



Department of Commerce
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Kendall Yards Year 2007



Former Kendall Yards Today

Financing Brownfields

Bill Mandeville, AICP, DFCP

Manager: Brownfields & Industrial Development

Financing Brownfields Cleanup & Buildup
CDFA National Development Finance Summit
Thursday, November 20, 2014



Brownfields Financing In Two Breaths

First Breath

Getting Started

- *Fundamentals*
- *Managing Risks*

Typical Brownfields Deal

- *Top Down Approach*
- *Typical Capital Stack*

Second Breath

Plugging Gaps

- *Brownfields Dilemma*
- *Grants and Loans*

No Ordinary Loan Program

- *Brownfields Redevelopment Zones*
- *Brownfields Renewal Authorities*



What Is A Brownfields?

Real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant. Brownfields eligible for EPA funding include, but are not limited to, three specific types of properties:

- Sites Contaminated By Petroleum Or Petroleum Products
- Sites Contaminated By Controlled Substances
- Mine-Scarred Lands

www.epa.gov/brownfields/faq



Why Are They Important?

Because They Make People Sick & Die Too Soon !!

Spokane Hillyard Life Expectancy

	Hillyard	Spokane County	WA State
Both Genders	73.6 yrs	78.4 yrs	79.2 yrs
Male	70.8 yrs	75.9 yrs	76.8 yrs
Female	76.3 yrs	80.7 yrs	81.4 yrs

Spokane Hillyard Causes of Mortality

(Age-Adjusted Rate per 100,000)

Causes of Mortality	Hillyard	Spokane	WA State
Major Heart Disease	372.1	255.8	249.2
Chronic Lung Disease	96.7	54.6	45.6
Injury	70.6	49.1	38.1
Suicide	26.5	15.7	12.8
Chronic Liver Disease	20.7	10.3	9.3



Hillyard in 1940



Brownfields Fundamentals

Brownfields Stakeholders

- Responsible Parties (RPs)
- Property Owners
- Developers
- Consumers

Brownfields Braided Rope

- Planning & Entitlements (Infrastructure)
- ABCA or Cleanup Plans
- Development
- Manage Risk (Legal / Liability)

Four Remediation Strategies

- Remove It
- Separate It
- Isolate It
- Walk Away From It

Planner's To-Do List

- Property Tracking Matrix
- General Remediation Strategy
- Risk Profile (Admin Record)
- Business Plan



Liability Protection



Kelso Junk Yard

Qualifications For Liability Protection

Bona Fide Prospective Purchasers

Contiguous Property Owners

Innocent Party Defense

Small Businesses & Non-profits Responsible For De Minimis Waste Contributions

Local Governments Acquiring Property Through Tax Foreclosure and/or Abandonment



All Appropriate Inquire

Aka: Due Diligence

- Remedial Investigation by an environmental professional
- Interview past and present property owners or occupants
- Review Historical Sources
- Search and identify recorded liens
- Review materials concerning the site such as EIS, permits, etc.
- Visually Insect the Site
- Commonly known, reasonable and/or obvious facts about the property



Rainier Court III



EXPENSES	YEAR 5	YEAR 10	YEAR 15	YEAR 17
Resident Expenses				
Heat	\$6,427	\$6,754	\$7,099	\$7,242
Electric	\$26,778	\$28,144	\$29,579	\$30,174
Water & Sewer	\$27,135	\$28,519	\$29,974	\$30,576
Garbage Removal	\$6,427	\$6,754	\$7,099	\$7,242
Other: Cable TV	\$17,566	\$18,462	\$19,404	\$19,794
Building Expenses				
Contract Repairs	\$16,424	\$17,261	\$18,142	\$18,507
Maintenance & Janitorial	\$24,992	\$26,267	\$27,607	\$28,162
Management off-site (based	\$31,448	\$33,052	\$34,738	\$35,436
Management on-site (based	\$42,538	\$44,708	\$46,988	\$47,933
Insurance	\$8,569	\$9,006	\$9,465	\$9,656
Administration				
Accounting & Legal	\$8,161	\$8,577	\$9,015	\$9,196
Marketing	\$7,855	\$8,255	\$8,677	\$8,851
Real Estate Taxes	\$0	\$0	\$0	\$0
Other: Indirect Admin (@ 3%	\$8,569	\$9,006	\$9,465	\$9,656
Other: License Fees & Comp	\$3,270	\$3,437	\$3,612	\$3,684
Replacement Reserve	\$24,992	\$26,267	\$27,607	\$28,162
	\$261,149	\$274,470	\$288,471	\$294,269
NET INCOME	\$633,215	\$560,414	\$589,001	\$600,840
DEBT SERVICE	YEAR 5	YEAR 10	YEAR 15	YEAR 17
Bond Mortgage	\$461,651	\$461,651	\$461,651	\$461,651
BRLF-II Loan	\$84,863			
	\$546,515	\$461,651	\$461,651	\$461,651
	\$546,515	\$461,651	\$461,651	\$461,651
DEBT COVERAGE RATIO	1.16	1.21	1.28	1.30
CASH FLOW RATIO	10%	12%	15%	16%



