



PAT MCCRORY
Governor

DONALD R. VAN DER VAART
Secretary

MEMORANDUM

TO: ENVIRONMENTAL REVIEW COMMISSION
The Honorable Jimmy Dixon, Co-Chairman
The Honorable Chuck McGrady, Co-Chairman
The Honorable Trudy Wade, Co-Chairman

FROM: Mollie Young, Director of Legislative Affairs, NCDEQ

SUBJECT: Brownfields Program Annual Report

DATE: October 18, 2016

Pursuant to G.S. 130A-310.40, *“The Department shall prepare and submit to the Environmental Review Commission, concurrently with the report on the Inactive Hazardous Sites Response Act of 1987 required under G.S. 130A-310.10, an evaluation of the effectiveness of this Part in facilitating the remediation and reuse of existing industrial and commercial properties. This evaluation shall include any recommendations for additional incentives or changes, if needed, to improve the effectiveness of this Part in addressing such properties. This evaluation shall also include a report on receipts by and expenditures from the Brownfields Property Reuse Act Implementation Account..”*

If you have any questions or need additional information, please contact me by phone at (919) 339-9433 or via e-mail at mollie.young@ncdenr.gov.

Cc: Don Van der Vaart, Secretary, NCDEQ
Tom Reeder, Assistant Secretary for Environment, NCDEQ
Michael Scott, Director of Waste Management, NCDEQ
Lanier McRee, Fiscal Research Division, NCGA

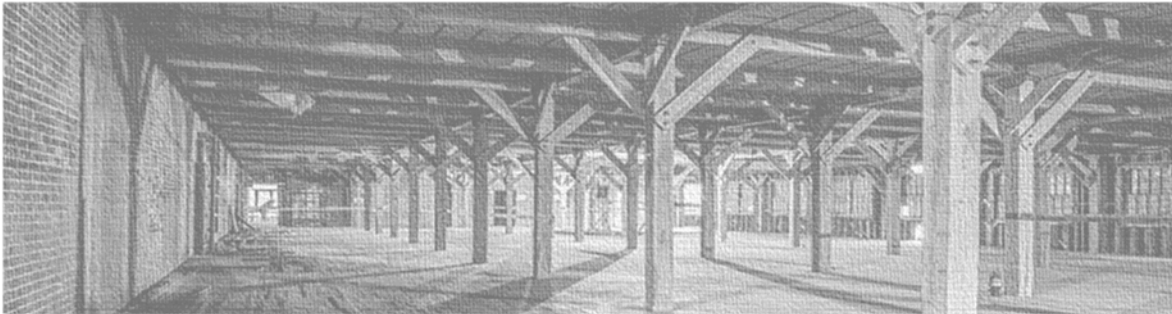


Annual Report to the North Carolina General Assembly



The Brownfields Program

Division of Waste Management



October 2016

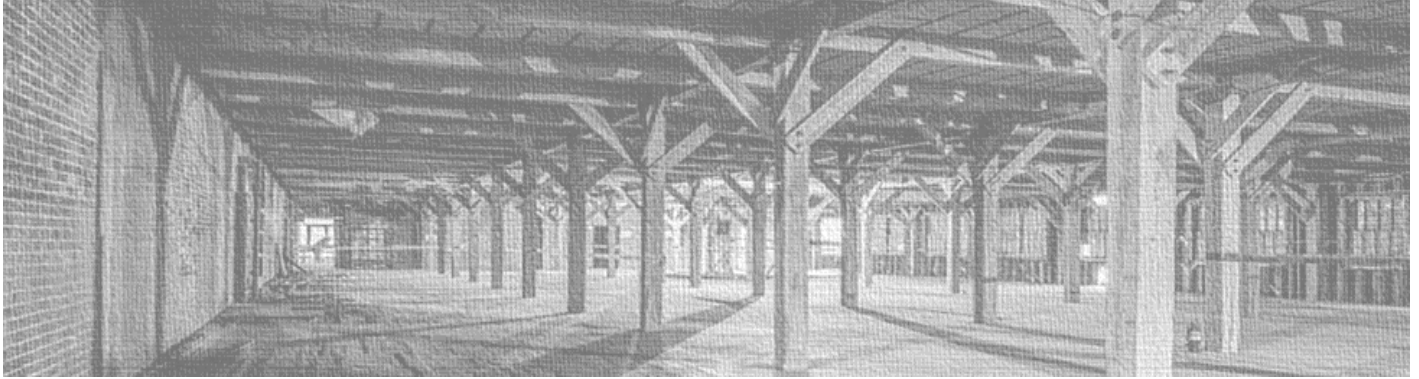
North Carolina Brownfields Program
www.ncbrownfields.org

