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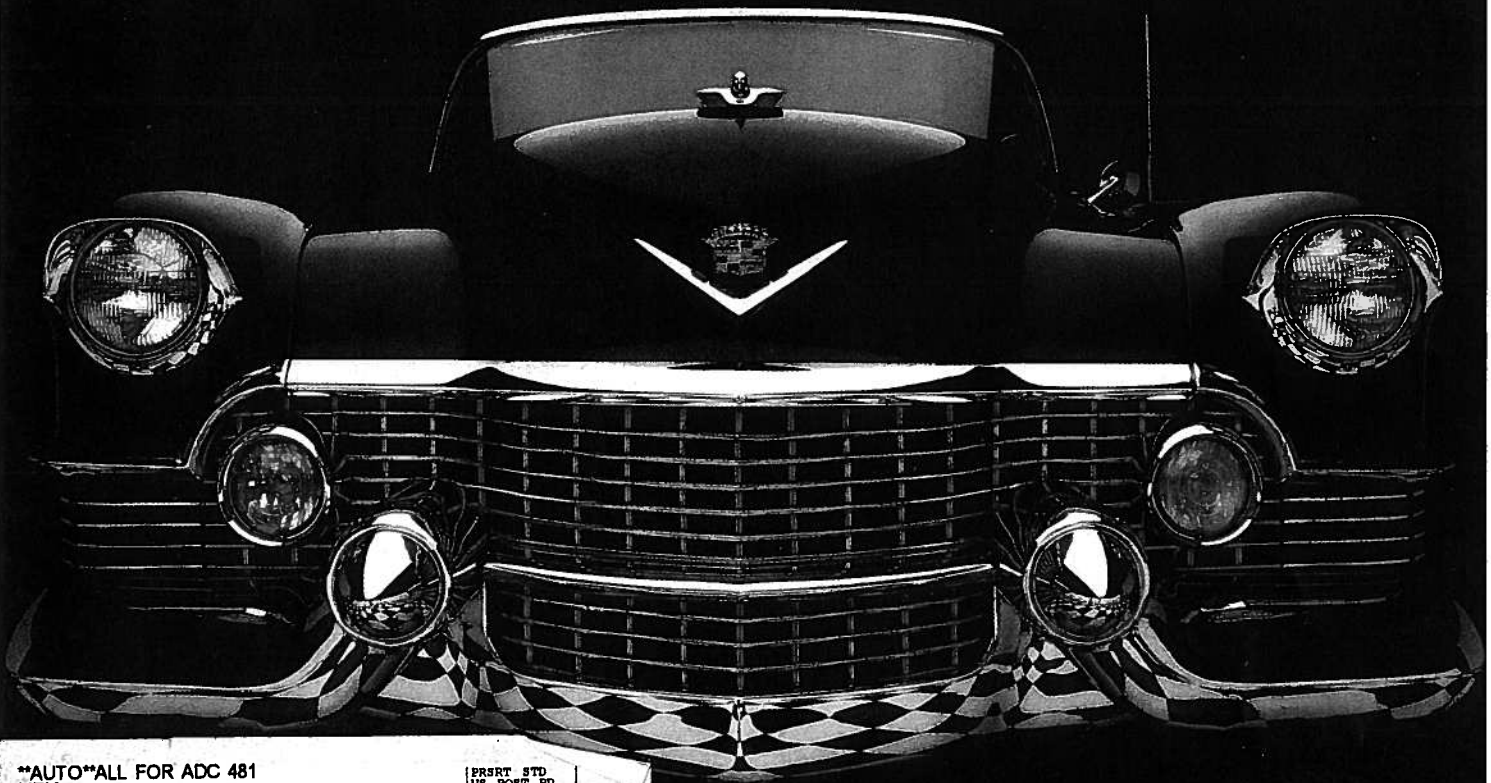
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**Excess Capacity  
and the Legacy of  
the Auto Industry**

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# Brownfields: The Legacy of the Auto Industry

By Gary R. Képpler, Leah K. Piwinski and David E. Rosenbaum



*The GM Pontiac Validation Center at 200 South Boulevard in Pontiac, Mich., sits on 133 acres that included approximately 1.68 million square feet of buildings. The former GM truck assembly facility ceased operations in 2005. Demolition was started in early 2007. By mid-year 2008, the site will be ready for marketing and redevelopment. Photo courtesy of GM.*

For more than 100 years, large tracts of land have been used by U.S. automotive manufacturers (USAM) for the production of vehicles. Over the last 20 years, the amount of land required by the industry has diminished dramatically for a variety of reasons, including more efficient production and reduction in consumer demand as automakers face a surplus of domestic manufacturing capacity.

