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H.R. 2941—BROWNFIELDS REDEVELOPMENT ENHANCEMENT ACT

HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

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H.R. 2941—BROWNFIELDS REDEVELOPMENT ENHANCEMENT ACT

WEDNESDAY, MARCH 6, 2002

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING AND
COMMUNITY OPPORTUNITY,
COMMITTEE ON FINANCIAL SERVICES,
Washington, DC.

The subcommittee met, pursuant to call, at 10:05 a.m. in room 2128, Rayburn House Office Building, Hon. Marge Roukema, [chairwoman of the subcommittee], presiding.

Present: Chairwoman Roukema; Representatives Kelly, Oxley, Miller, Grucci, Tiberi, Frank, Carson, Jones, Capuano, Clay, Israel, and C. Maloney of New York.

Chairwoman ROUKEMA. May I have your attention? I apologize for the delay here, but I believe that we should wait a few more minutes. I am told that some Members on the Democratic side of the panel will be here, but let's be patient and have another minute or two or three, hopefully before we get started. Thank you, I appreciate your patience.

The hearing will come to order. I will open the hearing with opening statements and then greet the panelists and introduce those panelists. I certainly thank all of you for coming today and I would hope that other Members will be here. I know there is intense interest on this legislation. It's not highly controversial, but there is intense interest, not only on a regional basis, but across the country, and I want to especially state that it's important for the State of New Jersey, but that's only one of 50. But I will be working with all of you to deal with the problems, the technicalities, not the problems, but the technicalities as they may arise.

This hearing today on H.R. 2941, Brownfields Redevelopment Enhancement Act, was introduced by our colleague and panel member here, Congressman Gary Miller from California, and we do appreciate his leadership here.

Today, local communities and States are eagerly looking for ways to clean up and redevelop their brownfield sites and certainly it's an idea whose time has come and perhaps overdue. It's incredible to think that there are an estimated 500,000 brownfields in existence today across the country. That's a horrific number, a number that you can hardly comprehend. But the brownfield sites are sites where redevelopment is complicated by potential environmental contamination, but that are less seriously contaminated than those that are covered under the Superfund Act. And may I just say parenthetically here I am a strong environmentalist and certainly in

a State like New Jersey I am strong, so I don't want anything here to be considered as anti-environmental. We have to be intelligent about how we deal with this subject and protect all sides of the issue.

No matter how these areas are classified, there are possible health hazards and eyesores in the communities that can be cleaned up, but redevelopment of these sites will go a long way toward revitalizing the communities around. And as I say, they are not mutually exclusive. It's our job here in this legislation to accommodate and get the best of both worlds so to speak.

While some States have established programs to encourage brownfields cleanup and redevelopment, the liability involving the sites remain controlled by the strict standards of the Superfund law. Investors and developers have therefore been reluctant to purchase brownfield sites out of concern that they will become entangled in legal disputes and be forced to pay for the unexpected cleanups.

On January 11th of this year, President Bush signed the Small Business Liability Relief and Brownfields Revitalization Act, which provides for up to $200 million a year to States, local governments and Indian tribes for brownfield cleanups. That legislation more than doubles the $92 million spent annually for cleanups up to this point.

The liability measure within the bill—now this is important—the liability measure within the bill protects the new owners of restored brownfields from having to pay any future cleanup costs. The legislation also calls for the creation of a public record of brownfield sites and encourages community involvement in cleanup and reuse. It authorizes $50 million a year for grants to local and State governments to start and enhance brownfield programs.

While this bill that was signed by the President has been widely hailed as a valuable step forward. H.R. 2449, the legislation under review today, is complementary and supplementary legislation which addresses another facet of the brownfields redevelopment needs. H.R. 2941, introduced again by our colleague, Congressman Miller of California, focuses on providing access to capital for local entities that traditionally have had trouble obtaining financing for brownfield redevelopment activities. Most notably, this bill authorizes appropriations for BEDI, Brownfields Economic Development Initiative. This program, for the first time, eliminates the requirement that local governments obtain Section 108 loan guarantees as a condition for receiving the BEDI grant funding.

Delinking brownfields economic development initiative grants from Section 108 loan guarantees is important because some cities, some small cities, that is, have great difficulty in securing and are unable to secure those guarantees, the Section 108 guarantees. The current requirement that cities must leverage their CDBG funds in order to receive brownfields grants has discouraged many of our smaller communities from applying for the grants.

H.R. 2941 takes at least two other important steps. First, the bill authorizes appropriation for BEDI program for the first time, and second the bill establishes what's known as the quote: "Pilot Program for National Redevelopment of Brownfields." This will enable the HUD Secretary, and I would hope that our representative from

HUD here, Mr. Bernardi, will help me understand this need here, will enable the HUD Secretary to fund a common loan pool for brownfields and economic development loans to be distributed on a competitive basis. By that, I mean I don't fully understand the need for its so-called pilot program, but you can tell me how that gets integrated.

Because the newly passed Small Business Liability Relief and Brownfields Revitalization Act authorizes only $200 million with a $1 million cap on funds to any individual locality, the pilot program funds, as I understand it, will fill the gap for potential developers of the other hundreds of thousands of brownfields across the country. Again, I just don't understand that separation, but there must be a temporary need for this proposal.

Significantly, the HUD 2003 proposed budget request submitted to the President proposes decoupling the brownfield programs from the Section 108 loan guarantee program to attract more participants. This reflects, of course, what we are proposing here in this legislation. And it's assuming, of course, that we're going to be successful in getting this through.

I certainly would like to take time again to commend Congressman Miller and the Northeast/Midwest Coalition, of which New Jersey is an active participant, for their work on this issue. They have worked closely with HUD officials to look for ways to make this program more efficient and effective so that we can provide State and local governments another source of funding for brownfield cleanup and redevelopment.

I also want to thank Congressman Jack Quinn of New York and Marty Meehan of Massachusetts for their work on this important issue.

And with that, I would like to acknowledge Congressman Frank, the Ranking Minority Member on the subcommittee, and look forward to his comments.

[The prepared statement of Hon. Marge Roukema can be found on page 36 in the appendix.]

Mr. FRANK. Thank you, Madam Chairwoman. I want to express my appreciation to Mr. Miller and Mrs. Maloney who worked with him in bringing this forward. This is a very important step. We will be marking this up actually next week. We had a couple of questions, but they do not go to the fundamental heart of the bill, and I am confident that we will get a unanimous vote out of the Committee I believe on this. Certainly on the basic principle, there is no good reason—I can't even think of a bad reason—why it should be Section 108 dependent requiring this to be part of a loan program as well as a grant.

I note that the Administration has taken a position with which I am in substantial agreement that we should, with regard to the International Development Association, which helps very poor countries, we want to switch from loans to grants, and if we can do that overseas, which I think we should, I think I can support doing it for a lot of American cities. So I want to work on this.

I'm particularly pleased that we will be hearing later from the Mayor of the City of New Bedford in the district that I'm able to represent, because New Bedford is one of those American cities which carried the burden of industrialization for this country for a

very long time, and then found national policy somewhat neglectful of the needs of its citizens, including leaving behind as the result of some of this industrial activity, brownfields. Brownfields, I must say, is the nicest word for a pretty nasty group of places that anybody has ever coined. And helping the municipalities deal with the brownfield situation is a very important one, so I am very supportive of this.

I would note that the one set of questions we have deals in part with the implications of ending the linkage with the Community Development Block Grant Program. It's the wrong kind of linkage to Section 108 and I raise that, Madam Chairwoman, because I want to renew my request, which I've made several times before, that we have a hearing on the whole question of Community Development Block Grants and particularly on the low- and moderate-income impact. That's very important to a number of our colleagues. Congresswoman Meek from Florida and others, and it's an issue that came up when we debated the appropriations bill people will remember, and the question was making certain firefighting activities eligible. So while I want to go ahead with this hearing, I hope that this will be the precursor to a hearing in which we consider the broader implications of the CDBG program, although there's no reason to hold up this bill as we go forward.

The only other point I would make is this. The purpose of this bill is to give more Federal money to municipalities so they can do something very good. That's important to note, because we have this strange dichotomy in America in which almost everybody in this House of Representatives is for, from time to time, giving people more Federal money to do good things, but in general we think the Federal Government shouldn't have any money. People need to understand that there is a disconnect. You cannot keep reducing the amount of revenue the Federal Government takes in and expand the amount of revenue the Federal Government gives out. And this is an example of Government. People should understand this. This is bureaucracy, this is Government. The people sitting at this table are two public employees of great distinction who intend to administer a program in which we take tax revenues and give it to other public employees so that they can do good things. In the abstract, this whole process of taxing the private sector so that one group of public employees can give another group of public employees money to do something is often demonized. In particular, everybody's for it. And there really is a limitation intellectually in the extent to which you can be opposed to something in general and then be all in favor of it in the particular. And I hope that this strong support for the particular will ooze out a little bit, maybe leaching would be the term in terms of brownfields. Maybe a little of this support for this particular Government activity will leach over the people's views about whether or not the Federal Government is a bad thing, and whether or not having Federal revenue is a bad thing.

The last the thing I have to say is a bit of an apology. The House Judiciary Committee will be going into session at 10:30, fortunately not far away, to mark up a couple of important pieces of legislation, and one of the consequences of legislative scheduling is it has become fashionable for Members to get elected to Congress and spend

a great deal of time expressing their horror at the very notion of association with other Members of Congress. That is it has become a mark of your being good at the job that you spend as little time in the place where the job is carried on as is humanly possible. So we have this situation where Congress now exists from 6:00 p.m. on Tuesday to 6:00 p.m. on Thursday, and if it starts getting to 6:00 p.m. on Thursday, the Members get cranky and want to get out early. And the result is that we have two days, two working days so that too many things have to be crammed into too few days and we do not have enough time to do them adequately. And thus I will have to be at both the Judiciary Committee and here and that will mean that I will not be here for this full hearing. It's not the chair's fault. She was very gracious in the scheduling, and I appreciate her accommodating us in that regard. It's just that you can only, I guess limitations is the theme of today's sermon. The more you limit the Government's money, the less you can do with it, and the more you limit the number of days Congress is in session, the fewer things people can accomplish. And having said that and knowing that, at least in the current situation, it will fall almost entirely on deaf ears, I conclude my statement.

Chairwoman ROUKEMA. Well, I do thank you for that bipartisan approach to action here in the Congress. My colleague, I appreciate your support for brownfields, but we will not have a debate on the other subject that you've raised as to how we spend our money, whether or not we need taxes, and whether or not we need a 5-day week here in Congress.

Mr. FRANK. No, I appreciate that. What are the consequences of a 2-day week is you don't have any time for debates.

Chairwoman ROUKEMA. I'm going to recognize now the Chairman of the Full Committee, Mr. Oxley, who has honored us with his presence today. It's indication of an intense interest on this subject. Chairman Oxley.

Mr. OXLEY. Thank you, Madam Chairman, and thank you for your leadership on this issue, and I want to associate myself with most of the remarks of the gentleman from Massachusetts. I'll be in more detail later in my submission to the subcommittee, but we appreciate his leadership on this as well.

Madam Chairman, it seems that brownfields keep following me around. As some of you may know, in a prior congressional life, I spent a lot of time trying to reform the Superfund program for the clean up of toxic waste sites. As a matter of fact, it was just across the hall. Superfund has a broad liability system. People are interested in redeveloping a contaminated site fear that without legal protection, they could be sued to pay for part or all of an expensive cleanup even if they had nothing to do with the original pollution.

And what we saw emerge was the brownfield phenomenon. Developers would shy away from even slightly contaminated sites like old factories and gas stations and build instead on pristine greenfields in the country. Cities lost jobs and their tax base. Rural communities complained about urban creep. This hit industrial States like Ohio especially hard. There are thousands of abandoned brownfields in Ohio that have the potential to contribute to the economy. I recall holding a field hearing at a brownfield site in Columbus several years ago. The true test of how persuasive you are

with your congressional colleagues is if you can convince them to traipse over a frozen waste site in Ohio in 20 degree weather on Valentine's Day, which I somehow managed to do. A few Members still haven't forgiven me for that exercise.

The threat of brownfield life became so great that people were moved to action. States like Ohio and Pennsylvania pioneered voluntary cleanup programs providing more legal certainty and flexible cleanup standards. Thanks to the good work of our friend, Paul Gillmor, we now have a Federal law clarifying liability at brownfield sites.

Today, we turn our attention to the Department of Housing and Urban Development, HUD's brownfields and community development programs are going to become more important as more brownfields projects get underway. These programs need to be user friendly, especially for communities that are new to this specialized area. I'm pleased to be a co-sponsor of H.R. 2941 introduced by the Vice Chairman of this subcommittee, Gary Miller, who has shown great leadership and vision on this issue and the tenacity that can only be attributed to a weight lifter.

This legislation will authorize HUD's brownfields programs for the first time. It will make more communities eligible for grants, make it clear that brownfield redevelopment is a community development block grant eligible activity and permit HUD to set up a pilot revolving loan program to maximize the impact of Federal dollars.

Ultimately, the vast majority of the funding for brownfield projects must come from the private sector. This subcommittee is working to assure the banks and insurance companies under our jurisdiction that brownfields projects are good business investments. We want to remove the stigma and turn these into normal real estate deals that have a manageable environmental component.

I want to welcome HUD Assistant Secretary Roy Bernardi, who was the former mayor of Syracuse and is well versed in the community development issues. The Northwest/Midwest Institute co-chaired by our good friend Jack Quinn, from Buffalo, has been a source of innovative thinking about brownfields and helpful in developing H.R. 2941. Charlie Bartsch has always been able to see the big picture and of course I'm especially honored to greet the Mayor of Mansfield, Ohio, Lydia Reid. Mayor Reid and I have worked on a variety of development projects over the years for Mansfield. Mansfield has a vigorous revitalization program that has won national awards. Mayor Reid has a great story to tell on the second panel, and we look forward to her testimony, and want to thank her for taking the time to come out here and share her vision on this important issue.

Brownfields redevelopment should unite Republicans and Democrats, city mayors and farmers. Our subcommittee has a role to play by highlighting and fine-tuning HUD's vital programs. Having toiled in the vineyards on this, I am very happy to see brownfield legislation finally bearing fruit in this Congress.

Madam Chairwoman, thank you again for your patience, and I yield back the balance of my time.

[The prepared statement of Hon. Michael Oxley can be found on page 38 in the appendix.]

Chairwoman ROUKEMA. I thank the Chairman. May I observe that I'm told that we may be shortly having a vote on the floor, but in any case, with that in mind, let us move as quickly as possible with the opening statements.

All right, Mrs. Maloney, you're not a Member of this subcommittee, so let me go on to Mr. Miller first. Thank you in consideration of the time restraints.

Mr. MILLER. Thank you, Chairwoman. I'd like to begin by thanking Chairwoman Roukema and Ranking Member Frank also for calling this hearing on H.R. 2941, the Brownfields Redevelopment Enhancement Act.

My mike is awful loud, isn't it? Excuse me.

I would also like to thank the hardworking people of the staff of this subcommittee who worked so hard to improve the bill, and Chairman Oxley, you've been very supportive on this issue and I want to thank you personally for that.

My personal knowledge of brownfields is rooted in a few different experiences. As a developer and builder for over 30 years in Southern California, I've seen the interest in redeveloping brownfields grow and grow each year. This has been a response to the rising land value and the shrinking undeveloped available property that we have in our communities. Moreover, because brownfields tend to be located in developed areas, they are close to the infrastructure and potential markets private developers are often seeking.

However, I'm also very familiar with the liability issues associated with brownfields. Although many of these concerns were addressed with the passage of H.R. 2869, this issue still merits attention. Lenders should not be scared away due to liability issues.

As the Mayor and Councilman of the City of Diamond Bar, I learned about the critical issues of financing brownfields developments as I watched several neighboring cities analyze the feasibility of redeveloping local contaminated sites.

Today's hearing focuses on the critical issue of financing and there is where the Department of Housing and Urban Development has a constructive role to play. HUD's financing comes in after the environmental issues have been addressed and communities need some assistance to close the deal. About a year ago, I began discussions with HUD to try to remedy some of the problems I was familiar with in regards to brownfields, specifically the ability of communities to obtain capital needed to develop these sites. I was pleased to learn that HUD's Section 108 Loan Grant program has been trying to address this issue for over 25 years. But I believe that in its current form, 108 Loan Guarantee programs for the Brownfield Economic Development Initiative—or BEDI—grants, are not flexible enough. This finding is echoed by Secretary Martinez' budget which proposes delinking these two programs.

In addition to delinking the BEDI grants from the Section 108 Loan Guarantee program, H.R. 2941 authorizes, for the first time, the BEDI program and creates a pilot program for the national redevelopment of brownfields. Moreover, this bill clarifies that CDBG funds can be used for brownfields redevelopment and it's not an attempt to reduce or to restrict CDBG funding in any way.

By making HUD's programs more flexible and thereby accessible to more communities, brownfields redevelopment will become a more attractive option for communities of all sizes. Again, I'd like to thank Chairwoman Roukema for her support and co-sponsorship on this, as well as Congresswoman Maloney. I'm looking forward to hearing the views of today's panel and I hope we'll basically be able to resolve some of the issues that local agencies deal with, and I'm delighted to hear that Mr. Frank is not grouchy today. I've never seen him that way before. But thank you for calling this hearing, Madam Chairwoman.

Chairwoman ROUKEMA. All right, thank you.

Mr. Tiberi. No? All right.

Congresswoman Maloney.

Mrs. MALONEY. Thank you very much, Chairwoman Roukema and also Ranking Member Barney Frank. I want to certainly welcome from the great State of New York, the Honorable Bernardi, Assistant Secretary and compliment him on the fine work that he did in Syracuse. I know you're very familiar with this program. You've had some successes in Syracuse.

