

Federal Brownfields Tax Incentive: SBC Park

San Francisco, CA

Overview

The Federal Brownfields Tax Incentive encourages brownfields redevelopment by allowing taxpayers to reduce their taxable income by the cost of their eligible cleanup expenses. The Incentive was originally signed into law in August 1997 as part of the Taxpayer Relief Act. It was renewed in October 2004 through the Working Families Tax Relief Act of 2004 and continues until December 2005. To qualify for the Tax Incentive, three criteria must be met:

- The property must be held by the taxpayer incurring the cleanup cost for use in a trade or business;
- Hazardous substances must be present or potentially present on the property; and
- The taxpayer must obtain a statement from a designated state agency verifying eligibility for the Tax Incentive.

Designed to spur investment in blighted properties and assist in revitalizing communities, the Federal Brownfields Tax Incentive can serve as a critical tool in brownfields cleanup and redevelopment efforts.



Project Highlights

- The Federal Brownfields Tax Incentive enabled China Basin Ballpark Co., LLC, a subsidiary of the San Francisco Giants, to clean up and redevelop a 13-acre former landfill and industrial warehousing property near downtown San Francisco.
- The ballpark now generates approximately \$10 million in annual taxes and rental fees for the City of San Francisco.
- This site's redevelopment was one of the primary catalysts in a large-scale waterfront redevelopment effort that has leveraged more than \$1 billion in private investment.

Project Background

In December 1995, the San Francisco Giants baseball team announced plans to build the first privately-financed Major League ballpark in more than 30 years. The China Basin Ballpark Co., LLC, a subsidiary of the Giants, identified a 13-acre former industrial property located at China Basin near downtown San Francisco. This property was adjacent to the Rincon Point-South Beach project, a 115-acre redevelopment effort focused on revitalizing a blighted portion of San Francisco's northeastern waterfront for commercial, residential, and open-space uses.

Once the 13-acre site had been selected, the China Basin Ballpark Company leased the land from the Port of San Francisco. Home to a waterfront landfill and industrial warehouses, the property was surrounded by dilapidated warehouses, cargo storage yards, abandoned buildings, crumbling piers, and unimproved streets. The site's landfill still contained waste from a coal gasification plant and other past industrial activities.

Benefits of the Tax Incentive

The China Basin Ballpark Company needed to address the site's environmental contamination issues before any redevelopment effort could begin. Its use of the Federal Brownfields Tax Incentive in 1999 helped the project to proceed by allowing the company to quickly recover its considerable cleanup costs. According to the Northeast-Midwest Institute, a non-profit research organization, the Federal Brownfields Tax Incentive is estimated to have returned several million dollars in cleanup expenses to the developer. Total construction costs of the new ballpark exceeded \$300 million. Although some were concerned that these privately-funded construction costs would hurt the Giants' franchise, the team has seen revenue increase every year since the 41,000-seat SBC Park was completed in April 2000.

Process for Utilizing the Tax Incentive

To use the Federal Brownfields Tax Incentive in California, a taxpayer must receive a statement from the California Environmental Protection Agency's (Cal/EPA) Department of Toxic Substances Control (DTSC) indicating that there has been a release or threat of release of hazardous substances on the property. According to a Congressional Research Survey conducted in 2003, the average response time for taxpayers to receive this statement was 12 days.

Community Impact of the Brownfields Tax Incentive

SBC Park is part of a larger, and equally successful, redevelopment effort which is based around the economic benefits of a sports stadium in an urban environment. Unlike SBC Park, most other stadium constructions are publically financed and can cause long-term strains on city and county budgets. Ultimately, the City of San Francisco contributed \$15 million

through tax increment financing.

Since the opening of SBC Park, the surrounding area has blossomed with restaurants, offices, and housing. Activity in the vicinity of SBC Park has only increased. Light rail and open space improvements now link the area with other areas of San Francisco, and the ballpark draws crowds from throughout the Bay Area and beyond. The ballpark also spurred the redevelopment of the rest of the northern waterfront including the Ferry Building, Piers 1-5, and a new mixed-use cruise ship terminal at Piers 30-32.



The waterfront home of the San Francisco Giants, SBC Park.

Continuing Success

As the Giants continue to sell out home games, the restored Rincon Point-South Beach area attracts fans, visitors, and new residents. Other events held at the stadium, such as concerts and soccer games, bring additional revenue to the neighborhood and city. The cleanup and redevelopment of the 13 acre, former industrial property into a ballpark has had a very strong influence on the area, with estimates of private investment in the area exceeding \$1 billion. Eventually, redevelopment and construction projects within the entire Rincon Point-South beach area will have created more than 30,000 new jobs and housing for more than 11,000 residents.

For more information about the Federal Brownfields Tax Incentive, please visit <http://www.epa.gov/brownfields/bftaxinc.htm>.

For more information on requirements for using the Federal Brownfields Tax Incentive in California, please visit <http://www.dtsc.ca.gov/SiteCleanup/Brownfields/>