

Reinvestment Focused Environmental Finance: *The Economic Development Function of EPA/Environmental Programs*



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What this discussion will cover...

- Role of EPA programs in economic development
- Useful EPA grants...*about \$100 million annually for assessment , cleanup, brownfield RLFs; state-determined water RLFs*
- Complementary federal development/tax incentive programs...*what can be part of an environmental/redevelopment strategy?*
- Examples along the way...

Environmental , Financial Tools Can Be Fit Together, Leveraged to Promote

Redevelopment

- To provide resources directly
 - *Grants; forgivable/performance 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*



EPA Brownfield Assessment Grants

Eligible entities

- State/local governments, tribes, redevelopment agencies, land clearance/community development/port authorities, other quasi-governmental entities

Availability

- Up to \$200,000
- Coalitions (3+ entities) can submit one assessment proposal for up to \$1 million
- Site specific or community-wide assessment proposals allowed
 - *Waiver for up to \$350,000 for site specific uses*

EPA Brownfield Assessment Grants

Uses/applications with ED impacts

- Inventory, prioritize sites
- Assess sites
- Related community involvement activities
- Cleanup and linked redevelopment planning
- Area-wide brownfield redevelopment planning

Limitations

- 1 hazardous substance, 1 petroleum grant/yr
- Coalition members may not apply individually
- Highly competitive – *this year, 1 in 4*

EPA assessment grant -- Somerville, MA

- Former mattress factory, vacant 2 years.
- **\$100,000 assessment grant** to city— provided non-profit developer with key decision-making information
- Developer remediated the site and demolished the existing structures
- New use – 97-unit assisted-living facility and health center, containing 97 units for low-to-moderate income seniors.
- **Leverage** -- \$100,000 in CDBG was used as a cost-containment reserve.



EPA assessment grant – Brewer, ME

- Abandoned paper mill, closed in 2000 after century of operation, displacing 430 workers
- **\$350,000 assessment grant** to city– provided city-formed South Brewer Redevelopment non-profit to spearhead reuse
- Waterfront site attracted a modular construction company with shipping needs
 - *New manufacturing use allowed more cost-effective industrial standards to be used*
- **Impact** – 500 new jobs, significant new tax revenue



EPA Brownfield Cleanup Grants

Eligible entities

- State/local governments, tribes, redevelopment agencies, land clearance/community development/port authorities, other quasi-governmental entities
- Non-profits may apply directly

Availability

- Up to \$200,000 – either hazardous substances or petroleum

EPA Brownfield Cleanup Grants

Uses/applications with ED impacts

- Carry out cleanup activities
- Oversee cleanup construction, monitoring
- Conduct health monitoring
- Monitor and enforce institutional controls
- Purchase environmental insurance

Limitations

- Applicants must own sites/options to acquire
- Applicants may apply for up to 3 grants/yr
- 20% cost share – *hardship waiver available*
- Applicants must have Phase II site assessment

EPA cleanup grant:-- Taunton MA

- 6.5 acre, century-old former Robertson yarn mill; vacant 10 years
- **\$52,000 EPA cleanup grant** to non-profit Weir Corporation
 - *Key first steps in cleanup, to demonstrate viability of local interest in redevelopment*
- Set the stage for preparation of site for LIHTC-supported development
 - *64 housing units*
 - *18,000 sq. ft. commercial space*
- **Leverage** -- \$15 million local/state/private investment



EPA Cleanup grant: -- Houston, TX

- Former Jefferson Davis hospital for indigents, built 1924
 - *Leaking UST, paint & asbestos*
- **\$200,000 EPA cleanup grant** helped Avenue Community Development Corp. prepare site for affordable artist live/work space
 - *34 units to anchor emerging arts district*
- **Leverage** -- \$6.2 million in redevelopment investment
- **Today** – Jefferson Davis Artists Lofts



EPA Brownfield Cleanup RLF Grants

Eligible entities

- State/local governments, tribes, redevelopment agencies, land clearance/community development/port authorities, other quasi-governmental entities

