

Funding Brownfields: Federal Resources for Local Partnerships

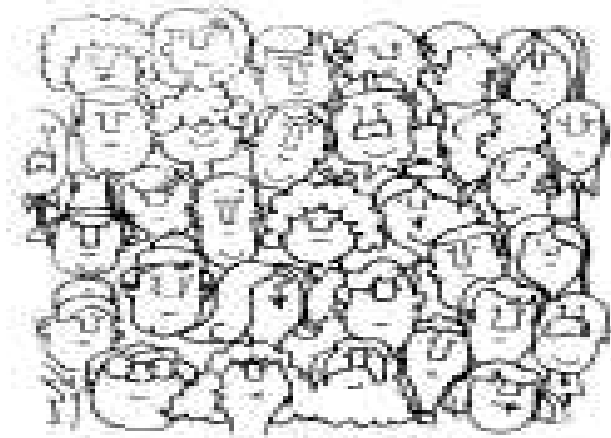


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What this discussion covers...

Federal family of sources of funding – what can help meet a variety of community needs?

- Community development funding/programs
 - *HUD, EDA, DOT, SBA, USDA*
- What can they do?
 - *Linkages to EPA objectives*
 - *Gaps they can fill*
- Program reality check
 - *Opportunities and limitations*



Context for Federal Partnerships: Tools Can be fit together, leveraged in various ways to meet community needs

- **Tools can often provide resources directly**
 - *Grants; forgivable/performance loans*

But they also can...

- **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*



Financing Programs: A Federal “Laundry List”

What’s Been Used to Support Community Project Partnerships?

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 loans/guarantees
- SBA’s Section 7(a) and Low-Doc programs
- USDA business, intermediary, development loans

Grants

- HUD’s Community Development Block Grants (for projects locally determined)
- EPA assessment, cleanup grants
- EDA public works and economic adjustment

Grants (*continued*)

- DOT (various system construction, preservation, rehabilitation programs)
- DOT TIGER grants
- Army Corps of Engineers (cost-shared services)
- USDA community facility, business and industry grants

Equity capital & loan guarantees

- BA Section 7(a) guarantees
- DOE energy facility guarantees

Tax incentives and tax-exempt financing

- Historic rehabilitation tax credits
- Low-income housing tax credits
- New Markets Tax Credits
- Industrial development bonds
- Energy efficiency/renewable energy project construction/installation credits

EPA Brownfield Assessment , Cleanup and RLF Capitalization Grants

Eligible entities

- State/local governments, tribes, redevelopment agencies, land clearance/community development/port authorities, other quasi-governmental entities; non-profits for cleanup grants *only*

Availability

- Up to \$200,000 for *assessment and cleanup* grants(either hazardous substance or petroleum)
 - *Waiver for up to \$350,000 for site specific use*
- Up to \$1 million for *RLFs*

Uses/redevelopment impacts

- *Assessment* – inventory, prioritize, assess sites; cleanup and linked re-development planning; AWP
- *Cleanup and RLF* – carry out cleanup activities; oversee cleanup construction, health monitoring; institutional controls, purchase environmental insurance
 - *RLF can be used for loans; 40% may be used for sub-grants*

EPA/Brownfields – Funding wrinkles and reality check

- Tight competition – about 1 in 3 qualified applications able to be funded
- Limit on administrative cost uses may inhibit small, non-profit applicants with little capacity
- New emphasis on implementation, leveraging commitments
- Sequential assessment/cleanup funding process may cause redevelopment timing issues
- ***Linkage/leverage potential:*** Sets the stage for other public and private resources – nearly \$18 for each EPA brownfield dollar invested. Increasingly, viewed as the first step in the local redevelopment process

The Likely Suspects – what's most commonly considered to help fit with community needs?



HUD/community development programs

- CDBG – grants for economic/community development, planning, support services, housing
- Section 108 loan guarantees – typically, for major capital projects

EDA/economic development, infrastructure programs

- Public works/economic adjustment/planning

USDA/rural development programs

- Business/industry, business development – loans, loan guarantees, grants for all phases of project development
- Community facilities – grants and loans

DOT/transportation

- TIGER grants
- Road/transit system enhancement, construction, improvement

SBA

- Loan guarantees for business – directly and thru CDCs

HUD/CDBG : What it Can Do, How it Can Leverage

- Entitlement grants, state grants for small cities (less than 50,000 population)
- Eligible activities include:
 - *Planning, demolition/removal, rehabilitation of public and private buildings, construction or reconstruction of infrastructure, neighborhood centers, recreation/public facilities, providing social services*
- **Linkage/leverage potential:** Help fund all phases of redevelopment/project implementation, consistent with HUD objectives and local CD plan priorities



