



**Mixing & Matching Resources
for Brownfields Redevelopment Success**
Central Illinois Workshop - Pekin, Illinois August 2, 2011



Geotechnical ■ Environmental ■ Construction Materials ■ Facilities

Today ...



- EPA Brownfields are not intended to carry Brownfields redevelopment, only bridge
- Non-EPA Brownfield projects that smaller cities and communities have put together from different funding
 - Both in and out of IL and EPA Region 5 for some perspective on what others are doing
 - Some low cost/no cost strategies with important \$\$ impacts
 - Examples of diverse resources in action...

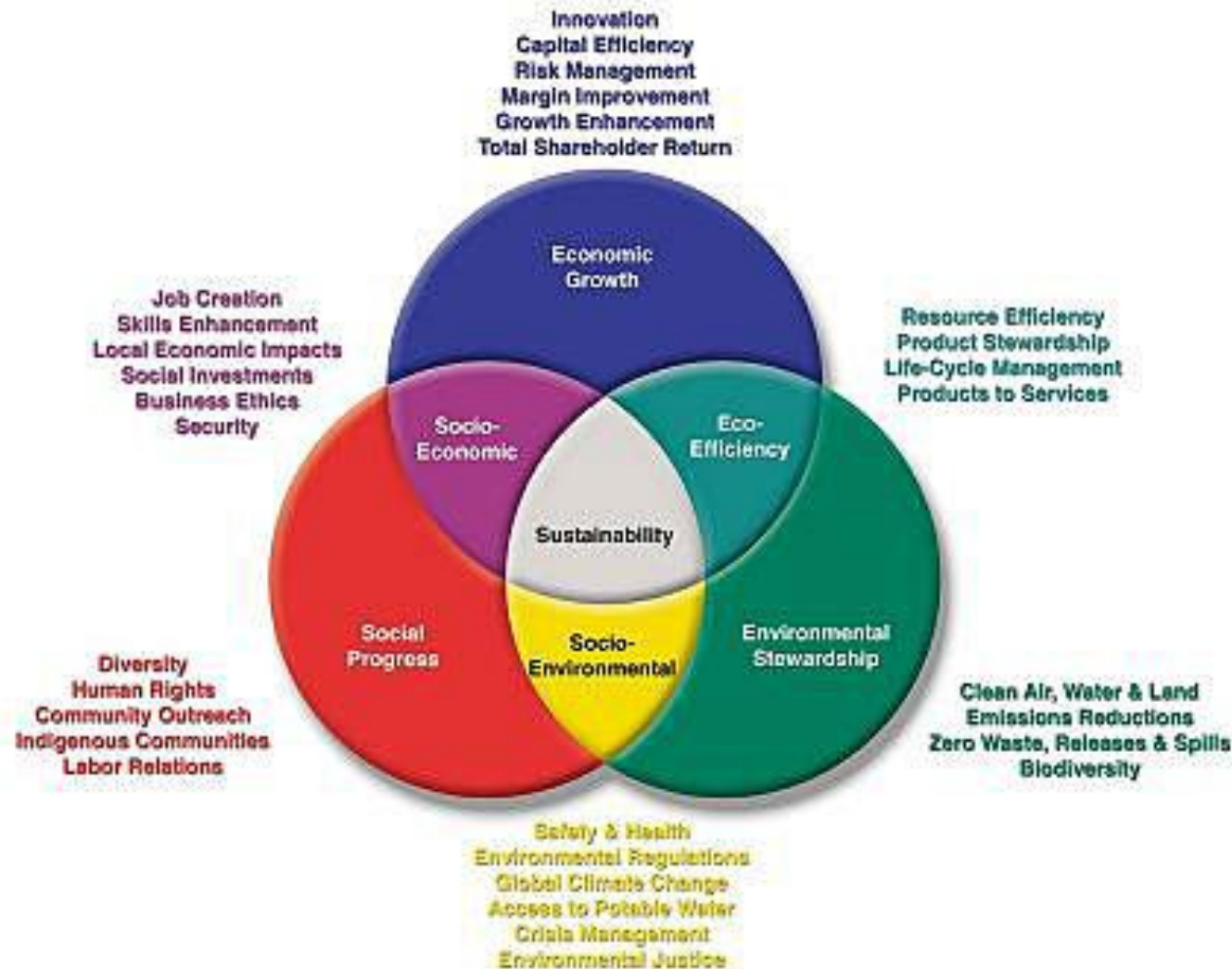
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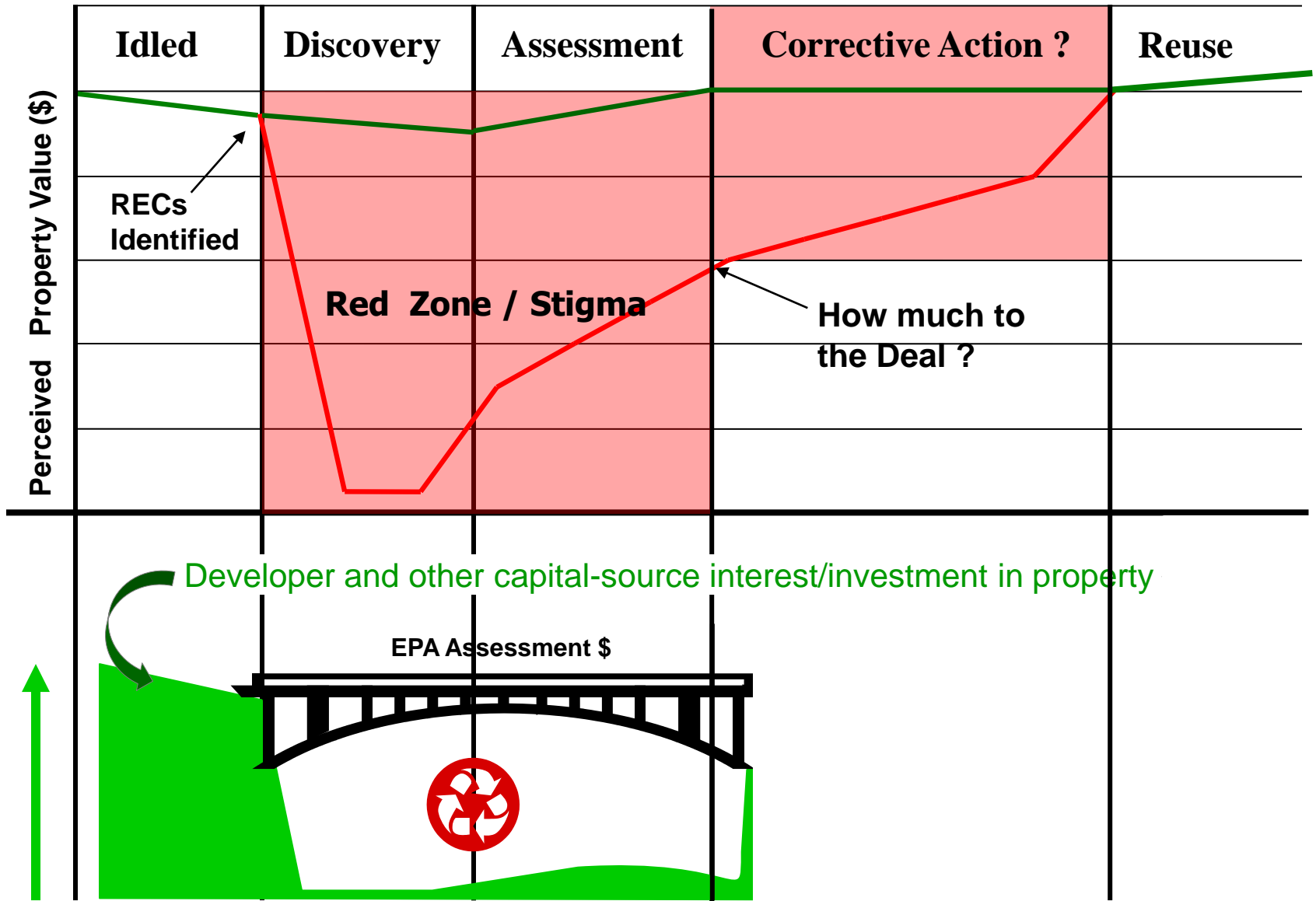
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Intended to facilitate balanced “Triple Bottom Line” thinking in Brownfields restoration



Plugging EPA Assessment Funding into the Brownfield Property Lifecycle



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

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
- **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

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



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

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

CDBG: Small Business Incubator, Walthill, NE

- Population 800
- HCCDC Business Center Building Renovation
- Renovated and modernized former 4,000 SF former electric power plant site, built in 1910, abandoned 20+ years
- Project Cost \$430,000
- Financing included –
 - \$105,000 in state small/cities CDBG
 - \$150,000 local sources



Economic Development Administration



- 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

EDA



- EDA typically puts 50% + of its resources into small/mid-sized towns and rural areas
- Since 2001, ~\$250 million invested in ~250 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 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



Committed to the future of rural communities.

