



Accelerating brownfield reuse in Central Europe

Findings and recommendations for national,
regional and EU Actions



A position paper for the EU and its CEE representatives from the ITDP/IURS Central European brownfield initiative

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Abstract

This paper shows why the brownfield issue is of unique and critical importance in the Central European context, and presents the current barriers to their reuse at the national and EU levels. Drawing on a 2½ year program of research and advocacy on this topic, we suggest some of the changes needed to accelerate the recycling of CEE urban brownfields into productive urban use. These include changes in national administrative capacities, in CEE regional networks, and in EU funding programs. The goal of this document's is to serve as a basis of constructive discussion with the relevant EU agencies, both in Brussels and in their delegations and twinning officers in Central Europe.

Overview and context of this document

A key spatial legacy of the previous regime in Central Europe and the transition to market economies is the extensive amount of unused and under-used land ("brownfields") in Central European cities. The former centrally planned economy had placed little market value on land and capital, and allowed oversized factories, railway sidings, and army bases in prime city-central locations. Despite their often excellent location, various features of the transition, and of the privatization process in particular, have prevented the market from reusing these sites even now, more than a decade later. For example: government environmental clearance insurance was stripped from many sites because of resale consequent to privatization; ownership has become fragmented; taxation policies discourage firms from investing in clearance and cleanup; and the rezoning of former industrial sites for other uses can take a prohibitive amount of time, and be uncertain in outcome.

At the same time, national administrations have scarcely recognized the problem until fairly recently, and the knowledge and capacities for cross-disciplinary and cross-departmental coordination needed on this issue are still lacking.

CEEC brownfield sites seem to comprise a far greater portion of urban land than in Western cities. Their continued dereliction presents not only the commonly recognized environmental threat and economic dead weight, but also, more subtly, undermines the rational spatial organization and efficient functioning of cities and their social cohesion. This is because large patches of land lie unused in central locations—functional and spatial holes in the urban fabric—even as new land uses are placed haphazardly on former agricultural land at the urban fringe. The resulting patchy and sprawling urban landscape is harder to serve with infrastructures and services; it consumes more land and energy resources; and it is degraded in livability, equity, and aesthetic terms.

The scope and seriousness of the brownfields issue, and the lags in the capacity of Central European governments and local administrations to deal with it, prompted ITDP and its local Czech partner, IURS, to tackle the issue. These two research and advocacy organizations dedicated significant energies to clarify and bring recognition to the topic, and to reduce barriers to brownfield reuse. As part of this initiative, and with the assistance of a grant by the Rockefeller Brothers Foundation, over the last 2½ year we have held a variety of workshops, stakeholder consultations, focused consultancies and trainings at the site, municipal, regional, and national levels. This work has drawn extensively on Western European and US best practices, and produced a set of reports, tools, and recommendations designed to accelerate understanding and treatment of the topic in specifically Central European circumstances. The initiative has proved quite effective in expanding awareness and catalyzing a range of institutional changes and learning among all stakeholders. The products of this effort are available from the authors and ITDP/IURS (some of the are available at www.itdp.org and in Czech at www.brownfields.cz).

Drawing on this experience, this position paper summarizes some of our findings. It highlights the barriers and the necessary measures to reduce these at the national level, and their interface with the EU, and specifically with the programs and agencies involved in the accession process. Our goal is to spark constructive discussion with the relevant EU agencies, both in Brussels and in their delegations and twinning officers in Central Europe on the instruments and approaches needed to accelerate brownfield reuse on a regional and national basis. In this way, we hope to disseminate the products and analysis generated by the ITDP/IURS brownfield initiative beyond the national level, and to assist those working within the EU to accelerate the achievement of measures and competencies necessary for brownfield reuse.

Box 1: clarification of several overlapping terms

Incorrectly zoned land – land zoned for past production purposes and now located in prime locations, whose economic return would rapidly increase should it be zoned for higher land uses

Underused and vacant urban land – built up or unbuilt land located within urban built up areas, which is not urban green space or classified as an environmental amenity.

Brownfields – land and property within urbanized areas that has lost its original use or is seriously underused. These may, but do not necessarily have, environmental damage and dilapidated buildings and plant. The complexities, risks and costs of their renovation and reuse discourages private capital from utilizing such properties. Public intervention is often required to help remove barriers to redevelopment, and start the reuse process rolling.