Pat McCrory
Governor

Donald R. van der Vaart
Secretary
N. C. Department of Environment and Natural Resources

Michael E. Scott
Director
Division of Waste Management

DEQ
Division of Waste Management
1646 Mail Service Center
Raleigh, NC 27699-1646
(919) 707-8200



Executive Summary

This report to the General Assembly is required by the Brownfields Property Reuse Act of 1997 (G.S. 130A-310.40 *et seq.*) and describes the activities and status of the N.C. Department of Environment and Natural Resources' (DENR's) Division of Waste Management Brownfields Program (Program) for the period of Oct 1, 2015 through Sept 30, 2016, Federal Fiscal Year 2016 (FFY2016). The Program is pleased to report continued success in the state's efforts to revitalize and safely reuse brownfields properties.

Program Output

The Program produced 56 finalized brownfields agreements during the reporting period, bringing the total number of finalized agreements since program inception to 409. For the current reporting period, totals for the measures tracked by the Program are:

- Program applications received: 94
- Brownfields agreements finalized: 56
- Acres of Brownfields revitalized to safe, productive reuse: 475
- Estimated committed capital investment for projects completed during FFY15: \$1.50 billion

All of the public dollars spent have been either federal funds from a cooperative grant with the EPA or from Program fee receipts. No state-appropriated funds are received for the Program. With these funds, the Program has facilitated more than \$13.5 billion in estimated private investment in the redevelopment of brownfields properties across North Carolina, to the benefit of its citizens.

Outreach to Local Governments

Working in partnership with local governments to advance redevelopment projects in their communities has led to continued success for those local governments applying for and winning competitive brownfields grants offered by the U.S. EPA for the assessment and cleanup of brownfields properties. A total of \$1.2 million in grants was awarded to North Carolina local governments for the U.S. EPA's 2016 grant cycle. The Town of East Spencer and Richmond County were each awarded a \$400,000 brownfields assessment grant, and the Town of Robbins was awarded a \$400,000 cleanup grant. These local governments now have needed funds to kickstart brownfields redevelopment efforts in their jurisdictions.

Program Background

Brownfields are abandoned, idled or underused properties where environmental contamination hinders redevelopment due to concerns about environmental liability. Redevelopment of brownfields properties has become increasingly popular as developers and local governments realize that these properties offer viable opportunities to bring economic growth, public health protection, jobs and quality-of-life benefits to cities and rural areas. The Brownfields Property Reuse Act of 1997 (BPRA) gives the Division of Waste Management the authority to enter into brownfields agreements with prospective developers who did not cause or contribute to site contamination. The BPRA modifies the environmental liability barrier for prospective developers and motivates them to bring these properties and their hindrances to the Division of Waste Management's attention. The Division of Waste Management partners with the prospective developer to evaluate the potential environmental risks associated with site contamination, and then negotiates a brownfields agreement stipulating the steps necessary to make the site safe for a specific intended reuse or suite of uses. The result is a redevelopment project that fuels economic growth while protecting public health and the environment.

