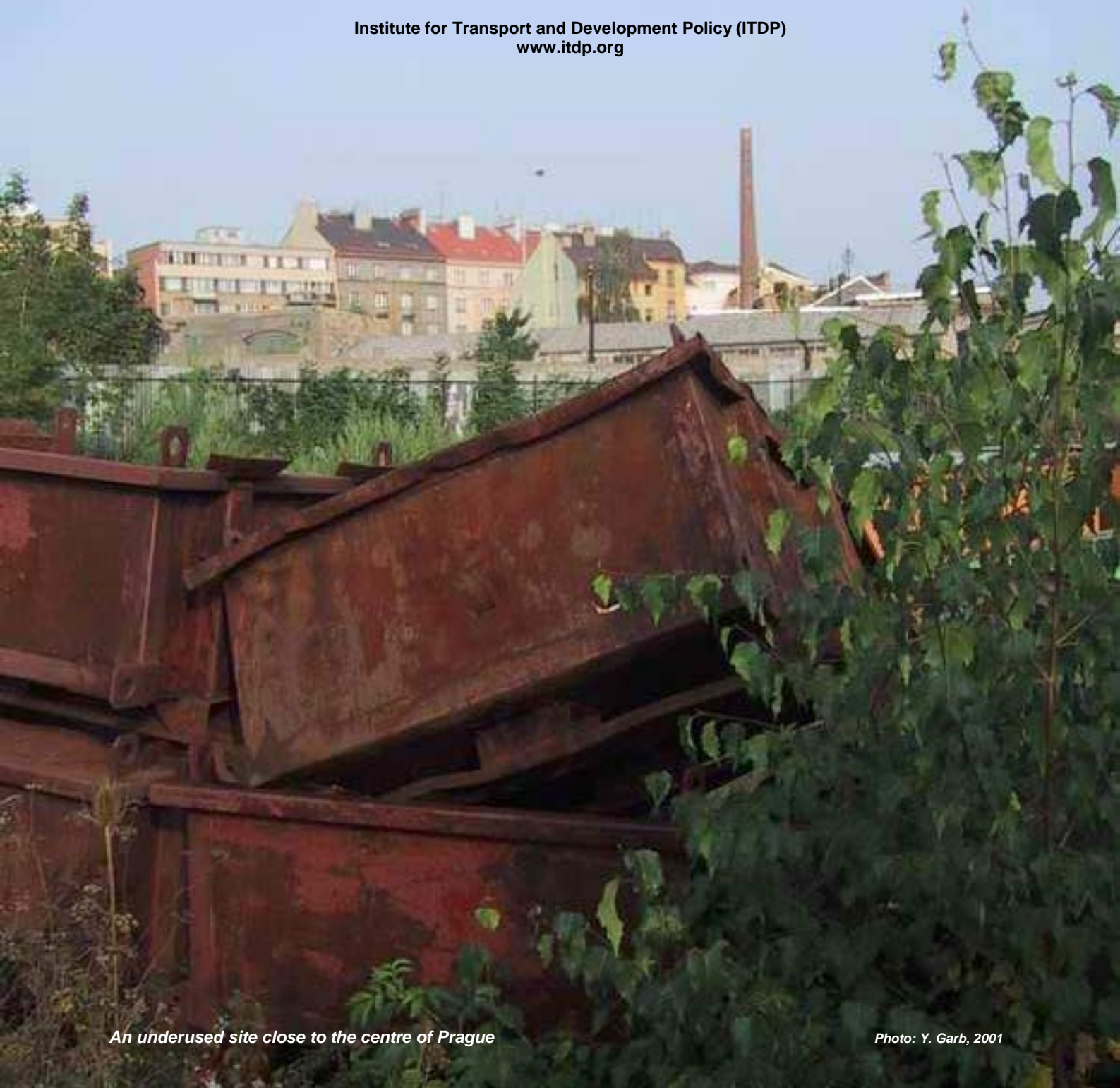


Facilitating brownfield redevelopment in Central Europe: overview and proposals

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An underused site close to the centre of Prague

Photo: Y. Garb, 2001

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ABSTRACT

This essay, is a shorten version of our second mayor Brownfield orientated paper. The previous one "The Search for Brownfield Leadership in Central European Cities," provides an overview of aspects of the urban brownfields problem in Central Europe, and suggestions for reducing the barriers to their reuse. These essays are intended as rapid accessible interventions in the debate on brownfields in these countries, so as to influence institutional processes and policies in real time.

This report discusses the following.

- 1) The scope, nature, distribution, and reasons for economically underused and brownfield urban land in the CEC, and the difficulties in obtaining reliable data about these.
- 2) The main barriers to reuse of this land, with an emphasis on the Czech condition
- 3) Some of the main avenues for overcoming these barriers, amendments of the legal and tax frameworks, cross-institutional and cross-disciplinary cooperation, and the emergence of institutional leadership within the governmental or para-governmental apparatus.
- 4) A consistent methodology to enable local communities to audit their underused and under-performing urban land, and assess the likelihood of such land being redeveloped commercially if recovered.

Appendix 1 illustrates the likely volume of legal framework that need to be changed in order to accelerate under-performing urban reuse.

Full-length essays may be found at www.itdp.org.

About ITDP

The Institute for Transport and Development Policy (ITDP) is a non-profit research, advocacy, and project implementation organization working internationally to forward sustainable transport and development practices. Based in New York, ITDP has programs in Asia, Africa, the Caribbean, Latin America, and Central Europe (see www.itdp.org). ITDP's Central Europe work is strongly focused on city centre revitalization and the containment of sprawl in Hungary, Poland, and the Czech Republic. The goal is to foster broad coalitions that enhance the competitiveness of accessible city centre development and redevelopment (retail, residential, and other) relative to poorly-planned out-of-town "greenfield" development, which tends to be sprawling, car-based, wasteful of resources, and undermining of city centre vitality. A portfolio of activities within this initiative is available.

