Tried, True and Unexpected: Funding Sources for Brownfields Redevelopment

Grants Programs - Redeveloping Blighted Properties through the Brownfields Initiative
Celebration Centre Lyons, Kansas March 6, 2012
Today …

- EPA Brownfields are not intended to carry Brownfields redevelopment, only act as a bridge

- You have heard today of local examples and resources, you’ll hear some regional case histories this afternoon

- Brownfield projects that cities and communities have put together to bridge to success from different funding
  
  - Examples from within and outside EPA Region 7 for a little outside perspective on what others are doing
  
  - A few examples of diverse resources in action … including some low cost/no cost strategies with important $$ impacts
As I said earlier today …

**Agency Brownfield Funds Are Merely A Bridge**

<table>
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<tr>
<th>Idled</th>
<th>Discovery</th>
<th>Assessment</th>
<th>Corrective Action?</th>
<th>Rebuild</th>
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**Perceived Property Value ($)**

- Unfunded Brownfields
- Red Zone

**Developer and other capital-source interest/investment in property**

**Area-wide Planning Grants**

**EPA Multi-Purpose Brownfield Pilot Grant $**

**EPA Cleanup & RLF Grants $**

**RECs: ASTM E1527-05 Recognized Environmental Conditions produce a stigma that affects property value whether impairment is real or not.**
Commonly used (non-EPA) federal resources… especially in smaller communities

- HUD – CDBG
- EDA – public works, economic dislocation
- DOT – enhancement, construction, system rehab/modernization
- USDA – rural development/community facilities loans and grants
- Tax code incentives – for housing, cleanup, structural rehabilitation
Housing and Urban Development (HUD)
Entitlement and State/Small Cities CDBG Programs

• Cities over 50,000 people get annual formula allocations

• Each state gets an annual funding allocation from HUD to meet small cities’ (less than 50,000 population) community development needs

• CDBG funds must meet one of HUD’s 3 broadly defined program objectives:
  – addressing the needs of low- and moderate-income people (at least 51% of funds)
  – addressing slums and blight
  – meeting an urgent community need
CDBG Eligible Activities
Linking to Brownfield Needs

- Demolition and removal
- Rehabilitation of public and private buildings
- Planning
- Construction or reconstruction of infrastructure, neighborhood centers, recreation/public works facilities
- Can include coping with contamination as part of site preparation or infrastructure development
- Can be lent to private companies in some circumstances
- For the state/small cities program –
  - Each state sets its own project funding priorities, defines its own program requirements, within these objectives and activities
Economic Development Administration (EDA)

- EDA typically puts 50%+ of its resources into small/mid-sized towns and rural areas

- Key EDA related programs and initiatives include:
  - Public works grants finance industrial development site and infrastructure preparation
  - Economic dislocation program capitalizes RLFs for distressed areas
  - Rural planning to support revitalization, through EDDs
  - Key EDA eligibility factor – high relative unemployment rate
Kansas Example:
Population 16,000

- Federal DOT Congressional Earmark - through KDOT: $1,000,000
- KDOT Transportation Enhancement Program: $604,821
- Economic Development Administration: $409,100
- Kansas Dept. of Wildlife and Parks: $300,000
- HUD EDI Special Project Congressional Earmark: $281,657
- EPA Brownfields Assessment: $200,000
- Kansas Water Office: $50,000

Total Federal and State Agencies: $2,845,578
<table>
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<tr>
<th>Breakdown by Source of Funding</th>
<th>Dollar</th>
<th>Percent</th>
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<tbody>
<tr>
<td>Federal and State Agencies</td>
<td>2,845,578</td>
<td>68.4%</td>
</tr>
<tr>
<td>Private Foundations</td>
<td>532,500</td>
<td>12.8%</td>
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<tr>
<td>Private Citizens</td>
<td>447,130</td>
<td>10.7%</td>
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<tr>
<td>City of Atchison</td>
<td>192,322</td>
<td>4.6%</td>
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<tr>
<td>Private Businesses</td>
<td>143,328</td>
<td>3.4%</td>
</tr>
<tr>
<td><strong>Total Injection</strong></td>
<td><strong>4,160,858</strong></td>
<td><strong>100.0%</strong></td>
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Never underestimate pride in community
MGP Ingredients Corporate Office & Technical Innovation Center
Cray Business Plaza, Atchison, Kansas

Independence Park & Veterans Memorial
USDA-RD Funds
Supporting Brownfield Redevelopment

- Eligible activities can include:
  - Planning for redevelopment or revitalization – for businesses and community facilities (which could include brownfield projects)
  - Site clearance/preparation, including demolition – key brownfield reuse/redevelopment activities
  - Rehabilitation/improvement of sites or structures – which might need to include removal or remediation of contamination as part of project
  - Construction of real estate improvements
  - Installation of amenities to enhance development
Potosi Brewery, Potosi, WI

- Brewery built 1852 in Potosi (700), abandoned 1972. Asbestos, lead paint, other contaminants

- $3.3 million guaranteed loan key to securing additional $4.2 million in financing

- Transformed Potosi’s main street; community involvement key

- Result: Refurbished as micro-brewery, brewing museum and library, opened June 2008

- 50 new jobs, 4 new beers
Transportation Programs

- In March 2009, DOT re-affirmed its brownfield policy
  - Transportation funding can be used for cleanup at sites integral to transportation system development/upgrades

