
Capital Region	15	9	60.0%
Mid Hudson	66	14	21.2%
NYC	117	17	14.5%
Long Island	15	2	13.3%
TOTAL	381	102	26.8%

³⁸NPCR analysis of NYS data: DEC & DOS



Tent City redevelopment would boost the LLS BOA

VI-C-1. BROOME COUNTY BOA'S

Elaine Miller is Commissioner of the Broome County Planning Office, which oversees the Broome County Endicott Johnson Corridor BOA, and three Binghamton BOA's: First Ward Neighborhood; Brandywine Corridor; and North Chenango River Corridor BOA. She first highlighted one project that illustrates the point that BCP is already acting as a BOA investment incentive: Gannett Corporation's print production facility in the Endicott Johnson Corridor BOA. (See [Gannett focus site write-up in the Appendix](#)). She indicated that the 115-employee state-of-the-art printing facility has a catalytic effect, as a new Walmart and a New Visions Credit Union have sprung up on former abandoned property, and a farmers' market is planned, as well. Upgrades to the adjacent CFJ Park also followed the Gannett project.



Gannett Corporation's printing operation located in the Endicott-Johnson BOA area in Johnson City. The facility employs 110 people at the site of a former shoe manufacturing plant, which had been vacant for 10 years.

Ms. Miller also stressed that several BCP-eligible sites are key properties in the BOA areas. One example in the Northside BOA is 33 West State Street, a former City dump in a low income area, proposed to be redeveloped as a revitalized Binghamton Plaza. A similar example in the First Ward BOA is 2 Tichner Place, also proposed for commercial reuse.

From the longer term perspective, Miller stressed that each of the BOA plans are going to need aggressive incentives in order to be implemented. In the Endicott Johnson BOA, for example, some former industrial properties will be proposed for conversion to residential and artists' lofts, but market conditions are not favorable enough for 100 percent private development.

Mark Gregor, City of Rochester, summed up the BOA tie-in to BCP:

"We're going to have really well conceived BOA master plans. But, if we don't have BCP or other equally effective incentives, I don't know how we will be able to promote and implement successful cleanup and redevelopment within the BOA's."

VII. ENVIRONMENT, SMART GROWTH, AND SUSTAINABLE DEVELOPMENT

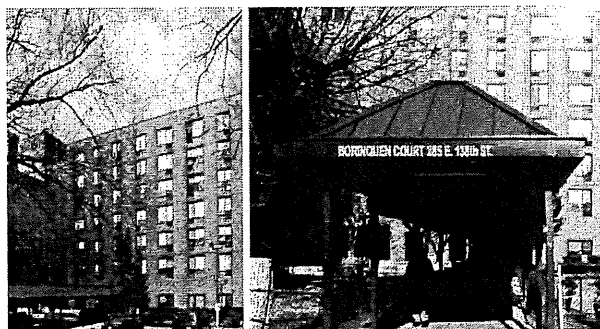
VII-A. PROTECTING PUBLIC HEALTH AND VULNERABLE POPULATIONS

From State tax credit records 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.

From the surveyed COC sites, there were 42 where analysts had a record of the remediation and (sometimes) site prep costs. These totaled \$265 million invested in cleanup/site prep, with a mean of \$6,325,329 and a median of \$1,747,500 per site. These costs per site are higher than other state and national records, although the difference may be explained by New York including certain site prep costs, over and above remediation (such as demolition, and lead paint and asbestos abatement). In any event, to state the obvious, that is \$265 million invested in protecting public health and the environment, and, absent the tax credits, it is very likely that remediation investments would have been a small fraction of that amount.

Borinquen Court serves as a useful reminder that BCP is not just a redevelopment tool – it also serves to protect public health. The survey form (filled out for this study) describes the project as the cleanup and renovation of an existing 144-unit elderly housing complex:

Soil and groundwater clean-up beneath an existing occupied, affordable senior housing development that was built in the late 1970's on land previously utilized as a gas station and metal works factory... In addition to ensuring that the health and safety of the senior residents will be preserved and the NYC groundwater supply protected, participation in the BCP provided sufficient liability protections and financial incentives to facilitate the involvement of conventional lenders/equity investors to provide an additional \$18 million for long-deferred capital improvement work (i.e. roof and window replacement, new boilers, apartment renovations, HVAC, etc).



Borinquen Court – cleanup protects vulnerable elderly populations

The project, although not creating anything “new,” can be still be credited with cleanup of past contamination, protecting vulnerable elderly populations, and an \$18 million investment in upgrading and renovating their facility.

VII-B. SMART GROWTH CHARACTERISTICS OF BCP PROJECTS

Brownfields get smart growth points, just by virtue of re-using land in existing communities instead of developing farms/forests/greenfields. However, there are gradations in that some sites and projects have the location and density characteristics associated with less automobile travel, and hence the lowering of greenhouse gases. EPA studies have reported that, nationally, brownfields save 32 to 57 percent Vehicle Miles Traveled (VMT) relative to comparable greenfields sites.³⁹ There are parallel greenhouse gas and other air emission benefits.

Generally, the research in this area ranks the following variables as determining the extent to which individual projects can claim similar VMT and GHG reduction (in rank order):⁴⁰

Clinton Green, a “Long-awaited” Infill Project

In approving the proposed plan for Clinton Green, Anna Levin, Chair of Community Board 4, noted that “development plans for these lots started back in the 1960s.” New York’s Economic Development Corporation (EDC), which had acquired the under-utilized land pursuant to the Clinton Urban Renewal Plan and advertised for competitive proposals, called it “the long-awaited plan for Clinton.” The Dermot Company, winner of the competition, carried through with plans for a green building, mixed income (80-20) residential-commercial development that devoted 60,000 sq ft to not-for-profit Theater/cultural space and 14,000 sq ft of open space. Clinton Green has a Walk Score® of 85. See [Appendix 1](#) for more about Clinton Green.

- Density
- Location near the city center or other employment centers
- Mixing of uses (within the project or within the neighborhood) as an indicator of walkability
- Street connectivity and connection to the existing grid
- Access to transit

While a full modeling of the BCP projects was beyond the scope of this study, the analysts did examine the issue and make an “order of magnitude” estimate. For the BCP projects, there are three excellent indicators that the team was able to measure:

1. **Density:** The team found that the average Floor Area Ratio (FAR) of the BCP non-industrial projects was estimated to be 1.5,⁴¹ which is at least four times typical of suburban densities.
2. **Walk Score:** Walk Score® is a measure of the degree to which a site is in a “walkable” neighborhood with close proximity to retail services, amenities, and public transportation services. The rankings are from 1-100, with five gradations from “car-dependent” (0-50) to “Walkers paradise” (90-100). Redevelopment Economics ran Walk Score® for all of the surveyed COC sites, removing the industrial projects. The result was that BCP projects have a median Walk Score® of 75, which ranks as “very walkable.”
3. **Transit score:** Another measure of sustainable locations is transit score, similar to Walk Score® but measuring access to transit. Transit score was not available for about half of the BCP projects, but, for the 30 sites where it could be calculated, the median was 89, which is translated as “excellent transit.”

These factors would tend to lead to a conclusion that BCP projects are at the upper end of the range of VMT reduction in the EPA study; however, staying to the conservative side, the team estimates VMT reduction in the middle of the EPA range, or a 45 percent reduction in relation to alternative development patterns.

VII-B-1. GREEN AND AFFORDABLE – VIA VERDE - NEW HOUSING LEGACY PROJECT, SOUTH BRONX



Via Verde - green and affordable

There are numerous examples of BCP projects that have exceptional sustainability characteristics. Some of these are catalogued in [Appendix 2](#).

One of the outstanding examples is the Via Verde/New Housing Legacy Project, which took derelict former industrial land and created a new affordable housing community with model sustainability features. Located in the South Bronx, the project was the result of a City-sponsored competition to create an affordable and sustainable model for new housing development. The award-winning plan, developed by Jonathan Rose Companies provides 220 units of affordable housing, 8,532 sq ft of retail and community space, and 27,700 sq ft of open space. Previously, this site was used as a freight yard, a provisions facility, and a gasoline station.⁴² In making the announcement, Commissioner Shaun Donovan said, “For decades the South Bronx was plagued with abandoned and neglected properties, but today, thanks to investment by the City as well as private and non-profit developers, the community is experiencing a dramatic

revival.”

Via Verde achieved LEED Gold certification from the U.S. Green Building Council (USGBC) for its innovative environmentally responsible design. Aside from achieving a high standard for energy efficiency, the project also features rooftop gardens that dissipate heat and absorb rainwater runoff while providing opportunities for active gardening, vegetable cultivation, relaxation, and social gathering.

Conclusion for Environment/Sustainability:

NY BCP Projects are creating jobs, restoring economically depressed neighborhoods, while also improving the environment and contributing to smart growth and sustainability. 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.

VIII. POLICY ANALYSIS AND COMPARISON TO OTHER STATES

Analysts reviewed a series of reports that have commented on the efficacy and fiscal impact of the BCP program, including those prepared by the Comptroller's Office,⁴³ the New York State Tax Reform and Fairness Commission,⁴⁴ New Partners for Community Revitalization,⁴⁵ and the Environmental Advocates of New York.⁴⁶

There are several issues that have been raised:

1. Why are most of the funds going to redevelopment, rather than cleanup?
2. How does the program compare to other states?
3. Do the extra costs of brownfields justify an as-of-right credit?
4. Why were more sites assisted under the previous Voluntary Cleanup Program, which involved no tax credit, than under BCP?
5. Is BCP assisting projects in the state's economically-distressed area?
6. Is the state getting a satisfactory return on its investment?
7. The State commitments under the Program are projected to reach over \$3 billion – is that accurate?

The latter three questions are addressed in other parts of the report – see the links, above.

VIII-A. WHY ARE MOST OF THE FUNDS GOING TO REDEVELOPMENT, RATHER THAN CLEANUP?

BCP is comprehensive in its approach to addressing brownfields issues. Legislators were farsighted in electing to not only clean up, but also redevelop sites, which would heal the environment as well as the stimulate the economy, especially in distressed areas of the State. As stated in the statute's legislative intent, the purpose of the BCP is to:⁴⁷

1. Mitigate the threat to public health and the environment from contaminated sites.
2. Promote the redevelopment of abandoned contaminated properties as a means to revitalize economically blighted communities.
3. Create an alternative to greenfield development by removing barriers to redevelopment of urban brownfields.

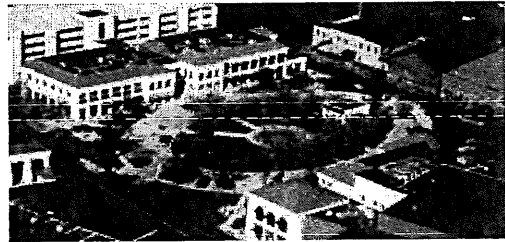
The incentives created by the statute encourage not only cleanup, but redevelopment, by providing a larger redevelopment than cleanup incentive in order assure that communities will get the broader benefit of revitalization, while also avoiding the negative externalities associated with sprawling greenfields development. A cleanup without an associated project, as evident in the new statistics on the Superfund Program where only cleanups occur, reveals sites that remain vacant and underutilized.

The Comptroller's office report accurately points out that the preponderance of tax credits have gone to redevelopment, not cleanup/site preparation. This point has resulted in criticism from some interested parties, and some have proposed to make the program a cleanup only program. While a party cannot earn the redevelopment tax credit without performing a cleanup, the issue requires a more in-depth analysis.

VIII-A-1. BCP: WHAT IS THE CLEANUP-REDEVELOPMENT SPLIT?

The site prep percentage of total BCP tax credits is 9.2 percent for all COC projects where the tax credit is reported, 2008-13. When analysts isolated the post 2008-reform sites, the site prep percentage of total credits rose to 12.7 percent (the latter analysis was 2008-12). As noted in the Protection of Public Health section, one of the benefits of the relatively lucrative tangible (redevelopment) credits is that the vast majority (likely 80 percent) of cleanup/site prep is private investment (investment that would be unlikely to occur if New York eliminates or severely limits the tangible credit).

However, the pre-2008 set of projects had one important distortion in the data: before the 2003 amendments to the Tax Credit Program, the State cleanup tax credit (10-22%) was lower than the federal IRS Section 198 tax write off (~38%). Since the redevelopment tax credit was not contingent upon claiming the cleanup credit, a number of developers with smart tax advice sought the federal tax write off instead of the NY cleanup tax credit. There were at least six sites that claimed section 198, not BCP site prep, skewing the data. The team was able to document a total of \$101.3 million in cleanup/site prep costs that were not claimed as NY BCP site prep. By accounting for these additional sites, it is estimated that current reporting of BCP site prep understates actual spending on remediation/site prep by at least 21%.



Atlas Park in Glendale - The project had \$11.6 million in cleanup costs, but used the federal section 198 deduction instead of BCP for to help finance remediation

Two of the focus projects in the appendix, [Atlas Park](#) and [Clinton Green](#), are examples of sites that had significant cleanup costs (\$18 million and \$11.6 million, respectively) and took the section 198 deduction instead of the site prep part of BCP. They both were recorded as having "0" for the BCP site prep credit in the Tax and Finance Department's data.