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BROWNFIELDS IN CENTRAL EUROPE: CAUSES, SCALE, AND DATA AVAILABILITY

Brownfields are formerly developed land that is underused, and sometimes vacant, derelict, or contaminated. Brownfield properties are “stuck,” somehow, in this underused state: the market, left to itself, will not recycle them into more active use, often because the perceived cost and risk of bringing them back into use exceeds their benefits to owners. Yet the broader urban and social costs of these “holes” in the urban fabric are great, and often do justify the necessary expenditures. Thus, some kind of public sector intervention is often necessary to bring such land back into productive use.

The circumstances of former socialist countries and of the transitions these countries have undergone in the last decade or so, have, on the one hand, left a legacy of an exceptionally large amount of these brownfields in urban areas; yet, on the other, they resulted in a weakened capacity for the interventions needed to recycle this land. This paper discusses these circumstances, emphasizing the Czech Republic, but also of other Central European countries, whose experience is similar in many ways. In a previous essay on brownfield leadership (available from www.itdp.org), an analysis of the current and potential roles of various stakeholders in the brownfield development task pointed to the pressing need for brownfield leadership: imaginative coordinated, cross-institutional and cross-disciplinary efforts. We discuss the leadership issue more briefly here, and present some other necessary elements of such an effort: an auditing methodology that allows towns to assess their brownfield holdings, a system to rank these according to the likelihood of their development, and some of the national legislative changes needed to facilitate this development.

Extensive brownfields as a post-socialist legacy

In addition to the brownfields produced as a regular outcome of industrial restructuring in any country, the dynamics of socialism and the circumstances of transition from a socialist to a market economy, both described below, left Central European countries with an exceptionally large burden of brownfields. This burden was initially fairly invisible as a policy issue, until the privatisation process, and especially the reluctance of foreign investors to purchase sites that were or might be contaminated. These brought home, often for the first time, the scale and seriousness of the brownfield problem in Central Europe.

An exceptional feature of Central European brownfields is their abundance in urban settings (Fig. 2). This is the result of shared socialist heritage. With no real estate or capital markets to speak of, state companies did not consider the cost of land or of money when making construction or operating decisions. Thus production facilities were situated in what would otherwise have been prime sites in central locations. Additionally, plans and quotas regulated raw goods allocation and production. Inflexibility, and bad predictions about demand and supply led to setting aside of large areas for the storage of raw materials and finished products, often for extended periods. As companies were not responsive to the spatial and financial inefficiencies of these build-ups, their premises were often much larger than their counterparts in capitalist economies, and sometimes over-equipped.

Central European cities (even those that are not heavily industrial), have 2 to 3 times the amount of space devoted to current or past industrial uses than their western counterparts. The portion of land devoted to industrial uses is even higher in industrial cities, and these face massive brownfield and restructuring problems with the demise of their indigenous industries.

With the change in regime in the late eighties, much CEE industry found itself rapidly redundant, unable to compete in terms of its efficiency and the products it offered. A spiral of decline commenced. The physical degradation of these sites was accompanied by a degradation of their ownership status and integrity. Through the privatisation process, and because owners and bankruptcy administrators tended to dispose of properties in small individual lots, they often became less viable purchases for redevelopment. Other sites were unsellable as they were securities for mortgages, often valued at

hundreds of percent their actual value. In addition to post-industrial brownfields, additional brownfields arose through demilitarisation: the emptying or disuse of large bases in and around CEC cities. Extensive railway lands and siding areas, often quite polluted, are also drastically underused in many Central European cities.

Central European brownfields must be placed in the context of overall population decline, and of greenfield development for commerce, industry and housing. Cities are losing people, activities, and capital due to declining numbers and to sprawling peri-urban areas; hinterland communities feel the challenge to their development potential even more strongly.

The lack of data, and the absence of CEE-wide brownfield networks

With brownfields such a dominant feature of the Central European urban landscape, there is a surprising lack of shared awareness and networking on the issue, and a lack of reliable data. While inventories and measures of greenfield development are possible through satellite imagery, brownfield inventories require a more intimate knowledge of the current use and status of sites. Thus, even the capital cities of Prague and Budapest currently lack a comprehensive inventory of the aerial extent of their brownfield sites, much less on prioritised by degree of contamination or the economic feasibility of rehabilitation. Countrywide figures for the scope of the brownfield problem are similarly lacking, with the exception of Poland, which offers a figure of 8,000 square kilometres but does not indicate how it was derived.

The Country Reports of international financial institutions, such as the IMF or World Bank, sometimes estimate the overall cost of environmental liabilities of countries, though brownfields does not figure as a separate category.

Site counts of contaminated sites are easier to come by. **Hungary** lists 19,000 locations thus far in its official registry of sites needing remediation, though local NGOs estimate the actual number to be more than double that, closer to 40,000. The **Czech** registry has 3000 contaminated sites, of these 830 critically so.³ And the **Polish** registry contains 100,000 locations (!) of pollution to ground water.⁴ In **Slovakia** there are several registry lists⁵ though little information on what kinds of land this figure includes. There is a database of environmental damages containing 8,349 items, and a database of old mining works with 16,379 locations, of which 500 are listed as having substantial environmental