I also thank my colleague, Gary Miller from California, for working so hard on this for a very long time. I want to emphasize that this work has been shared by many Members in Congress. It has been very much a bipartisan effort. On the House side, Jack Quinn, Marty Meehan, James McGovern and John McHugh have introduced H.R. 2064, which also addresses the decoupling issue, and on the Senate side, Senators Levin and Jeffords have introduced S.1078 with a similar objective. And the support for this legislation is significant, because it is needed and it is bipartisan. As the Chairwoman pointed out, we have over 500,000 brownfield sites in our country, it is a drag on our economic development, and Congress really needs to support and seek creative approaches that match the large number of needs with the financing to redevelop contaminated sites.

Obviously, one of the most critical obstacles in cleaning up brownfields is funding and the financial resources that are needed for a large number of potential jobs. This bill allocates $25 million, and also will allow working with the $200 million revolving loan.

The BEDI initiative has been successfully funded since 1998, and I support the flexibility of funding and the streamlining, which is in this legislation, which will make it easier to access. At the same time, there are many existing BEDI success stories and Assistant Secretary Bernardi can certainly tell you about the success in Syracuse where New York State received over $800,000 in BEDI funds and a $2.19 million Section 108 loan guarantee that are being used, as we speak, at the Crossroads project by the City of Syracuse to create 200 new jobs for low- and moderate-income workers. And as this legislation moves forward, I hope we can meet the dual goals of streamlining the funding and the approval process and making these funds available quickly to the needy communities such as the Syracuse project.

I welcome all efforts to review HUD brownfields activity and all efforts to increase the number and effectiveness of projects that the Department funds. I want to note that this is for State and local entities, it is not for private developers and our State and local en-

tities desperately need this help. Even the City of New York has a number of brownfields areas that are just really fallow and sitting there not serving or helping anyone. And with this program, hopefully we can build a community center or a park or something that people can use.

I thank everyone for their efforts on it. I look forward to working with the Minority staff and the Majority staff as we move forward to a mark-up, and thank you very much, particularly Congressman Gary Miller.

Chairwoman ROUKEMA. I thank the Congresswoman. We are going to be having a vote, as you can tell, or maybe you don't know. Those lights mean that we're having a vote on the floor, so if the panelists will excuse us, we'll go to vote on the floor and I understand that more Members are expected to return right after the vote, and we will begin immediately following this vote.

Thank you.

[Recess.]

Chairwoman ROUKEMA. The hearing will come to order. I believe we will have to proceed. Oh, here, I was just going to announce that Mr. Frank was in a mark-up of the Judiciary Committee, and he's back here now, and I think with that, we can proceed and hopefully we will have a period of time without voting interruption to hear our panels today.

I do want to welcome the Honorable Roy Bernardi, Assistant Secretary for Community Planning and Development at HUD. We appreciate your being here today, and certainly you bring extensive experience on this subject sa well as a whole range of subjects relating to housing needs in this country. So Mr. Bernardi, I welcome you and with that, I will hold it open for your statement. I will also inform you that any statement can be included in the record. By unanimous consent, your full statement will be included in the record and anything supplementary that you want to include, if you just mention it, it will be included in the record. Thank you and the microphone is yours.

STATEMENT OF HON. ROY A. BERNARDI, ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. BERNARDI. Good morning, Chairwoman Roukema. I really appreciate the opportunity be here with Ranking Member Frank and the distinguished Members of the subcommittee.

My name is Roy Bernardi. I am the Assistant Secretary for Community Planning and Development for the Department of Housing and Urban Development, and I have the responsibility for the management, the operation, and oversight of approximately $8 billion in Federal funds, most of which are distributed by formula to our communities for economic development and housing activities.

As the former Mayor of Syracuse, New York, as Congresswoman Maloney mentioned, I was a recipient at one time of HUD funding and I can tell you all first hand that the programs are very, very important to the communities around the Nation.

I'm pleased to appear before you to discuss a common interest, brownfields remediation and revitalization. Brownfields is a subject that has received a good deal of attention these last few years. And

President Bush indicated clearly that brownfields revitalization is high on his domestic agenda. Given the shared goals of the Congress and the Administration, I think we have the makings of a good, solid partnership. That potential was demonstrated only a few weeks ago when President Bush signed the legislation that the Congress crafted and that being the Small Business Liability Relief and Brownfields Revitalization Act.

The redevelopment of brownfields may be framed in two ways. One as an environmental cleanup issue and two as a community redevelopment issue. Framed as an environmental issue, the central concerns are an assessment, the cleanup, and potential liability and the principal players are environmental specialists and engineers. Framed as a community development issue, the central concern is the issue of creating a community asset and the principal players are economic development specialists and financiers.

Experience has taught us that both approaches are relevant, especially when they are harnessed together. For a variety of reasons, coordinating remediation and redevelopment into an integrated approach does not always happen seamlessly. At the Federal level, HUD, the Environmental Protection Agency, the EPA, and the Economic Development Administration, the EDA, are the primary agencies that assist communities with addressing brownfields issues. Given the different funding mechanisms that exist within these agencies, their various regulatory responsibilities, their own internal priorities, their unique field structures, and certainly the well-established operating cultures within each agency, the coordination of HUD with EPA and with EDA is not always an easy task.

As we move from the Federal to the State and local levels, the complexity of this obviously sometimes only increases. All over America today, big cities, small cities and medium cities are engaged in building cities on old industrial and manufacturing sites that were left soiled by our heavy industries of the early and mid-20th century. The General Accounting Office has estimated that 450,000 brownfields sites exist, the vast majority of which are located in urban areas.

We at HUD, along with our colleagues from EPA and EDA and the other 20-plus Federal agencies involved in the interagency brownfields efforts, strive daily to achieve the maximum result at the minimum cost and in the shortest time.

Secretary Martinez and I are committed that HUD will fulfill its mission as the principal vehicle for the redevelopment of these brownfields.

Let me turn to H.R. 4921, the Brownfields Redevelopment Act. As we understand it, the purposes of this Act are to: first, provide more flexibility to communities; second, increase accessibility to funds; third, increase capacity to coordinate and collaborate. It does this by providing additional incentives for remediation and redevelopment and by delinking the Brownfield Economic Development Initiative grants from the Community Development Loan Guarantee program. Further, this bill clarifies that activities associated with brownfields redevelopment are eligible activities under the Community Development Block Grant program. Finally, it permits

the Secretary to establish a pilot program, a common loan pool which may be securitized.

We are interested in working with you on this, and other approaches to brownfield revitalization, that will enhance the well being of affected communities.

A survey of over 200 cities by the U.S. Conference of Mayors estimated that brownfield redevelopment could add up to $2.7 billion in additional tax revenues and create 675,000 new jobs if these sites were returned to productive use. We, as an Administration, are committed to what I am calling the Three R approach; remediation plus redevelopment equals revitalization.

Just as Governor Whitman has brought a new level of commitment to EPA, to address and resolve brownfield remediation, Secretary Martinez and I bring a renewed commitment to HUD's focus on redevelopment. Brownfields include real property with real or perceived contamination. Therefore significant remediation is not always necessary or required. As always, HUD's role as the catalyst and contributor is to leverage adequate private financial resources along with other public funds to enable redevelopment to take place. We are confident that our brownfields effort will, over the long term, provide for neighborhoods to attract better housing, and will lead to better quality living environments for moderate and low income residents.

I'd like to tell you just a little bit about my experience as Mayor of the City of Syracuse. Back in 1989, we had a scrap yard on the northern section of our city. And that scrap yard was 75 acres. That was remediated and now what sits there is a 1.5 million square foot shopping mall called the Carrousel Center accomplished by the Pyramid Company.

Presently, just before I left in July to assume this position as Assistant Secretary for CPD at HUD, we were able to negotiate with this developer to reclaim the 60 acres that are adjacent to that site. And on those 60 acres were approximately 75 oil tanks. It was known as "oil city." If you fly around this country, as I know most of you do, as you go into an airport, usually you'll see the oil tanks right in the periphery of the city. Well, through eminent domain and through negotiation, these oil tanks were moved. That site was remediated and right now the plan is to construct another 3.5 million square feet and call it Destiny USA, not just a shopping mall. And I bring this up because the first phase of that created thousands and thousands of jobs, permanent jobs, temporary construction jobs, tremendous sales tax income, and it really revitalized that area.

And the tens of thousands of jobs, the property taxes that eventually are going to accrue from that project is going to enhance the City of Syracuse and the County of Onondaga. But it was a partnership. It was a partnership of the Federal Government, the State government. Syracuse is now an empowerment zone using tax incentives. That developer, you provide a business person with the opportunities to make money and make sure that that bottom line is going to obviously do what it needs to do for a business person to be successful, you can create the kind of atmosphere, the kind of remediation off those brownfield sites, the redevelopment of those brownfield sites so that everyone benefits, and the purpose

here is to preserve the environment, take care of the environment, create economic activity, create jobs. And we at HUD play a small part in that, and the Bush Administration understands that there are opportunities to improve the revitalization process, to speed redevelopment while still achieving remediation of risks to human health and the environment. We can improve the administration of our brownfield efforts without sacrificing either redevelopment or remediation. We really, really believe that and the cooperation between EPA and HUD in the short 6 or 7 months that I've been there is improving, and I feel very good about that. So Madam Chairwoman and Members of the subcommittee, we thank you for your leadership and as we look at this bill, and Congressman Miller, thank you for all of your efforts in putting this together. Congressman Frank, you talked about limitations. Well, we want to take those limitations away. We want more people to have access to the limited amount of funding that we have for brownfields. Thank you.

[The prepared statement of Hon. Roy A. Bernardi can be found on page 49 in the appendix.]

Chairwoman ROUKEMA. I thank you, Secretary Bernardi. Let me, and I do commend you for outlining very nicely the positive and the comprehensive approach that is being take here. It's not only the environment, it's jobs and housing, and I think you made an excellent case.

But I do have to go back to the question I introduced in my opening statement, and you referenced the Pilot Program for National Redevelopment of Brownfields. Why does that have to be supplementary? Cannot that be integrated? I don't really understand the reason for the separation and why it's not the common pool, or is it a common pool?

Mr. BERNARDI. Well, the pilot program for the redevelopment, as I understand it, it's a common loan pool for economic development and it's going to be geared toward a common underwriting approach. It's going to serve as a credit enhancement for private loans.

Chairwoman ROUKEMA. Why should that be separated, however, from the overall BEDI program, the Relief from Brownfields Revitalization Act? I don't quite understand the reason for the separation.

Mr. BERNARDI. Well, we're planning to separate the 108 from the BEDI obviously to have communities that can't participate in the process, non-entitlement communities, for example, that receive their CDBG dollars from the State. We want more participation, but at the same time this is a pilot program that I believe our staff is working in conjunction with your staffs to try to put it together so that we an create another avenue for communities to be able to participate in brownfield remediation.

Chairwoman ROUKEMA. Well, I'm going to have to submit a question in writing to you for more explicit explanation of this, and I don't believe it's going to be contradictory to the total—it won't be contradictory to the total bill and we will be able to deal with it, but I just don't understand the technicality.

Mr. MILLER. Madam Chairwoman.

Chairwoman ROUKEMA. I yield to the Congressman.

Mr. MILLER. The difference is currently in order to get a BEDI grant, you have to apply for the loan and it's guaranteed through CDBG fund repayment, which virtually blocks the use of CDBG funds locally. This takes and sets up a new pool and says you can apply for a BEDI grant without even getting a loan, and it doesn't impact your CDBG funds, or if you want to get the loan through the guarantee program and the CDBG fund, there's no locking in the CDBG funds for the guarantee so you can virtually go get a loan for the redevelopment of a brownfield site plus a grant, and yet have your CDBG funds be used for purposes in the community that they're currently used for.

Chairwoman ROUKEMA. I guess what confuses me is the terminology "pilot program."

Mr. MILLER. Because it's a limited program. And the $25 million can be used——

Chairwoman ROUKEMA. By time? By time?

Mr. MILLER. Well, no. It can be increased next year by appropriations if they want to. The bill allows each year they can increase the program if they want to, but this year it starts up with the $25 million and that's leveraged funds which could equate $100 million worth of loans or $200 million worth of loans.

Chairwoman ROUKEMA. We won't take up more time on this, but I guess my definition of pilot program is different from what is being defined in this bill. But it's not going to be contradictory to our mutual goals here.

Mr. BERNARDI. As Congressman Miller indicated, there are communities that were just averse to pledging their CDBG dollars to be involved in the BEDI program, so we wanted to take that away by delinking it with 108. Now the pilot program for the common loan pool is not a substitute for that, but I think it gives additional impetus, it gives additional opportunities for communities, but I'll be more than happy to have our people look at it and get back to you in detail.

Chairwoman ROUKEMA. I would appreciate that. Thank you very much.

Mrs. JONES. Thank you. First of all, good morning. Glad to have you here before the subcommittee. I hail from the City of Cleveland where there are a lot of issues with regard to brownfields. We have, in fact, right now a juvenile justice center being built on an old facility that was like a Carling's Brewery facility and the possibility of a job corps facility being built on an old facility that used to be a Ford Motor Company place. So the issue of brownfields is prevalent, particularly in cities like the City of Cleveland and other industrial areas where we still have a number of former urban filling stations, as they used to call them. They now call them gas stations. I'm laughing, because the other day I was walking with my dad, who's 80 years old, and he said "filling station." I said to myself, "Boy, I haven't heard that term in a long time."

So there are a lot of places and I am very much supportive of options or opportunities for communities to use dollars for brownfields in innovative ways, particularly as we begin to talk about housing. My question would be directed to assuring, and this is the issue that continues to come up in my community, why are we building juvenile detention facilities? Why are we building job

corps facilities on locations that were brownfields? What do you believe that we can do to assure the communities across the board that the locations that we clean up are going to be redeveloped for other purposes and are going to be cleaned up for other purposes. Surely clean to the extent that children would not be put in jeopardy, people moving into housing would not be put in jeopardy. How do we get that message out to them?

Mr. BERNARDI. In the BEDI application, the Brownfield Economic Development Initiative Application, there is a grading system to make sure that the environmental work is done so that we don't have a property, once the money has been expended, that will cause harm to children. It can be residential, it can be a playground, it can be obviously the community puts forth in the application what they want to use the property for once the remediation takes place. But in the application process, there's a scoring system. That scoring system indicates that we need to be assured that the remediation will take place so it won't have a harmful effect on its reuse.

Mrs. JONES. What else do I want to ask? I'm usually not speechless. The question just came to me so quickly, I think it was going to ride on top of some other questions. One of the suggestions—I also serve on the Small Business Committee, Subcommittee On Empowerment—a suggestion that the Small Business administrator and HUD administrator begin to have a discussion about what can we do collectively to continue to build communities by encouraging small business and encouraging housing to happen in the same development. Do you have any ideas in your capacity that you serve whether we might be able to do that? Because in my opinion, a community is more than a house or housing. A community is having the ability to have businesses operating right there with that housing.

Mr. BERNARDI. As I indicated earlier, I was Mayor of Syracuse, New York and like most northeastern cities and other cities around the country in the 1960s and 1970s and 1980s, everyone pushed out into the suburbs and left the city behind with a significant number of brownfields sites and neighborhoods that were in blight. My belief and Secretary Martinez I know feels very strongly about this, is we need to have more people owning their own homes. Right now, there's 67.7 percentage of homeowners overall in this country. When we look at minorities, we look at African Americans, I believe it's about 49 percent. We look at Hispanics, it's about 48 percent. And home ownership in the center cities is only 52 percent. Initiatives such as this, the Brownfield Economic Development Initiative, our HOME program, our CDBG program, what we strive to do is not only to build housing, to refurbish housing to provide rental assistance, but at the same time the UD, Urban Development, has to take place.

To me, it's a very simple process. You need economic development—you need jobs so that people can buy homes, people can live in a neighborhood, people can have a good quality of life and send their children to school, so it's a combined effort.

What I think we're doing with EPA right now, the opportunity to work together where they will do the remediation, we will do the redevelopment. I'm very pleased, as I know all of you are, that the

budget at EPA has been doubled to $200 million, up to a maximum of $250 million. This is the first time I believe that EPA is actually doing direct grants for remediation. There's an awful lot of unused property in a lot of our neighborhoods in our central cities that programs, such as this, are going to help. Not just for businesses, that's the primary part of it, obviously. We want to redevelop and we want to create jobs, but at the same time on the periphery of those businesses, we need to continue parallel roads to build our neighborhoods so people who are in those neighborhoods can work in those businesses.

Mrs. JONES. My time is up. I can't ask any more questions, but I look forward to having the opportunity to work with you and your administration on this issue, particularly in the City of Cleveland. Thank you, Madam Chairwoman.

Mr. BERNARDI. My pleasure.

Chairwoman ROUKEMA. I thank you.

And now, Congressman Miller.

Mr. MILLER. Thank you, Madam Chairwoman.

It's good to have you here today. When I started meeting with the Secretary the first part of last year, right after he was sworn in, we had an agreement on the issue of redevelopment and housing issues and specifically brownfields and looking for opportunities to be able to provide local assistance. I know a lot of local cities have a lot of political pressure placed on them, especially when it comes to CDBG funds, because there are so many groups pulling at them for those dollars.

So under the current program, for them to go out and really use funds for redevelopment purposes, many cities were unable to do that because of the obligation of historically giving those funds to certain groups within the community. That's where I became interested in this legislation. We looked for areas and we thought how can we take and provide opportunities to revitalize communities, eliminate brownfields and put them to purposes, whether they be parks or community centers or commercial use or residential use, and yet free up the opportunity for cities that still have CDBG funds to use with those local groups that they've historically dealt with. I think this bill does a good job at that.

