



■ **Metaldyne**
■ **Roadmap to Redevelopment**

Prepared for:
City of Bedford Heights

Prepared by:
Council of Development Finance Agencies

July 2016

Contents

- About the Roadmap to Redevelopment..... 4
- Background & History..... 5
- Recommendations 7
 - Part I: Adopting a Feasible Redevelopment Plan..... 7
 - Part II: Maximizing City’s Position to Leverage Additional Resources 8
 - Part III: Financing a Site Cleanup Plan..... 9
 - Part IV: Pursuing Additional Financing Incentives 10
- Additional Resources..... 12
- Acknowledgements 12
- About the Authors..... 14

About the Roadmap to Redevelopment

The *Roadmap to Redevelopment* is a product of the [CDFA Brownfields Technical Assistance Program](#), which is funded through a grant from the U.S. Environmental Protection Agency. The program provides technical assistance to brownfields communities on redevelopment finance. For communities that require detailed, hands-on assistance for their redevelopment efforts, CDFA Brownfields Project Response Teams comprised of CDFA staff and technical assistance partners are available to conduct site visits and provide recommendations. The goal of these visits is to offer communities specific, actionable advice that can transform brownfields into economically-productive sites in accordance with the goals and plans of the community. CDFA will coordinate 36 Brownfields Project Response Teams over the life of the program.

The *Roadmap to Redevelopment's* recommendations combine the input of development finance experts, CDFA staff, and stakeholder groups gathered during the Project Response Team site visit. The recommendations presented are intended to assist the host organization with financing the redevelopment of the Metaldyne property.

Background & History

Background & History:

The former Metaldyne-Lester Precision Die Casting facility sits on a 4.3 acre property just east of the I-271 exit to Bedford Heights, OH, and to the south end of the city’s major industrial areas. The building was constructed on several parcels in various phases from 1950 to 1970. Metaldyne produced automotive parts for cars and utilized a cooling system that contained polychlorinated biphenyls, or PCBs. Once widely used as coolant and dielectric fluids, PCBs were banned in 1970 due to their environmental toxicity and carcinogenic properties. Although other contaminants were also discovered, the PCB remediation required to redevelop the site has been the major cost-prohibiting factor facing this project. PCBs have been absorbed into concrete on an estimated 30 percent of the site area.

Metaldyne filed bankruptcy in 2010 leaving the property vacant. The property ownership has since been transferred to the State of Ohio. Loveman Steel Corporation operates just north of the Metaldyne property and has been using the exterior of the Metaldyne site for material storage. While the land use to the north of the site remains heavily industrial, the Metaldyne property fronts on Cannon Road and is located across from a Subway shop. A trailer park located to the west of the property is in good condition, although there has been some concern that young residents can too easily access the Metaldyne property. Toxins and open pits within the building make the site especially dangerous for trespassers.



Figure 1: Metaldyne Property, Parking Lot, and City Owned Land

A parking lot across Cannon Road to the south was also owned by Metaldyne but is now owned by the State of Ohio. The City of Bedford Heights owns a 2.5 acre parcel of developable land just east of the parking lot, across Perkins Road. These properties have not been assessed for environmental contamination.

Since the Metaldyne site was abandoned in 2010 the City of Bedford Heights has desired to find a new use of the property, however, the challenge of the high costs of remediation and the supply of other, more readily available industrial sites within the City have limited opportunities for redevelopment. Until recently, Loveman Steel was interested in redeveloping the property and expanding into a portion of the building, however, they have recently filed bankruptcy and are no longer pursuing the property. Phase 1 and Phase 2 environmental assessments have been completed on the property along with a Remedial Action Plan that was prepared for Loveman Steel. At that time, the estimated cleanup costs associated with remediating the property while keeping a portion of the building intact was estimated at \$3.2M. This estimate did not include the building renovation costs.

At the time of the CDFA site visit, the City had completed an evaluation of costs of renovation of the building and was considering demolition as a more cost effective alternative.



Figure 1: Rear view of Metaldyne Property

Metaldyne

Roadmap to Redevelopment

Recommendations

Part I: Adopting a Feasible Redevelopment Plan

The City has limited resources with which to undertake the remediation and redevelopment of a site such as Metaldyne. However, without leadership from the City, the site is likely to remain in its current condition indefinitely, blighting the community and threatening the health and safety of the residents. With the assistance of the City's environmental consultants, the CDFA team has outlined options for the cleanup and potential reuse of the site in an effort to determine which actions are most feasible.

- i. Understand redevelopment options and costs associated with each.

