



■  
■ 453 & 501 Pine Street  
■ **Roadmap to Redevelopment**  
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*Prepared for:*  
Redstone Development

*Prepared by:*  
Council of Development Finance Agencies

September 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 by 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 financing the cleanup and redevelopment of the 453-501 Pine Street Project.

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 Redstone Development Group has proposed a 100K square foot mixed-use commercial building just south of downtown Burlington, VT at 453 & 501 Pine Street. The neighboring vacant lots are adjacent to a former coal gasification plant, now known as the Pine Street Barge Canal Superfund Site. The plant operated from 1900-1960, during which time the plant discharged coal tar into the Pine Street Canal at the rear of the property. The canal had been connected to Lake Champlain, a natural freshwater lake that spans the length of 120 miles along the border of Vermont and New York.

In the 1970s the State of Vermont first detected high levels of organic compounds associated with coal tar at the plant site and surrounding areas. Since then, the state has worked with the EPA and the various responsible parties to contain the contamination on the Superfund site to prevent future releases into the Lake. As a result of the efforts, measures have been taken to control activity not only on the former plant site, but also on the adjacent Pine Street lots. Redevelopment of the lots cannot impact the institutional controls that have been put in place. The developer must also assume extraordinary development costs including deep foundations, export of significant quantities of contaminated soil and the use lightweight fill materials to minimize the amount of new loading on the site, required to meet a variety of geotechnical, stormwater and environmental requirements particular to the site. Additionally, redevelopment of the site requires hefty environmental costs, including insurance, consulting, and ongoing environmental monitoring.

The City of Burlington has also identified the goal of creating a city-owned and operated park on the Superfund site adjacent to the property that would provide public access to the canal and a network of walking trails. Redstone has incorporated a pedestrian connection through the redevelopment parcel to provide access to any future park to the west of the property. Such a park would benefit the redevelopment of the Pine Street project by better managing the currently unsanctioned public traffic in and around the site. The park has also been proposed to incorporate artistic installations and educational opportunities reflecting on the history of the site, and could serve as an amenity to future tenants of the Pine Street project.

The City's zoning for Pine Street's Enterprise District does not allow for a housing component so Redstone's planned commercial development would include a mix of ground floor retail and office space on the upper floors. The surface parking has been designed with extensive use of pavers to not only serve the commercial tenants during business hours but also create a public plaza area that can accommodate outdoor events on evenings and weekends, as well as public access to the proposed park.

Redstone has been working with the property owner for several years and has negotiated a purchase option for the lots. However, they are reluctant to take control of the property until two basic thresholds of feasibility for the redevelopment of the site are achieved: 1) Redstone questions whether sufficient liability protections related to the environmental conditions can be obtained to provide the level of comfort needed to proceed with the development and 2) there is the challenge of identifying

sufficient additional financing resources to cover the extraordinary total development costs projected for the redevelopment of the site.

Redstone and the current landowner, Rick Davis, have consulted with Hemisphere Development, a nationally recognized redeveloper of environmentally contaminated real estate, regarding the particular liability issues related to the site. Hemisphere has extensive experience with environmental insurance options but has never seen coverage that provides protection around off-site impacts. If a scenario were to occur in which the Pine Street Barge Canal Superfund Site experiences changes to the area’s surface runoff and groundwater flow in the future, Redstone would need to be protected from any potential assertion from the Performing Defendants (who were originally responsible for the contamination) that the development at 453-501 Pine Street indirectly caused a release. Hemisphere is skeptical that an owner’s environmental insurance policy would provide adequate protection, even if higher Error & Omission insurance policies from the project’s engineers were secured. At Hemisphere’s recommendation, Redstone is working toward a solution that would involve agreements with the State, EPA, and the group of Performing Defendants in addition to an owner’s insurance policy.