Potentially contaminated land – land whose previous uses would indicate a likelihood of environmental contamination to the land or to real estate connected to it.

Contaminated land – land where investigation has proved environmental contamination.

On the whole, the understandings and institutional capacities for brownfield reuse are still in their infancy. At the current rate, it will be decades before even the more central and valuable sites are brought back into productive urban life. We cannot afford such a delay. Indeed, some national measures, such as the development of industrial and employment zones on greenfield sites, actively retard progress on brownfields.

Box 2: examples of barriers to brownfield reuse (CZ)*

Know-how, coordination, and motivation

- Inadequate understanding, at all levels, of the scope of the brownfield problem, and of its financial and social implications
- Low political commitment at all levels to brownfield reuse
- Absence of an overall brownfield strategy, primarily at the national level, but also at the lower levels
- Inadequate cooperation and knowledge-transfer among disciplines, institutions, and departments within institutions
- Inadequate know-how across the full range of potential brownfield stakeholders, including private investors, local authorities, regions, and ministries

Tools and policies

- Lack of clear-cut policies and strategies
- Insufficient transparency and enforcement in the legal system in several areas that impinge on brownfields planning, purchase, and use
- Lack of means to insure or cap environmental liabilities
- Inadequate tools for land assembly
- Inflexible planning tools
- Insufficient fiscal instruments and incentives
- Overly uniform and insufficiently discriminating cleanup standards
- Lack of a unified registry of sites and their critical parameters
- Lack of analytic tools and principles for prioritising site investment
- Lack of benchmarking against international best practices for brownfield rehabilitation and for their cost

Broader market milieu

Even with adequate knowledge, coordination, technical tools and policies, brownfield rehabilitation on a sufficient scale is unlikely unless the following prevail:

- A vibrant expanding market
- Local public sector finance (for the less prime and heavily damaged sites, and, even for prime sites, to match private sector or EU funding)
- Greater restrictions on the ready availability of greenfield sites. (This availability represents hidden subsidies to greenfields, in the form of infrastructure extension, and, in the long term, support for inefficient spatial structures. Thus this item could be rephrased as “removal of greenfield subsidies.”)

** The barriers to a more accelerated treatment of brownfields in this box have been excerpted from various reports (available at www.itdp.org.) Similarly, some of the recommended changes in legal and institutional frameworks described in ITDP reports are listed on a Ministry-by-Ministry basis in Box 3.*

While some of the barriers lie in particular kinds of technical expertise, or in a particular piece of legislation or tax code, we can identify an overarching and pervasive barrier: the lack of coordination and institutional linkages—between **disciplines** (economics, environmental sciences, urban planning, real estate development, etc.), between **departments and ministries** (of Environment, of Finance, of Regional Development, etc.), and between **sectors** (private, public, NGOs). Thus, a central issue is one of coordination and leadership, as well as the administrative and legal changes to allow and draw from this kind of horizontal linkage. Financial resources are important, of course, but only if they can be directed by a broader strategy that is linked-up in this way.

Building this linked-up strategic approach to brownfields could be key to the role of the EU in building the capacity of Central European societies to grapple with brownfields. Further, because brownfields constitute such a major challenge to urban life and structure in Central European countries, the ability of these countries to benefit fully from structural and cohesion support will be conditional on their success in dealing with brownfields. Continued inability to recycle uneconomic urban land in central locations, coupled with a boom of ex-urban growth following accession, will create urban patterns that will hamper the livability and competitiveness of CEE countries for many decades after accession.

Such a linked-up approach suggests that it is not enough to simply fund the reuse of particular brownfield sites—a raft of more generalized know-how transfer and institutional capacity-building must occur. It is not enough to provide this know-how or institutional capacity only in technical fields (related to soil- or water-based remediation, for example), but to provide tools from real estate and land-use economics, and from urban planning, so that the selection, ranking, and development of brownfield sites can be done within a sound economic and urban framework. It is not enough to have a national brownfield strategy, if this is not closely coordinated with the regional administration, and local authorities. Nor is it enough to commission one government agency to prepare a national brownfield strategy—at a minimum (to take the Czech example) the Ministry of Environment, Ministry of Regional Development, Ministry of Finance, and Ministry of Industry must be closely involved from start to finish. Above all, a linked-up brownfield emphasis must be coherent, focused, and massive enough to match the scale of the problem in Central European cities, and thereby create the broad consensus and political will necessary for accelerated change.

