

Steelworks Center of the West Roadmap to Redevelopment

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November 2017

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About the Roadmap to Redevelopment

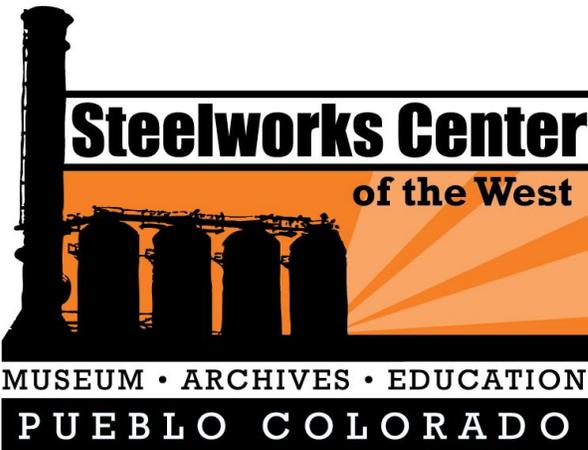
The *Roadmap to Redevelopment* is a product of the [CDFA Brownfields Technical Assistance Program](#), which is funded through a grant from the U.S. Environmental Protection Agency. The program provides technical assistance to brownfields communities on redevelopment finance. For communities that require detailed, hands-on assistance for their redevelopment efforts, CDFA Brownfields Project Response Teams comprised of CDFA staff and technical assistance partners are available to conduct site visits and provide recommendations. The goal of these visits is to offer communities specific, actionable advice that can transform brownfields into economically-productive sites in accordance with the goals and plans of the community. CDFA will coordinate 36 Brownfields Project Response Teams over the life of the program.

The *Roadmap to Redevelopment* was developed through a two-day process that included interviews with numerous stakeholders from the government, business, and non-profit sectors. The plan provides a framework for the financing of the cleanup and redevelopment of the former Colorado Fuel and Iron Company (CF&I) Administrative Building.

The *Roadmap to Redevelopment's* recommendations combine the input of development finance experts, CDFA staff, and the interests of stakeholder groups gathered during the Project Response Team site visit.

Background & History

The Steelworks Center of the West (Steelworks) is a non-profit organization focused on preserving the history of the coal and steel industry west of the Mississippi River. Based in Pueblo, Colorado, Steelworks owns and operates the Steelworks Museum which provides educational opportunities about the steel industry's impact on the region through the preservation of the former Colorado Fuel and Iron Company (CF&I) buildings and an extensive collection of related archives and artifacts. The archival collection spans CF&I's 121-year history (1872 to 1993), preserving fascinating history of the company's operations, the employees, and the history of the Bessemer neighborhood.



The Steelworks Center of the West currently owns a 5.7-acre campus including five former CF&I buildings and a newly constructed park featuring a retired railcar and other large artifacts. Utilizing New Markets Tax Credits, Federal Historic Tax Credits, and an assortment of grants, Steelworks completed the rehabilitation of a former medical dispensary building for office and museum use in 2007. The former CF&I sales office building is currently being leased to EVRAZ Rocky Mountain Steel, an international company that continues to manufacture steel rails, rods, bars, and pipes at the historic mill. All other CF&I office buildings and the medical dispensary complex are operated by Steelworks as a non-profit educational facility. Steelworks is planning a \$12M renovation of the former administrative building into a multi-use space for the museum expansion. The new Steelworks Center will highlight the history of CF&I and the industrialization of the West with new exhibit rooms, education rooms, offices and a gift shop.