VIII-A-2. CLEANUP-ONLY PROGRAMS OFTEN GET JUST THAT

The problem with the cleanup-only approach is that making land development-ready does not assure that the benefits of redevelopment will occur.

EPA Brownfields Program – EPA funds brownfields assessment, revolving loan fund and cleanup grants to eligible entities that work to remove barriers to public and private redevelopment. EPA's Brownfields Program is focused on understanding the nature and extent of environmental contamination and enabling cleanup, as necessary. In a July 2012 report, the EPA identified that of 8,294 properties funded nationwide between 2003-2008, 1,895 properties (23%) were made ready for reuse, 861 properties (10%) started redevelopment and 168 properties (2%) completed redevelopment.⁴⁸ EPA's Brownfields Program is limited in its effectiveness in catalyzing site reuse because it does not fund redevelopment, but relies on local, state and federal partners to provide the critical gap financing needed.

NYS Superfund Sites Analysis – It is acknowledged that the statutory purpose of the Superfund program is to protect public health and the environment, not to promote redevelopment. Nevertheless, to contrast the Superfund clean-up only approach with BCP, the consulting team analyzed 209 state and federal Superfund sites in New York relative to redevelopment status. The team was able to clearly discern the redevelopment status for 166 of those sites where remediation had commenced; only ten (6 percent) of those sites have been redeveloped and yet many site owners are still paying taxes on these "mothballed" shuttered sites. There is more information about the Superfund analysis in [Appendix 5](#).

Redevelopment Economics is currently carrying out an analysis of impacts for a state brownfields incentive cleanup only program in another state, and preliminary data indicates that only one-third of the sites assisted have been redeveloped. New York State, by structuring the tax incentive to reward redevelopment (not just cleanup), has moved ahead of states that are in the cleanup-only category. More than two-thirds (68 percent) of the surveyed COC sites have been completed or are under construction, and only 18 of the 80 COC sites where tax credits have been recorded have claimed the site prep credit but not the tangible credit. Most of the remainder are in advanced planning.

VIII-B – HOW DOES BCP COMPARE TO OTHER STATE BROWNFIELDS AND REDEVELOPMENT PROGRAMS?

As concluded above, the BCP program is really more than a brownfields program; therefore, the consulting team is carrying out cross-state comparison in two parts: brownfields incentives and redevelopment incentives.

Brownfields Incentives – State brownfields incentives come in at least the following categories: income tax credits, grant-loan programs, and state-assisted tax increment financing. The detailed summary of these programs is in [Appendix 4](#).⁴⁹ Briefly summarized the main points are that:

- There are 13 states that have income tax credit programs to encourage brownfields redevelopment. The programs that can be used for more than just remediation include Missouri, Iowa, Mississippi, and Florida. Florida and Mississippi are “as of right” credits, similar to New York’s but less expansive.
- There are approximately 15 states that have grant-loan programs – the more significant programs are those funded by multi-year bond issues (including Ohio, Pennsylvania, and California) and those that have dedicated sources of revenue (including Washington and New Jersey).
- In a growing number of states tax increment financing is a primary tool for brownfields redevelopment and states have taken a number of steps to make the connection between brownfields and TIF, such as setting up complimentary alternative loan sources (Michigan), allowing more tax revenue sources to be counted in the TIF (Tennessee), and offering a state-backed guarantee for brownfields TIF projects (Pennsylvania and Connecticut).
- In Michigan, there is a parallel with BCP in that brownfields incentives are purposely structured to serve larger redevelopment objectives. Michigan’s Brownfields Redevelopment Authorities primarily use TIF to address not just contaminated land, but also “functionally obsolete, blighted, or tax reverted property.”⁵⁰

All of these states are making substantial brownfields commitments, although none exceed \$100 million annually.

Redevelopment Incentives – (See Appendix 4 for an expanded discussion with fully documented sources) Brownfields projects often benefit from redevelopment incentives that are not under the brownfields umbrella but may provide larger dollar amounts than the brownfields sources. These are a little hard to pin down but generally fall into the following categories: tax increment financing; state-specific economic development tools; and state tax credit programs that mirror the federal Rehabilitation (historic preservation) Tax Credit and/or the New Markets Tax Credit. The consulting team is not charged with evaluating New York’s economic development/redevelopment tools; however from the consultant’s experience with redevelopment policy issues in other states, analysts offer three observations: 1) New York does not have a state counterpart to New Markets, 2) the NYS Rehabilitation Tax Credit is a limited tool, because of a per project cap of \$5 million, lack of transferability, and geographic restrictions; and 3) tax increment financing (TIF) is almost non-existent in New York.

This latter point, the lack of TIF, requires some expansion. Two of New York’s neighbors, New Jersey and Pennsylvania, have recently adopted programs that allow certain state revenues to be used to assist urban redevelopment projects that meet key state objectives. The New Jersey and Pennsylvania programs are similar to “super TIF” programs in Kentucky, Missouri, Massachusetts, Missouri, Kansas, Tennessee, Nevada, and Colorado.

The funding levels that are going into these super TIF programs and projects are eye-opening. For example, \$900 million in combined state and local TIF funds were recently committed to supporting the Three Trails Project in Kansas City. Some of the brownfields projects that have been assisted (or are lined up for assistance) include:

- In New Jersey, the state recently announced a \$390 million commitment to the Meadowlands American Dream Project. Also in the pipeline: Trenton’s Wire Rope brownfields/TOD project, adjacent to a RiverLine light rail station. The redevelopment is planned as a 450,000 square foot mixed use development.
- Missouri supported the Branson Landing and Convention Center with a \$54 million state commitment;
- In Pennsylvania the first two projects authorized under the state’s new City Revitalization Improvement Zone (CRIZ) are for brownfields projects in Lancaster⁵¹ and Bethlehem.⁵² The Bethlehem project is a \$580 million redevelopment.
- In Kentucky, the Distillery District project in Lexington is an example of a brownfield project that is lined up for a \$17 million in state infusion;

None of these programs are limited to brownfields but each is funding brownfields and many of the per-project commitments are significantly higher than those under NYS BCP.

Missouri provides a good example of a state that brings multiple redevelopment tools to bear on brownfields projects. In a review of the funding sources for 50 brownfields projects, the vast majority of public funding (78 percent) came from sources outside the “brownfields silo:” TIF (state and local) and historic tax credits (state and federal). (See the Missouri section of the appendix.)

New York’s brownfields/redevelopment incentives are more concentrated in the brownfields silo, where other states are similarly assisting brownfields with high dollar amounts, but through programs that are not under the brownfields umbrella. From this broader perspective, New York’s BCP commitment would no longer appear to be the most expensive or the most lucrative program. Further, the

relative priority BCP gives to redevelopment, as opposed to remediation, is also entirely appropriate because New York's redevelopment incentives, aside from BCP, appear to be weak.

Cross-State Comparative Analysis Conclusion

New York's brownfields/redevelopment incentives are more concentrated in the brownfields silo, where other states are similarly assisting brownfields with high dollar amounts, but through programs that are not under the brownfields umbrella. From this broader perspective, New York's BCP commitment would no longer appear to be the most expensive or the most lucrative program.

Further, the relative priority BCP gives to redevelopment, as opposed to remediation, is also entirely appropriate because New York's redevelopment incentives, aside from BCP, appear to be weak.

VIII-B. DO THE EXTRA COSTS OF BROWNFIELDS JUSTIFY AN AS-OF-RIGHT CREDIT?

Tax credits in the real estate world are usually designed to be "automatic" so that real estate investors can "pro forma" the credit when initial project feasibility is being undertaken. In this manner, a tax credit that developers can count on is having the greatest impact in "moving the dial" to favor the desired investment. In 2003, when New York decided to create a tax credit program (rather than a grant-loan program) as the key private sector incentive, the state was making a choice that is consistent with how developers operate and make decisions – essentially they need predictability and they shy away from uncertainty.

While introducing a needs test to BCP may seem like a fiscally responsible approach, decision-makers must recognize that needs testing would compromise the predictability of the program and make it a less effective incentive. Ironically a needs test also sometimes leads to "gravy" for the developer that gets approved – the reason is that needs testing takes time and requires upfront investment (for example, a developer cannot apply for a cleanup grant until the site assessment is complete). The developer must consider whether to make this upfront investment, given the possibility of being turned down for the grant; so the developer may have already eliminated sites that are infeasible without the grant.

Developers interviewed for this study liked the "as-of-right" current tax credit structure because they can use these credits, which are only earned after money is spent, as leverage to obtain financing for the remediation and redevelopment project. Before BCP, they contend, it was very difficult to obtain any equity or traditional financing for remediation work. Developers also like the apolitical nature of an as-of-right credit.

VIII-B-1. EXTRA COSTS: DEVELOPMENT AND REGULATORY COMPLIANCE

Brownfields have predictable extra costs, not unlike historic preservation (the Rehabilitation Tax Credit usually operates as an as-of-right credit, totaling 40% of eligible costs, roughly double the BCP). The extra brownfields costs are more than just site assessment and cleanup. In the following list the first three are typical extra development costs for brownfields almost anywhere; the latter four are regulatory compliance costs that development interests claim are higher in New York State. (The disclaimer relative to the points on the regulatory issues is that the team's charge did not include a full cross-state analysis of the regulatory performance of BCP – the points made here come partly from interviews and discussions with brownfields development interests in New York and partly from Redevelopment Economics' past involvement with state brownfields policy analysis.)

- **The extra costs of re-purposing industrial sites for new uses** – as one example, larger industrial sites usually do not have the streets and utilities required for subdivision.
- **Extra costs for waterfront/riverfront sites** – Waterfront/riverfront sites often have extra costs related to public access, building waterfront trails, shoreline or stream bank restoration, and erosion control.
- **For distressed area/EN Zone sites** – lower revenue streams due to poor market conditions.

- **Significantly greater time in gaining regulatory approvals.** In New York State, the BCP regulatory process appears to be more time-consuming than most states. The timeframe from acceptance to COC averages 3 ½ years. In several other states (including Ohio and three of New York's neighbors: New Jersey, Connecticut, and Massachusetts), the length of time that it was taking to gain regulatory approval led to programs that involve shifting regulatory oversight to private "licensed site professionals." Redevelopment Economics was part of a team that examined voluntary cleanup timeframes for the State of Washington and found that these privatized oversight programs had average timeframes of one to two years.⁵³
- **Environmental liabilities not addressed by BCP.** BCP does not address any of the following potential third party liabilities: property damage claims; diminution of value suits; and toxic tort. A recent article cited ten states that offer some form of third party liability protection.⁵⁴ Additionally, two of the BCP reopeners are ones that are not universal relative to other states: that the level of contamination remaining is no longer protective of human health and the environment; and failure to hold to the agreed development schedule five years after the COC is issued. Developers/investors sometimes purchase private environmental insurance and sometimes simply account for these liabilities in their own risk-reward calculation – either way, they are accounted for and represent a cost.
- **Extra costs and delay for public participation.** Analysts have not addressed this issue in detail, but the New York public notice and involvement requirements appear to be more demanding than most state VCP's and add significant time to the process.
- **Cleanup standards.** Again, the consulting team was not tasked with examining BCP cleanup standards and comparing them to other states; however, the team did get feedback from development interests who believe the use based cleanup standards are more strict than neighboring states. Adding to the rather cursory evidence: national research cites average cleanup costs of \$600,000 to \$1 million per site,⁵⁵ compared New York's cleanup *and site prep* of least six times the national mean. NYS' addition of site prep, over and above cleanup, explains an unknown portion of the difference.

This limited information is hardly conclusive, but New York may want to consider a comprehensive and independent analysis of the regulatory side of BCP.

From a policy perspective, if New York wants to accelerate smaller scale cleanups, the single biggest change that would do that is to de-link a new, simplified regulatory program from the tax credit, and then construct an expedited VCP based on best practices around the country. The BCP would remain for the larger, more complex projects. However, policy-makers should consider improving its liability protection by eliminating some of the broad reopeners and adding third party protections. If New York significantly cuts back on the BCP tax credit, regulatory side reforms should take on added urgency.

VIII-B-2. "BUT-FOR" QUESTION

Some observers have questioned whether BCP brownfields investments would have occurred absent the tax credit. The above discussion calls attention to the interplay between the tax credit and the regulatory process, and suggests that substantial incentives are needed, in part, because New York's regulatory process is time-consuming and expensive.

Additionally, analysts asked the "But-for" question in ten developer interviews, five community planning staff interviews, and in the online survey (with fourteen responses). While this is an admittedly subjective area, the overwhelming response was that the BCP projects under discussion would not have been undertaken absent the BCP tax credits; and that the BCP credits were critical to gaining other private financing. If the opinions of developers are discounted because of self-interest, the opinions of City staff still stand as an indication that, at least for the BCP projects in their communities, BCP was critical to successful implementation.

VIII-C. WHY WERE MORE SITES ASSISTED UNDER THE PREVIOUS VOLUNTARY CLEANUP PROGRAM, WHICH INVOLVED NO TAX CREDIT, THAN UNDER BCP?

