


Financing Brownfields:
State Program Highlights

FORWARD

Community revitalization and brownfields redevelopment is vital to our Nation's future and is an EPA priority. EPA's Brownfields Grant Program assists our state and local government partners in funding redevelopment by providing seed money for assessment and cleanup of contaminated properties. The revitalization of our nation's land resources also requires that government at all levels partner with the private sector to meet our redevelopment and environmental protection goals. State governments play a major role in assisting communities as they work with the private sector through regulatory oversight and financial assistance.

Most states demonstrate their commitment to community revitalization by establishing flexible regulatory programs that encourage voluntary cleanups. In addition, state governments often offer public funding and financial incentives for brownfields redevelopment efforts to demonstrate public sector commitment to community revitalization and encourage private sector investment. This report provides an overview of the types of financial tools and incentives offered by state governments to bridge financial gaps and encourage private sector investment in the revitalization of our communities.

Susan Parker Bodine
EPA Assistant Administrator for
Solid Waste and Emergency Response

Prepared by:
ICF International (Contract No. 68-W-07-054)
9300 Lee Highway
Fairfax, VA 22031

Prepared for:
U.S. Environmental Protection Agency
Office of Solid Waste and Emergency Response
Office of Brownfields and Land Revitalization
Washington, D.C. 20460

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Background

Public financing is often essential for encouraging the assessment and cleanup of brownfields. Without public financing or government-backed financial incentives, many brownfields would remain idle and potentially contaminated. The costs associated with the redevelopment of brownfields include costs associated with demolition, site preparation, and construction. In addition to these costs, capital is required for specific assessment and cleanup activities such as conducting environmental site assessments, developing a property remediation plan (which the owner needs to take the site through a state voluntary cleanup program to get finality on liability concerns), and conducting cleanup.

Because of these costs, public financing or financial incentives are often needed to jump-start a brownfield reuse project. Public financing may help balance the economic scale between greenfields and brownfields. Increasingly, states are stepping in to assist communities and the private sector in bridging the financing gap associated with brownfields redevelopment. States offer a variety of incentive programs, often to meet one of several objectives:

Reduce the lender's risk by providing off-setting incentives such as loan guarantees, insurance, or property-specific legal clarifications, in order to make capital more readily available;

Reduce the borrower's cost of financing by subsidizing loan carrying costs or by providing assistance that reduces loan underwriting and documentation expenses. Such assistance may increase the economic viability of smaller projects;

Ease a purchaser's financial risk by providing incentives that can help improve the project's cashflow, such as tax credits or abatements; and

Provide direct financial assistance, including loans or grants to help pay for site assessment or cleanup activities and support broader redevelopment needs.

States offer an array of financial tools and incentives that focus on various aspects of the brownfield redevelopment process, including site assessment, cleanup, site preparation (including demolition), and redevelopment. State brownfield financing programs are becoming more common, as well as more diverse. Although brownfields financing incentives vary considerably across states, they can be roughly organized into three categories:

Tax incentives linked to site reuse;

Direct financing assistance; and

Offsets to brownfield financing needs, including technical assistance, process facilitation, and project support.

Report Organization

This report provides a summary of a variety of current state financing initiatives designed to advance brownfield property cleanup and reuse. It is not a compendium of all current state efforts; rather, it identifies and explains a diverse set of available incentive programs that prospective purchasers and redevelopers of brownfields may want to consider or use to promote brownfields revitalization.

The initial section of this report provides an overview of three categories of public financial incentives for brownfields redevelopment. This section includes a brief analysis of each category, along with a brief listing of key state initiatives.

Following the overview, the report features a more detailed look at more than 50 financial incentive programs offered by 25 states. Many of these programs are directly linked to brownfields revitalization. Other programs support brownfields revitalization indirectly, by providing assistance for overall cashflow management for brownfields projects or enticing investment in brownfields properties. This report focuses on **state-driven**, **state-financed** efforts. EPA brownfields grants for the assessment and cleanup of brownfields, EPA and HUD grants for capitalizing revolving loan funds (RLFs), and EPA's targeted brownfields assistance (TBA) programs are not addressed (although state-directed but federally capitalized clean water revolving loan funds are included because of the special opportunities they offer). Mostly, this report targets newly implemented programs. However, some successful older initiatives also are profiled, with new impact information. Each state program summarized in this report is laid out according to the following template:

Type of program;

Role in meeting brownfield financing;

Type of benefit;

Analysis of brownfield opportunities it offers stakeholders within the state;

Lessons and ideas for other states;

Detailed description and examples; and

Program contact information.

Part I: Overview

Introduction

State brownfield financing programs are becoming more common, as well as more diverse. These state incentives recognize that no specific type of public-private partnership or single financing approach can meet the needs of every brownfield project. More states are channeling resources to brownfields properties where the owner has a specific end use or economic development activity in mind. Many states are attempting to dedicate scarce resources to properties with cleanup-and-reuse strategies in place instead of properties targeted only for cleanup. In addition, a growing number of states are focusing financial incentives by targeting specific property types, such as discarded tire piles or abandoned dry cleaners. For example, a 2006 Connecticut statute focused brownfield financing incentives on owners of operating manufacturing sites. Other states, including Kentucky, are encouraging local governments to use traditional public financing tools such as tax increment finance (TIF) to address brownfield sites. Pennsylvania has gone one step further; in 2006, it authorized a state loan guarantee program linked to local TIF efforts.

Many state financing incentives show considerable creativity in promoting brownfield assessment, cleanup, and redevelopment. Wisconsin, for example, links property tax forgiveness and expedited tax foreclosure for brownfield sites to the willingness of a new owner to complete site cleanup under the auspices of the state's voluntary response program. New York's brownfields program includes an array of cleanup and redevelopment tax credits, including site preparation credits and an environmental remediation insurance tax credit. Florida offers low-interest loans to redevelopment agencies and nonprofit corporations to purchase contractor liens, tax certificates, and similar property claims in order to expedite reuse. Indiana adopted a "just in time" Phase II site assessment program, offering $50,000 grants to expedite projects at brownfields where a company or developer is "imminently interested" in reusing a property. Also, a number of states – such as Missouri and Connecticut – established dedicated funds to address the cleanup and redevelopment of operating and abandoned dry cleaner sites.

What does all of this state activity mean at the community level? Across the country, states are reporting significant benefits from the brownfield redevelopment resources they provide to public and private owners and developers of brownfields. These state incentive programs represent important returns on public investment in brownfields revitalization. A sample of the returns some states are deriving from brownfields incentive programs includes:

Wisconsin attributed more than 4,000 new jobs to 88 brownfield projects;

Minnesota estimates that its VCP leveraged almost $1 billion in private investment, including construction of nearly 5,700 housing units; and

Florida claims cumulative creation of 3,274 direct jobs and 2,600 indirect jobs, as well as $172 million in new investment in its designated brownfield areas.

State Incentives for Brownfield Reuse

As of mid-2007, nearly two-thirds of states had some type of program in place to help finance the cleanup and reuse of brownfields either directly or indirectly. States are putting many different approaches in place to meet the diverse challenges associated with the cleanup and revitalization of brownfields. These challenges include paying for environmental site assessments, financing the potentially complicated planning and transaction costs that brownfields typically require, addressing the needs and concerns of surrounding neighborhoods, and providing the resources to carry out the necessary cleanup. These state incentives recognize that no specific type of public-private partnership – and no single approach – fits the financing needs of all brownfield projects. Nevertheless, they can be grouped into three broad categories, as indicated below:

(1) Tax incentives

Tax incentive programs – such as credits, abatements, or forgiveness – can increase a project's cashflow by allowing available sources of revenue to be used for brownfields revitalization purposes rather than for tax payments. The cashflow cushion from a tax break also can make a project more attractive to a lender. State and federal tax incentives have historically been used to make investment capital available in economically challenging situations and to promote specific types of economic development. The use of economic tax incentives for brownfields redevelopment is a natural evolution of this type of program tool. Most tax incentives are used to offset cleanup costs or to provide a buffer against increases in property value that may result in an increase in tax assessments before the site preparation costs are paid off.

Approximately 23 states offer some sort of tax incentive to support brownfield project financing, such as:

Deferral of increased property taxes – Connecticut and Texas;

Remediation tax credits – Illinois, Ohio, and Wisconsin;

Cancellation of back taxes – Wisconsin and Massachusetts;

Rebates of sales taxes to offset cleanup costs – New Jersey;

Tax incentive "menu" to enhance reuser financial flexibility – Missouri;

Environmental insurance tax credit – New York;

Business tax offset – Michigan; and

Tax "bonus refund" pegged to job creation – Florida.

In addition, virtually every state offers some type of tax incentive to retain or attract business, and many states link their programs to federal incentives. Such incentives can help channel investment capital and promote economic development in areas of need. Some states, such as

Wisconsin, are especially skillful in linking state tax incentives (such as forgiveness of back taxes) with federal tax credits. At the Sherman Perk project in Milwaukee, which is an abandoned but historically significant gas station dating back to the 1930s, forgiveness of 9 years of back taxes attracted a small community developer to the site. With the property site title in hand, the developer then used federal historic rehabilitation tax credits and city business development loan funds to bring the site to vitality.

In Rhode Island, Iowa, and Vermont, state historic rehabilitation tax credits are used in conjunction with federal credits to create a powerful incentive for cleanup and reuse of older, historic brownfield properties. Such tax credits may be worth up to 40 percent of the total rehabilitation expenditures (which often include some structural remediation as part of the restoration). Illinois offers a redevelopment loan program that provides low-interest loans to local governments and private parties for site assessment, remediation, and demolition costs. This is complements the state's existing brownfield grant program, which gives cities up to $120,000 to pay for site assessments and preparation of cleanup plans. The Mississippi River town of Rock Island used these programs, in conjunction with federal transportation funds, to transform a derelict riverfront manufacturing site into a mixed-use commercial and residential development. Historic rehabilitation tax credits helped fund site preparation and construction of infrastructure needed to serve the new uses. Kansas City tapped into Missouri state business tax incentive programs as part of a larger financing package needed to clean and transform the former Kansas City Terminal Railway yard into unique office space, creating 600 new jobs.

(2) Direct financing

Lack of available capital for assessment and cleanup of potentially contaminated properties is one of the biggest barriers to brownfield reuse. States attempt to address this issue by providing financing assistance in the form of loans or grants. These programs meet several objectives. Some are targeted to help finance specific parts of the project, such as site preparation. Others can be used to increase the lender's comfort with these projects, by limiting the risk of potential losses or loan defaults. These programs also can ease the borrower's cashflow and make money available for the costs associated with environmental assessments, sampling and analysis, and site cleanup.

In recent years, more states focused on this aspect of brownfield financing than any other. More than a dozen programs match financial resources to brownfield needs, usually in places where the private sector may be reluctant to invest. In total, nearly half of states now offer some sort of direct brownfield financing assistance, including:

Forgivable remediation loans for newly expanded to petroleum sites – Indiana;

Low-interest loans for contractor/tax lien purchases - Florida;

Low-interest cleanup loans – Delaware, Indiana, and Wisconsin;

Remediation grant funds – New Jersey and Minnesota; and

State revolving loan or redevelopment funds – Indiana, Michigan, Wisconsin, and Massachusetts.

State financing programs tend to follow two approaches: 1) Brownfield program dollars targeted to property cleanup and redevelopment, and 2) Use of other economic or community development programs to meet brownfield reuse needs.

In the case of the former, states earmark funds directly for specific brownfield initiatives. Wisconsin, for example, has adopted a state Brownfield Environmental Assessment Program, known as BEAP. Under BEAP, the state Department of Natural Resources has funding to conduct Phase I and II assessments at city- or county-nominated sites. Many of the properties assessed with state BEAP resources were redeveloped with no further public subsidy – the information from the assessment proved to be incentive enough to encourage private investment.

An example of the second approach is state use of clean water revolving loan funds. The federal Environmental Protection Agency provides funding annually to each state to capitalize Clean Water State Revolving Loan Funds (CWSRFs). States have considerable latitude in identifying priorities – including brownfields – for this funding.

This tool has considerable potential at brownfield sites where water quality is an issue. States can use their clean water SRFs for low- or no-interest loans for terms of up to 20 years to fund brownfields cleanup activities that promote improvements in water quality, if the project helps implement the state's Non-point Source Management Plan or is consistent with the priorities in a National Estuary Program Comprehensive Conservation Management Plan. For example, a brownfields cleanup that corrects or prevents water quality problems can be considered eligible if it focuses on abatement of polluted runoff, control of stormwater runoff, correction of groundwater contamination, or remediation of petroleum contamination. CWSRFs can cover the costs of activities such as excavation and disposal of underground storage tanks; capping of wells; excavation, removal, and disposal of contaminated soil or sediments; or Phase I, II, or III site assessments. Each state determines who may use its revolving loan fund resources. For projects other than the construction of publicly-own treatment works, EPA allows individuals, citizen groups, and nonprofit organizations, as well as municipalities, states and inter-state agencies to be loan recipients. Usually, loans are repaid through sources such as fees paid by developers; recreational fees; dedicated portions of state, country, or local government taxes; stormwater management fees; or wastewater user charges.

To date, only a few states encourage brownfield-related projects to use these resources, with Ohio recognized as a national leader in this regard. For example, in Cleveland, the Grant Realty Company used a clean water revolving loan from Cuyahoga County to clean contaminated groundwater and soils at a 20-acre industrial site in Cleveland and prepare it for commercial use. Repayment will be made using the income stream from a tank cleaning operation, and a personal loan guarantee and second mortgage is being used as collateral.

States also can use Federal Highway Administration (FHWA) funding to support brownfields related transportation improvement protects. FHWA funds can be used for brownfields redevelopment projects that include transit enhancement projects, transit projects that will reduce traffic congestion, and projects that will reduce air emissions. States can leverage federal highway funds to promote brownfields revitalization by using FHWA programs such as: funding provided under the Surface Transportation Program (STP) to support infrastructure improvements on brownfields properties; using Congestion Mitigation and Air Quality Improvement (CMAQ) funding to pay for brownfields-related improvements that will result in reduced air emissions in designated air quality non-attainment and maintenance areas; Transportation Enhancement (TE) activities funding to expand investments in alternative transportation choices (e.g., bike trails, pedestrian paths, scenic routes); and using Transportation, Community and System Preservation (TCSP) pilot grants to fund the development of transportation strategies associated with brownfields redevelopment (e.g., upgrading existing transportation systems, improving access to redeveloped brownfields properties).

Kansas City, Missouri used FHWA program funding, including CMAQ funds, to help finance the design and construction of a bicycle and pedestrian trail along the Missouri River. The Riverfront Heritage Trail links the downtown business districts of Kansas City, KS and Kansas City, MO, and is part of the redevelopment of 9 previously idle brownfields properties.

Portland, Oregon used over $14 million in FHWA funding to complete its North Marine Drive Brownfields Project, that involved the relocation of a road through contaminated land to improved access from Interstate 5 to the city’s deepwater terminal. The project resulted in the revitalization of almost 3,000 acres of the Rivergate Industrial District, and the relocation of the roadway protected nearby wetlands from encroachment.

In addition to federal funding programs, nearly every state offers its own package of financing programs that often can be applied to brownfield project situations. These include economic development loans, issued either directly or through development agencies, authorities, or corporations, that may provide excellent leveraging opportunities if properly coordinated with and targeted to the special financing needs of a brownfields project. These programs are capitalized from a variety of sources – general appropriations, fee collections, or repayments from previous federal or state project loans. Many states also offer loan guarantees to minimize the various risks that make financial institutions hesitant to lend on brownfield properties. Small businesses, startups, and new technology ventures typically are viewed as especially risky and are often addressed in state programs; environmental risks are rarely addressed but could be the focus of a guarantee effort if better linked to existing programs. In particular, loan guarantees could help attract private capital specific developments at sites that also tap into federal infrastructure or site improvement programs. For example, Florida added a loan guarantee program to its state economic development tool box that provides five years of guarantees or loan loss reserves for primary lender loans made to redevelopment projects located in defined brownfield areas.

(3) Offsets to brownfield financing needs – technical assistance, process facilitation, and project support

Insurance subsidies – Massachusetts and Wisconsin;

Brownfield Redevelopment Authorities – Michigan; and

Focus on agricultural-related contaminants – Kansas.

States are promoting innovative efforts to support brownfield financing by leveling the economic playing field between greenfield and brownfield sites to expedite the financing process, attract other program resources, and save money in the long run. Approximately three-fourths of the states have some type of program in place to facilitate financing with minimal cash outlays. These programs include tools to facilitate property transfers of orphan sites to new purchasers as part of an agreement to clean up contaminated property, or programs that allow the use of institutional controls to safely contain contamination rather than clean up a property to background or residential-use levels. Such programs reduce the necessary level of capital investment, making projects more economically viable.

These approaches also may include encouraging property owners to enroll in state VCP programs and informing them about ways in which brownfield programs can facilitate access to other financing tools. Cleanup under a state VCP program can provide finality to the cleanup process via liability relief, a level of comfort due to state oversight, and notices of "no further action." Most of these programs were enacted to leverage private investment while limiting public spending.

Finally, across the country, more creative leveraging is taking place within state departments of economic development, focusing on traditional economic and community revitalization and business development programs. States are especially well positioned to promote brownfield reuse projects by making slight alterations to their existing economic development finance programs. Accordingly, proponents of brownfield reuse should consider the potential benefits of these programs when putting their project financing packages together. As with federal programs, many state efforts were designed and their rules were defined before brownfield concerns became a priority. Therefore, states could enhance existing economic development incentive programs to include brownfield initiatives, in a manner similar to what the federal Department of Housing and Urban Development (HUD) is doing with its Community Development Block Grant program. HUD is simply recognizing site assessment and remediation needs as legitimate project development activities within the context of their common financial assistance initiatives.

Part II: Individual State Programs

This report focuses on state-level brownfield financing initiatives, and includes descriptions of more than 50 programs offered by 25 states. It features programs that are truly state-based in origination, and does not include state-administered Revolving Loan Funds or targeted brownfield assessment activities if they are funded by EPA, HUD, or other federal sources (an exception is made for federally capitalized state clean water revolving funds, which offer significant but largely untapped brownfield opportunities). This report generally emphasizes newly implemented or significantly enhanced efforts put in place over the past 18 to 24 months, although this analysis also revisits a few older programs that have experienced substantial changes or particularly innovative programs that offer important lessons or models for replication.

The analysis of each state program includes:

> **Type of program:** Framed to the extent possible by the four categories laid out in the overview;
>
> **Role in meeting brownfield financing:** How it facilitated project development and completion;
>
> **Type of benefit;**
>
> **Analysis of brownfield opportunities that it offers:** What stakeholders within the state might consider;
>
> **Lessons and ideas for other states:** What evidence it offers for possible program growth;
>
> **Detailed description and examples;** and
>
> **Program contact for additional information**.

