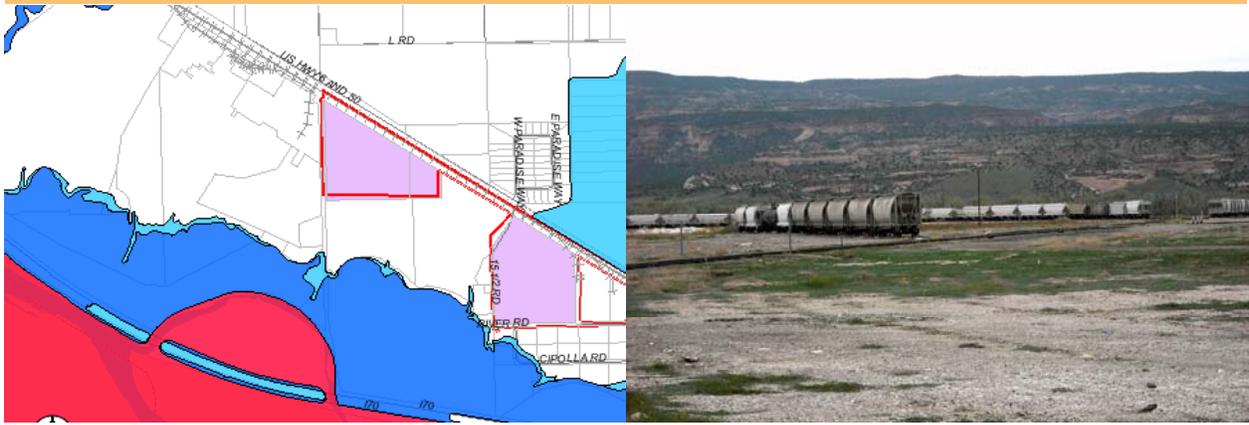


PURE ENERGY SITE AT GREENWAY BUSINESS PARK

FRUITA, COLORADO



ECONOMIC AND FISCAL IMPACTS

A COLORADO BROWNFIELDS CASE STUDY

Background

After nearly 40 years of operation, the Fruita Refinery closed in 1993. During its operating life, the site was the subject of several initiatives to mitigate the environmental damage from the refinery. While many environmental hazards were addressed, the refining process created several additional sites with unmanaged environmental concerns. After the refinery shut down, Mesa County, the City of Fruita, and the state of Colorado implemented plans to aid the property's successive owners to cleanup, redevelop, and restore the site. Their efforts coordinated various owners of the Fruita Refinery properties into a larger 1,336-acre development area plan called Greenway Business Park, a proposed industrial park that will accommodate the increasing need in Mesa County for industrial business space as well as protect the surrounding open spaces and agricultural lands from development.

The remediation and sale of a 39-acre site within the former refinery property, which was chosen as a catalyst project for the refinery's redevelopment, highlights a success of public and private collaboration to meet the economic and environmental goals of the communities involved. Achievements of this collaboration include sale of the site to an end user, the pending annexation of the property into Fruita, and compliance with all state environmental standards.

Setting

- Unincorporated Mesa County along the Colorado River between I-70 and U.S. 6 & 50

Site Size

- 39-acres of former refinery site within 1,336-acre business park

Former Use

- Petroleum Refinery

New Use

- First new occupant of the former refinery in Greenway Business Park
- Interim sand storage facility
- Pure Energy headquarters location pending

Environmental Issues

- Hazardous waste storage
- Solvent waste storage
- Acid sludge ponds
- Lead waste

Financial Considerations

The owners of the Fruita Refinery spent several years selling off storage tanks and other assets after operations ended in 1993. The site was then split between several purchasers in 1996. Among these was Fruita Marketing and Management, Inc. (FMM) who purchased roughly 280 acres on the east side of the site. The FMM property was the only piece of the refinery site subject to environmental compliance orders when the refinery closed. Sale of the property to FMM, which included the current 39-acre Pure Energy parcel, placed liability on FMM to fund and enact compliance with the state's Resource Recovery and Conservation Act (RCRA) orders. However, for several years progress towards cleanup was stalled, with very limited success.