The State Comptroller report noted that more sites (212) were completed under the pre-2003 Voluntary Cleanup Program (VCP) than under the post-2003 BCP Program (128 sites), and that VCP did not offer any tax credits. First, it should be pointed out that cleanup does not equate to redevelopment – this report documents the high rate of redevelopment for BCP sites. The perception in the industry is that a relatively high number of VCP sites were owner/operator/RP sites where the motivation was to address liability issues, not to undertake redevelopment. Thus, a more fine-tuned analysis would likely show that the redevelopment rate for VCP was significantly lower than BCP.

Second, the total number of sites participating was similar: the VCP existed from roughly 1998 until the BCP was adopted into law in October, 2003, and 409 sites participated. Between October 2003 and the present, approximately 474 projects have participated in the BCP.

Third, there are a number of important differences between the programs that complicate comparison:

- VCP was an administratively created program designed to provide a DEC-only (not a State) liability release and alleviate off-site remediation obligations for parties that had found releases on their sites via Phase II investigations or were otherwise being threatened with enforcement actions if they did not remediate a discovered environmental condition. In simplified terms, VCP amounted to the state saying that the applicant carried out the appropriate cleanup.
- BCP, in contrast, offers State liability limitations, statutorily-prescribed procedures, and very substantial incentives to redevelop property. With the program benefits (both liability and incentives) enhanced, BCP changed the rules of the game. As one example, BCP involves 30 or 45 day Fact Sheet/community notice requirements at eight different points in the cleanup process. As the extent of the financial incentives and their fiscal impact became evident, DEC instituted a series of eligibility criteria that attempted to eliminate many sites (such as historic fill sites) that were previously eligible. Additionally, the length of time to progress through BCP is 3 ½ years, too long for any development project that can avoid it.

BCP does not have a monopoly on brownfields liability protection, and it is very likely that sites that are financially feasible without the tax credits are avoiding BCP because it is viewed as slow and expensive. The alternative ways developers can protect themselves from liability are:

- Federally-prescribed Bona Fide Prospective Purchaser protections;
- Private environmental insurance; and,
- In New York City, the City-developed Brownfields Cleanup Program, which was created precisely because the State BCP process was so time-consuming and difficult that developers who did not need the tax credit were avoiding it.

VIII-D – CONCLUSION: POLICY ANALYSIS AND COMPARISON TO OTHER STATES

The U.S. Conference of Mayors (USCM) periodically surveys cities to understand their brownfield redevelopment challenges, as this subject has been a top priority for the organization for over 20 years. In 2010, there were 103 cities (68%) of the total respondents that stated additional resources were needed to complete brownfield redevelopment successfully. Incentives desired included tax credits, loan guarantees, low interest loans for development, infrastructure and other assistance.⁵⁶ Because of the BCP program, this problem is much less the case in New York State.

With the BCP tax credits expiring in 2015, NYS is currently reevaluating the program. The data gathered and analyzed in this report reveals that the current program, has produced significant revenue and job creation benefits for the state through the current as of right tax credit structure designed to encourage both remediation and redevelopment.

While the analysis was not centered on the regulatory side, the team became aware of concerns related to process requirements and time frames, higher cleanup standards, and a less favor liability release. The overall low number of sites that have participated to date in the program may indicate that the private sector views the program as too slow and expensive relative to the benefits, even with the current tax credits. If the tax credit structure is drastically altered and the remaining elements of the program are not simplified and improved to encourage participation, the likely result would be far fewer brownfields will be redeveloped in New York.

Policy Analysis Conclusion

In New York, because of the BCP, the persistent funding shortfall that plagues brownfields efforts in other states is much less the case. Most of the states in the Northeast and Midwest have aggressive brownfields incentives; New York's BCP may be the largest dollar commitment, if one is narrowly concerned with the "brownfields funding" silo. However, when other redevelopment incentives are considered, New York's overall commitment is likely comparable to other states where brownfields redevelopment is an important 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.

If New York wants to continue to gain the community, environmental, and economic development benefits of brownfields 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 where liability is the primary obstacle. Removing incentives, changing the program to a grant only program, or making the program a cleanup only program would diminish the success that has taken place in New York through the current program.

APPENDICES

Appendix I. Focus Projects:

Transforming Yonkers – Waterfront TOD Projects Revitalize and Upgrade City's Image

Health Now, Buffalo – Corporate headquarters

Erie Harbor Townhomes and the Hamilton Tower in Rochester: Market Rate and Affordable Housing Revive Waterfront

Clinton Green in New York (Manhattan), NY: Market Rate and Affordable Housing

Schenectady Economic Resurgence: ALCO Site redevelopment and The Golub Corporation Headquarters

Gannett Corporation in Johnson City: Newspaper Production Facility

Welded Tube USA, Inc. In Tecumseh Business Park, Lackawanna: Spurs Manufacturing Revival in Neighboring Buffalo

Atlas Park, Glendale, Lifestyle Shopping Center

Appendix 2. BCP Sustainable Development Projects

Appendix 3. Methodology

Appendix 4. Cross-State Comparison, Brownfields and Urban Redevelopment Incentives

Appendix 5. Data on Federal and State Superfund Sites in New York State

APPENDIX 1 – FOCUS AREAS AND PROJECTS

In this section several projects are described in more detail, providing greater depth to obstacles overcome, spin-off benefits, and key financing components. While most of these are individual projects, it seemed appropriate to also highlight one community, Yonkers, where BCP-funded projects are sparking a larger waterfront/downtown/TOD renewal.

Yonkers: BCP-funded Waterfront TOD Projects Revitalize and Upgrade City's Image

Background – Once a thriving industrial waterfront City, by the 1990's and early 2000's, abandoned and derelict industrial property dominated the City of Yonkers more than 150 acre Alexander Street BOA and another 50 acres in the Lower West Side BOA waterfront. The City was plagued by brownfield sites and yet was well situated adjacent to New York City.

Yonkers is an ethnically diverse community with a 45 percent non-white population and large segments of persons of Hispanic origin. Median household income was \$44,700 and the poverty rate was 15.5% in 2010. As a result, much of downtown Yonkers is located in a State environmental zone (high poverty and high unemployment).

BOA Tie-In – After setting the stage through urban renewal planning and EPA-supported brownfields planning, in 2005 Yonkers applied and was granted the first round of Brownfield Opportunity Area (BOA) grant monies for three planning areas.

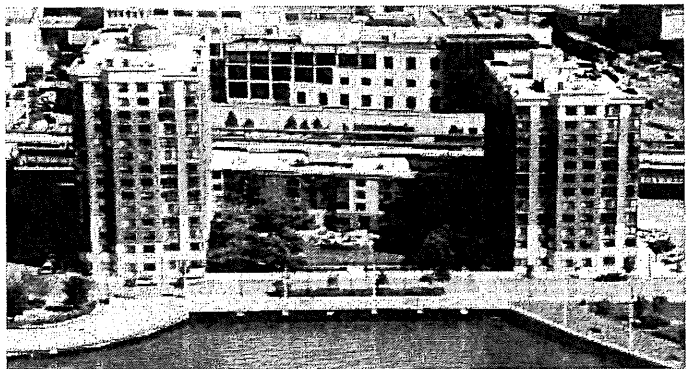
The re-use plan for key waterfront parcels was determined in the Step 3 Alexander Street BOA Plan, Master Plan, and Urban Renewal Plan. Alexander Street Waterfront BOA (north of the main Yonkers Metro North train station up to the Glenwood local station) includes multiple brownfields within 150 acres of real estate along the Hudson River adjacent to downtown.

It took four years of extensive public participation to develop the three plans into final form, when they were adopted by the Planning Board and City Council as final in May 2009. The goal of these three plans was collectively to remediate and then revitalize the waterfront in a new green, sustainable mixed use residential and commercial neighborhood and reconnect the waterfront to downtown. The three plans all sought to maximize transit-oriented development (TOD) as one of the drivers for the redevelopment plan to encourage New York City commuters to travel and live just a bit further north but along the Hudson River with a view of the Palisades on the other side of the River.

One key parcel, the ATI Tank Farm site, was acquired and remediation was completed in 2013. It's now part of the growing pipeline of projects (see below) that are gradually re-making the Yonkers waterfront.

Two now-completed BCP projects were identified by Yonkers Planning Director Lee Ellman as two of the three linchpin projects that got the ball rolling.⁵⁷ The two BCP projects were both located on City-owned land, sold to brownfield developers for projects that would implement the vision created in the plans.

Hudson Park North: The Hudson Park North twin towers (292 market rate apartments) redeveloped a waterfront surface parking lot with site with more than 100 years of industrial history, including a lumber yard, coal storage, automotive storage, building supplies, elevator manufacturer, asphalt mixing plant and a sand and stone company. As an EN Zone site, the project qualified for 18% percentage tangible credits, and the resulting \$21 million in tax credits leveraged the \$117 million total project investment. The BCP credits paid for critical infrastructure and a public open space esplanade and bulkhead on the waterfront. Located adjacent to the main Yonkers Metro North commuter station, the project helped establish Yonkers as a viable option for New York commuters. The developer of this project, is now implementing its next BCP project next



A linchpin project: Hudson Park North waterfront-TOD

door.

66 Main: 66 Main is similarly located near the Yonkers commuter station and the waterfront. Past uses, which contributed to onsite contamination, include a foundry, paint factory, machine shop, garages, printing shop, paint store and auto body shop. EN zone qualifying tax credits of \$5.7 million leveraged \$37.6 million total project investment, resulting in a green, mixed use/TOD project of: 24,000 sq ft of retail space and 170 apartments and live-work spaces (35 affordable). The building is powered by a geothermal pump power system. The developer is also implementing its next BCP project in the same area on a former auto dealership site.

Excerpts, interview with Ed Sheeran, former Executive Director, Yonkers Industrial Development Authority:

“Without the tax credits, these projects would not have happened... Downtown Yonkers was not the garden spot with abandoned buildings and prevalent poverty...lenders were not interested...the Collins project (Hudson Park) was pioneering”

Positive Trends: spin-off and in the pipeline: Yonkers is beginning to see new investment in the downtown area. Lee Ellman (Planning Director) indicated that, *“The BCP projects spurred the overall renewal of the area by the train station, creating a walkable TOD district. That attractive neighborhood look, in turn, has made the area attractive to Mindspring (a new downtown IT business with 160 employees) and other developments.”*

With the market now starting to be established by these pioneering projects, there are a number of additional waterfront TOD projects, which are about to be implemented as site remediation is finally reaching completion:

- Two sites managed and owned by Fidelco Development (1) one known as Palisades Point also near the Yonkers train station is ready for imminent construction on a site remediated through the NYS Bond Act program; and (2) the BCP remediated ATI site located further down Alexander Street;
- A number of sites owned by a local business owner known as the former BICC Cables Corp. Superfund Site (one of the few Superfund sites to make it through the BCP to the imminent point of completion anticipated in mid 2014); and the Sun East and Sun West Sites (formerly owned by Sun Chemical Corporation) could bring more than 2,500 units of near-downtown housing and neighborhood oriented commercial space;
- a planned \$250 million re-purposing of the long-vacant Glenwood Power Plant on the northern-most end of the BOA District near the Glenwood local Metro North train station, proposed to be a hotel/meeting facility/ and cultural attraction events space.

All of these developers, working in tandem through the City and BCP, will transform Yonkers waterfront in the next five years into an entirely new sustainable walkable TOD community between two Metro North train stations.

Direct and indirect impacts. The following impacts were calculated for the Hudson Park North project:

Category	Direct	Direct and indirect
Construction Jobs	604	981
State and local taxes, annually		\$26,477

HEALTH NOW, BUFFALO – CORPORATE HEADQUARTERS



Developer: Duke Realty Corporation; **Owner:** 257 W. Genesee, LLC

PROJECT DESCRIPTION – HealthNow New York, Inc. (also referred to as Blue Cross/Blue Shield of Western New York), located at 257 Genesee Street, enabled the transformation of approximately 16 acres of industrial land into a 469,000 sf corporate office campus. Two 6- and 8-story office towers are connected by a 7-story glass atrium. The historic 1848 stone façade of the original Buffalo Gas Light Company is incorporated into the building design. In addition, the campus includes a 1,500-car, five-story parking garage. HealthNow’s headquarters

is the largest commercial office development in downtown Buffalo in more than 20 years. The redevelopment was completed in Summer 2007.

SITE HISTORY – The Buffalo Gas Light Company, a manufactured gas plant, occupied the site for decades. It was one of the nation’s first factories built for converting coal into gas used for artificial lighting. The business closed, and the site was abandoned for more than 40 years. The site was heavily contaminated with manufactured gas process wastes, such as benzene and other BTEX compounds, PAHs and total cyanides in soil and groundwater.

REMEDIATION – The 16-acre tract has been cleaned up to Track 4, Restricted use (Meaghan, please check). Remediation involved building demolition, excavating and disposing of contaminated soil off-site and backfilling with clean soil. An environmental easement exists on the property associated with monitoring groundwater contamination for BTEX and PAHs in accordance with the Site Management Plan. The Certificate of Completion was issued on November 30, 2006.

DEVELOPMENT COST – The total project cost was \$110 million. Remediation accounted for \$10 million (9%).