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

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

USDA

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

- 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:
 - helping upgrade existing facilities
 - offer transportation amenities that improve access to – and marketability of – sites
 - fund facilities and structures that serve as part of the remedial solution

DOT

Arterial Road 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





Rehabilitation Tax Credits

- 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



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

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



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

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

“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

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

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
- Fading with Recession stresses on counties and communities
 - “can’t afford to give anything away”

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.

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.

Local Initiatives



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

Abandoned Structures & Stream Restoration In Redevelopment Corridors



- **Brownfield Funding**
 - EPA Assessment Pilot, \$200,000
 - EPA Assessment, \$200,000
 - EPA Assessment, \$300,000
 - EPA Targeted Assessment, ~\$40,000
 - EPA Targeted Assessment Funding, \$60,000
 - 2nd EPA Targeted Assessment Funding, \$70,000
 - EPA Assessment, \$200,000
 - EPA Assessment, \$200,000
 - Revolving Loan Fund, \$1MIL
 - EPA Cleanup Grant, \$200,000

Small Railroad Properties & Quality of Life



- **Atchison, KS**
- **Brownfield Funding**
 - 128a Assessments (3), ~\$40,000
 - EPA Assessment Grant, \$200,000

Find Every Dollar, Leverage It



Federal DOT Congressional Earmark - through KDOT	1,000,000.00
KDOT Transportation Enhancement Program	604,821.00
Economic Development Administration	409,100.00
Kansas Dept. of Wildlife and Parks	300,000.00
HUD EDI Special Project Congressional Earmark	281,657.00
EPA Brownfields Assessment	200,000.00
Kansas Water Office	50,000.00
	<hr/>
Total Federal and State Agencies	2,845,578.00



Breakdown by Source of Funding

Dollar

Percent

Federal and State Agencies

2,845,578.00

68.4%

Private Foundations

532,500.00

12.8%

Private Citizens

447,130.00

10.7%

City of Atchison

192,322.00

4.6%

Private Businesses

143,328.00

3.4%

Total Injection

4,160,858.00

100.0%





MGP Ingredients Corporate Office & Technical Innovation Center
Cray Business Plaza, Atchison, Kansas



Independence Park
& Veterans Memorial

Small Cities

Coralville, Iowa

Population Doesn't Measure Success



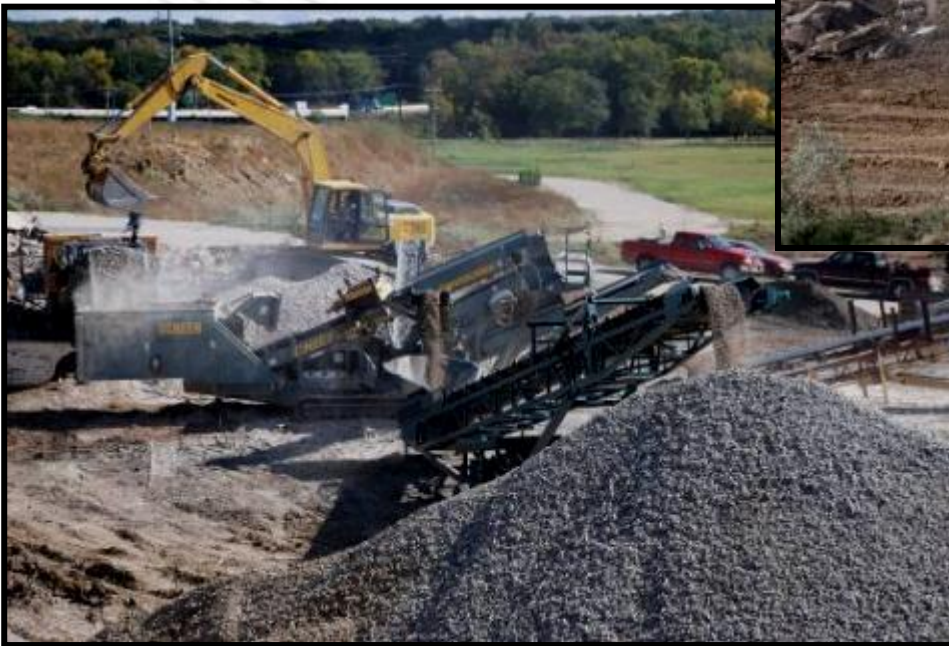
- Population 18,000 today
- Funding for Brownfield Area
 - EPA Assessment Pilot, \$200,000
 - EPA Supplemental, \$100,000
 - EPA Supplemental, \$100,000
 - EPA BCRLF, \$1MIL
 - \$1.3MIL Corps of Engineers Public Assistance to States
 - \$900,000 Insurance Archaeology
 - \$80,000 PRP Archaeology
 - \$497,000 Economic Development Grant
 - EPA Assessment, \$375,000
 - EPA Assessment, \$380,000
 - EPA Assessment, \$387,000
 - EPA Assessment, \$364,000