Regarding the second threshold issue of financial feasibility, Redstone’s estimate for the total redevelopment cost is approximately \$29M. Although Redstone had identified several sources of financing for the project, a development gap in excess of \$5M has prevented them from moving forward. The table below displays the potential sources of funding for the project:

Sources of Funds:	Total:	% of Total:
Equity	\$3,400,000	12%
First Mortgage Debt -25 yr	\$17,390,625	60%
VEDA Direct Loan	\$2,000,000	7%
VEDA Brownfield Loan	\$600,000	2%
EPA/DEC Implementation Grant	\$??	??
NMTC – Net Proceeds	\$0	0%
Energy Efficiency Rebates	\$50,000	>1%
<b>GAP</b>	<b>\$5,473,165</b>	<b>19%</b>
<b>Total Project Costs</b>	<b>\$28,913,790</b>	<b>100%</b>

# 453 & 501 Pine Street Roadmap to Redevelopment

## Recommendations

### Part I: Raising Capital for Pre-Development

Most urgently, Redstone seeks assistance securing \$150K in at-risk pre-development funds to enable them to complete the entitlement process. In this case, entitlement includes completing the significant environmental, geotechnical and stormwater design work necessary to acquire permits and approvals for redevelopment of the site. Specifically, this would cover the additional geotechnical and wetlands analysis and engineered stormwater drawings required to meet minimum submission requirements for local conservation commission review. It also covers zoning application fees. Having entitlement in place would allow Redstone to aggressively market the site and pursue New Markets Tax Credits as an option on the property. The resources identified in this section have potential to fund predevelopment activities.

i. Agency of Commerce and Community Development (ACCD)

ACCD is Vermont's Agency for Economic Development. ACCD can provide financial assistance for corrective action planning and assessments using program income on previous loans. ACCD is supportive of the project and has demonstrated willingness to assist in this capacity.

ii. Lamoille County Planning Commission (LCPC) Grants

LCPC has grants that range up to \$70K that can be used for a variety of activities. These activities include, but are not limited to, site planning, master planning, impact studies, and capital improvement programs.

iii. Department of Environmental Conservation: Ecosystem Restoration Program (ERP)

The ERP is a grant that aims to restore and protect Vermont's rivers, streams, lakes, ponds, and wetlands. These funds aim to mitigate sources of runoff and erosion caused by precipitation or snowmelt on developed areas. The ERP has a potential of \$150K in grant allocation, for the design and construction of water pollution abatement and control projects. The ERP can fund implementation activities including the soil removal and gravel infill necessary for the stormwater-related portion of the site redevelopment.<sup>1</sup>

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<sup>1</sup> Department of Environmental Conservation. (n.d.). Retrieved June, 2017, from <http://dec.vermont.gov/watershed/funding>

iv. Northern Border Regional Commission (NBRC)

NBRC invests in community and economic development projects in distressed counties across four New England states, including Vermont. Lamoille County public and non-profit entities are eligible to apply for grant funding for a range of projects, including basic public infrastructure, open space conservation, tourism, and recreation. Discussions with NBRC staff can help determine if these project needs can competitively fit within program grant criteria. In 2016, NBRC made 14 awards in Vermont, ranging from \$40K to \$250K. Several of these projects included planning components.

v. Department of Forests, Parks, and Recreation: Land and Water Conservation Fund Program (LWCF)

The LWCF program was created to fund the acquisition of land for parks and public outdoor recreation, or development of new facilities and/or renovation of existing facilities for outdoor recreation. A potential of \$100K in grants are available. The funds are for municipalities and state agencies only and provide up to 50% matching assistance.<sup>2</sup> Should the City decide to pursue the future park, they should pursue LWCF funds for predevelopment work needed on site through LWCF.

vi. Federal Highway Administration Recreational Trails Program

The FAST Act reauthorized the Recreational Trails Program (RTP), which provides funds to states to development and maintain recreational trails and trail-related facilities. Perhaps funding available through this program could support the trails envisioned for this project, freeing up resources that could be used for other purposes. Each state administers its own program, using a set aside of federal highway funds dedicated for this purpose. Vermont received approximately \$1 million for RTP in FY2017.