ECONOMIC/COMMUNITY/ENVIRONMENTAL BENEFITS

Category	Direct	Direct and indirect
Jobs Created, Retained and Projected	1,300	2,756
Construction Jobs	1,024	1,653
State and local taxes generated annually		\$30,214,662

- **Economic Revitalization:** The new development supports health-related industries that are one of Buffalo’s targeted clusters in its economic diversification strategy.

BROWNFIELDS TAX CREDIT SIGNIFICANCE - The Brownfields Tax Credits flowed from the Developer to HealthNow, which made the project feasible through a competitive lease rate.

WEBSITE:

<https://healthnowny.com>

Erie Harbor Townhomes and the Hamilton Tower in Rochester: Mixed Income Housing Revive Waterfront



Developer: Conifer Realty, LLC; Owners: Erie Harbor, LLC; Genesee Hamilton, L.P.

PROJECT DESCRIPTION – Erie Harbor (80/20 project), located at 225-405 Mt. Hope Avenue, and renovation of The Hamilton at 185 Mt. Hope Avenue, have reinvigorated a low-income, walled-off neighborhood along the Genesee River into a development accessible to the waterfront with a total of 333 market rate and affordable housing units. Erie Harbor's 131-unit, five 4-story townhomes occupy six (6) acres while the 202-unit 13-story Hamilton Tower covers one acre of residential land in a mixed-use

residential/commercial area. The Developer completed the Hamilton in January 2010 and Erie Harbor in June 2012.

SITE HISTORY – Since 1975, residential development predominated. Prior to that time, uses included auto repair, car sales, a gasoline station, a junkyard, an iron cutting facility, a rail yard, a brick storage yard, a tannery, coal storage, the Erie Canal Feeder and warehouses. Petroleum, PAHs and PCBs in soil from an on-site underground storage tank and transformers, and TCE from an off-site source in groundwater were discovered.

REMEDIATION – Past uses of the Site included commercial, warehouse, feeder canal, rail yards and possibly a portion of a gasoline station. The 7-acre tract has been cleaned up to Track 4 restricted use. Remediation involved removal of one underground storage tank, soil excavation, and in-situ treatment of residual groundwater contamination. An environmental easement was placed on the property that restricts the use of groundwater for non-drinking water purposes and includes vapor mitigation, monitoring, and site management. The Certificate of Completion was issued for the Hamilton Tower on October 8, 2008 and for Erie Harbor Townhomes on October 5, 2010.

DEVELOPMENT COST – The total project cost of Erie Harbor was nearly \$34 million. Remediation accounted for approximately \$934,000 (3%). The Developer used two methods of financing that were critical to its success. It obtained \$3 million from the New York State Housing Finance Agency, which was the first 80/20 deal accepted into the New Issue Bond Program. In addition, \$2.3 million from the NYS Brownfield Tax Credit Program provided project equity (Site Prep Credit: \$716,268 (Note: records showed \$245,895); Tangible Property Tax Credit: \$1,583,808). Other public financing included a \$2.9 million City loan and \$2 million in Federal Low Income Housing Tax Credits.

The total project cost of the Hamilton Tower was \$19 million. Remediation accounted for \$390,000 (2%). The Developer used \$6 million of LIHTC equity and \$3.2 million of NYS BTC equity (Site Prep Credit: \$63,441 (Note: records showed \$57,097); Tangible Property Tax Credit: \$3,136,613). Other public funding included a \$500,000 loan from the City of Rochester.

ECONOMIC/COMMUNITY/ENVIRONMENTAL BENEFITS

Category	Direct	Direct and indirect
Construction Jobs	306	571
Annual Property Taxes	\$150,000	

- **Economic Integration and Revitalization:** According to Mark Gregor, Manager, Rochester Environmental Quality Division, the project was transformative in that it removed a major blighting influence and connected the adjoining neighborhood to the riverfront and the river trail. The result was a formerly depressed area started to attract new investment, filling up empty storefronts along nearby commercial streets, and property values went up 30 to 35%. Gregor credits far-sighted planning elements of the project, such that the adjoining neighborhood gained direct access to the riverfront park and trail. Mr. Gregor and Conifer both confirmed that the Erie Harbor project was not financially feasible without the BCP tax credit. For more detail on the project.
- **Affordable Housing:** 20% of the units are reserved as affordable.

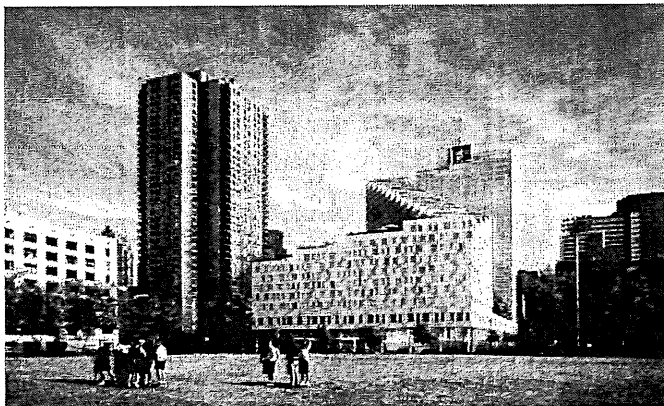
- **Waterfront Accessibility:** The development enabled access to the waterfront, one of the area's greatest assets.
- **Sustainability:** One building was renovated. More than ¼ mile of parkland fronting the Genesee River has been reconnected to the neighborhood.
- **Transit and Walking Orientation:** The site is equidistant from downtown Rochester and the University of Rochester. These employment centers are within walking distance of the development and accessible by public transportation.

BROWNFIELDS TAX CREDIT SIGNIFICANCE – The Brownfields Tax Credit enabled the Developer to obtain critical project equity generated by selling the credits to M&T Bank. Without this gap financing, Erie Harbor would not have been constructed nor would the Hamilton Tower have been renovated. Mark Gregor, Manager, Rochester Environmental Quality Division confirmed that he “wouldn’t see it happening without the BCP credits.”

WEBSITE:

<http://www.coniferliving.com>

Clinton Green in New York (Manhattan), NY: Mixed Income Housing Replaces Blighted City-Acquired Parcel



Developer: The Dermot Company; **Owner:** Avalon Bay Communities, Inc.

PROJECT DESCRIPTION – Mercedes House (f/k/a Clinton Park - 80/20 project), located at the western edge of Midtown Manhattan and bounded by W. 51st to W. 53rd Streets between 10th and 11th Avenues, is a 1.3 million sf mixed-use residential/commercial development on 1.5 acres. It contains 695 mixed-income rental units and 170 condo units in two 27- to 30-story towers, a 55,000 sf auto showroom, 37,000 sf of community space including retail and three theaters, a 28,000 sf health club, 15,000 sf of open space and a subsurface parking garage with 200 parking spaces. The unique design of

this LEED-certified development earned it accolades. The project’s overall massing is reduced as it slopes up and away from Clinton Park and transitions to high-rise development that allows light and air to filter into the majority of the apartments. Each floor steps up from the one below that allows unobstructed views of the Hudson River as well as private roof terraces and green roofs on every floor. The Developer completed the project in 2011.

SITE HISTORY – Railroad tracks and a former Exxon Mobil gas station occupied the long-abandoned site in the Hell’s Kitchen EN Zone. New York City had acquired the under-utilized, blighted property – consequently, it yielded no property tax revenue prior to redevelopment. On- and off-site petroleum impacted the soil and groundwater.

REMEDIATION – The 1.5-acre tract has been cleaned up to Track 1, Un-restricted use. Remediation involved demolition and removal of all buildings, excavation of soil to the top of bedrock and site dewatering. All on-site exposures have been mitigated. A shallow off-site petroleum-contaminated groundwater plume is present, but migration of it has been restricted due to the geology of the area. The New York State Department of Environmental Conservation is pursuing the responsible party. The Certificate of Completion was issued for Clinton Park on October 20, 2006.

DEVELOPMENT COST – The total project cost of Clinton Park was nearly \$305 million. Remediation accounted for approximately \$11.6 million (4%). The Developer financed the project with 88% debt and 12% equity. Through a public/private partnership with the New York City Department of Housing Preservation and Development, the project was allocated significant New York State Housing Finance Agency tax-exempt bond financing. Key project financing came from the BCP Tangible Property Tax Credit: \$47,396,344, the federal section 198 brownfields tax incentive, as well as Federal Low Income Housing Tax Credits.

Clinton Green illustrates one of the misconceptions that arose from previous critiques of the New York State Brownfields Tax Credit (BTC) Program. The Developer used the Federal IRS Section 198 deduction rather than the BTC Program Site Prep Credit. Consequently, "0" was entered into the database for site preparation. Some analysts erroneously concluded that Tangible Property Tax Credits were issued without sites being remediated.

ECONOMIC/COMMUNITY/ENVIRONMENTAL BENEFITS

Category	Direct	Direct and indirect
Construction Jobs		2,035
Annual Property Taxes	\$500,000	
30-Year Property Taxes (NPV)	\$57,036,824	
30-Year Sales and Excise Taxes from Retail Operations	\$ 7,119,860	

- **Economic Revitalization:** In approving the proposed plan for Clinton Green, Anna Levin, Chair of Community Board 4, noted that "development plans for these lots started back in the 1960s." New York's Economic Development Corporation (EDC), which had acquired the under-utilized land pursuant to the Clinton Urban Renewal Plan and advertised for competitive proposals, called it "the long-awaited plan for Clinton."
- **Affordable Housing:** 20% of the units are reserved as affordable.
- **Open Space Creation:** 15,000 sf of open space plus private terraces and green roofs promote a natural setting in a densely urbanized area.
- **Child Care/Community Space:** A child care facility in the retail space and 37,000 sf of community space are provided, including three theaters leased to non-profits for 99-year terms.
- **Sustainability:** The project is LEED certified.

BROWNFIELDS TAX CREDIT SIGNIFICANCE – The Brownfields Tax Credit enabled the Developer to reinvest in additional brownfields projects that would not have otherwise been pursued, including 29 Flatbush Avenue in Brooklyn, which has just received a COC in 2013.

WEBSITE:

<http://www.mercedeshouseny.com>

SCHENECTADY ECONOMIC RESURGENCE: GOLUB CORPORATION HEADQUARTERS REDEVELOPMENT OF THE ALCO SITE

Schenectady has suffered through the loss of tens of thousands of manufacturing jobs, notably cutbacks at GE and the closing of the American Locomotive Company (ALCO). The City lost one-third of its population between 1960 and 2000. However, BCP-fueled redevelopment of the ALCO plant is seeding an economic resurgence.



Golub Corporation's near downtown headquarters in Schenectady

PROJECT DESCRIPTION – The Golub Corporation/Price Chopper headquarters, located at 461 Nott Street, enabled the transformation of about nine (9) acres of industrial land into a corporate campus that supports the company's 120 supermarkets throughout the Northeast. Its six-story, 240,000 sf office tower includes a fitness center/workout facility and a café. Most notably, the LEED Gold certified headquarters is energy efficient. It consumes 42 percent less energy than a building of comparable size. In 2012, The Golub Corporation/Price Chopper Corporate Sustainability Model won a 2012 Environmental Excellence Award from the New York Department of Environmental Conservation for demonstrating the triple bottom line concept (people, products, planet) into every aspect of a company's operation. The redevelopment was completed in Spring 2010.

SITE HISTORY – The Galesi Group assembled the 50-acre site, which was formerly occupied by the American Locomotive Company (Alco), a locomotive manufacturing business dating to the 1840's. During World War II ALCO manufactured tanks, including those used to defeat Rommel in North Africa. After ALCO closed in the 1960's the site was occupied by the Big N retail store. The Golub headquarters project is located on a 9-acre section of the larger ALCO site. The site was contaminated with industrial wastes, including soil contamination from metals, petroleum and dry cleaner solvents, and groundwater contamination for petroleum contaminants, vinyl chloride, Tetrachloroethene and Trichloroethene, benzene and other BTEX compounds, PAHs and total cyanides.

REMEDIATION – The 9-acre tract has been cleaned up to Track 4, Restricted use. Remediation involved building demolition, excavating and disposing of contaminated soil off-site and backfilling with clean soil. An environmental easement exists on the property associated with monitoring groundwater contamination for BTEX and PAHs in accordance with the Site Management Plan. The Certificate of Completion was issued in 2009.

DEVELOPMENT COST – The total project cost was \$38 million. Remediation/site prep accounted for \$4.9 million (12%). The Developer financed the project with funding from the Federal New Markets Tax Credit Program and Federal Renewable Community Program.

ALCO Site Phase II

The Galesi Group has announced plans for a \$150 million mixed use development for the 45-acre remaining section of the ALCO site, including, a 124-room hotel and banquet center, 304 apartment units and a supermarket at the ALCO site. Plans for a film studio are also being considered.

Ray Gillen, Chair, Schenectady County Metroplex Development Authority, confirmed that *"without the BCP credits, nothing would have happened on either of these key sites."*

Approximately \$6.8 million came from the NYS Brownfield Tax Credit Program (Site Prep Credit: \$773,680 (20% of brownfields cleanup); Tangible Property Tax Credit: \$6,018,412 (20% of the cost to reuse the site).

