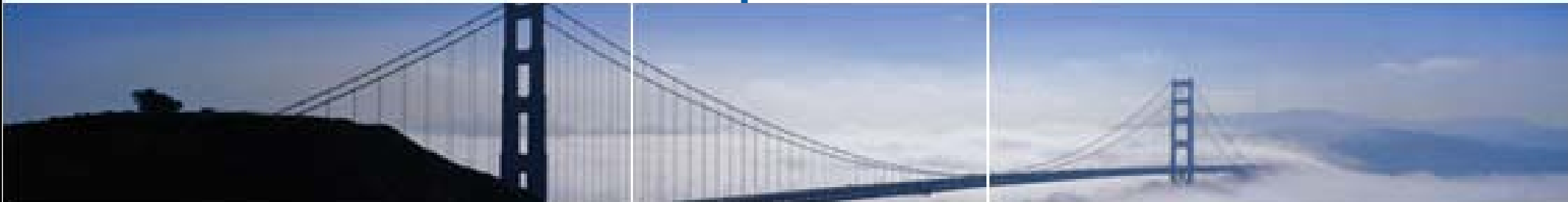


Community Resources for Brownfields Redevelopment

*Tried, True, & Unexpected Funding Sources
to Promote Site Redevelopment in Indiana*

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Passion. Expertise. Results.



What this discussion will cover...

- Range of (non-EPA) federal program tools/tax incentives that can be put together in a brownfield effort – and what they can do
- Low cost/no cost strategies with important \$\$ impacts
- Emerging local financing strategy innovations that communities are exploring that can be linked to brownfield efforts
- Examples of diverse resources in action...



Public Tools Are Being Used in a Variety of Ways to Promote Brownfield Reuse

- **To provide resources directly**
 - *Grants; forgivable loans*

But also to...

- **Reduce lender's risk**
 - *loan guarantees; companion loans*
- **Reduce borrower's costs**
 - *interest-rate reductions/subsidies; due diligence assistance*
- **Improve the borrower's financial situation**
 - *re-payment grace periods; tax abatements and incentives; technical assistance help*
- **Provide comfort to lenders or investors**
 - *performance data, risk management/corroboration*



Putting it all together today: promoting brownfield reuse – the Pink Floyd strategy

**Money, it's a crime.
Share it fairly but don't take a
slice of my pie.**

It's all about leveraging and partnerships....

Creatively using development and environmental procedures and funding to meet the range of site redevelopment needs, attract private financing for –

Animals, 1977 – 1st ever brownfield album cover!



...Every Aspect of the Brownfield Reuse Process...

- brownfield reuse/redevelopment planning
- site acquisition
- environmental assessment
- removal or remediation of contamination
- installation of institutional controls
- site clearance, demolition, and debris removal
- rehabilitation of buildings
- construction of infrastructure, related improvements that enhance contaminated property value

Financing Programs: A Federal “Laundry List”

What’s Been Used to Help Finance Brownfield Reuse?

Loans

- EDA capital for local revolving loan funds
- HUD funds for locally determined CDBG loans and “floats”
- EPA capitalized revolving loan funds
- SBA’s microloans
- SBA’s Section 504 development company debentures
- EPA capitalized clean water revolving loan funds (priorities set/ programs run by each state)
- HUD’s Section 108 loan guarantees
- SBA’s Section 7(a) and Low-Doc programs
- USDA business, intermediary, development loans

Grants

- HUD’s Brownfield Economic Development Initiative (BEDI)
- HUD’s Community Development Block Grants (for projects locally determined)
- EPA assessment, cleanup grants
- EDA public works and economic adjustment

Grants (*continued*)

- DOT (various system construction, preservation, rehabilitation programs)
- Army Corps of Engineers (cost-shared services)
- USDA community facility, business and industry grants

Equity capital

- SBA Small Business Investment Cos.

