

Conference Highlights Brownfield Funding Options

As the number of developers who want to build on challenging areas increases, so do the avenues of lending

BY JULIE NAKASHIMA
CREJ Staff Writer

As raw, unspoiled land continues to shrink in supply, developers increasingly are turning their sights to brownfields: idle or abandoned properties whose redevelopment is complicated by the presence or potential presence of hazardous materials.

But for the developers, coming up with the greenbacks to put these contaminated sites back into use can be as toxic to the proposed project as a stew of chromium, cadmium and arsenic, topped with a garnish of PCBs. Recently, the **Center for Creative Land Recycling**, a San Francisco-based nonprofit organization, held a program on various governmental and nongovernmental sources of financing for environmental assessment and cleanup.

"Funding Vibrant Communities: Financial Tools for Redeveloping California's Brownfields" was designed to provide attendees, many of whom work in the public sector, with the tools, techniques and resources required for one-time, on-budget project management.

"The subject of this workshop is to demystify the redevelopment process for urban underutilized properties in California," the organization's education and outreach director, Analivia Suchman, said.

Founded in 1996 by The Trust for Public Land, the center's mission is to promote the reuse of land in ways that revitalize urban areas and conserve green space.

Carolyn Douglas, brownfields team leader and regional coordinator for Region 9 of the U.S. Environmental Protection Agency, discussed several sources of "free money" that state and local governments can use to supplement their brownfields projects.



Herman Miller stands on his barge in Stockton. The blind octogenarian agreed last year to move after a three-year battle with the U.S. Environmental Protection Agency. The EPA asked him to move his floating home so cleanup could begin in Old Mormon Slough, which was declared a Superfund site in 1992. A relocation agreement between Miller and the EPA included a taxpayer-bought home for the semi-retired engineer.

Douglas said her position has given her an opportunity to look at various projects "and to see the vision that communities have around their abandoned properties."

The EPA provides \$200,000 grants for assessment of hazardous substances as well as

petroleum, for maximum funding of \$400,000 on sites suspected to have both contaminants.

Further, communities can apply for either site-specific grants or communitywide grants targeting a larger area. There also is a waiver available for site-specific grants, allowing proj-

ects to obtain an additional \$150,000 in funding, for a maximum of \$350,000, or \$700,000 on sites with both hazardous substances and petroleum.

Douglas said there is 25 percent set-aside specifically for petroleum. She said the agency encourages people to apply for the petroleum money because it's easier to award.

"Now here's a little trick," Douglas said. "If you have a hazardous-substances site where you think there may be some petroleum that's associated or on that property, then the agency would recommend that you apply for the hazardous-substances money."

For cleanup grants, the EPA provides \$200,000 for hazardous substances and/or petroleum, and communities can seek funds for up to three sites per application. Applicants must have sole ownership of the property. In addition, Douglas said there is a 20 percent cost-share.

"If you're getting \$200,000, you want to put \$40,000 of your money on the table," she said.

The U.S. Department of Housing and Urban Development has two programs that also are targeted to state and local governments: the Community Development Block Grant Program, with awards from \$200,000 to \$1 million, and the Brownfields Economic Development Initiative.

The latter, which provides up to \$1 million, is a competitive grant program that must be used in tandem with the Section 108 Loan Guarantee Program. A recipient of a brownfields grant from HUD takes with it a Section 108 loan, said Wayne Itoga, HUD program manager.

"If you went to the Section 108 loan provision, it can seem awful simple," Itoga said.

However, he said, "that's tied to the larger

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universe of Community Development Block Grant regulations.”

That, in turn, is tied to a “whole bunch” of requirements, Itoga added.

“Make sure you know what to expect: 108 is the tree, Block Grant is the forest,” he said.

The application requirements are based on a point system, and the most points are awarded for soundness of approach, followed by capacity and experience.

For 2006, Congress appropriated \$10 million for HUD’s brownfields program. The program’s budget for this year has not been passed, Itoga noted.

Concept of Partnership

He said communities with brownfields sites need to internalize the concept of partnership involving a number of players with different types of expertise.

“It’s not exactly brain surgery,” Itoga said, “but it is kind of like baking a cake, where the recipe for the cake is in a cookbook, the recipe for the filling is on the back of the sugar box and the recipe for the frosting is on somebody’s Web site. And you have to bake it at somebody else’s house, and he doesn’t have an oven. But he bakes cakes with the barbecue all the time, and they come out pretty good.”

Among state funding sources is a targeted site investigation program run by the state Department of Toxic Substances Control. The department, in collaboration with regional water quality control boards, selects a limited number of sites to perform site investigations at no cost to the applicant, with funds averaging \$50,000 to \$75,000 per project.