ECONOMIC/COMMUNITY/ENVIRONMENTAL BENEFITS

Category	Direct	Direct and indirect
Jobs Created, Retained and Projected	725	1,094
Construction Jobs	342	463
State and local taxes generated annually		\$8,124,303

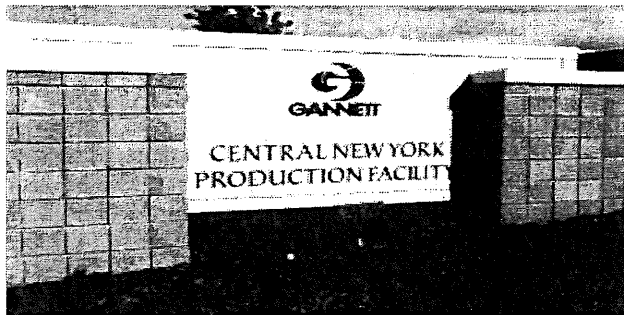
- **Economic Revitalization:** Ray Gillen, Chair, Schenectady County Metroplex Development Authority, indicated that redevelopment of the near-downtown ALCO site was an important priority for the City and landing the Golub headquarters had great significance for a city that was hard hit by manufacturing decline. The shovel-ready site enabled the City of Schenectady to retain and expand the company in which it was born. The remainder of the ALCO site
- **Sustainability:** The project at 240,000 sf is the largest private-sector structure in the Capital Region to receive LEED Gold certification. The building incorporates combined heat and power technology to save energy and reduce carbon emissions, including three 65kw natural gas powered micro turbines to generate about 25 percent of the structure’s electricity. The building has achieved a 41 percent reduction in energy use relative to the industry average. It also has achieved a 30 percent reduction in water usage.

BROWNFIELDS TAX CREDIT SIGNIFICANCE – The Brownfields Tax Credits flowed from the Developer to The Golub Corporation, which made the project feasible through a competitive lease rate.

WEBSITES:

<https://pricechopper.com>

Gannett Corporation in Johnson City: Newspaper Production Facility



Developer: Newman Development; **Owner:** Central New York Newspaper Group

PROJECT DESCRIPTION – Gannett Corporation, located at 10 Gannett Drive, has enabled the transformation of approximately 10.4 acres of industrial land into a 96,000 sf state-of-the-art office and newspaper production facility that serves central New York. *The Binghamton Press & Sun Bulletin*, *The Elmira Star-Gazette* and *The Ithaca Journal* are published here in an area adjacent to residential and commercial uses as well as CFJ Park. The redevelopment was completed in late 2006.

SITE HISTORY – Shoe manufacturing occurred for 70+ years at the former Endicott Johnson – Ranger Paracord, NE Segment site. The business closed in 1993, and the property was sold to MHC, Inc. Since that time, the property was vacated for over 10 years. Semi-volatile organic compounds (SVOCs), primarily PAHs, contaminated the property.

REMEDIATION – The 10.4-acre tract has been cleaned up to Track 4, Restricted use. The site is underlain by a sole-source aquifer. Remediation involved demolishing several large abandoned buildings, excavating and removing contaminated soil, creating an impervious surface through building construction and paved parking, placing two feet of clean soil in landscaped areas and installing a sub-slab depressurization system within the buildings to prevent soil vapor infiltration. The Certificate of Completion was issued on December 31, 2006.

DEVELOPMENT COST - The total project cost was \$51 million. Cleanup accounted for about \$3 million (6%). The Developer financed 89% (\$45.6 million) of the project with private funds. The balance of \$5.4 million came from the NYS Brownfield Tax Credit Program (Site Prep Credit: \$300,250; Tangible Property Tax Credit: \$5,143,194). No other public funding to develop the production facility was involved.

ECONOMIC/COMMUNITY/ENVIRONMENTAL BENEFITS

Category	Direct	Direct and indirect
Jobs Created, Retained and Projected	115	163
Construction Jobs	485	894
State and local taxes generated annually from on-going operations		\$820,482

- **Public Health Protection:** Site cleanup assisted in preventing groundwater contamination and averting adverse impacts on families using the adjacent CFJ Park.
- **Economic Revitalization:** A status report on the Broome County Endicott Johnson Corridor BOA project indicated that “the catalytic effect of the Gannett project is clear and ongoing,” as a new Walmart and a New Visions Credit Union have sprung up on former abandoned property, and a farmers’ market is planned, as well. Upgrades to the adjacent CFJ Park also followed the Gannett project.
- **Historic Preservation:** The project made possible the preservation of the 1925 Pagoda pump house that protected electric pumps for the Village’s water supply.

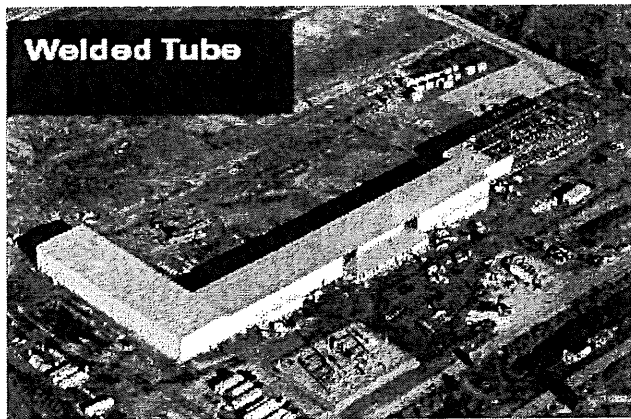
BROWNFIELDS TAX CREDIT SIGNIFICANCE

The Brownfields Tax Credits made the project financially viable. Without the tax credits, the project would not have proceeded. They were invested into defraying environmental investigation and remediation costs.

WEBSITES:

- <http://www.pressconnects.com>
- <http://www.stargazette.com>
- <http://www.ithacajournal.com>

Welded Tube USA, Inc. In Tecumseh Business Park, Lackawanna: Spurs Manufacturing Revival in Neighboring Buffalo



PROJECT DESCRIPTION

Welded Tube USA, Inc., a subsidiary of Welded Tube of Canada, located in the Tecumseh Phase I Business Park at 2537 Hamburg Turnpike, has enabled the transformation of about 40 acres of industrial land into a 110,000 sf steel manufacturing facility. The company will supply Hollow Structural Section (HSS) tubes for use in oil and gas drilling on sites out-of-state, especially in Pennsylvania and Ohio. The redevelopment of this initial building was completed in Summer 2013. Future phases of the project include construction of a 34,000 sf hydro testing plant and a 30,000 sf pipe threading and coupling facility.

Developer and Owner: Welded Tube USA (photo credit: Buffalo-Niagara Enterprise)

SITE HISTORY – Bethlehem Steel manufactured steel on the total 1,100-acre site until production was discontinued in 1983. Open hearth furnaces, a blooming mill, billet preparation mills, roughing mills, rail mills, a foundry and a water treatment plant were located on or proximate to the 40-acre Welded Tube parcel. Since 1983, the site has been vacant. Metals and semi-volatile organic compounds (SVOCs), primarily PAHs, contaminated the property.

REMEDIATION – The 40-acre tract has been cleaned up to Track 4, Restricted use. Remediation involved demolishing structures, excavating and removing contaminated soil and installing one foot of cover over the remaining exposed soils. An environmental easement will be placed on the property which will restrict site use to commercial/industrial uses, prohibit groundwater use, require adherence to a Site Management Plan, continue maintenance of the cover and require periodic certification that all restrictions will remain in place. The Certificate of Completion is in process of being issued.

DEVELOPMENT COST – The total project cost was \$60 million (\$54 million manufacturing facility and \$6 million rail line).

ECONOMIC REVITALIZATION – The new development was a determining factor in the Alita steel manufacturing project (see sidebar) and enabled a major economic development project on property that had been vacant for 30 years. It is also a catalyst for additional investment in the Tecumseh Business Park because of the extensive infrastructure improvements and momentum established to resolve area-wide contamination issues.

BROWNFIELDS TAX CREDIT SIGNIFICANCE – The Brownfields Tax Credits helped to make the project economically feasible. They were invested into defraying remediation and rail infrastructure costs.

WEBSITE:

<http://www.weldedtube.com>

Welded Tube Collaboration helped forge Alita steel deal

According to Buffalo Business First, Welded Tube deal (including the BCP incentives) led directly to the Alita plan to build a 350,000 sq ft steelmaking plant in Buffalo:

“The ability to lure a Canadian-based steelmaker to Lackawanna ended up having a deep enough ripple effect that a Dubai-based company opted to develop a 350,000-square-foot steelmaking plant in South Buffalo...”

Ali Hosseini, Alita USA Holdings Inc. president and CEO, said what put Buffalo on his radar screen was a deal crafted last year that brought Welded Tube Inc. to a portion of the former Bethlehem Steel Co. plant property is one of the tipping points that convinced him to construct his plant in Buffalo instead of Houston. “It was an eye-opener,” Hosseini said...

Alita plans to build a \$102 million plant on Rissling Boulevard, not far from where Hydro-Air Components opened a plant four years ago. The plant is expected to employ at least 172 workers, with the average pay including benefits topping \$72,500. “

Buffalo Business First: Sep 11, 2013, <http://www.bizjournals.com/buffalo/news/2013/09/11/collaboration-helped-for-alita-steel.html>

ATLAS PARK, GLENDALE, LIFESTYLE SHOPPING CENTER



Developer: ATCO Properties and Management; **Owner:** WMAP, LLP

Project Description – The Shops at Atlas Park, located at 8000 Cooper Avenue, have transformed approximately 12 acres of industrial land into a lifestyle shopping center. A total of 2.5 acres of open space in the central part of the development surrounded by 350,000 sf of retail, restaurant and entertainment venues with 60 retail tenants, 40,000 sf of offices that house 15 small businesses and 1,500 parking spaces in two garages now occupy

the site in an area proximate to residential and industrial uses. The redevelopment was completed in Fall 2009.

Site History – Atlas Terminals, an 80-year old industrial park, with 1,000,000 sf in 44 buildings was a center for the rag and knitting trades. The property owner held title to the site since 1922. As the manufacturing base of Queens declined, warehouse/distribution uses emerged on the property. Industrial uses contaminated the site with underground storage tanks, metals and PAHs in soil, and semi-volatile organic compounds of PCE and TCE in the groundwater.

Remediation – The 8.5-acre tract (Parcel A) has been cleaned up to Track 1, Un-restricted use, and the 3.5-acre tract (Parcel B) to Track 4. Remediation included demolishing nearly 40 abandoned buildings, excavating and removing contaminated soil, and installing two air sparging/soil vapor extraction systems as well as sub-slab vapor mitigation systems. Groundwater was not required to be remediated because the site is served by public water, groundwater was very deep, and no exposure to it was expected. The Certificate of Completion for Parcel A was issued on December 31, 2005. Annual certification of the sub-slab vapor mitigation systems is required for Parcel B. According to the DEC records, “During implementation of the remedial excavation, previously unknown pockets of hazardous waste contamination have been discovered, which were associated with discovery of underground storage tanks, drums, vaults, etc.” Cleanup accounted for \$18 million (or 6% of development costs).

Development Cost – The total project cost was \$300 million, including approximately \$50 million invested by tenants. Cleanup accounted for \$18 million (6%). The Developer financed the project with 50% debt and 50% equity. Except for NYS Tangible Property Tax Credits and a Federal IRS Section 198 deduction for cleanup costs, no other public incentives were provided.

Atlas Park illustrates one of the misconceptions that arose from previous critiques of the New York State Brownfields Tax Credit (BTC) Program. The Developer used the Federal IRS Section 198 deduction rather than the BTC Program Site Prep Credit. Consequently, “0” was entered into the database for site preparation. Some analysts erroneously concluded that Tangible Property Tax Credits were issued without sites being remediated.

ECONOMIC/COMMUNITY/ENVIRONMENTAL BENEFITS¹ –

- **Open Space Creation:** 2.5 acres in a heavily urbanized area used for farmers markets and community events. The project won the 2010 Big Apple Brownfields Award for open space.
- **Sustainability:** Three (3) buildings were renovated.
- **Neighborhood:** the surrounding area is racially diverse with almost half the residents of Hispanic origin.

¹ Quantitative information supplied by the ATCO Properties

Economic/fiscal impacts:

Measure	Direct	Direct and indirect
Jobs Created, Retained and Projected	687	1,212
Construction Jobs	2,261	3,325
Total state and local taxes, annual		\$19,516,076
30-Year Property Taxes	\$81,689,729	
30-Year Sales and Excise Taxes from Retail Operations	\$56,736,381	
30-Year Sales Taxes from Parking	\$ 3,298,170	

Brownfields Tax Credit Significance – The Brownfields Tax Credit enabled the Developer to build a larger scale, higher quality project, which generates greater public benefits. The development protected the public health and the environment, as the New York State Department of Environmental Conservation designated the site a significant threat. In addition, the project offers shopping and entertainment closer to residents, which lessens the driving distance and, consequently, the carbon footprint.

