

STRATEGIC DECISION CRITERIA ANALYSIS FOR BROWNFIELDS REDEVELOPMENT

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Overview

Economic demands are increasingly motivating companies to focus their attention on idle, environmentally impaired properties commonly known as “Brownfields.” Market drivers shaping this change include newly developed insurance products and a wider availability of capital. Other forces emanate from changes at a government or regulatory level such as recent legislation (Sarbanes-Oxley and FASB 143/FIN 47). Some utility sites are excellent candidates for Brownfields redevelopment. There are new drivers and financing available to help utilities overcome certain challenges associated with redevelopment.

The Electric Power Research Institute (EPRI) and Research Triangle Institute (RTI International) are developing a utility-specific multiple criteria decision analysis (MCDA) model for selecting candidate properties for redevelopment that optimizes use of these new drivers and tools. Using a beta test application on a few sites from one or more utility portfolios, various attributes of site-specific restoration and enhancements are considered. This would include evaluating site conditions that may influence the site’s best end use first. Parameters such as human health risk, site geology, contaminant concentrations, and regulatory requirements play a key role in developing this model. Other factors need to be considered such as site setting, eco-assets, cultural features, neighborhoods, zoning, development interests (e.g., park land, parking lots), and community concerns (e.g., exposure, job creation). Once an MCDA model is communicated, real estate market demand patterns such as price surveys on various properties can be measured. Additionally, socially responsible funding is being considered. The results of the portfolio analysis may serve as a best practices plan for realigning or divesting underutilized property assets.

Methods

EPRI and RTI International (RTI) have developed property evaluation and environmental risk management services that unlock the value of abandoned, idled, or under-used properties where redevelopment is complicated by real or perceived environmental contamination. A robust set of models, best practices, and work processes form the core of the services, specifically branded as SBS Discovery. The backbone of SBS Discovery is a proprietary, Web-based assessment and decision support system that provides a rigorous method for consolidating what is known about all idle properties in an organization’s property portfolio. The system provides a single, integrated data analysis and reporting engine that centralizes the major data necessary for property analysis. An interactive map allows each user to view all properties in the portfolio and “drill down” into the relevant data. The property owners have access to a variety of graphical information system (GIS) tools and can input preferences regarding financial goals and risk tolerance—thereby forming the basis on which to select the preferred strategy for each property.

Results

SBS Discovery provides a powerful framework for developing a strategic surplus property program. Its Web-based design supports collaboration between RTI/EPRI and its clients in compiling and analyzing disparate information. An analysis of the company’s portfolio may be performed at anytime. This analysis is based on market value, remediation costs and risk and is used to determine the potential impact that a proactive surplus property program can have on corporate financial results. Using program

goals established by the company, SBS Discovery's Web-based analysis tools allow easy screening of properties on the basis of environmental, risk, financial and community criteria.

Conclusions

Companies that take a strategic approach to developing a surplus property program can realize benefits in many areas:

Knowledge

- Develop a thorough understanding of the property portfolio's potential market value.
- Understand all of the environmental liabilities associated with impaired properties.

Risk Management

- Control and minimize liability associated with redevelopment.
- Quantify, prioritize, and minimize risk to the corporation.

Decision-Support Strategies

- Identify cost-effective redevelopment strategies that move these impaired properties to productive reuse.
- Make confident decisions based on data and industry-accepted best practices.

Improved Relationships

- Improve collaboration across the various groups involved in a strategic surplus property program.

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