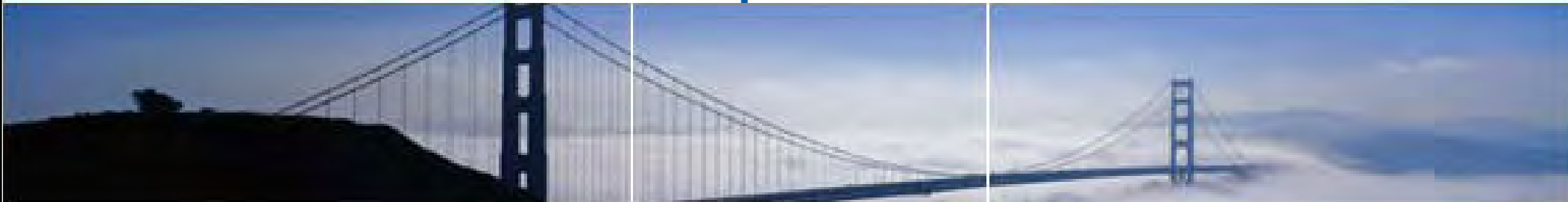


Community Resources for Brownfields Redevelopment

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

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April 16th, 2010

Passion. Expertise. Results.



What this brownfields financing presentation will cover...



- Existing brownfield financing gaps, and why public-sector support is needed
- Introduction to commonly used federal tools –
 - *Non-EPA federal development programs*
 - *Federal tax incentives*
- Low cost/no cost strategies with important \$\$ impacts
- Emerging local financing strategy innovations
- Examples along the way...

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 the financing together for brownfield reuse: – the Warren Zeevon strategy

**“...I took a little risk.
Send lawyers, guns, and money,
Get me out of this....”**

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

Creatively using development and
environmental initiatives to meet the
range of site redevelopment needs,
attract private financing for.....



...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 property value

Financing Programs: A Federal “Laundry List”

What’s Been Used in Brownfield Reuse Financing Packages?

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**
- **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
- Counties over 250,000 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 70% 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

Illinois State/Small Cities CDBG

\$31.6 million in FY 2009 – ways to make the “fit” to brownfields



- **Economic development -- \$8.0 million**
 - *Projects to create/retain private commercial/industrial jobs*
- **Public facilities construction – \$17.8 million**
 - *Grants focus on projects that eliminate threats to health and safety, emphasize water and storm sewers*
- **Community revitalization -- \$2.0 million**
 - *Supports strategies to create opportunity in distressed (primarily residential) areas, attract private investment*
- **Planning assistance grants -- \$500,000**
 - *Planning activities that are construction oriented*

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

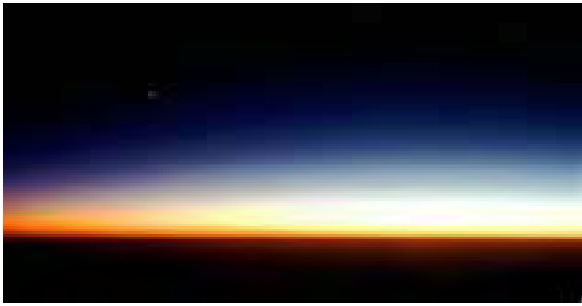
- Small business incubator in Walthill (population 909)
- Renovated and modernized former 4,000 sq. ft. electric power plant site, built in 1910, abandoned 20+ years
- Financing included –
 - **\$105,000 in state CDBG**
 - \$150,000 local sources



CDBG: EXAL Corporation, Youngstown, OH

- Metal can mfr. plant built in distressed neighborhood area, operator pledged to consider community residents in a "1st hire" agreement
- Loan leveraged \$40 million in additional investment, created 88 manufacturing jobs at outset
- ***CDBG used to pay for first year of loan***, to allow EXAL to cover brownfield-related site preparation costs
- ***Today*** -- EXAL covers all loan costs from operations income stream
 - \$150 million annual sales
 - 385 employees





CDBG linked – new on the horizon

HUD/Sustainable Communities Initiative

FY 2010 -- \$150 million appropriated

- \$100 million in planning grants, \$40 million in implementation “challenge grants”

