

# Investing in Brownfields

## Identifying Potential Funding Options for CORF 2.0

### Enhancing Opportunities for Job Growth and Development

Ohio has the potential to bring millions of dollars in additional investment, enhance job growth, and foster economic development through the continued investment in brownfield redevelopment. Found in every county, these 9,000+ former industrial and commercial sites are unusable in their current condition. These blighted properties discourage investment and create barriers to economic advancement.

In order to unlock this economic potential, the state will need to dedicate funds specifically for brownfield remediation. This would require between \$25 and \$100 million annually in funding.

The average cost of cleaning up a brownfield site can range from \$15,000 to \$35,000 to remediate one brownfield acre. Research by GOPC and others shows that the high cost of brownfield remediation is more than paid back through the economic output of the clean-up itself, new construction, and ongoing tax revenues from the new businesses or homes on the remediated site.

**GOPC advocates for a brownfield remediation program with funding that is flexible, sustainable, and complementary to existing environmental remediation programs.** GOPC and others call this proposed program Clean Ohio Revitalization Fund 2.0 (CORF 2.0) in a nod to the former brownfield remediation program. To generate the necessary funding, GOPC has identified potential sources that fall into three categories: reprogramming of existing funding, expansion of the state sales tax, or the elimination of certain tax expenditures.



#### Brownfield Fact:

Under the original Clean Ohio Revitalization Fund, every \$1 invested by the state into brownfield cleanup generated \$4.67 in additional economic activity.

### Reprogram Existing Revenue

The original Clean Ohio Revitalization Fund program was funded with revenue generated from the sale of state bonds, backed by revenues generated from the sale of liquor and other spirits in Ohio. When the state's liquor agency was transferred to JobsOhio, funding for brownfield remediation transferred to JobsOhio, which continues to provide funding to that organization's Revitalization Program.

### JobsOhio Revitalization Program

The Revitalization Program is a loan and grant fund designed to support the acceleration of redeveloping sites in Ohio. The primary focus of the program is

projects with an industrial or high commercial end use. Priority is placed on projects that support near term job creation opportunities for Ohioans. JobsOhio dedicates **\$100 million per year** towards this program. Projects must commit to retaining or creating at least 20 jobs. Economic development officials, local governments, and real estate investors have reported that the program guidelines, as maintained from 2014 to present, have limited redevelopment opportunities.

### Liquor Profits

When JobsOhio was established, the state transferred the state-owned liquor agency to provide operating capital for the organization, with profits earned from sales returned each year to the state. Payments are directed monthly

into the state General Revenue Fund. In 2019, these profits are estimated to equal **\$42.9 million**.

### Abandoned Gas Station Grant Program

One of the few state-operated environmentally-focused redevelopment grant programs still in operation is the Abandoned Gas Station Cleanup Grant Program, which was established in 2015. The program was established to cover cleanup and remediation costs associated with underground storage tanks at eligible sites across the state. \$20 million was originally set aside for the program in 2015, and currently has **\$17 million** available for grants.



#### Brownfield Fact:

Under the original Clean Ohio Revitalization Fund, \$1.4 billion were annually contributed to the state's GDP as a result of remediated brownfield sites.

### Recommendation

GOPC recommends the state reprogram these funds to seed a new Clean Ohio Revitalization Fund. Because the original program was supported by state liquor sales and the Revitalization Fund and Abandoned Gas Station Cleanup Fund consists of funds originally derived from the CORF program, it is logical that the nearly **\$160 million in available funds** should be considered as the main funding source for CORF 2.0.

### Expanded Sales Tax

Over the past two decades, Ohio, like many other states, has shifted towards a more consumption-based economy. Policymakers on both sides of the political aisle have advanced policies that reflect this new economic reality—policies which include the expansion of the state sales tax base to cover discretionary services, and not just tangible products.

### Recommendation

GOPC recommends that policymakers consider expansion of the state sales tax to include additional

services not currently subject to the state sales tax. Expansion of the state sales tax to cover discretionary services that could be considered to be “luxuries,” have the potential of generating as much as **\$53.7 million** on average a year.

### Elimination of Certain Tax Expenditures

Tax expenditures are exemptions for specific goods or services written into state law. The current state tax expenditure report provides estimates for 129 different expenditures, some of which have been in place for 80 years or more. All of the exemptions have been adopted by the state legislature to serve a specific public purpose, although the appropriateness of some expenditures may have diminished as Ohio's economy has evolved.