Box 3: examples of suggested ministerial-level brownfield reform measures (CZ)

Ministry of Regional Development

The planning and construction law

- Amendments necessary to allow the Ministry to designate “Brownfield Action Areas” in which unique planning, fiscal, and grant regimes pertain, and can be acted on by other institutions. A precedent for this kind of special area exists in the Historical Monument Legislation, which designates special areas for tax breaks and grants for conservation purposes from several institutions.
- Amendments to allow special purpose “development corporations” to act in the areas thus designated, and specifying the scope of their responsibilities and powers.
- Amendments empowering the Ministry to issue directives on how brownfields should be recorded and monitored.
- Amendments enabling individual local authorities or a consortium of local authorities to approve a flexible “Development Brief” for such brownfield areas, which would direct development of the site
- Amendments to introduce special re-cultivation permits
- Amendments that allow greenfield development only to the extent that sites in already urbanized areas have been exhausted, and specify guidelines for implementing this conditioning of development.

Cadastral law

- Amendments that would ensure that a site’s contamination and clearance history are entered in its cadastral entry, and made publicly available.
- Amendments enabling local authorities to register claims against property tax debtors.
- Amendments to include natural attenuation as a re-cultivation technique for certain types of real estate

New institutions

Possible new laws establishing a Brownfield Redevelopment Institution that could take a central national role in a brownfield clearance and reuse program.

Obtaining government approval for programs for brownfield sites not returned to industrial uses

Grants and special Investment Funds for brownfields rejuvenation and also funds to match possible EU funding

Education programs orientated toward local authorities professionals and NGOs

Ministry of Environment

Amendments to laws dealing with ecological damages

- Amend law so as to provide a solution for all old environmental damages, including those not covered by the environmental clearance guarantees arising from privatisation.
- Amend law to allow a single central address institution for management and supervision of all issues related to environmental cleaning
- Amend the law so as to clearly identify the transfer sequence of environmental clearance guarantees and limits of the environmental responsibilities of new owners
- Amendments creating or enabling insurance products that would limit the liability of owners and future owners for environmental damages and the costs of clearance.
- Amendments of the law referring to the ground water to allow risk based assessment techniques
- Amendments requiring acceptance of already existing process of natural attenuation for open cast mining mineral extraction and other similar sites
- The legal basis for creating a division (or augmenting the powers of an existing one) that will take the lead in the environmental and technical aspects of remediation and clearance.
- Administrative arrangements for establishing a national database of clearance and remediation unit costs, to increase transparency and prevent inflated costing
- Amendments requiring that the results of all environmental audits and surveys be submitted to a central repository, and that those above certain thresholds be entered into the cadastre, as described elsewhere
- Amendments allowing a "greenfield land tax" to be payable to the FZP (The Environmental fund)

Ministry of Finance

- Decrease the depreciation period of brownfield environmental clearance and demolition costs from 30 years to a more preferential period. (The long depreciation horizon is a considerable disincentive for potential investors in brownfields.)
- Revise official property valuation procedures so that environmental damages are subtracted from the value of the real estate.
- Gradually increase property taxation to levels on par with EU countries.
- Strengthen the treatment of non-payment of property taxes, including registration of non-payment in cadastre, and strengthening the enforcement powers of local authorities to collect such incomes due to them.
- Programs and tax incentives for direct investors in Brownfield Action Areas.
- Enabling creation of specialised investment funds offering cheap loans and grants for environmental clearance.
- Enabling creation of specialised investment funds offering risk capital for Brownfields development.
- Tax breaks for indirect investors investing in these specialized brownfield funds.
- Specifying financing for the state institutions responsible for implementation of state brownfield programs.
- Amendment to law assuring public access to the Environmental Clearance Contract of the National Property Fund
- Legislation enabling environmental liability insurance products.
- Preparation of regulative guidance for brownfield public-private partnership programs.
- Providing a system of guarantees for EU co-financed non commercial projects

Ministry of Industry

- Creation of programs and institutions promoting reuse of industrial brownfields

- Possible new laws governing special purpose Brownfield Redevelopment Companies (if these do not fall under another Ministry), which would govern the property rights and duties of these owners.