Redevelopment projects that are undertaken via the Program's brownfields agreement process, and the developers who advance these projects, enjoy the following benefits:

- Developers work with the Program to define the actions they must complete to make the property safe for the intended reuse, and lenders are more willing to make loans on these projects because the cost to complete these actions is not an open-ended proposition.
- As long as developers make and maintain the site safe for the intended reuse, they receive liability protection against future state enforcement for existing contamination.
- The same liability protection extends by statute to lenders, tenants, occupants and future owners as long as these entities did not cause or contribute to site contamination.
- Owners of property with a brownfields agreement have access to a special property tax exclusion whereby property tax is phased in over five years, resulting in a property tax savings of approximately 50 percent over those first five years. These tax savings can be used to offset the costs to complete the safe-making actions required by the Program.

The BPRA allows the Division of Waste Management to distinguish between prospective developers of brownfields properties and the polluters of those properties. Instead of mandating that the site be remediated to unrestricted use standards, the BPRA requires developers to make the site safe for a specifically identified reuse. The Program evaluates site contamination and identifies the risks impacts may pose to public health and the environment. DENR then determines what safe-making actions the prospective developer must take to ensure safe redevelopment. These actions can range from land-use restrictions to cleanup, or a mixture of both. In addition to holding prospective developers accountable to their agreements, DENR reserves the right to enforce against those parties responsible for the original contamination.

The overall result is a winning scenario for the environment and for economic development. Risk reductions and cleanups are achieved at sites that could have harmed the public or the environment, and prospective developers redevelop abandoned properties that once had little hope for productive reuse. The public benefits of job creation, improved quality of life in the surrounding neighborhoods, local tax base expansion and contribution to the general fund are other positive impacts. By the end of FFY 2016, an estimated \$13.5 billion in capital investment will have been committed to redevelop abandoned properties that afflict urban and rural landscapes.

The Program also supports smart growth and sustainability and motivates the market to recycle these sites back into to safe, productive reuse, while preserving or reducing the use of pristine or undeveloped “greenfields” property. Every project that reuses property, whether it is in an urban center or a rural area, preserves green space, reduces suburban sprawl and supports sustainable urban development. The 408 properties that have received completed agreements represent over 6,500 acres of recycled land and, wherever possible, buildings that have historic or aesthetic value. This is, in effect, acreage that is being recycled into reuse, sparing more pristine lands from development and risk for future contamination.