Tax incentives and tax-exempt financing

- Targeted expensing of cleanup costs
- Historic rehabilitation tax credits
- Low-income housing tax credits
- Industrial development bonds
- Energy efficiency construction credits

Tax-advantaged zones

- HUD/USDA Empowerment Zones
- HUD/USDA Enterprise Communities



*Most 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**
- **Army Corps of Engineers – targeted waterfront brownfield support**
- **Tax code incentives – for housing, cleanup, structural rehabilitation**

HUD Supported 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 – With Links to Brownfield Needs -- Include:

- 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

Indiana State/Small Cities CDBG

\$ 31.3 million in FY 2009 – making the fit to brownfields:



- **Community Focus Funds**
 - Eligible projects include – infrastructure, downtown revitalization, historic preservation, community centers
- **Micro-enterprise assistance**
 - Goal is long-term community development – *why not focus on businesses on brownfield sites?*
- **Planning**
 - Facilitate projects such as downtown revitalization and community facilities – *why not target to brownfield activities?*

CDBG: Paper Mill Island Park -- Baldwinville, NY

- 100 year-old paper mill, manufacturing site, long abandoned
- Town used \$90,000 in small cities CDBG, local community development funds for site preparation, park design, and some construction
- *Now...* Paper Mill Island a popular municipal amphitheater and waterfront park, with boater access



CDBG: Marsh Island Carry – Old Town, ME

- Abandoned 3-acre Lily-Tulip paper plate manufacturing site on Penobscot River
 - Converted into waterfront park, 2 commercial buildings
 - Key funding included **\$400,000 state/small cities CDBG grant for infrastructure around commercial buildings**
 - Other funding included:
 - \$24,500 from the National Trails Recreation Act for trails, walkways, and river stabilization
 - \$8,000 from ME Forest Service for trees
- Leverage:** 4 new businesses, 30 jobs, \$18,000 in property tax revenues, open space



CDBG -- Small Business Incubator, Walthill, NE

- Small business incubator in Walthill (population 909)
- Renovated and modernized former 4,000 sq. ft. electric power plant site, built in 1910, abandoned 20+ years
- Financing included –
 - **\$105,000 in state small/cities CDBG**
 - \$150,000 local sources



Economic Development Administration

Key EDA 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

Economic Development Administration

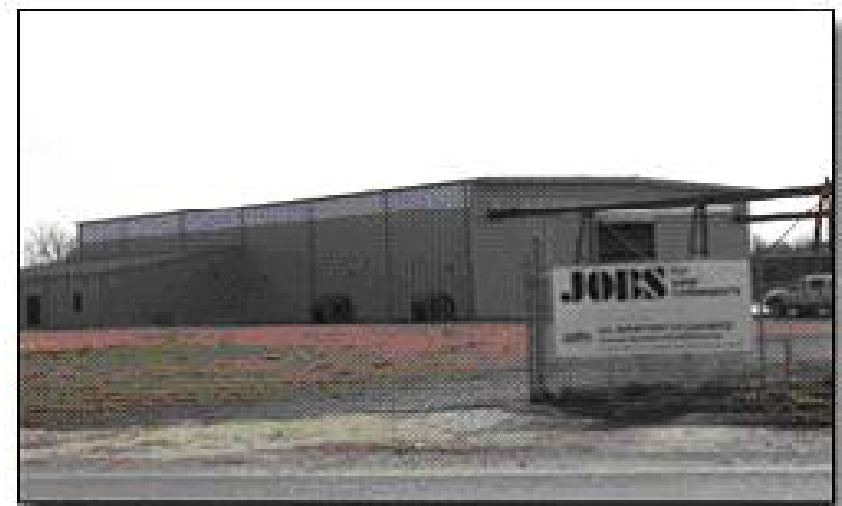
EDA typically puts 50% + of its resources into small/mid-sized towns and rural areas

EDA's brownfields track record --

- Since 2001, \$225 million invested in 210 brownfield projects
 - *\$50 million in rural areas*
 - *55% in public works*
 - *9% in planning*
 - *25% in economic adjustment*