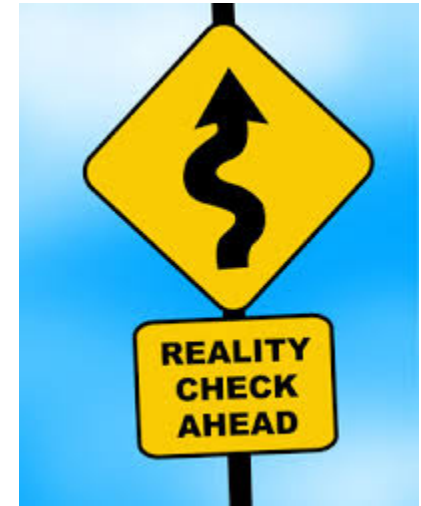
HUD Section 108 loan guarantees: What it Can Do, How it Can Leverage

- **Section 108 loan guarantees** -- entitlement jurisdictions (cities and counties), and states on behalf of small cities, can apply for up to 5X their annual entitlement in loan guarantees, for CDBG-eligible activities
- ***Linkage/leverage potential:*** Help finance all phases of brownfield redevelopment/ project implementation, consistent with HUD objectives; typically, Section 108 typically supports infrastructure and major capital projects, that can include cleanup

HUD – Funding wrinkles & reality check

CDBG

- Projects are locally determined; significant competition for local funds
 - *Many long-time, repeat local recipients*
- Activities must be incorporated into CDBG Consolidated Plan and annual action plan
- Low-mod benefit is primary HUD objective (minimum use of 70% of CDBG funds)



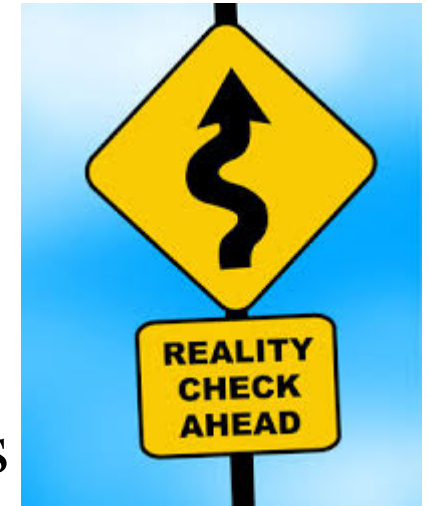
SECTION 108

- Typically used for infrastructure/site preparation projects with definable repayment revenue stream; common to link to tax, other incentives
- Communities reluctant to pledge future CDBG as collateral
- *Caveat for small cities* – in practice, state link severely limits participation

EDA: What it Can Do, How it Can Leverage

- **Public works** grants to finance site re-development, building reuse, and infrastructure preparation
 - *Revitalize, upgrade, and expand infrastructure needed to retain/attract jobs; can include demolition and removal*
- **Economic dislocation** program
 - *capitalizes economic adjustment RLFs for distressed areas, to attract new business*
- **Planning** to support revitalization, through Economic Development Districts (EDDs)
- ***Linkage/leverage potential:*** can finance business-based, job promoting projects, support necessary redevelopment planning activities

EDA – Funding wrinkles and reality check



- Limited funding, significant competition
- Applications accepted on a quarterly basis
 - *Pre-approval at regional office level*
 - *Regional offices, EDRs, can discuss/advise on proposals*
- Projects driven by job-generating potential, minimum \$/job requirements
- Unemployment a key eligibility/selection factor
- Often, a focus on smaller towns, rural areas

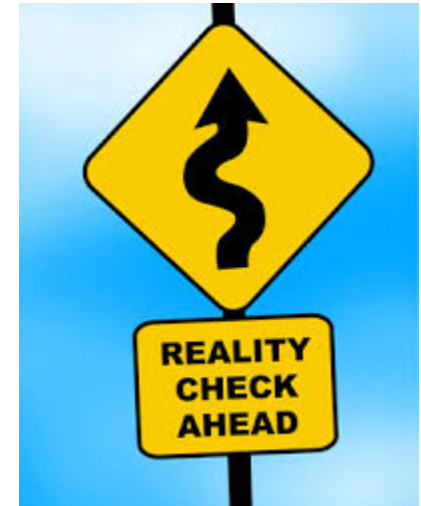
USDA Rural Development: What it Can Do, How it Can Leverage

- USDA rural development funds must meet broadly defined program objectives
- Key programs with community revitalization potential include:
 - *Community facility loans and grants*
 - *Business and industry (B&I) loan guarantees*
 - *Rural development loans and grants*

USDA Rural Development: What it Can Do, How it Can Leverage

- **What USDA programs can do:**
 - *Planning for redevelopment or revitalization – for businesses and community facilities*
 - *Site clearance/preparation, including demolition*
 - *Rehabilitation/improvement of sites or structures*
 - *Construction of real estate improvements*
 - *Installation of amenities to enhance development*
- ***Linkage/leverage potential:*** could all be used to meet redevelopment/revitalization/cleanup needs, finance complementary activities to reuse effort