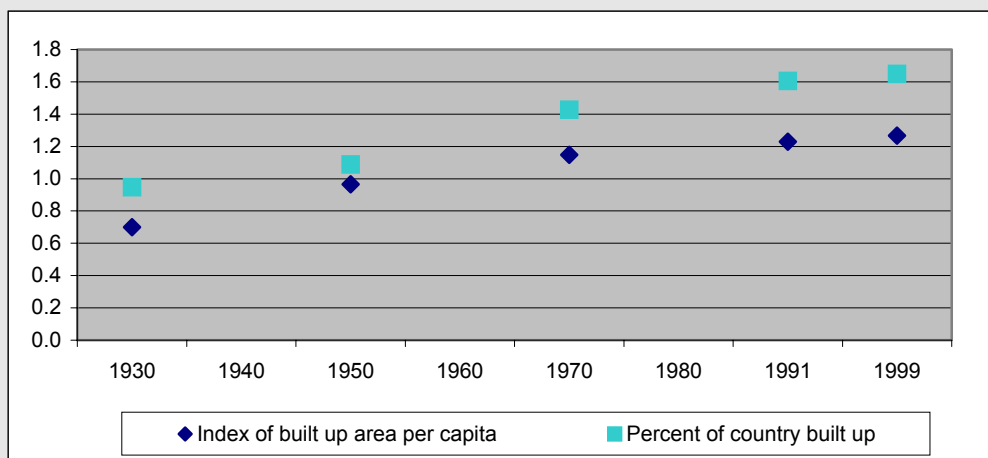
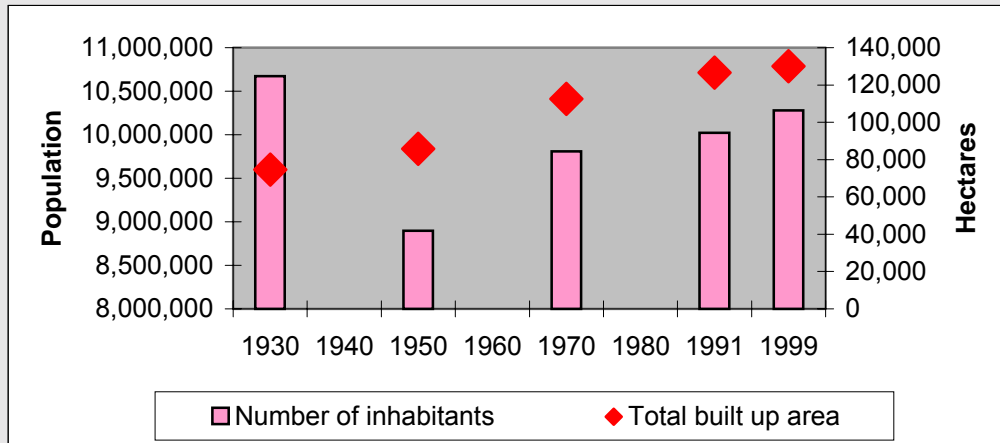
And, in all these countries, more sites will be discovered as proper environmental audits are done for the first time during property transfers.

The cost of environmental remediation is only part of the cost of bringing a property back into use: clearance and redevelopment costs can be much higher. Also, many of the sites on contamination registries are not urban, and thus have almost no development potential.

A more extensive brownfield registry is a prerequisite for several parallel processes. It is an important spur to awareness. The production of aggregate figures also forces the consolidation of various site registers into a single framework. Once this has been done, the systematic prioritisation of the sites can be developed, using an overlay approach: what are the derelict sites, which have actively health-threatening contamination problems, which are in desirable enough locations for the real estate market to pick up once they have been unlocked from their stuck state, etc. For such an inventory to proceed, nation-wide and preferably CEC-wide definitions and evaluation and ranking procedures are needed, to allow comparison and aggregation.

The gap in systematic brownfield information is striking given the progress that has been made on other environmental indicators and information, supported in large part through technical assistance from the EU, US AID, and the GEF over the last decade. This assistance has focused on air, water and coastline quality—i.e. on media that could potentially travel across the CEC borders. In these spheres, watchdog bodies and monitoring systems, that produce regular data, have been established. But registers or analyses of potentially polluted urban land and buildings have not received the same kind of assistance, despite their importance for urban redevelopment.

The declining spatial inefficiency of the Czech Republic



Sprawl has been defined by some as a situation in which the land use of a city expands faster than its population. In the 1930s, the Czech Republic was a wealthy European country, with a high industrial output (mainly of machinery, glass, and textiles), and a strong export. Yet, while the population in 1930 was 400, 000 people larger than today, the built up area used to support this thriving economy was only half that used in 1999! And, with the rapid use of greenfields in the last couple of years, this ratio is worsening rapidly and large volumes of already urbanized land are turning into Brownfields.

Derived from statistics in: M Říha (2001), "Anarchy of urbanism in the Czech countryside."

Beyond the task of inventory and prioritisation of sites, there is a pressing need for networking and the exchange of experiences and best practices within and between the Central European countries that share a similar legacy and predicament regarding brownfields. There are no national-level groups or even web pages devoted to brownfields in any of these countries, nor a regional one.

Some policy guidance and information exchange has been given by overseas organizations (notably the OECD, the US EPA, the Welsh Development Agency, and Pittsburgh University), but this has not yet left a legacy of networks and institutional capacity on the ground.

A few technical assistance projects focus on brownfields, but on a purely per-project basis.

BARRIERS TO URBAN LAND RECYCLING—WITH EMPHASES ON CZECH CONDITIONS

Municipal leadership is not up to the task

Most cities and their communities lacked the wherewithal to discern and respond to the rather sudden formation of a massive brownfields problem in the years following the transition. Brownfield sites are a form of market failure, where the cost of rehabilitation exceeds the benefits of use to an individual owner, freezing sites into disuse. While visual blight is immediately evident, and sometimes the devaluation of adjacent properties, the more subtle damages to urban economies are harder to spot. It takes a competent strategic planning and urban administration to recognize the costs of this disuse and respond creatively to it. They also need to have the financial and legal knowledge and instruments for carrying out their strategies.