Instead of allowing these often intensely used properties to become abandoned, underutilized and potentially hazardous brownfields, there is a growing recognition for stewardship of these properties,

both through divestiture and redevelopment for alternative uses. Although challenged by globalization of the industry and changes in public demand, perception and regulations, automakers have devoted resources to the proper decommissioning and redevelopment of these properties. It is absolutely critical to U.S. automakers that this redevelopment is accomplished efficiently while encompassing the three principles of sustainability: economic viability, environmental responsibility and social responsibility. This results in fewer abandoned brownfields that reflect negatively on our nation's automotive legacy.

## The Challenge

In recent years, domestic automakers have announced plans to reduce capacity by an estimated 25 to 35 percent. One manufacturer has targeted 26 million square feet of its capacity for closure throughout the U.S., a reduction of 34 percent.

There are potential hazards and liabilities associated with terminating operations at an automotive manufacturing facility and redeveloping the property. First, all buildings and infrastructures must be environmentally decommissioned. While this process greatly minimizes potential hazards and liabilities, it can prove a lengthy, complicated

and expensive process that requires much more consideration than simply demolishing the plant. Equipment and raw materials, as well as potentially hazardous building materials such as asbestos, lead or mercury, must be identified, completely removed and recycled, or properly disposed of.

After decommissioning, the property must undergo rigorous environmental assessment to identify potential soil or groundwater contamination. In some instances, plant operations released substances to the environment containing heavy metals, PCBs or volatile organic compounds. The presence and extent of these substances can have a significant impact on redevelopment by limiting potential future uses or requiring costly cleanup.

In addition to the physical challenges involved with redevelopment, social and economic factors must be evaluated to determine viable options for property divestiture. Redevelopment options are governed by the current needs of the owner, community and market, making it a multi-stakeholder issue. The public will want input on future plans for a site in the community, along with local agencies and municipalities, the business community and real estate professionals. The ultimate challenge for automakers is to select a divestiture or redevelopment strategy that balances cost-effectiveness, minimizes exposure to future liability and meets the needs and expectations of the local community.

#### Strategic Approaches for Property Reuse and Divestiture

Although thousands of properties in North America have been used for automotive manufacturing, ownership or legal responsibility lies with a relatively few corporations. Consequently, companies such as the U.S. "Big Three" have interests in hundreds of properties that do not lend themselves to a cookie-cutter approach for divestiture or redevelopment because of

their different past uses, local environmental settings and new user interests. Redevelopment, liability resolutions and other exit strategies require a site specific cocktail of technical, decommissioning, remedial, and legal actions that utilize environmental and market analysis, remediation technologies, deed restrictions, and cost cap/pollution legal liability insurance policies.

There are many complex evaluations and actions that must take place at a large number of properties. U.S. automakers have developed key strategic approaches that follow two guiding principles:

- effective and knowledgeable professional teams
- economies of scale when possible.

Professionals in the brownfield redevelopment industry know that transactions involving property with a long history of industrial use can be risky propositions unless there is a sound understanding of environmental conditions and relevant regulations. Automakers use various means to develop appropriate professional teams with expertise in addressing these properties. These include:

1. retaining quality environmental professionals, both on staff and through consulting/legal firms
2. housing contracted professionals at automakers' offices
3. providing environmental professional oversight during closure activities
4. establishing partnerships with service providers to share costs, risks and rewards of property assessment, remediation and redevelopment/divestiture.

While each property requires a site specific redevelopment/divestiture strategy, economies of scale can lower costs. These include:

1. bundling properties and services provided by contractors, minimizing service procurement costs (and costs for multiple contractors to become efficient in oper-

ating within the culture and procedures of the property owner)

2. consolidation and coordination of laboratory services contracting and data management
3. negotiation for discounted costs based on large quantities of specific items such as waste disposal.

#### Technical Solutions and Approaches

Before decommissioning a site in preparation for redevelopment, a building decommissioning assessment (BDA) is performed to identify and define what activities should take place. This is often done in conjunction with other site investigation activities such as a Phase I Environmental Site Assessment (ESA).

While decommissioning activities may address potential areas of environmental concern identified during the Phase I ESA, the BDA focuses only on buildings down to the lowest structural component (e.g., sewers, pits and sumps).



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Building decommissioning is performed to facilitate a new use for a given facility and to prepare structures for demolition, renovation, sale, or mothballing. The selected disposition scenario for a facility has significant impact on the information collected during the BDA and the level of effort required to decommission the site structures. The objectives of these activities are:

- minimize the potential for future release of contaminants to environmental media, including soils, groundwater or surface water
- eliminate potential unacceptable health risks associated with human exposure to pollutants and some building materials during demolition/renovation or continued use of the site
- ensure compliance with applicable environmental and health and safety regulations during demolition/renovation, waste management and disposal, and reuse of equipment.

**SUCCESSFUL ENDINGS**

Successful divestiture/redevelopment efforts are illustrated by several examples in the greater Detroit area.