The Chairwoman had a concern because of the term "pilot program" and I understand that. But the way the bill is drafted, it says $25 million this year, but the appropriators can, if it's a successful program, can increase that to $50 million or $100 million or $200 million if they want to as the years progress. So it's a program that I believe will justify itself, and if it does justify that it's benefited the communities, which I believe it will, then the appropriators have the opportunity to increase the program and help HUD in working with that. And the site of a loan guarantee being able to receive a BEDI grant, if you can do that now before these projects based on this bill, without having to borrow money, which you couldn't do before, plus if you want to go out and get a loan, and then get a BEDI grant. At the same time, these funds can be used to leverage, if the Secretary chooses, $12.5 million. That might leverage $100 million worth of loans or $200 million, depending on the amount they're able to leverage.

This is a program that, although it's considered a pilot program, I think can be a very beneficial program nationally and can really produce great benefit, and I applaud you for being here today. I have no questions. I've worked with the Secretary and your staff. You have just been excellent trying to resolve the issues and resolve the concerns. I've worked with the Democrat staff also to try to deal with some of the issues. A big concern that the staff on the Democrat side has with the way CDBG funds are being locked up. That's why we made sure, through the bill, that it said no, this is really going to enhance current programs. If you want to go get a loan under the current program, you still can using 108 funds, and then a loan under BEDI, a grant under BEDI, or you can take and go this direction, or you can get a loan guarantee, you can get a BEDI grant and yet not involve your CDBG funds in any way. So I want to thank you for working with us, working with my staff and the Ranking Member's staff here and the Chairwoman's staff. They've been just excellent. I applaud you for your efforts in this area.

Mr. BERNARDI. Thank you, Congressman. I know of what you speak when you talk about the CDBG grants. In many communities, before they get there, they're already spent. And the groups that vie for that money it becomes very difficult, but there's also the old adage that success breeds more success. If we go with this program, and we've enjoyed working with your staff putting it together, CDBG dollars can be used for brownfield redevelopment. Some communities do it obviously more so than others. As I mentioned earlier, we do this redevelopment. We give businesses the opportunity to expand or to locate into an area where all the infrastructure is already there and has been there for years. We create jobs, then they're creating jobs for the people that need them the most.

Mr. MILLER. Your goal has tried to create accessibility and create an environment where there can be more funds in the market to solve this problem and I believe this bill goes a long way to doing that. Thank you for your help.

Chairwoman ROUKEMA. Thank you.

Now I want to recognize Congresswoman Maloney and acknowledge the fact that she is an original co-sponsor of this bill. I thank her for her leadership.

Mrs. MALONEY. Thank you, Madam Chairperson.

Do you have a listing now at HUD of brownfields sites. In the past, there's always been a reluctance in New York to designate anything brownfields, because of the problems or challenges that come out of that. Do you have a listing now?

Mr. BERNARDI. EPA would have a listing. I'm sure we have an identification of them, but they have a listing that I think would be more exact.

Mrs. MALONEY. What is the criteria for brownfields?

Mr. BERNARDI. Real or perceived contamination. That's a good phrase, real or perceived. Perceived sometimes is you look at a property and perhaps it's unkempt and it just looks bad and you feel there's contamination there, but I think as you go through the phases, Phase I tells you whether there's contamination, and then that requires a Phase II.

Mrs. MALONEY. Today we will hear testimony on the second panel about how the delinking of the Section 108 guarantee and the BEDI funds will allow more access. It certainly is my desire to get as much money as quickly as possible to the communities that need it. The bill also states that the Secretary shall establish criteria for awarding grants. Could you share with us what those criteria will be?

Mr. BERNARDI. Well, I think we have it here chapter and verse.

Mrs. MALONEY. Will this be done by a panel or just by the Secretary? I would assume you're going to have many more requests for the $25 million in the pilot program than the funding will be available.

Mr. BERNARDI. As I mentioned earlier, the application process is competitive, and there's points for different categories and it's quite detailed. There's a program overview, eligible activities, national objectives.

Mrs. ROUKEMA. Will the gentlelady yield? That's an excellent question, and I'd just like to refer back to the fact that the record is open and I think this is the kind of information that HUD, that you, Mr. Secretary, should be submitting in writing for the record, because it's an excellent question.

Mrs. MALONEY. I just know that the prior criteria was need soundness of approach leverage capacity of the administering organization and cooperation of the proposed project with community development objectives.

I wonder if the criteria is going to change or will it be the same criteria.

Mr. BERNARDI. Not appreciably. The Secretary will make the final decision, but I'll get everything back to you in this booklet that tells you what the procedure is now and any perceived changes.

Mrs. MALONEY. In addition to the legislation we're considering today, what other proposals is the Bush Administration considering that would increase available funding, actual money, to clean up brownfields through HUD?

Mr. BERNARDI. Our budget for 2003 is $25 million for the Brownfield Economic Development Initiative.

Mrs. MALONEY. But it will also be able to tap into the Gilmore initiative of the $250 million in loans, is that correct?

Mr. BERNARDI. That's EPA, as I understand it.

Mrs. MALONEY. But this could work with that program and leverage more money for this initiative?

Mr. BERNARDI. Absolutely.

Mrs. MALONEY. That's very good. Do you see any problem in the de-linking?

Mr. BERNARDI. Not at all. It would still allow a community the opportunity to use a 108 if they so choose, but by delinking it, it's going to give other communities, smaller communities if you will, the opportunity to participate in the competition.

Mrs. MALONEY. Syracuse is a small community and you got through the de-linking. Why is it such a problem to be linked with a Section 108?

Mr. BERNARDI. There are smaller communities in New York State, for example, Congresswoman, that the State basically

they're not entitlement communities so they have to depend on the State to pledge their CDBG dollars, and in some instances, many instances, the State doesn't want to do that for the community, so it gives the community a little more independence and flexibility, smaller communities. In Syracuse, we use the 108s.

Mrs. MALONEY. Then it will release the CDBG, because then you don't have to use the CDBG?

Mr. BERNARDI. That's right.

Mrs. MALONEY. That also is a benefit. Well, I find it exciting. I think it's an important program and I'm glad you're in the position you are bringing the experience that you bring from Syracuse successfully implementing prior programs in this area. Thank you very much.

Mr. BERNARDI. Thank you.

Chairwoman ROUKEMA. Thank you.

Congresswoman Kelly.

Mrs. KELLY. Thank you, Madam Chairwoman.

We welcome you, and we're delighted to have you here. Mr. Bernardi, I am just very excited about what you did in Syracuse. I've seen it. It works. And the beautiful thing is it puts back onto the tax rolls and thereby relieves the taxes, a certain tax burden from the local citizens. When you do the kind of thing that you do in Syracuse with brownfields, you've moved them from useless areas of the community into something that's very useful. People enjoy going there.

A similar thing actually happened in my home town of Katonah, New York. We had oil tanks in the middle of the town. It became a brownfield and we moved the oil tank. I was very interested in your saying you moved oil tanks and redeveloped the area into a shopping mall. In this little village of Katonah, New York, we had oil tanks and we now have a three story attractive group of small businesses in there that range everywhere from a toy store to a podiatrist. All of those people are bringing individuals into our community. It's really an excellent idea. I'm a co-sponsor of the bill, and I really do feel very strongly that we need to make progress. I'm delighted that we have, if we can get a piece of it out for a demonstration project, I think it's really important.

I do think though you've pointed something very important out. That is that you've got to have State and local as well as the Federal Government working together to make anything happen. I'm very excited about the possibility also that we're actually going to put money into the communities instead of into one more study of something. It's wonderful to think that there will actually be money put into an applied process that will actually bring communities back in the same way that happened in the community that you represented and my home town.

So I welcome you here. I thank you for your testimony. Thank you, Madam Chairman. I turn back the balance of my time.

Mr. BERNARDI. Thank you.

Chairwoman ROUKEMA. Thank you.

Mr. Bernardi, is there anything you would like to say in summary? I believe we've concluded the questioning and are ready for the second panel, but I don't want to cut you off if there's some follow-up that you would like?

Mr. BERNARDI. Just to say that it's a pleasure to be here representing the Bush Administration and Secretary Martinez. Be assured that we at HUD, all of us, working together with all of your staffs, whatever builds up that we forge, we'll do it together we'll do it in a combined way, and I welcome the opportunity and I know the other speakers are going to provide information and thoughts and ideas that we'll perhaps incorporate into the process, so the process, as I understand it, is to come out with the best possible bill that will enable us to do what we need to do to help the poor people in our country. I thank you.

Chairwoman ROUKEMA. And I might repeat the inference or the reference that I had in my opening statement that the Members, yourself as well as Members, will have 30 days in which to submit written questions. You will have that time period in which to submit further information that we've requested and/or anything additionally that you think is appropriate for the record, and it will be an open record for the next 30 days. Thank you again. Will the next panel take their positions at the table.

I welcome all of you panelists here today. I will acknowledge you by name as you testify, but I would like to make the observation that all of you have extensive experience in the field. You're not speaking hypothetically, you're speaking from ground zero, so to speak. We do appreciate having the benefit of your experience and long history of experience at many different levels, both the local, State and regional, as well as the national level.

That having been said, I recognize first the Honorable Lydia Reid, Mayor of Mansfield, Ohio. And as we've all heard that region has extensive experience in this area. We thank you for your leadership and your presence here today. Mayor Reid. I would simply ask you in the interest of time that you try to limit your statements to 5 minutes. I'll use some discretion here, but be aware of the time limitations. Thank you.

STATEMENT OF HON. LYDIA J. REID, MAYOR, MANSFIELD, OHIO

Ms. REID. Thank you, Congresswoman. Again I appreciate the opportunity to talk about House Bill 2941. I also appreciate Congressman Miller's initiating the bill. It is long awaited and we very much appreciate it. I'd also like to say hello to my friend, Stephanie Tubbs Jones from Cleveland. Nice to see you.

Mansfield, Ohio is the 19th largest city in the State of Ohio. We're the county seat. We have a population of 50,793 people. We've gone through struggling times. We have a labor surplus area with a poverty rate of 17.8. Our unemployment rate is 9 percent. Our median household income is $22,591; 48.2 percent of our population is low-to-moderate income.

Over the years, as any typical Rust Belt city, we have lost a lot of industry. As they closed up, a third generation did not continue on in the process that their parents had initiated. Our downtown was deteriorating. In 1989, we all pulled together. Our downtown was absolutely gutted. We took everybody, and this was Government, it was community, and private developers, and as a result, we have a showcase downtown called the Carousel District. We have the first hand-carved carousel in the United States since the

1930s. We now have over a million visitors a year, and we won the National Mainstreet Award last year. That's just a little history of how we have been able to do some things with our downtown area to further emphasize the brownfields, which is what we're here about today.

The City of Mansfield recently was awarded a grant for a pilot project for a brownfield redevelopment master plan called the PR Project Path Revitalization, and the key components of that are identification of potential brownfield sites, assessment of brownfield sites, remediation of brownfield sites, redevelopment and prevention.

The City's PR project is a mixed redevelopment linear zone with new commercial and industrial properties. The city also includes large, under-utilized vacant parcels of land where economic development is low or absent.

In this corridor, there's numerous abandoned and obsolete buildings of all sizes and shapes that are just sitting there waiting for the City to come and try to do something with them. They no longer meet the operating efficiencies demanded by modern manufacturing processes. The numerous brownfield sites have depressed our inner city core. The property values are going down. Community values in those adjoining neighborhoods are down. Depressed real estate values, people don't want to invest where everything does not look like it will ever rise again.

What we did, we initiated a multifaceted undertaking. We said, OK, we've got this site. We communicated with local and State regulatory agencies that were our public partners. We continued dialogue with them to establish a foundation for the Brownfield Initiative. Then we went to the industrial facilities. We said we would secure the services of the contractor, which we have been using McCabe Engineering as our consultant who has been excellent that had worked the industrial arena, because you need consultants that know what they're doing when you go into these projects.

The private partner offered first hand knowledge of the working complications, then the current and past owners were contacted and we said to them, you have to be a part of this, this was your doing, it was on your watch that this occurred. You will have to come very apprehensively into the process to contribute dollars to help us put this plan together. Obviously we were faced with how are we going to fund the entire issue once we had an estimate of what the cost was. And subsequently we secured required funds. We did not go to 108 dollars for a very good reason. We didn't want to tie up our precious CDBG dollars into 108 commitments, because as all of you well know, when you borrow 108 dollars, you've got to take that chunk out of your CDBG money and say we pledge this and then if we develop the site and we don't get our money back in the timeframe that we have to pay the 108 back, we are then stuck with taking that out, the precious dollars that we used to revitalize homes, to provide housing for the elderly, for demolition, for all the other things you do with CDBG money.

So what we did, the first big project we did, we got a pilot grant of $200,000, we got a revolving cleanup, revolving loan fund of $1 million, which is a grant from the U.S. EPA. We went to the Ohio Department of Development Urban and Rural Initiatives, and we

got another grant, $750,000, and then we went to the potential responsible parties and got another $570,000. So that project was $2,820,000. We were able to do this without getting into our 108 dollars because we found other ways, with the help of the State, and our consultant and the EPA in order to do those things.

Now the challenges are obvious and I'd like to bring up a little bit about——

Chairwoman ROUKEMA. Mayor Reid, can you summarize. I'm going to extend your time period, but your time is up.

Ms. REID. Let me just conclude, Congresswoman. The city is fortunate to have had success with our brownfields program. In an effort to spur development, the city has taken ownership of the brownfield sites, became the banker, secured the funds, secured the loans to assess and remediate the sites. Our brownfields cost $50,000 to $100,000 an acre, but greenfields are $10,000 to $20,000, so in summary, we need to be able to have more accessibility to funds that are like Section 108 dollars that we don't have to worry about whether or not we're going to pay back, because the city doesn't have enough money to do it all.

In summary, we totally support the bill and look forward to its passage. Thank you, Congresswoman.

[The prepared statement of Hon. Lydia J. Reid can be found on page 68 in the appendix.]

Chairwoman ROUKEMA. Mayor, may I just ask one tiny question? It may not be so tiny. But when you made those decisions, were you and the counsel free to make those decisions at your own pace? You weren't limited either by State or Federal legislation? You had that latitude?

Ms. REID. We did have the latitude. We took the initiative. We looked at our Ohio Brass site, for example, which was really the critical one, coming right into town, terrible looking sight, and we took the initiative to go out to the people that owned the buildings before. We took the initiative. It was our decision. EPA was not hammering us over the head, if you will.

Chairwoman ROUKEMA. And your local zoning ordinances or State were not restrictive?

Ms. REID. They were not. We worked very closely with all of them.

Chairwoman ROUKEMA. Thank you.

The second panelist is the Honorable Mayor of New Bedford, Massachusetts, Frederick M. Kalisz. Mayor Kalisz from New Bedford, Massachusetts.

STATEMENT OF HON. FREDERICK M. KALISZ, JR., MAYOR, NEW BEDFORD, MASSACHUSETTS

Mr. KALISZ. Thank you very much, Madam Chairperson. We certainly appreciate the opportunity to address you and the Members of the subcommittee today.

New Bedford is a city of 95,000 people. We are also this year recognized as a brownfields showcase community among the Federal agencies of the United States Government. The brownfields program has spearheaded an economic development program that it has proved that it can provide jobs and business opportunities.

Today I hope to provide in this brief period a perspective of local government to you in your deliberations process.

My purpose is twofold to describe some of the extensive experiences and successes as well as second to comment specifically on H.R. 2941 and how we might benefit in the future municipalities, such as mine.

As mayor, I took over just a little over 4 years ago. We had realized a job loss in our community of some 11,000 jobs, mostly from the industrial and manufacturing complex that Congressman Frank had made reference to a little bit earlier. Unemployment was high, real estate values were dropping, and tax revenues were in a free fall. We reversed that trend to a degree. Our unemployment rate went from 15.6 percent down to a low of 5.3. Assessed valuations have begun to rise in the community, and the fishing industry, which has been a mainstay of our economy is once again beginning to thrive.

The Port of New Bedford is the largest-value port of fishing anywhere in the United States. Last year, 3,600 jobs were maintained and over $700 million in seafood-related sales were earned. We've created a tourism industry at the same time, and this year some 30 cruise ships will arrive in the port that Melville once referred to in Moby Dick as the "most fairest place of all of New England."

We have a national whaling museum, a national park and we're developing a marine science center that will truly enhance and recognize the God-given resources that we have.

Our many environmental challenges over the decades have spawned new environmental management opportunities and management industries. The brownfields program has been a major help in reversing our economic decline and beginning our economic and cultural revitalization. Our job training program, funded by one of the early brownfields programs, has allowed individuals not only to learn new job trades in hazardous waste management, but has provided them with meaningful compensation opportunities, enhanced benefits, and in many cases the opportunity to continue their formal education past the post-secondary level.

The brownfields pilot program funded a comprehensive evaluation program of all of our brownfields sites, permitting us to evaluate and formulate a plan for the future. Our targeted site assessment allowed us to take funds and put them into a waterfront development over land that had earlier been made reference to by the Secretary, was unappealing and deemed to be a brownfield just because of the lack of understanding of what could possibly happen.

As I made reference to earlier, we've been named recently a Brownfield Showcase Community. That allows for Federal representation in our community to manage potentially dozens of projects within the City of New Bedford and allow for the coordinations of agencies' efforts to ensure that a fast tracking takes place, and the re-utilization and use of properties to become economically viable. We need the brownfields program. We are identifying and remediating hazardous situations, removing the cloud of concern and liability which has been inhibiting new development for decades.

I enthusiastically support H.R. 2941. We believe that the BEDI grants at the same time should be decoupled from the Section 108s.

I'd like to explain a little bit about that with regard to the funding situation. New Bedford's experience has demonstrated that small public investment in cleaning up and redeveloping abandoned and under used properties yield large returns of tax revenues and employment. The brownfields programs spell hope to communities such as ours. I respectfully suggest to you that you not diminish the BEDI program by deducting the BEDI funds from the Community Development Block Grant program. And I'd specifically like to talk about the flexibility of what is so important and I understand my time is drawing to an end.

