



Conestoga-Rovers & Associates **Project Summary**

KEY PROJECT ELEMENTS

- **Environmental Site Assessments**
- **Environmental Liability Buyout**
- **Innovative Capital Financing for Brownfield Redevelopment**



**Canadian Urban
Institute (CUI)
2004 Brownie
Award Winner**

Category:

**Capital Financing
& Risk Management
Innovation in
Brownfield
Development**

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LIABILITY BUYOUT AND BROWNFIELD REDEVELOPMENT WALLACEBURG, ONTARIO

In 1999, CRA was retained to provide consulting services for the closure of the Libbey Canada Inc. (Libbey) glass plant in Wallaceburg, Ontario. Phase I and Phase II Environmental Site Assessments conducted by CRA identified the presence of volatile organic compounds (VOCs) in groundwater at concentrations exceeding established guidelines.

The presence of VOC contamination impeded Libbey's plans for exiting the site in a timely and cost-effective manner. Libbey was faced with either incurring excessive costs for plant closure to facilitate VOC remediation in a timely manner, or maintaining long-term ownership of the site to manage the VOC impacts in a less costly manner.

CRA negotiated with Libbey for an Environmental Liability Buyout (ELB) through an affiliated company, CRA Developments Limited (CRADL). CRADL and Libbey were challenged through these negotiations to work with unspent funds that Libbey had allocated for plant closure, while addressing Libbey's environmental liabilities and leaving CRADL with a financially viable Brownfield Redevelopment project. In 2001, CRADL entered into an ELB Agreement with Libbey, in which Libbey paid CRADL to assume the environmental liabilities for the site. The ELB was backed by Pollution Legal Liability (PLL) insurance to further manage environmental risks.

CRA's ability to acquire, remediate, and develop the site enabled CRA to approach this project from a broader perspective than typically viewed by stand-alone environmental consultants, remediation contractors, and developers. CRA demonstrated that rather than spending money to demolish all the on-site buildings, the buildings could be leased to generate a revenue stream from the property. The ELB funds enabled CRADL to implement remedial measures while marketing the site for commercial/industrial tenancy. Since acquiring the site, CRADL has successfully remediated solvent impacts to soils and continues to remediate groundwater.

In 2004, Wallaceburg Preferred Partners (WPP) approached CRADL along with Gil and Sons Limited (GSL) with a proposal to redevelop an on-site 140,000 sq. ft. warehouse into an assembly plant. Under the proposal, 11 acres would be redeveloped for lease to WPP for outsourced assembly of automotive components. GSL would act as general contractor to WPP for redevelopment.

Until 2004, no redevelopment had occurred as it was considered financially risky by traditional lending institutions. For similar reasons, WPP would not finance the 11-acre redevelopment. To resolve this, WPP, GSL, and CRADL entered into a three-party agreement: GSL financed the redevelopment, WPP covered the redevelopment costs through monthly payments to GSL, and CRADL reduced WPP's monthly rent by the amount paid by WPP to GSL. Brownfield redevelopment was completed and full plant production commenced in July 2004.

The innovative ELB coupled with the PLL insurance allowed Libbey to manage its risk by divesting the site. The subsequent innovative capital financing arrangement between CRADL, WPP, and GSL resulted in the successful redevelopment of this brownfield site. CRADL realized a \$1.9 million capital improvement to the site and secured a long-term tenant. GSL was sole-sourced for constructing the redevelopment. As the tenant, WPP was provided with a new facility at a fraction of the cost of constructing on greenspace, resulting in the cost-effective assembly of components for Navistar. Finally, redevelopment of this brownfield site has benefited the local municipality of Chatham-Kent by providing employment to more than 200 people.