



## About the National Brownfield Association

- Non-profit member-based educational organization for Brownfield professionals
  - Network for exchanging ideas, experiences, and information
    - Property Owners,
    - Developers/Investors,
    - Transaction Support Professionals
    - Government
- Information, Education, and Events
  - STAMP (Site Technical Assistance for Municipal Project)
  - Building Sustainable Communities Workshop series
  - The Big Deal October 3-4 Chicago IL
- Leadership
  - BOD
  - Advisory Board
  - Chapters
- Sponsorship
  - Association
  - Events
  - Newsletter
- Membership
  - Group
  - Individual

Visit [Brownfieldassociation.org](http://Brownfieldassociation.org) for membership information or call Mary Hereford 224 567-6790

A photograph of a large, single-story commercial building with a dark brown facade and a prominent sign that reads "Brownfield's" in a white, cursive font. The building has a wide entrance and a parking lot in front. The sky is clear and blue.

**Real Property** a legal term encompassing real estate and ownership interests in real immovable property.


**Blight** a "condition of property in parts of a city, town, or neighborhood that are detrimental to the physical, social, and/or economic well-being of a community".

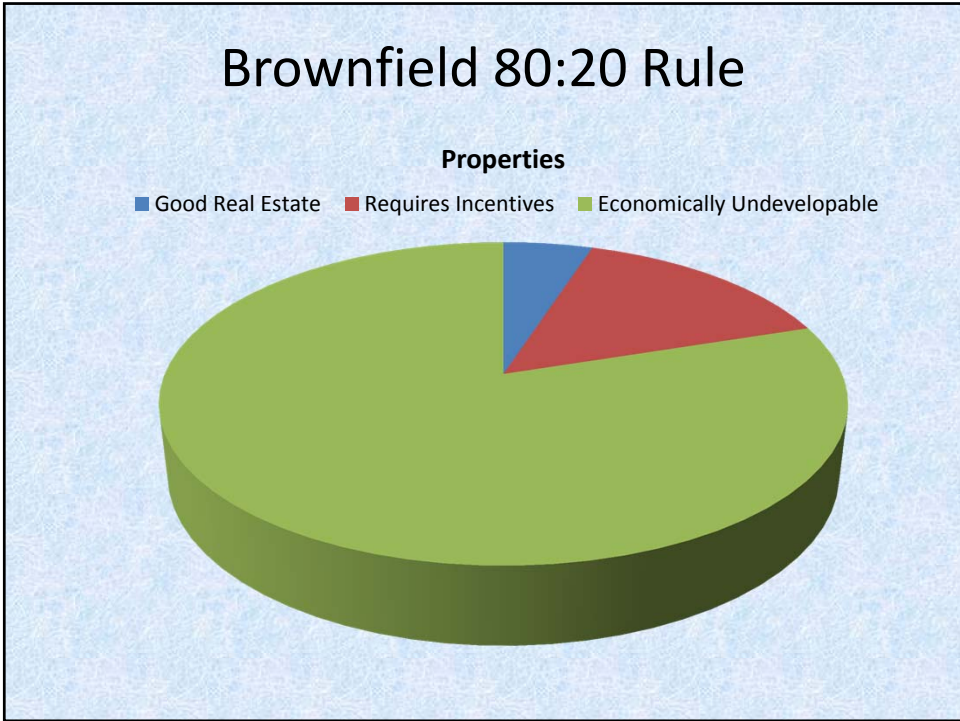
**Greyfield** land is typically commercial real estate or land which is underutilized, typically producing far less revenue than it would if properly managed

**Brownfield** land is vacant or underutilized properties where the perceived presence or existence of contamination impedes its productive use.

## *Unknowns*

- Property value
- Site characterization
- Cost to clean up known contamination
- Risk of undiscovered contamination
- Cost of ongoing treatment/operation and maintenance
- Cost to maintain institutional controls & engineered barriers
- Third party cost recovery
- Government re-opener
- Third party liability exposure

A photograph of an industrial site, likely a brownfield. It shows several large, multi-story industrial buildings with dark roofs, some of which appear to be in various stages of demolition or disrepair. In the background, there are tall smokestacks and other industrial structures under a hazy sky.