EDA/public works -- Plainview Steel – Plainview AR

- Lumber/pressure treating facility, shut down in 1986 after quarter-century of operations; declared superfund site in 1999
- Cleaned, redeveloped as specialty steel plant
- **\$763,000 in EDA public works funding** supported site preparation, construction, infrastructure upgrading as part of \$1.1 million financing package
- **Today** – 25 new jobs, significant tax revenues for community



EDA/planning -- Cimarron Center – Sand Springs, OK

- Former zinc smelter, abandoned rail spur in small Oklahoma town
- Challenge was structuring a cleanup plan that made the site economically competitive with nearby greenfield for big-box retail
- Financing included **EDA planning resources**, local TIF
- **Leverage** -- Cimarron Center, with Wal-Mart Supercenter as anchor, has created 350 new jobs, added \$3.5 million in annual city sales tax revenues



USDA Rural Development Programs

USDA rural development funds must meet broadly defined program objectives -- 4 key programs can do this within a brownfields context:

- *Community facility loans and grants* – for a range of development and community benefit projects
- *Business and industry loans* – to public or private organizations, for activities such as industrial park site development/rehabilitation or access ways
- *Intermediary re-lending program* – intermediaries such as local governments are loaned money to re-lend to companies, in order to finance business facilities
- *Rural development grants (RBEGs/RBOGs)* – given to provide operating capital and finance emerging private business and industry

How Can USDA Rural Development Funds Be Used For Activities that Also Support Brownfield Redevelopment ?

Eligible activities often 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

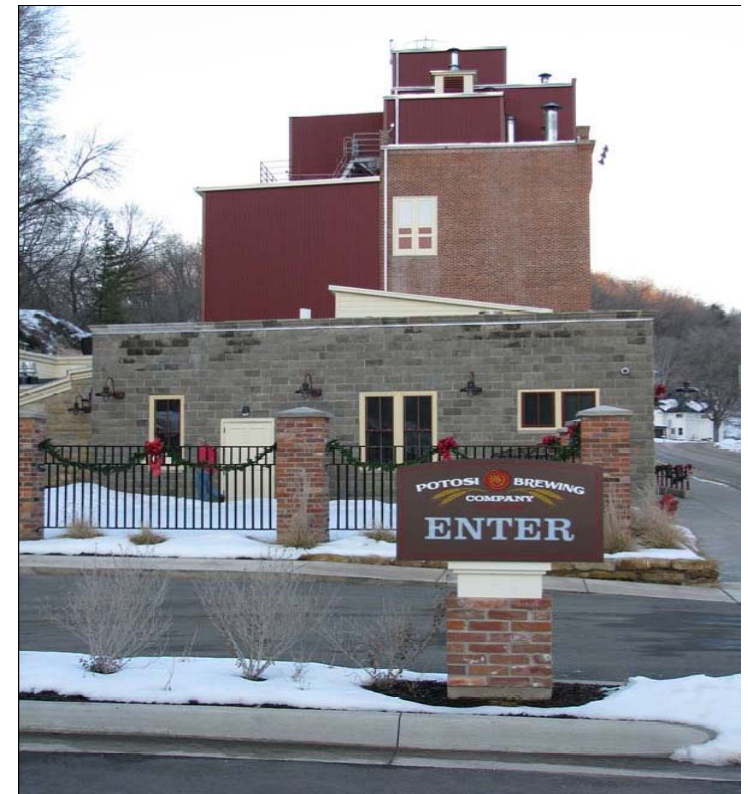
USDA: Charleston Place – Seaford, DE

- Abandoned sewing factory, built in 1920s
- Developed by non-profit Better Homes of Seaford
- **\$600,000 USDA rural development loan**, plus DE Housing Authority and private bank participation
- Ribbon cutting 1/9/06; fully occupied by March



USDA: Potosi Brewery, Potosi, WI

- Brewery built 1852 in Potosi (pop. 700), abandoned 1972
- Asbestos, lead paint, other contaminants
- **\$3.3 million B&I 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