Commerce's Brownfields Loans



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Brownfields

BROWNFIELDS REVOLVING LOAN FUND *Gateway to Industrial Development*

SUBJECT: LOAN UNDERWRITING CRITERIA

GENERAL UNDERWRITING GUIDELINES:

Commerce's Brownfields Revolving Loan Fund (BRLF) uses underwriting criteria similar to its other business loan programs. It follows the following "Six Financial Underwriting Guidelines" recommended by the federal Department of Housing and Urban Development (HUD)¹.

1. Cost are reasonable
2. Other financing is committed
3. Does not supplant any preexisting, committed funds
4. Project is financially feasible
5. Return to owner is reasonable (no windfalls)
6. Pro-rata or proportional disbursement of funds

BRLF LOAN TERMS:

Commerce's BRLF prefers short-term loans. It depends on the repayment of its loans to provide the funds for future loans. The following are the terms and interest rates BRLF offers.

1. **Loan Terms:**
 - A maximum of 10 years
 - Prefer five years or less
 - Incentives for three years or less

2. **Interest Rate:**
 - Loans less than three years: 0.005% (1/2%)
 - 4 – 5 years: 1%
 - 6-7 years: 2%
 - 8 – 10 years; 3%
3. **Loan Origination Fee:** 1% of loan amount

BRLF Loan Underwriting Criteria:

Consideration to fund a BRLF loan application depends on how well the project meets or surpasses the following criteria.

- **Character:** Agency history greater than 5 years
- **Capacity:** Prior success with comparable project
- **Collateral:** Minimum of 75% of loan amount
- **Conditions:** No known risk that may negate the project
- **Debt Coverage Ratio:** Greater than 110%
- **Debt-To-Worth Ratio:** No more than 200%
- **Loan to Value Ratio:** Less than 80%
- **Cash Flow Ratio:** Greater than 10%

MORE INFORMATION:

Commerce's Brownfields Program
Phone: 360-725-3051
Email: bill.mandeville@commerce.wa.gov

¹ 24 CFR 570.209(a) and 24 CFR 570 Appendix A: Six Financial Underwriting Guidelines