It takes a proactive, creative, cross-organizational effort and funding to “bump” such sites out of their stagnation. Public leadership must provide a range of coordinated inputs (policies, instruments, planning, funding, training) to begin to increase the attractiveness of these sites to the point that the market can take hold of them and use the potential inherent in their centrality. But amidst so much change, CEC planners and administrators were not until recently aware of the extent and larger implications of the dereliction of urban land, which had “Swiss cheesed” Central European cities. Nor were the capacities for public intervention up to the task. Local administrators and governors often find themselves unprepared by their training or experience to address the urban land rehabilitation task; indeed, until recently, they often do not discern it as an identified and central task.

City managers should have a strong motivation for improving their brownfield understandings and capacities. Brownfield investments can improve the quality of life when they replace dilapidation and “holes” in the urban fabric with functioning urban land uses. And, because development that cannot occur on brownfields typically leaves the city for greenfield sites, outside of the city’s jurisdiction and revenue base, any development not captured for brownfield sites will work in direct competition with city interests.

Inadequate understanding by communities and NGOs.

Pragmatically, community involvement is necessary to achieve buy-in and support of brownfield rehabilitation programs, both at the site and at the neighbourhood level. At a deeper level, the community voice is a critical in answering the question: what are the purposes to which recycled land will be put?

A range of environmental and community-based NGOs and initiatives operate in all the CEC countries. Unfortunately, the majority of NGOs who might be relevant on the issue also lack the understandings mentioned for municipal leaders. NGOs are only now beginning to realize that the brownfield issue is the inverse of the sprawl and conversion of peri-urban agricultural land, on which they have been active for some time. And they have yet to fully link up the brownfield issue with issues of environmental health, community development, social equity, and public participation.

Private investors in a dilemma

Given the difficulties described above that face a developer interested in a brownfield site, and the absence of public support, a principled developer associated with a high profile bank or institutional investor will have little motivation to tackle a brownfield site, even a centrally located one. This is especially true when a greenfield project could probably be completed in half the time (1.5 to 3 years). Less careful investors, however, might be attracted to the potential of high yields from such sites, and attempt to develop the site locally by cutting corners; they are greatly assisted in this by the lack of know-how (and sometimes conflicted interests) of permitting authorities.

The barriers that legitimate investors face in developing even brownfields at prime locations, underscore the need for orchestrated package of public sector measures and inducements.

Lack of integration, leadership, and strategy at the state level

In Central European countries, the responsibilities and competencies for brownfield rehabilitation are divided among several state institutions.

In the Czech Republic, several state agencies have nibbled at the edge of the brownfield issue, and one (CzechInvest) has extended its mandate of providing industrial investment incentives into a substantial integrated brownfields package of measures. But CzechInvest has yet to obtain the clear national-level leadership and a corresponding national brownfield strategy that would spur and prioritise a coherent cross-agency effort. It is precisely in the gaps between the functions and viewpoints of the various government agencies, and between those of government and the private sector that many of the barriers to brownfield redevelopment can be found.

Central European brownfield agencies have not yet internalised the sensibility that for many less polluted sites, where treatment is not dominated by environmental or health hazard considerations, brownfield decision-making must be integrated with considerations of a site's commercial viability. This requires knowledge of real estate markets and property development processes often lacking among most CEC agencies.

Summary of the key barriers

A key theme emerging from this review is the need for brownfield leadership at national, regional and local level that can coordinate the many measures, policies, and administrative linkages necessary to get more urban brownfield properties “unstuck,” and into productive use. From our knowledge, the Czech situation is sufficiently similar to that in other Central European countries to allow many of the findings and suggestions here to be mapped onto these countries. By way of summary, the following are some of the key barriers to reusing brownfields.

Know-how, coordination, and motivation

- Inadequate understanding of the scope of the brownfield problem, and of its financial and social implications in all levels
- Low levels of political commitment to brownfield reuse in all levels
- Absence of an overall brownfield strategy mainly in national level, but also in 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 of the technical and other costs and procedures against international best practices

Broader market milieu

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

- A vibrant expanding market
- Local public sector finance (for the less prime and heavily damaged sites, and to match private sector or EU funding even for prime sites)
- 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.”)

OVERCOMING BARIERAS TO URBAN LAND REJUVENATION

The big picture

Given the various barriers to brownfield rehabilitation described here and in our “Brownfield Leadership” essay, it is clear that brownfields constitute a major societal task. The necessary governmental and para-governmental efforts demand substantial financial resources, focused integrated strategy, leadership, and political will.

The main barriers now are not fiscal, but issues of awareness, coordination, and administrative and legal changes to channel existing resources properly. This said, there still a massive scope of financial resources needed. Fast action is needed, because it can cost more to do many of these sites in the future; because the lost capacities of brownfield areas are already invisible draining away the economic vitality of cities; and because the finite volume of local, EU, and global investment in coming years will go to sites that are easiest and fastest to develop: the towns and countries that are able to gear up in time to channel this onto brownfield rather than greenfield sites will be more efficient and competitive in the long run.

Against this background, we see the following as priorities for accelerated treatment of brownfields

Priorities for accelerated treatment of brownfields

- **Government commitment.**
 - The government must express its political will in the form of a short sharp policy, for example stating the percentage of investment that is to go into the already urbanized area.
 - The government must get the actors to talk with one another, and ensure they fund and implement proposals towards these ends.
 - A need for a strong ongoing coordinating role in this process is obvious
- **The emergence/establishment of a clear-cut brownfield leader**

While there is a need for increasing the brownfield awareness and competencies of all stakeholders (including non-governmental ones), there is a need for a strong orchestrating entity. This could take one of several forms.

