

H-GAC Fall Planning Workshop

*Solving Environmental Problems
with
Economic Development*

November 10, 2011

About Marsh Darcy Partners

*Land Planning
Site Planning*



*Municipal and
Land Use Planning*



*Economic
Development*



Challenges of Redevelopment

- Issues Impacting Infill Redevelopment
 - Functional Obsolescence of Site and Structures
 - Code Compliance Deficiencies
 - Utility Capacity Limits
 - Environmental Contamination
- These issues can make some projects financially infeasible.

Everything in the Toolbox

- ◉ Using both regulatory and economic development tools can often mitigate the impact of the challenges:
 - Provide appropriate variances and/or revisions to development regulations
 - Provide reimbursement of certain costs associated with utility upgrades and environmental remediation/mitigation

Mitigating Environmental Conditions

3 Case Studies

Case Study No. 1

*Houston TIRZ 5
Memorial Heights*

Memorial Heights Development

- Initially 112 acres
- Generally bounded by Washington Avenue, South Heights, Memorial and Washington Cemetery



Development Challenges

- ◉ Relocation of utilities
- ◉ Reconfiguration of streets
- ◉ Relocation of railroad tracks
- ◉ Demolition of obsolete rice dryers



Courtesy of Houston Chronicle & Joseph E. Deering

About The Rice Dryers

- ◎ Rice Dryers posed special challenges
 - They were nearly 100 years old and made of solid reinforced concrete
 - Environmental status of underlying soils were not completely known
 - Removal and remediation were the lynchpin for the development's success

Developer Proposed Approach

- ◉ Subject area was largely underproductive tax base and with rice dryers in place would remain so
- ◉ Developer made proposal to advance the funds for demolition of the rice dryers and remediation of the soils beneath to the tune of \$2 million if TIRZ reimbursement could be secured along with other infrastructure reimbursements

Public Private Partnership Solution

City Committed:

- ❑ City would create a TIRZ
- ❑ Developer repayment out of new value created
- ❑ TIRZ Project Costs included \$2 million in costs for environmental abatement

Developer Committed:

- ❑ Construction of all improvements in TIRZ Plan
- ❑ Build out of one of two development scenarios
- ❑ Accept “direct payment” so no bonds were sold

The Result



Case Study No. 2

City of Nassau Bay

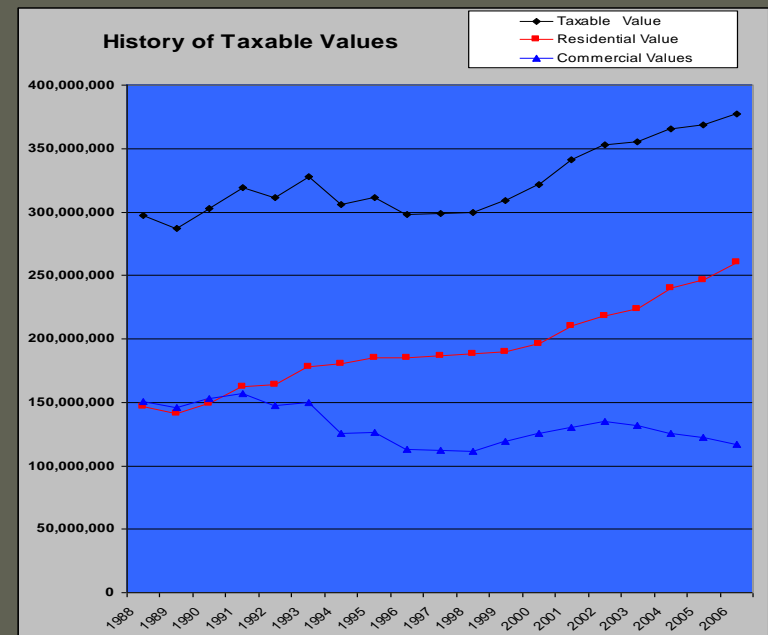
Nassau Bay Redevelopment

- Approximately 485 Acres
- Generally bounded by NASA Parkway, Clear Lake and Cow Bayou, across from Johnson Space Center



Development Challenges

- Commercial areas of city were built in 1960's to serve needs of NASA contractors
- By mid 1980's offices mostly vacant
- Declining tax values shifted tax burden to residents



About the Commercial Buildings

- By 1984 most were vacant, functionally obsolete, loaded with asbestos
- 11 buildings at the commercial core were owned by an offshore entity, no maintenance
- NASA contractors had moved on to newer office space