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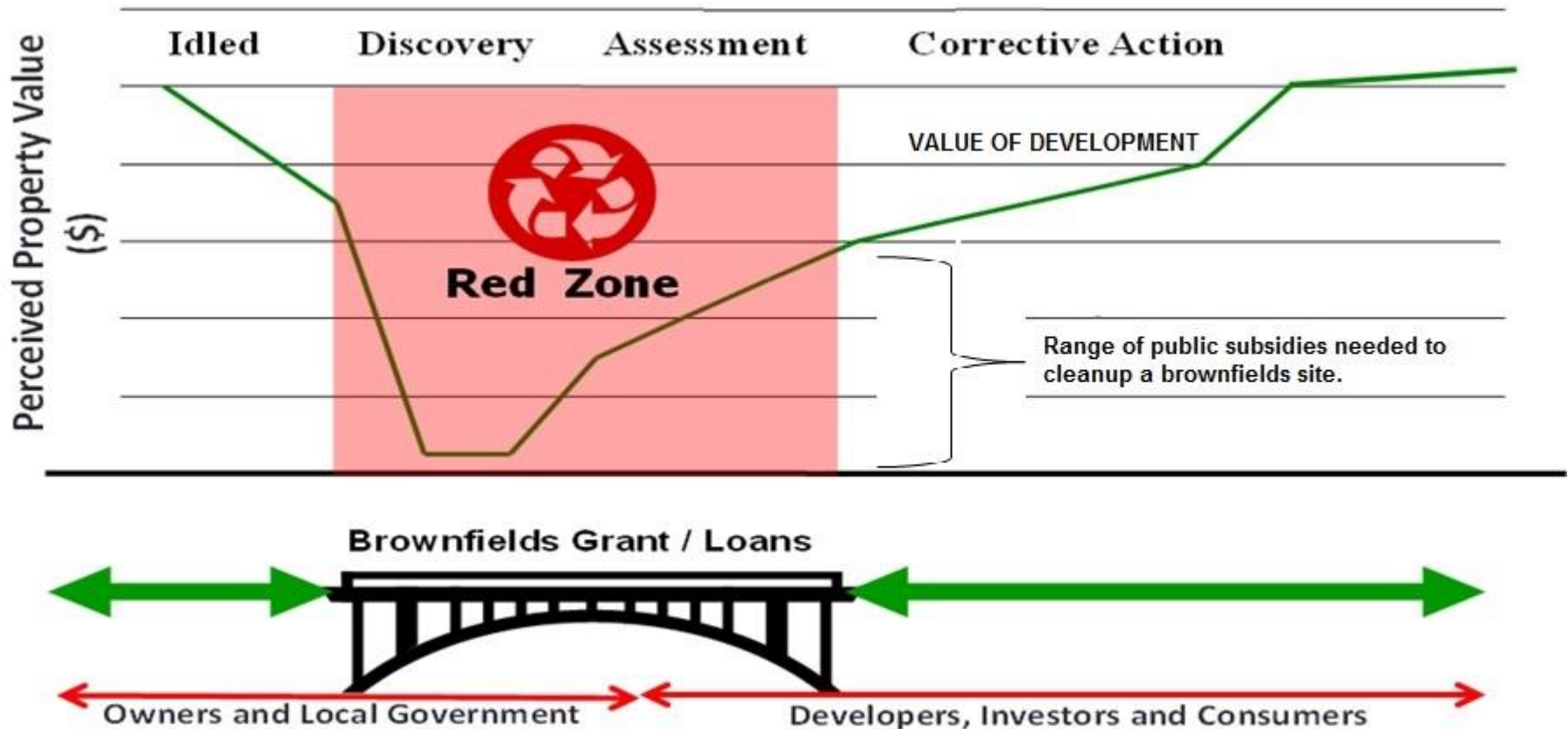
Typical Capital Stack: Rainier Court III