* * * * * *

ARIZONA

Program: Contaminated Property Tax Reduction

Program type – Tax levy reduction
Role in meeting brownfield financing challenges – Reduces taxes owed to free up capital for site assessment and cleanup
Type of benefit to Arizona program users – Brings cashflow advantages to new users of brownfields properties
Brownfield revitalization opportunities for Arizona participants – Makes brownfields more cost-competitive for cleanup and reuse
Lessons and ideas for other states – Value of using tax levy process to encourage cleanups by addressing upfront costs, to help equalize their appeal with undeveloped sites

In Arizona, county boards of supervisors may reduce liens assessed for delinquent taxes, penalties, and interest against brownfield properties contaminated with hazardous substances or petroleum. Starting in 2002, the state authorized a tax reduction of up to the total costs of activities needed to address the brownfield conditions, including:

Conducting removal actions;

Undertaking site assessments;

Preparing and carrying out cleanup plans; and

Preparing and implementing a corrective action plan.

For property acquired after December 31, 2001, the brownfield-related expenses must be incurred by the owner within five years of taking title.

For additional information:

Web site: http://www.azdeq.gov/environ/waste/cleanup/brownfields.html

CALIFORNIA

Program: <u>California Orphan Site Cleanup Account</u>

Program type – Grants targeted to abandoned petroleum brownfield sites
Role in meeting brownfield financing challenges – Channels critical funding for assessment and cleanup to petroleum properties having no viable owner to ready the sites for reuse
Type of benefit to California program users – Communities can bring abandoned petroleum properties, typically vacant gas stations, to a shovel-ready condition for new owners
Brownfield revitalization opportunities for California participants – Idle petroleum-contaminated sites, in particular, small properties such as former gas stations, can be prepared for reuse as part of urban infill or blight elimination strategies
Lessons and ideas for other states – Targeting abandoned petroleum properties can remove urban blight and round out a revitalization area

The California Orphan Site Cleanup Account became effective on January 1, 2005, and is scheduled to sunset at the end of 2007. It was created to provide grants to clean up brownfield sites where the principal source of contamination is petroleum and where there is no financially responsible party available to pay for the site cleanup.

Sites may receive either or both of two types of grants:

Assessment grants to characterize and assess the sites; and

Cleanup grants to pay for remediation and verification monitoring.

Assessment grants support information gathering regarding releases at petroleum underground storage tank (UST) sites, including preliminary site assessment, soil and water investigations, and preparation of a corrective action plan. Assessment grants also may be used to fund UST and free product removal, as well as limited soil excavation activities.

Cleanup grants are used to help carry out cleanup activities, including implementing a corrective action plan and verification monitoring. They can be awarded once an applicant shows that either a corrective action plan is complete and approved by the regulatory agency overseeing it, or when response actions are necessary during the site development process to protect human health, safety, and the environment.

To be eligible for orphan site cleanup grants, applicants must show that they did not cause or contribute to the contamination and are not affiliated with any person who did. Applicants need not own the property to obtain an assessment grant. Therefore, prospective purchasers can arrange to conduct a site assessment and evaluate site risk and economic opportunity before making a decision to purchase a property. Prospective purchasers must be able to show that they can gain access to the property to conduct the site assessment. Private parties must acquire title prior to obtaining a cleanup grant; however, public agencies need not do so.

To be eligible for assistance, properties must be located in urban areas formerly used for some type of economic activity and vacant for at least 12 months prior to application. In addition, properties currently or formerly owned by the federal government, or on the federal Superfund list, may not participate. In addition, applicants are required to make a “reasonable effort” to contact former property owners and other potentially responsible parties, and determine how much (if anything) they are able to contribute towards cleanup costs.

The total maximum reimbursement allowed under the orphan site program is $1.5 million per eligible site. No more than $3 million may be awarded in grant agreements to any one applicant in a fiscal year. There is no program deductible. The total program authorization is $10 million annually.

Applicants are competitively evaluated to determine grant awards. Proximity to a drinking well or other water source is a top priority, followed by environmental justice and low-income population concerns. “Smart growth” factors such as development of affordable inner city housing or other infill development also are considered.

For additional information:

Web site: http://www.waterboards.ca.gov/cwphome/ustcf/osca.html
Contact: Judy Reid, Orphan Site Cleanup Subaccount (OSCA) Program Contact, 916/341-5760, jreid@waterboards.ca.gov
Contact: Pat Preslar, OSCA Program Contact, 916/341-5756, ppreslar@waterboards.ca.gov

Program: Polanco Act

Program type – Liability relief linked to redevelopment agency brownfield activity
Role in meeting brownfield financing challenges – Increases comfort via a cleanup/revitalization process that helps attract capital
Type of benefit to California program users – Process-based incentive to encourage redevelopment agencies to promote public-private financing partnerships aimed at property reuse
Brownfield revitalization opportunities for California participants – Time-saving cleanup process expedited by local redevelopment agencies
Lessons and ideas for other states – Linking environmental and redevelopment goals can help generate interest in site reuse

The Polanco Redevelopment Act is a widely used tool by California redevelopment agencies to promote redevelopment of brownfields. It was enacted to help redevelopment agencies respond to brownfield opportunities. The Polanco Act prescribes a process for redevelopment agencies to follow when cleaning up a hazardous substance release in a redevelopment area. It also provides redevelopment agencies and subsequent property owners with immunity from liability if the properties are cleaned up according to a cleanup plan approved by the state’s Department of Toxic Substances Control (DTSC) or a regional water control board. Redevelopment agencies seeking approval of their cleanup plans must reimburse DTSC’s and the water board’s oversight costs.

California's Polanco Redevelopment Act incentives are available only in designated redevelopment project areas. The act allows a redevelopment agency to order parties responsible for contaminating property in the redevelopment project area to perform the necessary cleanup; alternatively, the redevelopment agency can perform the cleanup itself or arrange for a third party to clean up the property according to an approved remedial action plan (RAP) and seek to recover its costs later.

When the cleanup is complete, anyone who enters an agreement to redevelop the property, any subsequent purchaser, or any lender for redevelopment of the site may obtain immunity from any liability stemming from contamination cleaned up according to the RAP under the Act.

The Polanco Act is credited with jump-starting brownfield projects across California by encouraging prospective purchasers and private lenders to take on these properties because of the process certainty and related cost savings that it brings to the process.

Success Story

The Emeryville Redevelopment Agency is using the authority provided under the Polanco Act to expedite the cleanup of a 12-acre industrial site contaminated with pesticides, heavy metal, and volatile organics. A redevelopment environmental process that frequently takes five to 10 years will be completed in less than three years. Polanco's immunity provisions are facilitating financing for the $200 million redevelopment project, and the Act's cost-recovery provisions shifted the cleanup costs to the responsible parties.

For additional information:

Web site: http://www.calepa.ca.gov/Brownfields/PolancoAct.htm

COLORADO

Program: <u>Brownfield Cleanup Tax Credit</u>

Program type – Sliding-scale tax credit to offset brownfield cleanup costs
Role in meeting brownfield financing challenges – Provides funding to identify sites and carry out cleanup, to make properties shovel ready for reuse
Type of benefit to Colorado program users – Positive cashflow impacts can make brownfield cleanups, especially smaller ones, more economically feasible
Brownfield revitalization opportunities for Colorado participants – Given their structure and flexibility, cleanup tax credits can encourage cleanup of a wide range of properties
Lessons and ideas for other states – Sliding-scale tax credits can encourage cleanups and make smaller projects more attractive in a more revenue-friendly way

Colorado passed a Brownfields Cleanup Tax Credit in 1999 as part of the governor's smart growth initiative to make brownfield redevelopment more attractive and viable. Properties must be located in a municipality with a population of at least 10,000 and be eligible for inclusion under the state's Voluntary Cleanup and Redevelopment Act. The bill provides a state income tax credit of up to $100,000 per property to offset up to $300,000 in cleanup costs.

In 2006, the legislature extended the incentive as part of the state's smart growth initiative to any tax year ending before December 31, 2010. Now, the credit is available on a staggered basis. Applicants may get credit for:

50 percent of the first $100,000 spent on cleanup;

30 percent of the next $100,000; and

20 percent of the third $100,000.

To the extent the allowable credit exceeds the net tax liability, the excess may be carried forward for up to five years. The Colorado Department of Public Health and Environment's Voluntary Cleanup Program reviews the site's cleanup plan and associated costs to provide the certification required to obtain the tax credit from the Colorado Department of Revenue.

A variety of cleanup-related costs are eligible for the credit provided that costs were incurred after January 1, 2000. These include direct cleanup costs, permitting costs specifically required to undertake the cleanup actions, administrative costs related to cleanup (such as state voluntary cleanup program fees), and expenses related to cleanup monitoring and verification.

Procedurally, taxpayers carrying out a brownfield cleanup and seeking a state credit submit a report of their remedial actions and costs to the Department of Public Health and Environment, which has 45 days to review it. The Department will certify the results, issue a letter stating that the cleanup is complete, and declare the amount of costs that are approved to calculate the tax credit. The tax credit is a one time per project incentive, and it can be applied to eligible project costs only at the completion of the cleanup.

For additional information:

Web site: http://www.cdphe.state.co.us/HM/rpbrownfields.htm#tax
Contact: Joe Vranka, Superfund and PA/SI Unit Leader, Colorado Dept of Public Health and Environment, 303/692-3402, joe.vranka@state.co.us
Contact: Dan Scheppers, Hazardous Materials and Waste Management Division of CDPHE, 303/692-3398, daniel.scheppers@state.co.us

CONNECTICUT

Program: Dry Cleaner Remediation Account

Program type – Direct financial assistance targeted to a specific brownfield type
Role in meeting brownfield financing challenges – Provides capital directly to address brownfield situations – and prevent them
Type of benefit to Connecticut program users – Direct, bottom-line cash for dry cleaner brownfields
Brownfield revitalization opportunities for Connecticut participants – Makes dry cleaner brownfield sites, especially those affecting adjoining commercial or residential areas, more economically viable for cleanup and reuse
Lessons and ideas for other states – Value of providing direct capital for targeted brownfield types and for brownfield prevention strategies

As a result of a 1 percent sales tax on dry cleaning services, every shirt cleaned in Connecticut supports brownfield financing. The tax supports the Dry Cleaner Establishment Remediation Fund, which provides grants of up to $50,000 per year for three years, totaling up to $150,000, to dry cleaner business operators. Funds are awarded to help them address the unique environmental problems caused by dry cleaning solvents and chemicals. The grants may be used for site cleanup, containment, and mitigation of pollution from releases of dry cleaning chemicals, and for the prevention of such pollution.

To be eligible for the funding, applicants must prove that at least two banks have refused to provide them with conventional financing on reasonable terms or in reasonable amounts. They also must currently operate the establishment, be current in filing all state and federal taxes, and certify that they are involved in no outstanding litigation proceedings. Grant applications are evaluated based on risk to public health, the magnitude of the problem, cost and environmental effectiveness of the proposal, and the availability of funds. So far, the state has awarded grants totaling about $3 million to some 40 applicants. Approximately 10 sites are in the monitoring stage and will complete remediation within the next two years.

In 2006, the Connecticut legislature made several changes to the Dry Cleaning Remediation Fund program. For example, the program now allows, instead of requires, the Department of Economic and Community Development to provide grants from the account to mitigate pollution from dry cleaning chemicals. This will provide program administrators with more flexibility.

For additional information:

Contact: Dimple Desai, Program Manager, Connecticut Department of Economic & Community Development, 860/270-8151, dimple.desai@po.state.ct.us

Program: <u>Office of Brownfield Remediation and Development</u>

Program type – Technical assistance support

Role in meeting brownfield financing challenges – One source of brownfields information, development of state-level technical capacity to support local financing strategies

Type of benefit to Connecticut program users – Visible point of contact for state's program efforts

Brownfield revitalization opportunities for Connecticut participants – Process support structure, useful for local marketing efforts

Lessons and ideas for other states – Value of backing a statewide technical assistance support structure with a dedicated source of funding

In mid-2006, the Connecticut legislature adopted new brownfield program changes that took effect on July 1. Key among these was creation of a state office of Brownfield Remediation and Development within the state Department of Economic and Community Development, and mandated cooperation between DEP and the Connecticut Development Authority. The new statute created a source of funding for the new brownfield office, stemming from the sale of properties that use state funds for cleanup.

The new office will provide outreach and assistance related to other portions of the state statute. For example, the 2006 law authorizes a brownfield pilot program in four towns. It places the office within the Department of Economic and Community Development for administrative purposes, which will underscore the state's focus on brownfield property development. It also creates a task force to develop long-term solutions for cleaning up and redeveloping brownfields. In addition, the statute also allows owners of existing manufacturing facilities to qualify for state cleanup funds, as of October 1, 2006. According to the conditions laid out in the law, this provision will focus on older plants, and their owners who are trying to cope with regulatory changes; in other words, it targets property owners who ran into difficulties because of regulatory changes contained in CERCLA and other rules that affected their operations that had been ongoing long before the rules were adopt. At the same time, these same owners cannot knowingly have contributed to the contamination according to existing laws in place.

The new office will play a key role in informing property owners of the law's provisions. Finally, the new law provides a mechanism to encourage parties to acquire and clean up contaminated properties from towns or economic development agencies that may exclude such parties from the state's Transfer Act.

Success Story – Norwich

The Connecticut Office of Brownfield Remediation and Development will be providing technical assistance at properties comparable to the former Roto Print site in Norwich, which was cleaned and reused as a community park. In Norwich, state outreach was key to the city's efforts to develop the redevelopment plan for the property and identify the financial support needed to carry it out at this facility located on the Shetucket River, which had burned down in 1986 and was long abandoned.

Before

After

For additional information:

Web site: http://www.ctbrownfields.gov/ctbrownfields/site/default.asp
Contact: Connecticut Office of Brownfield Remediation and Development, 860/270-8095, obrd@ct.gov

DELAWARE

Program: Brownfield Tax Credit Program

Program type – Employment and investment tax credits targeted to brownfield redevelopment
Role in meeting brownfield financing challenges – Helps cashflow by reducing tax liabilities for activities generating brownfield benefits
Type of benefit to Delaware program users – Reduces tax liabilities
Brownfield revitalization opportunities for Delaware participants – Makes investing in brownfield properties, and generating jobs on them, financially advantageous
Lessons and ideas for other states – Strategy to encourage desired social and economic benefits of brownfield cleanup and reuse through the tax code

Delaware offers employment and capital investment tax credits to parties that clean up brownfields and encourage new business activity on them. Companies that locate on brownfields, invest at least $200,000 in a facility located on a brownfield, and also create at least five new jobs are eligible to receive tax credits, including:

$650 per each $100,000 of new investment;

$650 for each new job created; and

A 15-year graduated gross receipts tax credit.

Credits for employees and investment are increased by $250 if the business locates on a brownfield in a targeted distressed area.

For additional information:

Web site: http://dedo.delaware.gov/business/brownfield/programs_and_resources.shtml
Contact: Shannon Marchman, 302/577-8742, shannon.marchman@state.de.us

Program: <u>Brownfield Assistance Program</u>

Program type – Grants to reimburse property owners for site assessment and cleanup of brownfield sites
Role in meeting brownfield financing challenges – Provides upfront funding to address initial site feasibility, carry out renovation and construction
Type of benefit to Delaware program users – Assists small communities finance upfront property redevelopment costs; encourages informal links between environmental and economic development activities
Brownfield revitalization opportunities for Delaware participants – Encourages cleanup and reuse of vacant, often mothballed properties
Lessons and ideas for other states – Practical strategies to link vacant properties and other brownfield-type situations to funding sources that can achieve comparable brownfield cleanup and redevelopment goals

The Delaware Economic Development Office (DEDO) administers a brownfield matching grant program to help owners and developers address initial brownfield property needs and encourage the redevelopment of environmentally distressed sites in the state. This is in addition to the Department of Natural Resources and Environmental Control's (DNREC) brownfield assistance program.

DEDO offers the lesser of up to $100,000 or 50 percent of the costs associated with the more advanced investigation and cleanup of a brownfield site; as such, Phase I costs are excluded from the program. And given its economic development focus, this program requires that each project generate at least five permanent full-time jobs.

To be eligible for DEDO's program, the owner, prospective owner, or developer must first obtain a brownfield certification from DNREC that recognizes the site as a brownfield. After this is done, the site user can send an application to DEDO for evaluation and processing. Reimbursement occurs when DEDO gets copies of paid receipts for the investigation and remediation costs incurred.

Success Story – Wilmington

The brownfield assistance program helped with the costs associated with the redevelopment of eight acres of land on the Wilmington riverfront. The property, which is being transformed into Christina Landing, had a long history of dumping commercial and industrial wastes. Plans for this site, which are beginning to be implemented, call for construction of 63 luxury townhouses, 273 upscale apartment units, and a 280-space parking garage.

Christina Landing Site Plan

For additional information:

Web site: Delaware Economic Development Office (DEDO),
http://www.state.de.us/dedo/business/brownfield/programs_and_resources.shtml#Tax_Credits_State
Web site: Delaware Department of Natural Resources and Environmental Control,
http://www.dnrec.state.de.us/dnrec2000/Divisions/AWM/sirb/brownfield.asp

FLORIDA

Program: <u>Voluntary Cleanup Tax Credit</u>

Program type – Transferable tax credit

Role in meeting brownfield financing challenges – Frees up capital, provides flexibility in capital allocation choices to help property owners address specific brownfield needs

Type of benefit to Florida program users – Brings cashflow advantages to new users of brownfields and obsolete properties, now encourages targeted capital investment in projects to create affordable housing

Brownfield revitalization opportunities for Florida participants – Makes brownfields, abandoned and obsolete properties more cost competitive for reuse, and provides communities with a tool to market to developers to promote socially responsible investments

Lessons and ideas for other states – Value of targeting incentives to specific types of brownfield properties (such as affordable housing) to address unique upfront costs to help equalize their appeal with undeveloped sites

The 1998 Florida Legislature created the original Voluntary Cleanup Tax Credit program to provide tax credits for up to 35 percent of the costs of voluntary cleanup activities that are integral to site rehabilitation in order to encourage voluntary cleanup at brownfield sites in designated Florida brownfield areas. One key to the program's success is that the credits are transferable, so that local governments and nonprofit developers that cannot use the credits may transfer them to businesses as an incentive to reuse brownfield sites or to mitigate costs incurred to perform brownfield site rehabilitation. In the fiscal 2005-2006 biennium, the state issued 10 tax credit certificates to brownfield property users worth just over $1 million in credits.

