

# Federal Brownfields Tax Incentive: The Lawrence Gateway Project

## Lawrence, Massachusetts

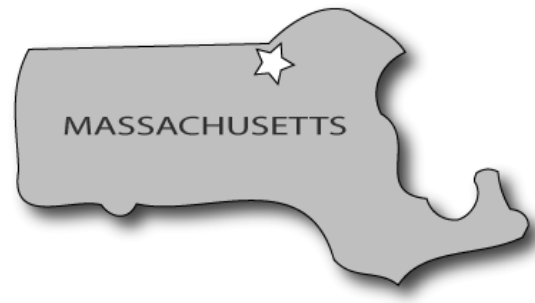
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### Overview

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 was instrumental in enabling GenCorp to clean up and redevelop an 8.6-acre contaminated former industrial property in the economically distressed city of Lawrence, MA.
- This redevelopment project promotes the revitalization of surrounding mills and nearby Lawrence General Hospital.
- The Federal Brownfields Tax Incentive provided GenCorp with approximately \$2.4 million in returned cash flow in a single year.

## **Project Background**

The City of Lawrence, a mid-sized city on the Merrimack River in northeast Massachusetts, has an industrial history that covers more than 150 years, including periods of great expansion and, more recently, decline. At the entrance to the city stands an 8.6-acre property used for industry for more than a century. Originally home to a machinery plant, the site was later used to produce textiles, rubber, and plastics. Today, the property is at the center of the Lawrence Gateway Project, a program to improve the entrance to the city which is itself part of a broader initiative to revitalize the City of Lawrence.

The 8.6-acre site at Lawrence's gateway closed its operations in 1981, and by that time its soil and groundwater were contaminated with PCBs, solvents, oils, metals, and other industrial materials. In addition, contaminants were found to be migrating from adjacent industrial properties onto this site.

Since 1987, the property's owner, GenCorp, has been working with federal, state and local government agencies and community groups to clean up and redevelop the property. The former factory will be converted into landscaped surface parking to serve surrounding mills, hospital and a new park—all on properties adjacent to the GenCorp property.

## **Benefits of the Tax Incentive**

When GenCorp looked into cleaning up its property, the company was faced with significant expenses related to the demolition of numerous buildings, excavation of subsurface materials and soils, temporary capping, removal of concrete slabs, the sealing of drainage pathways, and the reconfiguration of draining systems. Ultimately, cleanup and redevelopment of the site would exceed \$80 million.

The Federal Brownfields Tax Incentive was one of the key components of this project, allowing GenCorp to expense the costs of cleanup for each year in which they were incurred rather than having to capitalize each year's cost over multiple years. In 1998 alone, these tax advantages provided GenCorp with \$2.4 million in returned cash-flow. "The Tax Incentive allows us to create economic value and to get the job done faster, which is helpful," said Robert Devaney, GenCorp's manager for the Lawrence Gateway Project. "Time is always money in this business."

## **Process for Utilizing the Tax Incentive**

Through the longstanding involvement with the U.S. EPA Brownfields Program, GenCorp became aware of the Federal Brownfields Tax Incentive when it was passed into law in 1997 and quickly moved to take advantage of it. Proof of the site's eligibility only required a letter to the Massachusetts Department of Environmental Protection (DEP); the confirmation response was received approximately a month afterward. "It's a very effective and fast way to

get this done,” said Devaney. “The state had been involved with the [Lawrence Gateway] task force, so we didn’t have to recreate information for them. They knew what was going on.”

Because the process only required working with Massachusetts DEP—an existing knowledgeable partner—it required minimal effort and created significant benefit. Indeed, GenCorp’s success using the Brownfields Tax Incentive has encouraged others in Lawrence to use it, according to Devaney.



**An artist's rendering of the redeveloped GenCorp property and its surroundings.**

## **Community Impact of the Brownfields Tax Incentive**

The decision to redevelop the property into much-needed parking was a shared decision between the City of Lawrence, MassDevelopment (Massachusetts’ Economic Development Authority), and community stakeholders. Because Lawrence is a dense, industrial city, there has long been a shortage of available parking; new parking, currently under construction, in this convenient location will enable neighboring institutions and industries to thrive. The plan for the GenCorp property also contains an option for a future conversion of a section of the site into a multi-story parking structure, if the demand for parking continues to grow.

As mentioned, the cleanup and redevelopment of the GenCorp property is part of a larger effort to revive Lawrence. According to the Lawrence Gateway Project’s vision statement, its goal is to “revitalize, integrate, and sustain [a] cleaner, healthier, and more vibrant corridor” at the heart of the city. In addition to redevelopment of the GenCorp property, the Gateway project includes the conversion of a landfill along the Merrimack River into a recreational facility, the cleanup of another industrial property, the creation of a park, improvements to the city’s transportation infrastructure, and civic programs to support the city’s impoverished communities. In addition to the cleanup of its own property, GenCorp contributed directly to

the broader initiative, funding a portion of the cleanup of the nearby Oxford Paper property and funding the salary of a project director for the entire Lawrence Gateway Project.

## Continuing Success

“We are at a critical point—at third base, trying to get home,” said Devaney. “For the first time in a while, people are buying mills and putting in money. And you need that private investment in order to get things done.” The Federal Brownfields Tax Incentive has encouraged this private investment, which is playing a vital role in creating a new future for Lawrence.

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 Massachusetts, please visit <http://www.mass.gov/dep/bwsc/files/brown/certap13.htm>.