The General Motors Corp. (GM) collaborated with the United States Postal Service (USPS) to redevelop a 75-acre GM facility located in Pontiac, Mich. The former facility consisted of a foundry, engine plant and assembly plant with operations dating back to the early 1900s. In 2005, construction began on an approximately 800,000-square foot USPS distribution center. The distribution center consolidated more than six other area postal facilities, allowing the USPS to move mail more efficiently. This brownfield redevelopment also generated taxable revenue and brought a number of jobs to the area.

GM successfully redeveloped its former Central Manufacturing and Assembly Facility, an excess manufacturing site situated on 350 acres of land in Pontiac. The property was converted into a 1.1-million-square-foot worldwide engineering center for the GM Truck Group, including offices, laboratories, GM supplier facilities, three hotels, restaurants, and a daycare facility.

In Allen Park, Mich., Ford developed Fairlane Green, a 1-million-square-foot retail and recreational center on a 243-acre site formerly operated as a Ford industrial waste landfill. The development includes retail stores and restaurants, a 43-acre park and 3.5 miles of trails. Fairlane Green was constructed as a green property—two-thirds of the site was converted into green space. Energy-efficient heating and cooling equipment and roofing was installed on site buildings. The development is expected to create approximately 2,000 jobs.

The former Ford Tractor Division research and development operation in Troy, Mich., was redeveloped into Midtown Square. Former operations at the 77-acre facility included performance, emissions, calibration, and durability testing on diesel engines and tractors, as well as solvent degreasing, machining, painting, sandblasting, and welding. The site is now the Midtown Square Condominiums and the Midtown Square Shopping Center.

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The BDA includes six key steps geared toward the identification of issues requiring attention:

1. initial site inspection
2. determination of assessment criteria and preparation of sampling and analysis plan
3. follow-up assessment
4. development of a list of areas requiring environmental decommissioning
5. development of decommissioning specifications
6. decommissioning implementation.

Depending upon the divestiture/redevelopment strategy, demolition

is often combined with decommissioning to prepare a property for redevelopment. Decommissioning and demolition can be implemented using different contractual approaches, including design-bid-build, turn-key/design build or prime contractor/construction manage.

The most common is the design-bid-build approach, but each has unique aspects that may be more advantageous for a given case.

Environmental assessment of the property is crucial to redevelopment. A Phase I ESA can identify current and past operations, practices and conditions at the site that



The Highland Park Ford Plant in Michigan, where the automated assembly line was first introduced in 1913.

devoted to automotive manufacturing for new use can be accomplished through proactive technical and strategic actions. Done correctly, the end result is the prevention of abandoned and potentially hazardous brownfields. Market demand for property to be used for other industrial purposes plays a key role in the redevelopment of these properties; divestiture/redevelopment to an intensive new use is not always a realistic short-term strategy. Success in re-establishing the value of such properties benefits the communities where they exist and merits the support of those interested in responsible stewardship of our lands.

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may have had an adverse impact on the environment. The conclusions of the Phase I ESA usually indicate whether further investigation or a Phase II ESA is necessary to evaluate potential subsurface hazards and environmental liabilities. The findings of the Phase II ESA help decision makers select the most practical new use and the divestiture/redevelopment strategy. The chosen use or strategy may direct the nature of remediation or cleanup to be performed.

### Challenges/Opportunities

The auto industry will continue to face significant challenges to the responsible management of surplus manufacturing properties, both on a case-by-case basis and arising from national or global factors.

Locally, costs and challenges escalate significantly when a property previously used for industrial production is targeted for residential use or there is off-site migration of substances through groundwater. In some cases, the property owner must decommission or redevelop the property so that it is safe for continued industrial use or a less intensive use, such as open green space.

Nationally, the RCRA perpetual care requirement deters prospective users of some properties because it stipulates that new owners must

apply for coverage under RCRA, even though they are not handling or managing hazardous waste, in cases when common remedial actions are used to complete corrective action. This requirement is imposed on new owners even if the previous owner can ensure perpetual care needs for contained residual substances.

Globally, the availability of sites for industrial production reduces the need to redevelop properties with complicated histories.

Overcoming case-specific challenges to divestiture or new use can be achieved, but it requires that prospective new users be sophisticated in their understanding of site issues, applicable regulations and opportunities.

The redevelopment of property previously

## A Totally Unique Team

IMG, the world's leader in sports and entertainment management, has signed an exclusive deal with Hemisphere Development LLC, a renowned brownfield redevelopment company, to develop regional Sports Resort Communities. The venture will develop its first real estate project at Lakeview Bluffs, located on 1,100 acres along Lake Erie in Northeast Ohio. The development's principal feature will be the IMG Resort Academies, which will provide world-class instruction in all major sports, and also will integrate comprehensive health and wellness programs designed by leading medical experts, making it a significant economic development tool for communities across the country. This high-energy, yet casual, sports environment is truly unique. It perfectly balances the world of sport, resort and community.



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