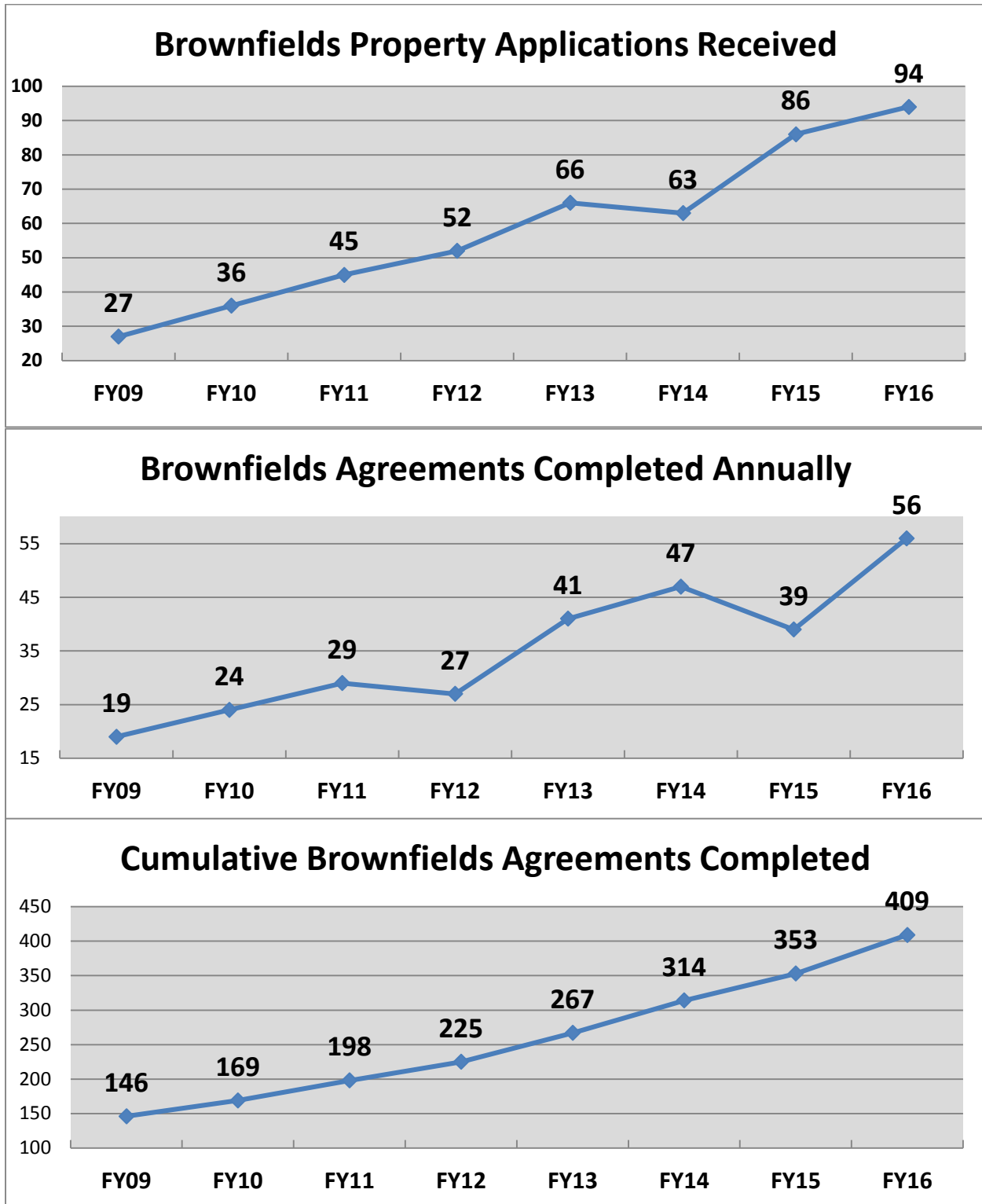
Program Status

Both the demand for, and the output of, the Brownfields Program has never been stronger. During FFY 2016, the program received 94 applications for projects seeking entry into the program. This compares to the 86 applications received in FFY 2015 and continues an ever increasing trend since the recession years of 2008 and 2009. During FFY 2016, the Program completed a record number of 55 brownfields agreements up significantly from last year’s total of 39. Figure 2 below shows the trends in some program measurables over the last several years. Also this year, the program completed its milestone 400th agreement, Sinclair Refining in Charlotte, NC. This former oil distribution facility will be transformed into a mixed use retail /residential complex in the NODA district of Charlotte.

The Program is preparing to receive its eleventh year of funding from the EPA under its State Response Program Cooperative Agreement, authorized under the federal brownfields act. This federal funding will cover the period from October 1, 2016 through September 30, 2017 and provides a total of 6.5 full-time equivalents (FTEs) to the Brownfields Program. For the Brownfields Program, this federal grant funds a core of one (1) project manager in Raleigh and three (3) regionally-located project managers: one each in Asheville, Charlotte, and Wilmington. In recent years, the U.S. EPA has decreased this type of funding for all states, including North Carolina. The Program has been able to respond to these federal funding cuts by increasing fee funding in order to maintain capacity. Fee receipt funding now supports nine (9) permanent and two (2) temporary positions.

The program continues to hire more fee receipt-funded positions in order to meet demand and reduce the project queue. This year, for the first time, the program has more fee-funded positions than federally funded. However, because our increased output has been so pronounced, our fee revenue was greater than our spending rate for new positions. With senior management approval, the program will continue to hire further fee-funded staff in order to maximize its ability to serve stakeholders and reduce the queue significantly, thereby shortening the time to obtain a brownfields agreement.

Figure 2. Brownfields Program Trends



Program Inventory

The Brownfields Program's inventory consists of three categories of projects, explained below.

Finalized brownfields agreements are those projects that have a signed and recorded brownfields agreement (or have completed the public notice phase of the brownfields process and are waiting for the completed agreement to be signed). As of Sept. 30, 2016, the Program has finalized a cumulative total of 409 brownfields agreements across the state, 56 of which were completed in the one-year period from October 1, 2015 to September 30, 2016. A list of those brownfields agreements finalized during FFY2016 is provided in the Appendix.