 - A strong governmental steering commission or a cross-ministerial commission
 - An existing ministry with an existing large role related to brownfields (typically the ministries governing finance, planning, development, and environment)
 - A specialized brownfield agency formulated specifically to have a broad clearance, development and coordination remit
 - Another body—as long as it is empowered to lead and coordinate, and has the funds for the job.

- **An approximate assessment of the scope of the problem**
 - Steps, strategies, and policies need to be based on a rough estimate of the problem's size, cost, and consequences.
- **A mapping of the brownfield approaches and experiences of other countries**
 - An initial mapping must be followed by more detailed consultations with those abroad that use and administer the most relevant models.
 - Central European countries should use to the full the available EU resources, such as technical or twinning assistance, to increase local know-how and understanding.
- **Education at the Ministerial, municipal, and regional level**
 - It is important that staff, especially at the middle levels, have an appreciation of the costs of inattention to brownfields, and the measures and strategies available for recycling them
 - A PR and education program must also be directed toward elected representatives, who will eventually vote on the legislation under-girding brownfield programs.
- **Establish and support regular forums, networks, and channels of communication**

Exchange and discussion should be

 - international
 - inter-agency,
 - inter-disciplinary,
 - and inter-departmental.
- **Prepare a National Brownfields Strategy indicating the priority areas, and identifying goals, dates and financial means**
 - Site treatment should be based on economic, environmental, and urban criteria overlays
 - Institutional competencies, responsibilities, and coordination procedures must be outlined
 - The necessary policies, programs and legislative changes should be sketched. These should include the fiscal measures and incentives and legislative improvements mentioned in this report: short depreciation of cleanup expenses, tax breaks, improved land consolidation procedures, etc.
 - A concrete implementation plan, including funding and timeline for its achievement, must be specified.
- **An integrated vision of vital city centres must drive the entire initiative**

Throughout the above measures, an urban perspective committed to the long-term public interest and to a broad definition of urban vitality must be employed.
- **Pilot projects**

Pilot projects (such as the Ostrava project now under preparation) should be implemented and their lessons made available in information and education packages. The prioritisation of projects should keep in mind the considerable added value of a visible quick “win.”
- **The “green light” given to brownfields, should be supplemented with a “red light” for greenfield development.**

The planning and administrative loopholes that allow irresponsible greenfield site development should be closed, and the hidden subsidies for this kind of development removed (greenfield developments should pay the full cost of their infrastructure, for example).

POTENTIAL AMENDMENTS OF THE LEGAL AND TAX FRAMEWORKS (EMPHASIS ON CZECH CONDITIONS)

In order to enable effective brownfield rehabilitation, broad amendments of the legal framework are necessary in all of the Central European countries. In each, local legislators need a comprehensive sense of the rationale behind these changes, and several state institutions would be involved in negotiating the amendments.

As a first pass, and a spur to action, ITDP has been circulating a sample list of the kinds of amendments needed in the Czech law to Czech strategic advisors and ministries. This is clearly not a thorough analysis, but a rough first pass, meant to elicit discussion. The list of changes is grouped by the Ministry of most relevance, though clearly some of the suggested changes reverberate across ministerial boundaries, and some may demand the establishment of a new authority, or the reallocation of competencies. The main suggestions include the following

1. *Ministry of Regional Development*

1.1 The planning and construction law

- a) 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.
- b) Amendments to allow special purpose “development corporations” to act in the areas thus designated, and specifying the scope of their responsibilities and powers.
- c) Amendments empowering the Ministry to issue directives on how brownfields should be recorded and monitored.
- d) 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
- e) Amendments that allow greenfield development only to the extent that sites in already urbanized areas have been exhausted, and specify guidelines for such demonstrations.

1.2 Cadastral law

- a) Amendments that would ensure that a site’s contamination and clearance history were entered in its cadastral entry, and made publicly available.
- b) Amendments to make the areas described in 1.1.a visible in cadastre.
- c) Amendments enabling local authorities to register claims against property tax debtors.

1.3 New institution

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

1.4 Obtaining government approval for programs for brownfield sites that will not have an industrial use

- a) Grants and special Investment Funds for brownfields rejuvenation and also funds to match possible EU funding
- b) Education programs orientated onto local authorities and NGO

2. *Ministry of Environment*

- 2.1 Amendments to laws dealing with ecological damages
 - a) Amend law so as to provide a solution for all old environmental damages, inclusive of those not covered by the environmental clearance guarantees arising from privatisation.
 - b) Amend the law so as to clearly identify the transfer sequence of environmental clearance guarantees arising from the privatisation process, and lays out the extent and limits of the environmental responsibilities of new owners
 - c) Amendments creating or enabling insurance products that would limit the liability of owners and future owners for environmental damages and the costs of clearance.
- 2.2 Amendments of the law referring to the ground water in such a manner so that
 - a) In certain well specified cases, the natural clearing processes of a closed site can be considered a viable method of remediation after the necessary period has elapsed.
 - b) In certain well specified cases, containment of pollution by well recognized best practices may be considered a sufficient remedy once approved by the appropriate authority.
- 2.3 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.
- 2.4 Administrative arrangements for establishing a national database of clearance and remediation unit costs, to increase transparency and prevent inflated costing
- 2.5 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 in paragraph 1.2.