Availability

- Up to \$1 million
- Coalitions can submit one RLF proposal for up to \$1 million

EPA Brownfield Cleanup RLF Grants

Uses/applications with ED impacts

- Capitalize RLF, provide low/no interest loans to carry out BF cleanup activities
- Award sub-grants to clean up sites
- Conduct health monitoring
- Monitor and enforce institutional controls
- Purchase environmental insurance

Limitations

- At least 50% of award must capitalize RLF
- 20% cost share – *hardship waiver available*
- Applicant administrative capacity is key

EPA Cleanup RLF grant – Jackson County, MI

- **\$200,000 EPA assessment grant** helped Jackson prioritize BF sites
 - *36 abandoned and underused parcels on 15 acres for Consumer Energy's new corporate headquarters*
- Assessment info triggered other financing sources
 - *\$8.6-million MI Single Business Tax credit*
 - **\$1-million BF Cleanup RLF**
- **Today** – Consumers' Energy's new corporate headquarters
- **Leverage** – consolidation downtown retains 600 Jackson jobs while bringing 750 new jobs into the CBD



EPA Clean/Drinking Water RLF Grants

Eligible entities

- Capitalization grants to states – *about \$3 billion/yr*
- States set loan priorities, customize RLF strategies/terms
 - *No/low interest, repayment up to 20 years*
- States may lend to -- *communities, non-profits, private entities*

Availability

- State determined
- States can set water-related brownfield remediation as priority
 - *Only a few have ...*

EPA Clean /Drinking Water RLF Grants

Uses/applications with ED impacts

- Site assessments (Phase I, II, III)
- Excavate and dispose of USTs
- Construct wetlands as a filtering mechanism
- Excavate/remove/dispose of contaminated soil or sediments
- Safely abandon/cap wells
- Demolish tunnels

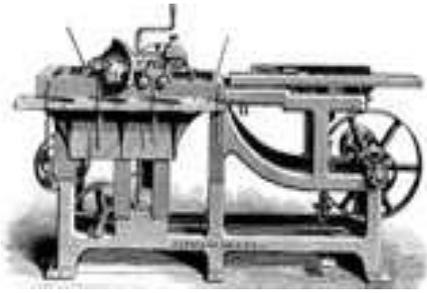
Limitations

- States set RLF funding priorities, project approvals
- Starting in FY2010 – 20% priority for green infrastructure, low-impact projects

Using clean water RLF funds to meet contamination/cleanup needs

- **Ohio has included brownfield cleanup as one of its state clean water RLF priorities, when contaminated properties affect water quality**
- *Grant Realty used \$1.6 million in RLF loan proceeds to finance cleanup of a 20-acre industrial site adjoining the Cuyahoga River – Cleveland*





Innovative environmental applications of old federal economic development tools....

HUD/community development programs

- **CDBG** – Grants, locally-determined loans for economic/community development, planning
- **Section 108** – Loan guarantees for site prep/infrastructure

EDA/economic development, infrastructure programs

- Public works/economic adjustment/planning

USDA/rural development, utility programs

- Business/industry development, housing, community facilities

DOT/transportation

- Road/transit system enhancement, construction, preparation/improvement

CDBG: Chevy Place – Rochester, NY

- 2.2 acre downtown auto dealership, gas station, and service garage site
- ***Key concern*** -- UST and other contamination deterred developers
- ***Role of CDBG*** – Critical gap financing; used for site assessment, partial 1st phase cleanup (including tank removal)
- Developer funded 2nd phase of cleanup
- City \$2.35 million redevelopment loan from **CDBG**-capitalized pool
- ***Result*** -- 77 new residential units; coffee house with 20 jobs