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<sup>2</sup> Dept. of Forests, Parks and Recreation Agency of Natural Resources. (n.d.). Retrieved June 2017 from: <http://fpr.vermont.gov/recreation/grants/lwcf>



## Part II: Financing Recommendations

As mentioned previously, Redstone faces a \$5M+ development gap for the Pine Street project. The following recommendations are intended to assist Redstone in securing additional capital for the project.

i. Work with State Economic Agency to Attract a Major Tenant

The Agency of Commerce and Community Development (ACCD) is the State of Vermont's Economic Development Agency. ACCD can assist in attracting an anchor tenant looking for a turnkey property to fill the 100K square foot office/retail space. Comparable office sizes are in limited supply in Burlington, a city that otherwise has many attractive characteristics for a large employer. A major global corporation would have the financial capacity to pay a premium for build-to-order office space. Such a tenant could be enticed with incentives to offset costs such as workforce training; the Northern Border Regional Commission (mentioned above) also provides grants for workforce development, as well as telecommunications infrastructure, which could be attractive to a prospective tenant company.

ii. Attract 501 (c) (3) Tenant to Utilize Tax- Exempt Bonds

501(c)(3) organizations that qualify for exemption under Section 501(c)(3) of the Internal Revenue Code are eligible for tax-exempt bonds. The bonds require the 501(c)(3) user to be the owner-occupant of the building. At least 95 percent of the net proceeds of the bonds must be used by a 501(c)(3) organization in furtherance of its exempt purpose. The use of tax-exempt bonds would secure a long term low interest rate.<sup>3</sup>

A development agreement can be structured to ensure that developer fees get paid prior to the bond issue. Redstone can also participate in various revenue streams subject to safe harbor management contract rules to reach the desired level of return, without compromising the tax exempt purpose. Maintaining compliance on tax-exempt bonds is often complicated; it is advised to seek expert bond counsel for specifics related to proper use.

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<sup>3</sup> Bonds And Borrowing (n.d.). Retrieved July 2017 from: [https://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=201410\\_BondsAndBorrowing2006.html](https://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=201410_BondsAndBorrowing2006.html)

iii. Investigate the Following Federal Financing Opportunities:

*United States Department of Agriculture (USDA) Business and Industry Loan Guarantee*

With a current population of 42,260, Burlington may qualify for USDA rural development programs available to communities in rural areas with a population of less than 50,000. USDA's Business & Industry loan guarantee program – available to lenders and businesses that create jobs and stimulate rural economies – can back loans for real estate, building, equipment, and working capital, and could be attractive to a prospective tenant.

*Economic Development Administration (EDA) Public Works Program*

EDA's Public Works Program offers flexible financing options to support physical infrastructure needed to enhance job creation, diversify local economies and generate or retain long-term private investment, and economic development, including smart buildings and brownfield redevelopment. Burlington, working with Redstone, will want to discuss this with the EDA regional office, to determine how best to fit this into EDA's investment priorities, in order to ensure a competitive application.

iv. Pursue New Markets Tax Credits (NMTC)

The NMTC Program incentivizes community development and economic growth through the use of tax credits that attract private investment to distressed communities. In November 2016, Treasury allotted \$7B in NMTC allocations to 120 organizations nationally. The Pine Street project is located in a NMTC eligible census tract. Redstone has utilized NMTC for past projects and they have a good understanding of how this tool works. As NMTCs are highly competitive, projects will strongly be considered in regards to both their readiness and their community impact. Part III of this document makes recommendations to enhance the "green" energy aspects of the project, which would increase the community impact score, and therefore the NMTC attractiveness, of the project.

v. Renew Request for Vermont Clean Water State Revolving Loan Fund (CWSRF)

Vermont's CWSRF Program provides funding for Vermont's Clean Water Projects in the form of low-interest loans to municipalities. Brownfield projects that relate to water quality are eligible.<sup>4</sup> Redstone previously applied for the funds but were told they would need to obtain the financial backing of the City through a bond vote (determined not to be feasible given the private nature of the redevelopment). Redstone should work with the City and the CWSRF committee to understand if there is any alternative structure which would allow for access to these funds.

