



**Tried, True and Unexpected Funding for  
Brownfields Redevelopment**  
Garden City, Kansas      March 30, 2011

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Geotechnical   ■   Environmental   ■   Construction Materials   ■   Facilities

## Today ...



- Examples of (non-EPA) federal program tools/tax incentives that can be put together in a brownfield effort – and what they can do
- Low cost/no cost strategies with important \$\$ impacts
- Emerging local financing strategy innovations that communities are exploring that can be linked to brownfield efforts
- Examples of diverse resources in action...

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# Public Tools Promoting Brownfield Reuse



- To provide resources directly
  - Grants; forgivable 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

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## Every Aspect of the Brownfield Reuse Process...

- brownfield reuse/redevelopment planning
- site acquisition
- environmental assessment
- removal or remediation of contamination
- installation of institutional controls
- site clearance, demolition, and debris removal
- rehabilitation of buildings
- construction of infrastructure, related improvements that enhance contaminated property value

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# 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
- 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

## 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

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## Authorized Brownfield Funding

**\$200 Million\*  
Communities**

**\*25% Must Be Used For Petroleum**

**\$50 Million  
States & Tribes\***

**Assessment Grants**

**Cleanup Revolving Loan  
Fund Grants**

**Direct Cleanup Grants**

**Job Training Grants**

**Brownfield Targeted  
Assessments  
By EPA Regional Contractors**

**State & Tribal Response and  
Voluntary Cleanup Programs  
(Including 128a Assessments)**

**New: EPA Area-Wide Planning & Renewable  
Energy Feasibility Grants**

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## 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



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## HUD Supported

### 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

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# 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

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## Indiana

### State/Small Cities CDBG

- \$ 31.3 million in FY 2009 – making the fit to brownfields:
- Community Focus Funds
  - Eligible projects include – infrastructure, downtown revitalization, historic preservation, community centers
- Micro-enterprise assistance
  - Goal is long-term community development – why not focus on businesses on brownfield sites?
- Planning
  - Facilitate projects such as downtown revitalization and community facilities – why not target to brownfield activities?



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## CDBG:

### Marsh Island Carry – Old Town, ME

- Abandoned 3-acre Lily-Tulip paper plate manufacturing site on Penobscot River. Converted into waterfront park, 2 commercial buildings
- Key funding included \$400,000 state/small cities CDBG grant for infrastructure around commercial buildings
- Other funding included:
  - \$24,500 from the National Trails Recreation Act for trails, walkways, and river stabilization
  - \$8,000 from ME Forest Service for trees
  - Leverage: 4 new businesses, 30 jobs, \$18,000 in property tax revenues, open space



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## 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 \$430,000.00
- Financing included –
  - \$105,000 in state small/cities CDBG
  - \$150,000 local sources



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# HUD/CDBG

## Jack Evans Police Station, Dallas TX

- Small, isolated brownfield site used to meet critical public service need
- Jack Evans police station, on 3.2 acre former gas station/ dry cleaner site
- \$150,000 in CDBG used for site preparation, including cleanup and demolition
- Construction funded with G.O. bonds



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## 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

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# 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

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## 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



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# 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



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## 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

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# 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

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## USDA

### Charleston Place, Seaford, DE

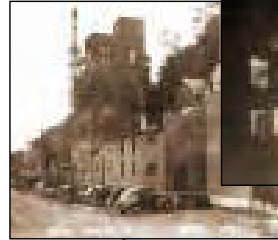
- Abandoned sewing factory, built in 1920s
- Developed by non-profit Better Homes of Seaford
- \$600,000 USDA rural development loan, plus DE Housing Authority and private bank participation
- Ribbon cutting 1/9/06; fully occupied by March



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## Potosi Brewery, Potosi, WI

- Brewery built 1852 in Potosi (700), abandoned 1972. Asbestos, lead paint, other contaminants
- \$3.3 million B&I 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



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# DOT

## Old Montgomery Ward Distribution Center, Fort Worth, TX

- Historic “white elephant” on a 45-acre site adjoining CBD
- DOT Congestion Mitigation and Air Quality Improvement for road and sidewalk infrastructure
- Other financing tools used
  - Historic rehab tax credits
  - State tax abatements, fee waivers
- Today -- DOT mixed use commercial/ retail/office complex, CBD extension