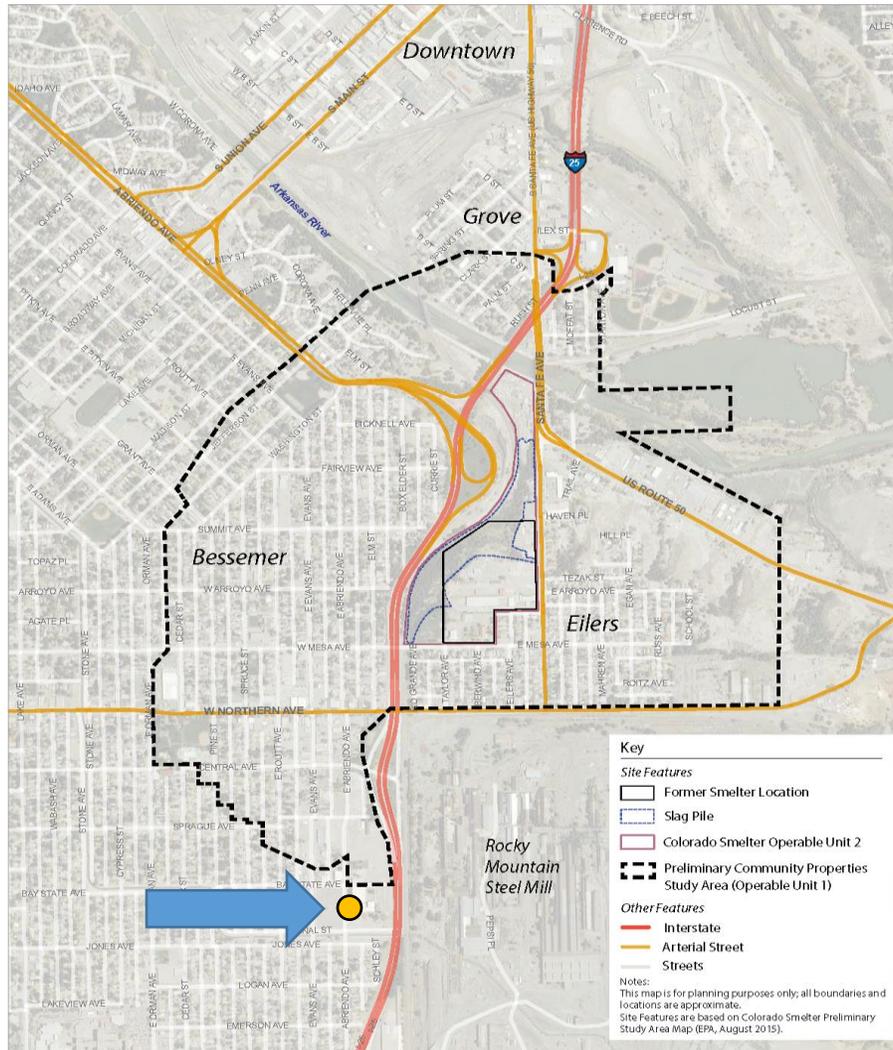


Main Administration Building

Built in 1901, the main administration building once housed purchasing, finance, payroll, engineering, and oversight of the 63 company towns in CF&I control. The 30,000-square foot building includes an annex, built in three stages from 1920-1940, which currently houses the CF&I archives. In 2002, this building, along with the medical dispensary complex, was listed on the National Register of Historic Places.¹

¹Johnson, N. (2016, April 20). Minnequa Steelworks Office. Retrieved from: <https://coloradoencyclopedia.org/article/minnequa-steelworks-office>

The Steelworks property is located adjacent to a Superfund site, whose boundaries are yet to be determined. Pueblo was once home to five ore smelters and is still home to one active steel mill. This industrial activity over the years has resulted in elevated levels of lead and arsenic within a certain radius of the former smelters.² The current boundaries of the Superfund site do not include any portion of the Steelworks property and the Superfund activity is not expected to directly impact the redevelopment efforts of the CF&I museum.



Proposed Superfund Boundaries with the location of the Steelworks Center adjacent.

² Search Superfund Site Information. (2016, December 28). Retrieved from: <https://cumulis.epa.gov/supercpad/cursites/csitinfo.cfm?id=0802700>

Steelworks Center of the West

Roadmap to Redevelopment

Recommendations

Part I: Planning for Financial Success

As mentioned previously, Steelworks' museum expansion plan includes the cleanup and renovation of the former administration building for use as an expanded museum space. Due to the size and scope of the expansion, Steelworks should undertake thorough pre-development planning to illustrate the specific site opportunities and potential future revenue sources.

i. Develop a Campus Plan

A campus facilities master plan is a vision for the future development of the Steelworks campus. It ensures that the physical environment, both built and natural, serves the needs of the museum and enables Steelworks to convey a cohesive vision of the redevelopment. Steelworks' campus plan should include all assets of the 5.7-acre campus and identify future uses for each space. By mapping out what element goes where in terms of public access, Steelworks may identify potential cost-saving institutional controls or alternative cleanup methods that could reduce remediation costs; whether such planning is necessary will be determined by the results of the environmental assessments. The campus plan will be a critical contextual component in garnering support from the public, potential philanthropic partners, lenders, and other investors.

ii. Develop a Business Plan

Steelworks needs a strong business plan for the museum to truly understand potential revenue flows and define the need for supplemental financing. Partners and investors will rely on a business plan to illustrate the opportunities available. The plan should include a market analysis for the museum inclusive of industry outlook and target market. In addition to a comprehensive redevelopment proforma, the plan should include an operating budget analyzing current and projected expenses and revenues.