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<sup>4</sup> Department of Environmental Conservation. (n.d.). Retrieved June 2017 from: <http://dec.vermont.gov/facilities-engineering/water-financing/cwsrf>

vi. Conduct Project-Specific Tax Increment Financing (TIF) Analysis

A project-specific TIF is used when a single project or piece of property is targeted for a fundable project. The tax increment derived from project-specific TIFs typically goes towards the public improvements necessary to help make the project feasible, such as parking, infrastructure, and sewer/water improvements.<sup>5</sup> Redstone can work with Burlington's Community and Economic Development Office (CEDO) to closely assess the potential for a project-specific TIF by conducting a comprehensive analysis of the amount of TIF revenue that could be generated over time.

Currently, a statute limits the creation of additional TIF Districts in Vermont. Nevertheless, if the analysis indicates that a TIF would generate the desired revenue, it could be worth pursuing despite the current statute; the approval for a project-specific TIF with well-demonstrated economic benefit may not face the same challenges as an entire district approval.

vii. Explore public ownership or long-term lease options for the parking

Public ownership or long term lease options for the planned parking may open up additional federal funding opportunities for that portion of the project. Public control could be justified since the parking will accommodate public access to the proposed park.

viii. Work with the Department of Environmental Conservation (DEC) to Create a Brownfields Pilot Program

Vermont DEC has expressed interest in creating a Pilot Program that would assist in the redevelopment of brownfields. This Pilot Program could be a brownfields tax credit/incentive or tax redirect. Redstone should work with the DEC to create a program that will ease the tax burden on the property, perhaps using a New Jersey program as a model that allows property owners and developers to recover property taxes up to 75% of the amount of cleanup expenditures.

ix. Explore Foundation and Federal Financing for Brownfields/Green Infrastructure

Redstone can look to align itself with foundations who focus on energy efficiency, green buildings, and environmental improvement. Many foundations offer grants and/or loans. The Funders' Network and/or the Office of Energy Efficiency and Renewable Energy in the U.S. Department of Energy frequently list funding opportunity announcements on their websites. See the Additional Resources section for links.

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<sup>5</sup> Council of Development Finance Agencies and International Council of Shopping Centers. (2016) Tax Increment Finance Reference Guide 2<sup>nd</sup> Edition. Columbus, Ohio: Council of Development Finance Agencies.

## Part III: Capitalizing on “Green” Energy Aspects

As mentioned previously, adding “green” energy aspects to the Pine Street project will enhance the community impacts of the project and could contribute to more favorable scoring in regards to the NMTC application. Many of the state financing programs in Vermont also value green infrastructure, energy efficiency and water management. The programs below provide opportunities to enhance the green aspects of the redevelopment while also providing some financing assistance for the respective green features:

i. Investigate Preferred Site Solar Incentive

The Vermont Department of Public Service manages the Clean Energy Development Fund (CEDF). The Fund coordinates with other state programs and private entities to integrate and advance renewable energy across all sectors of the State’s energy economy. The Department of Public Service offers technical assistance and access to the Vermont Investment Tax Credit, which will cover 7.2% of eligible costs of a solar system.<sup>6</sup>

ii. Pursue Volkswagen Settlement Funds

As part of the settlement for its diesel emissions cheating, Volkswagen will spend \$300M on electric vehicle charging stations.<sup>7</sup> Although not necessarily part of the redevelopment plan, including charging stations would enhance the green energy aspect of the redevelopment and provide another amenity for future tenants.

iii. USDA Rural Energy for America Program (REAP)

As mentioned previously, based on population count, Burlington may qualify for some USDA rural development programs that focus on energy. The Rural Energy for America Program (REAP) can provide grants of up to 25% (up to \$250K) of total eligible project costs for energy efficiency projects, and up to \$500K for renewable energy systems.

