The Phalen Retail Center, a 73,678-square-foot retail development anchored by Cub Foods in St. Paul, opened in 2008 after extensive site remediation. Oppidan, the developer, received tax increment financing to help cover the costs of the cleanup. (photo: Bill Klotz: Finance & Commerce)

How to avoid pitfalls of brownfield remediation

By: Dan Emerson March 24, 2015 12:06 pm | *Finance and Commerce*

At a recent Minnesota Shopping Center Association seminar, experts advised developers and contractors on how to avoid the pitfalls.

Moderator Mark Anderson, director of land services for Minnetonka-based Sambatek Inc., said that brownfield remediation has become more complicated over time, with more rules and more agencies involved at various levels of government.

Still, more federal, state and local funding sources have become available to help cover the cost of site investigation and cleanup, said Anderson, who works for the engineering and planning firm formerly called McCombs Frank Roos Associates Inc.

Investigation and cleanup grants are available from several agencies including the Minnesota Department of Employment and Economic Development, the Minnesota Pollution Control Agency, the Metropolitan Council, county governments and the federal Environmental Protection Agency.

Anderson said a proactive approach is the best way for developers and contractors to prevent unforeseen complications from derailing construction schedules. As a rule of thumb, he advises investigating the possibility of site contamination six to 12 months ahead of the planned start of a project. That will allow time for initial environmental investigation and make it possible to meet deadlines for biannual grant funding.

Generally, states and cities are looking for opportunities to redevelop "challenging" sites, Anderson said. Rather than hying away from such sites, it's important for landowners and developers to seek grant funding that may make them financially feasible, he said.

Mark Ciampone, an associate principal and senior scientist with Bloomington-based Braun Intertec Corp., said liability concerns related to federal Superfund laws initially hampered the cleanup and redevelopment of brownfields across the nation.

But the situation improved with the Minnesota Legislature's passage of the Land Recycling Act of 1992, which provided for grants to developers to investigate and clean up contaminated land. The law also set up a mechanism for limiting the liability of brownfield redevelopers.

"Grants are a great way to facilitate brownfield development, which can be a costly venture, at times," Ciampone said. "But be aware that it's a process that takes several months."

In general, qualifying for a grant requires that the cleanup costs be at least 1 percent of the total project's estimated cost, he noted.

State and local agencies pool their applications, and grants are awarded in a competitive process that considers several factors including job creation and property-tax generation potential.

Often, the most challenging brownfield sites to rehab are those in older communities, with the longest history of previous uses. Paul Tucci, vice president of development with Minnetonka-based Oppidan Investment Co., recalled a challenging but ultimately successful project the developer completed seven years ago on the east side of St. Paul.

Oppidan purchased land and three buildings at the intersection of Maryland Avenue and Clarence Street. The site, which dated back more than a century, had been home to a manufacturing plant, filling stations and auto service facilities, and a restaurant-lounge.

Another source of ground pollution was an adjacent railroad line, dating back more than 100 years. The site also is close to Lake Phalen and has a high water table, which led city officials to insist on certain storm water management features, such as a pond to catch the runoff.

The relatively high costs for site investigation and remediation were financed by tax increment financing Oppidan received from the city of St. Paul.

In late 2008, Oppidan opened the Phalen Retail Center, a 73,678-square-foot retail development anchored by Cub Foods. At the time, the store was the first Minnesota supermarket to be certified as Leadership in Energy and Environmental Design-Gold by the U.S. Green Building Council.

Even highly polluted sites can become environmentally safe and redeveloped for new uses, Tucci said. But, he added, "you have to know what has [happened] on your site, what its history has been and how that may impact what you want to do."