We have been able to take a program, such as an oceanarium in the City of New Bedford, a $100 million investment, and the city has taken the lead. We've been able to get a $2 million BEDI on top of a $3 million section 108 which has then stimulated State, local and private investment to the tune of some $80 million. The shovel will be going in the ground this year, this July, to what will be an extensive project. That's where it works when it's coupled together. But where there are non-revenue generating projects, such as the reenhancement of parks in urban mill settings where housing has been the predominant mainstay of what has been left, the mills have been taken away. You don't have the revenue generating capacity. Park development that could benefit from a BEDI grant will then stimulate the private sector to look at an environment that has been enhanced, and allow for them economic development at that point.

My final comment has to do, just very simply, with the fact that there are other programs in ports such as ours with homeland security issues and other issues that cannot generate revenue of and by themselves. But the value of the BEDI a brownfield economic initiative program can help to stimulate that type of economy. The loan programs that were spoken of by HUD I believe as well are a good move into the future. HUD has demonstrated themselves in a good loan management program with municipalities. EPA has done a wonderful job with grant administration. HUD has been the expert with the loan programs. And it rightfully belongs with an agency that has a track record of these types of successes.

I thank you for the opportunity to have been able to address you and look to you for support for the future sa this legislation advances.

[The prepared statement of Hon. Frederick M. Kalisz Jr. can be found on page 55 in the appendix.]

Chairwoman ROUKEMA. Thank you very much. You brought your practical experience to the fore here.

Mr. Bartsch, Director of Brownfield Financing Studies, the Northeast-Midwest Institute. You're speaking for a large component of those of us intensely interested in this subject.

STATEMENT OF CHARLES BARTSCH, DIRECTOR OF BROWNFIELD FINANCING STUDIES, NORTHEAST-MIDWEST INSTITUTE

Madam Chairwoman and Members of the Housing and Community Opportunity Subcommittee, I appreciate the opportunity to testify today on this proposal. It reflects the next wave of congressional interest and activity in the brownfields arena. Since 1991,

the Institute has analyzed activities in nearly 100 jurisdictions of all sizes across the country, and as you pointed out, we work very closely with the bipartisan Northeast-Midwest Congressional Coalition to examine the relationship between environmental contamination and economic development. A key part of that effort has been identifying ways in which existing Federal financing programs could be more creatively and usefully linked with the resource needs of brownfield sites.

There's a clear and critical role for agencies such as HUD to play to take the next step to help fill the brownfields capital gap and improve the market conditions for these properties. The BEDI program was put in place to respond to this redevelopment challenge, and H.R. 2941 would make important changes to enhance this effort. For those communities that are able to tap the existing program, BEDI is one of the most flexible Federal resources available for brownfield purposes.

Unlike EPA's grant programs, BEDI funds can be used for the full range of redevelopment activities, everything from cleanup to construction. BEDI funds can address petroleum and other types of contaminants that are still problematic for EPA, even with the new brownfields law. And my prepared statement gives examples of how BEDI has brought significant benefits to cities like Camden and Syracuse and Lorraine, Ohio. There's no question that BEDI has been a vital component of brownfield revitalization strategies in those cities that have been able to access the program and its resources.

Those successes notwithstanding, HUD has not seen the level of grant application activity that one would expect, given the tremendous need. And as is clear from today's hearing, the most critical issue, and the one that H.R. 2941 addresses, is the required linkage of BEDI to the HUD Section 108 loan guarantee programs.

By decoupling these programs, H.R. 2941 would make a significant change to this program, with good potential benefits. Clearly, this decoupling is needed. As you know, BEDI grants can't be awarded unless communities also apply for and receive a companion Section 108 loan guarantee. In practice, this adds complexity and time demands to projects. These are key disincentives for small and mid-sized cities that just don't have the staff capacity to prepare and push dual applications, and it also discourages small projects, because the effort and cost of structuring and securing a Section 108 loan guarantee reduces its usefulness. This linkage requirement has proven difficult for many entitlement cities and counties to meet, as we've heard from other witnesses. Even if they haven't reached their legal limit on 108, economic and political constraints effectively prohibit their use of this program, and this makes needed BEDI resources inaccessible.

There are several reasons for this, and I just want to briefly touch on them. From a fiscal standpoint, bond rating agencies have viewed Section 108 loans as municipal debt, and this is a sensitive issue in many places. Some cities have debt caps, which are defined by statute or financial rules, and this helps to discourage the use of 108. And in other communities, as Mayor Reid has pointed out, using the 108 proceeds for local loan funds or infrastructure development forces cities to rely on CDBG as backstop to pay down their

Section 108 debt, and a lot of cities just don't have the capacity to take on this kind of debt without jeopardizing their basic block grant activities.

As we have heard, from a practical political standpoint in many cases, mayors and city councils find it impossible to pledge future CDBG grants as collateral for these projects, even though we know that HUD has an outstanding record of application review and underwriting.

I want to focus on the issue of small cities, because they face insurmountable obstacles to accessing BEDI resources, again first and foremost, because of this required connection to Section 108. By law, they don't get their own entitlement grants. They can't offer anything to meet the 108 collateral pledge. And while in theory they can work through their States or urban counties, in practice, those entities are resistant or even hostile to these kinds of efforts.

To date, only a handful of small cities have been able to make the Section 108 brownfield connection. This is even as the need for brownfield financing resources in smaller and mid-sized cities grows. A couple of States, notably Connecticut and Washington, are trying to make an effort to work with their small cities, but I want to give you an example from one State, Massachusetts, which is really very typical of the national situation. Massachusetts has 370 incorporated non-entitlement towns. Many of these have brownfield sites, but none of them have ever gotten a Section 108 or a BEDI, so decoupling is really the critical issue that H.R. 2941 would address. It would open up the program to thousands of communities with significant brownfield reuse opportunities. I would urge the subcommittee, as this goes forward, and this comes into place, to really keep an eye on the changing demand for BEDI resources, because I really believe that a more flexible, more widely accessible BEDI program will intensify interest in this program.

I have pointed out other benefits in my prepared statement. I know my time is running out. I just want to focus on one last point. H.R. 2941 specifically authorizes appropriations for BEDI. This is critical, because it will reiterate Congress's support for this key initiative. I would like to emphasize, as several Members have suggested, that the resources dedicated for BEDI should not be taken from the larger CDBG program. Since BEDI was first funded, it has been defined as a separate item in the budget and carried out in accordance with HUD's mission, and I think this approach is the right one to take. So to close I just want to again reiterate what Congresswoman Maloney said, the ideas put forward in H.R. 2941 are shared by many other Members of Congress. Representatives Quinn, Meehan, Mcovern, and McHugh have introduced H.R. 2064, which would also address the decoupling issue. On the Senate side, Senators Levin and Jeffords have introduced S. 1078 with a similar objective. This all shows that support for this kind of change to BEDI is bipartisan, it's significant, and I thank you for the time.

[The prepared statement of Charles Bartsch can be found on page 44 in the appendix.]

Chairwoman ROUKEMA. Thank you.

Now we have Mr. John Murphy, Executive Director of the National Association for County Community and Economic Development.

STATEMENT OF JOHN C. MURPHY, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION FOR COUNTY COMMUNITY AND ECONOMIC DEVELOPMENT

Mr. MURPHY. Thank you, Madam Chairwoman, for inviting my testimony here this morning. I am the Executive Director for the National Association for County Community and Economic Development, or as the acronym has it, NACCED. We are an association of practitioners that administer at the urban county level the community development block grant, HOME and other related programs. I'm also appearing today on behalf of the National Community Development Association, which is an affiliate of the U.S. Conference of Mayors. It includes city governments that administer those same programs. The mission of each of the organizations is to improve the technical capacities of cities and counties, to administer a whole range of affordable housing and neighborhood revitalization programs.

So you have combined in our two membership really the bulk of the entitlement CDBG communities. I'd like, at the outset, to offer the enthusiastic support for this bill, in particular the decoupling of the Brownfield Economic Development Initiative Grants from the requirement that a community also apply for a Section 108 loan guarantee.

I recently surveyed our NACCED members as to whether this created an impediment in their moving forward on brownfield activity, and, in fact, discouraged them from applying for a brownfield EDI Grant, because of the coupling with 108. I found at least nine counties across the country, ranging from Cuyahoga County and Hamilton County in Ohio to Westchester County, New York, to Clark County, Nevada. these counties had said that, because of the required coupling of the two programs, they had not applied for that assistance.

I think the reasons are threefold. First, they didn't want to pledge future block grant dollars to pay for the 108. Second, they wanted to use perhaps other funding and it was non-HUD funding or non-CDBG or 108 guaranteed funding. Third, I think many communities have been discouraged from applying for 108, quite frankly, because of the lengthy processing time that HUD takes in approving 108 loan guarantees. As you know, in financing many development projects, timing is everything.

We also support the bill's language that would clarify that brownfield redevelopment and cleanup is an eligible CDBG activity.

I must say, Madam Chairwoman, I'm as confused as you are about the provision that calls for the creation of a loan pool. I'm not sure whether that's a separate guarantee of private sector loans or whether it's an opportunity for HUD to buy these private sector loans and create, in effect, a secondary market. I think that provision, as you rightly point out, needs some clarification. I would urge the subcommittee to act expeditiously on this. We look forward to its enactment by the Congress.

Thank you.

[The prepared statement of John C. Murphy can be found on page 65 in the appendix.]

Chairwoman ROUKEMA. Thank you. I don't think we can get both in before we go for our vote on the floor, but we will hear Mr. Robert Colangelo. He is the Executive Director of the National Brownfields Association. You've see, I've learned something today. I didn't know there was such an association. We welcome you here.

STATEMENT OF ROBERT COLANGELO, EXECUTIVE DIRECTOR, NATIONAL BROWNFIELD ASSOCIATION

Mr. COLANGELO. Thank you, Madam Chairwoman and distinguished Members of the subcommittee for inviting me to present my views on H.R. 2941. In my capacity of Executive Director of the National Brownfield Association, I work with a wide range of property owners, investors, developers, service professionals and representatives of the public sector, and I hear their concerns daily about the issues regarding the redevelopment of brownfields. I also founded Brownfield News Magazine and I also manage Brownfield Development which holds title to a 26-acre industrial park, so I have firsthand knowledge and experience about the difficulties and complexities of financing and redeveloping brownfield properties.

Simply put, I define a brownfield as a real estate transaction with environmental personality. And the structuring and the finance to acquire and clean up environmentally-impaired properties remains the primary obstacle in redeveloping brownfields. The lending community considers brownfields high risk transactions; therefore, they are not leveraged. And securing traditional sources of debt financing remains difficult at best. Banks will not lend on a brownfield until the risk is mitigated. That leaves equity and gray market sources of capital as the primary mechanism for financing these transactions. Both sources of capital are very expensive, typically requiring yields in excess of 30 percent.

As the brownfield market matures, considerable experience has been gained by both the public and private sector about the redevelopment process. The maturing market has left few positive value properties available that can generate returns that warrant the use of high-priced capital. The current market condition has also left hundreds of thousands of sites within the confines of our cities undeveloped, due to the high cost of private capital, poor market conditions and difficulty in utilizing Government incentives.

As the market evolves, Government incentives will continue to serve as a key mechanism to lower the cost of private capital by structuring the acquisition of a brownfield using a combination of equity, debt, and Government incentives, a blended lower cost of capital can be achieved. The lower cost of capital will allow more brownfield sites to be economically redeveloped.

The government's, and particularly HUD's role in the brownfield redevelopment process will also increase as the market transitions from environmentally driven to real estate driven transactions.

I've had the opportunity to work with a number of the cities and just recently I worked with the Brownfield Office of the City of Chattanooga, Tennessee. I think they're a great example of the real

world difficulties in using the HUD's Section 108 Loan Guarantee and the companion EDI and BEDI grants to promote industrial and business recruitment and retention.

The City of Chattanooga's Brownfield Office identified the redevelopment of abandoned industrial sites, brownfields, as an important economic objective of the city. Actions to facilitate this objective included the identification of projects to stimulate economic development using HUD's Section 108 Loan Guarantee and the companion EDI and BEDI grants to promote industrial and business recruitment and retention. However, implementation was stymied by four factors:

Linking the Section 108 loan to EDI/BEDI funding;

Unwillingness by the mayor's office to risk CDBG proceeds as collateral;

Lack of local financial expertise to administer the Section 108 loan; and

Failure to produce a specific project that fits the HUD definition of economic development.

This legislation appears to promote the responsible redevelopment and productive reuse of brownfield properties by removing unwarranted obstacles, specifically de-linking grants and loan guarantees for brownfield development from the pledge of the community development block grant funds. This proposed change will allow more communities to have access to funding which in turn should allow them to promote the cleanup, transfer, and economical use of more brownfields.

Chairwoman ROUKEMA. Mr. Colangelo, I'm sorry. You have about a minute left, or a little less than a minute, but we are going to have to go over for a vote now. We will return and hopefully we'll all be here to hear your one minute or 50 seconds. Certainly the Home Builders, which we would be very interesting in hearing their perspective on this. We'll be returning very shortly. We have one or two votes. It's a question as to whether there are one or two votes, but we should be back within 15 minutes or less.

[Recess.]

Chairwoman ROUKEMA. I believe we'll get started here, again resume our hearing. I feel compelled to make a comment to you, however. For the whole panel, the fact that there are so few of us here today is no indication that people are not interested in the subject or what you're saying; it's a competition with other committees. However, if it were highly controversial, they would all be here ready to question to you. It's a reflection of the fact that this has been so well-received by all Members of the subcommittee, but again I am confident and I'm assured that the Members and their staffs will be going over your testimony here today, but I didn't want you to feel as though the panel here was not important today. It's very important. But it's also a reflection that the Members are wholeheartedly for this legislation and supportive of what we're doing here today.

With that having been said, Mr. Colangelo, I believe you have at least another minute to summarize your statement.

Mr. COLANGELO. Thank you. I guess in summary, this legislation is another step in the right direction toward fostering the participation of a wide range of stakeholders, the owners, the developers,

the investors, service professionals and the public sector and community representatives in brownfield redevelopment.

Moreover, the bill would allocate resources to promote partnerships between the public and private sector and encourage reuse of brownfield redevelopment. I think this bill puts HUD back into the brownfield business and whether you'd know it or not, part of the other positive benefit is we've really created a new market here, a domestic emerging market and that's the brownfield industry.

Thank you very much for inviting me and listening to my comments.

[The prepared statement of Robert Colangelo can be found on page 53 in the appendix.]

Chairwoman ROUKEMA. Thank you very much.

Mr. Kasko, I believe is regional sales manager and has a lot of experience in real estate, and in home building, Avis America. But you're here today testifying on behalf of the National Association of Home Builders and I know we're all most anxious to hear your observations.

STATEMENT OF CHARLES KASKO, REGIONAL SALES MANAGER, AVIS AMERICA, ON BEHALF OF THE NATIONAL ASSOCIATION OF HOME BUILDERS

Mr. KASKO. Thank you, Madam Chairwoman. I'd like to thank you and Members of the subcommittee and Congressman Miller for having us here today to address you on behalf of the more than 205,000 members of the National Association of Home Builders to express our support for H.R. 2941, the Brownfields Redevelopment Enhancement Act.

My name is Charlie Kasko. I'm a member of the association, and I'm also the Chairman of the Federal Government Affairs Committee for the National Association of Home Builders. I'm from Shaverton, Pennsylvania. I'm a regional sales manager for Avis American. We are a division of Excel Homes. We operate in 20 States in the Northeast and build approximately 1,400 homes a year through a network of independent builders.

Brownfields redevelopment, if it's done correctly, presents a unique opportunity to marry economic development with the principles of smart growth and environmental protection. Additionally, brownfields redevelopment is consistent with the notion of reestablishing our communities. Many brownfield sites are located in urban areas or close-in suburbs within walking distance or in close proximity to existing amenities such as restaurants, shops, and the arts. This proximity both fosters the sense of community and satisfies the increasing needs of our population while helping to satisfy the need for safe, affordable housing.

For example, in my home State of Pennsylvania, the city of Pittsburgh has partnered with local builders and developers to redevelop a 42-acre site on the banks of the Allegheny River. Once a heavy industrial site, Washington's Landing will now be a standout in full community complete with townhomes, an office park, a rowing club, tennis courts, a marina, a public park and a bike path.

NAHB has always held that the first priority when addressing brownfields redevelopment must be relief from Federal liability and enforcement for innocent parties under environmental statutes.

The recently enacted Brownfields law was a good first step in meeting this priority. Unfortunately the new law fails to grant liability relief to innocent parties for sites contaminated with petroleum, because approximately half of the brownfield sites in this country are contaminated with petroleum. The absence of petroleum liability protection potentially leaves thousands of desirable sites undeveloped.

While we remain hopeful that Congress will address this shortcoming in the new law, we continue to be supportive of the efforts to provide Federal aid for the redevelopment of brownfield sites. NAHB is confident that H.R. 2941 will complement the new brownfields law by removing the barriers to valuable Department of Housing and Urban Development funding for brownfields projects.

Grants under HUD's Brownfields Economic Development Initiative are designed to provide governments with a flexible source of funding to pursue the redevelopment of brownfields through acquisition of land, site preparation, economic development, and other activities. However, access to these funds under current law requires a local government to pledge future allocations of Community Development Block Grants as collateral. Many of the communities with the greatest potential for reclaiming brownfields are unable or unwilling to pledge their CDBG funds in this manner, as we've heard so many times here this morning.

H.R. 2941 would remove these leveraging requirements and open the door to BEDI to spur much needed economic development and affordable housing production. In addition, 2941 would help clear up confusion and uncertainty regarding the eligibility of brownfield initiatives for CDBG funding. The bill would ensure that the redevelopment of brownfield sites is a permissible CDBG activity.