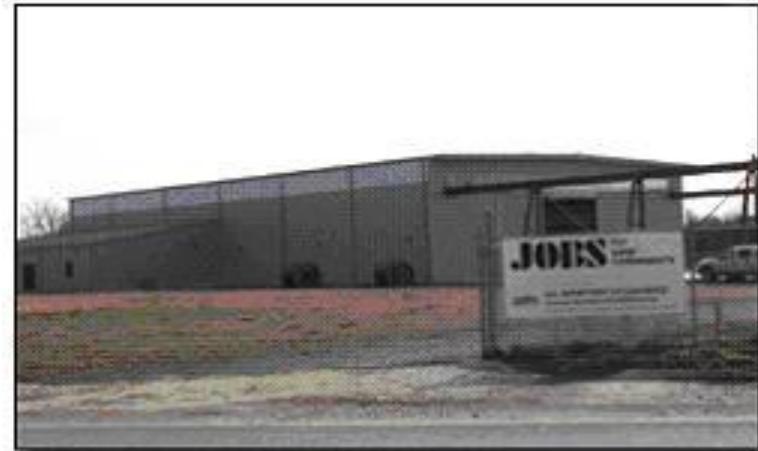
Sec. 108: American Can Company – New Orleans, LA

- Abandoned warehouse on 6.6 acres
- Converted to 268 new apartments (20% affordable) with retail and parking space
- \$42 million project cost, included:
 - **\$5 million Section 108 loan**
 - \$1 million city economic
 - \$29 million LIHTC allocation
 - tax-credit equity for approximately \$7.8 million in equity thru historic rehab tax credits.



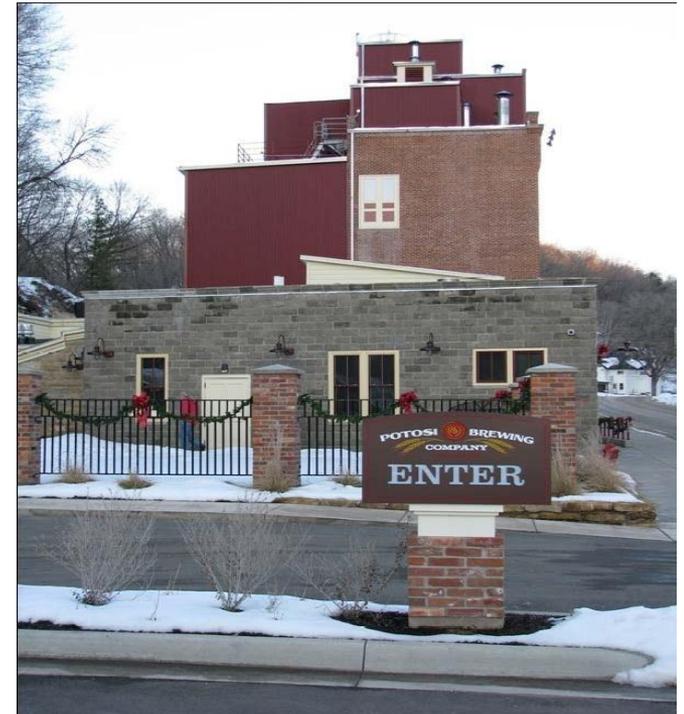
EDA/public works: Plainview Steel – Plainview AR

- 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



USDA: Potosi Brewery – Potosi, WI

- Brewery built 1852 in Potosi (pop. 700), abandoned 1972
- *EPA, state site assessment, cle grants*
- **\$3.3 million B&I guaranteed loan** key to securing additional \$4.2 million in financing
- Transformed Potosi's main street; community involvement key
- *BF link*: Refurbished site transformed into micro-brewery, brewing museum and library
- 50 new jobs, 4 new beers