Army Corps of Engineers

- Can provide planning and technical support if you can make the brownfields/waterfront connection
 - *Expertise in flood control dredging, environmental restoration*
- Support for brownfields under authorities involving civil works and water resources
 - *Continuing Authorities Program – planning and construction*
 - *Support for Others Program – technical and engineering support to federal/state/local agencies on reimbursable basis*
 - *Planning Assistance to States – comprehensive plans for development, use, and conservation of water and related resources, which may encompass brownfield sites*
- **Cost share and reimbursement requirements, Congressional authorization for water resource programs, may constrain ACE value, participation**

Old Mill District – Bend, OR

- Former sawmill operation (from 1922 to 1994) on 250 acre site
- **\$250,000 in ACE** funding under the Planning Assistance for States program
- Challenges included defining sections of the site for cleanup, as part of phased development plan, and changing land use from industrial to mixed use. Oregon DEQ cleanup program facilitated process, using ACE-funded planning information
- Currently, 15 commercial businesses now operate on the site; future plans call for expanded retail, residential units, and a sports arena.



Chinatown River Front /Ping Tom Park– Chicago, IL

- 6 acre abandoned former Santa Fe rail yard, adjoining Chicago's Chinatown
- Challenges – contamination, shoring up river bank
- **ACE project funds** part of coordinated effort with state and local agencies, non-profit organizations needed to meet diverse financing needs
- Today, Ping Tom Memorial Park is part of a 20-acre mixed use development, providing needed recreational space for adjoining Chinatown residential development, also undertaken on former Santa Fe property



Transportation Programs

- Must work thru state MPOs, local transportation agencies
- In March 2009, DOT re-affirmed its brownfield policy
 - *Transportation funding can be used for cleanup at sites integral to transportation system development/upgrades*
- DOT highway/transit construction programs can support related revitalization by:
 - *(1) helping upgrade existing facilities*
 - *(2) offer transportation amenities that improve access to – and marketability of – sites*
 - *(3) fund facilities and structures that serve as part of the remedial solution*

DOT: arterial road grid installation -- Moline, IL



- largely abandoned riverfront, former industrial/warehousing uses
- converted to residential and marina/mixed use complex and commercial space
- \$3.2 million in state and federal funding included **DOT funds for road grid and enhancements**

DOT: infrastructure enhancements, old Montgomery Ward distribution center— Fort Worth, TX

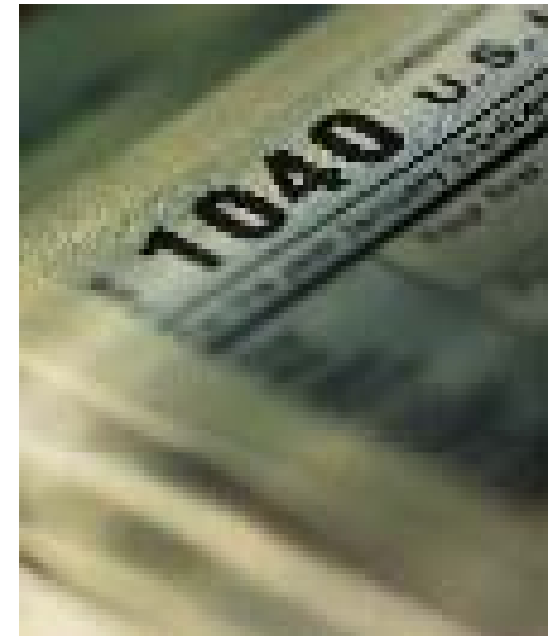
- Historic “white elephant” on a 45-acre site adjoining CBD
- **DOT (CMAQ) for road and sidewalk infrastructure**
- Other financing tools used
 - Historic rehab tax credits
 - State tax abatements, fee waivers
- *Today* -- DOT mixed use commercial/ retail/office complex, CBD extension



Federal tax incentives that can be linked to brownfield redevelopment – at little or no cost to the community or project....