Option 1: A completely clean developable vacant site

The cost to obtain a completely clean, vacant site that is developable – to provide a site for a potential developer without passing on obligations or cost of remediation – was roughly estimated at \$10M plus the cost of the demolition. A significant amount of the cost associated with this option is related to the high cost of disposing of the materials that would need to be removed from the site. This option has been ruled out for being too expensive for the City to pursue.

Option 2: Remediate site and preserve desirable portion of the building for reuse

To remediate the contaminated portion of the site, which includes the most functional and otherwise valuable area of the building, and demolishing the remaining part of the building, was roughly estimated to cost between \$2M and \$3M. This estimate is comparable to the Remedial Action Plan estimate previously provided for Loveman Steel. This option is still very expensive and would likely require commitment from an end user to justify the investment. Due to the supply of other properties that are readily available to businesses and industries looking to relocate or expand, it is unlikely that this scenario would be worth the City's investment for the cleanup required.

Option 3: Demolish the entire building and cap the contaminated portion

The least expensive remediation plan for the site involves demolishing the building and capping the heavily contaminated portion of the site. This option is estimated to cost less than \$600K and is a reasonable and effective alternative. Although capping a portion of the site results in an unbuildable area, the City could utilize the capped portion of the site for parking while still making a portion of the site available for development. Given the parameters of the project and the availability of other developable sites in the City, this option is the most financially feasible, logistically practical and politically achievable.

- ii. Match the City’s goal for blight elimination with the financial capacity and wherewithal to fund the redevelopment.

The CDFA team determined that option 3 is the best course of action for the City to pursue as it accomplishes the City’s goal of eliminating the blight and hazard currently caused by the property and it meets the cleanup costs that the City can afford. Despite the fact that this option reduces the site area available for redevelopment, there are clear community benefits to be gained simply by demolishing the existing structure, cleaning up a portion of the property, and containing any remaining contamination. By choosing to cap the contaminated part of the property, the City can avoid the more costly cleanup options. Once a Remedial Action Plan is in place, the City should consider making the uncapped portion of the property available for redevelopment. The cleanup costs associated with option 3 can be financed using a combination of resources available from the EPA and Cuyahoga County, as outlined in Part III below.

Part II: Maximizing City’s Position to Leverage Additional Resources

As previously mentioned, the contaminated Metaldyne property is located across the street from two other vacant properties: a parking lot and a vacant lot, together comprising nearly 4 acres of potentially developable land. The City should consider how these parcels can be utilized to maximize benefit to the City and the public.

- i. Acquire adjacent vacant parking lot from Cuyahoga County Land Bank

The Cuyahoga County Land Bank is able to retrieve properties that are owned by the State of Ohio. The City should work with the County Land Bank to retrieve the “clean” parcel of land that is across the street from the Metaldyne property. This parcel served as a paved parking lot for the Metaldyne facility while it was operating. Presently, this property along with other properties owned by the State, goes to auction once a year and is sold if a bid is made and awarded. By acquiring the property through the Land Bank process, the City will be able to control activity at that site and potentially profit in the future by selling the property as a retail or commercial site.

The City should also pursue an environmental assessment on the property utilizing funds available through Cuyahoga County to confirm whether the site is indeed clean or in need of remediation prior to development.

- ii. Market the vacant parcels as developable commercial or retail sites

As mentioned in the Background section, the City already owns 2.5 acres of developable land next to the vacant parking lot. The two properties are separated only by Perkins Street. The city could increase the developer interest in these sites by marketing properties as one large site. The City should also seek development for the site(s) that results in 25 or more jobs, which could open up funding from the Ohio Development Services Agency.

- iii. Proceed with Metaldyne Remedial Action Plan

The City should proceed with a Remedial Action Plan corresponding to the redevelopment option that is selected.

Part III: Financing a Site Cleanup Plan

The following recommendations will assist the City in meeting their primary objective, which is to remove the blight and hazard caused by the Metaldyne property. This involves financing the demolition of the building and remediation of the site.

- i. Utilize Available EPA and Cuyahoga County funding

The following sources have been identified as potential funding sources for the assessment, demolition, and cleanup of the property.