Recognizing the potential value of both the rail-served acreage and the natural value of the Colorado River riparian areas, Mesa County and the City of Fruita became interested in overcoming the blight inherent at the refinery site. In 2001, Mesa County, in partnership with the City of Fruita and various landowners, obtained grant money from the U.S. Economic Development Administration to prepare a plan for Greenway Business Park. The goal of Greenway Business Park was to create opportunities for job creation and industrial investment at the refinery properties in addition to other sites west of the City of Fruita.

In 2003, Mesa County and the City of Fruita partnered with FMM and the state to carve out a catalyst site to create value and initiate investment and interest in all of the refinery properties. The area they chose was a 65-acre piece of land which included the current Pure Energy site. The state then provided a Targeted Brownfields Assessment (TBA) of this valuable piece of the property. While this wasn't the end of the redevelopment's obstacles, the state's investment in a TBA bridged the first major hindrance to the productive utilization of the property.

With the guidance of a TBA, FMM overcame several financial obstacles hindering environmental remediation. Among these was a decline in the market for scrap metal, which diminished a valuable asset FMM planned on selling to help fund the cleanup. Additionally, petroleum contamination was discovered on a potential gravel mining site on the property which rendered another revenue source infeasible. Lastly, the accumulation of back taxes on the property deepened FMM's financial hole. To overcome these hurdles, FMM donated land to the State Department of Natural Resources to cover its tax liability. Next, FMM built an extension of their property's rail access, extending it onto the 39-acre site. Rail access led to revenue generation through a lease-to-purchase agreement with a private company, Pure Energy Corporation of Canada. The improved rail access and lease allowed for the site's remediation while ensuring a productive use for an underutilized property.

Pure Energy Corporation, a petroleum drilling and completion services company, became interested in the site after they expanded into Grand Junction, Colorado in 2004. Pure Energy purchased the site in June 2008. The site, which is currently being used for sand and drilling materials storage, may also become the base for Pure Energy's entire Western Slope operations.

The City of Fruita plans to annex the former refinery properties into the city within the next year. Along with the annexation, Fruita will make major investments on the former refinery site and adjacent properties that will benefit future property owners and Greenway Business Park tenants. The most prominent plan is a \$30 million investment towards sewage and water treatment infrastructure, slated for completion in 2013. The city also designated the area as an enterprise zone allowing businesses to utilize financial incentives and tax credits at Greenway Business Park.

Job Creation

- 2 full-time jobs earning between \$60,000 to \$70,000 annually
- Other future uses pending

New Investment

- Railroad Spur extending onto 39-acre parcel*
- \$711,000 sand storage facility
- \$30 million of City services including a wastewater and sewage treatment plant

**Installed as part of property development prior to the Pure Energy purchase.*

Fiscal Impacts

- Opportunity for investment has been created on the site which will attract businesses and will increase tax revenues
- \$16,500 of property tax revenues for the city*, county and school district

**Potential tax revenues pending annexation of site into the City of Fruita.*



Environmental Considerations

The 39-acre Pure Energy site was part of a petroleum refining operation that began in the early 1970s. The refinery was rail-served and on-site activities included bulk petroleum storage, fractional distillation, refined product distribution, surface impoundments for waste water, and sludge ponds. There was also a coker unit on-site that was used to process oil shale.

Refining operations resulted in releases of pollutants to both soil and groundwater, including intermittent impacts on the adjacent Colorado River. In 1981, the property's owners were cited for violations of the federal Resource Conservation and Recovery Act (RCRA) and were ordered by the state of Colorado to conduct environmental cleanup.

The Colorado Department of Public Health & Environment granted technical assistance to Mesa County to conduct environmental assessments under the State's Targeted Brownfields Assessment (TBA) program in cooperation with the property owners. The owners initiated cleanup under the direction of the state. Waste water lagoons were treated, sludge was land farmed, and potential contamination of the Colorado River was abated. Remediation of the 39-acre site allowed removal of the parcel from the area under order for cleanup by the Colorado Department of Public Health and Environment.