The program has been substantially expanded. In August 2006, Florida modified its brownfield incentives, targeting additional corporate income tax credits available for brownfield redevelopment. Now, property reusers can get credits for up to 50 percent of cleanup costs per year (up to $500,000), and in the final year of the project, they may recover 25 percent of the total cleanup costs for all years of the project, up to $500,000. This means that up to $1 million in tax credits may be available in the final year of cleanup. In addition, if the project's end use is affordable housing, then the developer my claim up to 75 percent per year, up to $500,000, with an additional 25 percent of all cleanup costs available during the last year of the project; housing credits are also capped at $1 million total.

In other words, if a developer spends $1 million a year in cleaning up a contaminated site and completes the project in the second year, he or she could recover $500,000 the first year and $1 million the second, which equals 75 percent of the total two-year cost.

The following chart summarizes the credits available under the voluntary tax credit program:

Tax Credit Type	Prior to July 1, 2006		Effective July 1, 2006	
Site Rehabilitation	35%	$250,000	50%	$500,000
No Further Action (i.e., SRCO)	10%	$50,000	25%	$500,000
Affordable Housing	N/A	N/A	25%	$500,000
Solid Waste	N/A	N/A	50%	$500,000

The Miami-based Cornerstone Group plans to be one of the first developers to take advantage of the new incentives, mapping out an affordable housing project on a brownfield site. The Harbor Cove development, planned as a $30 million, 212-unit residential complex in Broward County, was originally an auto body shop with environmental concerns. Through Florida's brownfields program, Cornerstone remedied the site and plans to open the complex by the end of 2007.

For additional information:

Web site: http://www.dep.state.fl.us/waste/categories/vctc/default.htm
Contact: Beth Walker, beth.walker@dep.state.fl.us, 850/245-8933

Program: Brownfield Redevelopment Bonus/Tax Refund for Job Creation in Brownfield Areas

Program type – Transferable tax credit
Role in meeting brownfield financing challenges – Provides money to support brownfield activities through business tax refunds pegged to numbers of jobs created
Type of benefit to Florida program users – Provides cash via tax refunds to new users of brownfields, $2,500 for each job created
Brownfield revitalization opportunities for Florida participants – For new site uses that will be labor intensive, a substantial incentive
Lessons and ideas for other states – Incentive value of linking job creation to brownfield revitalization strategies

Florida's Brownfield Redevelopment Bonus encourages redevelopment and job creation in designated Brownfield Areas through a tax refund of up to $2,500 for each new job, or 20 percent of the average wage of the jobs created, whichever is less. Of the $2,500, $500 is a fully optional match, so that the bonus often functions as a $2,000 per job bonus. All tax refunds can be applied to many tax categories, including corporate income, ad valorem, intangible personal property, insurance premium, and sales and use taxes.

The refund is available to any business that locates at a brownfield site in a designated Brownfield Area and qualifies under Florida's Qualified Target Industry (QTI) tax refund program. This program provides a tax refund of at least $3,000 per job created to businesses in targeted industries that create at least 10 jobs and pay an average annual wage of at least 155 percent of the local, state, or MSA average.

Applicants that do not qualify under the QTI program may still qualify for the brownfield bonus by creating at least 10 jobs (with benefits) in a designated Brownfield Area and making a fixed-capital investment of at least $2 million in mixed-use business activities. Applicants also must show that the project will diversify and strengthen the local economy and promote capital investment in the area surrounding the rehabilitated site.

For additional information:

Contact: Patrick W. Kennedy, Incentive Manager, Enterprise Florida, Inc., 850/487-2157, pkennedy@eflorida.com

Program: Brownfield Area Loan Guarantees

Program type – indirect financial support (guarantees against loan losses)
Role in meeting brownfield financing challenges – provides additional comfort/credit enhancement by reducing risk for brownfield project lenders
Type of benefit to Florida program users – offsets perceived risk of environmental contamination to project viability, which makes capital for brownfield-related project needs more available
Brownfield revitalization opportunities for Florida participants – expands capital availability for brownfield projects
Lessons and ideas for other states – value of providing a guarantee that helps lessen perceived investment risk and stimulates capital flow by limiting potential lender losses on brownfield projects

Florida's Brownfield Area Loan Guarantee Program targets primary lenders that finance brownfield cleanup and redevelopment. Originally, the program provided coverage of up to 10 percent of the original loan balance or the outstanding balance, whichever is less. In August 2006, the state legislature made the incentive much more attractive, increasing the maximum ceiling on loan guarantees from 10 percent to 50 percent of the outstanding loan balance, as well as up to 75 percent guarantees for projects resulting in affordable housing.

The program covers losses from default due to environmental and other causes for up to five years, but the state council that approves applications may consider a request to renew or issue a new guarantee for up to five additional years for loans and/or projects that demonstrate continued prospects for ultimate success.

For additional information:

Contact: Mary Helen Blakeslee, Executive Office of the Governor, OTTED, 850/922-8743, maryhelen.blakeslee@myflorida.com

ILLINOIS

Program: <u>River Edge Redevelopment Initiative</u>

Program type – Geographically targeted tax credits and exemptions
Role in meeting brownfield financing challenges – Recognizes the cross-agency, cross-sector role of a blend of incentives to help property owners address specific brownfield needs in specific types of brownfield situations (i.e., riverfronts)
Type of benefit to Illinois program users – Brings cashflow advantages to new users of brownfields, encourages a comprehensive focus – cleanup, construction, job creation – on riverfront brownfields
Brownfield revitalization opportunities for Illinois participants – Focuses efforts on riverfront brownfields, a common situation in Illinois, especially in many smaller communities
Lessons and ideas for other states – Value of targeting a range of cleanup and redevelopment incentives to specific types of brownfield properties (in this case, riverfront parcels) to encourage interagency cooperation for the mutual goal of brownfield restoration

Just authorized in August, 2006, Illinois new River Edge Redevelopment Initiative includes the designation of redevelopment zones that will be eligible to receive tax credits and exemptions to support remediation and redevelopment efforts that will lead to economic revitalization in riverfront areas. This initiative combines resources across state agencies and will be administered primarily by the Illinois Department of Commerce and Economic Opportunity (DCEO) and the Illinois Environmental Protection Agency (IEPA).

Once designated, the River Edge Redevelopment Zones would consist of brownfield-type contaminated areas that adjoin a river, that have economic development potential. The zone tax incentives are intended to offset the environmentally related costs of redevelopment that have made attracting investment to these areas difficult. These zones would be structured similarly to the state's current enterprise zone program, in which municipalities apply directly to the state to become a River Edge Redevelopment Zone. Once a zone is designated, companies or developers in the zones would be eligible for an environmental remediation tax credit for certain cleanup costs. In addition, developers and businesses locating within its boundaries could be eligible for a variety of tax incentives, including an exemption from sales tax on building materials, an investment and jobs tax credit, and other state tax deductions.

Communities like Moline, Illinois, with its new residential and commercial developments, will be able to take advantage of these new River Edge Redevelopment Initiatives.

For additional information:

Contact: Illinois Department of Commerce and Economic Opportunity (DCEO), http://www.commerce.state.il.us/dceo
Contact: Illinois Environmental Protection Agency (IEPA), http://www.epa.state.il.us

Program: State Brownfield Redevelopment Grants

Program type – direct financial assistance through grants and loans
Role in meeting brownfield financing challenges – provides capital to help communities determine site priorities and viability, and meet up-front site assessment and cleanup planning needs
Type of benefit to Illinois program users – direct, bottom-line cash for initial brownfield assessment and cleanup planning activities
Brownfield revitalization opportunities for Illinois participants – offers resources to address initial brownfield activities, to make properties shovel ready for reuse
Lessons and ideas for other states – value of providing initial capital investments, and first-stage project gap financing support, needed to make

The Illinois Environmental Protection Agency administers a brownfield redevelopment grant program to provide financial assistance to Illinois municipalities for brownfield redevelopment-related activities that need to be carried out at an early stage in order to demonstrate that projects can be viable and how property cleanup can and should be undertaken. Eligible activities include:

Brownfield site identification, investigation, characterization, and inventory;

Development of remediation objectives; and

Development of remedial action plans.

Illinois brownfield redevelopment grants focus on activities needed to jump-start a project – helping communities determine where potential sites are and to what extent they may be contaminated. Grant funds may not be used to fund actual cleanup activities or to prepare remedial action completion reports. The grant amount can be up to $240,000, and grants are awarded to reimburse for eligible costs that a recipient municipality may incur. For each project, grant funds can cover up to 70 percent of the costs; the municipality pays for the remaining 30 percent.

Success Story – Blue Island

The state provided $119,977 in brownfields redevelopment grant funding to the city of Blue Island in July 2006. This funding is being used to conduct site assessment activities at the former 90-acre, multi-use industrial/commercial site located at 119th and Vincennes Streets to determine the nature and extent of contamination throughout the property. A cleanup plan will be designed based on the findings of the investigation.

For additional information:

Contact: Steve Colantino, Manager, Illinois Office of Brownfields Assistance, steve.colantino@epa.state.il.us

INDIANA

Program: <u>State Environmental Remediation Revolving Loan Fund</u>

Program type – Comprehensive package of tax incentives, loans, and grants targeted to a range of brownfield properties and situations

Role in meeting brownfield financing challenges – Provides tax relief, targeted gap financing, access to capital

Type of benefit to Indiana program users – More accessible, affordable brownfield financing resources, along with the cashflow impacts that tax credits provide

Brownfield revitalization opportunities for Indiana participants – Addresses various brownfield preparation costs through a flexible package of incentives that can provide direct assistance or help with cashflow over the long term

Lessons and ideas for other states – Flexibility and breadth of incentives can make more types of brownfield situations attractive for reuse

Indiana's state environmental remediation revolving loan fund (commonly known as the brownfields fund) promotes brownfield reuse by paying for site assessments and cleanup. Created by the state legislature in 1997, the fund is administered by the Indiana Finance Authority (IFA) in cooperation with the Indiana Department of Environmental Management (IDEM).

Initially, the law provided $10 million over three years to eligible cities, towns, and counties for grants and loans for several programs, including assessments and remediation (including demolition). According to IFA program guidelines announced in March 2007, most of these program components have specified levels of funding for this year. The fund supports six brownfield incentives:

Site assessment grants;

Site remediation grants;

Low-interest loans;

Voluntary remediation tax credits;

Federal grant matching funds; and

Petroleum remediation grants.

Additional information about these incentives includes:

Site assessment grants of up to $100,000 are available to cities, towns, and counties (with $1 million available in fiscal year 2007). Nonprofits and other private parties may be co-applicants. The grants pay for environmental investigation (Phase I or Phase II assessments) at identified brownfield sites, including asbestos and lead-based paint surveys, and cleanup plan development.

Site remediation grants of up to $300,000 are available to cities, towns, and counties (with $2 million available in fiscal year 2007). Private parties may be co-applicants. The grants pay for environmental cleanups at all types of sites (except properties solely contaminated by petroleum), including cleanup work plan development, soil and groundwater remediation, and asbestos abatement. Cleanup must be done in accordance with Indiana state standards.

In each case, applicants are evaluated according to several criteria, including available matching funds or related investment capital (with levels pegged to a jurisdiction's population and median income, which may be offset by the number of new jobs created, with a $1,000 credit per job), and their economic development potential – such as impact on the local tax and jobs base. Half of the funding is allocated to small jurisdictions with fewer than 10,000 people.

Low-interest loans with interest rates of 2.5 to 3.0 percent can be made to cities, towns, and counties to cover the costs of property acquisition, remediation (including asbestos abatement), demolition and disposal of structures, and state program fees at brownfield sites.

Loan limits depend on the resources available in the Indiana program at any given time, and applicants may not get more than 10 percent of the total available. Loan recipients can re-loan proceeds to nonprofit or for-profit companies. Loan proceeds may be used for soil and groundwater cleanup, demolition activities, asbestos and lead paint abatement, and additional investigation. In addition, the state may forgive up to 20 percent of the loan amount if specific economic and community development goals are achieved, such as numbers of jobs generated, green space created, abandoned gas stations addressed, or brownfield cleanups that take place within 0.5 mile of schools or child care centers.

Those voluntarily cleaning up brownfield sites may receive a "voluntary remediation tax credit" against Indiana tax liabilities, which equals the lesser of 10 percent of the remediation cost or $100,000.

In addition, each year the brownfields fund sets aside $50,000 for Just-In-Time Funding – available outside of the normal grant rounds – for Phase II site assessments that are needed to meet immediate economic development opportunities. A city, town, or county must match these grant dollars one for one and certify that a company or developer is imminently interested.

For additional information:

Web site: www.idfabrownfields.com
Contact: Sara Westrick Corbin, Indiana Development Finance Authority, swestrick@idfa.in.gov
Contact: Michelle Oertel, Indiana Department of Environmental Management, moertel@dem.state.in.us

Program: Petroleum Grant Program

Program type – Grants targeted to petroleum brownfield sites
Role in meeting brownfield financing challenges – Provides funding to identify sites and carry out cleanup to make properties shovel-ready for reuse
Type of benefit to Indiana program users – Communities can bring petroleum properties to a shovel-ready condition for new users, working with consultants pre-identified for this task
Brownfield revitalization opportunities for Indiana participants – Petroleum-contaminated sites, in particular, small properties such as former gas stations, can be readied for new uses as part of infill or blight eradication strategies
Lessons and ideas for other states – Targeting petroleum properties, and linking qualified technical support to communities needing it, can enhance reuse opportunities

In late 2006, Indiana changed the way in which its long-time petroleum remediation grant program was administered to make it easier and more efficient for communities to use. The state was divided into seven regions, and an environmental consulting firm was assigned to each region.

Grants go to local governments, who work with the designated consulting firms to identify sites; the consulting firms are responsible for carrying out cleanup work. These changes were intended to take the mystery out of choosing an environmental consultant, particularly for smaller communities with little experience with the brownfield redevelopment process. Each Indiana region has been given $750,000 to carry out the program.

Eligible sites include those brownfield sites not eligible for the state's Environmental Liability Trust Fund. They must be owned by the applicant, or be acquired at the time of award, and the owner must not have been responsible for the contamination. Priority for assistance is given to properties with long-term plans for reuse in place, and the likely impact the project will have on the overall economic and situation of the community, including potential increases to its tax base, additional jobs created, and increased private investment in project property. Other community benefits, such as creation, preservation, or addition to a park, greenway, or recreational facility, are also considered.

Grants, which may be as large as $300,000, can be used for:

Assessing petroleum brownfield sites;

Removing petroleum underground storage tanks; and

Remediating petroleum-contaminated soil or groundwater.

The state issues an NFA letter once work is complete. No cash match is required for this grant, and this grant can be used in conjunction with other Indiana brownfields program assistance programs. October 2006 funding awards include:

Wabash, which received $111,000 for petroleum contamination cleanup at an abandoned gas station site near downtown, which will be readied for new commercial use; and

Dugger, a small town of fewer than 1,000 residents in southwestern Indiana, received $9,228 to clean up a former gas station, located on State Road 54 just west of Dugger. The site, abandoned for more than 15 years, will be cleaned and converted to an auto repair and carwash facility.

Sites like this one, comparable to the one in Dugger, are taking advantage of the Indiana Petroleum Grants Program.

For additional information:

Contact: Andrea Robertson, 317/234-0968, aroberts@ifa.in.gov

Program: Brownfield Federal Matching Grants

Program type – Matching grants to facilitate receipt of federal EPA grants
Role in meeting brownfield financing challenges – Leverages federal funding
Type of benefit to Indiana program users – Increases their opportunities to secure federal grant funding for brownfields
Brownfield revitalization opportunities for Indiana participants – Increases opportunities to compete for and win federal EPA grant funding
Lessons and ideas for other states – Enhances access to federal grant funding, especially for small and disadvantaged communities not able to meet federal program matching requirements

The goal of Indiana's federal grant matching incentive is to increase the competitive standing and success rate of Indiana applicants for EPA brownfields funding. No application process is required, but applicants for federal brownfield funding must notify the Indiana Finance Authority (IFA) of their plans to apply for federal grant funding.

After IFA notification, eligible EPA brownfield grant applicants (including nonprofits) can stipulate the matching grant as a pre-committed source of funding in their federal grant applications. The Indiana matching grant program will provide a 20 percent match for revolving loan fund and cleanup grant applications; applicants must provide their own 5 percent match.

For additional information:

Contact: Sara Westrick, Corbin, Financial Resources Coordinator, Indiana Finance Authority, 317/234-1688, swestrick@ifa.in.gov

KANSAS

Program: Agricultural Remediation Reimbursement Program

Program type – Targeted reimbursement of cleanup costs
Role in meeting brownfield financing challenges – Provides cash to agricultural property owners to cover the costs of environmental cleanups
Type of benefit to Kansas program users – Cash reimbursements for some types of rural brownfield sites
Brownfield revitalization opportunities for Kansas participants – Addresses cleanup costs at agricultural-type properties, helps make them ready for reuse
Lessons and ideas for other states – Programs can be targeted to meet reuse needs for property types that may not be conventional brownfields

The Kansas agricultural remediation reimbursement program was put in place in 2000 to help owners of contaminated properties used for agricultural purposes recover the cleanup costs incurred after July 1, 1997 (now, within 2 years of paying those costs). The remediation fund was created by assessing an annual fee on pesticide products, pesticide dealers, grain storage, fertilizer products, and custom blenders.

The fund is administered by the Kansas Agriculture Remediation Board, which meets and considers applications quarterly. The legislature set a maximum reimbursement amount at the following levels:

> If an eligible person is assessed a fee, they can receive 90 percent of their total costs greater than $1,000 and less than $90,000 plus 80 percent of the total eligible corrective action costs greater than $100,000 and less than $200,000; and
>
> If a person does not pay an assessment or is a pesticides dealer who has paid the appropriate assessment, they are eligible to receive 100 percent of their costs greater than $1,000 and less than or equal to $10,000.

The costs eligible for reimbursement include consultant fees, soil and groundwater sampling and analytical costs, contaminated soil removal, and groundwater remediation costs. Attorney’s fees, loss of income, and the replacement costs of spilled agricultural chemicals are not eligible for reimbursement.

For the first three months of 2007, the program made 21 reimbursements totaling $122,082 (at an average reimbursement of $5,813). In 2006, the program reimbursed for 70 cleanups, providing nearly $1.15 million to property owners (averaging $16,423 per project). Most of these covered carbon, pesticide, and nitrate contamination.