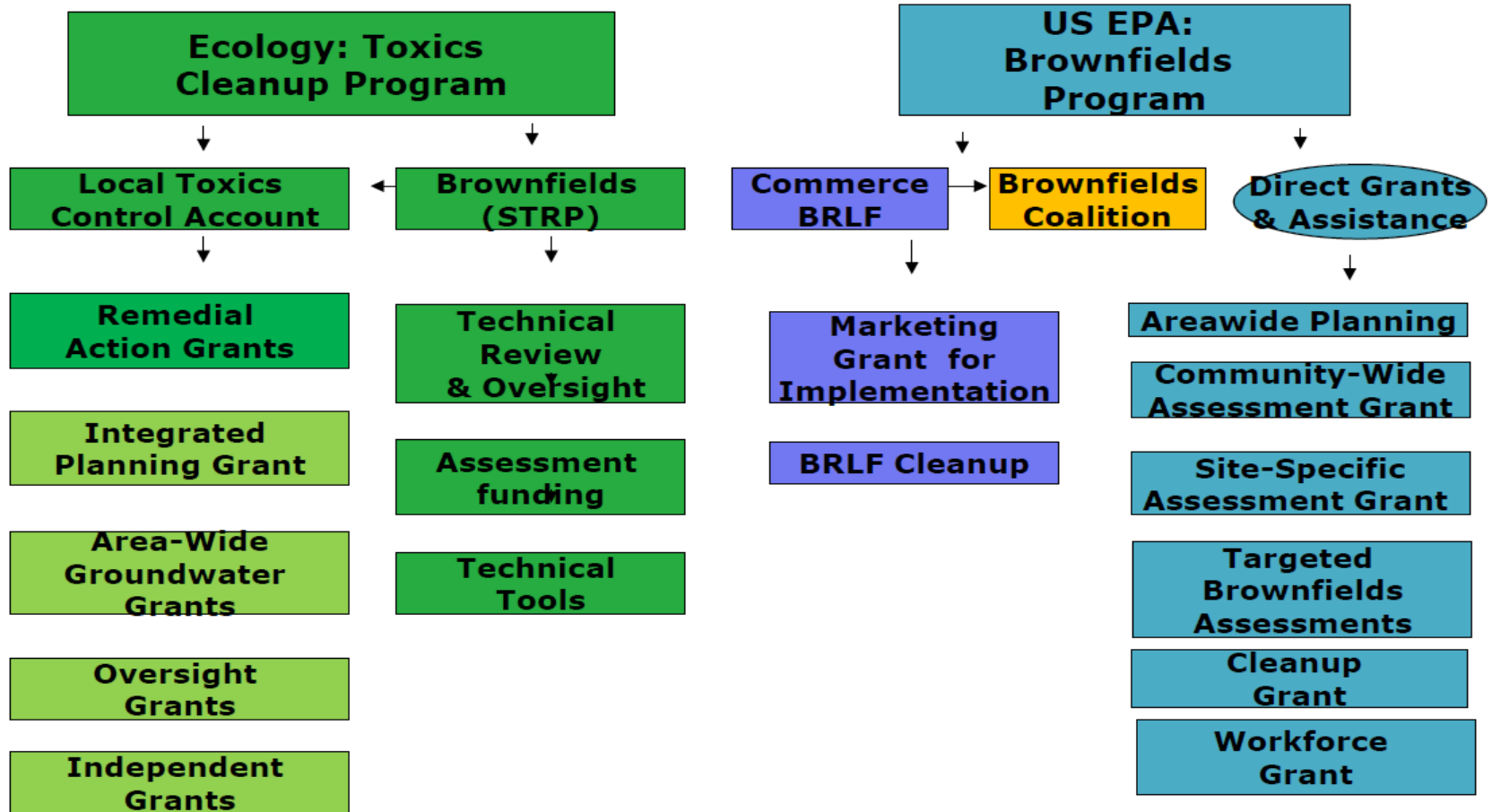
Priority	Source of Funds	Amount	Use of Funds / Disposition After Construction
	Recorded Loans & Liens		
	Bond Mortgage Loan		8,971,977
#1	Bond Mortgage Loan	7,200,000	Main loan - 15 yr term
	Seattle Levy Loan		2,000,000
#2	Freddie Mac Second Mortgage Loan	7,200,000	Intercreditor's Agreement (or Tax Credit Insurance)
	Citibank		400,000
#3	Seattle Deferred Utility Fees	367,598	
	Seattle Levy Deferred Loan	(7,200,000)	Line of Credit (Builder's Loan) - repaid using bond mortgage
#4	Seattle Levy Loan	1,023,880	
	Tax Credit Investors		1,359,170
#5	Brownfields Loan	400,000	Remaining third that will get repaid in 2015
	SEED		973,620
#6	Sponsor Loan (Tax-Credit Investors)	1,359,170	Remaining fourth that will last until bond gets repaid
	Total Sources		15,096,245
	Use of Funds		
	Subtotal: Recorded Loans Liens	10,959,170	
	Un-Recorded Loans & Liens		
	Acquisition of Land		1,965,050
	Preconstruction Costs & Fees		107,556
	Seattle Levy Deferred Loan (Grant)	1,023,880	loan turns into a grant when construction is finished
	Cleanup Brownfields		400,000
	Owner Investor Equity		8,187,255
	Construction Costs	973,620	SEED's cash contribution -- it will not get repaid
	Design & Oversight Costs	367,598	Seattle's deferred Loan -- will get repaid in 2015
	Financing & Indirect Costs		1,431,398
	Developer's Costs & Other Advances	1,771,977	Combination of Advances and Cash - most will get repaid
	Repayment of Deferred Loans		1,642,185
	Subtotal: Unrecorded Loans, etc	4,137,075	
	Total: All Loans, etc	15,096,245	Total Uses 15,096,245



Getting To The Bottom Line With A Brownfields



Public Funds for Gap Financing



USEPA Grants (ARC)

	ASSESSMENT	RLF	CLEANUP
PURPOSE	Investigate Sites & Build Local Program	Address larger sites by creating a pool of funds	Remediate known contaminants
ELIGIBLE APPLICANTS	Local, State & Special Purpose Governments	Local, State, Special Purpose Governments, & For Profit Businesses	Local, State & Special Purpose Governments
MAXIMUM AWARD	\$400,000 (community-wide) \$600,000 (coalition)	\$1 million	\$200,000 per site (no more than \$600,000 for three sites)
COST SHARE	None	20%	20%
SITE OWNERSHIP	Not Required	Recipient	Grantee



Ecology Remedial Action Resources

GRANT	MAXIMUM	MATCH	NOTE
Integrated Planning	\$200,000 \$300,000 (Area Wide)	100%	Planning and Environmental
Area Wide Groundwater	No Limit	100%	Multiple Plume Investigation
STRP Assessment	Varies	100%	Investigation – EPA-eligible sites
Independent	\$450,000	50% - 90%	Investigation & Cleanup
Oversight	No Limit	50% - 90%	Investigation & Cleanup
Loans	No limit	Can be used to match oversight grants	Investigation & Cleanup

- Applicant must be local government.
- Grants can be reimbursed on a quarterly basis with approved work plan or order.
- Prefer to have project proposals by early March for funding the following year.