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# Federal Tax Incentives

- 3 with particular relevance to smaller cities and smaller sites –
  - Rehabilitation tax credits
  - Low income housing tax credits
  - Brownfield cleanup expensing



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## Tax Incentives in Brownfields

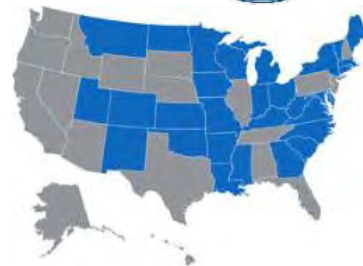


- Increase project's internal rate of return
- Ease borrower's cash flow by freeing up cash ordinarily needed for tax payment
- Some credits can be sold for cash, or syndicated to attract additional investment
- Not subject to competitive public grant process – you qualify, you win!

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# 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

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## 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

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# 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



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# 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



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# 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

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## Low-Income Housing Tax Credits “fine print” and caveats

- Wrinkles...
  - Loss of tax incentive value on secondary market – from about 95 cents/\$ to about 65 cents/\$ now
  - “Green” priority for credit allocations within states
- Credits support a wide range of housing types/situations
  - Urban, suburban, rural projects
  - Housing for families, special needs tenants, elderly
- \$3.85 billion in credits issued in fiscal year 2008, supporting 1/3 of all new construction in that year
- Impacted by Recession like everything else

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# 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



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## 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

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# Brownfield Cleanup Expensing caveats and “fine print”

- “Stealth incentive” – less than 2 dozen projects annually
- Little understanding of what it is, what it does, how it works
  - On the part of Treasury (no regs/guidance), developers, transaction support professionals, state agencies who certify
- Process not well articulated at state level
- Authorized in “fits and starts”
  - Makes long-term, larger projects hard to plan
- Subject to recapture on transfer
  - Vague Treasury interpretation deters use

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## Alliance Environmental Goodwill Fire Department, West Chester, PA

- 8.5 acre former pharmaceutical property and dump site in economically distressed area
- Cleaned and redeveloped by Alliance Environmental
- Now, location of Good Will Business Park: 100,000 sq. ft. of retail, public service facilities including fire department and district court
- Incentive provided Alliance with nearly \$800,000 in tax relief



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# T.R. Thickston Glass Company

## Bloomington, IN

- Former recycling center with foundry waste
- Project spearheaded by environmental consulting firm familiar with tax incentive
- Incentive saved about \$80,000 in tax liability, used to support cash flow until redevelopment occurred
- Result -- Site leased by T.R. Thickston Glass Company; created 3 jobs



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## “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

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# 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

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## 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

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# Johnson Street Quarry

## Minneapolis, MN

- Johnson Street Quarry was a blighted, under-utilized property
- A local developer wanted to build a 420,000 SF shopping mall
- After extensive community involvement, as well as strong public/private cooperation, several major national retailers located in the retail center, including Target, Pet Smart, and Rainbow Foods
- TIF was key to financing site preparation
- Redevelopment of this property has spurred redevelopment in the surrounding area, created over 2,000 new jobs (much above original estimates) and increased property and sales tax revenues in excess of \$3 million a year.



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## 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”

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# Urban Renewal District Chelsea, MA

- Blighted 10-acre outdoor storage yard for junk cars and equipment.
- Developer purchased 2 acres for \$1.2 million to construct a \$17 million, 180-room, full-service hotel
- 10-year property tax abatement key incentive, used to offset site cleanup and preparation costs
- Hotel now employs 100 workers, generates approximately \$400,000 in sales and income tax revenue annually – even with the abatement in place.



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## 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

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# 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



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## 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.

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# 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.

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## Waterfront Development New Bedford, MA

- Locally capitalized RLF used to pay for Phase I site assessments at sites served with environmental tax lien
- Capitalization sources include local contributions, proceeds from property sales as liens are redeemed



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# Local Initiatives



- PROPERTY TRANSFERS with intent
- Site is transferred to new owner or user for a nominal fee, typically \$1, in exchange for an agreement to clean up and reuse the property

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## What about small communities?