For additional information:

Contact: Kansas Agriculture Remediation Board, 785/440-0356, 785/234-2930 (fax), mjs@karb.org

KENTUCKY

Program: Brownfield Property and Income Tax Credits

Program type – Tax abatements and credits to prospective purchasers to offset cleanup costs
Role in meeting brownfield financing challenges – Offsets the costs of site cleanup to attract new owners to sites with few cleanup options
Type of benefit to Kentucky program users – Cashflow advantages to offset cleanup costs
Brownfield revitalization opportunities for Kentucky participants – Enhances the economic viability of contaminated sites, orphan sites, and others with no viable responsible party
Lessons and ideas for other states – Use of targeted tax credits to attract new owners and ensure environmental cleanup

Kentucky offers tax abatements and credits to bona fide prospective purchasers of properties that complete the state's voluntary environmental remediation program (VERP). Eligible properties are those acquired from responsible parties who are not able to carry out necessary cleanup or are governed by Superfund requirements. Eligible prospective purchasers able to take advantage of these incentives are those who:

Did not cause the contamination;

Have conducted an "all appropriate inquiry;"

Take care to prevent the environmental problem from becoming worse;

Are willing to provide access to the property for cleanup;

Have not disrupted an institutional control or violated land-use restrictions designed to manage the contamination; and

Have no affiliation with the party responsible for the contamination.

For qualified new owners, state and local property tax rates on a remediated brownfield property are reduced. For 3 years following the cleanup, the property will not be subject to local ad valorem property taxes. The state ad valorem property tax rate will be reduced from 31.5 cents per $100 of assessed value to 1.5 cents. Properties eligible for property tax abatements must have been purchased after January 1, 2005.

Qualified owners can also receive up to $150,000 worth of income tax credits for expenditures made in order to meet the requirements of the VERP assessment and cleanup. The allowable credit for any taxable year is a maximum of 25 percent of the total credit earned. The credit may be carried forward for 10 successive years. Properties eligible for income tax credits must have been purchased after March 18, 2005.

For additional information:

Web site: Kentucky Division of Compliance Assistance, http://www.dca.ky.gov/brownfields

Program: Tax Increment Financing – Expansion to Brownfields

Program type – Use of incremental additional tax revenues generated to support development needs – program change extends this to brownfields
Role in meeting brownfield financing challenges – Provides resources to meet upfront brownfield costs not easily covered through other sources
Type of benefit to Kentucky program users – Access to capital for brownfield assessment, cleanup, and redevelopment
Brownfield revitalization opportunities for Kentucky participants – Expands capital availability for brownfield projects, and brings a new program focus to brownfield situations
Lessons and ideas for other states – Value of targeting state and local TIF processes directly to brownfields

Like virtually all states, Kentucky allows tax increment finance (TIF) to be used to generate capital to meet redevelopment needs. In March 2007, Kentucky modified its existing TIF statutes to distinguish brownfield situations, and specifically spell out circumstances in which brownfield projects and areas could take advantage of this financing tool. In particular, brownfield areas as small as one acre in size are now permitted to qualify for TIF financing; other areas in Kentucky must be at least 50 acres in size. Furthermore, TIF proceeds can now be used to finance environmental remediation.

The new law also significantly expanded the state level of participation in so-called "signature projects," i.e., those stimulating more than $200 million in capital investment, but other Kentucky TIF requirements remain the same, including:

Eligible costs may be covered by up to 100 percent of incremental real estate taxes, excluding school and fire district taxes;

Development area approval is limited to 20 years, with subsequent projects in the development area eligible for their own 20-year approvals;

The development area must initially be owned and under the control of a public entity; and

TIF proceeds can be used for site acquisition, roads, and facilities necessary or desirable for improvement of the real estate, including surveys site tests and inspections, environmental remediation, removal of structures, utility installations, and other activities related to the development.

The state continues to take several key criteria into consideration when reviewing a TIF development area application, including:

Nature of the proposed projects, especially those that include transportation services; information technology; or a commercial-, industrial-, recreational-, tourism-, or education-related project;

How the development area is tied directly to a single project or investment, resulting in a unique contribution to, or preservation of, economic vitality and quality of life of a region in the state;

Extent to which TIF supports new economic activity in Kentucky;

Extent of net positive economic impact to the state;

Evidence of a minimum capital investment of $10 million; and

Evidence that at least 25 new full-time jobs will be created for Kentucky residents within 2 years of final authorization.

For additional information:

Web site: Kentucky Cabinet for Economic Development, http://www.thinkkentucky.com
Contact: Brad Thomas, Kentucky Cabinet for Economic Development,
502/564-4554 ext. 3407, brad.thomas@ky.gov

LOUISIANA

Program: <u>Brownfield Investor Tax Credits</u>

Program type – Tax levy reduction
Role in meeting brownfield financing challenges – Reduces taxes owed to free up capital for site assessment and cleanup
Type of benefit to Louisiana program users – Brings cashflow advantages to new users of brownfields properties
Brownfield revitalization opportunities for Louisiana participants – Makes brownfields more cost competitive for cleanup and reuse
Lessons and ideas for other states – Value of using tax levy process to encourage cleanups by addressing upfront costs to help equalize their appeal with undeveloped sites

In 2005, Louisiana adopted a brownfield investor tax credit program, granting tax credits to developers of state-certified brownfields, i.e., properties where a voluntary assessment or cleanup is underway. These credits, based on assessment and cleanup costs, can be used to reduce state income tax liability. The aim is to put brownfields, mostly in inner cities, back into productive use by helping to make previously used sites more economically attractive for redevelopment.

The credit operates in two parts:

15 percent of the total investment made to carry out a site investigation; and

25 percent of the total investment made in a voluntary cleanup action.

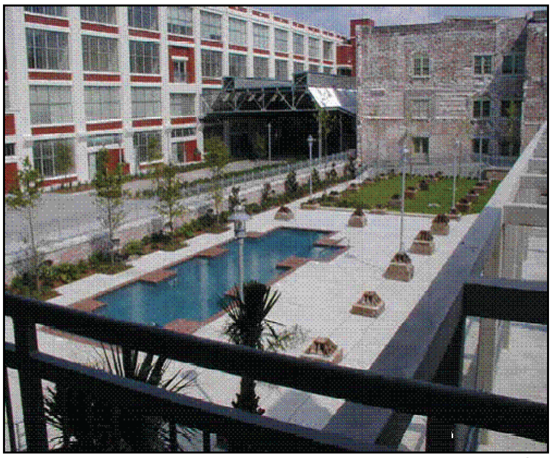
In both cases, the credit is triggered on the date that the Department of Environmental Quality (DEQ) issues a certificate of completion. The total amount of tax credits associated with a state-certified site cannot exceed the total assessment and cleanup expenses at a property. The credit is applied against income tax due in the year that the credit is earned, although it can be carried forward for up to 10 years. Landowners responsible for contamination may not claim any credit.

Tax credit applications are made jointly to the Louisiana Department of Economic Development (DED) and DEQ. Applicants must provide a statement of what they environmentally intend to do at the site from an environmental perspective as well as the projected economic development benefits to the community where the project is located. DEQ has 30 days to object to the application. DED works with the governor's office, who gives final approval to the request for a credit.

Once approval is given, the applicant proceeds with site investigation; once DEQ approves, cleanup can commence. After cleanup is complete and the applicant secures a certificate of completion from DEQ, the taxpayer can claim the credit, the amount of which is based on the actual costs incurred during the assessment and cleanup processes.

Before

After



Projects like the American Can redevelopment into mixed-income housing can now take advantage of the Louisiana tax credits for site assessment and cleanup.

For additional information:

Contact: Louisiana Department of Economic Development (DED),
http://www.lded.state.la.us/louisiana-economic-development-department.aspx
Contact: Louisiana Department of Environmental Quality (DEQ),
http://www.deq.louisiana.gov/portal

MARYLAND

Program: Brownfield Tax Incentive

Program type – Real property tax credit
Role in meeting brownfield financing challenges – Linked to state's brownfield cleanup program, provides additional cashflow support for brownfield property revitalization
Type of benefit to Maryland program users – Tax credit for up to 5 years (10 years at an enterprise zone property)
Brownfield revitalization opportunities for Maryland participants – Enhances cleanup cost-recovery options for new site uses in participating local jurisdictions
Lessons and ideas for other states – Incentive value of linking state tax incentives with local participation

Properties that qualify for remediation assistance from the Maryland Department of Business and Economic Development's Brownfields Revitalization Incentive Program (BRIP) are eligible to receive a real property tax credit as well. They must also participate in the state's voluntary cleanup program. In addition, the property must be located in a jurisdiction that has elected to participate in the BRIP, since part of the incentive derives from the local share of state tax revenues generated. Property owners responsible for contamination may not take advantage of the tax incentive.

For five years after cleanup, VCP participating "qualified brownfields sites" can receive a real property tax credit between 50 and 70 percent of the new increment of taxes on the increased value of the site. Properties located in any of the state's 28 designated enterprise zones may take advantage of the tax credit for up to 10 years. The brownfield credit, combined with other available state property tax credits, may not exceed 100 percent of the tax on the increased value of the site.

State brownfield legislative changes that took effect in October 2004 expanded VCP site eligibility to include oil-contaminated sites, which may now also take advantage of the brownfield tax credit. In addition, that law also expanded tax credit eligibility to properties acquired by local governments through eminent domain or condemnation, and authorized local governments to access private properties for environmental testing.

For additional information:

Contact: James W. Metz, Chief, Voluntary Cleanup/Brownfields Division Maryland Department of the Environment, Voluntary Cleanup Program, 410/537-3493, jmetz@mde.state.md.us

MASSACHUSETTS

Program: <u>Brownfield Redevelopment Access to Capital Insurance</u>

Program type – Financial assistance (via insurance premium subsidies) to cover environmental insurance costs
Role in meeting brownfield financing challenges – Increases capital availability by managing/reducing lender risk
Type of benefit to Massachusetts program users – Makes private financiers more willing to participate in brownfield projects; property owners gain access to a basic, effective environmental risk management tool
Brownfield revitalization opportunities for Massachusetts participants – Petroleum-contaminated sites, in particular, small properties such as former gas stations, can be readied for new uses as part of infill or blight eradication strategies
Lessons and ideas for other states – Subsidizing environmental insurance can leverage significant private capital investment, even in distressed areas

The Massachusetts Brownfield Redevelopment Access to Capital Program (MassBRAC) is a first-of-its-kind program that makes low-cost environmental insurance available to parties that clean up or redevelop brownfield sites anywhere in the state. The MassBRAC program leverages private capital investment in brownfield properties by using environmental insurance to safeguard parties from the risk of excess cleanup costs and environmental liabilities associated with brownfield redevelopment.

In addition to pre-negotiated, below-market pricing for coverage under the program, the state further subsidizes the cost of program policies at the rate of 25 percent of the policy cost, up to a maximum of $25,000 per policy. Administration of the program is handled by the Massachusetts Business Development Corporation. AIG Environmental underwrites the insurance coverage.

Available coverage includes cleanup cost cap (stop-loss) protection for those involved in an active remediation project, and pollution legal liability coverage to protect parties from unknown or unidentified contamination on brownfield sites that are being redeveloped. Lenders to projects involving the cleanup or redevelopment of a brownfield site also can obtain protection through a no-cost endorsement to a borrower's pollution legal liability policy. The policy automatically transfers all coverage to the lender in the event of a loan default/foreclosure.

Applying for insurance under the MassBRAC program is no different from applying for any environmental policy and the program has developed simple and streamlined procedures for obtaining program and subsidy approval as well. Since the program's inception in 1999, $5 million in state-funded insurance premium subsidies have sparked the issuance of nearly $1 billion in insurance coverage for nearly 250 brownfield redevelopment projects in Massachusetts. This investment has helped to enable $143 million in environmental cleanups and nearly $2 billion in privately funded development to take place at these former brownfield sites. The new and expanded facilities created have generated millions in new tax revenue and created or retained over 24,000 permanent jobs in the state.

The program is administered by the Massachusetts Business Development Corporation, a state-monitored private development company that also provides loan and investment capital to businesses in throughout Massachusetts. As of June 2004, BRAC had assisted 227 projects, leveraging $133 million in cleanup funds and $1.7 billion in private investment.

Success Story – Boston Area

A small but growing livery business in the Boston suburbs found a centrally located property that could serve as a hub for vehicle storage and minor maintenance and repairs; however, the site had housed an auto repair business and the property had contamination – a leaking underground storage tank, which would cost approximately $100,000. While the buyer was comfortable taking on the risk linked to the estimated cost of the cleanup of the known pollution condition, he was nervous about potential risks associated with possible unknown pollution conditions being discovered during the remediation or during redevelopment activities. The deal went forward because the buyer was able to purchase a pollution legal liability (PLL) policy through the MassBRAC program. The expanded company created additional jobs and tax revenue for the community.

For additional information:

Contact: Thomas Barry, Vice President, Massachusetts Business Development Corp., and Director, Brownfields Redevelopment Access to Capital, tbarry@mass-business.com

Program: Brownfield Credit for Rehabilitation of Contaminated Property

Program type – Tax credit targeted to brownfield revitalization in distressed areas
Role in meeting brownfield financing challenges – Provides, via tax credits, an offset for cleanup costs
Type of benefit to Massachusetts program users – Cashflow advantages linked to property cleanup; credit transferability provides a potential source of capital for nonprofits engaging in brownfield redevelopment
Brownfield revitalization opportunities for Massachusetts participants – Contaminated properties in distressed areas, including sites owned by nonprofits, will become more financially viable for redevelopment
Lessons and ideas for other states – Transferability of cleanup credits expands their impact, enhances their benefits

The Massachusetts brownfield rehabilitation tax credit offers taxpayers a credit against their tax liability for the costs incurred to rehabilitate contaminated property owned or leased for business purposes, as long as the property is located within an "economically distressed area" as defined by the state of Massachusetts. The credit first became available in 1998; however, legislative changes in 2006 expanded and extended it. Specifically, the recent legislation:

Extended the timeframe for eligibility for the credit to August 5, 2011;

Extended the time for incurring qualifying costs to January 1, 2012;

Made the credit available to nonprofit organizations; and

Allowed credits to be transferred, sold, or assigned.

In general, the amount of the credit varies according to the extent of the environmental remedy. Effective July 1, 2000, it is either 25 percent or 50 percent of environmental response and removal costs incurred between August 1, 1998 and January 1, 2012, as long as the taxpayer begins the environmental response action before August 5, 2011. The maximum amount of credit that may be taken in any taxable year is capped at 50 percent of the tax liability for that year. Carryovers are permitted for up to five years as long as the claimant maintains the remedy operation status or the permanent solution for which the credit was granted. Finally, taxpayers may claim this credit even if they receive financial assistance from other Massachusetts brownfield assistance programs (although the amount of state funds received must be deducted from the expense base for which the credit is available).

For additional information:

Web site:

http://www.mass.gov/?pageID=dorterminal&L=6&L0=Home&L1=Individuals+and+Families&L2=Personal+Income+Tax&L3=Current+Year+Tax+Information&L4=Guide+to+Personal+Income+Tax&L5=Credits&sid=Ador&b=terminalcontent&f=dor_help_guides_abate_amend_personal_issues_othercredits&csid=Ador#BrownfieldsCredit

MICHIGAN

Program: Brownfield Redevelopment Authorities

Program type – Financing process support
Role in meeting brownfield financing challenges – Expedites access to conventional economic development tools – i.e., TIF, bonding, site assembly – in a brownfields project context
Type of benefit to Michigan program users – Affordable capital for site cleanup and preparation as part of the development process; available to small towns and rural communities, as well as urban areas
Brownfield revitalization opportunities for Michigan participants – Ability to incorporate brownfield components into total, traditional project redevelopment financing packages
Lessons and ideas for other states – Value of focusing traditional redevelopment tools to meet projects' specific brownfield development needs

In 1996, Michigan authorized cities and counties to establish local Brownfield Redevelopment Authorities (BRAs). BRAs have tax increment financing (TIF) and bonding authority, as well as the ability to carry out site assembly and other traditional economic tasks. Structurally, they are based on the widely recognized and popular development authority entities, which increases their acceptance among communities and private entities that might be uncomfortable with a strictly environmental program. The BRAs can adopt brownfield plans that identify the eligible activities to be conducted on an eligible property and provide for the use of TIF to capture property taxes to reimburse the costs of eligible activities.

TIF is based on the tax increment of a brownfield site. The baseline amount of tax revenues for a property is the amount generated the year it was included in the BRA's brownfield plan. When cleanup and redevelopment of the property increases its assessed value, and thus the tax revenues it generates, the increased tax revenues (captured taxes) are used to pay the cost of eligible environmental response and redevelopment activities at the site.

According to Michigan law, the categories of taxing jurisdictions that can use TIF vary with the type of authority. In the case of BRAs, the taxing jurisdictions are separated into two categories, "school" and "local." The school taxing jurisdictions include the local school district operating tax and the state education tax. The local taxing jurisdictions include the local governmental taxing jurisdictions in addition to community college and intermediate school districts. Tax increment revenues that are eligible for capture include all property taxes, including taxes levied for school operating purposes (with state agency approval). Taxes already captured as part of an existing TIF plan (under other state laws) and taxes levied to pay off other specific obligations (such as targeted revenue bonds) are exempt, or not available for brownfields financing.

The law authorizing formation of the brownfield redevelopment financing authorities stipulates that only a BRA can capture new property tax value from a redeveloped eligible property and use the captured funds to reimburse those who incurred eligible expenses on that property. In addition, the statute permits BRAs, if they choose, to establish a Local Site Remediation

Revolving Fund from eligible tax capture to cover eligible expenses on other eligible properties within the BRA's jurisdiction.

As of January 2007, approximately 225 cities and towns and 11 counties had established BRAs. They have proven especially helpful in small towns, where they spearheaded redevelopment projects in towns with as few as 1,500 people.

For additional information:

Web site: http://www.michigan.gov/deq/0,1607,7-135-3311_4110_23246-63521--,00.html
Contact: Darlene Van Dale, Michigan Department of Environmental Quality, 989/705-3453, vandaled@michigan.gov

Program: Brownfield Tax Incentives

Program type – Tax credits, tax abatements
Role in meeting brownfield financing challenges – Frees up capital, provides flexibility in capital allocation choices, to help property owners address specific brownfield project needs
Type of benefit to Michigan program users – Brings cashflow advantages to new users of brownfields, obsolete properties
Brownfield revitalization opportunities for Michigan participants – Makes brownfields, abandoned and obsolete properties more cost competitive for reuse
Lessons and ideas for other states – Value of targeting incentives to specific brownfield properties to address upfront costs to help equalize their appeal with undeveloped sites

Michigan offers several tax incentives to support site redevelopment and attract private investment to brownfields. In the context of Brownfield Redevelopment Authorities (see above), property owners may apply for a credit against Michigan business taxes for investments made at a brownfield property, as long as it is included in the local BRA's brownfield plan. This credit (the Single Business Tax Brownfields Redevelopment Credit) is available to parties that did not cause or contribute to the contamination and can total 10 percent of the development (not cleanup) costs, or up to $1 million.