Commercial Loans

- **Investor Grade Debt**
 - Industrial Development Bonds
 - WA Economic Development Finance Association
- **Junior Debt**
 - Craft-3
 - Economic Development Orgs.
- **Mezzanine or Hybrid Debt**
 - Dept. of Commerce
 - WA Housing Finance Commission
 - Ecology, EPA, USDA, EDA, HUD
- **Owner Equity**
 - Deferred Loans
 - Angel Investor Networks



Nonprofit community development finance institution.

CRAFT-3 Loan Products:

- **Business Loans** financing commercial real estate, energy efficiency upgrades, start-ups and expansion of businesses needing working capital, acquisitions, inventory, equipment and related business property.
- **Nonprofit Loans** are available to finance affordable housing, community development projects, health care, childcare, environmental conservation and human services initiatives.
- **Conservation Loans** available to conservation organizations (e.g., Land Trusts) to acquire sensitive lands, restore habitat, and protect water quality.
- **More Info:** www.craft3.org



Other Lending Programs

TIF – Lite Programs

- Community Revitalization Financing
- Brownfields Renewal Authority
- Transportation Benefit Districts

Tax-Exempt Industrial Revenue Bonds

- Lower Interest Loans
- Indirect subsidies through tax credits

Federally Funded Programs

- CDBG / Section 108
- Community Development Finance Institutions (e.g., Craft-3)
- USDA Loans and Loan Guarantees
- New Market Tax Credits
- Small Business Investment Credits



Rainier Court I



Evolution of Remedial Actions

Program Generation

Type of Sites

First Generation

- States Enact Cleanup Laws
- Regulatory Agencies



Environmental Imperative,
Landfills

Second Generation

- States enact Voluntary Cleanup Programs
- Streamlined administrative processes
- Client-based, regulators hands-off



Private Sector-Led Redevelopment
Of Economically Feasible Cleanups

Third Generation

- Collaboration between state and local government and citizens
- Community-led redevelopment partnerships
- Solving multiple community goals
- Leveraging resources



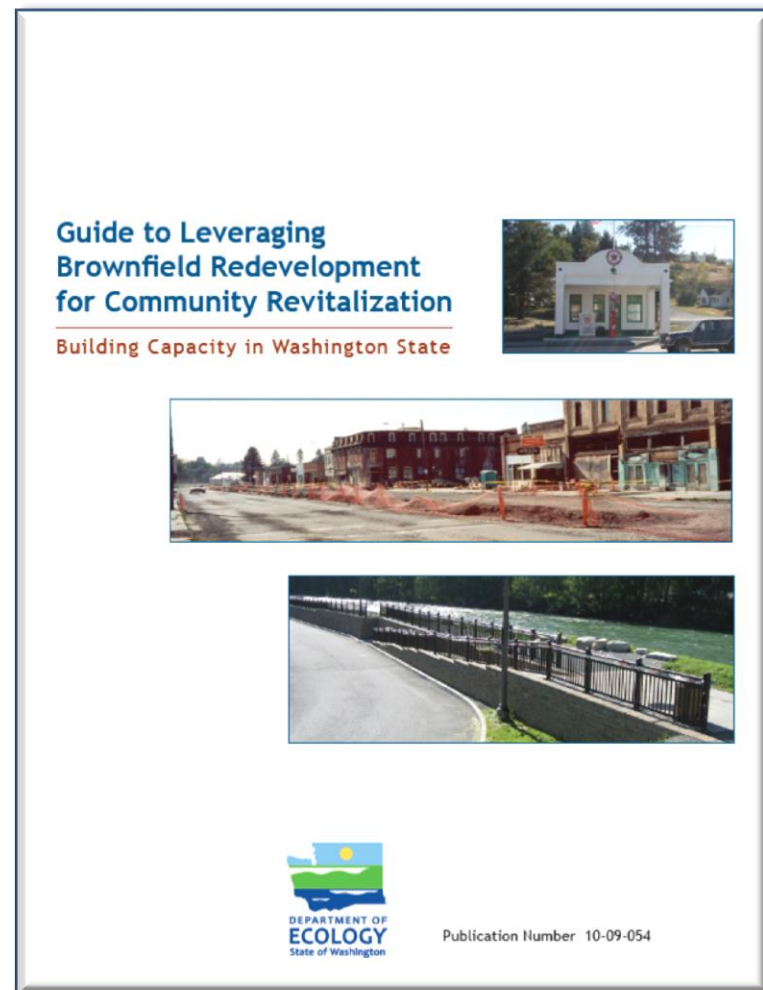
Community- Led Brownfields
Redevelopment,
Urban Renewal,
Triple Bottom Line Focus



