

REAL ESTATE WEEKLY

Vol. 51, No. 14 • 76 pages in 3 Sections

WEDNESDAY, NOVEMBER 17, 2004

\$1.75

Real Estate Weekly, November 17, 2004

PROFILE

The cleaner

Seth G. Weinstein has the midas touch when it comes to brownfield properties.

Page 8

PROFILE OF THE WEEK:

SETH G. WEINSTEIN, PRINCIPAL
HANNAH REAL ESTATE INVESTORS

How to succeed in business with brownfield clean-ups

In recent years, there has been an increasing focus by both developers and government agencies to reclaim brownfield properties – economically obsolete industrial or commercial sites containing moderate to high levels of ground contamination – for viable residential and commercial use. Particularly in the Northeast, brownfield sites are often located on coastal or river front areas. When waterpower and maritime transport were essential for industry, factory sites claimed prime waterfront locations. Now, these often ugly and decaying properties need to be brought back to life.

According to veteran real estate developer Seth G. Weinstein, principal of Hannah Real Estate Investors, who has turned multiple brownfield properties into profitable projects, “cleaning brownfield sites for dynamic development can re-energize entire urban areas and preserve open space by recycling industrial sites for growth instead of encouraging urban sprawl.”

Mr. Weinstein, the first developer in the nation to qualify under the federal brownfields revolving loan program, has always seen environmental challenges as opportunities for transformation.

“When dealing with polluted sites, it is critical to evaluate the risks and rewards and carefully calculate the remediation costs up front. The rewards can be enormous, but only when the costs are fully investigated and understood,” he said.

In the early 80’s, when many developers and most banks were afraid to address these issues, Mr. Weinstein, then president of Lexington Development Group, took on asbestos and other interior environmental risks when he purchased 260 Peachtree St., a 300,000 s/f office building in the heart of downtown Atlanta. He recalls that although the cost of the building plus the cost of the clean up created a bargain, the banks were afraid of potential liability. Now, insurance products are available and this type of clean up has lost its fear factor. Site remediation is now a project cost.

“Dealing with former industrial and factory sites presents much more sophisticated problems,” Mr. Weinstein noted. “It is essential to make the financial institutions comfortable by quantifying cost.”

An example of how a successful brownfield project can be an economic and environmental windfall not only to the developer, but also to the entire city, is evidenced by the 17-acre waterfront site on the west branch of Stamford, Connecticut’s harbor that was assembled by Mr. Weinstein and his partners at Clearview Investment Management in the late 90’s. There were two adjacent parcels of three and 14 acres respectively. Northeast Utilities, the local power company, owned the smaller parcel, and the larger parcel was a tank farm for home heating fuel.

The key to this deal was acquiring the Northeast Utilities parcel that was adjacent to Southfield Park and then contracting the larger fuel depot. The combined site was re-zoned by the city for residential use and the clean up process paralleled the site plan approval process for 323 rental apartments, along with extensive public waterfront walkways, fishing piers and recreational boating facilities tied together with the existing city park.

After clean up and all approvals were in place, the site was sold to Avalon Bay Properties. The assemblage, clean up and approval process obviously added substantial value to the property and paved the way for the transformation of the entire community.

Another example of a dramatic brownfield transformation that Mr. Weinstein engaged in is currently taking shape in the Northeast corner of Connecticut, in the borough of Stonington. There, Weinstein and his partners are transforming a waterfront, historic industrial brownfield site into a mixed-use

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project featuring luxury condominiums, waterfront homes and commercial space. Residents will start moving into the condominiums and homes, collectively called Stonington Commons, in the spring of 2005.

“This site presented multiple challenges from a zoning, historic adaptive reuse, waterfront and brownfield perspective” said Mr. Weinstein.

“Because this had been a factory site for over two centuries there were multiple levels of contamination. It was virtually a museum of industrial pollution when we started. The site has been cleaned and construction is well under way, opening the waterfront for public recreational access at this location for the first time in over 200 years.”

Mr. Weinstein and Paxton Kinol started construction this month on another brownfield site in downtown Stamford, called Mill River House. This former auto repair and sales facility has been cleaned and leveled and will be transformed into a beautiful brick and shingle building overlooking the Mill River Park and containing 92 luxury condominiums.

“The key to making brownfield projects successful is analysis and evaluation of the clean up costs as compared to the land value,” Mr. Weinstein summed up.

“It is essentially a risk reward analysis that requires experience and good data. These projects also require more equity capital on the front end because the banks still resist lending on brownfield sites until clean up costs are at least fully quantified, and in some cases, remediation is complete. However, if risks are purposefully analyzed, the economic rewards can be substantial.”