In urban communities that used state authorization to create an Obsolete Property Rehabilitation District, property owners can receive an abatement of up to 100 percent of real property taxes for a brownfield site for up to 12 years.

In late 2006, Michigan modified its brownfield tax credit program. These changes greatly simplified the process for assigning brownfield credits and allowed multiple credit assignments. The result is that the credits are assignable to anyone willing to pay for them, which will increase their appeal and usefulness. In addition, brownfield developers of large-scale, multi-phase projects will now be able to claim credits after each phase of a brownfield project, rather than having to wait until the very end. Previously, in the case of multi-phase projects, developers had to pay their Single Business Tax annually and then wait until their project is complete to claim credits. This change will help cashflow and expedite project completion.

Finally, a 2006 Michigan law created a new $10 million pool of credits for small brownfield redevelopment projects, those with up to $2 million in costs. Before this change, these projects had to compete in the same pool of credits as very large projects, which often put them at a competitive disadvantage.

For additional information:

Contact: Michigan Department of Environmental Quality, http://www.michigan.gov/deq

Program: Brownfield Redevelopment Grants and Loans

Program type – Direct financial assistance
Role in meeting brownfield financing challenges – Provides capital, directly through grants or loans, to finance brownfield property needs and attract private capital to these sites
Type of benefit to Michigan program users – Direct, bottom-line cash for brownfields
Brownfield revitalization opportunities for Michigan participants – Makes brownfields more cost competitive for reuse; waterfront properties a key target
Lessons and ideas for other states – Value of providing direct capital investments to bring properties back on line

The Michigan Department of Environmental Quality (MDEQ) offers grants and loans for environmental assessments and cleanups at properties with known or suspected contamination. This program was originally capitalized through Clean Michigan Initiative bond funds. Grants and loans made available through this program are targeted to projects that promote economic development and reuse of brownfield properties. These programs can attract developers to brownfields and leverage capital for Brownfield Redevelopment Authority (BRA) projects with loans.

Local governments, BRAs, along with other public entities such as state-funded schools and universities, can apply for these grants and loans to finance projects at sites or facilities with known contamination, properties with redevelopment potential and suspected contaminated, or waterfront properties with significant redevelopment proposals. Grants or loans can finance:

Site evaluations and state Baseline Environmental Assessment (BEA) preparation, including PCB, asbestos, and lead-based paint surveys;

Interim response activities;

“Due care” plan preparation and response activities;

Cleanup needed to comply with regulatory requirements and to promote redevelopment; and

Demolition needed as a response activity.

Applicants can seek up to $1 million annually for each grant or loan. Property owners must provide access to the MDEQ and its contractors. Cleanup **grants** may be used at properties with known contamination and specific redevelopment proposals, where measurable economic benefits will exceed the grant amount. Cleanup **loans** may be used at properties with suspected contamination where there is economic development potential based on a planned reuse.

When loans are used, they carry an interest rate of 50 percent of the current prime rate, with a 15-year payback period. To provide some cashflow cushion, though, loans may be structured with a five year grace period, requiring no interest or payments. In addition, loans may be repaid using tax increment financing through a BRA.

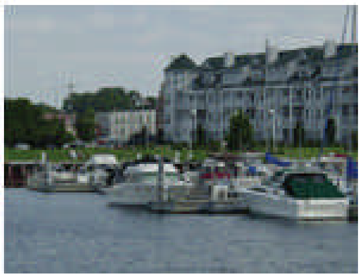
As of September 2006, DEQ funded the following programs at the cumulative amounts listed below:

Funding Source	Total Amount
CMI Brownfield Redevelopment Grants	$20,669942
CMI Brownfield Redevelopment Loans	$10,868,690
Site Reclamation Grants	$39,316,054
Revitalizing Revolving Loans	$6,441,998
Site Assessment Grants	$12,770,385
Waterfront Redevelopment Grants	$46,820,884

SOURCE: Michigan DEQ, September 2006

Success Story – Ludington

The city of Ludington received a brownfield redevelopment grant to support the redevelopment of the former Star Watchcase property. The company manufactured the gold cases for pocket watches, and used the facility for metal stamping, plating, cleaning, and polishing processes from 1905 to 1981. It was acquired, and then conveyed to the city by a subsequent owner in 1984. Ludington used the building to store equipment. The $855,700 Site Reclamation Grant was obtained to define the nature and extent of contamination, develop a remedial action plan, and carry out cleanup.



Grant funds paid for demolition of the Star Watchcase manufacturing building to allow access to the contaminated soil beneath it. A pumping system was installed at the property to direct contaminated groundwater to the city's sewage treatment plant. Institutional controls were used at areas where contamination remained.

Since cleanup was completed, a local development company built a residential condominium project known as Harbor Front on the property, which is adjacent to a marina. Retail and office buildings are being added as a demand is identified. The developers invested approximately $8 million in the project. A real attraction of this development is that Harbor Front residents and marina users can watch the Lake Michigan Car Ferry, docked adjacent to the property, enter and leave port.

Success Story – Battle Creek

Battle Creek used both state site assessment and site cleanup grants to stimulate redevelopment of the former Captain Oil Change site. The property is located on a highly developed Battle Creek commercial corridor that is bordered by a residential area. The property, about 0.5 acre in size, housed a quick oil change operation from 1980 to 1994. From 1950 to 1980, the building either sat empty or was used for various commercial purposes. The building has remained vacant since 1994 and the property tax reverted back to the city.

Battle Creek conducted environmental site assessments in early 1999, using $20,000 in site assessment grant funds. Site assessment results indicated significant soil contamination. In addition, the building was in very poor condition and had a variety of abandoned containers with hazardous substances in them. There were also two abandoned underground storage tanks (USTs). Subsequently, $161,772 in Clean Michigan Initiative cleanup grant funds were used to remove hazardous substances from inside the building, complete asbestos abatement, remove the USTs, and address soil contamination.

When cleanup was complete, Battle Creek sold the property and a developer invested more than $250,000 to construct a new commercial plaza in 2006. Currently two businesses are located there, a Check into Cash and Papa Murphy's Pizza that created 17 jobs. A third unit is available for lease.

For additional information:

Web site: http://www.michigan.gov/deq/0,1607,7-135-3311_4110_29262---,00.html
Fact sheet: http://www.deq.state.mi.us/documents/deq-ess-bgl-factsheet.pdf

MINNESOTA

Program: <u>Brownfield Redevelopment Grants</u>

Program type – Grants to meet a range of brownfield property needs, including related demolition and infrastructure improvement activities
Role in meeting brownfield financing challenges – Provides upfront funding for a range of critical site preparation needs to local governments and various development authorities
Type of benefit to Minnesota program users – Upfront financing, with the type of applicant priority determined each year; encourages links between environmental and economic development programs and strategies
Brownfield revitalization opportunities for Minnesota participants – Enhances property cleanup and reuse options, including those for multi-jurisdictional projects
Lessons and ideas for other states – Value of defining eligible property preparation activities broadly enough; use of brownfield redevelopment to promote smart growth and other social goals

Minnesota's brownfield redevelopment grants can help meet costs associated with redeveloping blighted industrial, residential, or commercial properties. Eligible applicants include cities, counties, and a range of development-authority-type entities: port authorities, housing and redevelopment authorities, and economic development authorities. For state fiscal year 2006, the state gave priority for funding to applicants from outside the Minneapolis/St. Paul metropolitan area; $7.95 million in grants were distributed.

Grants can pay for land acquisition, demolition, infrastructure improvements, soil stabilization (when infill is required), ponding or other environmental infrastructure, and adaptive reuse of buildings, including remedial activities at sites where a subsequent redevelopment will occur. The program can pay up to 50 percent of eligible redevelopment costs for a qualifying site, with a 50 percent local match. Funding for the current biennium is $8.4 million, derived from state bond funds; by law, these funds can only be used to cover costs on publicly owned land where the end use has a public purpose.

Priority, per state statute, is given to projects that meet one or more defined characteristics, including:

Meeting a need for redevelopment in conjunction with contamination remediation needs;

Meeting current tax increment financing requirements for a redevelopment district, and generating tax increments that will contribute to the project;

Featuring proximity to public transit if located in the Minneapolis/St. Paul metropolitan area; and

Comprising multi-jurisdictional projects that take into account the need for affordable housing, transportation, and environmental impact.

Since the program's inception in 1998 through the most recent awards made in August 2006, the Minnesota redevelopment grant program has awarded $35 million, which has leveraged $810 million in other investments. These projects have led to 678 acres being cleaned up and redeveloped, and facilities on these sites have created or saved more than 13,200 jobs. The eight awards made in August 2006, included:

Chase Hotel renovation, Walker – $673,700;

Swift/Eckrich Turkey Processing Plant redevelopment, Frazee – $524,100;

Tower historic reconstruction, Tower – $1,097,000; and

Heritage Sports Center development, Duluth – $875,075.

For additional information:

Web site: http://www.deed.state.mn.us/community/RedevGrt
Contact: Meredith Udoibok, Director, 651/296-5005

Program: Dry Cleaner Environmental Response and Reimbursement Account

Program type – Direct financial assistance targeted to specific brownfield situations
Role in meeting brownfield financing challenges – Provides capital directly to address dry cleaning brownfield situations – and prevent them
Type of benefit to Minnesota program users – Direct, bottom-line cash for to address assessment and cleanup needs at dry cleaner facilities
Brownfield revitalization opportunities for Minnesota participants – Makes dry cleaner brownfield sites, especially those affecting adjoining commercial or residential areas, more economically viable for cleanup and reuse, as well as ongoing operations
Lessons and ideas for other states – Value of providing direct capital for targeted brownfield types and for brownfield prevention strategies

Dry cleaners, a common type of brownfield property, often resulting from long-ago methods of handling dry cleaning chemicals, before their risks were known. Now, dry cleaning shops face the cost of cleaning up problems from their past; many of them are small, family-owned businesses without the resources to do so.

Minnesota state leaders, working with drycleaners' trade associations and the Minnesota Pollution Control Agency (MPCA), established the dry cleaner environmental response and reimbursement account to provide a way to pay for cleanup of soil, groundwater or surface-water contamination at dry cleaning facilities. Most dry cleaning facilities that serve the general public are eligible for reimbursement for their investigation and cleanup work. Cleanup can be conducted either by MPCA or by dry cleaning facility owners or operators themselves, as long as their response actions are approved by MPCA. To this end, an owner or operator needs to apply to the Minnesota brownfield voluntary investigation and cleanup program (known as VIC) and work with its program staff.

Annual registration fees paid by dry cleaning facilities, as well as solvent fees collected from dry cleaning chemical retailers, are being used to capitalize the dry cleaner fund. MPCA can use the money for two primary purposes:

> Emergency removals, environmental investigations, and cleanups at dry cleaning facilities on the state Superfund list; or
>
> Reimbursement of current or former dry cleaning owners or operators who have entered MPCA's VIC program and whose sites require cleanup.

Under either approach, the dry cleaning facility owner or operator is responsible for the first $10,000 of the environmental response costs. In addition, the investigation and response actions, as well as the costs submitted for reimbursement, must be reviewed and approved by MPCA.

To qualify, response actions at a dry cleaning property must include cleanup activities. Sites where only investigation has been done are not eligible for reimbursement, although if the assessment confirms the need for cleanup, then investigation activities can also be paid back. Costs such as those associated with actions that do not eliminate environmental risk or result in cleanup (or those addressing non-dry cleaning contamination), costs related to the repair, replacement or upgrading of dry cleaning structures or equipment, or costs covered under insurance are not eligible for reimbursement.

For additional information:

Contact: Karen Kromar, MPCA/VIC Program, 651/297-3080
Contact: Allen Dotson, MPCA Municipal Division, 651/296-7735

MISSOURI

Program: <u>Brownfield Redevelopment Program</u>

Program type – Tax credits for cleanup and demolition, as well as investment and job creation activities undertaken at brownfield sites
Role in meeting brownfield financing challenges – Offers tax incentives for the redevelopment of contaminated commercial or industrial sites abandoned or underused for at least 3 years
Type of benefit to Missouri program users – Offsets up to 100 percent of brownfield-related redevelopment costs, through a flexible selection of tax credits that may be assigned to subsequent owners
Brownfield revitalization opportunities for Missouri participants – Makes brownfields, abandoned and obsolete properties more cost competitive for reuse
Lessons and ideas for other states – Value of offering a flexible menu of assignable tax incentives that give property reusers a range of choices as they consider and carry out specific brownfield projects

Missouri's brownfield redevelopment program provides tax incentives to encourage cleanup and reuse of commercial or industrial properties abandoned or underutilized due to contamination. The program may be used to rehabilitate an existing contaminated building, or to clear existing structures and build a new facility. The program may also be used at brownfield sites with no existing structures. Tax incentives are available to businesses that redevelop and remediate sites in conjunction with the brownfields voluntary cleanup program carried out by the Missouri Department of Natural Resources (DNR).

Eligible projects must create at least 10 new jobs or retain at least 25 jobs. For projects with multiple companies, companies must create at least two jobs and have $100,000 of qualified investment or retain 25 jobs and have $100,000 of qualified investment. The brownfield property must have been abandoned for at least three years from the date of the application or be underutilized – defined as having less than 35 percent of its space being used for its most commercially profitable and economically productive use. Properties need not be owned by a public entity to access the tax credits, but the city or county must endorse the project.

The program authorizes several types of financial assistance for eligible projects. **Remediation tax credits** are available for up to 100 percent of the costs of remediating the project property. This includes the costs of materials, supplies, equipment, labor, professional engineering, consulting or architectural fees, permitting fees, and direct utility charges incurred during cleanup. The property owner must demonstrate that the credits are the least amount needed for the project to go forward, and the total credit is limited to the net state economic benefit of the project (roughly, the present value of new state tax revenues the project is expected to generate over a 15-year period), as determined by the Missouri Department of Economic Development (DED). Both direct and indirect benefits may be considered. DED issues 75 percent of the credits upon proof that the expenses were paid; the remaining 25 percent are issued when DNR certifies that the site has completed the voluntary cleanup program process.

Remediation tax credits may offset state income or franchise taxes and may be claimed the year it is earned, or carried forward for up to 20 years. They are attractive because the recipient may assign, sell, or transfer the credits to someone else. Upon completion, income-producing businesses must occupy the majority of the property. The project may be a mixed-use facility (residential and commercial), but the state economic impact will be based only on the commercial operations

Other brownfield redevelopment tax credits available include:

> **Demolition tax credits** for up to 100 percent of the cost of non-remediation demolition. The demolition must be part of a city (or county) and state approved redevelopment plan. These credits may be carried forward for up to 20 years.
>
> **Jobs and investment tax benefits** to businesses locating at the brownfield project that create new jobs may receive (for up to 10 years) tax credits ranging from $500 to $1,300 per year for each new job created. Companies can also claim an investment tax credit averaging two percent of new capital investment per year at the brownfield site and a 50 percent income tax exemption. For a company to receive these benefits, the local city or county must offer at least a 50 percent property tax abatement for 10 to 25 years.

All of these tax credits can be applied against a variety of Missouri state taxes: income tax, corporate franchise tax, bank taxes, insurance premium taxes, and other financial institution taxes. The total value of all incentives claimed must be less than the projected state economic impact of the project, as determined by DED.

Success Story – Kansas City

The Butler World Headquarters facility in Kansas City was built on a 4.5-acre site used as stockyards from the late 1800s to 1991. Most of the buildings on the site were demolished in the early 1990s, although at the time of cleanup an old boiler plant and a brick building still remained on the site. The property was contaminated with arsenic slag material and asbestos. The state-approved cleanup involved asbestos removal, and construction of a parking lot to cap the arsenic-contaminated soil. A restrictive-use covenant was put in place, along with ongoing site monitoring.

The developer took advantage of several Missouri incentive programs, including $500,000 in brownfield redevelopment credits and brownfield infrastructure grants. Butler invested $25 million in a new 150,000 square-foot facility and parking garage on the property, which led to the retention of 600 jobs.

Before

After

Success Story – Cape Girardeau

The Marquette Tower Office Building in Cape Girardeau was developed in the former Marquette Hotel. The hotel had opened in 1928, and for years served as a focal point of the community. It closed in 1970, after Interstate 55 led to development of newer places across town. Prost Builders bought the hotel and the adjacent building in 2002 to renovate and convert into office and retail space. At that time, lead-based paint and asbestos were identified in the building, and an underground fuel storage tank was also discovered on the property. These contaminants were removed during renovation.

Marquette Tower received nearly $1.3 million in brownfields remediation tax credits. The city of Cape Girardeau provided 25 years of tax abatement, bringing the total tax savings to about $1.8 million. This led to a $6 million investment in renovating the Marquette Hotel into 66,000 square feet of office and retail space. Some 227 jobs have been created.

For additional information:

Web site: http://www.dnr.mo.gov/env/hwp/bvcp/hwpvcp-brownfields.htm
Contact: Business and Community Services Development Finance Office, 573/522-8004

NEW JERSEY

Program: Hazardous Discharge Site Remediation Fund

Program type – Grants and loans, to public and private parties, targeted to property assessment and cleanup
Role in meeting brownfield financing challenges – Provides upfront funding to address initial site investigation and cleanup challenges, including those at long-held privately owned properties
Type of benefit to New Jersey program users – Assists communities and private owners in making properties ready for reuse; encourages links between environmental and economic development programs and activities
Brownfield revitalization opportunities for New Jersey participants – Encourages cleanup and reuse of long-held, often mothballed properties; gets critical site assessment and cleanup funding to properties; encourages use of innovative technologies
Lessons and ideas for other states – Practical strategies for assisting private site owners, encouraging new technologies, connecting remediation with reuse

One of the first financing programs ever targeted to brownfields, the New Jersey Hazardous Discharge Site Remediation Fund (HDSRF), was established in 1993 to provide funding to local governments and redevelopment agencies, and nonprofit organizations, as well as qualifying private companies for assessment and cleanup of suspected or known discharges of hazardous substances. In 2003, HDSRF received additional program funding to enable it to offer additional loans and grants. In September 2005, HDSRF was expanded through statutory amendments to increase the availability of those grants and loans to a wider range of beneficiaries.

HDSRF is jointly administered by the New Jersey Department of Environmental Protection (NJDEP) and the New Jersey Economic Development Authority (NJEDA). NJDEP evaluates an applicant's preliminary eligibility requirements, the technical merits of the proposed project, and the estimated project costs. Upon NJDEP approval, NJEDA evaluates an applicant's financial status, determines eligibility for either grants or loans, and awards funding.

Grants and loans are available to public, private, and nonprofit entities that carry out cleanups under NJDEP oversight. Eligible cleanup activities include preliminary site assessment, additional site investigation, cleanup planning and evaluation of potential remedy options, and the remedial action itself.