Active eligible projects have been deemed eligible for a brownfields agreement under BPRA statutory criteria. Developers are working with the Division of Waste Management in some stage of data gathering, analysis or agreement negotiation. As of Sept. 30, 2016, there were 199 active eligible projects. Projects at this stage receive guidance from the Division of Waste Management as the developers gather the additional data needed to ensure protection of public health and the environment. Once research is complete, the Division of Waste Management analyzes the data, evaluates risks, determines what actions must be taken to adequately address the risks, drafts and negotiates the terms of the brownfields agreement with the prospective developer, and approves initiation of the statutory 30-day public comment period.

Projects pending eligibility are in the initial stage of the brownfields process as they apply for entry into the Program. Sites in this category have yet to meet the requirements under the statute for eligibility for a brownfields agreement. For sites in this category, the Program has requested clarification or additional information from prospective developers regarding a site. Normally, developers respond to these requests for clarification, the sites are deemed eligible, and sites then quickly move into the active eligible category. As of Sept. 30, 2016, 24 sites were pending eligibility.

Improving Effectiveness

Leveraging Resources into Private Sector Investment

Another measure the Program tracks is committed private investment facilitated by brownfields agreements. Developers provide the estimated investment figure in their application for entry into the Program. The cumulative total private investment facilitated by the Program from its inception is now approaching \$14 billion, with \$1.50 billion of that being added by projects for which brownfields agreements were finalized this year. Generally, these investments would not have been made in brownfields redevelopment areas, and often not made at all, without the liability relief provided by a brownfields agreement. Throughout its existence, the Brownfields Program has provided a high economic development value for the federal funds it uses, and it uses no state appropriation. Furthermore, the high ratio to which the funds have been successfully leveraged into private development dollars for brownfields redevelopment is just one measure of the effectiveness of the BPRA. The economic activity and increased tax base generated by construction and subsequent use of these brownfields projects exceed the public funds expended by many orders of magnitude.

Piloting of New Business Process

The Program developed and implemented, on a pilot project basis, an entirely new business process for developing brownfields agreements. Incorporating input received from a stakeholder law firm, the program examined its tracking database to identify areas where its process could gain further efficiencies. In doing so the program developed a co-active process whereby the prospective developer's technical and legal team provides input with DEQ for project schedule and shared project responsibilities. A project planning schedule document is shared with the prospective developer and a collaborative schedule is developed. The process sets milestones at two major meeting points. The first for defining data gaps and agreeing on how to close them, and then the second meeting point is for agreeing data gaps are closed and deciding on appropriate land use restrictions. Along the way, the prospective developer's team provides updates to the state as they work from project inception to data gap closure. This "Pilot process" was initially instituted for four Redevelopment Now projects this year and all four of those projects were completed by September 30, 2016. An analysis of the process's strengths and weaknesses is ongoing and will be used to make adjustments as we expand the use of this process into more pilot projects. Initial reports from stakeholders appears to be very positive. Also, the U.S. EPA has asked the North Carolina Brownfields Program to present its pilot process during the next Region 4 meeting of brownfields states in October 2016.

Continued success of Redevelopment Now Program Option

The Program continues to see a high level of interest in the Redevelopment Now Program option. Under this option, a developer pays a higher fee and has access to a nearly dedicated project manager, significantly reducing the time to complete a brownfields agreement from the typical 18 months to as little as five-to-six months for uncompleted sites and motivated developers. Since these particular project managers are without federal subsidy, the fee is significantly higher at \$30,000 as opposed to the normal \$8,000 fee. This option has proved to be a popular choice by developers of high-value projects where the cost of carrying financing for the normal queue process far exceeds the fee for a separate project manager. Of the Program's 55 completed agreements, 23 were in the Redevelopment Now option. These Redevelopment Now projects are facilitating the fruition of economic and environmental public benefits of brownfields redevelopment more quickly.

