

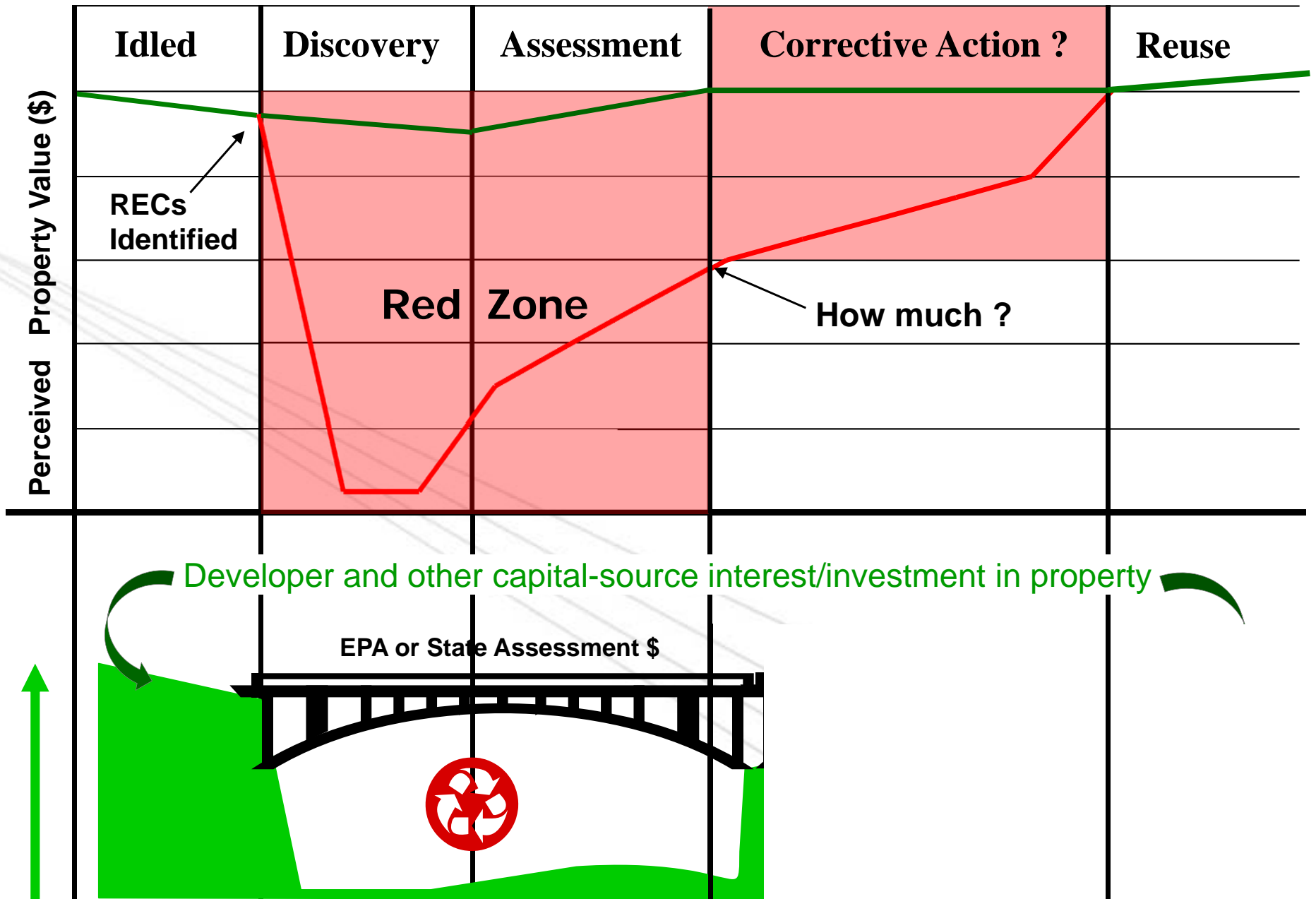


**Mixing & Matching Resources  
for Brownfields Redevelopment**  
SCEDD Workshop Hastings, Nebraska June 7, 2011

**Terracon**

Geotechnical   ■   Environmental   ■   Construction Materials   ■   Facilities

# Driving Brownfields to Redevelopment



RECs: ASTM E1527-05 Recognized Environmental Conditions produce a stigma that affects property value whether impairment is real or not.

# We've seen how EPA grants and state programs can work

- Applies to properties where environmental stigma is curtailing community re-use
- Coffeyville, KS  
Population 11,201
  - Community Elementary School first and only constructed using city local sales tax (~48%).
  - Only school built using major community funding (~25%, Coffeyville City Surplus Electric Funds) to match state aid (~24%) from the Kansas Community and local district community funding (~3%).
  - With the help of KDHE and EPA contacts, \$233,000 of FEMA money was secured to construct three storm shelters designed to meet high FEMA standards.





# Mixing and matching beyond EPA grants

- EPA Brownfields are not intended to carry Brownfields redevelopment, only to bridge those properties to economic redevelopment
- Non-EPA Brownfield projects that smaller cities and communities have put together
  - Some low cost/no cost strategies with important financial impacts
  - Few examples of diverse resources in action in non-metropolitan areas ...