	CUYAHOGA COUNTY	EPA
Assessment	Brownfield assessment funds can be granted to the City to complete and/or update assessments as needed on Metaldyne property <i>Application Deadline: Rolling</i>	Targeted Brownfield Assessment (TBA) program provides assessments on properties at no charge to community. This is a good option for the state-owned site that the City plans to acquire. <i>Application Deadline: Rolling</i>
Demolition	County Land Bank can fund demolition up to \$100K, (check to see if County Brownfields funds can cover demo) <i>Application Deadline: Rolling</i>	If awarded, EPA Cleanup Grants can cover demo costs, see below <i>Application Deadline: see below</i>
Cleanup	Brownfields RLF program can provide loans and subgrants to the City for cleanup of the site, but are subject to availability. Current RLF funds are loaned out, but the pool is expected to replenish by next year. <i>Application Deadline: Rolling, but new awards are not expected until 2017.</i>	The EPA has competitive site specific cleanup funds available in the amount of \$200K per parcel* <i>Application Deadline: expected December 2016, with awards in summer 2017</i>

*The Metaldyne property is situated on multiple parcels. Since the redevelopment of the site as described in option 3 above will likely be dual use (a parking lot and a developable lot) it is recommended that the City apply for EPA Cleanup Grant funding for at least two parcels for a total of \$400K.

- ii. Work redevelopment plan around timeline for potential award of cleanup funds

The deadline to apply for the next round of EPA Cleanup Grants is December 2016 for expected awards in the summer of 2017. Funding through the Cuyahoga County Brownfields RLF will likely be available in 2017 as well, if funds from the current loan are replenished. The City should plan cleanup and redevelopment activities for the site with this timeframe in mind.

iii. Hire consultant to write EPA grant

The CDFA team also recommends working with an experienced EPA grant writing consultant to submit the grant application for the EPA Cleanup funds as the funds are highly competitive and many communities are not awarded upon first application.

iv. Explore cost recovery from former site owners

For sites polluted prior to the 1980s, insurance policies may cover the costs of environmental remediation. In this case, cleanup costs may be too low for insurance recovery to be worth pursuing, as sizeable deductibles (up to \$1M) are common for most insurance cost recovery policies. However, the City should explore directly pursuing the former polluting site owners to determine if liability for cleanup costs can be established.

Part IV: Pursuing Additional Financing Incentives

As the City looks forward to the cleanup and redevelopment of the Metaldyne property and other brownfield properties, they should consider utilizing some of financing tools and incentives described below not only to attract development, but also to provide a future revenue source for other improvements.

i. Conduct Tax Increment Financing (TIF) analysis, education and advocacy

Because this property is in the vicinity of other industrial and commercial properties, the City should consider creating a TIF district that encompasses a geographically broad but strategically targeted area. Once established, the TIF district will capture the increased incremental taxes from improvements made to the property as the value increases. The TIF funds can be used to pay for present development costs based on future improvements. TIF is frequently used to address blight when the market would not otherwise support redevelopment. In light of other brownfield redevelopment projects that the City has on the horizon, property values could increase significantly over the next several years, especially around the I-271 interchange. Additionally, a broadly defined TIF district could support industrial development and infrastructure improvement. TIF districts should be established while base values are low in order to maximize the revenue capture.

The City should closely assess the potential for TIF use to contribute to project financing by conducting a comprehensive analysis of financial models. Such models should estimate the amount of TIF revenue that can be generated over time. The City should consider hiring a consultant to perform this work.

Since TIF has not previously been utilized by the City, stakeholders should be educated about the financing tool and its capacity to fund infrastructure and other needed improvements. It should be noted that most TIFs are not backed by local governments, and instead can be financed through a pay-as-you-go structure, or backed by revenue bonds or by developer notes.

ii. Consider applicability of tax abatement

Through the Ohio Community Reinvestment Area (CRA) program, the City could offer a 15-year, 100 percent tax abatement as an incentive to attract development. Abatements are often used as incentives because they attract developers and require no upfront capital from the City. However, tax abatements work against established TIF districts because the City must forego the incremental tax revenue of the improvements to the property during the abatement period. While it is possible for the City to offer *both* TIF and property tax abatement, combining the two incentives is not optimal for increasing revenue for other projects. The City should consider multiple scenarios in which these tools are combined or used separately, and pursue the option that promises to offer the greatest return in the long run in terms of desired development and future project revenue.

iii. Consider creation of a Special Assessment District (SAD)

A Special Assessment District can be used to assess an additional tax on property in a specific redevelopment area and can work in conjunction with TIF, abatements, and other tools. The revenues collected through the SAD can be directed toward maintenance and infrastructure improvements of the designated district. The City could continue to apply the tax abatement for the existing taxes and forgo the increment from the TIF, but pass a special assessment to the developer or property owner. Special assessment districts have been used to establish revolving loan funds that can be used for road and sewer projects. Such improvements would encourage economic development within the district.