Fund Status

The Program receives no state appropriation and exists through two funding sources: federal cooperative agreement funds and fee receipts. All of the brownfields fees charged by the Program are deposited into the Brownfields Property Reuse Act Implementation Account as authorized under the statute. Traditionally, a majority of Program funding comes from the federal cooperative agreement. This year, for the first time, the program receives more in fee funding than in federal funding. This is viewed as a milestone that was necessary to grow the capacity needed to fully address the demand for the program. The program plans to utilize these fee funds in 2017 to aggressively increase the program capacity.

For the state fiscal reporting year from July 1, 2015 through June 30, 2016 the Brownfields Property Reuse Act Implementation Account had a beginning balance of \$1,756,737, receipts from fees and copy reimbursements of \$1,094,174, and disbursements of \$604,247. This yields an ending fund balance of \$2,246,664. Table 3 below shows the fund status for the last 4 years.

Table 3. Brownfields Property Reuse Act Implementation Account Balances

State Fiscal Year	Year-End Fund Balance
2013	\$636,665
2014	\$753,911
2015	\$1,756,737
2016	\$2,246,664

The increase in the fund balance is due to a number of factors, increases in brownfields agreement production leading to more-than anticipated fee revenue than last year, the continued success of the Redevelopment Now Program option, and uncertainties in the longer term federal funding to states and its effect on expenditure decisions. However, in recognition of the trend of an increasing implementation fund available to the Program, the program hired three temporary staff as project manager assistants in 2016, one of whom was ultimately hired into a vacant permanent position. The program also hired two permanent project managers in replacement of two project managers lost to turnover. The program plans on hiring additional project managers to address demand. Also, as the number of brownfields agreements in force now tops 400, the Program believes it to be imperative to also increase its staff for compliance monitoring and compliance assistance. However, in order to also decrease waiting time in the project queue, the program needs to also hire additional project managers. The Program plans to create and hire these additional positions in the coming year.

Further Information

For additional information on the Brownfields Program, please visit our Web site at www.ncbrownfields.org.

APPENDIX
Brownfields Agreements Finalized Between
October 1, 2015 through September 30, 2016

56 FINALIZED BROWNFIELDS AGREEMENTS

<p>1213 West Morehead (RN) 1201, 1207, 1213 West Morehead Street Charlotte, Mecklenburg PD: Citiscult, LLC ID: 18057-14-060</p>	<p>3rd & Poplar 224 W. 3rd Street and 222 S. Church Street Charlotte, Mecklenburg PD: GUGV Poplar Charlotte Property Owning LP ID: 18017-14-060</p>	<p>77 Center Drive Seventy-Seven Center Drive Charlotte, Mecklenburg PD: WPFII REIV, LLC ID: 16048-12-060</p>
<p>Allen's Farm Supply 511 N. 3rd Street Wilmington, New Hanover PD: 511 N 3rd, LLC ID: 18024-14-065</p>	<p>Alliance Carolina Tool and Mold (RFR) 125 Glen Bridge Road Arden, Buncombe PD: Alliance Carolina Tool & Mold Corp ID: 17052-13-011</p>	<p>Alro Steel 7966 National Service Road Greensboro, Guilford PD: Alro Steel Corporation ID: 17053-13-041</p>
<p>Atherton Mill 2000-2140 South Boulevard Charlotte, Mecklenburg PD: Atherton Mill (E&A), LLC ID: 10047-06-060</p>	<p>B&H Recyclers (RN) 7256 US Hwy 74 West Polkton, Anson PD: BEHBM Holdings, LLC ID: 19029-15-004</p>	<p>BASF Landfill - Enka Sand Hill Road Asheville, Buncombe PD: Enka Partners of Asheville, LLC ID: 15011-11-011</p>
<p>Battleship Road (RN) 105 and 125 Battleship Road Wilmington, New Hanover PD: Team Carolina Marine, Inc. ID: 19071-15-065</p>	<p>Blackwell Street (RN) 205 Blackwell Street Durham, Durham PD: Blackwell Street RR Lot, LLC ID: 19045-15-032</p>	<p>Bridgeport Fabrics 210 Delburg Street Davidson, Mecklenburg PD: The Trustees of Davidson College ID: 18008-14-060</p>
<p>Chronicle Mills 96 East Catawba Street Belmont, Gaston PD: Chronicle Mill Land, LLC ID: 17020-13-036</p>	<p>CHT Facility 5046 Old Pineville Road Charlotte, Mecklenburg PD: Old Pineville Investments, LLC ID: 16022-12-060</p>	<p>City Center Inn/Skyhouse II (RN) 601 N. Tryon Street Charlotte, Mecklenburg PD: Skyhouse Charlotte, LLC ID: 18037-14-060</p>
<p>Consolidated Warehouse (RFR) 8300 Moores Chapel Road Charlotte, Mecklenburg PD: TBA ID: 17003-13-060</p>	<p>Dillon Station (RN) 223 S. West Street; 401 & 403 W. Hargett Street; 210 & 218 S. Harrington Street; 410 W. Martin Street Raleigh, Wake PD: FCP Fund II REIT Investor, LLC ID: 18056-14-092</p>	<p>Dunavant Street 2115, 2135, 2205 Dunavant Street Charlotte, Mecklenburg PD: WP Hawkins Holding, LLC ID: 19038-15-060</p>

