

Department of
Sustainability and
Environment

The Importance of considering Alternative Uses & Methodology when Valuing/Appraising Contaminated Sites

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Items in today's presentation

Part 1



1. Understanding the Environment
2. Alternative Uses
3. Case Studies
4. Forensic Assessment Matrix
5. Valuation Assessment
6. Conclusion



Part 1 Understanding the Environment

1.1 Introduction

- ▶ Poor management practice
- ▶ Land that is rendered dangerous & unusable
- ▶ Environmental issues beyond the boundaries
- ▶ Water quality - rural & urban locations an increasing concern for Governments
- ▶ Contamination of Brownfield land
- ▶ Economical clean-up/containment methods

Part 1 Understanding the Environment


1.2 The New World




Part 2 Alternative Uses

2.1 End Game Scenarios


- ▶ Assumption site is "clean" free of contamination
- ▶ Identify range of uses, residential, office/warehouse, industrial
- ▶ Zoning within district



Part 2 Alternative Uses

2.2 Alternative Use Matrix

Residential	Commercial Showroom	Commercial Office	Industrial Warehouse	Industrial Factory	Open Storage	Parklands
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Part 3 Case Studies

3.1 Former Small Power Station Site - Victoria

- ▶ Involvement of Owner, Developer & Site Auditor
- ▶ Sensitive local water bird habitat
- ▶ Former Power Station used briquettes as a source fuel material
- ▶ Project included demolition of the Power Station & on-site treatment of contaminated soil

See www.ghd.com.au (Wendouree Power Station Remediation) for details



Part 3 Case Studies

3.2 Remediation Project - Albion Explosives Facility - Victoria

- ▶ Explosive organic compounds deposited over a 50-year period
- ▶ Remediation strategy developed by auditor - financially viable - fund remediation
- ▶ Strategy was to undertake sufficient clean up
- ▶ For the intended land use identified in the development plans
- ▶ Dispose of unsuitable site soil at an on-site repository



Part 3 Case Studies

3.3 Fuel Tank Time Bombs - Victoria & USA

- ▶ Identified by property professionals when visiting the site to value
- ▶ Assess for works requested by client are wise to treat any sign of an underground fuel tank with caution
- ▶ Victorian power industry - 20 tanks to be removed

See www.groundscience.com (Site remediation Tank decommissioning) for details



Part 4 Forensic Assessment Matrix

4.1 Benchmark value & site specific adjustments

Item	Alternative Uses					
	Residential	Commercial Showroom	Commercial Office	Industrial Warehouse	Industrial Factory	Open Storage
Benchmark Value	1000	500	600	400	200	100
Less 'A' Site Specific Adjustments						
Removal of Contaminant	575	280	385	0	-	-
Site works	25	20	15	0	-	-
Containment of Contaminant	-	50	-	150	150	150
Stripping & site prep.	-	5	5	20	-	-
Geotextile mat	-	5	5	20	-	-
Crushed rocks (capping layer)	-	5	-	20	-	-
Additional Building Cost	-	10	-	-	-	-
Deeper Foundations	-	5	-	30	-	-
Friction piles extra slab	50	10	20	65	-	-
Sub Total	350	410	170	95	50	(-50)

Applied amounts are \$m² of site area. The rates in this table are only for illustration purposes.

Part 4 Forensic Assessment Matrix

4.1 Benchmark value & contingency cost of rectification

Item	Alternative Uses					
	Residential	Commercial Showroom	Commercial Office	Industrial Warehouse	Industrial Factory	Open Storage
Benchmark Value	350	410	170	95	50	(-50)
Sub Total						
Less 'B' Contingency Cost of Rectification						
Cost of risk factor	-	5	5	20	-	-
Impact of capitalisation rate/profit and risk	-	10	5	20	-	-
Site stigma	10	5	5	5	5	5
Additional profit and risk	50	10	10	15	-	-
Blot on Title	-	5	-	5	5	5
Time cost of rectification of contamination	10	10	10	10	-	-
Net Result	280	365	135	35	40	(-60)

Applied amounts are \$m² of site area. The rates in this table are only for illustration purposes.

Part 5 Valuation Assessment

5.1 Valuation/Appraisal Approach

- ▶ Establish the market level of value, (disregarding site-specific items related to contamination)
- ▶ "Clean" site sales evidence provides foundation prior to adjustments
- ▶ Apply site specific items
- ▶ Consider and apply risk factors
- ▶ Potential negative impacts
- ▶ The markets view/perception of the site

Part 6 Conclusion

6.1 Our Environment, Our Future, Future Generations

- ▶ Rectifying past environment disasters
- ▶ Relies heavily experienced environmental consultants required
- ▶ Morally the need to address environmental disasters prevails
- ▶ Substantially driven by the ongoing shortage of land & rising prices

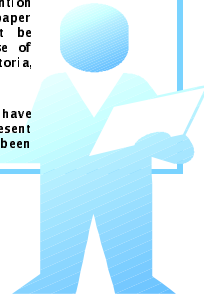


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Disclaimer

I would like to draw to your attention that the views presented in this paper are my own and should not be construed as representing those of the State Government of Victoria, Australia.

The figures within this paper have been altered and do not represent current levels or rates. This has been done due to confidentiality.



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