### Factors that affect real estate property value

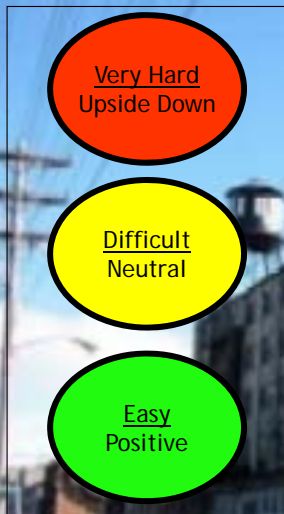
- Location
  - Transportation and access
- Demographics
  - Population density and diversity
- Highest and Best Use
  - Functionality
- Market Conditions
  - Supply and demand
- Liabilities
  - Tax, legal, financial,
  - physical & environmental

## Real Estate Property Value

- Market Value - is the price buyer and seller agree to after analyzing available information for their own best interest.
- Appraisals are an estimate of value and can be used to
  - Establish a baseline value
  - Secure financing
  - Dispute property taxes
  - Support internal decision making
- Traditional appraisal methods often are difficult to apply to Brownfield sites because of environmental exclusion/caveat to appraisal
  - Cost Approach
  - Sales Comparison Approach
  - Income Approach



## Brownfield Value



Value can be increased through financial incentives and repositioning a site to a highest and best use.

Value can be diminished through liabilities, risk & stigma.

*US Conference of Mayors, Recycling Americas Land estimates 30% of all Brownfield sites are perceived to be contaminated*

## “As Is Where Is” Valuation

$$IMV = CMV - (CC + EL + OL)$$

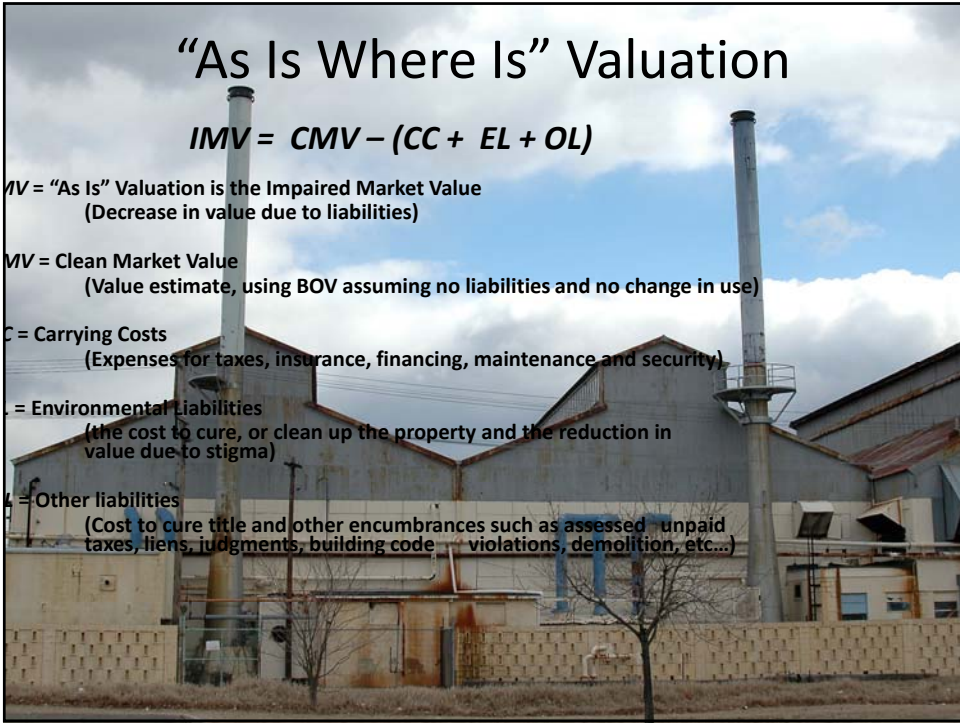
**IMV** = “As Is” Valuation is the Impaired Market Value  
(Decrease in value due to liabilities)

**CMV** = Clean Market Value  
(Value estimate, using BOV assuming no liabilities and no change in use)

**C** = Carrying Costs  
(Expenses for taxes, insurance, financing, maintenance and security)

**E** = Environmental Liabilities  
(the cost to cure, or clean up the property and the reduction in value due to stigma)