3 with particular relevance to smaller cities and smaller sites –

- Rehabilitation tax credits
- Low income housing tax credits
- Brownfield cleanup expensing



Advantages of Using Tax Incentives in Brownfield Projects

- Increase project's internal rate of return
- Ease borrower's cash flow by freeing up cash ordinarily needed for tax payments
- Some credits can be sold for cash, or syndicated to attract additional investment
- Not subject to competitive public grant process – *you qualify, you win!*

Rehabilitation Tax Credits

- Taken the year renovated building is put into 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

In 2008 – 1,231 projects, \$1.12 billion in credits

- leveraged \$5.64 billion in private investment
- led to nearly 68,000 jobs
- resulted in 17,051 housing units – 5,200 affordable

Rehabilitation Tax Credits – caveats and “fine print”

- Rehabilitation costs must be “*substantial*” – i.e., exceed minimum of \$5,000 or the building’s adjusted basis
- Property must be “income-producing” – multi-family rental housing can claim the 20% credit, but not the 10% credit
- Rehab work must conform to state historic preservation standards – which can deter integration of “green” technologies
- Credit is recaptured on a sliding scale (20% annually) if owner disposes of the building within five years of completing renovation

Old Northampton Fire Station -- Northampton, MA

- Old Northampton Fire Station, built in 1872, shut down in 1999
- 13,000 sq. ft. building redeveloped into downtown office space, café, small scale retail
- Adjoining property, used by the fire department for maintenance activities, being redeveloped into a residential and studio space
- Total project costs -- \$1.6 million
- **Cash flow impacts of rehab tax credits a key part of the economic viability of this project**



Thames Street Landing – Bristol, RI

- \$8.3 million mixed-use redevelopment, including housing, hotel, and offices at a vacant downtown site
- 200-year history – buildings included original Bank of Bristol (1797), Taylor Store (1798) and DeWolf Warehouse (1818); industrial uses started in 1861
- Developed in phases; banks unwilling to provide follow-on financing until 1st phase generated a positive cash flow
- **Rehab tax credits key to generating positive cash flow, attracting additional private capital**
- Today, project is cornerstone for historic revitalization of Bristol waterfront



Low-Income Housing Tax Credits

- Can encourage capital investment in affordable housing/target investment to certain areas – vacant properties, brownfields, infill locations, other priority sites
 - *States get annual population-based allocation for distribution to communities and non-profits – approx. \$1.75 per capita*
- Investors can get 9% annual credit for 10 years for qualified new construction/rehabilitation costs (i.e. 90% of total) for projects not financed with federal subsidy
 - *Federal subsidy limits credit to 4%*
- Credits can be used for new construction, rehabilitation, or acquisition and rehabilitation

Low-Income Housing Tax Credits – fine print and caveats

➤ **New wrinkles...**

➤ *Loss of tax incentive value on secondary market – from about 95 cents/\$ to about 65 cents/\$ now – impacts syndication value*

➤ *“Green” priority for credit allocations within states*

➤ Credits support a wide range of housing types/situations

➤ *Urban, suburban, rural projects*

➤ *Housing for families, special needs tenants, elderly*

*\$3.85 billion in credits issued in fiscal year 2008,
supporting 1/3 of all new construction that year*

*Indiana has received \$159 million from 1987-2005,
supporting 33,300 units*

Brian J. Honan Apartments – Allston, MA

- Allston-Brighton CDC saw an opportunity to develop former Legal Seafoods fish processing plant into affordable housing
- **Low-income housing tax credits** key parts of financing incentive package needed to attract capital, convince funders that the project would work
- **Result** – affordable units in a sustainable development: green energy, pedestrian access to groceries, shops, transit



Mifflin Mills – Lebanon, PA

- PA's first affordable “rent-to-own” townhouse community
- Former vacant, blighted city block near downtown
- Energy efficient construction, designed to blend into existing residential neighborhood
- 20 units, completed Nov. 2009
- **\$1.5 million in low-income housing tax credits** key part of financing package needed to attract investors to rent-to-own project structure