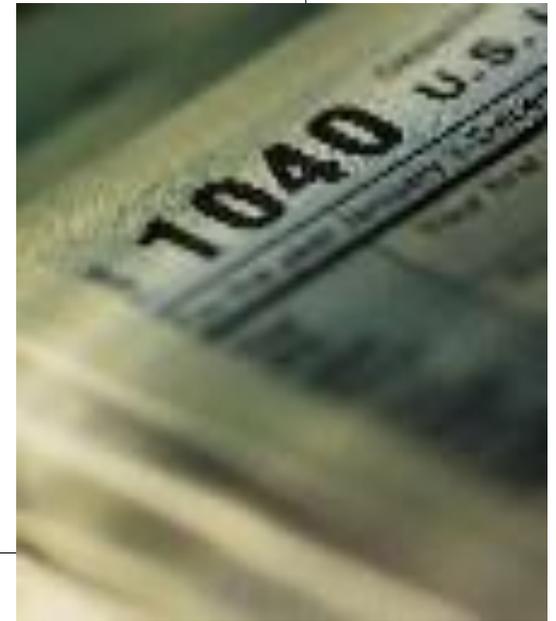
DOT: Banner Bank – Boise, ID

- Deteriorating parking garage
- Built 1963, partially closed in 2000; major structural concerns
- **\$324,000 in highway district funds** supported street improvements
- **Result**– transportation funding integral to sustainable development strategy
 - 92% construction waste recycled
 - LEED platinum certified
 - All rainwater, graywater reused
 - 65% energy efficiency achieved
- \$25 million private investment, \$370,000 annual tax revenues, 650 new downtown jobs



***Federal tax incentives that can support environmental/revitalization transactions
– all at little or no cost to the project....***

- New Markets Tax Credits
- Rehabilitation tax credits
- Low income housing tax
- Renewable energy tax credits
- Brownfield cleanup
expensing*



** on hiatus*

NMTCs : Tip Top apartments – Omaha, NE

- Abandoned Ford Motor factory (1916-36), center of blighted area
- **Key concern** – financing gaps stemming from rehab of brownfield into affordable housing
- **Role of NMTCs** – \$12 million instrumental in attracting private capital from US Bank needed to close the \$24.5 million deal
- **Result** – 96 moderately priced apartments, ground floor commercial space with 138 jobs
- Significant additional private investment in surrounding area



Rehab tax credits: Ford Motor Assembly Plant -- Richmond CA

- Built in 1930, 520,000 sq.ft. ; closed 1953
- Original Albert Kahn “ daylight factory”
- Rehabilitation work began in 2004
 - *Included seismic retrofits, green performance measures, including solar panels on roof*
- **\$11 million in rehab tax credits**
- **Today** – houses several manufacturers of sustainable products, plus 45,000 sq ft meeting and entertainment venue



LIHTCs: Mifflin Mills – Lebanon, PA

- PA's first affordable “rent-to-own” townhouse community
- Former vacant, blighted city block near downtown
- Energy efficient construction, designed to blend into existing residential neighborhood
- 20 units, completed Nov. 2009
- **\$1.5 million in low-income housing tax credits** key part of financing package needed to attract investors to rent-to-own project structure



Energy Credits: Bio-fuel Station – Eugene, OR

- ¾ acre abandoned (since 1991) gas station, with leaking UST systems, contaminated soil and ground water on and off-site

Energy Incentives Leveraged

- \$1.2 million low-interest, redevelopment Oregon Sustainable Energy program loan
- \$250,000 state, federal energy tax credits



Results -- mixed-use bio-diesel fueling station

- 15 jobs; \$4,000 in property taxes
- incorporates state-of-the-art E2/P2/renewable energy techniques, including a green roof, bioswales to contain runoff



Environmental finance: It's all about partnerships!!

*Take away message on financing
contaminated property from these
programs, project examples...*



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- Creatively use a mix of **development and environmental** programs to meet the **full** range of site redevelopment needs, attract private financing for **every** aspect of the brownfield/contaminated property redevelopment process
- Blend cash, process incentives, and cash offsets to make a project work
- Focus on creative strategies, innovative program applications

For additional examples and information....

Contact Charlie Bartsch at

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Make sure to visit EPA's brownfields web site:

www.epa.gov/brownfields

Check out...

*Brownfields Federal Programs Guide
A Guide to Federal Tax Incentives for
Brownfields Redevelopment*