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<sup>6</sup> Department of Public Service. (n.d.). Retrieved June 2017 from: [http://publicservice.vermont.gov/renewable\\_energy/resources](http://publicservice.vermont.gov/renewable_energy/resources)

<sup>7</sup> Volkswagen Clean Air Act Civil Settlement. (2017, May 19). Retrieved June 2017 from: <https://www.epa.gov/enforcement/volkswagen-clean-air-act-civil-settlement>

## Part IV: Exploring Partnerships with the University of Vermont (UVM)

Creating partnerships with the University can foster a positive community impact with the development of the site.

i. Incorporate Green Building Standards

UVM is a preeminent small public research University, particularly in areas of environment, health, and green buildings. The university has adopted standards based on a set of design and construction practices that significantly reduce the negative impact of buildings on the environment.<sup>8</sup> Redstone can work with UVM to incorporate the principle tenants of their Green building Program in the Pine Street Redevelopment Project.

ii. Employ students to conduct site monitoring

When Redstone acquires the property, they will become responsible for monitoring the site. However, UVM Rubenstein School of Environment and Natural Resources<sup>9</sup> may have an interest in partnering on site monitoring activities to provide learning opportunities for students. Redstone should reach out to UVM to investigate opportunities for such a partnership and determine if UVM would be willing to defray some portion of ongoing site monitoring costs.

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<sup>8</sup> Vermont, U. O Green Building Program. (n.d.). University of Vermont. Retrieved July 2017 from: <http://www.uvm.edu/~gbc/>

<sup>9</sup> Rubenstein School of Environment and Natural Resources. (n.d.). Retrieved July 2017 from: [http://www.uvm.edu/rsenr/undergraduate\\_programs](http://www.uvm.edu/rsenr/undergraduate_programs)

## 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>

Northern Border Regional Commission Economic and Infrastructure Development Investments |

<http://www.nbrc.gov/content/economic-infrastructure-development-investments>

Federal Highway Administration Recreational Trails Programs |

[https://www.fhwa.dot.gov/environment/recreational\\_trails/](https://www.fhwa.dot.gov/environment/recreational_trails/)

Built By Bonds |

[https://www.cdfa.net/cdfa/cdfaweb.nsf/ord/builtbybonds.html/\\$file/CDFA-Built-by-Bonds.pdf](https://www.cdfa.net/cdfa/cdfaweb.nsf/ord/builtbybonds.html/$file/CDFA-Built-by-Bonds.pdf)

U.S. Department of Agriculture Rural Development Programs |

<https://www.rd.usda.gov/programs-services/all-programs>

Agency of Commerce and Community Development |

<http://accd.vermont.gov/>

Council on Foundations Locator |

<https://www.cof.org/content/resources>

Office of Energy Efficiency & Renewable Energy |

<https://energy.gov/eere/office-energy-efficiency-renewable-energy>

Funders' Network |

<http://www.fundersnetwork.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*

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Dan Albrecht  
Norm Baldwin  
Trish Coppolino  
Rick Davis  
Justin Dextrateur  
Kristie Farnham  
Frank Gardner  
Erik Hoekstra  
Brett Long  
Karen Lumino  
Scott Mapes  
Kirsten Merriman Shapiro  
Tom Porter  
Deryk Roach  
Nina Safavi  
Michael Smith  
Chapin Spencer  
Meagan Tuttle  
David White  
J. Larry Williams

### *Organizations*

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Agency of Commerce and Community  
Development (ACCD)  
Burlington Community and  
Development Office (CEDO)  
Burlington Engineers Office  
Burlington Parks Department  
Burlington Planning Department  
Chittenden County Regional Planning  
Commission  
EPA Region 1  
Redstone

## About the Authors

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](http://www.cdfa.net).

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Emily Moser, Program Manager  
Blake Williams, Program Coordinator

CDFA was advised during the Brownfields Project Response Team site visit by a team of technical assistance advisors:

Tina Neal, Principal  
Perseverance Capital Advisors, LLC

Kenneth Bond, Senior Partner  
Squire Patton Boggs





The Council of Development Finance Agencies is a national association dedicated to the advancement of development finance concerns and interests. CDFA is comprised of the nation's leading and most knowledgeable members of the development finance community representing public, private and non-profit entities alike. For more information about CDFA, visit [www.cdfa.net](http://www.cdfa.net) or e-mail [info@cdfa.net](mailto:info@cdfa.net).

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