



BROWNFIELDS TAX INCENTIVE CASE STUDY:

TRIANGLE PARK, LLC Portland, Oregon

A new limited liability company plans the redevelopment of a brownfields located in an Enterprise Community and along Portland's waterfront, the target communities of the Portland Brownfields Initiative, a Brownfields National Assessment Pilot.

Triangle Park, LLC is a standalone company created specifically to purchase the former Riedel North Portland Yard, in the industrial sanctuary, near downtown Portland, Oregon. The 35-acre site lies right next to the Willamette River, and boasts some 2,500 to 3,000 linear feet of waterfront that is ripe for redevelopment. The site is also located in a low-income area that is included in Portland's Enterprise Community. Both areas are targeted by the Portland Brownfields Initiative for cleanup and redevelopment.

A brownfields site downriver is a strong match for marine-related activities

When Triangle Park, LLC first looked at the site, it realized that the area was perfect for marine-related activities. The waterfront location and large size of the property made it a natural fit for large-scale activities, such as the construction and repair of barges, and other marine vessels.

The company the began to investigate the site's history. The former North Portland Yard site has had a variety of past uses, many of which involved the use of hazardous substances. At various points the site served as a lumber mill, concrete packing plant, metal working plant, dry dock, and power plant. While no comprehensive environmental surveys have been completed, Triangle Park, LLC suspected that a soup of hazardous substances are likely to be on the site, including methylene chloride, pentachlorophenols (PCPs), polychlorinated biphenyls (PCBs), polynuclear aromatic

BROWNFIELDS AND THE TAX INCENTIVE

Commercial developers and economic development officials are becoming more aware of the potential redevelopment value of brownfields, or parcels of land with real or perceived contamination.

These sites offer advantages, such as access to existing infrastructure and transportation systems. Moreover, they are often close to major population centers, placing companies near customers and potential workers. Looking at the big picture, many developers have found brownfields can be as attractive as undeveloped land.

Federal, state and local governments have also realized that they can play a role in returning these brownfields sites to new uses. A wide variety of government assistance is now available, ranging from low-cost financing to tax incentives. The end result has been many successful projects and improved quality of life for nearby residents.

The Federal Brownfields Tax Incentive encourages economic growth and brownfields redevelopment by allowing taxpayers to immediately reduce their taxable income by the cost of their eligible cleanup expenses in targeted areas. This incentive creates an immediate tax advantage from these expenses, helping to offset short-term cleanup costs.

More information is located on the EPA Brownfields

hydrocarbons (PAHs), and total petroleum hydrocarbons (TPH).

A prospective purchase agreement paves the way for the sale

While the contamination issues were serious, Triangle Park, LLC decided that it still wanted to buy the site, mainly because there are no other comparable large parcels of land near Portland with such extensive waterfront acreage with the industrial sanctuary overlay.

Before buying the site, Triangle Park, LLC negotiated a Prospective Purchaser Agreement (PPA) with the Oregon Department of Environmental Quality. Under a PPA, the state and the prospective purchaser define and limit the purchaser's liability for environmental cleanup. Many prospective purchasers like this type of legal agreement because it limits the financial risk of the deal, helping them to secure private financing.

Under the PPA, Triangle Park, LLC and the Oregon DEQ split the responsibility for the contamination at the site. The DEQ agreed to handle the groundwater contamination at the site, while Triangle Park, LLC took responsibility for contaminated soil. In addition, Triangle Park, LLC limits its financial liability to spend up to \$750,000 to investigate and remediate the soil contamination, and to spend \$50,000 to investigate the sediment. To date, the company has already spent \$60,000 of its own funds on due diligence work to assess the site's current level of contamination.

After the PPA was complete, Triangle Park, LLC used its own privately obtained funds to purchase the site out of bankruptcy court for \$2.2 million. At this point, the site changed names from the Riedel North Portland Yard to Triangle Park.

With the site purchased, Triangle Park, LLC could formally enter the site into Oregon's Voluntary Cleanup Program. Essentially, the PPA previously negotiated with the state sets the goals and boundaries for the cleanup, while DEQ provides ongoing state oversight.

The Brownfields Tax Incentive provides an extra benefit to the company

Through its work with the Oregon DEQ, Triangle Park, LLC found out about the federal Brownfields Tax Incentive. The company realized that it qualified on two counts. First, the site qualified due to its location within a federally designated Enterprise Community. Second, both the Enterprise Community and the historic Willamette River waterfront are target areas of the Portland Brownfields Initiative. A Brownfields National Demonstration Assessment Pilot designated prior to January 1997, the Portland Brownfields Initiative was designed to promote cleanup and redevelopment of contaminated sites throughout these targeted communities.

Triangle Park, LLC opted to apply for the Brownfields Tax Incentive under the brownfields pilot provision. It took the company approximately two months to assemble a complete application, including letters of support from the City of Portland. Once the company submitted its completed application materials to DEQ, the agency certified the site for the tax incentive in less than a month.

The company has not yet defined the bottom line impact of the tax incentive, mainly because the main investigation and remediation process has not yet begun. In addition, because Triangle Park, LLC may not produce significant income in the short term, it may have to roll over

some of its tax savings, deferring the benefit until later.

From Triangle Park's perspective, the federal Brownfields Tax Incentive did not make or break its decision to purchase the property, but it was a definite added benefit and a tool to revitalize a site that has laid dormant and derelict.

The future of the site holds promise for many large and small businesses

Triangle Park, LLC's plans for the site are under development. One possible tenant may be Zidell Marine Corporation, a company related to Triangle Park, LLC that could potentially occupy only about 10 acres of the 35-acre site with a barge-building operation. If that transaction works out, Triangle Park, LLC would then lease the remaining 25 acres to other tenants as well. Ideally, the company would like to find two or three companies to lease out 5-10 acre lots, and a few smaller companies to fill out the rest of the property.

Most of the businesses likely to be interested in the property would either be involved in marine-related activities or land-based activities such as manufacturing. If the site is developed as planned, Triangle Park LLC estimates that it will generate more than 150 jobs. Some of these jobs may be filled by residents in the local community.