The program offers a number of funding options, depending on the activity and the applicant. Once the applicant shows that a redevelopment plan for the targeted property is in place, and that a realistic opportunity exists for redevelopment to take place within three years of completion of the cleanup, public entities can apply for:

Grants for Brownfields Investigations, to conduct site assessment and remedial planning

Grants are available for investigation activities at properties held by public entity, through the tax sale certificate or foreclosure or other similar means, or when the local government has acquired or has taken steps to acquire the property by voluntary conveyance for the purposes of redevelopment. These grants provide for 100 percent of the eligible costs and are capped at $3 million per municipality per year.

Grants for Brownfield Development Area assessments and cleanups

Municipalities can apply for an additional $2 million annually for assessment and cleanup activities on contaminated property located within a designated brownfield development area. An ownership interest in the property is not required; however, if the public entity does not have an ownership interest, a lien in the amount of the grant used for cleanup will be attached to the property, recoverable upon transfer to a new private owner, and removed if the property is transferred to a public entity.

Matching Grants for Remedial Action

Various levels of matching grants are available, regardless of who ultimately owns the property, if it will be cleaned and reused for recreation and conservation purposes (matching grant for up to 75 percent of cleanup costs); affordable housing (up to 50 percent); employs an NJDEP-approved innovative technology (up to 25 percent, capped at $250,000); or results in a limited restricted use or unrestricted use (up to 25 percent, capped at $250,000) as approved by an NJDEP issuance of a limited restricted use/unrestricted use No Further Action letter.

Depending on their ownership situation and intended reuse, private parties may apply for three different types of HDSRF assistance:

Innocent party grants

Non-responsible parties can apply for funding on properties that they acquired before December 31, 1983, if they did not discharge the hazardous substance that needs to be cleaned up. Qualifying private applicants may be eligible for innocent party grants to cover up to 50 percent of their site assessment and cleanup costs, up to $1 million.

Matching Grants for Remedial Action

Private cleanups using an NJDEP-approved innovative technology may be eligible for a matching grant of up to 25 percent of the costs (capped at $250,000) of a remedial action using that technology. In addition, cleanups resulting in a limited restricted use or unrestricted use (following issuance of a limited restricted use or unrestricted use No Further Action letter) may also win matching grants for up to 25 percent of the costs (also capped at $250,000).

Loans

Private entities can also apply for loans for up to the entire amount needed to remediate a site, up to $1 million per year. The interest rate, determined by NJEDA, is a minimum of 5 percent; the maximum term for any loan is 10 years.

For additional information:

Web site: http://www.nj.gov/dep/srp/finance/hdsrf
Fact sheet: http://www.nj.gov/dep/srp/finance/hdsrf/factsheet.htm
Matrix of HDSRF components, limitations, and funding levels:
http://www.nj.gov/dep/srp/finance/hdsrf/hdsrf_chart.htm

Program: Brownfield Redevelopment Interagency Team

Program type – Program coordination technical assistance effort
Role in meeting brownfield financing challenges – Facilitates information exchange and cross-program financial applications to support brownfield reuse
Type of benefit to New Jersey program users – Cost-saving technical assistance and information outreach
Brownfield revitalization opportunities for New Jersey participants – Easier access to, and application of, the plethora of New Jersey business, infrastructure, and economic development programs applicable to brownfields
Lessons and ideas for other states – Time and resource savings of cross-agency collaborative efforts

The mission of the New Jersey Brownfields Redevelopment Interagency Team (BRIT) is to streamline and coordinate the brownfields redevelopment process for those interested in reusing contaminated properties. Guided by New Jersey's Smart Growth office, BRIT offers brownfield project developers, municipal officials, and others engaged in brownfield redevelopment projects coordinated information and access to a full range of state resources in more than 24 agencies, ranging from the Departments of Agriculture, Labor, and Treasury, to the Departments of Commerce and Economic Development, to New Jersey Transit. Coordinated by the New Jersey Department of Community Affairs' Office of Smart Growth, the team convenes to review specific projects and identify ways in which the incentives of various agencies can be bundled and tailored to meeting the assessment, cleanup, and redevelopment aspects of each undertaking.

Since its inception in 2003, BRIT has fully reviewed more than 80 brownfield projects and provided additional consultation at another 75 sites. In many cases, this coordination has shaved considerable time off of the development process at specific brownfield projects. BRIT also creates special task groups to find ways to improve brownfield policies and programs when its work points to specific needs. A noteworthy achievement of BRIT, in 2005, was the creation of a New Jersey "Brownfields Redevelopment Resource Kit." This kit is the first integrated compilation of state resources for brownfields redevelopment. The document is popular with all brownfields redevelopment interest groups, providing a useful reference for state support from initial planning stages through project design, cleanup and construction, and reimbursement.

For additional information:

Web sites:
http://www.njsitemart.com/sitemart/cwp/view.asp?a=325&Q=208449&sitemartNav=%7C,
http://www.nj.gov/dca/osg/commissions/brownfields/index.shtml

Program: Brownfield Redevelopment Incentive

Program type – Cleanup cost recovery through tax payment reimbursements
Role in meeting brownfield financing challenges – Offsets cleanup costs
Type of benefit to New Jersey program users – Equalizes property development costs through tax reimbursements
Brownfield revitalization opportunities for New Jersey participants – Wide range of sites able to take advantage of tax reimbursement incentive, because reused properties potentially generate a wide range of taxes counted for determining refunds
Lessons and ideas for other states – Effective way for future tax revenue streams to support present-time brownfield cleanup

The Brownfields Redevelopment Incentive Program is a conceptually simple, yet highly effective way to encourage developers to clean up and redevelop contaminated properties. Developers work with the New Jersey Department of Commerce and with local officials to negotiate agreements that allow them to recover up to 75 percent of the remediation costs incurred at a proposed redevelopment site.

Cost recovery is achieved through reimbursement of tax revenues attributable to the new site development and activities on the property. Revenues generated from any of eight state taxes, including sales, business use, and corporate income taxes, are eligible to be used to reimburse the developer for remediation costs. The program also allows for the reimbursement of sales taxes associated with the purchase of building materials. Because reimbursement is based on tax collections, there is no financial limitation on the total amount to be recovered. To date, redevelopment agreements have been reached on projects ranging from $30,000 to $140 million.

Developers have the ability to secure a "Covenant Not To Sue Agreement" from the NJDEP that shields developers from third-party claims if they did not cause the contamination.

Success Story

The former Camden Recycling Company property has been transformed to accommodate the expansion of the neighboring DiNaso & Sons, Inc., building supply company. This expansion, used for building material storage, created 30 new jobs in the community and sparked urban revitalization. Grants that allowed DiNaso to expand also allowed for revitalization of the rest of the Mt. Ephraim Avenue business corridor.

This approximately 80-acre parcel was originally developed as a drive-in theater, and later operated as a scrap metal recycling facility from 1940 until it shut down in 1995. The site had contaminated soils attributable to both leaking underground storage tanks and historic fill throughout the property. The $500,000 used to remediate the site was generated by taxes from the City's Urban Enterprise Zone designation.

For additional information:

Web site: http://www.state.nj.us/commerce/econ_brownfield.shtml
Contact: New Jersey Department of Commerce, 609/777-0885

NEW YORK

Program: Brownfield Cleanup, Real Property, and Insurance Tax Credits

Program type – Refundable tax credits for a range of brownfield redevelopment costs
Role in meeting brownfield financing challenges – Offsets the costs of site preparation, property improvements, onsite groundwater cleanup costs, real property taxes, and environmental insurance premiums to equalize Greenfield and brownfield development costs
Type of benefit to New York program users – Cashflow advantages to brownfield property reusers, covering most aspects of the cleanup and redevelopment processes
Brownfield revitalization opportunities for New York participants – Extent of the tax credits, and their availability for both redevelopment and cleanup, make most types of sites and locations attractive for revitalization
Lessons and ideas for other states – The breadth of these refundable incentives, while controversial (and currently under review), can promote brownfield property reuse in all types of real estate markets

For tax years beginning April 1, 2005, New York is offering offer three types of tax credits to participants in the state's Brownfield Cleanup Program that have entered into a brownfield cleanup agreement with the Department of Environmental Conservation (DEC). The tax credits offset the costs of site preparation, property improvements, onsite groundwater cleanup costs, real property taxes, and environmental insurance premiums. Tax credit eligibility requires a certificate of completion, issued by DEC, stating that remediation requirements that were set forth in the brownfield cleanup agreement have been achieved. To claim the tangible property component of the brownfield redevelopment credit (which is similar to an investment tax credit for development), the property must be placed in service after the certificate of completion is issued. All three credits available under the Brownfield Cleanup Program are refundable credits.

The **brownfield redevelopment credit** provides business tax credit consists of three separate and distinct credits that provide a business tax credit of 12 percent or a personal tax credit of 10 percent for the costs of site preparation, development or redevelopment ("tangible property"), and onsite groundwater remediation. These percentages increase by 2 percent for sites cleaned up to unrestricted condition and increase by 8 percent if at least half of the qualified site is located in an area designated by the state's economic development agency as an environmental zone characterized by high poverty and unemployment.

The **remediated brownfield credit for real property taxes** provides a tax credit based on the real property taxes imposed on a qualified site. The credit is available for 10 consecutive years, beginning when a taxpayer is issued a certificate of completion. The credit is for 25 percent of the eligible real property taxes imposed on the site, multiplied by the "employment number factor" – a percentage based on the number of people employed by the taxpayer or his lessee. If the entire qualified site is located in an environmental zone, the percentage for purposes of calculating the credit increases from 25 to 100 percent. There is no limit on the total amount of this credit allowed for a qualified site, which is determined by multiplying $10,000 times the number of employees at the site. Taxpayers also eligible to claim other state real property tax credits must make an irrevocable choice between the two.

The **environmental remediation insurance credit** provides a one-time credit for the lesser of $30,000 or 50 percent of the premiums paid for environmental remediation insurance when such insurance is a necessary component of the brownfield redevelopment project. Insurance can cover conditions such as onsite cleanup of pre-existing pollution, third-party claims (for bodily injury or property damage), the cost of each policy covering onsite cleanup of pre-existing pollution conditions, cost-coverage, and re-opener coverage.

For additional information:

Web site: http://www.dec.state.ny.us
Contact: New York State Department of Environmental Conservation, 518/402-9711

Program: Brownfield Opportunity Areas

Program type – Grants for brownfield planning and technical assistance
Role in meeting brownfield financing challenges – Provides basic information and planning needed to help neighborhoods and communities make the right brownfield reuse decisions
Type of benefit to New York program users – Informed stakeholder communities, which can expedite the brownfield reuse process
Brownfield revitalization opportunities for New York participants – Greater knowledge of property reuse and end use options
Lessons and ideas for other states – Value of information and planning as key brownfield reuse stimuli

New York's 2004 brownfield legislation also authorized Brownfield Opportunity Area (BOA) grants. The BOA program can fund 90 percent of the cost of planning and assessment activities in areas that have multiple brownfields; to date, BOA money has been primarily used for planning. New York's Department of State typically announces details of each year's grant program in the spring. Applications from community groups require partnerships with or letters of support from their municipalities.

BOA is primarily a planning and technical assistance initiative designed to help communities better plan for and promote brownfield redevelopment. BOA provides municipalities and community-based organizations with resources to carry out area-wide brownfield redevelopment planning, gain access to expert environmental and economic analysis, build public-private and cross-agency partnerships, and sometimes conduct environmental site assessment for strategic parcels.

As structured, BOA aims to provide a variety of technical assistance and support services to complement New York state and federal brownfield tax incentive and site specific revitalization programs. Already, dozens of awards have been made – including 10 in New York City alone, totaling $1.85 million – to achieve the following brownfield redevelopment goals:

Improving community property values – Through planning/identifying complementary infrastructure, transportation, and related public improvements, such as parks, streetscapes, or habitat restorations.

Developing core information needed for constructive decisionmaking – Community revitalization visions and strategies, remedy recommendations that take into account possible future uses, site inventories, and other considerations.

Marketing to encourage developers and investors – Through site renderings, marketing brochures, Web site postings, and site marketing profiles (to share with state and local development agencies and others); and

Facilitating the redevelopment process – Working with consultants as liaisons among stakeholders to explore project feasibility, and deal structure alternatives for privately held property.

For additional information:

Web site: http://www.dec.ny.gov/chemical/8447.html
Contact: New York State Department of Environmental Conservation, Environmental Remediation, 518/402-9764, derweb@gw.dec.state.ny.us

NORTH CAROLINA

Program: <u>Advantageous taxation of improvements on brownfields</u>

Program type – Sliding-scale property tax exclusion
Role in meeting brownfield financing challenges – Helps cashflow by reducing property taxes in project's early years, when cash needs tend to be greatest
Type of benefit to North Carolina program users – 5-year sliding-scale property valuation exclusion (from 90 percent to 10 percent)
Brownfield revitalization opportunities for North Carolina participants – Makes improving brownfield properties more cost competitive with comparable greenfield sites
Lessons and ideas for other states – Incentive benefits from easing in full appraised value of cleaned and reused brownfield properties

North Carolina has adopted an advantageous treatment of improvements to brownfield properties, namely, easing into their fully appraised value after their cleanup and redeployment. State law designates such improvements as special class of property, and defines specific appraisal, assessment, and taxation processes consistent with that designation.

An owner of land is entitled to a sliding-scale partial exclusion of value for the first five taxable years after completion of improvements made after the later of July 1, 2000, or the date of the property's brownfields agreement with the North Carolina Department of Environment and Natural Resources. After property has qualified for the brownfields exclusion provided by this section, the relevant county tax assessor is required to annually appraise the improvements made to the property during the period that the owner is entitled to the exclusion, which is:

> 90 percent of the appraised value of the improvements is excluded in year one;
>
> 75 percent in year two;
>
> 50 percent in year three;
>
> 30 percent in year four; and
>
> 10 percent in year five.

This incentive encourages remediation to be undertaken as part of the overall property construction process. Eligible improvements are those made to real property subject to a brownfields agreement with the state. These could include renovating an existing structure, building a new one, or installation of equipment. Completion of construction improvements are usually determined by the date the certificate of occupancy is issued. The tax bill issued each year will exclude the statutory percentage of the qualifying improvements.

Moreover, these tax incentives are transferable. A new owner must apply in order to qualify for the exclusion on his own, during January, following the change in ownership. The new owner must not be associated with the property contamination that was addressed.

While actual cash savings will depend on the applicable city and county tax rates, they can be substantial; savings approaching 50 percent over 5 years have been reported in some cases.

For additional information:

Web site: Tax Incentive FAQ, http://www.ncbrownfields.org

Program: North Carolina Rural Center – Building Reuse and Restoration Grants

Program type – Grants to small towns and rural communities to address vacant building situations
Role in meeting brownfield financing challenges – Provides upfront funding to address initial site feasibility, carry out renovation and construction
Type of benefit to North Carolina program users – Assists small communities finance upfront property redevelopment costs; encourages informal links between environmental and economic development activities
Brownfield revitalization opportunities for North Carolina participants – Encourages cleanup and reuse of vacant, often mothballed properties
Lessons and ideas for other states – Practical strategies to link vacant properties and other brownfield-type situations to funding sources that can achieve comparable brownfield cleanup and redevelopment goals

The North Carolina Rural Center is the state's leading resource for rural people and communities. The center has embarked on an innovative rural development initiative focusing on vacant buildings – many of which are brownfield sites. In fact, center officials estimate that approximately 60 percent of its building restoration grants address contaminated vacant properties.

The center's building reuse and restoration program assists communities in transforming vacant buildings to new uses. Grants help local governments prepare the buildings for reuse by new and expanding businesses. The Rural Center oversees the program as part of the $20 million North Carolina Economic Infrastructure Fund that the state created in July 2004.

The Center offers two types of grants: ***Predevelopment grants*** of $25,000 help cover the cost of an initial study or other activity necessary to secure commitments from a business or investors. ***Development grants*** of up to $400,000 are awarded to projects ready for renovation, and must be matched by at least an equal amount of private and public funds. Environmental assessment is an eligible grant activity, and a number of recipients have used funding for that purpose. Awards are limited to local governments in rural counties or the most economically distressed urban areas, with priority given to towns with fewer than 5,000 people.

With initial funding of $3 million, the Center awarded 17 grants: Five predevelopment grants supported projects in Franklin, Halifax, Montgomery, Pitt, and Robeson counties. A dozen development projects were funded in Alleghany, Bladen, Greene, Harnett, Mitchell, Nash, Robeson, Rockingham, Rutherford, Stanly, Vance, and Yancey counties. More than half of these involved properties that could be classified as brownfields. All together, the projects in 16 counties are expected to create nearly 1,200 jobs and leverage $66 million in private investment.

In 2006, the Center distributed $6.8 million in grants, which are expected to leverage more than $200 million in additional investment. These include:

> **Sparta,** in Alleghany County, received $250,000 to help with the reuse of the Spring Ford Manufacturing building, which has been vacant for nearly a year. The restoration will allow for the expansion of an existing business in the community and create 25 jobs.
>
> **Clarkton,** in Bladen County, received $300,000 to assist in the reuse of a vacant manufacturing facility; it will be used by an expanding high-tech textiles business that will create 125 jobs over the next 2 years.

For additional information:

Web site: http://www.ncruralcenter.org/reuse/index.html

OHIO

Program: Clean Ohio Revitalization Fund

Program type – Bond issue proceeds devoted to cleanup grants
Role in meeting brownfield financing challenges – Provides significant funding to acquire sites, cleanup them up, and carry out necessary demolition
Type of benefit to Ohio program users – Promotes property cleanup and reuse for both large-scale and small projects in communities of all size
Brownfield revitalization opportunities for Ohio participants – Provides adequate resources to tackle large, difficult properties, which can be readied for new uses
Lessons and ideas for other states – Providing adequate resources can bring significant benefits, return on the public investment

A major environmental bond issue approved by Ohio voters in November 2000 provided $200 million for brownfield cleanup, the largest pot of money ever advanced for brownfields. Following the vote, the Ohio legislature created two programs to distribute the bond funds, allocating $160 million to the Clean Ohio Revitalization Fund (CORF) and $40 million to the Clean Ohio Assistance Fund (COAF).

CORF is a statewide, competitive grants program that provides grants for brownfield site acquisition, demolition, remediation, and limited infrastructure improvement. The projects are evaluated using a scored application based on economic benefit and environmental improvement, criteria which focus on brownfield conditions in Ohio's older communities, many of which declined as job and economic conditions changed. The maximum project award is $3 million, and applicants must provide a minimum match of 25 percent of total project costs. So far, Ohio has allocated about three-fourths of the CORF bond proceeds:

First round awards, announced in July 2002, included 16 projects from 12 communities, who received $39.7 million;

Second round awards, announced in December 2003, funded 18 projects from 18 communities, who received $37.4 million;

Third round awards, announced in December 2005, supported 15 projects in 12 communities, who received $40.4 million; and

Fourth round competition will be completed during 2007; $43 million is available.

