



Brownfield Tax Incentives Miss Their Mark in Illinois

Brownfield redevelopment is booming, but little thanks to government tax incentives. Federal, state and local tax relief initiatives designed to promote redevelopment of contaminated properties have barely been used. Since the programs began, only two Illinois properties have benefited from the federal incentive and just two others have received state approval, according to the Illinois EPA. Similarly, the Cook County brownfield tax program has seen no use yet.

So What's Really Going On?

To answer this question, Carlson Environmental, Inc. conducted a field survey of developers in Illinois, state and federal officials, and brownfield policy experts including Frances Hoffman at the Institute for Responsible Management and Charlie Bartsch at the Northeast-Midwest Institute. CEI discovered several dynamics at play:

- **Awareness:** Most developers do not know about the brownfield tax incentives. State officials indicated that marketing efforts have fallen short. Likewise the Cook County program seems to have missed its audience, which is one reason why the program has been revamped and increased outreach efforts are planned. The Cook County information is still not posted on a web page.

- **Economics:** In their current design, most of the brownfield tax incentives are not substantial enough to attract capital. Put another way, these incentives are generally not sufficient to act as a "tipping point" to make deals happen.

- **Scale:** The tax incentives are geared for larger projects often managed by developers with greater access to financial resources. These developers are less likely to need the incentives. It's the smaller operators who might benefit from the financial assistance.

A Chicago brownfield expert Paul Goodman explained that many developers target small sites

with lower remediation costs. However, these projects would not qualify for brownfield tax incentives if the remediation costs are less than the deductible for the federal and state programs.

- **Location and Public Policy:** The federal and state incentives are targeted for Empowerment and Enterprise Zones. Typically, locations with high unemployment, economic distress, or other poverty indicators may not represent attractive near term investment opportunities so the incentives go unused. Because demand for industrial property is often greater in other areas, more flexibility about where an incentive can be applied could lead to greater use.

- **Exclusion:** The responsible polluter is not eligible for brownfield tax incentives. But the reality is that the responsible party participates in or manages the majority of cleanup programs.

- **Red Tape:** Some developers who are aware of the tax incentives believe they are too complicated and not worth the effort or time.

In the Long Run: Gone When You Need It?

As the brownfield market matures, some people anticipate that redevelopment efforts will shift to the urban areas that tax incentives are designed to benefit. But given the lack of use to date, some policy experts question whether the brownfield tax incentives will be reinstated or in what form. The federal program sunsets January 1, 2001, and the state incentive expires on December 31, 2001. A public policy debate about the effectiveness and design of brownfield tax incentives is underway.

For an overview of the brownfield tax incentives, please refer to the attached summaries. For additional information, please contact the appropriate agencies directly or contact Ken James, Senior Project Manager, at Carlson Environmental. You may reach Ken at (312) 346-2140 or kjames@carlsonenv.com.

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