Evaluating Policy Tools to Incentivize Brownfield Redevelopment: Learning from Oregon’s Brownfield Coalition

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Overview

I. Brownfields in Oregon
II. City of Portland Case Study
III. Applications
Oregon Cleanup Sites

13,000 Sites
45,000 Acres

Legend

* Cleanup Sites
* Interstates
* State Highways
* Counties

The sites symbolized on this map represent data obtained from the Oregon Department of Environmental Quality, Environmental Cleanup Site Information database. The database was obtained on December 1st, 2011.

All other spatial data was obtained from the United States Department of Agriculture, Natural Resources Conservation Service, Geospatial Data Gateway or from the Oregon Geospatial Data Clearinghouse.
2,310 Sites
6,288 Acres
752 Sites
910 Acres
588 Industrial
Impact of Brownfield Development

- With 100% redevelopment:
  - 58 million sq ft of new development
  - $6 - $8 billion AV ($2012)
  - Space for ~20,000 new jobs
- Could accommodate:
  - 142 new KOIN Towers
  - 18% to 59% of total 20 year employment demand identified in Metro’s UGR
Economic Impact of Existing State Programs

Between 1990 and 2013, $1 of state investment in brownfield cleanup leveraged $116 in other funds generating 8,900 on-site and indirect jobs on 2,600 acres.
Total Fiscal Impact –
Business Oregon BRF

8,900 Jobs =
$19.4 m in income taxes annually
$10.5 m in property taxes annually
## Return on Investment – Outcome From $1m Invested

<table>
<thead>
<tr>
<th></th>
<th>Acres/$m</th>
<th>Total SF/$m</th>
<th>New Jobs/$m</th>
<th>Dwelling Units/$m</th>
<th>Property Tax</th>
<th>Personal Income Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remediation Tax Credit</td>
<td>7.8</td>
<td>763,500</td>
<td>160</td>
<td>600</td>
<td>$1,218,500</td>
<td>$326,600</td>
</tr>
<tr>
<td>Property Tax Abatement</td>
<td>5.6</td>
<td>544,500</td>
<td>110</td>
<td>430</td>
<td>$869,000</td>
<td>$232,900</td>
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<tr>
<td>Cleanup Fund</td>
<td>3.9</td>
<td>153,500</td>
<td>40</td>
<td>90</td>
<td>$243,600</td>
<td>$113,300</td>
</tr>
<tr>
<td>Land Bank</td>
<td>3.5</td>
<td>74,800</td>
<td>30</td>
<td>30</td>
<td>$123,800</td>
<td>$94,500</td>
</tr>
</tbody>
</table>
ROI: Implications

- No single policy incentive will likely be sufficient to catalyze redevelopment of all brownfields.
- Policies that leverage private resources typically have higher financial ROI.
  - Property Tax Abatement
  - Remediation Tax Credit
- Direct public investments have the potential to target and support challenged properties.
  - Land Bank
  - Dedicated Brownfield Cleanup Fund Capitalization
- Tax incentives tend to support projects that are close to financial feasibility.
City of Portland Case Study – Tax Incentive

• Overview of Analysis
• Scenarios & Assumptions
• Methodology
• Results
City of Portland Case Study - Overview

- Assessed costs and benefits
- Proposed tax incentive to temporarily reduce or exempt the tax payments
- Model to evaluate a range of input data and assumptions
- Properties based on the inventory and typology of brownfield sites prepared by MFA
- Three scenarios based on participation rates and costs (high/high, medium/medium, and low/high) for a 10-year program.
## City of Portland Case Study – Scenarios & Assumption

<table>
<thead>
<tr>
<th>Scenarios</th>
<th>Level of Participation</th>
<th>Remediation Cost (per acre)</th>
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</thead>
<tbody>
<tr>
<td>High/High</td>
<td>20%</td>
<td>$809,222</td>
</tr>
<tr>
<td>Medium/Medium</td>
<td>10%</td>
<td>$303,458</td>
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<tr>
<td>Low/High</td>
<td>5%</td>
<td>$809,222</td>
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</table>
City of Portland Case Study – Methodology

• Payback Analysis
  o Time it takes for additional tax revenue generated by the program to offset the foregone tax revenue used as the incentive.
  o Depends on remediation cost assumption

• Financial Position
  o Net Benefit of Program over 20-year period
  o Includes 10-year program period and 10-year post-program period
  o Sum of “lost revenues” is deducted from the total sum of taxes collected
## City of Portland Case Study – Results High/High Scenario

<table>
<thead>
<tr>
<th>Project</th>
<th>Total Acres</th>
<th>Share Participation</th>
<th>Participating Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central City HD</td>
<td>94</td>
<td>20%</td>
<td>18.8</td>
</tr>
<tr>
<td>Central City IND</td>
<td>4</td>
<td>20%</td>
<td>0.8</td>
</tr>
<tr>
<td>Mixed Use Centers</td>
<td>58</td>
<td>20%</td>
<td>11.6</td>
</tr>
<tr>
<td>Mixed Main Streets</td>
<td>194</td>
<td>20%</td>
<td>38.8</td>
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<tr>
<td>Industrial</td>
<td>326</td>
<td>20%</td>
<td>65.2</td>
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<tr>
<td>Superfund Shadow</td>
<td>79</td>
<td>20%</td>
<td>15.8</td>
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</tbody>
</table>
City of Portland Case Study – Results High/High Scenario
City of Portland Case Study –
Results High/High Scenario

- Total tax reductions (discounted)
- Total tax paid during program (discounted)
- Total 20-year financial position
- Payback period (years)

Dollars (Millions)

10-year program

$595

$0 $100 $200 $300 $400 $500 $600 $700

Payback Period (years)

7.0 6.0 5.0 4.0 3.0 2.0 1.0 0.0