3 Ministry of Finance

- 3.1 Decrease the depreciation period of brownfield environmental clearance and demolition costs from 30 years to a more preferential rate.⁹
- 3.2 Revise official property valuation procedures so that environmental damages are subtracted from the value of the real estate.
- 3.3 Gradually increase property taxation to levels on par with EU countries
- 3.4 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 the incomes due to them.
- 3.5 Programs and tax incentives for direct investors in Brownfield Action Areas.
- 3.6 Enabling creation of specialised investment funds offering cheap loans and grants for environmental clearance.
- 3.7 Enabling creation of specialised investment funds offering risk capital for Brownfields development.
- 3.8 Tax breaks for indirect investors investing in these specialized brownfield funds.
- 3.9 Specifying financing for the state institutions responsible for implementation of state brownfield programs.
- 3.10 Amendment to law assuring public access to the Environmental Clearance Contract of the National Property Fund.
- 3.11 Legislation enabling environmental liability insurance products.
- 3.12 Preparation of regulative guidance for brownfield public-private partnership programs.

3.13 Providing a system of guarantees for EU co-financed non commercial projects

4. Ministry of Industry

4.1 Creation of programs and institutions promoting reuse of industrial brownfields

4.2 Possible new laws governing a special purpose Brownfield Redevelopment Companies (if these do not fall under another Ministry), which would govern the property rights and duties of the owners in the areas marked as 1.1.

5. Ministry of Interior

5.1 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.

5.2 Amendments to law obliging local and regional administrations to monitor local brownfield situations in on a regular (say 5 year) basis.

5.3 Provide brownfield related education programs for the regional and local administration

6 Social and Employment Ministry

6.1 Provide incentives for job creation on rehabilitated brownfield sites, and in the work of brownfield rehabilitation.

6.2 Provide retraining packages for those formerly employed in abandoned industries that are now brownfields.

SUMMARY

The above list, as provisional as it may be, underscores several features of the brownfield challenge. First, the extent and interlocked nature of the changes in the planning, fiscal, and environmental protection regimes. Second, the large and often unsuspected role that finance ministries must play.¹⁰ Finally, that while cleanup and development costs are large, they are not currently the main bottleneck for brownfield rehabilitation in Central Europe; **the main barriers apart from lack of know-how across a large number of stakeholder are the cross-departmental and cross-ministerial efforts, lack of clear-cut policies and strategies, and a needed for an extensive and complex revision of various items of enabling legislation.**

EMPOWERING AND MOBILIZING LOCAL AUTHORITIES THROUGH A BROWNFIELD AUDIT METHODOLOGY

Why local authority self-audits?

Ultimately, brownfields reside in local communities, and local authorities are key stakeholders in addressing the problem. In Central Europe, there is often lack of awareness of the issue at the local level, and even informed and willing authorities are often stymied on several fronts:

- o It is the national government and legislators that must formulate and approve necessary amendments in the legal framework;
- o Finances are in the hands of private financial institutions and state agency programs;
- o Properties are in the hands of private owners.

Thus, until the national capacity on brownfields has matured, it only those local authorities with high initiative, and the capacity for rapid learning and creative use of very limited tools and resources, which can effectively regenerate their brownfields. These agile and informed few have been able to access international grant and aids packages. As the 2004 EU accession approaches, more funding will be from EU sources, and especially Cohesion and Structural funds. However, because even a relatively straight-forward brownfield project takes three or four years to put together, it is likely that only those authorities that have already started preparing such projects will benefit from the first years of such funding. Competition among local authorities will be fierce, not only for funding to rehabilitate sites, but for the investments and activities that must inhabit these sites if the market is to take them up.

Local authorities can greatly expand their understanding of and capacities for action on brownfields by conducting their own brownfields audit. The audit has a twofold goal: to identify the amount and kinds of brownfield land in useful terms, and to use this process as tool through which local authorities learn about the environmental, market, and development aspects of brownfield rehabilitation. These include the following.

- o The environmental dimension: what were the past activities on the sites, what are the legacies and risks associated with these, what guarantees were issued for cleanup and what is their status.
- o The real estate dimension: they will be required to assess the local real estate market.
- o Prioritisation: they will need to clarify their rationale for brownfield rehabilitation, and select the project most likely to succeed, in order to focus their planning and support on this site.
- o Capacity for proactive and strategic planning.
- o Literacy and networking on the topics of brownfields and local redevelopment as they need to access the information and practitioners.

An audit of this kind requires shared methodological guidelines to provide a systematic framework to the local authorities about what to look for and collect, and how to analyze this, and to ensure information that is comparable across authorities as far as possible.

The story of Sternberk: stopping the downward spiral of dereliction¹³

Sternberk was one of the first towns approached by ITDP, and its use of the materials demonstrates that with some training, even a very small local authority, with substantial brownfield problems and not a particularly promising location, was able to help itself tackle the brownfields issue. This kind of proactive initiative by a local authority may be common in other countries, but is still quite remarkable in the Czech context.

Šternberk (pop. 14,000) is a small forgotten town once known for its tradition in watch making. Located north of Olomouc in Central Moravia, the town is not adjacent to any major infrastructure routes. Šternberk and its surrounding districts are significantly undeveloped, with some of the lowest national incomes and a 17% unemployment level. In fact, the level of underdevelopment was such that the area was one of the sole non-border regions in the country eligible for special treatment within the EU PHARE programs.

With extensive brownfields, some of it heavily polluted, Šternberk was highly motivated to explore the topic. The town sent a representative to the 2001 ITDP brownfield seminar organized by the Region of Olomouc. As part of their participation, ITDP guided the town in producing an initial overview and analysis of their situation at this seminar. Subsequently, the town participated in three other ITDP brownfield seminars and developed their brownfields analyses further. The town also cooperated in preparing and testing the first version of ITDP's Brownfield Audit Project (BAP) in cooperation with Union of the Central Moravian Communities. Drawing on their developing knowledge, the town used the BAP method to conduct a comprehensive analysis of their brownfields situation.