COAF is a discretionary program, available only to cities and counties that Ohio Department of Development officials have designated as distressed, based on their employment rates, average wages, and poverty levels. COAF provides grants for Phase I and Phase II environmental assessments, cleanup projects, and public health projects. The cleanup grants are similar to CORF grants, but the public health grants are used for projects in which cleanup will have no quantifiable economic benefit, such as cleanup of groundwater. COAF grants require no match.

As of early 2007, the entire $40 million allocated to COAF had been obligated, approximately $10 million per year during the first four rounds of the program.

For additional information:

Web site for CORF: http://www.odod.state.oh.us/ud/CORF.htm
Contact: Amy Alduino, Brownfield Coordinator, Ohio Department of Development, 614/466-0761, aalduino@odod.state.oh.us

Program: Water Pollution Control Loan Fund

Program type – Water quality grants targeted to brownfield situations
Role in meeting brownfield financing challenges – Provides funding to identify site contamination and carry out cleanup where a brownfields/water quality connection can be established
Type of benefit to Ohio program users – Both public and private benefits – communities can address contaminated waterfront properties; companies can expand on and address contaminated property issues
Brownfield revitalization opportunities for Ohio participants – Flexible loan funds to address a variety of public and private brownfield cleanup needs
Lessons and ideas for other states – Creative use of clean water RLF resources can provide critical project gap financing, and lead to significant brownfield reuse benefits

Ohio has used its federally capitalized, state-administered Clean Water State Revolving Fund (CWSRF) as an important source of funding for projects at contaminated sites that threaten water quality. Ohio has been at the forefront of these efforts, issuing loans for brownfield assessments and cleanups through its Water Pollution Control Loan Fund (WPCLF). WPCLF makes loans to both municipalities and private entities, particularly those participating in the state's brownfield Voluntary Action Program (VAP), although the prospective WPCLF loan recipient does not have to be a VAP participant as long as the work performed directly benefits surface-water or groundwater quality.

WPCLF loans for brownfields cannot exceed $3 million per project, and the loan period cannot exceed 10 years. Eligible activities include Phase I and II assessments, and subsequent cleanup activities. Like similar clean water programs in other states, Ohio's WPCLF offers loans at varying interest rates and durations, with lower interest rates for small and disadvantaged communities, short-term loans, and special projects dealing with municipal compliance, maintenance, water conservation, and construction of non-conventional technologies. Wastewater and nonpoint-source pollution projects, including brownfields and UST fields, are both eligible for funding as long as they benefit water quality and are listed in the state's Nonpoint Source Management Plan.

Success Stories – Cleveland

Liniform Services could not obtain private financing for a Phase II site assessment on property adjacent to its dry cleaning facility that it wanted to acquire for an expansion. Ohio provided a $60,000, five year WPCLF loan at an interest rate of approximately 3 percent. Loan proceeds financed the needed site investigation activities, including soil and groundwater sampling. Once the assessment and subsequent cleanup were complete, Liniform Services received a covenant-not-to-sue through the VAP, enabling facility expansion to proceed. The loan was repaid using a revenue stream from accounts receivable, with inventory and cash as extra collateral.

In Cleveland, WPCLF funded a brownfield cleanup prior to site redevelopment. Grant Realty purchased the 20-acre former Sunar-Hauserman Company site to build a centrally located corporate headquarters, despite environmental assessments showing that soil and groundwater had been contaminated with solvents. A $1.6 million WPCLF loan, at an interest rate of 4 percent, covered the cost of treating contaminated subsurface soil and groundwater. The repayment source came from a tank-cleaning operation, with personal loan guarantees and a second position mortgage as additional collateral.

Success Story – Toledo

The Hemisphere Corporation, a brownfield redevelopment company, obtained WPCLF loans totaling approximately $3 million to assess and clean up a 27.5-acre brownfield site, known as the Stickney West Industrial Park, in the heart of an area undergoing extensive redevelopment in Toledo. The site remediation will prime the parcel for redevelopment and remove threats to groundwater and water quality in Sibley Creek and the Ottawa River.

For additional information:

Web site: http://www.epa.state.oh.us/defa/wpclf2.html
Contact: Greg Smith, Ohio Environmental Protection Agency, 614/644-2798, greg.smith@epa.state.oh.us

OREGON

Program: Brownfield Redevelopment Fund

Program type – direct loans and grants to carry out various environmental actions on brownfields
Role in meeting brownfield financing challenges – Provides access to capital to meet upfront brownfield development needs – primarily loans, but also grants (depending on applicant need)
Type of benefit to Oregon program users – More accessible, affordable brownfield financing resources
Brownfield revitalization opportunities for Oregon participants – Access to capital for various brownfield preparation costs that may not be available through typical private sources
Lessons and ideas for other states – Assuming this financing role can bring important benefits, lead to significant returns on the public investment

Oregon's brownfields redevelopment fund is a direct loan and grant program created to conduct environmental actions on brownfields. The program's primary purpose is to assist as private owners and local governments assess, cleanup, and redevelop brownfields. This program is capitalized by proceeds from the sale of state revenue bonds.

Any individual, business, nonprofit organization, prospective purchaser, municipality, special district, port, or tribe can apply for financing assistance through the fund as long as they are not under an active enforcement order relating to the contamination at the site. The program recognizes two types of applicants:

Municipal – Cities, counties, tribes, ports, and special districts; and

Non-municipal – All other applicants.

Environmental actions funded through this program must be linked to new site uses that lead to economic development or community revitalization. Eligible redevelopment projects include efforts such as business development projects, industrial facility revitalization, community facilities, and downtown or mixed-use center revitalization. Because of the economic development requirement, projects such as market-rate housing are not eligible. Also, cleanup projects not associated with redevelopment cannot be funded. All environmental actions supported by the Oregon brownfields redevelopment fund must receive review or oversight by the state's Department of Environmental Quality, via the voluntary cleanup or tank programs or other mechanisms, and applications must explain how that oversight will be performed.

Activities eligible for reimbursement from the brownfields redevelopment fund are limited to environmental actions, specifically, actions undertaken to:

Determine if a release has occurred, and if it poses a significant threat to human health or the environment;

Determine if additional remedial actions may be required at the site;

Conduct a feasibility study;

Plan for remedial action or removal (including engaging regulatory oversight); or

Conduct a remedial action or removal at a site (which can include site clearance and demolition activities undertaken in conjunction with cleanup).

The brownfields redevelopment fund provides both grant and loan funding, but primarily operates as a loan program. Grants can be awarded on a case-by-case basis, taking into consideration applicant's debt capacity and the public benefits of the brownfield redevelopment project, such as family wage job creation or assistance to rural or economically distressed communities.

Grants are subject to applicant need, availability of funds, and other restrictions, with limits determined after an analysis of the application and financial information. If a grant is offered, it must be matched. Depending on the recipient and liability considerations, this match can range from 10 to 50 percent of the total project cost. The state also includes conditions that trigger grant repayment, such as resale of the property or revenue generation from the redevelopment.

Low interest loans are generally made for 20-year terms, although those can be modified depending on the needs of the project and applicant. The total loan amount per project generally does not exceed $250,000. The department is able to offer very attractive interest rates, often below market levels. Interest rates vary, from standard industry published rates for non-municipal loan recipients to interest rates that are based on market conditions for similar public debt for municipal borrowers.

A number of funding considerations are linked to liability. Applicants that are not potentially liable are given priority. Potentially liable non-municipal applicants, except for nonprofit organizations, are not eligible for grant funding. Potentially liable municipal applicants are eligible for grant funding. In addition, the level of grant match required for municipal applicants is determined by the link to liability. Municipal applicants that are potentially liable by virtue of taking possession of a brownfield (but who have not contributed to the contamination) are eligible for lower match requirements.

Success Story – Amity

The city of Amity needed an environmental assessment on a city-owned right-of-way beneath Trade Street (highway 99W) before proceeding with a planned downtown revitalization. A gas station operated in this area from the 1930s to the mid-1960s, leaving behind half a dozen underground storage tanks – now located under the sidewalk because of the changes in development patterns in the area. Amity applied for and was awarded $11,000 in a brownfield redevelopment fund grant to carry out the site assessment, which determined the number and nature of the abandoned fuel tanks, and allowed the city to plan for their removal and redevelopment of the immediate area.

Before

After

Success Story – Independence

In planning for its new library, the town of Independence acquired two brownfield properties in the heart of town: an old gas station and an auto parts store. After the owners of the gas station removed their underground storage tanks, contamination was found in an adjacent alley. Oregon DEQ helped trace the source to the adjoining auto parts store. Independence received $800,000, in a combination of brownfield redevelopment grants and loans, to fund demolition and library construction. DEQ negotiated an agreement allowing the grant to incorporate site cleanup into demolition and redevelopment. DEQ also approved foundation work for the new building after a barrier was installed to keep petroleum vapors out of the future library. DEQ then used a formal risk evaluation to determine that no other action was needed to protect human health and the environment.

For additional information:

Web sites: http://www.econ.state.or.us/brownfields.htm,
http://econ.oregon.gov/ECDD/CD/programs/brownfields.shtml
Contact: Karen Homolac, Brownfields Redevelopment Coordinator, 503/986-0191,
karen.homolac@state.or.us

PENNSYLVANIA

Program: <u>PENNVEST</u>

> ***Program type*** – Direct financial assistance for water quality-related brownfield projects
> ***Role in meeting brownfield financing challenges*** – Facilitates loans to meet water contamination issues
> ***Type of benefit to Pennsylvania program users*** – Loans for specific brownfield situations
> ***Brownfield revitalization opportunities for Pennsylvania participants*** – Addresses a key component of health/environment concerns to enhance property reuse viability
> ***Lessons and ideas for other states*** – Value of leveraging targeted environmental finance program to broader brownfield redevelopment strategies

Pennsylvania designed its EPA-capitalized state clean water revolving loan fund (CWSRF) program to be a key part of its efforts to promote community revitalization while also protecting the water environment. The Pennsylvania Infrastructure Investment Authority (PENNVEST) works to identify opportunities to use CWSRF funds and coordinate funding efforts.

In 2004, PENNVEST extended the use of its funds to include the remediation of brownfields that pose a threat to local groundwater or surface-water sources. By dedicating a portion of its CWSRF resources to brownfields, the program assists the state's DEP in implementing the Land Recycling Program to clean up groundwater and brownfield sites. PENNVEST sets aside 30 percent of its annual CWSRF funding to address brownfields. This set aside totaled $48 million in 2004. Two of the state's 12 new CWSRF projects involved brownfield remediation and received loans totaling $2.7 million at county-capped interest rates for a maximum term of 20 years. Under the guidelines developed by the state, loans to one municipality may total up to $11 million per project, increasing to $20 million for projects that serve two or three municipalities.

PENNVEST currently has several brownfield projects using CWSRF funds underway, including:

> The Riverfront South brownfields remediation project in Bensalem Township received a $5.3 million loan to clean up a 26-acre industrial site along the Delaware River. The loan has a two year term and an interest rate below 4 percent; and
>
> The Norristown brownfields remediation project in Norristown received $1.9 million for 2 years at a rate below 4 percent to conduct environmental assessment and site remediation, trash and debris removal, building demolition, asbestos abatement, and site preparation at a former asbestos manufacturing facility.

For additional information:

Web site: http://www.pennvest.state.pa.us/pennvest/site/default.asp
Contact: Beverly Reinhold, Project Management, PENNVEST, breinhold@state.pa.us, 717/783-6589

Program: <u>Growing Greener II</u>

Program type – Direct financial assistance
Role in meeting brownfield financing challenges – Provides capital grants to finance environmental components of redevelopment projects
Type of benefit to Pennsylvania program users – Direct, bottom-line cash for brownfields
Brownfield revitalization opportunities for Pennsylvania participants – Makes brownfields more cost competitive for reuse, connects brownfield sites to other state environmental priorities
Lessons and ideas for other states – Value of providing direct capital investments to connect brownfield redevelopment with broader environmental goals

The original Growing Greener legislation was signed into law in late 1999. It allocated funds for farmland preservation, state park and local recreation projects, waste and drinking water improvements, and watershed restoration programs. Growing Greener II, put in place in 2005, is a $625 million voter-approved initiative that will continue and expand programs that tie together economic and community development with environmental initiatives.

Growing Greener II has added an emphasis on brownfields – it focuses on returning contaminated industrial properties and other polluted sites to productive use, protecting farmland and open space from development, reclaiming abandoned mines, and improving state and community parks and fish and wildlife infrastructure. Growing Greener II provides up to $5 million annually for brownfield remediation through DEP funds transferred to DCED's Industrial Sites Reuse Program.

Success Story – Lancaster

In November 2006, the Growing Greener II program provided $1 million to support construction of new housing and a community recreation complex at the former Armstrong World Industries manufacturing site in Lancaster. Plans call for replacing vacant industrial buildings with a mixed-use neighborhood anchored by Lancaster General Hospital. The area will include an athletic and recreational complex to be developed by Franklin and Marshall College, with facilities available to the public. The site will link to other developments in Lancaster, including Clipper Magazine Stadium, home to the city's new minor league baseball team, the Lancaster Barnstormers.
The project enjoys considerable local support. Armstrong World Industries committed $8 million to modernize its manufacturing operation at its Lancaster home, retaining 250 jobs, as well as an additional $6 million to the overall redevelopment project. Franklin and Marshall College and Lancaster General Hospital each pledged $6 million. The $1 million in Growing Greener funds are being given to EDC Finance Corporation for environmental remediation of a 45-acre portion on the 65-acre Armstrong World Industries site. The total project cost for the remediation is estimated at $2.1 million.

For additional information:

Web site: http://www.growinggreener2.com

Program: <u>Industrial Sites Reuse Program</u>

Program type – Direct financial assistance through grants and loans
Role in meeting brownfield financing challenges – Provides capital to meet upfront site assessment and cleanup activities needed to make redevelopment projects feasible
Type of benefit to Pennsylvania program users – Direct, bottom-line cash for initial brownfields project activities
Brownfield revitalization opportunities for Pennsylvania participants – Makes more brownfields properties shovel ready for reuse
Lessons and ideas for other states – Value of providing direct capital investments needed to make brownfield redevelopment viable, shows return on public investment potential

The industrial sites reuse program (ISRP) provides grants and low-interest loan financing to carry out environmental site assessment and cleanup activities at former industrial sites. Public entities, private nonprofit economic development entities, and companies involved in reuse of former industrial land are eligible for program support as long as they did not cause or contribute to environmental contamination at the site. ISRP financing can be used for a range of brownfield-related activities, including Phase I, II, and III environmental assessments, as well as remediation of hazardous substances.

Applicants can seek up to $200,000 in either grants or loans for environmental site assessments, and up to $1 million in grants or loans for remediation. Loans for either activity feature an interest rate of 2 percent, with a five year payback period for assessment activities, and 15 years for remediation projects. ISRP requires the recipient to provide a 25 percent match for both grant and loan projects.

Since 1995, under the state's Land Recycling Program, nearly 2,200 contaminated and abandoned industrial Pennsylvania sites have been cleaned up and re-deployed, creating or retaining nearly 76,000 jobs. About 40 percent of those 11-year totals have come in just the last 3 years – approximately 950 sites have been cleaned up and redeveloped, and 27,266 jobs have been created or retained since 2003.

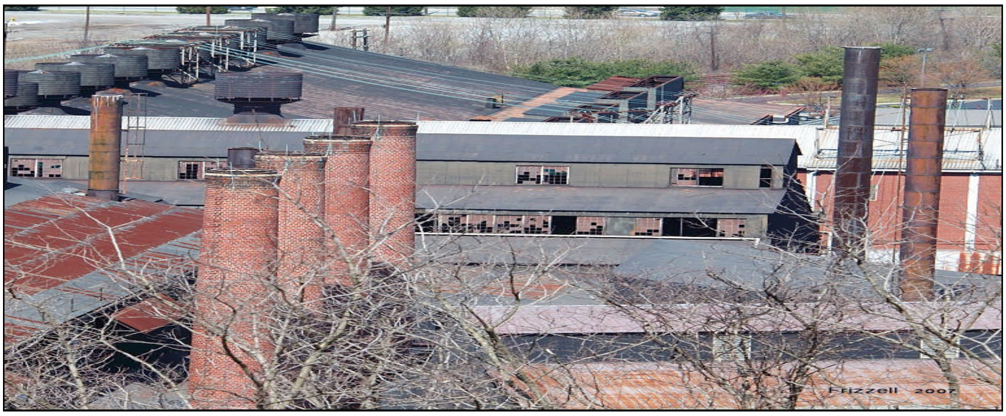
Success Story – Allegheny County

The Southwestern Pennsylvania Economic Development District, Inc., in Allegheny County received a $17,032 ISRP grant for environmental remediation at the Glassport Industrial Center in Glassport Borough. The property being assessed consists of a 200,000 square-foot building on 11.4 acres. The facility has been fully leased for several years and accommodates 14 tenants, for uses ranging from manufacturing to warehousing to office space.

The ISRP funds are being used to support the removal of approximately 1,100 linear feet of asbestos, a true brownfield prevention effort. The total project cost will be approximately $22,000.

Success Story – Chester County

The Chester County Economic Development Council is using a $200,000 ISRP grant for Phase I and II environmental site assessment at the former Lukens Steel facilities in Coatesville. The Lukens site consists of 11 parcels totaling approximately 75 acres. The property has a 200-year history of manufacturing use, most recently for steel manufacturing and fabrication, as well as warehousing. The city plans to redevelop the site for commercial, housing and infrastructure use. Site preparation activities will cost approximately $267,000.



For additional information:

Web site: http://www.newpa.com/programDetail.aspx?id=25

Program: Brownfield Action Team

Program type – Technical assistance support
Role in meeting brownfield financing challenges – Streamlines permitting, facilitates the financial process, financial packaging
Type of benefit to Pennsylvania program users – Cost savings of reduced project development time, informational resources, cross-agency linkages
Brownfield revitalization opportunities for Pennsylvania participants – Makes brownfields easier to redevelop
Lessons and ideas for other states – Value of providing direct an economic development presence in state environmental agency

The Brownfield Action Team (BAT) is designed to streamline the revitalization of Pennsylvania's Brownfields sites. BAT, administered by Department of Environmental Protection (DEP), brings an economic development focus to brownfield environmental strategies, and helps to accelerate redevelopment deals and gives investors the incentive they need to clean up contaminated industrial sites. BAT projects typically get permitted in half the usual time. Since its launch in 2004, BAT has helped 32 projects in 22 counties to redevelop more than 4,500 acres of brownfields.