- Any community, even the smallest rural area, can face brownfield issues that may impede local development efforts.
- The question here is ... how can they identify and leverage \$\$\$ to achieve brownfield success?
- Can they do it?



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# Yes, they can !!!

- Population does not measure success
- Making do with what *is* available
- Strength & success in combination



***Small Town Bob  
does brownfields!!***

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## 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
- 2nd EPA Targeted Assessment Funding, \$70,000
- EPA Assessment, \$200,000
- EPA Assessment, \$200,000
- Revolving Loan Fund, \$1MIL
- EPA Cleanup Grant, \$200,000

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# Small Railroad Properties & Quality of Life



- **Atchison, KS**
- **Brownfield Funding**
  - 128a Assessments (3), ~\$40,000
  - EPA Assessment Grant, \$200,000

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## Find Every Dollar, Leverage It



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

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**Breakdown by Source of Funding**

	<u>Dollar</u>	<u>Percent</u>	
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	<u>4,160,858.00</u>	100.0%	

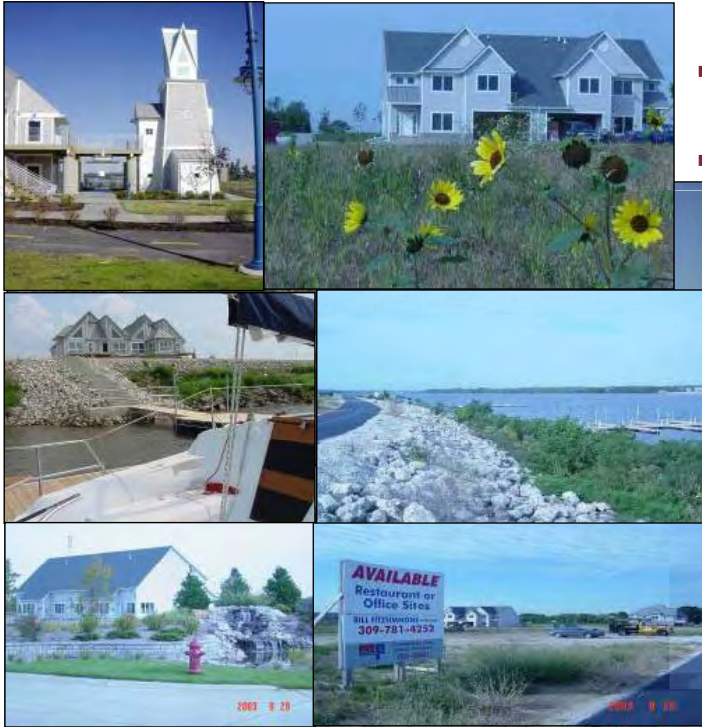
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# Former Riverfront Landfills



- Population ~20,000
- Brownfield Funding
  - EPA Pilot Assessment, \$200,000
  - EPA Supplemental Pilot, \$150,000
  - State Program Grant, \$120,000
  - ~\$600,000 Corps of Engineers Public Assistance to States
  - Transportation Infrastructure~ \$400,000
  - TIF financing and incentives through City

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## Small Cities

Population Doesn't Measure Success



- Population 9,000 in 1999
- Brownfield Funding
  - 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

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# 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 Grants
- River Bend commercial/residential development: \$12,000,000
- Land Acquisition: \$30,000,000
- Total: Over \$140,000,000
- 956 new jobs to date