Ministry of Interior

- Creation of forms to be used to establish indicators and benchmarks related to brownfields and their clearance, and establishing duties by public and private sectors to return these.
- Amendments to law obliging local and regional administrations to monitor local brownfield situations on a regular (say 5 year) basis.
- Provide brownfield related education programs for the regional and local administration

Social and Employment Ministry

- Provide incentives for job creation on rehabilitated brownfield sites, and in the work of brownfield rehabilitation.
- Provide retraining packages for those formerly employed in abandoned industries that are now brownfields.

Beyond the Ministerial-level slicing of necessary reforms, sketched in *Box 3*, we see several overarching tasks, such as the following:

- A broad elevation of the visibility of the issue and the extent to which it is a priority for sustainable urban development and competitiveness—a “branding” of the issue, if you will.
- Harnessing, pooling, and structuring the sources of local expertise and finance available for the issue to create a single point of address for underused urban land issues.
- Establish simple national-level achievement commitments (such as a certain level of public investment to be directed to recycled sites, or a certain percentage of new housing to be developed on such sites).
- Sort out the administrative structures for treatment of the topic: overall responsibility placed above the level of the individual ministries and under the direct political responsibility of a senior figure; in parallel, implementation of the required legislative and other changes as a cross-cutting horizontal project.
- Provide a national-level monitoring system for underused urban land, and train local authorities and regions to use it.
- Institution building and knowledge exchange at the national level and jointly among the CEE countries.
- Utilize the national local allocations of the Social Development Fund (SDF) toward individual CEC Operational Programs for the development of the above, and for the development of new brownfield-related university courses and projects, and continuing education projects.
- Increase the availability of national research and grant programs for research on brownfields.
- Increase the availability of national institutional support and research on brownfields.
- Focus more national university teaching and research on brownfields.
- Enhance linkages to existing EU expertise, products, and programs.

Clearly, **the range of barriers and changes** suggested by *Boxes 1* and *2* (and these are sketches, rather than comprehensive listings) **suggests that these countries will not be able to build the necessary structures and skills within a reasonable time if this process is not dovetailed with the fund and capacity-building components of the accession process.** The following section describes in more detail how this is and is not possible under current arrangements.

Potential remedies and assistance at the EU level

Over the course of the ITDP/IURS initiative, we have identified a series of products and programs that would help accelerate the recycling of CEEC underused urban land at national and CEE regional levels. These include the following:

- A policy-oriented regional Central Europe brownfields conference, serving also to launch a regional network on the topic. (An indicative proposal for such a conference is available from ITDP.)
- Utilization of the 6th framework program or an amended ESPON program to fund research on brownfields policy and spatial issues.
- Improved CEC access to existing brownfield networks, projects and products (such as CABERNET, RESCUE, CONSOIL, etc.).
- Utilization of the INTERREG programs for a regional project that would assist in assessing the scale of the brownfield problem regionally, and provide tools and indicators that would enable comparison and benchmarking. (An outline scope of a proposal for such a project is available from ITDP.)
- Use of the LEONARDO program to produce brownfield training materials for the continuing education of an audience of CEC professionals and administrators, including a set of handbooks documenting the issue, and providing an introductory toolbox approach to site inventory, assessment, and planning, delivered in local languages. (project of this type under the LEONARDO program was submitted by the this autumn by the IURS and its partners for a national selection in Czech Republic.)
- Implementation of brownfield regional research centre, jointly hosted at a university or Ministry site, that will serve as a single CEC address and clearing house on the topic.
- Implementation of a regional brownfield web site, in English with CEC sub-pages in local languages.

IURS

IURS is a non-profit advocacy, research and project implementation organization, working to forward sustainable development practices. IURS aims to foster broad coalitions that enhance the competitiveness of accessible city centre development and redevelopment (retail, residential, and other) relative to out-of-town “greenfield” developments, which tend to be sprawling, car-based, and wasteful of resources that undermine city centre vitality. The NGO is strongly focused on issues of underused urban land and the containment of sprawl in the Czech Republic and Poland. IURS members are local and international experts in various fields touching upon the urban land reuse agenda

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