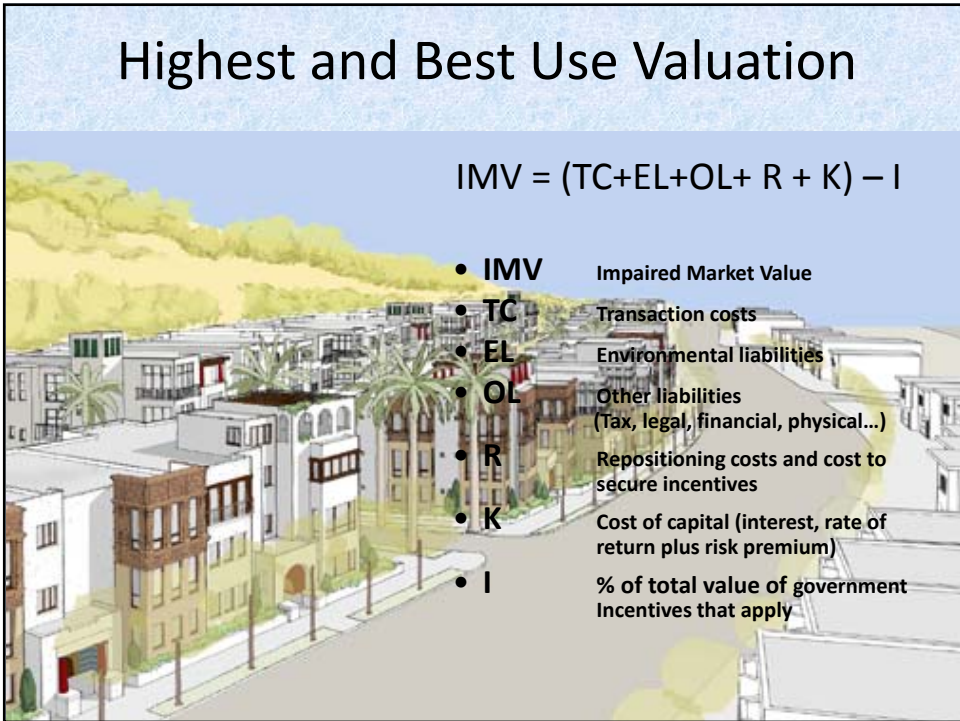
**L** = Other liabilities  
(Cost to cure title and other encumbrances such as assessed, unpaid taxes, liens, judgments, building code violations, demolition, etc...)