Part II: Financing the Cleanup

Environmental assessments on the property were completed prior to the renovation of the medical dispensary building. Steelworks should work with EPA to ensure that the assessments are up to date and in compliance with All Appropriate Inquiry (AAI) requirements. The Phase 2 assessment should confirm the absence of specific contaminants related to the adjacent Superfund site and dispel any concern about Superfund regulations inhibiting redevelopment. Once a remedial action plan has been defined and estimated cleanup costs have been identified, Steelworks should pursue the following:

i. EPA Cleanup Grant

Cleanup grants provide funding for a grant recipient to carry out cleanup activities at brownfields sites, this includes asbestos abatement as a qualified expense. An eligible entity may apply for up to \$200,000 per site. Cleanup grants require a 20 percent cost share, which may be in the form of a contribution of money, labor, material, or services, and must be for eligible and allowable costs.³ The EPA Cleanup Grants are offered each fiscal year and are highly competitive. Steelworks previously applied to receive one for this project but missed by half a point. They are currently working on bolstering the previous application based on EPA feedback and intend to submit it for the November 16, 2017 deadline.

If the EPA Cleanup Grant is not awarded or does not cover all the cleanup costs, the following sources of financing should be explored:

ii. Colorado Housing Finance Authority (CHFA) – Brownfields Revolving Loan Fund (RLF)

The Colorado Brownfields RLF provides loans and subgrants for the clean-up of environmentally contaminated commercial sites.⁴ To be eligible, cleanup plans must be approved by the Colorado Department of Public Health and Environment's (CDPHE's) Voluntary Cleanup Program.

iii. 1306 Hazardous Response Fund

The 1306 Hazardous Response Fund is authorized CDPHE to use funds from the Hazardous Substance Response Fund for the cleanup of contaminated sites that are not being addressed by other federal or state cleanup programs. Historically awards have ranged from \$10,000-\$150,000. While no matching funds are required, CDPHE looks favorably on matching funds in the form of in-kind or cash matches.⁵ A community-based capital campaign might raise enough funds to be used as a match.

³ Types of Brownfields Grant Funding. (2017, July 27). Retrieved from: <https://www.epa.gov/brownfields/types-brownfields-grant-funding>

⁴ Brownfields revolving loan fund. (n.d.). Retrieved from: <https://www.chfainfo.com/business-lending/Pages/brownfields-revolving-loan-fund.aspx>

⁵ Environmental cleanup. (n.d.). Retrieved from: <https://www.colorado.gov/pacific/cdphe/categories/services-and-information/environment/environmental-cleanup>

iv. Colorado Brownfields Tax Credit

The Colorado Brownfields Tax Credit requires enrollment in the State’s Voluntary Cleanup Program and must be requested at the time of application. Qualifying environmental remediation costs associated with a new capital improvement or redevelopment project are eligible for a 40 percent credit on the first \$750,000, and 30 percent of the amount between \$750,000 and \$1.5M. The maximum credit available is \$525,000. The tax credits are transferable on the secondary sales market and valid for five years once awarded. The monetization of this credit might be integrated into the leverage component of the tax credit funding discussed below.



“The Bin Man” sculpture by Greg Polutanovich was commissioned for the newly opened Steelworks Park on the CF&I Campus.

Part III: Financing Through a Combination of Tax Credits

Steelworks' museum expansion qualifies for both Historic Tax Credits and New Markets Tax Credits. Many projects have successfully raised needed capital by combining these two credits. Steelworks used both NMTCs and HTCs to finance the renovation of the medical dispensary building that opened in 2007. Due to the complexity of these transactions, developers should engage experts in the tax credit field before beginning any rehabilitation project. Experts should include tax credit consultants, architects, accountants and attorneys.

i. New Markets Tax Credits (NMTC)