<p>Elkin Chrysler Redevelopment (RN) 905 & 925 East Jackie Robinson Drive Durham, Durham PD: NR Van Alen Property Owner LLC ID: 19031-15-032</p>	<p>Failes Mini Mart 808 East Garrison Gastonia, Gaston PD: Garrison Avenue LLC/c/o Holy Angels Inc. ID: 17049-13-036</p>	<p>G&B Oil/Appalachian Energy (RN) 190, 208 Poplar Grove Road; 178 S. Water Street Boone, Watauga PD: Harrod/AP, LLC ID: 19016-15-095</p>
<p>General Marble 350 North Generals Boulevard Lincoln, Lincoln PD: Houston Roberts ID: 16058-12-055</p>	<p>Goodyear Service Center 100 & 122 E. Stonewall and 615 S. Tryon Streets Charlotte, Mecklenburg PD: Crescent South Tryon, LLC ID: 17038-13-060</p>	<p>Hillsborough Square (RN) 404, 406, 4014, 504, 508 Hillsborough Street; 11 and 15 N Harrington Street; 11 N W Street; 409 W Edenton Street Raleigh, Wake PD: SCP York Hillsborough, LLC ID: 19019-15-092</p>
<p>Lakeview Residences (RN) 2610 Erwin Road Durham, Durham PD: Ram Realty Acquisitions, LLC ID: 19021-15-032</p>	<p>LHB Plant 1 S. Salisbury Street Lexington, Davidson PD: City of Lexington ID: 10054-06-029</p>	<p>LRMF (CRISP) 1336 and 1320 South Graham St. Charlotte, Mecklenburg PD: NC Dept. of Transportation ID: 18044-14-060</p>
<p>Market Street Storage (RN) 3939 West Market Street Greensboro, Guilford PD: Market Street Storage, LLC ID: 17057-13-041</p>	<p>Method Cleaners/Zion Avenue (RN) 20030, 20036, and 20042 Zion Ave. Charlotte, Mecklenburg PD: Renaissance Square, LLC ID: 18023-14-060</p>	<p>Moyock Muscle Facility 369,371,373,383,385 Caratoke Hwy Moyock, Currituck PD: Ten Rivers Lots, LLC ID: 18043-14-027</p>
<p>NC Music Apartment (RN) 630 NC Music Factory Boulevard Charlotte, Mecklenburg PD: Woodfield Acquisitions, LLC ID: 18055-14-060</p>	<p>NoDa Textile (RN) 430 East 36th Street Charlotte, Mecklenburg PD: Crescent NoDa Venture, LLC ID: 19028-15-060</p>	<p>Pepsi Bottling (Pilot) 2820 and 2734 South Boulevard Charlotte, Mecklenburg PD: LMC New Bern Holdings, LLC ID: 19057-15-060</p>
<p>Phoenix Recycling US 70 Hwy and Pine Grove Road Havelock, Craven PD: City of Havelock ID: 17061-13-025</p>	<p>Precision Dynamics 1033 Carter Avenue Charlotte, Mecklenburg PD: Charlotte-Mecklenburg Housing Partnership ID: 18002-14-060</p>	<p>Quattlebaum Associates 10701 Monroe Road Charlotte, Mecklenburg PD: QuikTrip Corporation ID: 18042-15-060</p>
<p>RAD Lofts 146 Roberts Street Asheville, Buncombe PD: RAD Lofts, LLC ID: 17055-13-011</p>	<p>Raychem Corp 201 Dickens Road Fuquay-Varina, Wake PD: C&C Property Holdings, LLC ID: 18041-14-092</p>	<p>Riverside Drive 233 Riverside Drive Asheville, Buncombe PD: 233 Riverside, LLC ID: 15027-11-011</p>
<p>RR Development / Asheville Industries II Hendersonville Road Asheville, Buncombe PD: Swisscan Properties, Inc. ID: 19011-15-011</p>	<p>Seneca Place Shopping Center (RFR) 5033 South Boulevard Charlotte, Mecklenburg PD: Carl H. Ricker, Jr. ID: 18045-14-060</p>	<p>Sinclair Refining Company (Pilot) 409 E. 35th Street and 436 E 36th Street Charlotte, Mecklenburg PD: ECP NoDa, LLC & NODA 3536, LLC (JointPD) ID: 20019-16-060</p>

