

BROWNFIELD

VOLUME 14, ISSUE 5 Oct-Nov 2010

renewal

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Brownfield Renewal Awards 2010:

A toast to the winners

The Target Field project team included (from L to R):
Dan Mehls, Mortenson Construction Co.
T Geron "Jerry" Bell, President, Twins Sports, Inc., and
Mike Opat, Hennepin County Commissioner

Insurance Focus:

A navigation guide to selecting the right insurance program for your project

Gaming Goes Green

Rolling the Dice on Sustainable Development

By Todd S. Davis

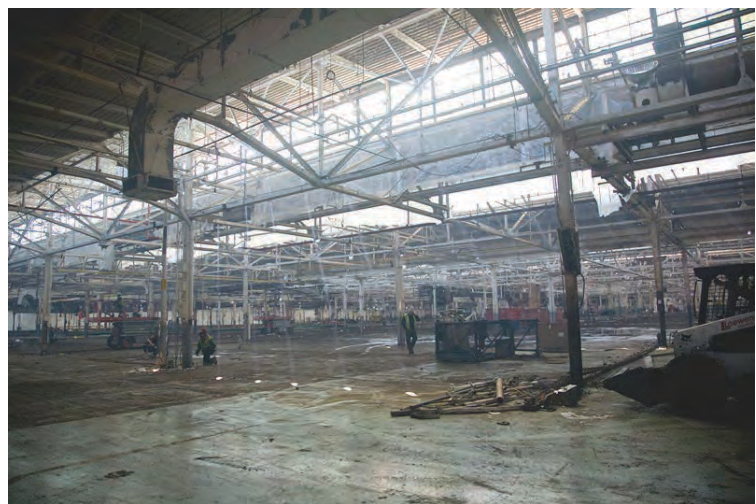
On a scorching hot day in June 2009, a team from Duke-Hemisphere Redevelopment visited a hulking 1.5-million square foot Delphi Automotive plant near Columbus, Ohio. Walking through the plant was like a journey back in time. The dimly lit manufacturing facility had a noticeably sweet and sticky odor from nearly 67 years of intensive manufacturing activity conducted on the heavily-worn wood block flooring. Like most factories of this vintage, the plant's sole remaining caretaker accompanied our team on this voyage through the cavernous main manufacturing facilities, now idled and no longer humming with the sound of production and the sweat of laborers toiling to meet demanding production schedules. Quite the contrary. Hard hit by the rapid decline in the American automotive industry, Delphi Automotive was on the eve of a bankruptcy filing. Consequently, this formerly thriving facility, which once supported thousands of workers and their families, appeared to be just another major brown-field destined to linger in the portfolio of a bankruptcy estate.

According to William J. DeBoer of Duke-Hemisphere, "At the time of our site visit in June 2009, the property had been on the market for a number of years – yet no one was able to work through the significant challenges, both environmentally and from a development perspective, to make a redevelopment plan feasible. While this 123-acre site had a number of positive attributes, including the property's proximity to a major interstate, the vacant plant also posed a number of redevelopment challenges, given the existing market conditions." The Duke-Hemisphere team engaged Hull & Associates, Inc. to evaluate the existing environmental due diligence and to help quantify the scope of potential environmental hurdles. According to Craig A. Kasper, Hull's CEO, "Like many closed automotive manufacturing facilities, and while each plant has its own story, experience helps the team focus quickly on the core issues to quantify relevant environmental risks."

In this case, the site had a storied past of heavy manufacturing, commencing in 1945 until Delphi Automotive Systems, LLC closed the plant in 2007 and commenced plant decommissioning. Historically, the plant produced several automotive components, including door latches, door locks, window frames and other parts. Manufacturing operations at the plant included stamping, welding, painting, automated assembly molding, plating, heat treating and roll forming. Railroad tracks bisected the site and ran into the main manufacturing buildings, which also included several press areas, subsurface lubing systems, quench oil pits, furnaces and similar operations. The plant was powered by its own on-site power plant, which at one time was coal fired. Like partially eaten scoops of ice cream, the remnants of coal piles littered a large storage yard. As an added amenity, the majority of the remaining buildings had substantial quantities of asbestos-containing materials as part of the building insulation. Bob Amjad of Duke-Hemisphere summarized the potential transaction as follows, "The deal at that time looked like a brownfield redeveloper's perfect storm – you had a depressed real estate market, a huge piece of real estate with vast empty buildings replete with asbestos, and substantial, but not yet fully characterized, environmental issues, involving a seller in bankruptcy. Even for a sophisticated team, this is not a deal I would characterize as easy pickings."

Lightning Strikes

In November 2009, after numerous unsuccessful attempts, Ohio voters issued four licenses to construct casinos in Cleveland, Columbus, Cincinnati and Toledo. Similar ballot issues had failed to win voter approval in Ohio since the early 1990s. Yet, another perfect storm, the need for massive job creation and an immediate boost to Ohio's tax coffers, swayed the voters to take a chance on casino gaming. Spearheading a well-orchestrated campaign, Penn National Gaming, headquartered



in Wyomissing, Pa., secured the licenses for casinos in both Columbus and Toledo. While Penn had selected a remediated brownfield site in Toledo as the location for one of these new facilities, the Columbus site was to be sited on 18 acres near downtown, which several constituencies in the community found controversial.