This clarification is important. CDBG funds are the chief means used by State and local governments in harnessing public and private investment to address community development needs by explicitly listing brownfields redevelopment activities as a permissible activity for the CDBG funding. 2941 will ensure that they have the ability to integrate such efforts as part of a broader community development initiatives.

Finally, H.R. 2941 gives the HUD Secretary the ability to establish a pilot program for the development of a loan pool that would provide economic development financing for eligible public entities. Cities will now be able to expand their redevelopment options by leveraging funding from private and public sources with the funds from the loan pool.

Madam Chairwoman, on behalf of the homebuilding industry, I'm pleased to support H.R. 2941 and look forward to answering any questions that you may have.

[The prepared statement of Charles Kasko can be found on page 60 in the appendix.]

Chairwoman ROUKEMA. Thank you very much. I do want to just restate the fact that I think that the way we have come together here is quite remarkable, but perhaps maybe we're long overdue. I want to again congratulate Mr. Miller, my colleague, for taking this initiative. Certainly all three of these issues, whether it's jobs, housing, and environmental concerns are a top priority of mine and

I believe a top priority of the vast majority of people on this subcommittee, both the subcommittee and the Full Committee, and the fact that Mr. Oxley, our Chairman, has paid such close attention to testimony here today, is an indication I believe that we all want to move with Mr. Miller, with Mrs. Maloney, to move ahead and expedite consideration of this legislation in a form that can be taken to the floor.

With that, I'll yield to my colleague, the prime sponsor of this legislation, Mr. Miller.

Mr. MILLER. Thank you, Madam Chairwoman.

Mayors Reid and Kalisz, you both touched on something that I think is very important. That's the competition for CDBG funds within the community. I think, Mayor Reid, that you said that your median income is $22,000, so you have a lot of low- to moderate-income individuals and the need for those funds is tremendous within organizations and the linkage between CDBG funds, BEDI, the guarantees, have really impacted your ability to deal with brownfields.

Do you see an opportunity, if this bill becomes law, for your implementation in dealing with brownfields locally?

Ms. REID. We absolutely do, Congressman Miller, because right now, we get $1,190,000 a year. Out of that you take admin of 20 percent. The balance of it right now, we do have a 108 loan that we took out to buy 100 acres of land to develop out around our airport. The problem is it takes another $250,000 of our 108 dollars of our CDBG dollars to pay that back. Until we can continue to develop that land out there and get this paid back, we are stuck with that. That leaves us about $600,000 to do all of the rest of the city. We've almost got it paid off, but we would never do it again for that very reason, because we've got nine council people all vying for money for their wards where there's a lot of low, substandard housing, elderly housing projects, all of the things that we need to do in our city. We have a decaying inner core. We're an old Rust Belt city and taking that money and going back to my council again and asking them to do another 108 loan, Congressman, is not going to work. We can't afford to take that away from our citizens.

Mr. MILLER. So this program, if enacted, would benefit your city and would be something you would take advantage of?

Ms. REID. Absolutely. Just get it passed, sir.

Mr. MILLER. Mr. Murphy, you talked about the State of Massachusetts has never been able to use HUD grant funds for this program because of the complexity of the process of the loan application process in 108. Is that correct, with the National Association of Counties?

Mr. MURPHY. Actually I believe it was my colleague to my right here.

Mr. BARTSCH. It was actually me, but that is correct, Congressman. Again, it gets into decoupling issues. Again, in theory, small cities can take advantage of this because there is a process in the law that allows that, but again in practice at the State level, the same kind of constraints that Mayor Reid points out happen at the State level. States are concerned about the impact on their future allocations. They're concerned about how existing resources may be distributed to the many small cities within a State and many of

those States, and again I use the example from Massachusetts, because I was able to get some numbers yesterday on that, many States just have decided that they can't do this, they can't do a 108 for brownfields for the very reasons that Mayor Reid pointed out.

Mr. MILLER. So eliminating that requirement and simplifying the process, as we're doing here, you see a major benefit?

Mr. BARTSCH. I see a major benefit. One of the things that I do is brownfields outreach for a variety of cities. In the last year, I probably have been to 20 cities mostly in New York and New Jersey, small cities, and when you talk about this issue, the inaccessibility of this program comes up almost every single time. I think there's tremendous demand for this once this gets through.

Mr. MILLER. So linking this between the agencies for home builders, once the contamination issue is resolved and the funds are there where a developer can come in then and purchase the site, which frees the local agencies up from the debt they're dealing with, there could be a benefit tremendously for jobs in this country too. Is that not true?

Mr. KASKO. That's absolutely correct, Congressman. We're always looking for new sites and for development sites. This is great potential, especially in the affordable housing arena for us to look at the sites. But the funding as well as the liability are two major issues. We've addressed a portion of one. We need to continue on the same path.

Mr. MILLER. And moving in this direction in the areas that these would be used, most home builders have difficulty dealing with the process because they want to development mainly in green areas, let's say, that are undeveloped. Lacking infrastructure, the costs are tremendous. Many people in areas like that don't want growth to occur, but these are inner cities, blighted areas where growth is needed because you're basically cleaning the environment and putting it to a better use, and basically revitalizing the local government through taxation. Is that not correct?

Mr. KASKO. That is absolutely correct. This is a large component of our smart growth plan. While it's not exclusive to it, but revitalizing and redevelopment of the urban centers it has been long understood that to encourage development within the Urban areas, there's a number of issues that have to be addressed on what I like to call livability, and brownfields is a major part of that livability aspect, not just the schools and the infrastructure, but also the environment in which the people are living, and if you start cleaning up these sites, you're going to change, if you will, the image of the urban centers and hopefully be able to revitalize them like so many of us are trying to do.

Mr. MILLER. I want to thank all of you for your testimony. It's been really helpful. As the Chairwoman said, the reason we don't have a lot of people here is because obviously they support the bill or they'd be here complaining, griping and bellyaching, so I want to applaud you for taking your time and coming here to Washington to give us this expert testimony. Thank you very much.

Chairwoman ROUKEMA. Thank you.

Welcome back, Mr. Chairman. I acknowledged your intense interest in this in the context of hopefully being able to expedite this

through the Committee, and caring for it. We'll leave that up to you to make your own statement and observations here.

Mr. OXLEY. Thank you, Madam Chairwoman.

Again, welcome to all our panelists, particularly Mayor Reid. Mayor Reid, you are to be congratulated on receiving the Great American Mainstreet Award. That's quite an achievement. It clearly puts Mansfield in a position to be one of the leaders and continue to be one of the leaders in the whole development area.

It was interesting that in your prepared testimony, you say under the heading of "Challenges" complex is synonymous with brownfield redevelopment, and indeed I suspect that everybody can share that same frustration as we try to work our way through some of these difficult issues with the various leaders of government and involvement of the private sector, and the like.

I'm wondering, part of this bill deals with revolving loan funds. Has Mansfield had experience overall with revolving loan funds? If so, are they useful in putting financing projects together?

Ms. REID. We use revolving loan funds on two levels. We have revolving loan funds for our downtown redevelopment. As you know, we have been able to put together a pool with the local banks and with some city dollars. That is a loan to small business people trying to get started and do something downtown.

Then we also, as you know, were awarded a million-dollar grant which will be a revolving loan fund for brownfield remediation. That one is just getting started. And Congressman, as you know, the paperwork to get through this is about this high. We are trying to wade our way through it. We had a very nice young man from EPA in Chicago come in and tell us this was going to be really easy, and we believe him. So we're going to hope for the best. But again that will be a revolving loan fund. We also use our CDBG dollars into a revolving loan fund for the purpose of loaning money to landlords to do rental rehab which then is paid back to us, which we use to loan to another landlord to rehab another house. So in the ways that we use our CDBG money, you can see how important it is that we don't tie it up with a commitment to 108 dollars.

Mr. OXLEY. That's a good point. Clearly, the impetus behind this legislation CDBG has been appropriate in many indications. For example, Holiday Inn at Mansfield was begun with CDBG money and obviously turned out to be quite successful and anchor that area downtown with a renaissance theater next door, it became a perfect opportunity for the city to really put its best foot forward. Yours and past administrations were involved in that area. It was most appreciated. It was also most helpful to look at the profile of the former Ohio Brass, just to use one example. And the income sources that you have laid out, would we expect, let's say that we were to start all over again with Ohio Brass, would the passage of this legislation and the legislation that passed earlier last year, Representative Gilmore's bill that I mentioned, what would change in that overall structure of financing and putting this package together.

Ms. REID. First of all, that project has been a long time coming. We've been working on it, as you know, almost ever since I've been Mayor. It's been a project that we've really had to struggle to get the dollars for. We are very proud of the fact that we were able to

get the former owners to contribute dollars. The project would probably have been speeded up by a minimum of 2 years, and maybe a maximum of four if we could have had access to other funding that we wouldn't have had to pledge our precious dollars to.

We did have to scratch for money out of our general fund to cover part of it. When we take money out of our general fund, as you know, Congressman, it means that we have to look somewhere else to find money to pay our police and fire and to run our city. So in reality, the Ohio Brass project, if we would have had in place what we are now talking about and what Congressman Gilmore's bill did a year ago, we would not have had to take our precious general fund dollars in order to make this. But we were so committed to getting this done that there's other things we could have done with that money. A new fire station would be nice. But, you know, we put those things off because we had to make a commitment to do what we did at Ohio Brass.

Mr. OXLEY. That's a great case example of what can be done, and obviously with passage of this legislation, and the Gilmore bill working together facilitates a lot of these things even better.

Madam Chairwoman, I thank you for your time. And let me just say to you that this bill appears to have broad bipartisan support and we would plan to put it on a fast track. And it's important I think that we send a strong signal and get a bill over to the other body soon enough that they can act on it and we can get it to the President. Coupled with what has already been accomplished on the liability side, this is a natural, and we're planning to move with as much speed as we possibly can on that.

And I yield back.

Chairwoman ROUKEMA. I thank the Chairman and I thank him for his exceptional leadership on the Committee of the whole as well as for the subcommittee. I do thank the panelists. You've made an excellent case and again I assure you that your testimony will be made readily available to every Member of the subcommittee and the Full Committee.

If you have further comments or additions, you have a 30-day time period to put it in the official record. Thank you again. We look forward to this being a major piece of legislation in this Congress. Thank you.

[Whereupon, at 12:40 p.m., the hearing was adjourned.]

A P P E N D I X

March 6, 2002

Statement
by
Chairwoman Marge Roukema
Subcommittee on Housing and Community Opportunity
In support of
HR 2941, The Brownfields Redevelopment Enhancement Act of 2001

March 6, 2002

Thank you all for coming today. Brownfields cleanup and redevelopment is a critical issue for this country and for my home state of New Jersey. The Subcommittee is meeting today to examine HR 2941, the Brownfields Redevelopment Enhancement Act introduced by Congressman Gary Miller from California.

Today local communities and states are eagerly looking for ways to cleanup and redevelop their brownfields sites. It is incredible to think that there are an estimated 500,000 brownfields in existence today across the country. Of these, over 12,600 are in my home state of New Jersey.

Brownfields sites are sites where redevelopment is complicated by potential environmental contamination, but that are less seriously contaminated than those covered under the Superfund Act. No matter how they are classified, these are possible health hazards and eyesores in the communities that should be cleaned up and put to better use. Redevelopment of these sites will go a long way to revitalizing the communities around them and will improve the quality of life and the environment in these areas.

While some states have established programs to encourage brownfields cleanup and redevelopment, liability involving the sites remains controlled by the strict standards of the Superfund law. Investors and developers have, therefore, been reluctant to purchase brownfield sites, out of concern they will become entangled in legal disputes and be forced to pay for unexpected cleanups.

On January 11, 2002, President Bush signed "The Small Business Liability Relief and Brownfields Revitalization Act," which provides up to $200 million a year to States, local governments and Indian tribes for brownfields cleanup. That legislation more than doubles the $92 million spent annually for brownfields cleanup to $200 million. A liability measure within the bill protects the new owners of restored brownfields from having to pay any future cleanup costs. The legislation also calls for the creation of a public record of brownfield sites and encourages community involvement in

cleanup and reuse. It authorizes $50 million a year for grants to local and State governments to start and enhance brownfields programs.

While the bill signed by President Bush has been widely hailed as a valuable step forward on the brownfields issue, H.R. 2941 is complementary legislation which addresses a different facet of brownfields redevelopment.

H.R. 2941, introduced by Congressman Miller of California focuses on providing access to capital for local entities that traditionally have had trouble obtaining financing for brownfields redevelopment activities. Most notably, H.R. 2941 authorizes appropriations for the Brownfields Economic Development Initiative (BEDI) program for the first time and eliminates the requirement that local governments obtain section 108 loan guarantees as a condition to receiving BEDI grant funding.

De-linking BEDI grants from section 108 loan guarantees is important because some small cities have great difficulty in securing or are unable to secure those guarantees. The current requirement that cities must leverage their CDBG funds in order to receive brownfields grants has discouraged many of our smaller communities from applying for these grants.

H.R. 2941 takes two other important steps. First, the bill authorizes appropriations for the BEDI program for the first time. And second, the bill establishes the "Pilot Program for National Redevelopment of Brownfields." This will enable the HUD Secretary to fund a common loan pool for brownfields economic development loans, to be distributed on a competitive basis.

Because the newly-passed "Small Business Liability Relief and Brownfields Revitalization Act" authorizes only $200 million dollars with a $1 million cap on funds to any individual locality, the Pilot Program funds will fill the gap for potential developers of the other hundreds of thousand of brownfields sites across the country.

Significantly, the FY 2003 HUD budget request submitted to the President proposes decoupling the brownfields program from the section 108 loan guarantee program to attract more participants. This mirrors the initiative taken in H.R. 2941.

I would like to take a moment to commend Congressman Miller and the Northeast Midwest Coaltion for their work on this issues. They have worked closely with HUD officials to look for ways to make this program a more efficient and effective program that will provide state and local governments another source of funding for brownfield cleanup and redevelopment. I would also like to thank Congressmen Jack Quinn and Marty Meehan for their work on this important issue.

With that, I would like to turn to the Ranking Minority Member for his statement, Congressman Frank.

Opening Statement

Chairman Michael G. Oxley

Committee on Financial Services

Subcommittee on Housing and Community Opportunity
H.R. 2941, the Brownfields Redevelopment Enhancement Act
March 6, 2002

It seems that brownfields keep following me around.

As some of you may know, in a prior congressional life I spent a lot of time trying to reform the Superfund program for the cleanup of toxic waste sites. Superfund has a broad liability system. People interested in redeveloping a contaminated site fear that without legal protections, they could be sued to pay for part or all of an expensive cleanup even if they had nothing to do with the original pollution.

What we saw emerge was the "brownfields" phenomenon. Developers would shy away from even slightly contaminated sites like old factories and gas stations and build instead on pristine "greenfields in the country." Cities lost jobs and their tax base. Rural communities complained about urban creep.

This hit industrial states like Ohio especially hard. There are thousands of abandoned brownfields in Ohio that have the potential to contribute to the economy. I recall holding a field hearing at a brownfields site in Columbus several years ago. A true test of how persuasive you are with your congressional colleagues is if you can convince them to traipse over a frozen waste site in Ohio in 20-degree weather on Valentine's Day...which I somehow managed to do. A few Members still haven't forgiven me.

The threat of brownfields blight became so great, that people were moved to action. States like Ohio and Pennsylvania pioneered voluntary cleanup programs providing more legal certainty and flexible cleanup standards. Thanks to the good work of my colleague Paul Gillmor, we now have a federal law clarifying liability at brownfields sites.

Today, we turn our attention to the Department of Housing and Urban Development. HUD's brownfields and community development programs are going to become more important as more brownfields projects get underway. These programs need to be user-friendly, especially for communities that are new to this specialized area.

Oxley, page two
March 6, 2002

I am pleased to be a cosponsor of H.R. 2941, introduced by the Vice Chairman of this Subcommittee, Gary Miller. This legislation will authorize HUD's brownfields programs for the first time. It will make more communities eligible for grants, make it clear that brownfields redevelopment is a community development block grant eligible activity, and permit HUD to set up a pilot revolving loan program to maximize the impact of federal dollars.

Ultimately, the vast majority of the funding for brownfields projects must come from the private sector. This committee is working to assure the banks and insurance companies under our jurisdiction that brownfields projects are good business investments. We want to remove the stigma, and turn these into normal real estate deals that have a manageable environment component.

I welcome HUD Assistant Secretary Roy Bernardi who, as the former mayor of Syracuse, is well-versed in community development issues.

The Northeast-Midwest Institute, co-chaired by my friend Jack Quinn, has been a source of innovative thinking about brownfields and helpful in developing H.R. 2941. Charlie Bartsch has always been able to see the big picture.

And, of course, I am especially honored to greet the Mayor of Mansfield, Ohio, Lydia Reid. Mayor Reid and I have worked on a variety of development projects over the years. Mansfield has a vigorous revitalization program that has won national awards. Mayor Reid has a great story to tell.

Brownfields redevelopment should unite Republicans and Democrats, city mayors and farmers. Our committee has a role to play by highlighting and fine-tuning HUD's vital programs. Having toiled in the vineyards on this, I am very happy to see brownfields legislation finally bearing fruit in Congress.

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Opening Statement
Congressman Bob Barr
Hearing on Brownfields Redevelopment Enhancement Act, H.R. 2941
March 6, 2002

Across our nation there is a widespread consensus over the vital need to cleanup the brownfield sites. These areas usually were a focus of thriving economic activity; now they sit abandoned or under-utilized, and contaminated from past uses.

I applaud Congressman Gary Miller for introducing the Brownfields Redevelopment Enhancement Act. This legislation is framed to provided continued support for the brownfields environmental cleanup and community redevelopment.