Brownfield Cleanup Expensing Tax Incentive

- **Deduction pegged to cleanup costs, which allows new owners to recover cleanup costs in the year incurred; only incentive targeted to private site owners**
- **Can include:**
 - *Site assessment, cleanup, monitoring costs*
 - *Costs related to install/monitor institutional controls*
 - *State VCP fees and associated costs*
 - *Removal of demolition debris*
- **No long term authorization in place; most recently extended until 12/31/09 (retroactive to 1/1/08)**
 - *Petroleum sites made eligible in 2007 extension*

Brownfield Cleanup Expensing Tax Incentive – caveats and fine print

- “Stealth incentive” – less than 2 dozen projects annually
- Little understanding of what it is, what it does, how it works
 - *On the part of Treasury (no regs/guidance), developers, transaction support professionals, state agencies who certify*
- Process not well articulated at state level
- Authorized in “fits and starts”
 - *Makes long-term, larger projects hard to plan*
- Subject to recapture on transfer
 - *Vague Treasury interpretation deters use*

Alliance Environmental/Goodwill Fire Department – West Chester, PA

- 8.5 acre former pharmaceutical property and dump site in economically distressed area
- Cleaned and redeveloped by Alliance Environmental
- Now, location of Good Will Business Park: 100,000 sq. ft. of retail, public service facilities including fire department and district court
- Incentive provided Alliance with nearly \$800,000 in tax relief



T.R. Thickston Glass Company, Bloomington, IN

- Former recycling center with foundry waste
- Project spearheaded by environmental consulting firm familiar with tax incentive
- **Incentive saved about \$80,000 in tax liability,** used to support cash flow until redevelopment occurred
- **Result** -- Site leased by T.R. Thickston Glass Company; created 3 jobs



“Low-Cost/No-Cost” Brownfield Redevelopment Tools

Tools that enhance redevelopment financing
– *with little or no additional cash outlay*

- **Institutional controls**
 - Can reduce site preparation, cleanup costs
- **Innovative remedial technologies**
 - Can lead to big reductions in cleanup costs
- **Cost saving technical assistance and project support**
 - Can save time, money, other development costs

California Speedway – Fontana, CA

Institutional controls

- Speedway on a portion of 23-acre former Kaiser Steel Mill site (from 1942 to 1983) in rural CA
- Raceway and interior facilities used as an environmental cap, saving nearly \$500,000 in cleanup costs, reducing redevelopment time
- In 2008, Speedway generated \$12.5 million in economic activity, \$2.5 million in new tax revenues, 1200 new jobs.



Downtown retail, Williamsport, PA

Innovative cleanup technologies

- former airplane engine factory, abandoned nearly 50 years, with groundwater contamination that proved too costly to treat by conventional means
- state and local governments worked with developer to identify **innovative cleanup technology – molasses injection** -- that would work within standards of VCP
- *Now...* retail complex and parking facility



Victor Building – Camden, NJ

Cost saving t.a. and project support

- Abandoned former RCA Victor Building on Camden's waterfront, with pervasive PCBs
- Site intended for residential re-use; challenge was keeping \$7 million cleanup manageable
- NJDEP provided t.a. to developer – on remedial and monitoring applications, ICs, entombment of residual PCBs – **strategies that allowed cleanup and redevelopment to go forward concurrently**, with big cost savings
- *Now...* \$60 million private investment in 341 units, 1st market rate housing built in Camden in 40 years, landmark “Nipper Tower” saved



Common Local Financing Tools

Putting a Brownfields “Spin” on the Local Tried-and-True – Making them Work for Site Cleanup and Reuse

- Tax increment financing/TIF-style financing
- Tax abatements
- Tax forgiveness
- Special service areas or taxing districts
- Revolving loan funds (RLFs)
- Property transfers

Local Initiatives

TAX INCREMENT FINANCING

- Uses the anticipated growth in property taxes generated by a development to finance it; most common local financing tool supporting brownfield cleanup and reuse

Johnson Street Quarry – Minneapolis, MN



- Johnson Street Quarry was a blighted, under-utilized property
- A local developer wanted to build a 420,000-sq. ft shopping mall
- After extensive community involvement, as well as strong public/private cooperation, several major national retailers located in the retail center, including Target, Pet Smart, and Rainbow Foods
- **TIF was key to financing site preparation**
- Redevelopment of this property has spurred redevelopment in the surrounding area, created over 2,000 new jobs (much above original estimates) and increased property and sales tax revenues in excess of \$3 million a year.



