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Getting Brownfields off your books

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According to some estimates, there are over a half-million brownfield properties across the United States. Due to their former uses, most of these properties are environmentally impaired to some extent or another.

Beyond the environmental liabilities and their associated costs, the other issues with balance sheet implications include property taxes, insurance, site security/maintenance, financial reporting obligations (under SOX), government actions, and diminution in brand/property value. Many of these brownfield properties are situated at key locations that maximized their exposure to raw materials, markets, logistics networks, and key utilities.

In order to divest/re-use a brownfield property, the company first needs to understand how the environmental liabilities will be quantified and allocated between seller and buyer. This is accomplished by developing a risk management strategy that may include insurance, third-party risk transfer, escrows/environmental trusts, and public-sector financial incentives and liability protections.

Another critical component for disposition/redevelopment of brownfield properties is assessing the strengths of the site as it might have appeared in its original, unimpaired state and then understanding how user's make site selection decisions. The site selection process normally begins with establishing the goals that the new facility will be expected to fulfill. These goals will include an assessment of the functions to be accommodated within the facility and how they fit in with the user's value chain or production strategy. The process will then move to examine the labor and talent profile, infrastructure and utilities, access to markets, regulatory environment, and quality of life considerations needed to make the operation successful.

Developing a comprehensive strategy to resolving the environmental liabilities and understanding how potential user's make site selection decisions will create a result's oriented approach for positioning brownfield properties for disposition/redevelopment. For owners, there are many advantages to divesting surplus brownfield properties including eliminating operating costs, reducing tax obligations, refocusing company resources on core business, favorably positioning the company for a merger/acquisition, and improving brand image.

Please join the Environmental Business Council of New England at the EBC Brownfields Seminar: Connecting Communities with Brownfield Properties to End Users on April 30 in Waltham to learn more about these issues. Visit the website for more details, www.ebcne.org.

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