The NMTC Program provides incentives for community development and economic growth using tax credits to attract private investment to distressed communities. Corporate investors receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries, Community Development Entities (CDEs). The CDE allocates the invested funds to viable projects. In November 2016, Treasury allotted \$7B in NMTC allocations to 120 CDEs nationally.⁶ These include the Colorado-based Greenline Community Development Fund (\$70M) and the Rose Urban Green Fund (\$50M). The Steelworks Center of the West expansion project is located in an NMTC eligible census tract. As NMTCs are highly competitive, projects will be evaluated based on their readiness and overall community impact. This project has strong environmental justice, community development, and cultural vitality impacts, which should enhance the NMTC attractiveness of the project.

ii. Federal Historic Tax Credits

A 20 percent income tax credit on eligible costs is available for the rehabilitation of historic, income-producing buildings that are determined by the Secretary of the Interior, through the National Park Service, to be "certified historic structures."⁷ The administration building was placed on the National Register of Historic Places in 2002 and amended to the National Level of Significance of the National Register of Historic Places in 2008. The tax credits are transferable, meaning that Steelworks, a non-profit, can sell the credits to an individual or company facing a large tax liability.

⁶ Tax Credit Finance Resource Center. (n.d.). Retrieved from: <https://www.cdfa.net/cdfa/cdfaweb.nsf/resourcecenters/taxcredits.html>

⁷ Tax Credit Finance Resource Center. (n.d.). Retrieved from: <https://www.cdfa.net/cdfa/cdfaweb.nsf/resourcecenters/taxcredits.html>

iii. Colorado State Historic Tax Credits

The Colorado State Historic Tax Credit will cover 20-30 percent of eligible costs up to \$1M per property per year.⁸ The tax credits are also transferable. If the redevelopment is strategically planned in phases, the Steelworks Center of the West may apply for the credit in consecutive years as long as the property is generating a nominal amount of income from the new restoration as a result of the first award.

Part IV: Maximize Use of Available State and Local Funds

The following resources should be reviewed for their potential to help finance the project in combination with the tax credits described above. These financing tools should be pursued simultaneously; each source that is secured will increase the opportunity to leverage additional funding.

i. Colorado State Tourism Office Matching Grants

The Colorado Tourism Office's Marketing Matching Grant Program provides funding to not-for-profit organizations in the State of Colorado to promote the state or a region as a tourism destination. Travel regions throughout the state are eligible for these grant dollars, as well as statewide associations, organizations and other non-profit entities that engage in promoting travel throughout the entire state. These grants are competitive and are awarded annually.⁹

ii. Community Development Block Grant (CDBG)

The CDBG program works to ensure decent affordable housing, to provide services to the most vulnerable in our communities, and to create jobs through the expansion and retention of businesses. The City has an annual allocation of approximately \$250,000 and indicated a willingness to grant funds towards the restoration of the administrative building. Projects financed with CDBG funds must be consistent with the national priorities, including community development and the preservation or restoration of historic places.

iii. State Historical Fund (SHF)

Created in 1990 with the proceeds from gaming tax revenues, SHF grants up to \$200,000 for historical preservation projects. Funds are distributed through a competitive process and all projects must demonstrate strong public benefit and community support.¹⁰ The State Historical Fund works on a six-month funding cycle, and projects are able to apply for multiple rounds of funding. Careful coordination and planning with the SHF program managers will ensure that the project is phased appropriately to cover eligible costs.

⁸ Preservation Tax Credits. (n.d.). Retrieved from: <http://www.historycolorado.org/oaHP/preservation-tax-credits>

⁹ Marketing Matching Grant Program. (n.d.). Retrieved from: <http://industry.colorado.com/resources/matching-grant-program>

¹⁰ State Historical Fund. (n.d.). Retrieved from: <http://www.historycolorado.org/oaHP/state-historical-fund>

iv. Colorado Commercial Property Assessed Clean Energy (CPACE)

Commercial property-assessed clean energy (CPACE) is a financing structure in which building owners borrow money for energy efficiency or renewable energy projects and make repayments via an assessment on their property tax bill. This program is now available through the State. The financing arrangement then remains with the property even if it is sold, facilitating long-term investments in building efficiency. Due to the historical nature of the property, any new energy system installations to the CF&I buildings are likely to be considered efficiency improvements. These energy system installations may necessitate new ceiling or wall penetrations or other modifications to the original structure or finishes; any plans for upgrading energy systems may impact the eligibility for State Historic Grants and should be reviewed by the appropriate historic officials prior to being included in the rehabilitation design. CPACE projects must have a property tax identification number. For building owners who are exempt from property tax liability, the municipality must agree to issue a property tax ID for collection purposes.¹¹



CF&I Administrative Building circa 1901

Part V: Request Foundation Funding

Steelworks financed the renovation of the Medical Dispensary Building using NMTCs, HTCs and a significant amount of foundation funding. The museum expansion will likely have a similar capital stack and efforts should be made to maximize mission-specific investments from foundations that can be used to leverage additional capital. Many regional and national foundations have mission statements that specifically value arts and cultural heritage, history, and environmental justice. See the Additional Resources section for links to several national foundation websites.