Moreover, this bill will provide for greater brownfields redevelopment flexibility for small cities and towns, and authorize appropriations for the Brownsfield Economic Development Initiative (BEDI) Program for the first time. The largest barrier being faced in the redevelopment of brownfields is financing. The BEDI program will begin to respond to this problem and allow communities to utilize their other grants for additional programs.

I am committed to work with the Committee, the Administration, the Department of Housing and Urban Development (HUD), the Environmental Protection Agency (EPA), and the communities to enhance the quality of life in our Nation.

CONGRESSWOMAN JULIA CARSON
SUBCOMMITTEE ON HOUSING AND
COMMUNITY OPPORTUNITY
COMMITTEE ON FINANCIAL SERVICES

Opening Statement: H.R. 2941,
Brownfield's Redevelopment Enhancement Act

Brownfields remediation has been fundamental to an aggressive urban redevelopment initiative undertaken by my District. With the assistance of HUD and the Environmental Protection Agency, the Indiana Office of Land Quality has been able to identify and redevelop numerous brownfield sites in Indianapolis. This has brought about the improved social and financial condition of several struggling neighborhoods.

More importantly, the clean up of brownfields have contributed to the health and well being of children living in blighted neighborhoods. Children living in urban areas are sometimes attracted to vacant lots, especially if there are few parks or other greenspaces available in the neighborhood. Families living in blighted neighborhoods can go through several different housing situations in relatively short amount of time, making them unaware of just what took place on those lots before they were vacated. It's hard to tell what manner of toxic, poisonous chemicals children and their families may be exposed to until brownfields are identified and cleaned.

Brownfields are not a purely environmental matter; they damage every aspect of a community's life. I am pleased that this Committee has recognized the vital importance of redeveloping brownfields for strengthening communities. I am looking forward to hearing about this important bipartisan measure today.

Opening Statement of Congressman Steve Israel
Subcommittee on Housing and Community Opportunity
Committee on Financial Services
United States House of Representatives
Hearing on HR 2941, the Brownfields Redevelopment Enhancement Act
March 6, 2002

MR. CHAIRMAN, thank you for holding this important hearing on such an important issue. I am thrilled that this House will be considering brownfields legislation. You know, there is a lot of talk around here about bi-partisanship and working across the aisle, but in this case we have an issue where I think we all truly agree.

As many of you know, I come from Long Island. In fact, before coming to Congress I served on the Town Board for Huntington, Long Island. I know what it is like to face development, zoning, renewal and community challenges. And I know what it is like when you have a parcel of land with which you can do nothing because it is a brownfield.

And it doesn't have to be this way. We took a good first step with the passage of HR 2869, the Small Business Liability Relief and Brownfields Revitalization Act, now Public Law 107-118. But there is more work to do.

I commend our colleague Mr. Gary G. Miller of California for introducing this legislation. It will help smaller cities and towns by providing more flexibility in how they deal with brownfields. As importantly, it funds the Brownfields Economic Development Initiative (BEDI), subject to appropriation. And finally, it de-links BEDI from §108 loan guarantees, which will help small towns tremendously.

I wanted to welcome our witnesses today also. We have a distinguished group here today, who represent widely divergent issues. I am pleased they took the time out of their day to help us understand this issue.

Mr. Chairman, we need to do everything possible to help localities redevelop brownfields. This bill is another step in that direction, and I thank you for bringing it to our attention.

Statement of Congresswoman Sue Kelly House Committee on Financial Services Subcommittee on Housing and Community Opportunity Hearing on H.R. 2941, the Brownfields Redevelopment Act

Wednesday, March 6, 2002 at 10:00 a.m. in 2128 Rayburn

Chairwoman Roukema, Ranking Member Frank I want to thank you both for calling for today's hearing on Congressman Gary Miller's legislation, H.R. 2941, the Brownfields Redevelopment Act. Brownfields redevelopment is an issue of critical importance for our Nation, as a whole.

As we talk about the need for saving green spaces, we also need to look at what we have in terms of spaces that we might be able to rehabilitate for human habitation and to return these properties as tax ratables on our communities' rolls. We must ensure that any planned growth of communities have the greatest possible clean up and redevelopment of their contaminated properties. Otherwise growth with continue the trend of sacrificing more and more of our open spaces as we simply abandon from areas that we have harmed.

I believe making progress on this issue is something that will require local as well as State and Federal working together, partnerships. Congressman Miller has introduced his Brownfields Redevelopment Act in an effort for the Federal government to assist localities in this effort. This legislation makes a good step in the right direction and as a cosponsor it has my full support.

I want to take a moment to thank your witnesses for taking the time out of their busy schedules to discuss these issues with us. In addition, I ask the chairwoman's indulgence since I will not be able to stay for the full hearing today, however, this is due to too many other obligations and is not a reflection of any lack of interest on my part.

Statement of Charles Bartsch
Senior Policy Analyst for Economic Development/Brownfields
Northeast-Midwest Institute

on
Using HUD's BEDI Program to Enhance
Brownfield Financing Opportunities

before the
U.S. House of Representatives
Financial Services Committee
Subcommittee on Housing and Community Opportunity

March 6, 2002

Madame Chairman and members of the Housing and Community Opportunity Subcommittee, thank you for the opportunity to testify about federal program financing issues that affect the productive reuse of older, often contaminated industrial and commercial sites. I am Charles Bartsch, senior economic development policy analyst at the Northeast-Midwest Institute, and a specialist in brownfield issues. Since 1991, the Institute — working closely with the bi-partisan Northeast-Midwest Congressional Coalition, currently co-chaired by Reps. Jack Quinn and Marty Meehan — has examined the relationship between environmental contamination and economic development. A key part of that effort has been identifying ways in which existing federal financing programs could be more creatively and usefully linked with the resource needs of brownfield sites.

The Institute has analyzed site reuse activities in nearly 100 jurisdictions – large cities like Pittsburgh, Chicago, Los Angeles, and Cleveland; mid-sized cities like Buffalo, Kansas City, Worcester, and Bridgeport; and small towns like Ocanto, Wisconsin, Glen Cove, New York, and Wyandotte, Michigan. Our research has indicated that, while the problems surrounding reuse of contaminated sites are crucial ones in the nation's traditional industrial centers, they are by no means confined to such communities. The issue of brownfields is widespread, having surfaced in every state across the country. To address it, communities need practical public-sector tools and approaches that are easy to access and easy to use. This need is especially critical for small cities and towns with little staff capacity and resources of their own.

This hearing is especially timely. Just two months ago, on January 11, President Bush signed the Brownfield Revitalization and Environmental Restoration Act into law. That act sets

the stage for new public-private partnerships that can resolve thorny liability issues that impede site reuse, and also clarifies the state-federal relationship regarding cleanup finality. These are solid steps forward. But brownfield challenges remain. Now, Congressional efforts must shift to focus on the most significant remaining barrier to brownfield redevelopment – financing.

The biggest hurdle that cities, communities, and the private sector face when trying to acquire and redevelop contaminated property is the lack of capital to carry out essential early-stage activities – site assessment, remediation planning, and the actual cleanup itself. Private financiers, on their own, are often not willing or able to provide the funding needed to take a brownfield property through the full redevelopment cycle. Moreover, the issue of brownfields has given rise to concerns about project risk and collateral value, complicating the traditional view of creditworthiness, and increasing transaction costs for these sites. There is a clear and critical role for HUD to play in helping to make the investments that can fill the brownfields capital gap and improve the market conditions for these properties. The Brownfield Economic Development Initiative (BEDI) program was put in place to respond to this redevelopment challenge.

What does BEDI do, and what has it achieved? BEDI funds are used to help local governments and private parties take on brownfield sites. HUD emphasizes that these resources are to be used "to finance projects and activities that will provide near-term results and demonstrable economic benefits, such as job creation and increases in the local tax base."

BEDI is the most flexible federal resource available to communities for brownfield purposes. Unlike EPA's grant programs, BEDI funds can be used for the full range of redevelopment activities – from cleanup to construction. BEDI funds can address petroleum and all other types of contaminants that are still problematic for EPA, even with the new brownfield law.

Even though the program is relatively new, making its first awards in 1998, BEDI is already tallying some important results:

- **Cooper-Grant neighborhood project in Camden, New Jersey** will use $520,000 in BEDI funds, and $2.88 million in Section 108 loan funds, to clean and redevelop a brownfield site into 24 units of market-rate housing, establish a small community park, and make other infrastructure improvements to the area. BEDI resources are being targeted for site cleanup.

- **Conshocken Borough project in Montgomery County, Pennsylvania,** is using $2 million in BEDI funds for environmental remediation of industrial property along the Schuylkill River. A companion $3 million Section 108 loan will help transform the site into a 570,000-square foot e-commerce office building and 500,000-square foot residential complex.

- **The Crossroads project in Syracuse, New York** is using an $875,000 BEDI award to address environmental remediation and economic

development activities that will create jobs for low- and moderate-income individuals. A companion $2.19 million Section 108 loan guarantee was also awarded to redevelop the Winkleman Site, within the Crossroads Commercial and Industrial Park. This is expected to result in the introduction of 20 new businesses and 200 new jobs to the area.

- **Colorado Project in Lorain, Ohio** used a $500,000 BEDI grant to expand the Colorado Industrial Park. A companion $4.5 million Section 108 loan guarantee will provide a business loan to the Lorain Port Authority for additional site improvements, and to create a recreational area along the Black River.

Clearly, BEDI has been a vital component of brownfield revitalization strategies in those cities that were able to access the program and its resources.

What are the key issues surrounding BEDI brownfield sites, and how could BEDI be even more effective? These successes notwithstanding, HUD has not seen the level of grant application activity that one would expect, given the tremendous need – more than half a million brownfield sites nationally, many stymied by the lack of affordable financing. Clearly, the existing BEDI program has features which discourage its use, and these must be addressed.

The most critical issue, and one that HR 2941 addresses, is the required linkage of BEDI and Section 108. HR 2941 would de-couple these programs – a significant change with great potential benefit. Under current law, BEDI grants can not be awarded unless communities also apply for and receive a companion Section 108 loan guarantee. This adds complexity and time demands to projects, key disincentives for small and mid-sized cities that do not have large staffs able to prepare and push dual applications. It also discourages small projects because the effort and costs of structuring and securing a Section 108 loan guarantee reduce its usefulness.

Furthermore, this linkage requirement has proven difficult for many entitlement cities and counties to meet. Even if they have not reached their legal limit on Section 108 guarantees (namely, five times the amount of their annual entitlement grant), economic and political constraints effectively prohibit communities' use of the Section 108 program for brownfields – making needed BEDI resources inaccessible:

- Bond rating agencies view Section 108 loans as municipal debt, and debt levels are a touchy issue in most places; moreover, some cities have debt caps which are defined by statute or financial rules, discouraging use of Section 108.

- Communities that use Section 108 proceeds for local loan funds or infrastructure development often rely on CDBG as a backstop to pay down their Section 108 debt, and many simply do not have the ability to add more of that debt without jeopardizing basic programs and services that CDBG supports.

- In many places, mayors and city councils find it politically impossible to pledge future CDBG grants as collateral for these projects, even with HUD's outstanding record of application review and underwriting.

- In many places, local officials are not clear on the connection between CDBG and brownfields in terms of basic block grant program eligibility and compliance with low- and moderate-income benefit requirements – and they do not want to risk a HUD program audit finding by trying.

In addition, small cities face nearly insurmountable obstacles to accessing BEDI resources – first and foremost because of the required connection to Section 108. Since by law they do not get their own CDBG entitlement grants, they can offer nothing on their own to meet the required Section 108 collateral pledge. And while, in theory, they can work through their states or urban counties, in practice those entities are resistant (or even hostile) to such efforts, nervous about pledging their own entitlements, and concerned about the impact on their own flexibility to meet community development needs. To date, only a handful of small cities has been able to make the Section 108/brownfield connection – even as the need for brownfield financing resources grows.

Although a couple of states, notably Connecticut and Washington, have made an effort to work with their small cities to make this connection, the national track record is dismal. Decoupling BEDI from Section 108 would have a tremendous impact; last year, I participated in more than a dozen brownfield workshops in small towns, and this financing concern was raised in virtually every one.

In addition, HR 2941 would enhance HUD's brownfield efforts in other important ways. The bill's clarification that CDBG funds may be used for brownfield purposes will prove helpful to those in communities where doubts have been raised as to its applicability. This will provide jurisdictions and their communities with more flexibility in addressing various aspects of brownfield reuse.

In terms of BEDI selection criteria, the bill notes that the "Secretary shall establish criteria" for awarding grants. I would like to emphasize that BEDI's existing criteria – need, soundness of approach, leverage, capacity of the administering organization, and coordination of the proposed project with community development objectives – have served the BEDI program well to date. They are strong, help to effectively target funds, and require applicants to offer needed information about the financial feasibility of the project and its intended benefits. These should not be changed.

In addition, HR 2941 specifically authorizes appropriations for BEDI, a key step forward for this program because it will reiterate Congress' support for this important initiative. I would like to emphasize, though, that the resources dedicated for the BEDI initiative should not be taken from the larger CDBG program; since BEDI was first funded, it has been defined as a separate budget line item. I would urge the Subcommittee to maintain this distinction. Demands for CDBG resources are compelling in virtually every community, and resources are tight as more cities and counties qualify for entitlement status. At the same time, Congress needs to

make sure – however program funding is structured – that BEDI can retain its ability to be used as a match for other public resources. For example, EPA's cleanup grants authorized in the new brownfield statute will require a 20 percent match, and BEDI would be an excellent source for communities to use.

Finally, I urge this Subcommittee to keep a close eye on the changing demand for BEDI resources that will stem from the important program changes that HR 2941 will make. I expect that a more flexible, more widely accessible BEDI program will intensify interest in this program.

To close, the ideas put forth in HR 2941 are shared by many others in Congress. On the House side, Reps. Jack Quinn, Marty Meehan, James McGovern, and John McHugh have introduced HR 2064, which also would address the de-coupling issue. And on the Senate side, Sens. Levin and Jeffords have introduced S 1078, with a similar objective. The support for this type of change to BEDI, to make it more responsive to evolving brownfield needs and conditions, is significant and bipartisan.

Site assessment and cleanup require financial resources that many public agencies and private firms lack and find difficult to secure. And without financing, brownfield reuse projects can not go forward, further undermining efforts to revive distressed, older industrial areas. The combined efforts of the public and private sectors will be needed to move properties into the realm of economic viability, and ultimately bring prosperity back to them. Therefore, Members of this Subcommittee are to be commended for their willingness to consider and promote different approaches to the complex issue of brownfield finance.

Thank you for the opportunity to speak, and I look forward to your questions.

STATEMENT OF ROY A. BERNARDI
Assistant Secretary
U.S. Department Of Housing and Urban Development

BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

March 6, 2002

Good morning Chairwoman Roukema, Ranking Member Frank, and distinguished members of the subcommittee. My name is Roy Bernardi. I am the Assistant Secretary for Community Planning and Development in the Department of Housing and Urban Development. I am responsible for the management, operation, and oversight of approximately $8 billion in federal funds, most of which are distributed by formula to our communities for economic development and housing activities. As the former mayor of Syracuse, New York, a recipient of HUD funding, I can tell you that these programs are invaluable to those responsible for local efforts.

I am pleased to appear before you to discuss a common interest: brownfields revitalization. Brownfields is a subject that has received a good deal of attention these last few years, and President Bush indicated clearly that brownfields revitalization is high on his domestic agenda. Given the shared goals of the Congress and the administration, we have the makings of a solid partnership. That potential was demonstrated only a few weeks ago when President Bush signed the legislation that the Congress crafted: The Small Business Liability Relief and Brownfields Revitalization Act.

The redevelopment of brownfields may be framed in two ways: One, as an environmental cleanup issue and two, as a community redevelopment issue. Framed as an environmental issue, the central concerns are assessment, clean up, and potential liability, and the principal players are environmental specialists and engineers. Framed as a community development issue, the central concern is the issue of creating a community asset and the principal players are economic development specialists and financiers.

Experience has taught us that both approaches are relevant, especially when they are harnessed together. For a variety of reasons, coordinating remediation and redevelopment into an integrated approach does not always happen seamlessly. At the federal level, HUD, the Environmental Protection Agency (EPA), and the Economic Development Administration (EDA) are the primary agencies that assist communities

with addressing brownfield issues. Given the different funding mechanisms that exist within these agencies, their various regulatory responsibilities, their own internal priorities, their unique field structures, and certainly the well-established operating "cultures" within each agency, the coordination of HUD with EPA and with EDA is not an easy task. As we move from the federal to the state and local levels, the complexity of coordination only increases.

All over America today, big cities, small cities, and medium cities are engaged in building cities on old industrial and manufacturing sites that were left soiled by our heavy industries of the early and mid-twentieth century. The General Accounting Office has estimated that 450,000 brownfields exist – the vast majority of which are located in urban areas. We at HUD, along with our colleagues from EPA and EDA (and the other 20+ federal agencies involved in the interagency brownfield efforts) strive daily to achieve the maximum result at the minimum cost and in the shortest time. Secretary Martinez and I are committed that HUD will fulfill its mission as the principal vehicle for the redevelopment of these brownfields.

Let me turn to HR 2941, the Brownfields Redevelopment Enhancement Act. As we understand it, the purposes of this Act are to provide (1) more flexibility to communities, (2) increased accessibility to funds, and (3) greater capacity to coordinate and collaborate. It does this by providing additional incentives for remediation and redevelopment, and by de-linking the Brownfield Economic Development Initiative grants from the Community Development Loan Guarantee program. Further, this bill clarifies that activities associated with brownfields redevelopment are eligible activities under the Community Development Block Grant Program. Finally, it permits the Secretary to establish as a pilot program a common loan pool, which may be securitized. We are interested in working with you on this and other approaches to brownfields revitalization that will enhance the well being of affected communities.