USDA – Funding wrinkles & reality check



- Applications are made to state USDA offices on a rolling basis; these offices have significant influence on funding decisions
- Population a key determining factor; typically, the smaller the community, the more competitive it is
- Private entities eligible for B&I, non-profits for all assistance

DOT Highway and Transit Programs: What They Can Do, How they Can Leverage

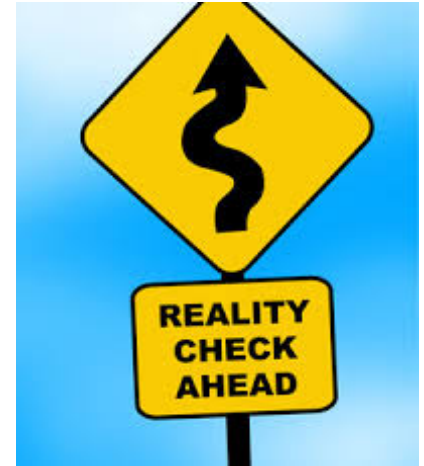
- Surface transportation formula grants
 - *Finance roads, highway, congestion mitigation (CMAQ), transportation enhancement projects*
- Transit construction and operations grants
- Metropolitan planning organization formula grants
- TIGER grants to improve economic competitiveness, safety, and environmental sustainability
- DOT programs can support related revitalization by:
 - *offering transportation amenities to improve access to and marketability of sites*
 - *funding facilities and structures that serve as part of the remedial solution – i.e., ICs and caps*

DOT Highway and Transit Programs What they Can Do, How they Can Leverage:

- **What DOT programs can do**
 - *Traffic flow improvements*
 - *Bus and rail system modernization and rehabilitation*
 - *Transit facility construction*
 - *Pedestrian and bicycle programs, facilities*
 - *Historic preservation/rehabilitation/operation of historic transportation buildings or facilities*
 - *Preservation of abandoned rail corridors*
 - *Planning*

Linkage/leverage potential – creative integration of a range of transportation/related projects into revitalization efforts at abandoned/underused sites

DOI – Funding wrinkles and reality check

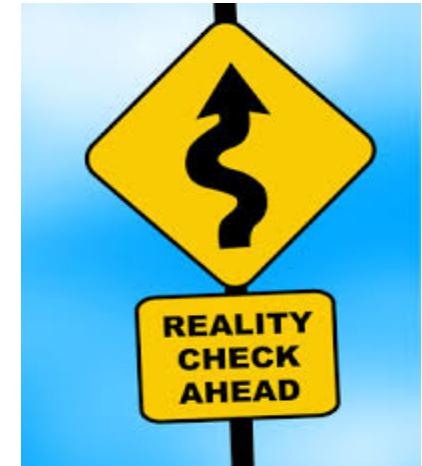


- Must be linked to transportation system/facility siting, cleanup linked to construction/development
- Communities must work thru states, MPOs, local transportation agencies; projects must fit MPO plan
- Long lead time for planning, project integration
- Can be difficult to get an alternative transportation-related use into local system – old line “highway mentality” often exists
- TIGER extremely competitive – historically, about 1 in 9 qualified applicants gets funding
- Some preference and priority in final TIGER funding review rounds for EPA AWP grantees

SBA loan/loan guarantee Programs: What They Can Do, How they Can Leverage :

- **Section 7(a)** guaranteed loans, including the “low docs” program
 - *Maximum 85% guarantee, up to \$5 million; average is \$337,000; negotiable rates and fees*
- **Community Development Corporation (Section 504)** guaranteed loan program
 - *Focus on real estate/buildings/machinery*
 - *\$5 million maximum, below market rates, fees*
- ***Linkage/leverage potential:*** can reduce private sector risks associated with small business development, including facility preparation and related needs

SBA – Funding wrinkles and reality check



- Key programs operate as guarantees of private financing
- Quick decision turn-around for Section 7(a) loan guarantees – sometimes, just a few days
- Much decision-making delegated to private banks, typically SBA “certified” lenders – who may not understand VCP, community participation and other processes, and liability relief mechanisms
- Limited tolerance for loss – but any small business development project activity eligible
- Small business size limits fairly generous, especially for manufacturing
- Section 504 must create 1 job per \$65,000



When putting all the federal tools together to promote community revitalization....

Remember that it's all about making the fit – leveraging and partnerships...

- Creatively using development and environmental program funding to meet the range of site redevelopment needs, attract private financing for revitalization activities to take place
- Uncle Sam's tool box has lots of nuts and bolts for you to work with



For additional examples and information....

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Make sure to visit EPA's brownfields web site:

www.epa.gov/brownfields

Check out...

Brownfields Federal Programs Guide

And plan to attend EPA's next Brownfields Confer3ence – December, 2017 in Pittsburgh