Some New Tools

SB 5296 passed in 2013 authorizing new tools:

- Defined Brownfields
- Changed RAG program; made IPG program permanent
- Created Redevelopment Opportunity Zones
 - Brownfield Renewal Authority
 - Brownfield Redevelopment Trust Fund Account
- Model Remedies



Evolution of Remedial Action

DUE DILIGENCE



PLANNING



IMPLEMENTATION



INCORPORATION



Comparative Advantage

Spokane's Hillyard NAFTA Corridor

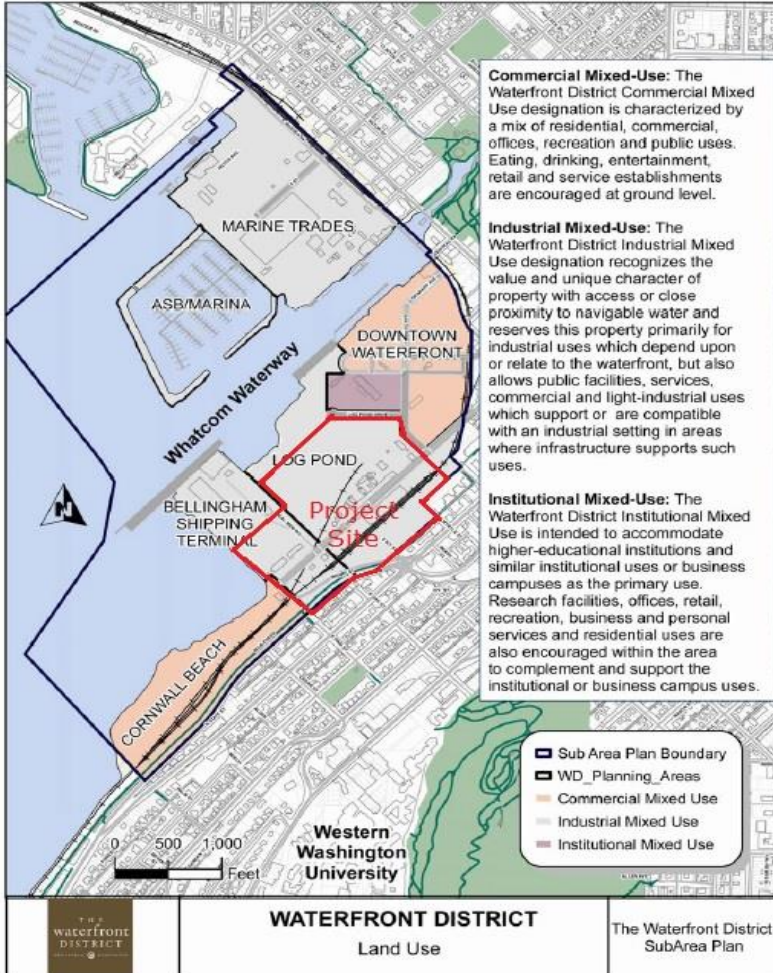


Hillyard BDA Assessment Criteria (DRAFT)