The audit highlighted several key findings: that seven percent of the town's total area (63% of its former industrial holding) was brownfield; a key prospective site was identified and prioritised; and in analysing its own real estate ownership, the town realised that it had missed the boat on much strategic land acquisition; it also became clear that in order to achieve its objectives of providing jobs for its citizens and improving its environment, the local authorities would have to work very closely with various local private owners.

Most, importantly, ITDP's discussion of the interaction of brownfields with the privatisation process (see our "Brownfield Leadership" paper), alerted Šternberk to the fact that several brownfield site owners stemmed from the gradual sell-off of a large site by a "first privatisation" owner now on the brink of bankruptcy. The privatised company had been initially purchased for speculative rather than production purposes, and portions (sometimes as small as two by two meter "shed" lots) had been sold off, fragmenting ownership and degrading the develop-ability of the site. The owners of the central privatised property could not agree among themselves, and the site had been neglected and mismanaged for a decade, to the point where tenants dwindled, leaving it nearly deserted.

This already fragmented site was in danger of becoming even further broken up because of the imminent bankruptcy, which would force a piecemeal hurried sell-off of the remaining property. Not only would bankruptcy make future consolidation of the site almost impossible, it would probably strip the site of its precious environmental guarantees (see our "Brownfield Leadership" paper). This would have made the site truly intractable. Thus, bankruptcy would lead to a deeper and entrenched dereliction of the property, and the resulting degradation of surrounding properties, including some owned by the local authority.

Realizing the urgency and implications of the situation, the local authority decided to act and approach the private owners of the site. The seminar had shown them that the site's owners' were eligible for a National Property Fund guarantee if a risk analysis assessment was done. The owners had no money to do this, and secure the guarantee, even though achieving this would increase the site's value, and help stave off bankruptcy. The town agreed to step in and provide the risk assessment. This enabled the property owners to enter into an Environmental Clearance Contract with the National Property Fund and obtain money for site clearance—a value of 50 million crowns. With the prospect of a cleanup, their property regained a measure of commercial value, and the owners were able on this basis to raise enough finance to buy back their bad debts (at substantially reduced rates) from the Consolidation Agency. (This agency has received large volumes of bad debts packages from the process of "cleaning up" Czech banks, before these were privatised; the owners were lucky that they dealt with this agency, which sells at considerable discount and not with the banks that may not have budged).

This action will not only remove environmental pollution, keep the owners from bankruptcy, and ensure that site ownership remains relatively consolidated, but it has established a culture of partnership between the town and the owners. The ITDP workshops had presented several examples of creative partnerships between local authorities and the private sector, and the town approached the property owners about a site adjacent to the former brownfield site that the city had wanted to develop for years. In consultation with the owners, the town created a site development plan, and an exchange whereby the owners would give over some of their property in exchange for the development of supportive infrastructure by the city. The city has now applied for PHARE funding to help to redevelop this former industrial site as a mixed-use site for industry and housing.

The story is far from over. The site represents only one third of Šternberk's brownfields, and even if this is cleaned up and prepared it remains to be seen whether the market will take it up. But the town is well aware of the hurdles, and is building on its experience of partnership with the site owners to approach local entrepreneurs to develop their businesses in a way that could eventually come to occupy the site.

That so much could happen in a relatively short time, and in an out of the way place, demonstrates that with a basic "brownfields education," a high level of local initiative and foresight, and a willingness to partner with local private owners and businesses, much can be done even in a small and not particularly well located town with massive brownfield holdings. While this kind of perspective is refreshing in any country, it is still

largely unheard of in the Central European context.

Three levels of audit

The brownfield audit can be done at a basic, intermediate, or advanced level, as described below.

Basic level

This provides a fairly accurate inventory very quickly. A local map is marked up with brownfields locations, and then the following is recorded:

- the total number of brownfields
- the main categories of these brownfields (industrial, rail, etc.)
- where each falls (central, intermediate, or off-center locations)
- the total area of brownfield land, and breakdowns by category and location

This information can then be combined with other local measures (built up area, planned area, etc.) to create local indices that allow towns to be compared and are persuasive to decision-makers (see the box below).

Intermediate level

This level takes longer to do and is more involved, requiring greater technical expertise. Two types of information are produced here:

- ❖ Considering the realistic prospects of the community being able to market any rehabilitated brownfields. This requires surveying the location, infrastructure, and the socio-economic status of the community. This will inform a community about what kind of end use should be planned for (office space, a park, etc.)
- ❖ Basic information on individual brownfield sites, including
 - Environmental situation
 - Environmental damage analyses (likelihood, type)
 - The existence of environmental guarantees
 - Initial estimate of clean-up costs
 - Basic Property Ownership Analyses
 - Basic employment and companies operating in the area analyses
 - Current land use designation

Advanced level

This provides deeper information on the individual sites, constituting virtually a due diligence assessment of environmental hazard, ownership, debt load, real estate matters, infrastructure, liability, etc.

Implementing the audit

ITDP is currently soliciting partners to develop a more refined version of the audit, together with a users manual and teaching packet and assistance hot-line. And we are in discussion with several potential partners to help move from the pilot to a broader use of the audit.

Our estimate is that only about 400 Czech local authorities are currently able to cope with the technical demands of a brownfield audit, hence the utility of the tiered approach described above. Many local authorities could provide the basic total figures and indices of the “basic brownfields audit;” a more select group could be given an intermediate training, allowing them to collect and analyse the information necessary to make an initial ranking of the sites for more focused and immediate

brownfield attention. And an “advanced brownfields audit training” would be available for some authorities that needed the knowledge to do full site evaluation and planning.