City Proposed Approach

- ◉ City engaged in master planning effort which resulted in an RFP for private sector Community Redevelopment Partner
- ◉ Implementation Strategy indicated all the economic development tools City would consider
- ◉ RFP resulted in private sector broker and developer who secured interest from building owners to sell

Public Private Partnership Solution

- City agrees to a TIRZ to reimburse developer certain costs
- City creates a Management District to promote new commercial area
- City uses Hotel Occupancy Tax to attract new hotel

Developer agrees to purchase properties and invest \$150 million in new mixed-use project if reimbursed for:

- Infrastructure
- Demolition and remediation

The Result



Case Study No. 3

Downtown Midland, Texas

Downtown Midland Redevelopment

- During 1990's Downtown Midland lost nearly 25% of its tax value
- As Permian Basin oil diminished major oil companies left the city
- Owners of Downtown properties sought means to turn things around



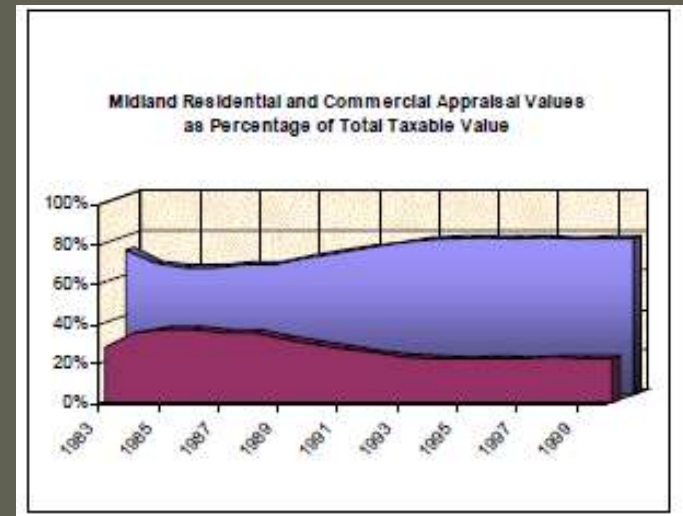
Vacant storefront and lack of street activity



Midland Savings Building

Development Challenges

- Midland had 5 times the office space of any city its size
- Exodus of oil companies caused rent rates to plunge
- Falling rents made capital reinvestment very difficult
- Need to reduce oversupply was painful



About Downtown Midland

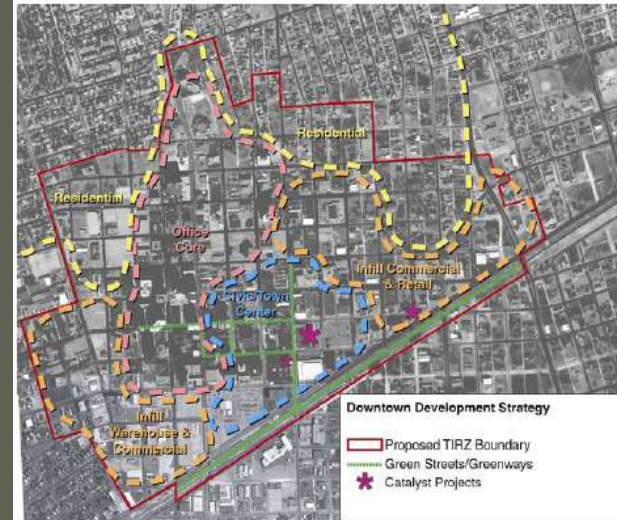
- Built across many oil boom-bust cycles
- Obsolete and under-utilized properties
- Changing market demand
- Absentee ownership
- Lack of diversity of economic activity
- Downtown
- 9-5 Atmosphere



Property Owners Proposed Approach

- A group of Downtown Property owners request help from City Council, which results in:

- *Development of a revitalization strategy*
- *Review of best economic development tools to promote revitalization*
- *Funding creation of the TIRZ & pursuing creation of a Management District*



Estimated Project Costs	\$28,150,000
Real Property Assembly	\$5,000,000
Historic Preservation	\$1,000,000
Utilities/Infrastructure/Technology	\$3,950,000
Demolition/Environmental Abatement	\$3,950,000
Cultural/Community Facilities	\$5,000,000
Streetscape & Gateways	\$1,500,000
Parks/Paths	\$1,500,000
Professional Services	\$750,000
Financing Costs	\$5,500,000

The Result



Q&A

Thanks for letting me be here!