Website: <http://www.shopatlaspark.com>

APPENDIX 2 - BCP SUSTAINABLE DEVELOPMENT PROJECTS

GREEN AND AFFORDABLE

The premier example of a BCP project that is green and affordable is Via Verde, described in the [Environment and Sustainability section](#) of the main report. Other green and affordable projects include:

- **Courtlandt Corners, Bronx** – energy efficiencies consistent with participation in Enterprise Green Communities Initiative and NYSERDA Multifamily Energy Performance Program.
- **Crotana Park Apartments, Bronx** – 64 low-mod apartments with a 19,000 square foot tenant-accessible green roof.
- **Ludlow Commons, Yonkers** – plans for elderly housing to include an array of photovoltaic panels on the roof, permeable concrete driveways and grass paver systems, and passive solar sun-shading devices.
- **Parkview Commons, Bronx** -- LEED certified development, roof garden, and appliances and fixtures which help reduce energy and water usage.

GREEN AND ENERGY EFFICIENT COMMERCIAL PROJECTS

- **Destiny USA** – 1.3 million sq ft of retail space replaced a tank farm, scrap yard, and concrete company. With an objective of achieving a LEED Platinum certification the project features: an 89,760-gallon underground storage tank to capture stormwater and hold it for flushing toilets a freestanding; an onsite renewable energy plant, powered by municipal solid waste, providing 21 megawatts of power; a 3.2-megawatt solar array on the parking garage; 8-ft-tall wind turbines mounted on the light poles.⁵⁸
- **66 Main Street, Yonkers** – Mixed residential project with geothermal heating and cooling. (See [Appendix 1](#) for more detail).
- **285 -295 Niagara Street, Buffalo** – Planned adaptive re-use of industrial loft building for mixed use to include geothermal heating and a living rooftop patio and an electric car charging station.
- **Golub Headquarters, Schenectady** – Office building with LEED Gold certification. The building incorporates combined heat and power technology to save energy and reduce carbon emissions. It also has achieved a 30 percent reduction in water usage. (See abbreviated description in [“Economic Development Game-Changers”](#) and full description in [Focus Projects Appendix 1](#))
- **South Hills Business Campus, Ithaca** – the industrial business park is installing an energy-efficient combined heat and power (CHP) system. (See also the [Manufacturing section](#).)
- **Remington Lofts, North Tonawanda** – Mixed use/adaptive reuse with a green roof. (See also description in the [“Remaking Waterfronts section](#).)
- **Whole Foods, Brooklyn** - The Whole Foods is the first Whole Foods store to have an attached greenhouse that will allow for environmentally friendly food production.
- **Greenpac Mill, Niagara Falls** – Green manufacturing of liner board using recycled materials, powered by hydropower. (See detail in the [Manufacturing section](#)).
- **Cascades Recovery** – plans for conversion of a now-closed power plant fueled by natural gas to a CHP plant fueled by biomass (wood chips). This is a co-generation plant that will also power existing lumber-drying kilns. Cascades Recovery Inc. is in the business of managing discarded recyclable materials.

APPENDIX 3. METHODOLOGY

Analysts concentrated on the sites that have received a Certificate of Completion (COC) from the state. 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 for 96 of these 142 COC sites where information about the remediation, tax credits *and redevelopment efforts* were ascertained.

A potential source of confusion is that the team also gained redevelopment information on an additional 27 non-COC sites. Some of these are referred to in the narrative report, but, with two exceptions, they are not part of any quantitative analysis. The exceptions are: the [manufacturing table](#) in the Economic Development section; and the [Analysis of Projected Costs](#) section of the Economic and Fiscal Impacts chapter.

Information sources – To gain information about site redevelopment, analysts:

1. Carried out an on-line and emailed survey of those knowledgeable of BCP sites, including developers, attorneys, and environmental consultants (the survey follows this section). There were 14 responses.
2. Used internet information and followed up with telephone calls and emails for verification, as much as possible. Researchers were careful to distinguish between plans, phased projects, and completed projects, as websites often reflect a build-out objective that has not yet been achieved.
3. Interviewed eight developers of the “focus projects” listed in [Appendix 1](#);
4. Interviewed City officials in Rochester, Yonkers, Binghamton, Schenectady, and Buffalo;
5. Followed up on referrals from multiple contacts.

Random Sample and Extrapolation – The internet search aspect (no. 2, above) was structured as a random sample: 100% of post 2008 COC sites, and 50 percent of pre-2008 COC sites. However, the total result is not entirely random, simply because the team was more likely to gain information (through any of the five methods) about larger projects. Therefore analysts did not extrapolate or project the study sample to the larger universe of BCP sites. In general an educated guess would be that the total impacts of BCP COC sites is the same ratio as the ratio of tax credits represented in the 96 surveyed sites to all granted COC tax credits, which is 1:1.34. There is more discussion of the degree to which the survey sites are representative in the [Characteristics of Surveyed and COC sites](#) section.

Differences with the DEC data base – First, there are some minor differences between the study COC sites and the DEC COC sites. Keep in mind that the study was primarily trying to gain consistent redevelopment data; therefore in order to avoid duplicative listings for the same site, a few DEC listings were consolidated; and, by the same token, several single DEC listings were split into two listings in order to accurately represent a phased project (part complete and part planned).

Another difference is that the total project investment number for the study survey sites is larger by a factor of 1.7 than DEC’s recorded total eligible costs. There are at least three reasons for this:

- The full project costs are not in the tax credit record yet;
- The eligible costs for the tax credit exclude acquisition costs;
- There may be instances where DEC allows part but not all of a site or a project for the purposes of the tax credit. If the project was reported to the study team as a unified redevelopment, the study team counted the full redevelopment under the assumption that BCP funding helped leverage the entire project.

Order of Magnitude – It is stressed that the results reported here should be interpreted as “order of magnitude” not precise science. One problem was that analysts frequently ended up with partial site information, such as total investment and square feet, but not jobs. In these instances analysts used conservative industry averages to generate estimates: for example, 3 jobs per 1,000 sq ft for retail services, and 4 jobs per 1,000 sq ft for office space. There is a sample of the industry averages and conversion factors on the next page. When applying industry averages to project cost data, analysts adjusted for regional differences.

Another issue was that sites were often characterized as \$X million “total investment.” When the team needed to isolate construction costs (in order to generate construction-related jobs), these total investment numbers needed to be discounted to eliminate soft costs, site acquisition, and financing numbers that might be registering in total investment. These costs were assumed to be 30% of total investment and were removed by applying a 15 percent reduction factor (15 percent because the projects where this was a problem were approximately ½ of the surveyed sites.)

Taxes, Indirect Impacts and IMPLAN - Redevelopment Economics used IMPLAN, a New York State-specific input-output model used to estimate: 1) temporary jobs generated by construction; 2) direct and indirect tax revenues; and 3) all indirect job and spending numbers. By capturing the “multiplier effect,” the IMPLAN model allows the reader to see the full impact of new expenditures in a given geographic area. The multiplier accounts for “indirect spending,” such as supplies required for the original product being measured, and “induced spending,” such as money re-circulating in the economy due to employees’ spending. The term “indirect” is used here to reflect both of those categories. The numbers generated from this analysis reflect the total economic activity associated with the redeveloped brownfield site.

Retained Jobs – “Retained jobs” were only counted in the industrial sector where there is normally a strong nexus between cleanup, plant reinvestment, and the continuing presence of the business and the resulting jobs. There are also several BCP projects where current shopping centers performed a cleanup and took the tax credit. The analysis did not count those existing jobs (i.e. they were not counted as either “new” as “retained”) – the conservative assumption was that the continued operation of the shopping center (and the resulting jobs) may not be dependent on the cleanup.

Sample, conversion factors and industry averages used to generate project profiles when information was incomplete:

Conversion Factors and Unit Costs Upstate New York (DEC regions 4,5,6,7,8)

	per sq ft	sq ft per unit	Jobs
Industrial			
Rehab	\$ 90		1.0 per 1,000 sf
New	\$ 125		1.0 per 1,000 sf
Retail			
Bank	\$ 240		3.0 per 1,000 sf
Low rise retail	\$ 110		3.0 per 1,000 sf
Supermarket	\$ 115		3.0 per 1,000 sf
Mall- Department Store	\$ 140		3.0 per 1,000 sf
Hotel	\$ 200	500	0.6 per room
Office and Mixed use			
Low rise office	\$ 110		4.0 per 1,000 sf
Mid-rise office	\$ 165		4.0 per 1,000 sf
High-Rise Office	\$ 170		4.0 per 1,000 sf
High-Rise Mixed-use	\$ 220		4.0 per 1,000 sf
Rehab for office or retail	\$ 100		4.0 per 1,000 sf
Residential			
Low-Rise Apartment (less 5 Stories)	\$ 170	1,200	
Mid-Rise Apartments	\$ 180	1,000	
High-Rise Apartments	\$ 200	1,000	
Townhomes	\$ 190	1,800	
Non-urban condos	\$ 195	1,200	

Notes: Upstate New York includes the following jurisdictions: Syracuse, Rochester, Binghamton. These estimates reflect hard costs plus architecture fees.

Source: R.S. Means, 2013; PES, 2013.

APPENDIX 4. CROSS-STATE COMPARISON, BROWNFIELDS AND URBAN REDEVELOPMENT INCENTIVES

This section supplements the Policy Analysis section in the main report, especially the “Comparison to Other State Brownfields and Redevelopment Programs.” In that section of the report BCP was characterized as more than a brownfields program, also functioning as a powerful redevelopment incentive; therefore, the consulting team is carrying out cross-state comparison in two parts: brownfields incentives and redevelopment incentives. To summarize the main thrust of these comparisons, if one is narrowly focused on funding brownfields from brownfields-specific sources (or within the “brownfields silo”), New York’s BCP probably represents the largest dollar commitment of funds relative to other states; however, when one additionally considers that brownfields projects often gain funding from sources that are outside the “brownfields silo,” New York’s BCP commitment appears to be comparable to other states where brownfields redevelopment is a priority.

BROWNFIELDS INCOME TAX CREDIT PROGRAMS

There are 13 states that have income tax credit programs to encourage brownfields redevelopment. Redevelopment Economics keeps a list of these programs posted here. The relatively more significant programs (those that have the potential for funding more than just cleanup) include:

- **Missouri** – The Missouri Brownfield Remediation Tax Credit Program is up to 100 percent of environmental site assessment, remediation, and demolition expenditures. The site must have been abandoned for 3 years and the project must create 10 new or 25 retained jobs. To be eligible to receive these benefits, the city or county must provide at least 50% real property tax abatement for ten to 25 years. The Remediation Tax Credits are used to offset corporate and personal income tax, corporation franchise tax, and/or the financial institution tax. The tax credit is fully transferable, and there is no statewide cap.⁵⁹
- **Mississippi** – In April of 2013 an expansion of Mississippi’s Brownfields Tax Credit was signed into law. SB 2147 allows the capture of state sales, income, and franchise taxes in the amount of 2 ½ times eligible site assessment and cleanup costs.⁶⁰
- **Florida** – the Voluntary Cleanup Tax Credit Program has several elements that have the potential to add up to significant project savings: 1) 50% for site rehabilitation costs includes site assessment, cleanup, and monitoring; not to exceed \$500,000 per year; 2) An additional 25% of total eligible site rehabilitation costs if a Site Rehabilitation Completion Order is approved, not to exceed \$500,000 per site (one-time); 3) 50% of total eligible landfill/solid waste removal costs not to exceed \$500,000 (one-time application); 4) Job Bonus tax refund of \$2,500 for each new job created; 5) Sales tax refunds on building materials used in construction of affordable housing.⁶¹
- **Connecticut** – the Industrial Site Investment Tax Credit provides a tax credit for up to 100% of redevelopment costs with a \$100 million per project ceiling. Credit scheduled over 10 years. There is a statewide cap of \$500 million and the credit amount depends on needs test and impact analysis.⁶²

From the above, the Florida and Mississippi program are regarded as “automatic” and the Connecticut and Missouri programs are “needs tested.”

Among six states that have cleanup-only tax credits, the one that has the best reputation is the Massachusetts Brownfields Tax Credit Program, which credits 25-50% of site assessment and cleanup costs in economically distressed areas (the higher amount linked to unrestricted use cleanups). Sites must have cleanup costs estimated to exceed 15% of pre-development assessed value. The program is fully automatic, and there is no per project ceiling and no overall program cap. Indiana, Illinois, South Carolina and Kentucky programs are all somewhat similar to Massachusetts, although each of those states limits the credit by either per project ceilings or an overall program cap.

V-2-II – GRANT-LOAN PROGRAMS

State brownfields grant-loan programs are usually significantly under-funded unless they are supported by a multi-year bond issue or a dedicated source of revenue. New York state brownfields interests are justifiably wary of any proposal that would turn the BCP into a grant-loan program that is dependent on annual appropriations. A common observation is that most such programs suffered very significant cutbacks in the recession and many have not recovered.

The states that have multi-year bond-funded programs are⁶³:

- **Pennsylvania** – The Grow Green (1999) and Grow Greener II (2005) bond issues pumped more than \$1.2 billion into brownfields redevelopment, land restoration/conservation, and open space/trail projects. Of the \$625 million Grow Greener II bond issue, the brownfields portion was designed to take \$230 million over a five year period. A landfill tipping fee provided supplementary funding over and above the bond issue for a period of time.⁶⁴
- **Ohio** – Clean Ohio was also approved twice by the voters, in the year 2000 for \$400 million and the year 2008 for another \$400 million.⁶⁵ Similar to Grow Green, the program funds brownfields redevelopment, land restoration/conservation, and open space/trail projects. The brownfields portion was originally announced at \$50 million annually, but it appears that administrators stretched the dollars out for a longer period of time. There is currently an effort underway to continue funding for the program beyond 2014.
- **California** – In 2006, the California voters approved Proposition 1C, the Housing and Emergency Trust Fund Act of 2006 (SB 1689, Perata), which authorized \$2.85 billion in bonds for multiple purposes, including \$850 million for brownfields and infill through the CALReUSE Program.⁶⁶ (A significant portion of those funds were later diverted to other purposes as California dealt with extreme budget shortfalls in the recession.)