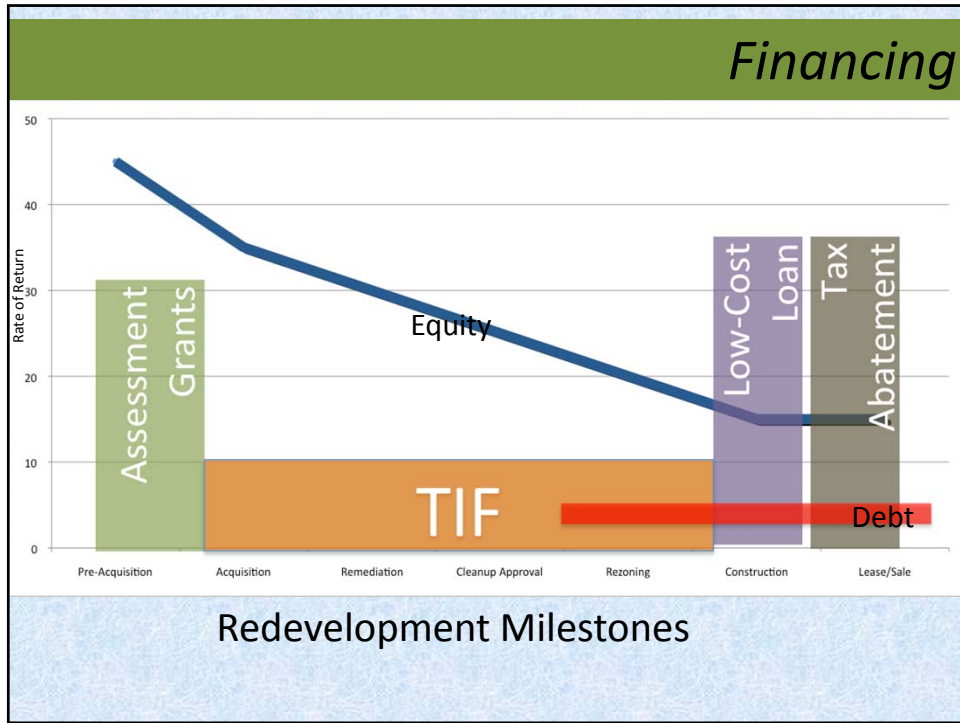


## Highest and Best Use Valuation

$$IMV = (TC+EL+OL+ R + K) - I$$

- **IMV** Impaired Market Value
- **TC** Transaction costs
- **EL** Environmental liabilities
- **OL** Other liabilities (Tax, legal, financial, physical...)
- **R** Repositioning costs and cost to secure incentives
- **K** Cost of capital (interest, rate of return plus risk premium)
- **I** % of total value of government Incentives that apply





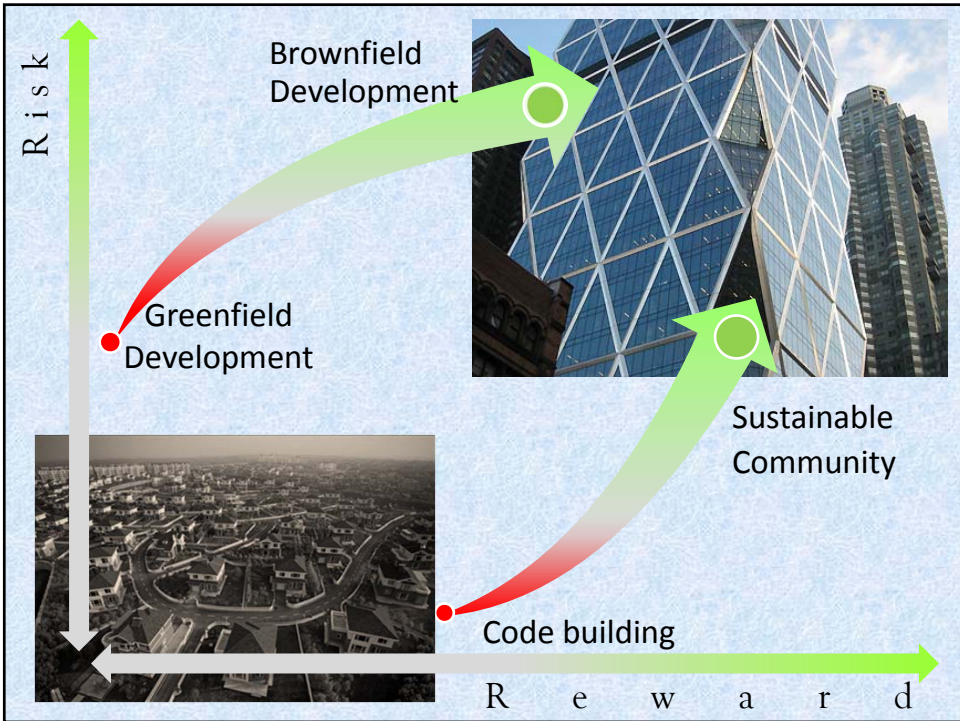
## The Financier's Perspective

- **Preservation of Principal**
  - Effective lending structure
    - Advance rate, repayment velocity and cash flow
  - Recourse/Non-recourse
    - Collateral, guarantees
- **Generate Return**
  - Fees, interest, preferred return, participation interest
- **Minimize Transaction Liabilities**
  - Environmental
  - Legal



## Capital

- **Debt**- Borrowed money that will be repaid to the lender under specific terms and conditions.
- **Equity**- Invested money that, represents the risk capital staked by an investor for ownership in stock or an asset (land, project).
- **Mezzanine** - Non-conventional funding that shares characteristics of both debt and equity. Subordinated to debt
- **Gap**- It is an interim loan given to finance the difference between the debt and equity financing as committed.

A photograph showing several stacks of US dollar bills, including \$100 and \$10,000 bills, tied with blue rubber bands. The stacks are piled on top of each other, with some bills fanned out.



THANK YOU

Rita R. Kottke, Ph.D.  
Remediation Programs Manager  
&

Oklahoma Department of Environmental Quality  
for organizing the  
Oklahoma Brownfield Conference