iv. Explore New Markets Tax Credits (NMTC) as Equity Contribution

The Metaldyne property is located in a New Markets Tax Credit eligible census tract. The NMTC Program encourages private capital investment in low-income communities. NMTC can be used as a significant source of gap financing for qualified projects. Such projects include manufacturing, commercial office space, retail, housing, health, technology, energy, education, and childcare. For businesses looking to benefit, NMTC offers favorable terms which include low interest rates, higher loan-to-value ratios, lower debt coverage ratios and longer maturities.¹

Utilization of NMTC is contingent on a commercial end use of the site and its appropriateness is ultimately determined by the cost and size of the project. NMTC is a highly competitive financing source that can be pursued by the developer or the City, but must be awarded by a Community Development Entity (CDE). CDEs serve self-defined specific geographic areas (i.e., national, regional, statewide, or local). Most CDEs consider other criteria, such as whether the project serves a specific purpose, such as green building, healthy food access, or entrepreneurship. If a large development proposal is submitted within the NMTC eligible area, the City should consider contacting a CDE that operates within the state to determine whether the project meets the community impact and other criteria. Additional NMTC resources are listed in following section.

¹CDFI Fund. (2016). New Markets Tax Credit Fact Sheet. Retrieved from: https://www.cdfifund.gov/Documents/NMTC%20Fact%20Sheet_Jan2016v2.pdf

Metaldyne

Roadmap to Redevelopment

Additional Resources

CDFA Brownfields Financing Toolkit |

<http://www.cdfabrownfields.org/cdfa/cdfaweb.nsf/pages/brownfields-resources.html>

CDFA Online Resource Database |

<http://www.cdfa.net/cdfa/cdfaweb.nsf/ordsearch.html>

Types of Brownfields Grant Funding (Environmental Protection Agency) |

<http://www.epa.gov/brownfields/types-brownfields-grant-funding#tab-1>

Cuyahoga County Brownfield Redevelopment |

<http://development.cuyahogacounty.us/en-us/brownfield-redevelopment.aspx>

Tax Increment Financing |

<http://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=howtoolworks--tif.html>

<http://urbanland.uli.org/economy-markets-trends/tax-increment-financing-tweaking-tif-21st-century/>

<http://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=sep2004tlc.html>

New Markets Tax Credits |

<https://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=taxcreditfinrefguide.html>

Acknowledgements

A Project Response Team site visit requires a significant commitment of time and resources. The authors would like to recognize the commitments of many individuals throughout this process. Firstly, the authors would like to thank the following individuals and organizations for their involvement:

Individuals

Karla M. Auker
Nick Bauccho
Jan Bayne
Don Bierut
Mayor Fletcher D. Berger
Council President Harvey Brown
Ross Cirincione
John T. Garvey
Eric King
Dave Pocaro
Guy Vincent

Organizations

Chagrin Valley Engineering
City of Bedford Heights
Cuyahoga County
EnviroServe
Partners Environmental Consulting
U.S. Environmental Protection Agency

About the Authors

The *Roadmap to Redevelopment Plan* was authored by the Council of Development Finance Agencies (CDFA), a national association dedicated to the advancement of development finance concerns and interests. Learn more about CDFA at www.cdfa.net.

The CDFA project team consisted of the following individuals:

Emily Moser, Program Manager
Jakob Dyck, Program Coordinator

CDFA was advised during the Brownfields Project Response Team site visit by a team of technical assistance advisors:

Mark Barbash, President
Mark Barbash Economic Consulting LLC

Matthew A. Stucynski, President
MAS Financial Services



The Council of Development Finance Agencies is a national association dedicated to the advancement of development finance concerns and interests. CDFA is comprised of the nation's leading and most knowledgeable members of the development finance community representing public, private and non-profit entities alike. For more information about CDFA, visit www.cdfa.net or e-mail info@cdfa.net.

Toby Rittner, President & CEO
Council of Development Finance Agencies
100 E Broad Street, Suite 1200
Columbus, OH 43215

The information contained within is intended to provide accurate and authoritative information. The authors are not herein engaged in rendering legal, accounting, or other professional services, nor do they intend that the material included herein be relied upon to the exclusion of outside counsel. Those seeking to conduct complex financial deals using the tools mentioned are encouraged to see the advice of a skilled legal/consulting professional.

Disclaimer: This publication was developed under Assistance Agreement No. TR-83576801-0 awarded by the U.S. Environmental Protection Agency. It has not been formally reviewed by EPA. The views expressed in this document are solely those of Council of Development Finance Agencies and EPA does not endorse any products or commercial services mentioned in this publication.