<p>Singer Furniture Plant (RN) 904 and 914 Virginia Street Lenoir, Caldwell PD: Tapaha Dynamics, LLC ID: 18018-14-014</p>	<p>South Bloodworth (RFR) 1501-1513 South Bloodworth Street Raleigh, Wake PD: Dimmette Properties, LLC ID: 17007-13-092</p>	<p>Spectrum Mills II 136 Patterson Road Kings Mountain, Cleveland PD: Spectrum Mills, LLC ID: 17035-13-023</p>
<p>Stevens Towing (RN) 125 Dye Plant Road Chowan, Edenton PD: Stevens Towing Co. of NC, LLC ID: 19073-15-021</p>	<p>Stonewall Street (RN) 300 & 306 E. Stonewall St and unnumbered lot Charlotte, Mecklenburg PD: Crescent Uptown Venture, LLC ID: 18066-14-060</p>	<p>Stork Rotary RFRU (RN) 3201 Rotary Drive Charlotte, Mecklenburg PD: SPGPrints America, Inc. ID: 19059-15-060</p>
<p>Stork-Boxmeer RFRU (RN) 3001 Boxmeer Drive Charlotte, Mecklenburg PD: SPGPrints America, Inc. ID: 18051-15-060</p>	<p>The Graduate (RN) 106 Mallette Street Chapel Hill, Orange PD: DRE Investors, LLC ID: 19048-15-068</p>	<p>Tremont Redevelopment (RN) 307, 327 & 349 West Tremont Avenue Charlotte, Mecklenburg PD: CCIP Tremont, LLC ID: 18004-14-060</p>
<p>University Boulevard 7307 University City Blvd. Charlotte, Mecklenburg PD: University Boulevard Storage, LLC ID: 18053-14-60</p>	<p>US Postal Service (RN) 119 S. Bloodworth Street Raleigh, Wake PD: Hargett Place, LLC ID: 18006-14-092</p>	<p>Water Street Deck 200, 210, 220 N. Water Street & 10 Grace Street Wilmington, New Hanover PD: East West Partners Management Co. Inc. ID: 19046-15-065</p>
<p>Wrightsville Ave 2501, 2503, 2505, 2507, 2509 Wrightsville Avenue Wilmington, New Hanover PD: The Susan A Myers Generation Skipping Trust ID: 16033-12-065</p>	<p>Wurst Property (RN) 810 Lufkin Road Apex, Wake PD: Lufkin Rd, LLC ID: 18067-14-092</p>	