# 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

## ■ 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

- 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

# 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 Directly Supports Brownfields

## 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

- 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 in Kansas
  - Online *Economic Impact of Historic Rehabilitation Tax Credits in Kansas*
- 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
- In 2008; 1,231 projects, \$1.12 billion credits
  - leveraged \$5.64 billion in private investment
  - led to nearly 68,000 jobs
  - 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



# 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





# Roosevelt-Lincoln Jr. High School

## Salina, Kansas

- Current Name: Pioneer President's Place
- Construction date: 1915-1925
- New Use: Low-Income Senior Housing
- Total Project Costs: \$8,639,603
  - State Historic Tax Credits: \$2,042,886
  - Housing Units: 61 (Rents start at \$275/month.)
- Incentives:
  - State and Federal Historic Tax Credits
  - Low Income Tax Credits
  - Property Tax Rebate for 10 years



# 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
- 2<sup>nd</sup> 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



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



**Breakdown by Source of Funding**

**Dollar**

**Percent**

**Federal and State Agencies**

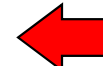
**2,845,578.00**

**68.4%**

**Private Foundations**

**532,500.00**

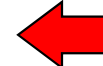
**12.8%**



**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%**





**Independence Park  
& Veterans Memorial**



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

# 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

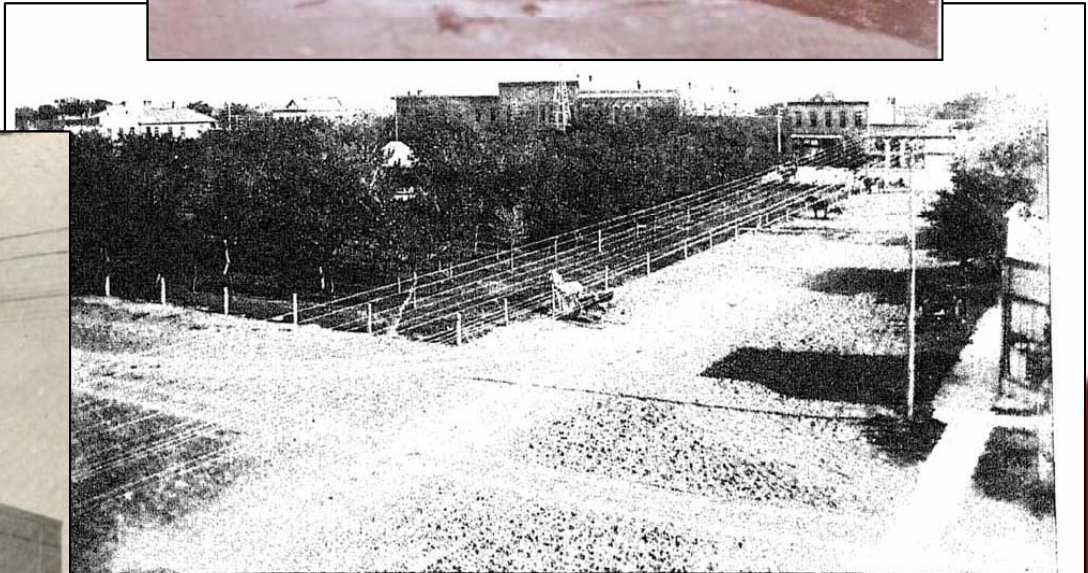
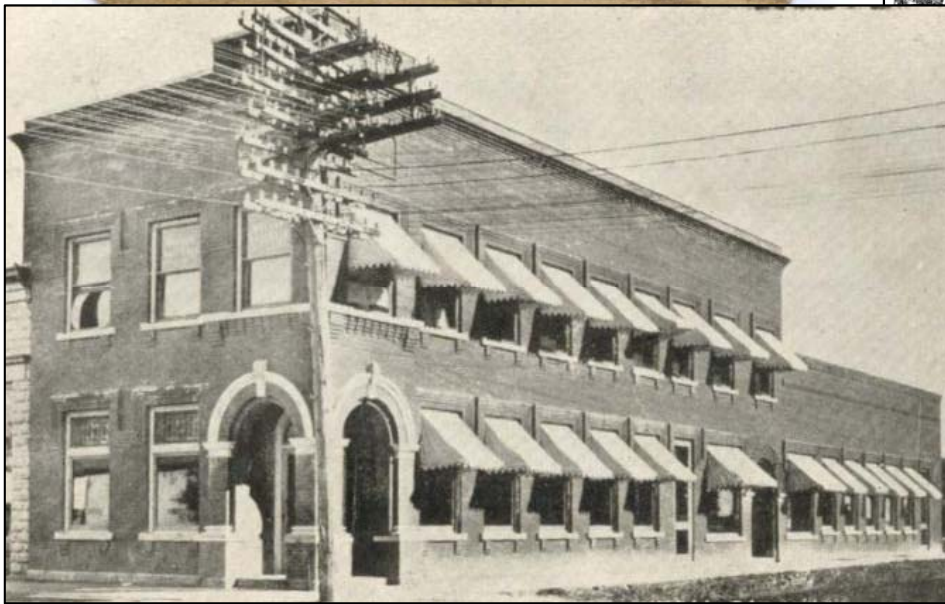
## *Partner donations included:*

- 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



Thank you,  
Dave Koch  
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Brownfield Contractor for,  
Technical Assistance to Brownfield Communities at  
Center for Hazardous Substance Research / Kansas State University

# QUESTION & ANSWER