** \$25 million reserved for communities >500,000 pop.*

FY 2011 – \$150 million requested

HUD/Catalytic Investment Competition (new)

FY 2011 -- \$150 million requested

- for economic development, gap financing to implement place-based revitalization strategies

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

EDA traditionally puts up 2/3 of its resources in small/mid-sized towns and rural areas

Economic Development Administration

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* – 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*
- **Construction** of real estate improvements
- **Installation** of amenities to enhance development

USDA: East Coast Steel – Greenfield, NH

- 2.54 acre site in Greenfield, NH (pop. 1,519) abandoned by East Coast Steel
- Cleanup completed in late 2003
- In 2004, the town redeveloped the site as a community septic system and open space park
- **USDA community facilities loan** was a critical part of the \$2.1 million in project funding, along with G.O. bond proceeds



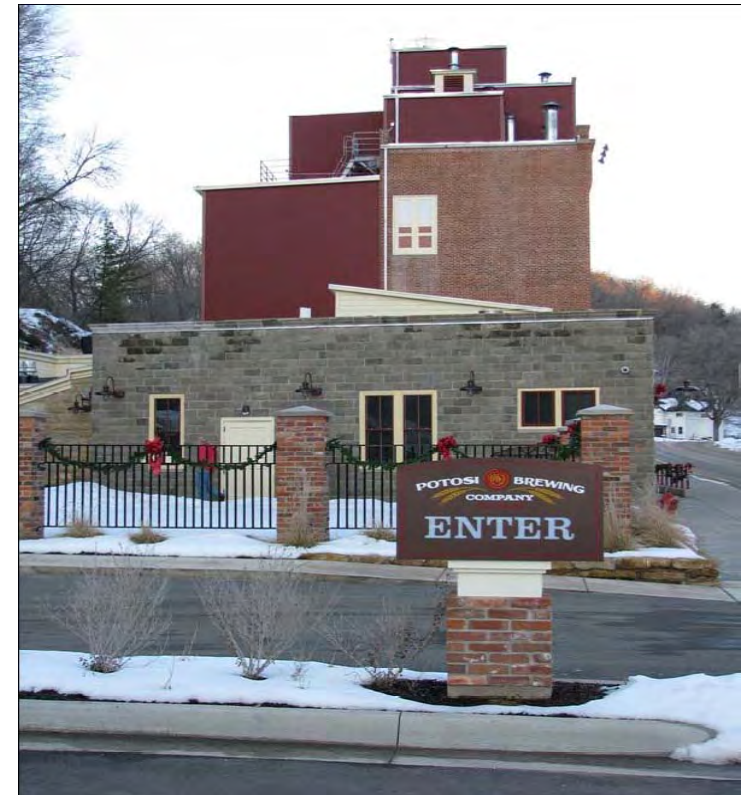
USDA: Charleston Place – Seaford, DE

- 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



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
- \$3.2 million in state and federal funding included **DOT funds for roads and enhancements**
- *Today* -- residential and marina/mixed use complex and commercial space

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

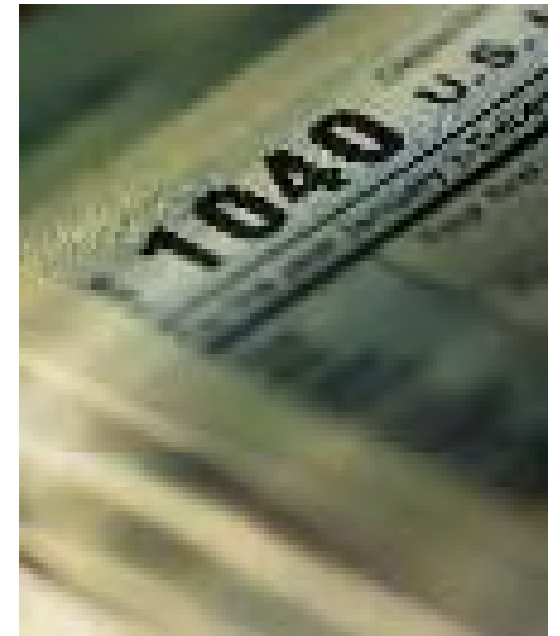
- Historic “white elephant” on a 45-acre site adjoining CBD
- DOT (CMAQ) for road and sidewalk infrastructure
- Other financing tools used
 - Historic rehab tax credits
 - State tax abatements, fee waivers
- *Today* -- mixed use commercial/retail/office complex, CBD extension