¹¹CPACE. (n.d.). Retrieved from: <https://betterbuildingsolutioncenter.energy.gov/financing-navigator/option/cpace>

Part VI: Explore Support from Private Institutions with Local Interest

Pueblo was founded by the industry that built the west, and much of that history is preserved within the Steelworks Center. The archives collection contains over a century's worth of records pertaining to the operation and employees of the CF&I company. Many of Pueblo residents and businesses have a connection to CF&I and value the history that has been preserved at the museum. Steelworks should reach out to some of these businesses to request funding support for appropriate portions of the project. Some businesses that come to mind include:

i. EVRAZ

EVRAZ is a multinational vertically integrated steel-making and mining company and one of the largest participants in the domestic coal market. As the current lessee of the former CF&I sales office and operator of the former mill, EVRAZ has a clear connection to the CF&I company and may be interested in offering financial support to the project.

ii. St. Mary Corwin Hospital

St. Mary Corwin was founded in 1882 to provide care for CF&I employees and their families. In the 1940s CF&I transferred ownership to the Sisters of Charity. Today the hospital has an accredited and nationally recognized cancer center, state of the art robotic-assisted surgical technology center and many more nationally recognized programs. A requirement of the Affordable Care Act states that 501(c)(3) hospitals must assess community needs relative to health and community development and make impactful investments to fill those needs. The Steelworks Museum expansion is a community development initiative that would likely help meet this IRS requirement.

iii. United Steelworkers of America

Although not likely to lend financial support, the local union may be willing to champion the cause by lending its vocal support for the project.

Steelworks Center of the West

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Additional Resources

CDFA Brownfields Financing Toolkit |

[http://www.cdfa.net/cdfa/cdfaweb.nsf/ord/201502_BF_Toolkit/\\$file/CDFA%20Brownfields%20Financing%20Toolkit%2002.02.15.pdf](http://www.cdfa.net/cdfa/cdfaweb.nsf/ord/201502_BF_Toolkit/$file/CDFA%20Brownfields%20Financing%20Toolkit%2002.02.15.pdf)

CDFA Online Resource Database |

<http://www.cdfa.net/cdfa/cdfaweb.nsf/ordsearch.html>

CDFA Federal Financing Clearinghouse |

<https://www.cdfa.net/cdfa/cdfaweb.nsf/ffcsearch.html>

Types of Brownfields Grant Funding (Environmental Protection Agency) |

<http://www.epa.gov/brownfields/types-brownfields-grant-funding#tab-1>

Tax Credit Reference Guide |

<https://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=taxcreditfinrefguide.html>

Rockefeller Foundation |

<https://www.rockefellerfoundation.org/>

Union Pacific Foundation |

www.up.com/aboutup/community/foundation

El Pomar Foundation |

<https://www.elpomar.org/>

Gates Family Foundation |

<http://www.gatesfamilyfoundation.org/>

Acknowledgements

A Project Response Team site visit requires a significant commitment of time and resources. The authors would like to recognize the commitments of many individuals throughout this process. Firstly, the authors would like to thank the following individuals and organizations for their involvement:

Individuals

Ray Aguiliera
Ada Clark
Susan Fries
Doug Gradisar
Kim Grant
Ben Heppe
Corinne Koehler
Edie Mclish
Steven Meier
Steve Narwocki
Cynthia Nieb
Gary Rasso
Joe Saldibar
Chris Schreck
Rod Slyhoff
Linda Tremblay

Organizations

Anderson Hallas Architects
City of Pueblo
Colorado Preservation Inc.
Greater Pueblo Chamber of Commerce
History Colorado
Pueblo City Council
Pueblo Planning and Development
Southern Colorado Economic
Development (SCEDD)
Steelworks Center Board
State Historical Fund

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The *Roadmap to Redevelopment Plan* was authored by the Council of Development Finance Agencies (CDFA), a national association dedicated to the advancement of development finance concerns and interests. Learn more about CDFA at www.cdfa.net.

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Thane Hodson, Attorney
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