A survey of over 200 cities, by the U.S. Conference of Mayors, estimated that Brownfields redevelopment could add up to $2.7 billion in additional tax revenues and create 675,000 new jobs if these sites were returned to productive use.

We, as an administration, are committed to what I am calling the "3R" approach: Remediation + Redevelopment = Revitalization. Just as Governor Whitman brought a new level of commitment to EPA to address and resolve Brownfield remediation, Secretary Martinez and I bring a renewed commitment to HUD's focus on redevelopment.

Brownfields include real property with "real or perceived contamination," therefore significant remediation is not always required. As always, HUD's role as the catalyst-contributor is to leverage adequate private financial resources, along with other public funding, to enable redevelopment to take place.

We are confident that our brownfields efforts will, over the long term, provide for neighborhoods to attract better housing and will lead to better quality living environments for moderate and low-income residents.

The Bush Administration understands that there are opportunities to improve the revitalization process, to speed redevelopment while still achieving remediation of risks to human health and the environment. We can improve the administration of our Brownfield efforts without sacrificing either redevelopment or remediation.

Madam Chairwoman and members of the subcommittee, thank you for your leadership. We look forward to working in partnership on this vital issue.

U.S. House of Representatives
Committee on Financial Services
Hearing on Amendments to H.R. 2941

Robert Colangelo
Executive Director, National Brownfield Association

I thank the Committee for the opportunity to present my opinion on HR 2941. In my capacity as Executive Director, National Brownfield Association, a non profit educational organization, with more then 600 members, I work with property owners, developers, investors transaction support professionals and representative of the public sector and hear the concerns of a wide range of stakeholders. As publisher and founder of Brownfield News magazine, the only magazine dedicated to coverage of this issue, and as manager of Brownfield Development, LLC, which holds title to a 26 acre industrial park a brownfield, I have first hand knowledge of the difficulties and complexities associated with financing and redeveloping brownfield properties.

"Brownfields" include properties that are contaminated or perceived to be contaminated. They may also include properties that are underutilized for various socioeconomic reasons, such as abandonment, obsolescence, tax delinquency, and/or blight.

Structuring the finance to acquire and cleanup environmentally impaired property remains the primary obstacle in redeveloping brownfields. The lending community considers brownfield transactions high-risk. Therefore, they are not leveraged and securing traditional sources of debt financing remains difficult at best. Banks will not lend on a brownfield property until its environmental risk has been mitigated. This leaves equity funds and gray market sources of capital as the primary mechanism for financing these transactions. Both sources of capital are expensive - typically requiring yields in excess of 30 percent.

As the brownfield market matures, considerable experience has been gained by both the public and private sector about the redevelopment process. The maturing market has left fewer positive value properties available that can generate returns that warrant the use of high priced capital sources. The current market condition has left hundreds of thousands of sites within the confines of our cities undeveloped due to the high cost of private capital, poor market conditions and difficulty in utilizing government incentives. As the market evolves, government incentives will continue to serve as a key mechanism to lower the cost of private capital. By structuring the acquisition of a brownfield using a combination of equity, debt and government incentives, a blended lower cost of capital can be achieved. The lower cost of capital will allow more brownfield sites to be economically redeveloped.

The governments and particularly HUD's role in the brownfield redevelopment process will also increase as the market transitions from "environmentally-driven to real estate-driven transactions.

The Brownfield Office of the City of Chattanooga, Tennessee is a great example of the real world difficulties in using HUD's Section 108 Loan Guarantee and the companion Economic

Development Initiative (EDI) and Brownfield Economic Development Initiative (BEDI) grants to promote industrial and business recruitment and retention.

The goal of Chattanooga's Brownfield Office is to have significant and positive impact on the city by identifying, developing and supporting redevelopment methodologies to provide expanded economic opportunities and healthy community environments for local communities affected by brownfields. The office identified the redevelopment of abandoned industrial sites – brownfields as an important economic objective for the city. Actions to facilitate this objective included the identification of projects to stimulate economic development using HUD's Section 108 Loan Guarantee and the companion Economic Development Initiative (EDI) and Brownfield Economic Development Initiative (BEDI) grants to promote industrial and business recruitment and retention.

However, implementation has been stymied by several factors including:

- Linking the Section 108 Loan to EDI/BEDI funding
- Unwillingness by the mayor's office to risk CDBG proceeds as collateral
- Lack of local financial expertise to administer the Section 108 loan
- Failure to produce a specific project that "fits" the HUD definition of "economic development"

This legislation appears to promote the responsible redevelopment and productive reuse of brownfield properties by removing unwarranted obstacles, specifically de-linking grants and loan guarantees for brownfield development from the pledge of the community development block grant funds. This proposed change will allow more communities to have access to funding which in turn should allow them to promote the cleanup, transfer, and economical reuse of more brownfields.

In addition, through the proposed formation of pilot programs, a common loan pool can be created that will allow public entities the flexibility and discretion to apply these incentives to local development projects.

This legislation is another step in the right direction toward fostering the participation of a wide range of stakeholders (owners, developers, transaction support, public sector, and community representatives) in brownfield redevelopment. Moreover, the bill would allocate resources to promote partnerships between the public and private sectors and encourage the reuse and redevelopment of brownfields consistent with the environmental and socioeconomic needs of the community. It also would create flexible incentives that promote the investigation, cleanup, transfer, and reuse of brownfields.

I strongly encourage his committee to consider creating opportunities for stakeholders to educate the public and private sectors regarding these new policies and incentives, create opportunities to network with other stakeholders to stimulate brownfield reuse, and to encourage dialogue that fosters responsible brownfield reuse and considers local needs and concerns.

STATEMENT OF FREDERICK M. KALISZ, JR.,

MAYOR OF THE CITY OF NEW BEDFORD, MA.,

before

THE SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

OF

THE COMMITTEE ON FINANCIAL SERVICES

OF

THE U. S. HOUSE OF REPRESENTATIVES,

concerning

H.R. 2941, BROWNFIELDS REDEVELOPMENT ACT, March 8, 2002

My name is Frederick M. Kalisz, Jr. I am Mayor of the City of New Bedford, Massachusetts, a Brownfields Showcase Community of 95,000 and the largest community bordering Buzzard's Bay, one of our nation's 28 *Estuaries of National Significance*. Thank you, Mr. Chairman and members of the subcommittee, for this opportunity to testify on the critical brownfields legislation you have before you today.

The brownfields program has been an extraordinarily useful tool in helping New Bedford overcome the unwanted and sometimes undeserved legacy of its industrial past. It has helped us spearhead an economic redevelopment program that has proven it can provide jobs and business opportunities for our residents well into the future. Today I add my voice to the discussion regarding the *Brownfields Redevelopment Enhancement Act of 2001*, and through my voice provide the perspective of a local government which has been successfully addressing brownfields issues for a number of years.

My purpose is twofold today. First, I would like to describe some of the extensive experience and a few of the successes New Bedford has had with the brownfields program. Second, I wish to comment specifically on HR 2941, and tell you how New Bedford, and other municipalities, might benefit from it in the future.

I became Mayor a little more than four years ago. During the preceding decade New Bedford had lost more than 11,000 jobs, mostly in the industrial and manufacturing sector. We were double saddled with the state's highest rates of unemployment and poverty while real estate assessments, and therefore tax revenues, were in free fall.

In the past four years we have reversed these trends and are on the way up. The unemployment rate went from 15.6% in 1998 to 5.36% today. While we have made substantial progress, we continue to lower this rate even further. Assessed real estate valuations have begun rising. Our fishing industry, a mainstay of our economy, is actually growing, even as regulatory restrictions on the fishery become more and more severe. In 2001 the Port of New Bedford had the highest dollar value for catch of any fishing port in the United States. Our seafood industry employs over 3,600 and produces over $700 million of seafood related sales per year.

We have created a tourist industry in New Bedford, really for the first time. This year 30 cruise ship arrivals have been scheduled for our port and the projected infusion to the local economy will approach $2.3 million. The New Bedford Whaling Museum, which recently completed an $11 million restoration, and the National Whaling Historical Park are drawing hundreds of thousands of visitors from around the world. We are developing a marine science industry thanks in large measure to the City's partnership with the University of Massachusetts School of Marine Science and Technology. Our many environmental challenges have spawned a new environmental management industry. Our transportation sector, with its promise of well paying jobs, is expanding rapidly.

I could go on an on about our progress, but I know the time is short. The brownfields program has been a major help in reversing our economic decline and beginning our economic and cultural revitalization.

New Bedford has benefitted from every brownfields program offered by the federal government. Our job-training program in hazardous waste management has helped 39 of our residents move not just from welfare to work, but in some cases from abject poverty to middle class, tax paying status. The brownfields pilot program funded a comprehensive evaluation of all of our brownfields sites and permitted us to formulate an overall remediation and economic development plan.

One targeted site assessment, and the expenditure of $3 million of public funds, allowed us to convert a 25 acre brownfield into a thirteen lot waterfront, industrial sub-division that has already seen the investment of $11 million of private sector funds over the past year and one-half. Another site assessment was a prelude to saving more than 400 jobs for an existing company which needed new facilities. Our ability to provide this company with a clean, liability-free site, prevented a major employer from leaving the City and perhaps the country.

Last year we were named as a Brownfields Showcase community. This means that a full time federal worker has been deployed to City Hall, to help us manage the dozens of new development projects now pending in the City. The Showcase program also encourages federal agencies to coordinate their activities in the City. This is making a huge difference for us. Diverse federal agencies working together for the good of the citizens of a single community is a beautiful thing to behold.

New Bedford, and numerous cities like it, need the brownfields program. We have two very large and complex Superfund sites in the City and another one just across the river in Fairhaven. A number of old industrial sites have low levels of contamination with many more have a high levels of *perceived* contamination. The brownfields program is helping us overcome these handicaps. We are identifying and remediating hazardous situations, and removing the cloud of concern and liability, which has been inhibiting new development.

Now I would like to comment on H.R. 2941. Let me begin by saying that I enthusiastically support the intent of H. R. 2941. New Bedford has received one Brownfields Economic Development Initiative (BEDI) grant and we hope to receive others in the future. We believe that the BEDI grants should be decoupled from the Section 108 loans and I support the development of a brownfields loan program.

I do have a few concerns that I would like to share with you today.

Funding: We would be especially pleased to see the authorization for appropriations for the *Brownfields Economic Development Initiative* increased. Twenty-five million dollars a year is a good start, but more is needed. New Bedford's experience demonstrates that a small public investment in cleaning up and redeveloping abandoned or underused properties yields large returns of tax revenues and employment. In New Bedford, as in the nation, the best remedy for government deficits is a vibrant economy. One effect of making the program more flexible is likely to be an increase in competition. Failure to increase the funding could lead to many disappointed constituents.

The brownfields program is about hope. Hope that blighted blocks and boarded up buildings can once again become productive and beautiful centers of community life. I respectfully request that the Congress not undermine that hope by creating expectations that cannot or will not ever be met. As the Mayor of a small city I understand the current fiscal realities. This year in particular, that process has become very challenging. However, I again suggest that if you are going to increase access to a program, that you should also increase, in a modest way at least, the resources available for it.

Even if Congress is unable to increase the funding, I respectfully suggest that the you not diminish the BEDI program by deducting BEDI funds from the Community Development Block Grant program. CDBG is a vital program to hard-pressed cities like New Bedford, especially in times of recession. The demands on the limited CDBG funding in my City, and I suspect in other cities across the nation, is tremendous. I would oppose any raid on CDBG. The BEDI program has always remained a supplement to CDBG, with a separate line item appropriation, not as a substitute. I urge you to keep it this way.

Flexibility: I applaud the sponsors' intent to make the BEDI program more flexible, by decoupling it from the Section 108 loan program. New Bedford is the recipient of a BEDI grant for $2 million, which was linked to a Section 108 loan of $3 million. The purpose of the loan and grant was to help finance a $100 million development of a world class Oceanarium in an old and somewhat contaminated power plant on the shores of New Bedford's inner harbor. The loan/grant approach made sense in this case. The Oceanarium will require significant equity in the form of grants and charitable contributions, and significant debt to be serviced by the revenues we anticipate from this major tourist attraction. Raising a portion of the debt financing under Section 108 is a net positive for the Oceanarium. Section 108 debt often enjoys a high degree of flexibility and more favorable terms than conventional financing.

Other projects, however, would not be as amenable to debt financing. For example, the Environmental Protection Agency and our own citizens are urging us to transform some of our brownfields into sports fields and parks. These green amenities add immeasurably to the quality of urban life. They increase tax revenues by enhancing values of adjoining neighborhoods. I believe that urban parks deter crime, especially among juveniles, improve public health, restore neighborhoods, and generate ancillary economic activities. Parks are certainly eligible for BEDI grants under the current program, however, they are not favored because they do not produce the type of revenue stream needed to amortize debt. Decoupling will allow local government the freedom to set its own priorities.

Another example, in which a decoupled program would enhance the utility of the BEDI, is in the area of Homeland Security. The Port of New Bedford is home port to the largest commercial fishing fleet on the East Coast and is one of the largest fishing ports in the United States . Ocean going vessels from around the world come to our shores to bring dry goods and fish for processing in one of New Bedford's many processing plants. As I noted earlier we have recently become the premier destination port in the Northeast for cruise liners touring the beautiful port cities of New England.

We have constructed a ferry terminal for freight and are in the final planning stages for a passenger service to Martha's Vineyard. This business is likely to increase dramatically in the coming years. A key element of our comprehensive economic development plan is to become an intermodal transport center for southern New England, combining bus, highway, rail, ship, and airplane connections. We are well on our way to implementing this ambitious program.

The events of September 11 have caused us to re-evaluate our entire plan. In a short time we will be applying for an *Intelligent Transportation System Grant* from the Department of Transportation to enhance the security of our transportation system. We will be looking to HUD to supplement this work. We are planning to build an Intelligent Transportation Information Center that will be used for transportation security as well as by Southeastern Regional Transportation Authority and the commercial sector in maintaining information on the movements of people and products on a real-time basis. The Center will be developed on an existing unused brownfield. It will enhance security without undermining efficiency and speed. I believe that the transportation centers that can improve security and enhance efficiency at the same time will be of strategic importance to America's future. I do not know now, whether and to what extent our commercial service center will generate revenue sufficient to amortize debt. I would like the flexibility to structure the deal in a way that makes the most sense based on the facts of the particular case.

Loan Fund: The brownfield loan programs, especially the old revolving loan grant administered by the EPA have, unfortunately, not yet realized their full potential. In my opinion there is entirely too much red tape and too many restrictions. The Brownfields Act signed by president Bush last December will undoubtably make it easier to work with this program.

I, for one, welcome HUD's involvement in brownfield loan transactions. This agency, with its extensive involvement in the mortgage and housing market, has the experience and the track record to make a loan program work effectively. I am eager to learn more of the details about the *Pilot Program for National Development of Brownfields*. In the meantime, I would like to offer that New Bedford is willing to serve as the site of a pilot program for innovative brownfields programs through this new initiative, if it is created.

Thank you again for this opportunity to testify, and for your interest and concern for the needs of cities like New Bedford. I hope that the perspective of this small city mayor will be helpful in your deliberations.

Testimony of Charlie Kasko

On behalf of

The National Association of Home Builders

Before the United States House of Representatives

Housing and Community Opportunity Subcommittee

On H.R. 2941,

The Brownfields Redevelopment Enhancement Act

March 6, 2002

Madam Chairwoman and members of the subcommittee, I am pleased to appear before you today on behalf of the 205,000 members of the National Association of Home Builders (NAHB) to express the building industry's support for H.R. 2941, the *Brownfields Redevelopment Enhancement Act of 2001*. My name is Charlie Kasko and I am a member of the National Association of Home Builders from Shavertown, Pennsylvania. I am a regional sales manager for a modular home manufacturer, Avis American, which operates in twenty northeast states building 1,400 homes a year through a network of independent home builders. I am currently serving as the 2002 Chairman of NAHB's Federal Government Affairs Committee.

H.R. 2941 addresses an issue of critical importance. In an era of increased sensitivity to the use of land and other natural resources, brownfields represent a major untapped asset, holding great potential for helping to facilitate the growth of local economies and job markets and to satisfy the related demand for homes. NAHB believes that this legislation will serve as a catalyst in advancing a number of programs that can be used to help reclaim properties that are currently fallow.

A brownfield is an abandoned, idled, or underused property where expansion or redevelopment is complicated by real or perceived contamination. These sites include abandoned factories and other industrial facilities, gasoline stations, oil storage facilities, dry cleaning stores and other businesses that dealt with polluting substances. There have been some notable successes in returning these properties to productive use but, in far too many cases, efforts to utilize these properties have been thwarted.

Brownfields redevelopment, if done correctly, presents a unique opportunity to marry economic development with the principles of Smart Growth and environmental protection. Additionally, brownfields redevelopment is consistent with the notion of reestablishing our communities. Many brownfields sites are located in urban areas or close-in suburbs within walking distance or in close proximity to existing amenities (restaurants, shops, and the arts). This proximity both fosters the sense of community and satisfies the increasing needs of our population while helping to satisfy the need for safe, affordable housing.

For example, in my home state of Pennsylvania, the city of Pittsburgh has partnered with local builders and developers to redevelop a forty-two acre site on the banks of the Allegheny River. Once a heavy industrial site, Washington's Landing will now be a stand-out infill community complete with townhomes, an office park, a rowing club, tennis courts, a marina, a public park and a bike path. More and more communities like Pittsburgh are recognizing the value of old industrial sites that have not been redeveloped because of environmental concerns and the potential of these sites if redeveloped in concert with private sector partners.

NAHB has always held that the first priority when addressing brownfields redevelopment must be relief from federal liability and enforcement for innocent parties under federal environmental statutes. The recently enacted brownfields law was a good first step in meeting this priority. Unfortunately, the new law fails to grant liability relief to innocent land parties for sites contaminated with petroleum. Because approximately half of the brownfield sites in this country are contaminated with petroleum, NAHB will continue to push for enactment of narrow liability relief for petroleum sites.