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 small cities and small 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
- Credits attract different players to the redevelopment table (passive investors)
- 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
- Subject to staggered recapture for first 5 years

Old Northampton Fire Station -- Northampton, MA

- Old Northampton Fire Station, built in 1872, shut down in 1999
- 13,000 sq. ft. building redeveloped into office space, 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**



Low-Income Housing Tax Credits

- **Can encourage capital investment in affordable housing projects on brownfields, other targeted sites**
 - *States get a population-based allocation for distribution to communities and non-profits*
- **Investors get 9% annual credit for 10 years for qualified new construction/rehabilitation costs (i.e. 90% of total)**
- **Credits support a wide range of housing types/situations**
 - *Urban, suburban -- and rural projects*
 - *Housing for families, special needs tenants, elderly, SRO*

Illinois has received \$321 million, from 1987 to 2005, supporting 57,000 units

LIHTCs: Brian J. Honan Apartments – Allston, MA

- CDC saw an opportunity to develop former fish processing plant into affordable housing
- Environmental assessment funding, **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



Brownfield Expensing Tax Incentive

- **Deduction pegged to cleanup costs; allows new owners to recover cleanup costs in the year incurred; only federal 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*
- **Subject to recapture upon property transfer**
- **Extension in 2007 made petroleum sites since 1/1/06 eligible**
- **Wall Street rescue extended provision to 12/31/09, retroactive to 1/1/08**

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**
 - Reduction in site preparation and cleanup costs
- **Innovative remedial technologies**
 - Reduction in cleanup costs
- **Cost saving technical assistance and project support**
 - Reduction in development costs

California Speedway – Fontana, CA

Institutional controls

- Speedway on a portion of 23-acre former Kaiser Steel Mill site (from 1942 to 1983)
- Raceway and interior facilities used as an environmental cap, saving nearly a half million in cleanup costs, reducing redevelopment time
- In 2007, Speedway generated \$12.5 million in economic activity, \$2.5 million in new tax revenues and 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



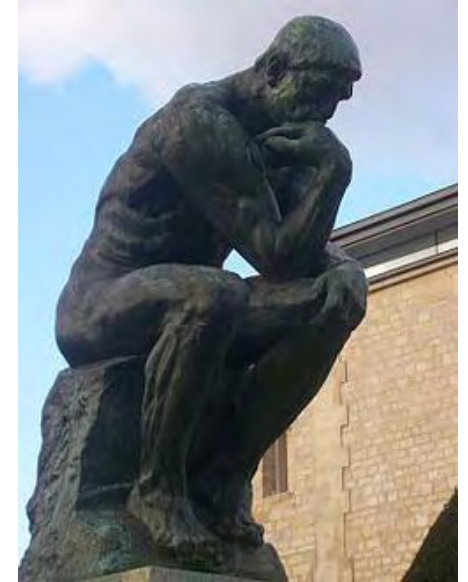
Victor Building – Camden, NJ

Cost saving technical assistance 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



Think About Other Illinois Programs That Might Support Brownfield Efforts



- **Participation/Rural Loan Programs**
 - *Provide subordinated financial assistance to small businesses*
- **Manufacturing Modernization Loan Program**
 - *For affordable financing for equipment and facilities upgrades*
- **Illinois Capital Access Program**
 - *Encourages private lending via portfolio loan insurance*
- **Various rehab tax credits, cleanup tax credits, other mechanisms**
 - *To stimulate private investment in distressed, older, abandoned areas*

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 abatement
- 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 tools 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

Local Initiatives

Tax Forgiveness

- Authorizes local governments to forgive back taxes on delinquent properties
- In a brownfield context, these tax forgiveness programs typically:
 - Are linked to new owners or prospective purchasers
 - Require agreement to cleanup and reuse site
 - Require purchaser to enter state VCP

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 fee or levy, based on its use in their areas 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, CDBG project repayments, etc.

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

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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