Local Initiatives

TAX ABATEMENTS

- Reductions or forgiveness from tax liabilities, granted for a specific period of time (typically 5, 10, or 20 years); helps project cash flow

Everett Ave. Urban Renewal District – Chelsea, MA

- Blighted 10-acre outdoor storage yard for junk cars and equipment.
- Developer purchased 2 acres for \$1.2 million to construct a \$17 million, 180-room, full-service hotel
- **10-year property tax abatement key incentive**, used to offset site cleanup and preparation costs
- Hotel now employs 100 workers, generates approximately \$400,000 in sales and income tax revenue annually – *even with the abatement in place.*



Local Initiatives

TAX FORGIVENESS

- 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 -- Milwaukee, WI

- Abandoned gas station, closed since 1989
- 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



Local Initiatives

SPECIAL SERVICE AREAS OR TAXING DISTRICTS

- Cities can use a “special service area” designation to raise cash for activities, facilities, or bond servicing needed by the target area.
- Property owners agree to the special levy or fee, based on its use in their area to finance maintenance or improvements.
- Property owners may “self-impose” fees as part of a redevelopment agreement.

Jersey Gardens Metro Mall – Elizabeth, NJ

- 166-acre former garbage dump, across the street from Ikea Center – Elizabeth’s first big brownfield success
- \$320 million investment – 1.5 million square feet of retail space, resulting in 5,200 jobs and \$4.2 million annual tax revenue increase
- **Bonds being paid off through franchise fees levied within a “landfill reclamation district”** established for this project, paid by mall tenants as part of their rent



Local Initiatives

LOCALLY CAPITALIZED REVOLVING LOAN FUNDS (RLFs)

- A growing number of communities are establishing their own RLFs targeted to redevelopment and brownfield-related projects; similar to state or federal RLFs, but they write the rules.
- They use a wide variety of sources for capitalization – general revenue appropriations, bank contributions, philanthropic donations, fees or fines, repayments from CDBG projects, etc.

Waterfront Development – New Bedford, MA

- **Locally capitalized RLF used to pay for Phase I site assessments** at sites served with environmental tax lien
- Capitalization sources include local contributions, proceeds from property sales as liens are redeemed



Local Initiatives

PROPERTY TRANSFERS

- Site is transferred to new owner or user for a nominal fee, typically \$1, in exchange for an agreement to clean up and reuse the property

Mills of Carthage – Cincinnati, OH



- Abandoned industrial property was transferred to new owner for \$1, in exchange for an agreement to take site through Ohio VCP, clean it up, and reuse it
- First new housing in Carthage neighborhood in 40 years
- Completely sold out



So, to wrap-up....when it comes to brownfield reuse --

Any community, even the smallest rural crossroads, will face brownfield issues that may impede local development efforts.

- ***The question will be -- how can they identify and leverage \$\$\$ to achieve brownfield success?***
- ***Can they do it?***

*Yes, they
can !!!*



Bob does brownfields!!

Yes, they can!! Rosalia, WA – Locally driven public-private partnerships can stimulate innovative site financing in small communities

- 1923 vintage Texaco gas station, in downtown Rosalia, WA (pop. 600)
- Abandoned 21 years; UST issues
- 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



Yes, they can!! Rosalia, WA – Locally driven public-private partnerships can stimulate innovative site financing in small communities

Partner donations include:

- 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





Charlie's contact
information

For further information.....

For additional examples and information....

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