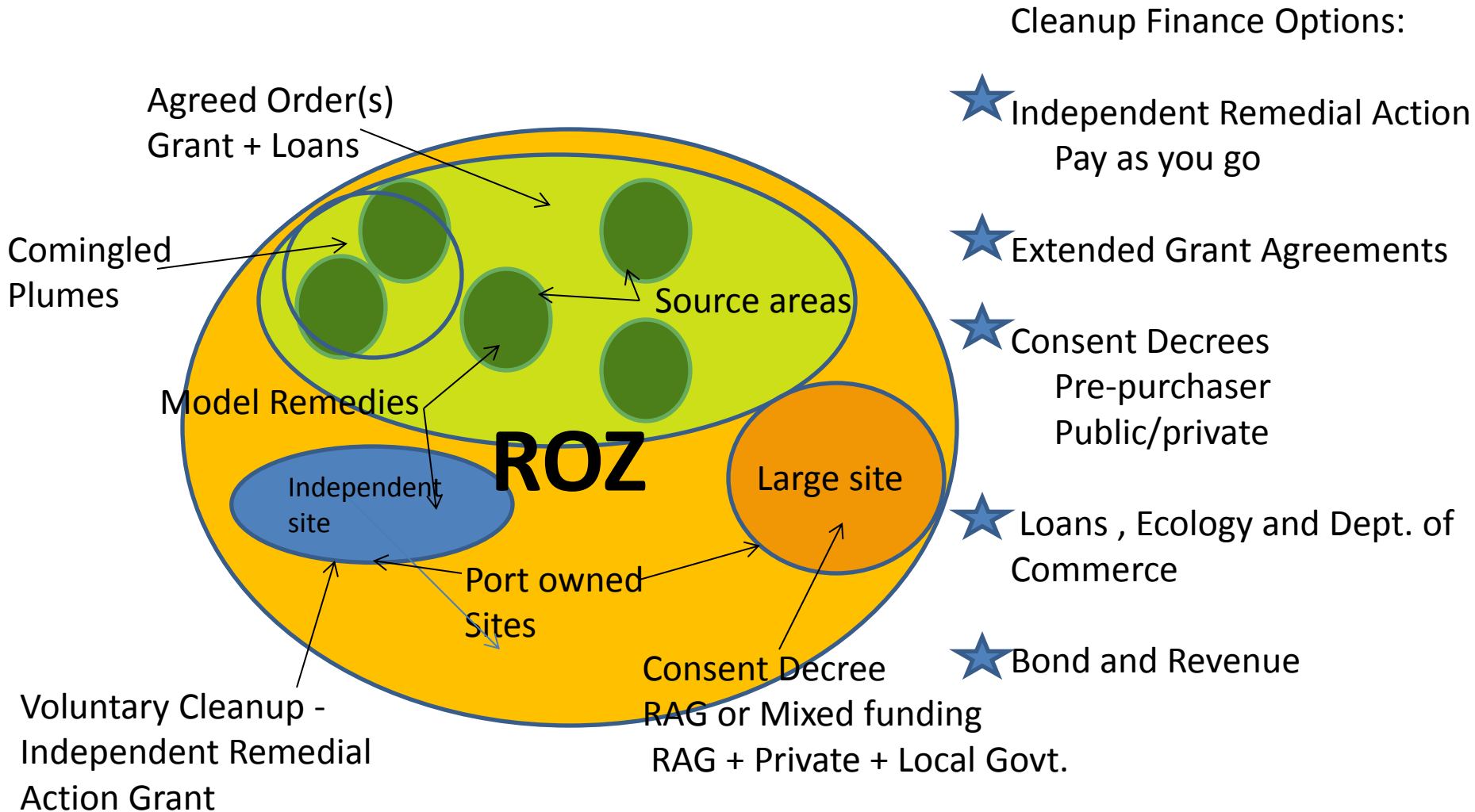
- Enroll in the Voluntary Cleanup Program.
- Extraordinary costs appear in the development's proposed project budget due to site defects such as real or perceived environmental contamination.
- Institutional controls or public infrastructure improvements in excess of the level reasonably expected to support a project in a different location.
- The proposed development must result in at least one of the following:
 - 10 or more jobs per acre; OR -
 - Projects with less than 10 jobs per acre must result in a 500 percent increase in the present assessed value of the property.



Competitive Advantage



ROZ Cleanup Phase



Brownfield Renewal Authority

- Established by any combination city, county or port district under a Inter-local Agreement
- Considered a municipal corporation governed by a board of directors
- The purpose is to guide and implement cleanup and reuse of properties within an ROZ
- Has the power to enter into contracts and incur debt.
- Must have a way to pay its bills and payoff its debts.



Brownfields Renewal Authorities

Brownfields Opportunity Zones

(RCW 70.105D.160)

- At least 50% brownfields properties
- Requires consent of owners
- Needs a Comp Plan and/or Zoning Map amendment
- Must be located within city boundaries or an urban growth area
- BOZs within Port Districts –
 - Same as Above Plus
 - Ports Must Own 50% of Properties

How To Create A Brownfields Renewal Authority

(RCW 70.105D.170)

Following the four steps to create a planned action ordinance district:

1. Establish the Boundaries
2. Conduct Environmental Assessment
3. Determine Remediation/Mitigation
4. Establish Development Regs for administrative permits instead of “Conditional Use” permits.