- Must work through state / local transportation agencies

- DOT highway/transit construction programs can support related revitalization by:
  - helping upgrade existing facilities
  - offer transportation amenities that improve access to and marketability of Brownfield sites
  - fund facilities and structures that serve as part of the remedial solution
Arterial Access Road
The Quarter, East Moline, IL

- Population ~20,000
- Brownfield Funding
  - EPA Pilot Assessment, $200,000
  - EPA Supplemental Pilot, $150,000
  - IEPA Brownfield Grant, $120,000
  - IEPA Brownfield Grant, $120,000
  - ~$600,000 Corps of Engineers Public Assistance to States
  - $3.2MIL DOT roadway grant gave critical gateway access
Rehabilitation Tax Credits

- **Federal Historic Preservation Credit**
  - Taken the year renovated building, in service
  - 20% credit for work done on historic structures, with rehab work certified by state
  - 10% credit for work on “non-historic” structures build before 1936; no certification required

- **State Historic Preservation Credit**
Philip Hardware Store
Hays, Ellis County, Kansas

- Originally 1874 Hardware Store
- New Use: Retail/Residential

- Total Project Costs: $424,932
  - Qualified Project Costs $304,480
  - State Historic Tax Credits $76,119
  - Federal Historic Tax Credits $60,896

- Incentives Used:
  - State and Federal Historic Tax Credits
  - Property Tax Abatement
  - Heritage Trust Fund Grant
New Markets Tax Credit

- The New Markets Tax Credit Program (NMTC Program) established in 2000 to drive investment in low-income communities
  - Individual and corporate federal tax credit for equity investments in Community Development Entities (CDEs)
  - 39% of investment amount claimed over seven years (5% first three years, 6% each remaining)
  - Competitive 2011 applications up 26%, highest ever
    - From 44 states and D.C.
  - To date 594 awards totaling $29.5 billion in tax credit allocation
Tax Increment Financing
A Common, Local Initiative

- Uses the anticipated growth in property taxes generated by a development to finance it

- Most common local financing tool supporting brownfield cleanup and reuse

- Kansas adds STAR bonds, a special TIF
Tax Forgiveness
A Local Initiative

- Authorizes local governments to forgive back taxes on delinquent properties

- In a brownfield context, these new tax forgiveness programs typically:
  - Are linked to new owners or prospective purchasers
  - Require agreement to clean up and reuse site
  - Require purchaser to enter state VCP
Sherman Perk, Wisconsin

- Abandoned gas station closed since 1989, petroleum issues
- Issues of financing/ addressing cost of petroleum contamination; 9 years tax delinquency
- Financing included state forgiveness of back taxes linked to VCP participation, rehabilitation tax credits
- Result -- reuse of historically significant building as successful neighborhood retail anchor
Sherman Perk, Wisconsin

- Joins neighborhoods on both opposite sides of the boulevard
  - “The day it opened, my wife and I met a couple from 3 blocks over (the boulevard) we had never met ... we had both lived here for 20 years. See them once a week now and now them well”.
  - “It was a dump waiting for a mugging, I voted to tear it down ... was I ever wrong. I gave them that sign on the wall”.

![Image of Sherman Perk, Wisconsin with people gathered in the interior of the shop and a framed sign on the wall with a poem about community.]
Of course, success may not improve the quality of the clientele …
SMALL CITY INITIATIVES:
SUSTAINABILITY AS A PART OF BUSINESS

Brownfield-Related Funding:
- EPA Assessment Pilot, $200,000
- EPA Supplemental, $100,000
- EPA Supplemental, $100,000
- EPA BCRLF, $1MIL
- $1.3MIL Corps of Engineers Public Assistance to States
- $900K Insurance Archaeology
- $80,000 PRP Archaeology
- $497,000 Economic Development Grant
- EPA Assessment, $375,000
- EPA Assessment, $380,000
- EPA Assessment, $387,000
- EPA Assessment, $364,000
- $4.3 MIL Grant/$14MIL Green Infrastructure CWRLF
SMALL CITY, BIG RESOURCE INNOVATION:
PROJECT-WIDE REUSE & RECYCLING

• Complete buildings recycled
• Concrete and asphalt pavements
• Recycled 80,000 cubic yards
SMALL CITY, BIG RESOURCE INNOVATION:
COMMUNITY SWEAT EQUITY
“EMBRACING CHILD LABOR IN A POSITIVE WAY”
Some Leveraged Benefits May Not Be Immediate
Example: Size Does Not Measure Success
Rosalia, WA  Population 600

• 1923 vintage Texaco gas station, in
downtown Rosalia, WA

• Abandoned 21 years; fuel release

• Site as focus of “heritage tourism”
  main street revitalization strategy

• Converted to “gateway” retail,
craft/farmers market, visitor center
  for nearby Steptoe Nat’l Battlefield,
national forest

Public financing sources include:
• $33,000 USTfields pilot grant
• $54,000 WA Dept of Ecology grant
• $45,000 Whitman County
  “community development ’08” grant
Rosalia Partners

Partner donations included:

• Development grant sharing from surrounding counties
• Rosalia Lions Club
• Rosalia “Gifted Grannies”
• Retired Texaco Executives Assn.
• Pro bono legal, remedial services
• Utility incentive rates
• Community sweat equity
• First-ever partnership with a state Dept. of Corrections
“Opportunity is not recognized by most people when they meet, because it is usually dressed in overalls and looks like Work.”

Thomas Alva Edison

QUESTION & ANSWER

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