Reuse Partners

- City of Fruita
- Mesa County
- U.S. Department of Commerce, Economic Development Administration
- Colorado Department of Public Health and Environment
- Fruita Marketing and Management, Inc.
- Colorado Department of Natural Resources, Division of Wildlife
- Pure Energy Corporation

Annual Economic Impact Summary			
	Pure Energy Storage Site	Former Use	Increase in New Use
Value-Added*			
Land	\$79,300	\$17,860	\$61,440
Improvements	\$749,500	\$0	\$749,500
Total Value-Added	\$828,800	\$17,860	\$810,940
Fruita Property Tax Revenue**	\$2,741	\$0	\$2,741
Mesa County Property Tax Revenue	\$4,565	\$98	\$4,466
Mesa County Valley 51 Schools Real Property Tax Revenue	\$9,217	\$199	\$9,019
Total Estimated Tax Revenues	\$16,523	\$297	\$16,226
Business Operations Impacts			
Employment	2	0	2
Average Wages	\$65,000	\$0	\$65,000
Total Employee Earnings	\$130,000	\$0	\$130,000
One-Time Impacts of New Investment			
Storage Building Construction	\$711,000	-	\$711,000
Environmental Services and Cleanup	\$150,000	-	\$150,000
Total New Investment	\$861,000	-	\$861,000

*Actual value will be determined after reappraisal of property during 2009. Estimated value determined using cost approach.

**Pending annexation into the City of Fruita. The city projects it will annex the property by 2010.

History of the Fruita Refinery

Fruita was settled in the late 19th century as a farming community. Fruita's economy soon expanded into energy and natural resource production because of its proven potential in these industries. About 70 years after it was first settled, the American Gilsonite Corporation built a Gilsonite refinery in Fruita in 1956 because of its proximity to the Uintah Basin, the only known place in the world containing Gilsonite. Fruita also had convenient access to several transportation routes. The Gilsonite, a naturally occurring hydrocarbon resin used in inks, paints, oil drilling muds, and a variety of chemical products, was carried by pipe to the Fruita Refinery location where it was modified for commercial use. In 1973, the refinery was sold to Gary Energy Company for refining oil. Operation as an oil refinery continued under several owners until the plant was closed in 1993.

From 1956 to 1985 several environmental problems were created at the site due to the refinery's operations. Gary Energy initiated cleanup on several of its sites, but left behind many other contaminated areas. While some of these were cleaned up by successive owners involved in refining petroleum, some of the environmental problems were exacerbated by subsequent operations, which finally ceased in 1993. The site was repeatedly the target of citizen complaints and compliance orders from the City and the State through the Resource Conservation and Recovery Act (RCRA). Moreover, the smell emanating from the immense acid sludge ponds used to treat refinery byproduct aggravated many Fruita citizens. As a result of these actions, the refinery became an immediate target for cleanup and redevelopment by the City of Fruita and Mesa County when it closed.

Community Successes

The Western Slope of Colorado, including Fruita, has experienced rapid economic and industrial growth in the past few years. However, many parts of the Western Slope remain economically disadvantaged. Both of these characteristics present challenges for Western Slope communities. The cleanup and sale of a portion of the Fruita Refinery to a strong, primary business marks successful steps towards meeting these challenges.

The investments Fruita, Mesa County, and Colorado have made and will continue to make in Greenway Business Park greatly expand the quantity of useable, available, industrial space on the Western Slope. This in turn has attracted companies such as Pure Energy to Fruita which will ultimately generate increased tax revenue and create high-paying, primary jobs in an economically disadvantaged area. Furthermore, successful public-private partnerships have overcome some of the environmental and financial hurdles which hindered the development of a unique and important piece of property. The Pure Energy site is one of the last and best access points on the Western Slope to the railroad. The refinery area also has access to a critical pipeline between Utah and Colorado.

Greenway Business Park will create an aesthetic asset for the community. The Fruita Refinery was an eyesore for the community, mainly because the site is among the first impressions of Fruita and Colorado when entering the state along eastbound I-70. Greenway Business Park will improve this image through the creation of lakes and wildlife areas, and the extension of regional trail access to the former refinery site. The remediation of several areas of the refinery site and the Pure Energy parcel marks significant steps towards a cleaner, safer industrial area.

Sources and information provided by: American Gilsonite Company, City of Fruita, Colorado Department of Public Health and Environment, Mesa County, Pure Energy Corporation.
Prepared June 2009 by Development Research Partners and the Colorado Brownfields Foundation.
www.developmentresearch.net.