After discussions with numerous community stakeholders, in early January 2010, Penn agreed to evaluate alternative locations for its Columbus casino. At that time, Duke-Hemisphere quickly suggested that the 123-acre former Delphi facility would be an ideal location for this massive project. Quickly entering the chase with a torrent of developers offering alternative locations, Duke-Hemisphere completed the purchase acquisition from Delphi, substantial supplemental due diligence and the disposition to a Penn National affiliate, within 30 days. While the deal required around the clock negotiations, ridiculous quantities of caffeine and unfortunate quantities of fast food, all of the stakeholders understood that the opportunity to construct a casino on this brown-field site may be this property's only hope for redevelopment.

According to Jim Clark at Duke, "When lightning strikes, you have to be ready to respond. Fortunately, our team was in just such a position." Added Art Makris at Duke, "As a broker in this market for many years, in my opinion, this was the only type of project able to make this redevelopment feasible. It was a huge team effort, involving painstaking negotiations in a very quick timeframe. Everybody was motivated to get the deal done."

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Can Gaming Be Sustainable?

From the day the transaction closed, the project's primary development goals were simple: (1) remediate the property's historical environmental issues quickly, thoroughly, and cooperatively; and (2) utilize sustainable approaches to development wherever possible.

According to Steve Snyder at Penn, "While we evaluated a number of different properties, and it certainly would have been simpler to select a greenfield site, Penn National Gaming's efforts to redevelop a major brownfield property in a sustainable fashion will not only jumpstart the economic development prospects for this area of Columbus, but address the legacy of heavy manufacturing activity on this property." "Working collaboratively with state and federal regulators to address these historical environmental issues also was an important goal," according to Joe Reidy of Schottenstein Zox & Dunn, Penn's environmental counsel. Almost immediately, the team entered the site in Ohio's Voluntary Action Program and sought technical assistance from Ohio EPA regarding site investigation and remediation issues. Thankfully, both Ohio EPA and U.S. EPA worked very quickly to provide technical input on several regulatory issues regarding redevelopment. In fact, U.S. EPA Region 5 personnel, including Joe Dufficy and Brooke Furio, from its Automotive Redevelopment Task Force, in coordination with Ohio EPA's Voluntary Action Program, lead by Tiffany Kavalec, Manager of the Ohio EPA's Assessment, Cleanup and Reuse Section, realized that providing expedited input on critical projects of this nature was the key to facilitating large scale redevelopment.

Due to this collaborative approach, both demolition and substantial site remediation are scheduled to be complete by the end of 2010, a mere 10 months after closing. This process included asbestos abatement in and complete demolition of nearly 1.5 million square feet of heavy manufacturing buildings, the remediation of soils and the characterization of groundwater issues in accordance with the Ohio Voluntary Action Program's requirements. Nearly 1.5 million square feet of building pads have been recycled and will be used as a part of the new casino development. Penn's project team, led by Ed Hanson, is targeting LEED Silver certification, and the development will consist of a multi-phased, 300,000 square foot casino. Brian Strohl, Duke-Hemisphere's project manager for the development, anticipates that efforts to redevelop this brownfield site will enhance the LEED certification process. Subsequent phases of this development are planned to include a significant convention/hotel facility. Ultimately, the project anticipates a total investment

of \$400 million and will create 5,000 new jobs at the facility, spurring substantial new development in the surrounding area.

Lessons Learned

Undoubtedly, a project of this scale was critical to redeveloping this project site. However, a number of less obvious factors also were critical to the project's success, including the following:

1. **The Importance of Baseline Due Diligence:** According to Pat Walsh of Duke, "Without Duke-Hemisphere's historical investment in evaluating this site, we never would have been able to respond quickly enough to address this significant opportunity. Having spent the time and energy to understand the basic site issues, when the time came, as a team we were able to respond quickly to seize an opportunity." This lesson applies equally to private developers, companies with brownfield properties and communities where brownfields are located.
2. **Time is Money:** The ability to move quickly through numerous potential hurdles made this deal possible. Most importantly, regulators willing to provide technical assistance in a prompt fashion, at both the state and federal levels, provided critical guidance toward assessing project feasibility.
3. **Vision:** Penn National Gaming's vision to create a development utilizing sustainable approaches that will deliver a huge economic boon to the community also must be applauded. Providing leadership on catalytic redevelopment projects, when easier alternatives are available, requires both vision and fortitude and must be recognized and encouraged in the broader community.

Penn National Gaming's impact on Ohio economic development will be substantial. Rolling the dice to locate two major casinos on Ohio brownfield sites, for a total investment of nearly \$650 million, certainly did not increase the odds of an easy development process. But, as any savvy gambler knows, there is a very good chance that betting on the house is a prudent approach to increasing one's returns. Even so, adopting a sustainable approach on challenging locations demonstrates environmental leadership beyond the public's entitlement. **RENEW**

Todd S. Davis, Esq., is the CEO of Hemisphere Development LLC, a nationally recognized brownfield redevelopment company based in Cleveland, Ohio.