States with a dedicated source of revenue for brownfields include:

- **Washington State Model Toxics Control Act/State Toxics Control Account**—This account receives funding from a tax on hazardous materials including petroleum products, pesticides, and some chemicals and is used to support a broad range of toxic cleanup, management and prevention purposes.⁶⁷
- **New Jersey Hazardous Discharge Site Remediation Fund** – HDSRF is funded through a constitutionally-dedicated portion of the New Jersey Corporate Business tax that generates \$15 to \$20 million, annually.⁶⁸

All of the above brownfields programs (including the income tax credit programs in the previous section) represent substantial state investments, although none exceed \$100 million annually.

OTHER URBAN/GREYFIELDS REDEVELOPMENT PROGRAMS

Brownfields projects often benefit from redevelopment incentives that are not under the brownfields umbrella but may provide larger dollar amounts than the brownfields sources. These are a little hard to pin down but generally fall into the following categories: tax increment financing; state-specific economic development tools; and state tax credit programs that mirror the federal Rehabilitation (historic preservation) Tax Credit and/or the New Markets Tax Credit.

With respect to Historic and New Markets tax credits, the following is noted:

- **Rehabilitation (Historic) Tax Credits.** Thirty states, including New York, offer a counterpart to the federal Rehabilitation (Historic) Tax Credit program, which is a credit of 20 percent of eligible rehabilitation costs.⁶⁹

New York's Rehabilitation (Historic) Tax Credit Program lies in the low-middle of the spectrum of state historic tax credit programs. The gold standard is a tax credit of at least 20 percent, no geographic restrictions, fully transferable, and has either no or a high overall program cap and either no or a high per project ceiling. New York's program is geographically restricted to Qualified Census Tracts (having a median family income at or below the State Family Median Income level), has a per project cap of \$5 million, and is not transferable.⁷⁰ The per project cap and lack of transferability are significant limiting factors, especially for larger scale projects such as the imminent Glenwood Power Plan restoration project in Yonkers.

- **New Markets Tax Credits.** Fourteen states have adopted a state counterpart to the federal New Markets Tax Credit Program. New York is not one of them.⁷¹

Tax Increment Financing – Tax increment financing in most parts of the country has become the most frequently used incentive mechanism for large scale brownfield and similar urban redevelopment projects.⁷² The reason is simple: TIF is usually the only incentive that can close substantial gaps on projects that exceed \$200 million. However, TIF has been rarely used in New York State (for complex reasons related to the split of local school and property taxes in municipalities), and a good argument can be made that the larger scale more transformative projects have migrated to BCP because TIF is not a viable option.

A growing number of states, now totaling at least nine,⁷³ supplement local TIF commitments by allowing certain project-generated state revenues to be used to support selected projects in the same manner that local governments dedicate local property taxes to TIF. These state-local partnerships are eye-opening in their scale and the level of commitment of state funds to brownfield and similar redevelopment projects.

- In Missouri the State’s Supplemental Tax Increment Financing Program has funded a series of brownfields and greyfields redevelopment projects.⁷⁴ The largest proposed project is the Kansas City Three Trails Project, a 4 million sq ft redevelopment of the former Bannister Mall site, planned to include Cerner Corporation’s medical/technology/ research facilities, other office uses, and retail uses, ultimately employing up to 15,000 people. The Missouri Super TIF (combined state and local TIF’s) is expected to generate more than \$900 million of the total \$4.3 billion project.⁷⁵ Among several brownfield projects funded by the program, the Branson Landing and Convention Center commanded a \$54 million state commitment.⁷⁶
- In Kentucky, there have been 17 projects approved for Kentucky’s two super TIF program (the “Signature projects” and “Mixed Use Redevelopment in Blighted Urban Areas” programs),⁷⁷ and four more have received preliminary approval. If all the projects come to fruition the state’s portion of the TIF subsidy will total \$2.8 billion.⁷⁸ The Distillery District project in Lexington is an example of a brownfield project that is lined up for a \$17 million state infusion.
- In New Jersey, the Economic Redevelopment and Growth Grant program similarly uses project-generated state revenues to incentivize priority brownfields and urban redevelopment projects.⁷⁹ Officials recently announced a \$390 million commitment to the Meadowlands American Dream Project, which is planned to create more than 11,000 permanent jobs in a massive mixed use redevelopment that includes a \$36 million cleanup of former landfill space.⁸⁰

Another brownfield project poised to take advantage of the program is the HHG brownfields/TOD development in Trenton’s Wire Rope District adjacent to a RiverLine light rail station. The redevelopment is planned to produce 450,000 square feet of market-rate residential housing, along with creative-class office, restaurant, and retail amenities arranged around a central piazza programmed with various festivals and art shows.⁸¹

- In Allentown, Pennsylvania the “City Center Lehigh Valley” project is successfully combining state and local TIF commitments to leverage over \$700 million in improvements, effectively re-making downtown Allentown. The project features: an 8,500-seat hockey arena, two office buildings, a hotel, and a residential complex. A recent article cites one of the downtown revitalization success stories: National Penn Bankshares is the first bank headquarters locating in downtown Reading since 1989.⁸² The Allentown project was a forerunner of the State’s new City Revitalization Improvement Zone (CRIZ), Pennsylvania’s version of Super TIF. The first two CRIZ awards are for brownfields projects in Lancaster⁸³ and Bethlehem.⁸⁴ The Bethlehem project is a \$580 million project.

None of these programs are limited to brownfields but each is funding brownfields, and many of the project commitments are significantly higher than those under NYS BCP. These states view certain large scale brownfields and urban redevelopment projects as statewide economic drivers, and the state is willing to divert very substantial future tax revenues in order to make sure the projects succeed.

Missouri – Multiple Funding Sources Support Brownfields – Missouri provides a good example of a state that has multiple tools that can be brought to bear on brownfields projects: a state brownfields tax credit (for remediation and demolition), a 20 percent Rehabilitation (historic) Tax Credit, and the State Supplemental Tax Increment Financing Program, cited above.

Table 17. Missouri - five largest funding sources for brownfields

Funding Source:	amount of funding	percentage of major funding sources
TIF by local government	\$62,050,000	23.8%
Brownfields state tax credits	\$57,423,749	22.0%
State Rehabilitation (historic) Tax Credits	\$56,250,561	21.6%
TIF by state	\$54,000,000	20.7%
Fed. Rehabilitation (Historic) tax credits	\$30,990,337	11.9%
total	\$260,714,647	100%

Redevelopment Economics has access to records that backed up the State’s report summarizing the impacts of 50 brownfields projects.⁸⁵ Review of the five largest sources of funding, summarized in Table 17, reveals that 78 percent of funds came from sources that are outside the “brownfields silo.”

Two of the five Missouri sources (TIF by local government and TIF by the State) are essentially absent in New York State. The Rehabilitation Tax Credit is available in New York, but the NYS \$5

million per project ceiling would have come into effect for five of the nine projects that got the credit in Missouri. If you transpose these Missouri projects to New York State, they would be losing about half of their funding sources, but they might still succeed essentially because BCP is a broader, more aggressive incentive than the Missouri Brownfields Tax Credit.

Conclusion, Cross-State Comparative Analysis – It would take a more comprehensive multi-state comparative analysis to come to a definitive conclusion, but the above is suggestive of the following: New York's brownfields/redevelopment incentives are more concentrated in the brownfields silo, where other states are similarly assisting brownfields with high dollar amounts, but through programs that are not under the brownfields umbrella. From this broader perspective, New York's BCP commitment would no longer appear to be the most expensive or the most lucrative program.

Further, the relative priority BCP gives to redevelopment, as opposed to remediation, is also entirely appropriate because New York's redevelopment incentives, aside from BCP, appear to be weak.

BCP is New York's solution for supporting transformative redevelopment projects. It is a unique tool that serves as a model for promoting economic development through environmentally-responsible community investments.

APPENDIX 5. DATA ON FEDERAL AND STATE SUPERFUND SITES IN NEW YORK STATE

Overlap of State and Federal Site Designations

Of the 209 federal Superfund sites in New York State, 155 of them are also New York State Inactive Hazardous Waste Sites. 155 is 74% of 209. This means that approximately $\frac{3}{4}$ of the federal superfund sites located in New York State are also New York State superfund sites.

Redevelopment at Superfund Sites

Site development was researched using EPA fact sheets, Five Year Reviews, and Superfund Site Information Pages, as well as Google Maps, and others. With respect to grouping the development status of a site, each site is assigned to one of six categories:

- 1.) **NO** - No development has occurred at the site
- 2.) **YES** - Some development has occurred at the site
- 3.) **PN (Probably Not)**- Although it looks as though and/or is highly likely that a site has not been developed, research was not able to determine this with total certainty
- 4.) **REM (Site Not Yet in Remediation Phase)** – Remediation is either still in progress or has not yet commenced (thus development cannot really begin)
- 5.) **Unclear** – It was unclear if development has occurred at the site
- 6.) **N/A** – The site really cannot be redeveloped (i.e. it is a River or a groundwater plume)

Next to each category, the chart offers some information on how the description applies to the site. Here are the development statuses for the 209 sites researched:

- **NO** 156
- **PN** 18
- **REM** 10
- **Unclear** 10
- **YES** 10
- **N/A** 5

The vast majority of the sites were not developed (75%); adding the “probably not” sites totaled 184 (88 percent) not developed.

In addition, this 88% figure does not include the potential undeveloped sites in the **Unclear** category, which may slightly raise this figure of undeveloped sites. In addition, only 10 of the 209 sites have, or are in the process of being, redeveloped. This means that of the 209 Superfund sites located in New York State, only 4.8% have been definitively redeveloped (! say “definitively” because there may be sites in the **Unclear** category which have also been developed).

Tax Roll and Assessment Findings

With respect to tax roll status, each site is divided into one of four categories:

- 1.) **YES** On tax rolls
- 2.) **NO** Exempt from rolls (owned by municipal, county, state, or fed gov't)
- 3.) **N/A** Site is a river, lake, canal, groundwater plume, etc.
- 4.) **Unable to Locate** Could not locate information (information not available to the public, was not able to obtain assistance from local assessor, etc.)

The chart also offers some tax information, including the site's owner, parcel number, full market and assessed values, and what an owner paid in taxes in 2013. Below are the tax roll statuses for the 209 sites surveyed:

- **YES** 120
- **NO** 57
- **N/A** 19
- **Unable to Locate** 13

Of the 177 sites that were both able to be located and were applicable to this research (120 + 57), almost 70% of them were on the current tax rolls (120 is 68% of 177). The remaining 32% (57 sites) that were exempt from the tax rolls were owned by municipal, county governments, or state governments. Unfortunately, information for the majority of sites in Nassau County was not able to be obtained. Nassau County, not the individual municipalities, handle tax information, and it was very difficult to get in touch with this department.

Next, sites were checked to see if contamination affected its tax assessment. Of the 120 sites that are on current tax rolls, 62 of them did not have their assessments reduced because of pollution, 43 sites did, and 15 sites were undetermined (9 unable to be located and 6 unclear). This means that about half of the sites listed on the tax rolls (62 is 52% of 120) did not have their assessments affected by pollution, 36% did (43 is 36% of 120), and the remaining 13% of the sites this information is not known.

However, this figure may not be the most accurate reflection of actual situation: the 16 sites where assessment information was either unable to be located or unclear, could in fact have had their assessments reduced by pollution, thus raising this figure up from 43. Furthermore, some of the information that certain of the assessors offered regarding whether or not a site's assessment was reduced because of contamination informed us that pollution cannot be used to reduced assessment of a property. For example, we spoke directly to the assessor for the City of Niagara Falls and he told us that this factor would not come into play in assessment whatsoever. However, while the site may be on the tax roles, often in Niagara Falls the responsible parties have demolished the on site buildings so that the RPs are only paying minimal taxes on raw industrial land. Thus, we conclude approximately 50%-60% are paying reduced taxes.

