

## Do State-Run Insurance Programs Make Sense in Times of Fiscal Austerity?

By Norman W. Spindel

Everyone seems to agree that lesser-risk brownfield sites have been identified and currently are in the redevelopment phase. The risk components associated with the remaining inventory of brownfield sites are becoming more critical factors in the evaluation of redevelopment viability.

Traditionally, persons seeking to share or shift risk in brownfield situations have turned to insurance to address this issue. Given the significant role brownfield redevelopment will play in the continuing economic transformation of states with many older industrial facilities, various segments of the pri-

vate sector have suggested the adoption and implementation of state-run insurance programs to help brownfield developers manage inherent risks. While at first blush, the establishment of such a program seems a “no brainer,” there are significant reasons why such a program should not be developed at this time.

### Let's use New Jersey as an example

During the past few years, New Jersey legislative and executive branches have instituted significant programs to encourage brownfield development. These programs provide significant assistance, which, to some extent, mitigate some economic risks for brownfield developers, both large and small. For example, New Jersey's Brownfield and Contaminated Site Remediation Act established a program whereby a brownfield developer can receive a reimbursement of up to 75 percent of its environmental remediation costs. In addition, the Hazardous Discharge Site Remediation Fund provides financial assistance to both private and public entities for site assessment and investigation activities. The program is targeted to entities with financial constraints that may limit their ability to develop brownfield properties.

These financial incentives do not address the issues traditionally addressed by insurance policies. And, the availability of a state-run insurance program for small brownfield projects (large projects generally are more able to incur the cost of environmental insurance) likely

would foster an increase in this scale of development. Yet, the practical and political realities in New Jersey, argue against the development of such a program.

The state government's belt-tightening exercises of the past few years have resulted in the cut back of numerous, long-established programs. While funding under the brownfield incentive programs has remained unscathed, the constraints of the past few state budgets have resulted in a reduction or a freeze in hiring where possible.

Development of a new state insurance program of “standard form” or “off-the-shelf” policies affordable to small development projects would require the dedication of governmental manpower and other resources, which would run contrary to the “belt-tightening” Governor Corzine has asked all of his cabinet members to undertake.

Moreover, the current political atmosphere in New Jersey is not likely to favor any increase in governmental expenditures without a perceived significant benefit to the citizens of the state. The “hot button” issue in Trenton, currently, is real property tax relief, specifically for residential properties. While a state-run brownfield insurance program would benefit municipalities with qualifying projects and, presumably, increase their tax collection, it is doubtful that the general public would perceive this as an acceptable form of “tax relief.” **BFN**

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