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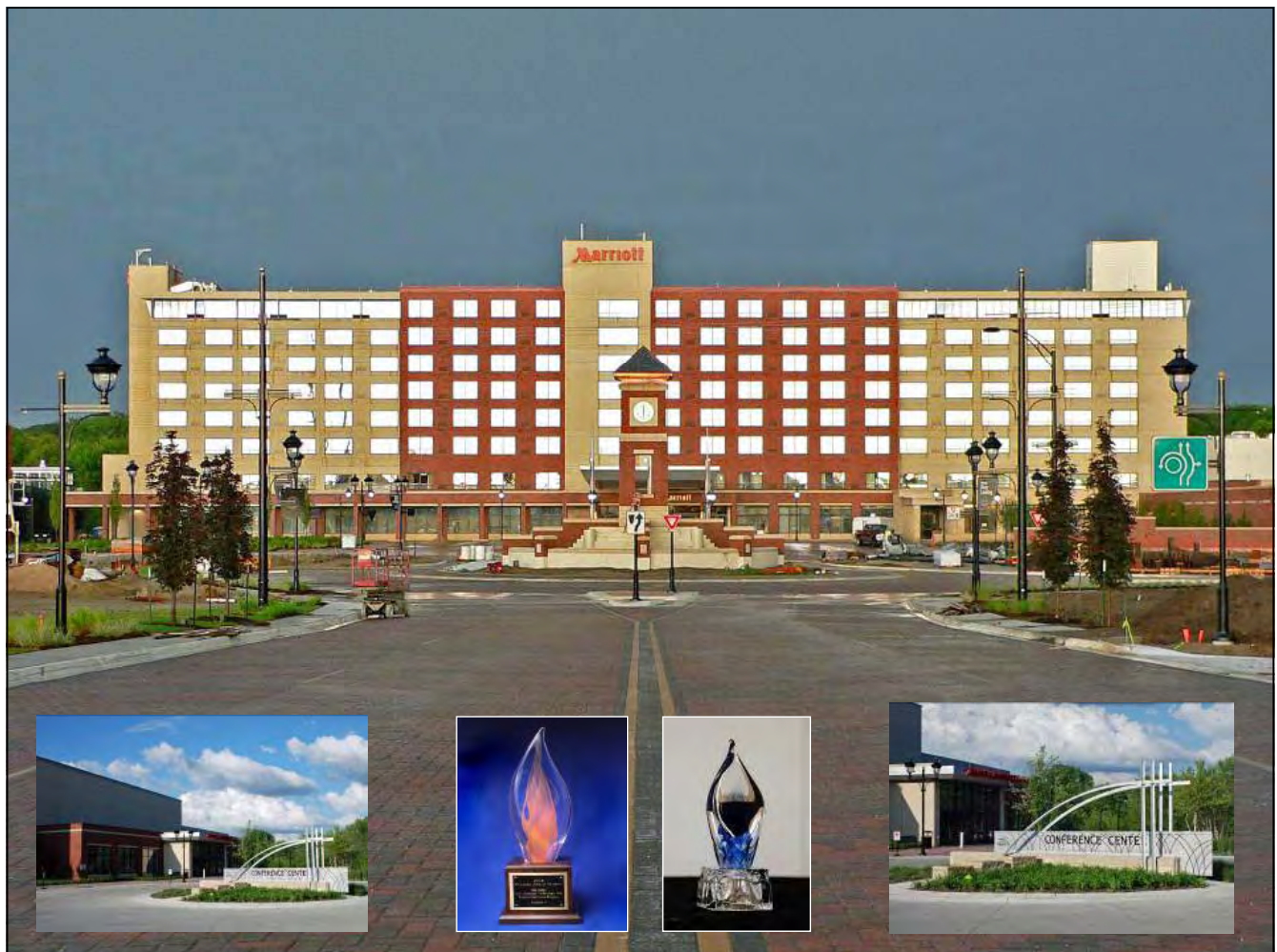
## \$ RESOURCE CONSERVATION: PROJECT-WIDE REUSE & RECYCLING

- Complete buildings
- Concrete and asphalt
- Recycled 80,000 cubic yards



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## No Cost Savings Too Small: Wet 'n' Muddy Day





<sup>3</sup> It's not all fun & games ...



IOWA RIVER LANDING

CORALVILLE, IOWA

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But Brownfields is About Survival



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## Yes, they can!! Rosalia, WA – Locally driven public-private partnerships can stimulate innovative site financing in small communities

- 1923 vintage Texaco gas station, in downtown Rosalia, WA (pop. 600)

- 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



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## Rosalia Partners

### ***Partner donations include:***

- 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



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Close with a favorite, Jewell, KS ...

## **QUESTION & ANSWER**

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