Endnotes

- ¹ The different count of Non-EN zone sites is caused by some census tracts not being assigned for median income.
- ² The consultant's charge did not include a cross-state comparison of state voluntary cleanup programs. The points made here come partly from interviews and discussions brownfields development interests in New York and partly from Redevelopment Economics' past involvement with state brownfields policy analysis.
- ³ Redevelopment Economics, "The Economic, Fiscal, and Environmental Impact of the Massachusetts Brownfields Tax Credit Program," 2012. See: http://www.redevelopmenteconomics.com/yahoo_site_admin/assets/docs/Mass_impact_report_final_NBP.196220404.pdf; Greater Ohio Policy Center, "Investing in Brownfields: The Economic Benefits of the Clean Ohio Revitalization Fund," April, 2013; and Jim Gilstrap, "Hidden Treasures: Value in Brownfields," Bridges, Newsletter of the Community Affairs Department of the Federal Reserve Bank of St. Louis, Spring, 2007, available at: http://www.stlouisfed.org/publications/br/2007/a/images/BR_Sp_07.pdf
- ⁴ To differentiate construction costs from "new investment," analysts used a 15% downward adjustment to account for the presence of non-construction costs, such as acquisition, in the "new investment" number. See the [Methodology Appendix](#).
- ⁵ Note that IMPLAN generates state and local tax revenues as a unified count. Redevelopment Economics separated the two by assuming that New York State reflected national data indicating that state taxes are 58.4% of total state and local taxes. (US Census Bureau, <http://www.census.gov/govs/qtax/>)
- ⁶ See endnote 3.
- ⁷ "Retained jobs" were only counted in the industrial sector where there is a nexus between cleanup and plant reinvestment. See note in the [Methodology Appendix](#).
- ⁸ Northeast-Midwest Institute, "The Environmental and Economic Impacts Of Brownfields Redevelopment," July, 2008, available at: <http://www.nemw.org/images/stories/documents/EnvironEconImpactsBFRedev.pdf>
- ⁹ <http://www.timesunion.com/business/article/GlobalFoundries-cash-grant-largest-ever-awarded-2209888.php>
- ¹⁰ New York State Comptroller's Office, "Brownfield Restoration in New York State: Program Review and Options," April, 2013.
- ¹¹ New York State Division of the Budget and New York State Department of Taxation and Finance, "Annual Report on New York State Tax Expenditures," 2008-14; New York State Department of Taxation and Finance, 2014-15 Tax Expenditure Report; and New York State Department of Taxation and Finance, Brownfields Redevelopment Tax Credit reports available at: http://www.tax.ny.gov/research/stats/statistics/special_interest_reports/brownfield_credit/brownfield_credit_cv2013.htm.
- ¹² The impact of BCP as a manufacturing incentive is an almost completely-untold story for New Yorkers. The reason for the lack of "promotion" of these BCP-driven manufacturing success stories, the consultants have come to understand, is that: 1) because BCP is automatic, there are no public officials to credit for the success of the project; and 2) some businesses/developers are leery of appearing to be "over-subsidized."
- ¹³ <http://www.niagara-gazette.com/local/x1996078549/Greenpac-Mill-is-up-and-running-in-the-Falls>
- ¹⁴ <http://www.bizjournals.com/buffalo/news/2013/09/11/collaboration-helped-for-alita-steel.html>
- ¹⁵ Dave Stebbins, Vice President, Buffalo Urban Development Corp., email dated 12/31/13
- ¹⁶ Broome County Endicott Johnson Corridor BOA report and interview with Elaine Miller, Commissioner, Broome County Government Planning, Dec 17, 2013
- ¹⁷ Dave Stebbins, Vice President, Buffalo Urban Development Corp., email dated 12/30/13
- ¹⁸ http://www.buffaloniagara.org/About_BNE/PressRoom/2007Archive/March/CobeyOpensDoorsToNewFacility
- ¹⁹ Interview with Mark Gregor, Manager, Rochester Environmental Quality Division, Dec 16, 2013.
- ²⁰ The consulting team was not able to directly confirm with the businesses, but the team assumes that there is a link between cleanup, BCP credits, and plant reinvestment since these sites participated in the program.
- ²¹ Interview with Ray Gillen, Chair, Schenectady County Metroplex Development Authority, December 20, 2013.
- ²² <http://www.conventusbuffalo.com/>
- ²³ <http://www.bnmc.org/>
- ²⁴ US Congress, HR 6405, 2012.
- ²⁵ Interview with Lee Ellman, Planning Director, City of Yonkers, December, 2013.
- ²⁶ <http://www.kapts.com/news-events/the-remington-lofts-on-the-canal/remington-lofts-nearly-complete-in-north-tonawanda>
- ²⁷ <http://www.nysenate.gov/news/north-tonawanda-kissling-breaks-ground-remington-rand>
- ²⁸ <http://onedutchessave.com/index.php?mact=News,cntnt01,detail,0&cntnt01articleid=7&cntnt01returnid=62>
- ²⁹ White Plains Comprehensive Plan, available at: http://www.cityofwhiteplains.com/templates/template_text_image_right_panel.aspx?Id=Comprehensive%20Plan

- ³⁰ <http://lennthompson.typepad.com/lenndevours/2008/09/a-grand-hotel-o.html>
- ³¹ Syracuse.com: http://www.syracuse.com/news/index.ssf/2012/08/hilton_garden_inn_opens_in_aub.html
- ³² <http://esd.ny.gov/businessprograms/brownfieldcleanup.html>
- ³³ Analysis of ESD table of qualifying census tracts:
<http://esd.ny.gov/businessprograms/Data/BrownfieldCleanup/EligibleCensusTracts.pdf>
- ³⁴ Redevelopment Economics and Novogradic; see: http://www.novoco.com/new_markets/resources/ct/
- ³⁵ Redevelopment Economics, "The Economic, Fiscal, and Environmental Impact of the Massachusetts Brownfields Tax Credit Program," 2012. See: http://www.redevelopmenteconomics.com/yahoo_site_admin/assets/docs/Mass_impact_report_final_NBP.196220404.pdf
- ³⁶ Mott Haven Herald, April 8, 2010, <http://www.motthavenherald.com/2010/04/08/state-sponsored-program-encourages-development-in-mott-haven/>
- ³⁷ New York Department of State Website: <http://www.dos.ny.gov/communitieswaterfronts/brownFieldOpp/boasummary.html>
- ³⁸ New Partners for Community Revitalization, Joint Legislative Public Hearing on 2014-2015 Executive Budget Proposal: Environmental Conservation, January 29, 2014.
- ³⁹ US Environmental Protection Agency. "Air and Water Quality Impacts of Brownfields Redevelopment." October 2011, available at <http://www.epa.gov/brownfields/BFEnviroImpacts042811.pdf>
- ⁴⁰ Urban Land Institute, Smart Growth America, the Center for Clean Air Policy, and the National Center for Smart Growth, "Growing Cooler: Evidence on Urban Development and Climate Change," Washington, D.C. January 2008
<http://www.smartgrowthamerica.org/gcindex.html>
- ⁴¹ The actual calculated FAR was 1.8; however, there is not a 100 percent correspondence between the acreage record, which comes from DEC, and the redevelopment which sometimes includes a larger parcel; therefore the results were discounted by 20 percent.
- ⁴² Sources: <http://www.viaverdenyc.com/>; <http://www.citylandnyc.org/melrose-project-approved/#more-5502>;
<http://www.citylandnyc.org/tag/new-housing-new-york-legacy-project/#sthash.DjvnHZnU.dpuf>
- ⁴³ New York State Comptroller's Office, "Brownfield Restoration in New York State: Program Review and Options," April, 2013.
- ⁴⁴ New York State Tax Reform and Fairness Commission, Final Report, November, 2013.
- ⁴⁵ New Partners for Community Revitalization, several reports available at:
http://npcr.net/pages/legislation_and_policy/brownfields_tax_credits.html.
- ⁴⁶ Environmental Advocates of New York, "New York's Billion Dollar Brownfields," November, 2013.
- ⁴⁷ Chapter One of the Laws of 2003 and "Overview of the New York State Brownfields Cleanup Program, June 2008, Thomas P. DiNapoli, New York State Comptroller.
- ⁴⁸ US EPA, "Evaluation of the Brownfields Program, July 2012," <http://www.epa.gov/swerosps/bf/pdfs/Brownfields-Evaluation-Parts-I-II.pdf>
- ⁴⁹ See Appendix 4 for sources.
- ⁵⁰ Michigan Brownfield Redevelopment Financing Act, Act 381 of 1996: <http://www.legislature.mi.gov/documents/mcl/pdf/mcl-Act-381-of-1996.pdf>
- ⁵¹ http://lancasteronline.com/lancaster/news/criz-economic-development-zone-awarded-to-lancaster/article_73c7cb69-d97f-5688-a77a-a620a92dc876.html
- ⁵² http://www.lehighvalleylive.com/bethlehem/index.ssf/2013/12/bethlehem_wins_pennsylvania_cr.html
- ⁵³ Unpublished data prepared for: Maul Foster and Alongi, Brownfield Policy Plan, Appendix, Detailed Evaluation of Policy Recommendations, for the Washington State Department of Ecology, September 2011. See:
<https://fortress.wa.gov/ecy/publications/summarypages/1109051A.html>
- ⁵⁴ Evans Paull, "State Liability Reforms for Third Party/Toxic Tort Liability Protection – A Conversation Starter," published in Brownfield Renewal and available at: http://www.redevelopmenteconomics.com/yahoo_site_admin/assets/docs/State_Reforms_for_Third-Party-Toxic_Tort_Liability_Protection.38182511.pdf. Note that New York's defunct Environmental Restoration Program is cited as an example.
- ⁵⁵ Northeast-Midwest Institute, The Environmental And Economic Impacts of Brownfields Redevelopment, July, 2008.
- ⁵⁶ US Conference of Mayors, "Recycling America's Land: A National Report on Brownfields Redevelopment," January 2010, Volume VIII
- ⁵⁷ Interview with Lee Ellman, Planning Director, City of Yonkers, December, 2013
- ⁵⁸ <http://www.destinyusa.com/green>
- ⁵⁹ http://ded.mo.gov/upload/brownfield_application_checklist.pdf
- ⁶⁰ http://action.smartgrowthamerica.org/salsa/track.jsp?key=-1&url_num=13&url=http%3A%2F%2Fbillstatus.ls.state.ms.us%2Fdocuments%2F2013%2Fpdf%2F5B%2F100-2199%2F5B2147SG.pdf
- ⁶¹ <http://www.floridadep.org/waste/categories/vctc/default.htm>

⁶² <http://www.ct.gov/ecd/cwp/view.asp?a=1101&q=249842>

⁶³ Northeast-Midwest Institute, The Cleanup War Chest: State Bond Financing for Environmental Initiatives and Brownfields Redevelopment, <http://www.nemw.org/images/stories/documents/CleanupWarChest.pdf>

⁶⁴ <http://pagrowinggreener.org/issues/growing-greener/>

⁶⁵ <http://development.ohio.gov/cleanohio/>

⁶⁶ <http://www.treasurer.ca.gov/cpcfca/calreuse.asp>

⁶⁷ <http://www.ecy.wa.gov/programs/tcp/tax/2011/hazsubstancetax.html>

⁶⁸ <http://www.nj.gov/dep/srp/finance/hdsrf/>

⁶⁹ National Trust for Historic Preservation (Harry K. Schwartz), "State Tax Credits for Historic Preservation," not dated, assumed to be 2011.

⁷⁰ <http://nysparks.com/shpo/tax-credit-programs/>

⁷¹ Center for Business and Economic Research, Ball State University, "The Effect of State-Level Add-On Legislation to the Federal New Market Tax Credit Program," 2012.

⁷² Northeast-Midwest Institute, Tax Increment Financing and Brownfields Redevelopment, 2008

⁷³ Missouri, Massachusetts, Kentucky, Kansas, Pennsylvania, Tennessee, Nevada, Colorado, and Indiana.

⁷⁴ <http://www.ded.mo.gov/BCS/Programs/BCSProgramDetails.aspx?BCSProgramID=80>

⁷⁵ Kansas City Business, January 17, 2013, <http://www.kansascity.com/2014/01/17/4760042/cerner-officially-launches-its.html>

⁷⁶ <http://www.bransonlanding.com/>

⁷⁷ http://www.thinkkentucky.com/kyedc/pdfs/TIF_FACT_SHEET.pdf

⁷⁸ <http://www.thinkkentucky.com/kyedc/pdfs/TIFProjects.pdf>

⁷⁹ http://www.njeda.com/web/Aspx_pg/Templates/Npic_Text.aspx?DocId=1186&menuid=1422&topid=718&levelid=7&midid=734

⁸⁰ [http://www.njbiz.com/article/20131101/NJBIZ01/131109972/EDA-approves-\\$390-million-tax-grant-for-American-Dream-project](http://www.njbiz.com/article/20131101/NJBIZ01/131109972/EDA-approves-$390-million-tax-grant-for-American-Dream-project)

⁸¹

http://www.nj.com/mercer/index.ssf/2013/09/economic_incentive_program_could_be_the_spark_to_rejuvenate_trenton_development_projects.html

⁸² See: http://www.lehighvalleylive.com/allentown/index.ssf/2013/04/allentowns_city_center_project_1.html

⁸³ http://lancasteronline.com/lancaster/news/criz-economic-development-zone-awarded-to-lancaster/article_73c7cb69-d97f-5688-a77a-a620a92dc876.html

⁸⁴ http://www.lehighvalleylive.com/bethlehem/index.ssf/2013/12/bethlehem_wins_pennsylvania_cr.html

⁸⁵ Jim Gilstrap, "Hidden Treasures: Value in Brownfields," Bridges, Newsletter of the Community Affairs Department of the Federal Reserve Bank of St. Louis, Spring, 2007, available at: http://www.stlouisfed.org/publications/br/2007/a/images/BR_Sp_07.pdf