BAT enhances the interaction between DEP and local communities by designating a single point of contact within DEP for locally designated priority brownfield or abandoned mine land redevelopment projects. In addition to expediting the permitting process, BAT also coordinates funding with the Department of Community and Economic Development and other state agencies, and helps owners of remediated receive liability protections available under the state's land recycling program.

For additional information:

Web site: http://www.depweb.state.pa.us/landrecwaste/cwp/view.asp?a=1243&q=462059
Contact: Dave Hess, Division Chief, landrecycling@state.pa.us

Program: TIF guarantee program

Program type – Indirect financial support (guarantees against bond losses)
Role in meeting brownfield financing challenges – Provides additional comfort/credit enhancement for tax increment, reduces risk, and helps attract TIF bond investors
Type of benefit to Pennsylvania program users – More attractive bond investment instruments because of guarantee against losses, which makes capital for brownfield-related project needs more available
Brownfield revitalization opportunities for Pennsylvania participants – Expands capital availability for brownfield projects, especially those in distressed areas
Lessons and ideas for other states – Value of providing a guarantee that helps lessen perceived investment risk by limiting potential losses to broaden TIF's use by smaller communities

Pennsylvania recently launched a tax increment financing (TIF) guarantee program to promote local government use of TIF as a tool for brownfield economic development, a $100 million fund included as part of a $2.8 billion economic stimulus package put in place in late 2003. It provides credit enhancement for TIF projects to improve market access and lower capital costs through the use of guarantees to issuers of bonds or other indebtedness. This will allow the TIF bonds to be sold on more favorable terms because of the reduced risk. A key goal of the program is to facilitate the often complex TIF process in smaller and medium-sized communities. Any entity eligible to issue TIF bonds – municipalities and their authorities, including boroughs, townships, towns, counties and home rule areas – can participate.

The program focuses on TIF financing put in place to support infrastructure, construction, and environmental activities for a variety of new site uses, including manufacturing, retail, hospitals, convention centers, and associated hotels, carried out at former mining sites or abandoned or underused industrial, commercial, or military facilities.

Through this initiative, Pennsylvania's Commonwealth Finance Authority (CFA) will guarantee part or all of a TIF district's bond issue, making the initial financial steps easier to complete. TIF districts can get a guarantee of up to $5 million per project, over a 20-year period, allowing them more flexibility in planning efforts. If there is a call on the guarantee, the primary collateral for the TIF bonds will be assigned to CFA, which will move into the place of the bondholders.

Projects guaranteed must be located in a TIF district in a blighted area (as described in the state's urban redevelopment law). Typical TIF requirements also apply – projects must show that comply with the TIF law prior to the issuance of bonds or other indebtedness, and that the revenue realized from the redevelopment will be sufficient to offset the amount of the debt service. Private sector participants must agree to create a certain number of permanent full-time jobs within the TIF district.

Success Story – Butler

In September 2006, the state provided Butler with a $5 million TIF guarantee to back bonds that are funding development in the town's west end revitalization area TIF district. The TIF funds will be used primarily as a match for development projects, which include the Historic Pullman Ball Park and surrounding areas, the Sullivan Run flood control project, and the Trinity Brownfield Phase III revitalization project. Once completed, these projects are expected to create or retain 1,300 jobs.

For additional information:

Web site: http://www.newpa.com/programDetail.aspx?id=45

TEXAS

Program: State Property Tax Incentives for Brownfield Redevelopment

Program type – Sliding-scale property tax abatement
Role in meeting brownfield financing challenges – Helps cashflow by reducing property taxes in project's early years, when cash needs tend to be greatest
Type of benefit to Texas program users – 4-year sliding-scale property tax abatement (from 100 percent to 25 percent)
Brownfield revitalization opportunities for Texas participants – Makes brownfield redevelopment more cost competitive with comparable greenfield sites
Lessons and ideas for other states – Using variable tax abatements that offset early-stage project redevelopment costs

Texas offers state property tax incentives to encourage brownfield cleanup and reuse through ad valorem property tax abatements. Municipal or county taxing authorities can provide property tax relief for the redevelopment of brownfield properties that are located within a state-designated reinvestment zone and have been cleaned up through the VCP.

To be eligible, the property must:

Be located in a reinvestment zone;

Not be part of an improvement project financed by tax increment bonds; and

Have received a Voluntary Cleanup Certificate of Completion from the Texas voluntary cleanup program.

Localities or counties must enter into a tax abatement agreement with the brownfield property owner. Once that agreement is reached, the owner can take advantage of the following levels of tax abatement:

100 percent of the value of the property in the first year covered by the agreement;

75 percent of the value in the second year;

50 percent of the value in the third year; and

25 percent of the value of the property in the fourth year covered by the agreement.

For additional information:

Web site: http://www.tceq.state.tx.us/remediation/bsa/bsa.html
Contact: Texas Commission on Environmental Quality, 512/239-5872

WASHINGTON

Program: <u>Rural Washington Loan Fund</u>

Program type – Loan fund targeted to rural development gap financing, capitalized by HUD Community Development Block Grant allocation to Washington state

Role in meeting brownfield financing challenges – Provides funding to plug critical capital gaps in project pro formas, including the costs of brownfield cleanup

Type of benefit to Washington program users – Small communities can move forward with brownfield projects because they have a way to address critical upfront property cleanup needs

Brownfield revitalization opportunities for Washington participants – Properties in small towns and rural areas, where lack of cleanup financing is a barrier

Lessons and ideas for other states – Targeting brownfield redevelopment financing gaps can be a beneficial way to allocate HUD CDBG/small city funds, and in ways which meet national program requirements

The Rural Washington Loan Fund (RWLF) provides gap financing to businesses that create or retain jobs, particularly those secured by lower income persons. To capitalize this fund, Washington has tapped some of the allocation it receives from HUD through its Community Development Block Grant (CDBG) program for small cities. As such, only businesses in "non-entitlement" areas of the state (typically, communities with fewer than 50,000 population) are eligible for these loans.

The program defines "gap" is defined as that portion of a project that cannot be financed through other sources, but which is the last portion needed before the overall investment can occur. For purposes of RWLF, this means that loans to businesses can be used to pay the difference between total cleanup costs and all other available loans. Priority is given to timber-dependent and distressed area projects.

State officials have defined a number of priorities for project funding, including: manufacturing, agricultural development or food processing, aquaculture development or seafood processing, tourism facilities, transportation or freight facilities, and/or service enterprises that will expand the community's economic base rather than primarily redistribute the existing customer base. Funds can be lent for acquisition, engineering, improvement or rehabilitation (including cleanup), construction, operation, or maintenance of any property suitable for use by an economic enterprise. RWLF will not finance projects that directly or indirectly assist in the development of a shopping mall.

The loan amount – the project gap to be filled – is determined by a number of factors, and cannot exceed one-third of the total project costs. Loans of up to $700,000 can be made.

For additional information:

Web site: http://www.cted.wa.gov/site/87/default.aspx
Contact: Steve Saylor, 360/586-4046, stevesa@cted.wa.gov

Program: <u>Remedial Action Grants</u>

Program type – Grants to meet cleanup needs
Role in meeting brownfield financing challenges – Provides upfront clean up funding to expedite brownfield reuse
Type of benefit to Washington program users – Upfront cleanup financing available to a wide range of sites
Brownfield revitalization opportunities for Washington participants – Enables local governments to take on brownfield cleanups that are outside their normal capacity to pay
Lessons and ideas for other states – States can realize important health and environmental benefits, and encourage more economically attractive properties, if they front the money to address upfront cleanup costs that may be beyond the financial scope of the property

Washington's remedial action grants are used to encourage and expedite the cleanup of contaminated sites, while reducing the financial impact on communities, since the costs of eliminating these problems are often beyond the financial means of local governments. The grants supplement local government funding for remedial actions. The state Department of Ecology awarded approximately $60 million through this program for the 2005-2007 budget biennium.

The state toxics control account and the local toxics control account, which collect and disburse grant funds, is administered by the state treasury. Funds for the remedial grant program come from four sources: (1) revenues raised by a new tax on hazardous substances, (2) any cleanup costs recovered as part of the program, (3) penalties paid, and (4) any other money appropriated.

Costs eligible to be covered by remedial action grants include remedial investigations, feasibility studies, cleanup designs, pilot studies, interim actions, final cleanup actions, and capital costs involved with installing long-term monitoring and related institutional control systems. The state put new program rules in place, which went into effect April 23, 2007, clarifying funding and administrative policies.

For additional information:

Web site: http://www.ecy.wa.gov/programs/swfa/grants/rag.html
Contact: Diane Singer, Washington State Department of Ecology, dire461@ecy.wa.gov

WISCONSIN

Program: Cancellation of Delinquent Taxes

Program type – Delinquent property tax forgiveness
Role in meeting brownfield financing challenges – Reduces the need for initial cash by eliminating back-tax payments at the time of property transfer
Type of benefit to Wisconsin program users – Enhances the financial viability of the project due to reduced upfront capital needs
Brownfield revitalization opportunities for Wisconsin participants – Abandoned properties, especially small sites such as abandoned gas stations or small commercial facilities, will be attractive for acquisition because of reduced financing needs at the time of the transfer transaction
Lessons and ideas for other states – Authorizing local flexibility in tax practices can encourage site acquisition, help reverse blight and abandonment, links economic development with environmental oversight

Wisconsin has adopted tax forgiveness provisions that can help local governments achieve the cleanup and redevelopment of contaminated, tax-delinquent properties. For many brownfield properties, especially where local governments have used various other programs to complete preliminary site assessments, tax forgiveness provisions have reduced the impact of the combined barriers of contamination and tax delinquency that prevented developers from acquiring them.

In Wisconsin, the tax forgiveness statute allows counties and the City of Milwaukee to cancel all or part of the unpaid property taxes on a contaminated property, provided that the Wisconsin Department of Natural Resources (DNR) has approved a written agreement with the party receiving the tax benefit to investigate and clean up the contamination. This party can be the current property owner or a third party proposing to acquire the property or work with the current owner.

To develop a tax cancellation agreement, the prospective brownfield reuser first meets with the local taxing authority to determine how willing it is to reduce or eliminate the delinquent taxes. Then, an agreement is prepared with DNR that details the property investigation and cleanup required in exchange for canceling the taxes. In many cases, the party receiving the tax benefit develops a separate agreement with the local taxing authority regarding tax, schedule, and redevelopment issues. If for any reason the tax cancellation agreement is not implemented, the cleanup agreement with the DNR is nonbinding.

As of early 2006, taxes had been cancelled at eight Wisconsin brownfield properties, and several had been cleaned up and redeveloped. These include the former Pingle Oil bulk plant property in Ashland, which has been redeveloped as a towing service/auto repair business, and a contaminated property on 1420 State Street in Racine, which has been redeveloped as a large supermarket with adjacent parking. To encourage use of this program, the city of Milwaukee has compiled a list of tax delinquent brownfield sites.

For additional information:

Web site: http://www.dnr.state.wi.us/org/aw/rr/financial/del_taxes.html
Contact: Dan Kolberg, 608/267-7500, Wisconsin Department of Natural Resources

Program: <u>Expedited Title Transfer Thru Foreclosure on Tax Delinquent Properties</u>

> ***Program type*** – Expedited transfer of tax forfeited property
> ***Role in meeting brownfield financing challenges*** – Reduces the time needed to secure abandoned, tax delinquent properties (with consequent cost savings)
> ***Type of benefit to Wisconsin program users*** – Quick, more predicable transfers make abandoned contaminated properties more financially attractive to new users, while ensuring cleanup via agreements with state environmental agency
> ***Brownfield revitalization opportunities for Wisconsin participants*** – Abandoned properties, especially small sites such as abandoned gas stations or small commercial facilities, will be attractive for acquisition because of timeframes more compatible with redevelopment
> ***Lessons and ideas for other states*** – Using the state and local tax codes to expedite property cleanup and reuse by making abandoned properties easier to acquire

A second Wisconsin tax incentive related to delinquency enables counties and the City of Milwaukee to foreclose on tax-delinquent brownfields and assign the foreclosure judgment to a new owner for redevelopment, saving considerable time in the forfeiture process. The party requesting assignment of the foreclosure judgment must have a written agreement, approved by the DNR, regarding cleanup of the contamination. Before the law was enacted, municipalities had to take ownership of foreclosed property and assume the liability for cleaning it up and selling it. Fearing the costs of remediation, cities often chose not to pursue ownership of abandoned properties.

In the case of Milwaukee, the city has developed a "brownfield development opportunities list" of tax delinquent properties with potential or probable contamination, to encourage use of the program. While the city routinely does not take ownership of these properties on the list, it will, under the right circumstances, foreclose against the outstanding property taxes and assign its right to foreclosure judgment to a new owner. At the end of this process, the property would be conveyed, as part of an agreement that includes DNR, to get the property cleaned up and redeveloped.

Each transaction is tailored to the individual circumstances of the property. Typically, new owners pay the city the market value of the property if it were clean, minus a credit for environmental cleanup; the city also generally adds an added incentive discount for risk. Especially challenging properties with low market value are sometimes conveyed at little or no cost.

This provision has been used at six brownfield sites, and other sites are under consideration.

Success Story – Milwaukee

A notable example is the Sherman Perk coffee shop, located in a formerly vacated gas station, which became a first project to use the new foreclosure provision. By 2000, the Sherman Perk facility, which had operated as a gas station from the 1930s through 1980, had been vacant for 10 years, tax delinquent for nine years, and scheduled to be razed by city order because of structural deterioration and fuel contamination. At that point, a local developer became interested in reusing the property and began negotiating an agreement with the city and the state Department of Natural Resources, under the new tax provisions, to acquire it through foreclosure and clean it up.

The foreclosure process began in October 2000 and concluded five months later in March 2001, with finalization in court on April 9.

The site was remediated by removing five underground storage tanks and cleaning up petroleum contamination. The gas station building itself, a historic structure, was renovated for its new life as a coffee shop. The owner worked closely with the city to obtain financial backing; today, the coffee shop has 11 employees and boasts a property value increase of more than $215,000.

Before

After

For additional information:

Web sites: http://dnr.wi.gov/org/aw/rr/financial/del_taxes.html, http://www.mkedcd.org/brownfields/bfhowpurch.html

Program: Blight Elimination and Brownfield Redevelopment (BEBR)

Program type – Grants for property assessment and cleanup, including related renovation, clearance, and demolition activities
Role in meeting brownfield financing challenges – Provides upfront funding for a range of critical site preparation needs to both public and private property owners, based on accompanying site redevelopment plan
Type of benefit to Wisconsin program users – Upfront financing to help communities and private owners in making properties ready for reuse; encourages links between environmental and economic development programs and strategies
Brownfield revitalization opportunities for Wisconsin participants – Enhances property cleanup and reuse options because of broad range of activities eligible for funding
Lessons and ideas for other states – Value of defining eligible property preparation activities broadly enough; increased chances for success because of link of property remediation with development planning

The Blight Elimination and Brownfield Redevelopment Program (BEBR) provides grant funds to help local governments, nonprofits, and businesses assess and clean up contaminated industrial or commercial facilities or sites. To ensure more successful outcomes, Wisconsin insists that a redevelopment plan be included in a BEBR application, and both economic development and environmental outcomes are considered when applications are reviewed.

BEBR typically receives about $7.5 million in funding annually. Applications are accepted on a rolling basis throughout the year. The maximum award is $1.25 million. Grant recipients must put up a 20 to 50 percent match, depending on the size of their award.

Grant proceeds may be used for a range of brownfield redevelopment and associated environmental remediation activities. Based on program awards to date, grant funds have typically been used for the following: investigation, cleanup, and ongoing monitoring of groundwater at the site; removal of underground storage tanks or hazardous waste containers; and asbestos and lead paint abatement. However, some applicants have creatively linked their BEBR award to the environmental components of brownfield site acquisition, site clearance, building demolition, and structural renovation, as well infrastructure improvements.

For additional information:

Web site: http://www.commerce.state.wi.us/CD/CD-bfi-grants.html
Contact: Jason Scott, Economic Development Consultant, 608/261-7714
Contact: Alan Rabin, Grant Specialist, 608/267-8926
Contact: Sandy Herfel, Grant Specialist, 608/266-2435

Program: <u>Environmental Remediation Tax Incremental Financing</u>

Program type – Targeted tax increment financing mechanism
Role in meeting brownfield financing challenges – Provides a way to raise upfront capital for a project's environmental financing needs based on future tax revenues that the completed project will generate
Type of benefit to Wisconsin program users – Increases availability of capital for upfront, environmentally related development costs
Brownfield revitalization opportunities for Wisconsin participants – Expands capital availability for brownfield projects without demands on other, existing funding sources
Lessons and ideas for other states – Expansion of accepted TIF revenue raising strategy, with specific focus on environmental financing needs, makes certain that those needs are met

Wisconsin has adopted an environmental remediation tax increment financing (ERTIF) approach, which differs from other tax incremental financing districts available in Wisconsin (and elsewhere in several important ways. While following the basic revenue raising concepts of traditional TIF, the ERTIF approach was created specifically to allow Wisconsin jurisdictions to address brownfields. Accordingly, environmental expenses may be recovered through the taxes generated by an increase in property values attributable to the new development.

In addition, ERTIFs are not included in the 12 percent limit on a locality's equalized value, and unlike other TIFs, the base value of an ERTIF may be set at zero. Property included in an ERTIF must be contaminated, and an ERTIF area is limited to single or contiguous parcels. As a condition of ERTIF participation, the state Department of Natural Resources (WDNR) must approve the site investigation report and the remedial action plan before the Department of Revenue (DOR) certifies the base value of the property in the ERTIF. The program allows local governments to incur costs necessary to meet these conditions before DOR certifies the base value, and those costs can be paid back through ERTIF.

Besides traditional development activities, ERTIF proceeds can also fund a range of environmental activities, such as Phase I and Phase II site assessments, removal of underground storage tanks and abandoned containers, environmental cleanup, demolition, asbestos abatement, and similar activities needed to accomplish a brownfield redevelopment.

The Wisconsin legislature recently amended the ERTIF law to make the environmental TIFs more consistent with other Wisconsin tax increment districts. The changes extended the ERTIF reimbursement period from 16 years to 23 years, and also made cancellation of property taxes an eligible ERTIC cost. This provision became effective October 1, 2006.

For additional information:

Web site: http://www.dor.state.wi.us/forms/govtif/erbase.html
Contact: Susan Plakus, Wisconsin Department of Revenue, 608/261-5335
Contact: Judi Gibbon, Wisconsin Department of Revenue, 608/266-5708

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