While we remain hopeful that Congress will address this shortcoming in the new law, we continue to be supportive of efforts to provide federal aid for the redevelopment of brownfield sites. NAHB believes that the federal government, as an integral partner in the redevelopment of brownfields, should create the appropriate financial and regulatory incentives to encourage brownfields redevelopment. NAHB is confident that H.R. 2941 will complement the new brownfields law by removing the barriers to valuable Department of Housing and Urban Development (HUD) funding for brownfields projects.

Grants under HUD's Brownfields Economic Development Initiative (BEDI) are designed to provide local governments with a flexible source of funding to pursue the redevelopment of brownfields through acquisition of land, site preparation, economic development, and other activities. However, access to these funds under current law requires a local government to pledge future allocations of Community Development Block Grants (CDBG) as collateral for a related loan guaranteed by the federal government under Section 108 of the Housing and Community Development Act of 1974. Many of the communities with the greatest potential for reclaiming brownfields for productive use are unable or unwilling to pledge

their CDBG funds in this manner. H.R. 2941 would remove these leveraging requirements and open the way for the BEDI to spur much needed economic development and affordable housing production.

In addition, H.R. 2941 would help clear up confusion and uncertainty regarding the eligibility of brownfields initiatives for CDBG funding. The bill would ensure that the redevelopment of brownfield sites is a sanctioned CDBG activity by specifically listing "environmental cleanup and economic development of brownfield sites" as a permissible activity. This clarification is important. While BEDI grants are a valuable tool for brownfields development, the limited funding for this program, currently $25 million annually, means that many additional dollars of private and public investment are required for sustainable progress in recovering brownfields. CDBG funds are the chief means used by state and local governments in harnessing public and private investment to address community development needs. By explicitly listing brownfields redevelopment activities as a permissible activity for CDBG funding, H.R. 2941 will ensure their ability to integrate such efforts as part of broader community development initiatives to achieve the most efficient and effective use of CDBG as well as BEDI resources.

Finally, H.R. 2941 gives the HUD Secretary the authority to establish a pilot program for the development of a loan pool that would provide economic development financing for eligible public entities. Cities will now be able to expand their redevelopment options by leveraging funding from private and public sources with the funds from the loan pool. This program would provide local communities with another possible source of brownfields redevelopment funding.

The private sector cannot tackle redevelopment of brownfield sites alone. Local communities must be an active participant in redevelopment by identifying and assessing potential brownfield sites. The provisions in H.R. 2941 will go a long way to aid local communities and therefore strengthen the public-private partnership that is so important to the redevelopment effort.

H.R. 2941 is a perfect example of the type of incentives the federal government should be providing to local communities in their efforts to encourage economic development and plan for future growth. By removing the federal impediments to brownfields redevelopment and allowing local

communities the flexibility to manage grant funding, the federal government can be a productive partner with local governments and, in turn, the private sector. NAHB applauds Representatives Gary Miller and Carolyn Maloney for their efforts to address the needs of local communities and the goal of greater investment in redevelopment projects. The proposals contained in H.R. 2941 will greatly enhance local brownfields redevelopment and spark private and public sector involvement in urban and rural revitalization.

Madam Chairwoman, on behalf of the home building industry, I am pleased to support H.R. 2941. I look forward to answering any questions you or members of the subcommittee may have for me.

STATEMENT

by

John C. Murphy

On behalf of

National Association for County Community and Economic Development

National Community Development Association

Before the House Subcommittee on Housing and Community Opportunity

On H.R. 2941

"Brownfields Redevelopment Enhancement Act"

March 6, 2002

Madam Chair and Members of the Subcommittee:

Thank you for inviting my testimony before the Housing Subcommittee on H.R. 2941, the "Brownfields Redevelopment Enhancement Act." It will be brief. I am John Murphy, Executive Director of the National Association for County Community and Economic Development (NACCED). I am also testifying on behalf of the National Community Development Association (NCDA). By way of background, NACCED is a nonprofit national organization composed of county government agencies that administer community development, economic development and affordable housing programs. NACCED was formed in 1978 as an affiliate of the National Association of Counties to assist in developing the technical capacity of county agencies in administering the Community Development Block Grant, HOME and related programs. NCDA, an affiliate of the U.S. Conference of Mayors, represents city government agencies that administer community development, economic development and affordable housing programs. The combined memberships of NACCED and NCDA represent the bulk of the nation's CDBG entitlement communities.

At the outset I would like to offer the enthusiastic support of both NACCED and NCDA for H.R. 2941, introduced by you, Rep. Gary Miller, Chairman Oxley and Rep. Carolyn Maloney. As you know, the bill would primarily de-couple brownfields redevelopment grants from a requirement that these grants be solely in projects and activities assisted with a CDBG Section-108 loan guarantee. The coupling of brownfields grants and Section-108 was a requirement put in place by the previous Administration.

Recently I undertook a survey of NACCED members to determine if any had been prevented from applying for a brownfields redevelopment grant because of the linkage to Section-108. The following urban counties replied that it had:

- Berks County, PA
- Clark County, NV
- Cuyahoga County, OH
- Hamilton County, OH
- Lancaster County, PA
- Orange County, FL
- Ramsey County, MN
- St. Louis County, MO
- Westchester County, NY

NCDA has reported similar problems.

Entitlement counties and cities point to several problems with the coupling of brownfields grants to Section-108. First, many communities do not wish to tie up future entitlement funds to repay a Section-108 loan. Second, a community may wish to use resources other than 108, such as state funding, as part of the financing for the brownfields cleanup. Third, even if community wanted to use Section-108 guaranteed

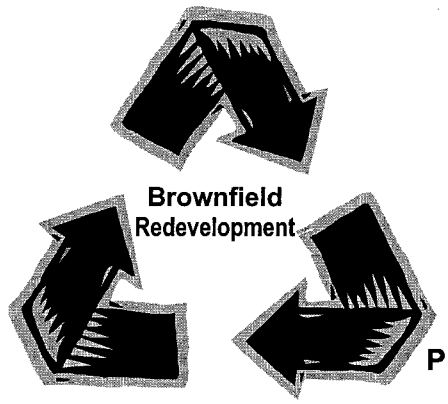
loans for brownfields clean-up the time it takes HUD to process may be more disruptive than useful in the timing of the financing.

NACCED and NCDA also support the bill's language clarifying that environmental cleanup and economic development of brownfields sites is an eligible use of CDBG funds.

The nation's counties and cities are eager to redevelop brownfields sites as part of their overall revitalization efforts and to promote economic development. Enactment of H.R. 2941 would greatly assist in this effort. I urge the Subcommittee to expedite its passage.

Mansfield, Ohio
"PR Project – Path to Revitalization"
Brownfield Initiative – A National Model

FUNDING



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- ***Background***

The 19th largest city in the State of Ohio, the City of Mansfield is the county seat of Richland County with a population of 50,793.

The City of Mansfield is a State recognized labor surplus area with a poverty rate of 17.8% and an unemployment rate of 9.0%. The median household income is $22,591 with 48.2% of the population being low to moderate income.

The City of Mansfield is a typical "RustBelt City" that struggled to survive during the late 70s and 80s after an abrupt decline in manufacturing because heavy industry sought cheaper overseas labor markets.

A mass of vacant rundown buildings, broken windows, prostitution, crime and drugs overwhelmed the City.

- ***Revitalization Efforts***

Main Street

In 1989, community leaders, businesses and neighborhood groups committed themselves to the revitalization of downtown by adopting a *Main Street* program for downtown Mansfield. This program is based on the National Main Street U.S.A. program, which successfully operates in over 2,000 cities in all 50 states.

Main Street Mansfield focuses on the growth and development of downtown through business attraction and retention activities, special promotions , downtown design strategies, and economic restructuring programs.

One of the key economic incentives originated through *Main Street Mansfield* was the formation of a low-interest loan pool, which was created to attract and encourage development within the downtown area. Administered by *Main Street Mansfield* and funded by five local financial institutions, the loan pool has been very successful in fostering both expansion and new business start-ups.

In the six years that the loan pool has been available over $1.1 million has been distributed to over 25 businesses. In most cases, these new businesses would have been unable to otherwise secure small business financing.

In 2001, the City of Mansfield was awarded "*The Great American Main Street Award*". This is an annual award that recognizes exceptional accomplishments in revitalizing America's historic and traditional downtowns and neighborhood commercial districts.

Brownfields

The City of Mansfield has developed a brownfield redevelopment master plan entitled *"PR Project -- Path to Revitalization"* (*"PR Project"*).

There are five main components to the *"PR Project":*

1) identification of potential brownfield sites
2) assessment of brownfield sites
3) remediation of brownfield sites
4) redevelopment of brownfield sites
5) prevention of brownfield sites

The City's *"PR Project"* is a mixed, linear redevelopment zone with new and original industrial and commercial properties. This area also contains large vacant and underutilized land parcels where economic activity is at a low or absent use. Within this corridor are numerous abandoned and obsolete buildings of all sizes and uses. This industrial corridor no longer meets the operating efficiencies demanded by modern manufacturing processes, and the numerous brownfield sites have depressed both property and community values in adjoining neighborhoods. Depressed real estate values in turn have triggered further disinvestment and abandonment.

Realizing that brownfields is a multifaceted undertaking, the City of Mansfield put together the three critical elements required to make brownfield redevelopment successful -- **PUBLIC PARTNERS, PRIVATE PARTNERS,** and **FUNDING.**

- *Public Partners*

City officials communicated with local and state regulatory agencies **(Public Partners)** at the onset of brownfield activity. This dialogue established the necessary foundation for the brownfield initiative to move forward.

- *Private Partners*

Understanding that the majority of brownfields are *"abandoned, idle or under-used industrial facilities"*, the City secured the services of a contractor **(Private Partner)** that had worked in the industrial arena for over 25 years.

This **Private Partner** offered "first hand knowledge" of the working applications used for the various industrial processes, which proved essential when deciding the most effective and cost efficient method of remediating the brownfield site.

Additionally, current or past owner(s) and/or operator(s) **(Private Partner)** are involved with most brownfield sites; the City realized that it was necessary to make this "apprehensive" **Private Partner** an ally if brownfield redevelopment was to occur. With

"face to face" meetings and presenting a detailed plan with budgets and objectives, the City was able to establish this essential union.

- *Funding*

The City has obtained various funding for the initial environmental assessments of brownfield sites. Subsequently, the City secured the required funds to commence with the remediation, which has further lead to the redevelopment of three brownfield sites

Some funding sources utilized were:

• USEPA Brownfield Assessment Demonstration Pilot Grants	$ 200,000
• USEPA Brownfield Revolving Cleanup Revolving Loan Fund	$1,000,000
• Ohio Department of Development Urban & Rural Initiative Grants	$1,050,000
• Potentially Responsible Parties (PRPs)	$ 570,000
	$2,820,000

(For additional information on these three sites, please see the Brownfield profiles at the back of the packet.)

Challenges

Complex is synonymous with brownfield redevelopment.

The multiple layers of State and Federal regulations that can pertain to a brownfield site make cleanup extremely complicated. Additionally, obtaining "mutual concurrence" by the various regulatory departments on cleanup strategies is often difficult and exceptionally time consuming.

While lending institutions would like to back brownfield developers, they fear the potential liability of owning a brownfield site should a developer be unable to pay the note. Unfortunately, without lending institutions, many developers do not have the means or access to the excess funds not only needed to acquire and redevelop a site, but also to cleanup a brownfield site.

The starting point of brownfield redevelopment is realizing if potential brownfields truly exist. Many smaller cities simply do not have the resources or the technical experience for such undertakings, and therefore many prospective brownfields continue to set idle.

Smaller cities need a mechanism to secure and to fund the services of an experienced contractor to aid them in the process of identifying potential brownfields in these communities.

From there, the economic and environmental impact of brownfields to these cities can be determined and a strategy formulated to obtain the needed funding for assessment and remediation.

- ***Concluding Statement***

The City of Mansfield is fortunate and have had success with our brownfields program, but not without fortitude.

In an effort to spur needed development, the City took ownership to brownfield sites; became the banker by securing loans and grants to assess and remediate the sites; and found end users to invest in the redevelopment of the brownfield site.

Our brownfields cost $50,000 - $100,000 an acre when greenfields are priced at $10,000 - $20,000 an acre.

The bottom line is "brownfields" are not economical. However, we cannot forget that a part of the definition of Brownfields involves "real or perceived environmental contamination". Public safety and environmental protection should be the driving force for brownfield redevelopment.

As elected officials, we must remove the perception that Brownfields are an "economic death sentence". We need to make the brownfield program pragmatic and accessible to communities of all sizes to ensure that all brownfields are being identified, assessed, remediated, and developed.

Furthermore, we need to continue with educating our citizens and businesses on the importance of preventing brownfields from recurring.

We must minimize the retroactive liabilities to innocent participants in an effort to encourage our lending institutions and developers to invest in our communities by investing in brownfields.

"Momentum" is crucial to the successful completion of brownfield projects. Without readily accessible assessment and remediation dollars and without the cooperation and concurrence of regulatory departments, Brownfield Redevelopment will inevitably stall.

BROWNFIELD PROFILE - FORMER OHIO BRASS

Brief History: Founded at the turn of the 19th Century, the Ohio Brass facility manufactured electrical and mechanical components for the railroad industry.

Situated in the heart of the City, the Ohio Brass site consisted of 25 buildings on approximately 10 acres (triangular in shape) and is surrounded by water on two sides and rail on all three sides.

In 1995, Richland County unsuccessfully put the Ohio Brass property up for Sheriff's auction to collect past due taxes. The local Judge ordered that the property be land banked to the City, and the City took title to the property July 11, 1997.

McCabe Engineering & Contracting was hired to complete Phase I and Phase II Environmental Assessments and to dismantle and remediate the site under the Ohio's VAP. Currently, the site is undergoing subsurface contamination delineation. The issuance of a "Covenant No to Sue" is anticipated in the summer of 2002.

Income Sources:

Ohio Department of Development	
Urban & Rural Initiative Grant (442)	$ 750,000.00
City of Mansfield	
1) Community Development Block Grant	$ 175,000.00
2) General Revenue Funds	$ 35,150.00
3) Scrap Steel Sales from Dismantlement	$ 154,850.00
PRPs	
1) Hubbell Incorporated	$ 250,000.00
2) K.K. Lippett Foundation	$ 100,000.00
3) Lucas Varity Corporation	$ 20,000.00

Redevelopment Activity:

Mid-Ohio Lumber acquired three acres and has re-utilized three buildings totalling ~ 50,000 square feet .

a) Capital Improvements to Date	$ 215,000.00
b) Future New Construction	$1,000,000.00
TOTAL PROJECT INVESTMENT	**$2,700,000.00**

BROWNFIELD PROFILE - FORMER JOHNSON CONTROLS

Brief History: Approximately 8.37 acres, this site is a former chrome plating, plastics and painting operations with two buildings totaling approximately 100,000 square feet.

Formerly Mansfield Plastics, Johnson Controls bought the property in the late 1980s with prospects to recover payables owed to them by the former owner who had gone bankrupt. In the mid 1990s, Johnson Control (although never a contributor to the contaminants) addressed the aboveground environmental concerns and a portion of the underground issues.

Under the ownership of Johnson Control, the property sat idle for over 10 years. After three years of constant urging, the City of Mansfield negotiated ownership of this property in 1999 including securing funding for remediation activities.

McCabe Engineering & Contracting was hired to complete Phase I and Phase II Environmental Assessments and remediate the site under the Ohio's VAP. Currently, the site is undergoing subsurface contamination delineation. The issuance of a "Covenant No to Sue" is anticipated in the summer of 2002.

Income Sources:

Ohio Department of Development Urban & Rural Initiative Grant (442)	$ 300,000.00
USEPA Brownfield Assessment Grant	$ 45,000.00
City of Mansfield 1) General Revenue Funds	$ 75,000.00
PRPs 1) Johnson Controls (prior to release to City)	$ 90,000.00

Redevelopment Activity:

Crane Plumbing is in a "lease to purchase" contract with the City and is currently improving both buildings for the expansion of Crane's adjacent, industrial operations.

a) Lease to Purchase	$ 200,000.00
b) Capital Improvements to Date	$ 513,000.00
c) Future New Construction	$ 425,000.00
TOTAL PROJECT INVESTMENT	**$1,648,000.00**

BROWNFIELD PROFILE - FORMER TENNECO (PEABODY BARNES)

Brief History: This facility was a former pump manufacturer with multiple past owners since the early 1900s. A 5-acre site with two buildings totals approximately 100,000 square feet.

In the early 1990s, the site became vacant and sat idle for almost six years before a local end user, Moritz Trailer, leased the property from Tenneco. After a two-year lease, Moritz was asked to purchase the site or move.

Unable to immediately purchase the site and not wanting to move, Moritz requested the assistance of the City. The City negotiated the ownership of the property from Tenneco including remediation dollars, and entered into a "lease to purchase" arrangement with Moritz.

McCabe Engineering & Contracting was hired to complete Phase I and Phase II Environmental Assessments and remediate the site.

Income Sources:

USEPA Brownfield Assessment Grant	$ 45,000.00
City of Mansfield	
1) General Revenue Funds	$ 35,000.00
PRPs	
1) Tenneco Automotiive	$ 200,000.00

Redevelopment Activity:

Moritz is in a "lease to purchase" contract with the City and is currently improving both buildings and planning for new construction on the site for the expansion of present operations.

a) Lease to Purchase	$ 210,000.00
b) Capital Improvements to Date	$ 35,000.00
c) Future New Construction	$ 155,000.00
TOTAL PROJECT INVESTMENT	**$ 680,000.00**