Altogether, these tax expenditures account for more than **\$9.4 billion** in revenue foregone in the 2019 state fiscal year; revenue which would otherwise have been deposited into the state GRF budget.

### Recommendation

GOPC holds sunset provisions should be written into all of the state's tax expenditures so they can be periodically reviewed by the legislature to assess their continued usefulness. Lawmakers and other policy makers should thoroughly evaluate each of these expenditures and decide which are needed and which could be closed in the near future, potentially creating new sources of state revenue.

### Imagining Clean Ohio 2.0

Greater Ohio Policy Center is gathering feedback from experts who are assisting in the development of a robust program design for a reconstituted Clean Ohio Revitalization Fund, informally referred to as CORF 2.0, and other regulatory changes that will lower barriers and risk for private sector investors willing to take on a brownfield site.

One goal of CORF 2.0 is to provide a sustained source of funds that would be available to municipalities, counties, port authorities, land banks, and other nonprofit economic development organizations. These funds would assist with the assessment, clean up and redevelopment of brownfield sites across the state. While projects would not need to have a designated end-user, eligible projects would include commercial, industrial, residential, or green space projects and could also include speculative development if a community shows shortages of suitable

## Downtown Sandusky: A Clean Ohio Success Story

Sandusky is a town of 24,000 residents on the shores of Lake Erie. Despite its proximity to the Cedar Point amusement park, Sandusky experienced the same economic challenges that impacted many other Ohio cities in the late 20th Century. For decades, downtown Sandusky lost residents along with commercial, industrial, and retail businesses. In devising a turnaround plan, city leaders focused on one million square feet of abandoned factories and warehouses on the northern edge of downtown that created an eyesore and blocked access to the lake.

To spark rejuvenation of the city's downtown, redevelopment plans focused on repurposing a former paper mill. The city decided to repurpose the site for residential and recreational uses through the construction of a three-story condominium building and a marina with a seasonal restaurant. In 2003, the city competed and received a \$3 million CORF grant to help with the costs of cleanup and demolition on the Chesapeake property adjacent to the lake, as well as with cleanup of the Tricor and Keller Building just to the south.

The project has proven to be a transformative development that catalyzed the rebirth of downtown. Today, the Chesapeake Lofts building contains 195 individually-owned condominiums. The city retains ownership of the marina and leases the property to the restaurant. The condominiums generate approximately \$700,000 in total annual property tax payments on a site that previously sat vacant for many years. After the Lofts were built, new restaurants and retail businesses began to relocate downtown, and many of the older 2 or 3 story mixed-use buildings are starting to have residential units again, along with a small hotel that was recently build a block away.



properties in the area. In order to ensure long-term stability for the program, funds would likely come in two forms: grants (which could require local matching funds) and zero to low-interest loans. The working group continues to discuss the ability to make CORF 2.0 a program that is funded in part through a revolving, self-sustaining aspect. Alongside the funding ask for CORF 2.0, the working group also continues to discuss regulatory changes to promote brownfield redevelopment across the state.

## Conclusion

Ohio has the potential to bring millions of dollars in additional investment, create jobs, and foster development through the remediation of brownfields.

As Greater Ohio Policy Center continues conversations toward the establishment of Clean Ohio 2.0, meaningful dialogue for a fair and flexible funding source should be central to ensuring a sustained brownfields redevelopment program remains in Ohio.

## About Greater Ohio Policy Center

Greater Ohio Policy Center (GOPC) is a statewide non-profit organization that champions revitalization and redevelopment in Ohio's cities and metros. GOPC is highly respected for its data-driven, nonpartisan policy analysis, research expertise, and policy development, and regularly provides expert analysis to public, private, and nonprofit leaders at the local, state, and national level.

In 2013, GOPC conducted the first and only independent, comprehensive study of the CORF program to analyze the statewide economic impact of public investment in brownfield remediation. In addition to advocating for additional brownfields funding, GOPC continues to support regulatory reforms that make it easier for communities to cleanup contaminated brownfield sites and policies that provide legal assurances to prospective landowners and real estate developers who did not contaminate sites, to encourage development.



# Greater Ohio Policy Center

**Champions for revitalization & sustainable growth in Ohio.**

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