Add two more steps

5. Redevelopment Plan (e.g., Master Plan, Subarea Plan)
6. Business Plan => “Job Creating Entity or Enterprise”



Financing Brownfields Renewal Authorities

Brownfields Development Authority / fill in the blank

- TIF – Lite Programs:
 - CRF: Community Revitalization Financing
 - LIFT: Local Infrastructure Financing Tool
 - LRF: Local Revitalization Financing
 - TBD: Transportation Benefit Districts
- Local Improvement Districts (LIDs)
- EB-5 Regional Center or Regional Center Partnership
- Community Housing Development Organization (CHDO)
- Revolving Loan Fund
- Development Agreements
- Land Trust and Land Banks



Public Private Partnerships

	Development Agreements	Offer Memorandums	Public Development Authorities
Feasibility	Developer Initiated	Public Initiated	Public Initiated
Financial Tools	<ul style="list-style-type: none"> • Mitigation Fees • Impact Fees • Cost Recovery (e.g., Connection Charges) • T.I.F. 	<ul style="list-style-type: none"> • Access To Private or Developer Financing • Lease-Purchase • Pay-As-You-Go T.I.F. • MUSH Pools 	<ul style="list-style-type: none"> • User Fees • Issue Bonds • Special Tax Assessments (T.I.F.)
Value Added Products	<ul style="list-style-type: none"> • Local Improvement Districts • Late Comer Agreements • Planned Unit Developments 	<ul style="list-style-type: none"> • Design – Build • Build-Operate-Transfer • Buy-Build-Operate • Turnkey Facility • Triggers for Public Improvements 	<ul style="list-style-type: none"> • Extension of Municipal Corporation • Brownfields Renewal Authorities
Misc. Notes	<ul style="list-style-type: none"> • RCW 36.70B.170 • Development Standards • Vestment 	<ul style="list-style-type: none"> • Needs Revenue Stream • RCW 47.46: PPI-WSDOT • RCW 39.10.380: Procurement 	<ul style="list-style-type: none"> • RCW 35.21: PDA • Can Not Levy Taxes On Its Own • Open Pubic Meetings and Public Disclosure

More Information

Commerce's Brownfields Website

<http://www.commerce.wa.gov/Programs/Infrastructure/Brownfields-Revolving-Loan-Fund>

The screenshot shows a web browser window displaying the Department of Commerce website. The address bar shows the URL: <http://www.commerce.wa.gov/Programs/Infrastructure/Brownfields-Revolving-Loan-Fund>. The browser's taskbar at the bottom shows various applications like Chrome, Outlook, Word, and PowerPoint. The website header includes the Department of Commerce logo and the tagline "Innovation is in our nature." A navigation menu lists "About Commerce", "Programs", "Services & Assistance", "Economic Development", "Boards & Commissions", and "Media Center". The "Programs" menu item is highlighted. The main content area features the heading "BROWNFIELDS REVOLVING LOAN FUND" and the subtitle "Gateway to Industrial Development". The text describes the fund's purpose and provides contact information for Bill Mandeville, AICP, Brownfields Program Manager. A sidebar on the right contains a "Quick Links" section with links to "Catalog of Financial Sources", "BRLF Loan Application", "Success Stories and Current Projects", and "Brownfields News".

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PROGRAM INDEX CONTACT US

About Commerce - Programs - Services & Assistance - Economic Development - Boards & Commissions - Media Center

Department of Commerce / Programs / Infrastructure & Community Development / [Brownfields Revolving Loan Fund](#)

BROWNFIELDS REVOLVING LOAN FUND

Gateway to Industrial Development

Washington's Department of Commerce is about jobs – and redeveloping brownfields is one way that it creates them.

Brownfields are properties where environmental contamination hinders their use through expansion, redevelopment, sale or re-use. Unfortunately, Washington has quite a few of them. In many cases, these sites are the by-products of over 100 years of industrial use. They were sites that generated several thousand jobs over the years. They are sites that can do it again.

Commerce's Brownfields Revolving Loan Fund (BRLF) helps local and regional governments, non-profit agencies and private businesses cleanup and redevelop Brownfields sites. This website explains how.

You will find on this website lots of information about redeveloping brownfields sites. It links you to the loan information and application forms. It provides information for property owners as well as policy makers. It even includes a list of other potential funding sources.

Please check back occasionally. We will periodically update this website with new information.

Let us know if you need more information or assistance.

Brownfields Revolving Loan Fund

- [Brownfields Coalition](#)
- [Brownfields RLF Application and Forms](#)
- [Tips for Property Owners](#)
- [Policy Makers and Planners](#)
- [Industrial Development](#)
- [Catalog of Financial Sources](#)
- [Success Stories and Current Projects](#)

Quick Links

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For more information

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