Mobilizing brownfield action through simple objective indicators

While brownfields are sometimes defined as land that is contaminated or suspected to be contaminated, a broader more useful definition is all previously used sites that are currently significantly underused. In working with local authorities, we were immediately posed the question of how to determine in some objective manner whether an area fell under this description, and how one could more readily scan municipal lands to identify such sites.

A rather direct indicator of under use would be tax yields per unit area, within classes of similar land use. Under-par sites would stand out. However, while it is technically possible to produce such data, at least in the Czech Republic, local authorities face administrative and legal barriers in obtaining this. Presently, they obtain aggregate data for the entire area of their jurisdiction, but cannot obtain a finer resolution, even were it to be resolved to a group of say 10 taxpayers, to respect the privacy of individuals. Perhaps, as the value of such indicators becomes more apparent to the authorities, they may lobby harder to obtain it, but for now, this is a dead end. Other fiscal indicators are publicly available, such as the number and volume of real estate transactions, or of construction permits, or the registration and deregistration of companies, but none have the directness and bite that the tax data might.

In the absence of tax yield information, we worked with local authorities on a more subjective and rapid way of identifying and measuring their brownfield holdings. After a brief sensitisation to the range of sites other than the typical abandoned industrial site that might be brownfields (abandoned institutional buildings, army barracks, railway sidings, etc.), several local authorities were able to map the location and extent of lands, with varying degrees of sophistication. Some used pencils on a town map, while others conducted more extensive and expensive surveys.

With this data in hand, we began to prod these authorities to construct various indices that display the severity of the problem in terms comparable between towns. Most local authorities have three declared boundaries: their administrative area (**AA**), the area included in their local master plan (**PA**) if this exists, and the extent of the actual built up area (**BA**). Whereas jurisdiction and local plan areas (AA and PA) are precisely defined, built up area is somewhat more subjective. We asked authorities to express their brownfields as a percentage of their planned area, and of their built up area. We also asked for an index of PA/BA: an indicator of the authority’s “growth ambitions,” if you will. A town that has planned 1.3 times its current built up area has, literally, designs for 30% more land that it currently occupies.

The growth ambitions can be tested by taking the difference between planned and built up area (PA-BA), and dividing this by the actual increment in built up area (averaged over the last 3 years, for example). This indicates how many years of current growth rate would be required to “fill up” the planned area through greenfield conversion. Now, if one takes the total of areas identified as brownfield (**TB**) and divide this by the recent average annual growth increment, we get an indication of how many years growth could be accommodated in brownfields. This poses starkly the extreme scenarios of zero and full brownfield utilization. This leads readily into a discussion of the costs of a sprawled out-fill scenario, and its attendant costs of infrastructure extension and abandoned holes in the central urban fabric, versus the brownfield regeneration in-fill scenario, with its attendant costs of land rehabilitation.

Also persuasive to public officials are brownfields as expressed as a percentage of built up or planned or industrial areas. (In Sternberk, for example, it was discovered that 63% of their industrial area was brownfield). These ratios—the knowledge, for example, that 10% of a town’s built area is under-performing—seems to have a galvanizing effect on City Hall, especially once we demonstrate the lost development potential represented by this underused land. The standard CzechInvest figures (though these must be modified to suit different settings) are 50 jobs per hectare, or 40 housing units. We also asked local authorities to break down the planned volumes proposed for the PA-BA greenfields into sectors (industry, commerce, housing, etc.), so as to sharpen their awareness of how much of each could be accommodated within their existing brownfields.

In our work in the Czech Republic we have noticed how these simple indices have a strong education, advocacy and coalition-building function, and help generate pressures on the state system to accelerate the legal framework and tools to help recover these underused lands. They basically help redirect an automatic outward greenfield perspective on development, toward one more attentive to the potentials for inward regeneration. As we near the end of the pilot stage of developing this brownfield audit methodology, we are exploring the appropriate platforms and partners for delivering a finished core packet of materials in the Czech Republic, and localizing versions in other Central European countries.

NOTES

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- ³ Figure given by RNDr Jan Gruntorád, Department of ecological damages to soil, Ministry of Environment presentation At the ITDP brownfield seminar, Prague, 21.3.2002
- ⁴ Piotr Syrczyński PH.D., Atkins Environment Poland, "Privatization Programs in Poland and Romania, Who should pay for site Restoration?" paper presented to the NICOL conference in Budapest, November 2002.
- ⁵ Ryszard Jankowski, Marek Korcz, "The financing and cost of redeveloping of post-industrial sites in Silesia," Institute for Ecology of Industrial Areas, Katowice, Poland. Paper presented at the NICOL conference in Budapest, November 2002
- ⁶ Ryszard Jankowski, Marek Korcz, "The financing and cost of redeveloping of post-industrial sites in Silesia," Institute for Ecology of Industrial Areas, Katowice, Poland. Paper presented at the NICOL conference in Budapest, November 2002
- ⁷ Figure given by RNDr Jan Gruntorád, Department of ecological damages to soil, Ministry of Environment presentation At the ITDP brownfield seminar, Prague, 21.3.2002
- ⁸ Piotr Syrczyński PH.D., Atkins Environment Poland, "Privatization Programs in Poland and Romania, Who should pay for site Restoration?" paper presented to the NICOL conference in Budapest, November 2002.
- ⁹ The long depreciation horizon is a considerable disincentive for potential investors in brownfields, though it would not be too onerous to have a special status for such site.. In the Czech tax system, for example, such an arrangement exists for investments in buildings listed in the Monuments Conservation Register, and local consultants and tax offices have learned to utilize this. There seems no reason for investments in brownfields to not be given a similar tax break. A change of this will require broad advocacy on its behalf, and understanding on the part of the Ministry of Finance, who will need to promote and coax such reforms through parliament.