To be eligible, however, Maryam Tasnif-Abasi, regional brownfields coordinator in Cypress, said the site must be owned by a public agency or nonprofit organization. The property also cannot be federally owned or on the EPA’s National Priorities (“Superfund”) List.

Recipients for 2006-07 included the city of Los Angeles, which won a grant to assess a former furniture manufacturing site that has been proposed for condominiums for first-time buyers, and the Alliance for West Oakland Development, granted funds to investigate a former electric rail station tapped for an affordable-housing project called Mandela Transit Village.

Another state agency, the Water Resources Control Board, operates several programs pertaining to leaking petroleum underground storage tanks, including the Orphan Site Cleanup Account.

Judy Reid, associate government program analyst for the board, said this new program was created to address brownfields that are contaminated by leaking petroleum underground storage tanks where there is no financially responsible party.

The board has \$20 million available and will award up to \$1.5 million per site, she said.

“We realize that some of these projects require extensive work,” Reid said.

Like the EPA, the Water Resources Control Board awards both assessment grants and cleanup grants. To qualify for an assessment grant, applicants cannot be eligible for the separate state Underground Storage Tank Cleanup Fund or have caused or be affiliated with any person who caused or contributed to the release of the petroleum contamination.

In addition, the site must qualify as a brownfield, which by the board’s reckoning means it is located in a city of 50,000 people or more and have been the site of economic activity at one time.

“That’s what this program is really for,” Reid said, “to get those sites [in the urban areas] moving forward so redevelopment can occur.”

One attractive aspect of the program, Reid noted, is that to receive an assessment grant, applicants do not have to be the property owner although they do need to have access to the site. This means a developer or his or her consultants can use the program to have a “look-see” at a prospective property, she said.

“You can use state money to come in and see

what is the extent of the problem [and determine], ‘Do I really want to take on this risk?’”

Clean-Up Grant

To get a clean-up grant, on the other hand, applicants need to demonstrate an equitable or ownership interest. At minimum, that means the applicant has to have a purchase agreement to buy the property. Public agencies are exempt from the ownership requirement.

The Orphan Site Cleanup Account allows continuous application filing through September 2007, Reid said, but the program sunsets on Jan. 1, 2008.

Another of the board’s brownfields programs is the Emergency, Abandoned and Recalcitrant Account, which provides funding to regional water quality control boards and local agencies for corrective action at sites contaminated by leaking petroleum underground storage tanks.

Reid said there’s an annual site-nominating process to get into the program, which drums up money for sites with special circumstances, such as emergency situations. The funding requirements include failure by a responsible party to meet a Final Corrective Action Order.

“This is a resource that’s really untapped,” Reid said.

The program has a \$5 million annual appropriation and will sunset on Jan. 1, 2011.

Among the nongovernmental resources of brownfield financing is the Cal ReUSE forgivable loan program, administered by the Center for Creative Land Recycling and the Continental Environmental Redevelopment Fund, a private, for-profit company.

Lindsay Hall, grant and loan administrator for the Center for Creative Land Recycling, said the program provides low-interest loans of up to \$125,000 for environmental site assessments, with a required 15 percent cash match. Three local city governments — Emeryville, Oakland and San Diego — also offer Cal ReUSE loan programs, Hall said.

This program is available to public, private and nonprofit entities.

“To date,” Hall said, “we’ve awarded 14 loans — three that have been repaid in full, and two

thus far have been forgiven.”

A loan would be forgiven, she said, if the applicant discovers that a site has much more contamination than expected and the applicant is not able to take on the project.

The center also offers a Project Learning Program, open to nonprofits and communities with limited resources, which provides small grants up to \$25,000 for meritorious and innovative land recycling projects. The center publishes the project results and “lessons learned” in case studies.

In addition to the Cal ReUSE forgivable loan program, the Continental Environmental Redevelopment Fund also administers a site assessment, remediation and construction loan program. According to Rod Marshall, vice president, the company lends up to \$5 million, as well as up to 75 percent of value for improved land and up to 50 percent of value for unimproved land.

The company requires cash equity of 10 percent and charges a loan fee of 2 percent, plus 1 percent per year thereafter, with a five-year maximum. The interest rate is prime plus 5 percent, and there is no prepayment penalty.

Sara Oberlies, director of Stone & Youngberg LLC, a financial services firm specializing in fixed-income securities, said two types of municipal debt — tax allocation bonds and land-secured bonds — also may be used for projects involving brownfields. The latter includes assessment districts and community facilities districts.

“It’s not necessarily free money, but it’s certainly cheaper money,” Oberlies said.

Land-secured bonds, which are issued by public agencies, can be used for public infrastructure associated with a redevelopment project. Although this doesn’t necessarily mean remediation, Oberlies said, it is possible to use this funding for remediation on privately owned land.

On brownfield projects, bonds work best when combined with other remediation funding sources, she added.

— E-mail Julie_Nakashima@DailyJournal.com