Investment & Programs

- Coralville Marriott Hotel and Conference Center: \$70,000,000
- Parking ramp and lot: \$9,400,000
- Demolition: \$1,200,000
- Wetlands mitigation: \$1,440,000
- Infrastructure improvements: \$6,377,300
 - \$16MIL Green Streetscape Grant supported by EPA Brownfield grants
- River Bend commercial/residential development: \$12,000,000
- Land Acquisition: \$30,000,000
- Over \$140,000,000, additional \$60MIL under construction 2010
- 956 new jobs to date; 300 medical service jobs pending

SMALL CITY, BIG INNOVATIONS: PROJECT-WIDE REUSE & RECYCLING

- Complete buildings recycled
- Concrete and asphalt pavements
- Recycled 80,000 cubic yards



No Cost Savings Too Small: Wet 'n' Muddy Day



IOWA RIVER LANDING

CORALVILLE, IOWA



It's not all fun & games ...



IOWA RIVER LANDING

CORALVILLE, IOWA

Brownfields is About Survival



What about very small communities?

- Any community, even the smallest rural area, can face brownfield issues that may impede local development efforts.
- The question here is ... can they identify, combine and leverage \$\$\$ to achieve brownfield success?
- Do they do it?



Rosalia, WA Population 600

Locally driven public-private partnerships can stimulate innovative site financing in small communities

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



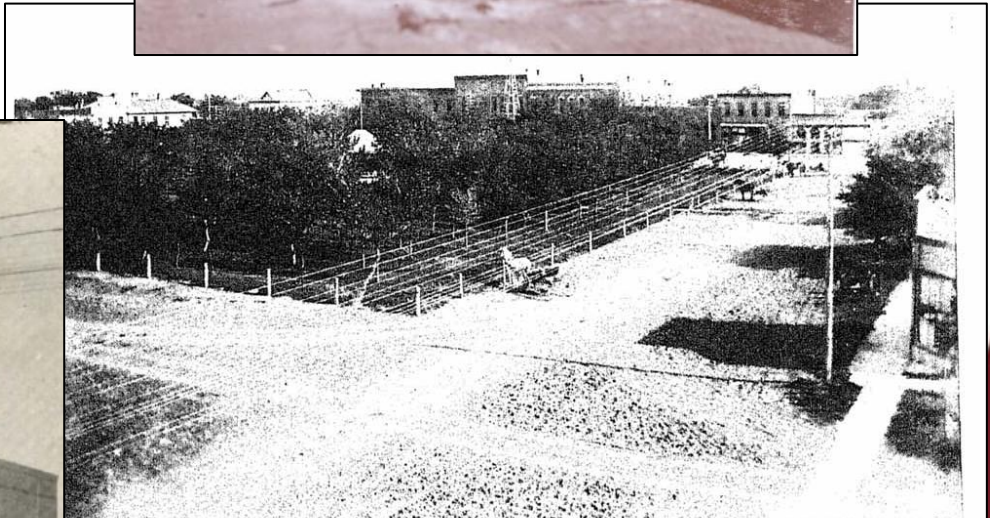
Rosalia Partners

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



Jewell, KS Population 432



Showing Jewell City park before streets were paved, or electric lights. Autos rarely

Jewell, KS Population 432



QUESTION & ANSWER