



# Creative Financing for Brownfields-Grayfields Redevelopment

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New Partners for Smart Growth

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Redevelopment Economics

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# Redevelopment Economics

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- Policy Analysis for Brownfields and Smart Growth (Maryland and Washington)
- Green Job Strategies
- Brownfields and Smart Growth Strategies
- Economic and Environmental Impact Analysis:
  - Projects
  - Programs (Massachusetts)
- Grant applications
- Executive Director for the National Brownfields Coalition



- Scoping Out Incentives, e.g. Tax Increment Financing Feasibility Analysis:
  - Baltimore
  - Rochester
  - New York City
  - Private developers (Market Street Power Plant, New Orleans, above)

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# Federal Resources for Brownfields/Grayfields Redevelopment Projects

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## **Loans**

- EPA/State Clean Water RLF's
- HUD's Section 108 loans/guarantees
- EDA revolving loan funds
- EPA capitalized revolving loan funds
- SBA's microloans, Section 504, Section 7(a) Programs
- USDA business, intermediary, development loans

## **Grants**

- EPA assessment, cleanup grants
- HUD BEDI
- HUD CDBG
- EDA public works and economic adjustment
- DOT (TIGER Grants)
- Army Corps of Engineers

## **Grants (*continued*)**

- USDA community facility, business and industry grants

## **Equity capital & loan guarantees**

- FHA 220 Loan Guarantee
- DOE energy facility guarantees
- SBA

## **Tax incentives and tax-exempt financing**

- Historic Rehabilitation Tax Credits
- New Markets Tax Credits
- Energy Investment Credits
- Tax expensing of cleanup costs
- Low-income housing tax credits
- Industrial development bonds



# EPA Brownfield Programs

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- SITE ASSESSMENT GRANTS
  - Funds pre-cleanup environmental activities, up to \$200,000 –site assessment, inventories, planning, design, and outreach
- SITE CLEANUP GRANTS
  - Funds cleanups, up to \$200,000 by cities, development agencies, non-profits, and similar entities at sites they own
- BROWNFIELD CLEANUP REVOLVING LOAN FUND GRANTS
  - Provides up to \$1 million to establish RLFs to make low/no interest loans for cleanup; recipients may use up to 50% of capitalization award for cleanup sub-grants
- FY 2012 - \$168 MILLION



# Brownfields Remediation Tax Expensing Program

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- Cleanup costs at eligible properties are fully deductible in the year they are incurred, rather than capitalized and spread over a period of years;
- Private businesses including responsible persons are eligible;
- Recapture provision



# HUD 108 Loans

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- Borrow up to 5 times CDBG allocation
- CDBG rules apply
  - Slums/Blight – tough
  - Low-Mod Benefit
- Security – CDBG allocations
- Mezzanine financing advantages:
  - Low interest
  - Subordinate position
- Matches up well with TIF

# HUD 108 Loans

## Baltimore examples of creative use of HUD 108

- Montgomery Park
  - Slums and blight
  - Security vis-à-vis CDBG
- Gateway South
  - \$18 million TIF as repayment source





# EPA Clean Water State RLFs

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## Capitalized by EPA

- \$3 billion FY 2011

States set RLF priorities within broad EPA guidelines

Can finance loans up to 20 years; including

- Site assessment;
- brownfield cleanup (to correct or prevent water quality problems)
- Priority for green infrastructure, low-impact projects



## CREATIVITY

- **Baltimore - Canton Crossing** used \$5 million CWSRF to fund bulkhead improvements as barrier for groundwater contamination.
- **Ohio** uses CWSRF Program Income and funds site preparation, as well as cleanup.



# New Markets Tax Credits

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- Location in a low-income census tract
  - Poverty rate exceeds 20 percent, or
  - Median income is below 80 percent of the median
- Eligible RE activity
  - Office, retail, industrial, hotel, community facility, and mixed-use projects
  - For-sale housing
  - New construction and rehabilitation
  - Properties owned by not-for-profits
- Channeled through Community Development Entities (CDE's)
- Tax credit investor gets a tax credit equivalent to 39% of his investment in a CDE.
- Tax credit converted to upfront equity @10 – 20% of eligible project costs.
- Criteria/ranking of sites includes brownfields



# New Markets Tax Credits

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- **CDE's that target or have funded brownfield projects**
  - Urban Action Community Development LLC
  - Essential Community Capital, LLC
  - Brownfield Revitalization, LLC
  - Local Initiatives Support Corporation
  - Enterprise Community Loan Fund, Inc.
  - MBS Urban Initiatives CDE, LLC
  - Great Lakes Region Sustainability Funds LLC – Delta Institute, *Great Lakes region*
  - The Valued Advisor Fund, LLC
  - ShoreBank Enterprise Group, Pacific Enterprise Cascadia – *Washington and Oregon*
  - Wisconsin Brownfield and Economic Development Fund, LLC
  - Urban Revitalization & Brownfield Redevelopment Fund – *Wisconsin*
  - MassDevelopment New Markets LLC – Massachusetts

*E-mail Evans Paull for contact info*

# Federal Energy Investment Tax Credit (ITC)

- **Business Energy Investment Tax Credit (ITC).** The Business Energy Investment Tax Credit (ITC) creates a tax credit:
  - 30% for solar, fuel cells and small wind;
  - 10% for geothermal, microturbines and CHP



## **Griffiss Industrial and Business Park, Rome, NY**

- Former Air Force Base and Superfund site
- Current district energy system – 26 mile steam piping to 70 businesses employing 6,000 people
- Now under construction - bio-mass CHP plant to also generate electricity
- CHP investment - \$30 million, \$6.2 million from treasury grant that monetizes the value of the ITC.

# FHA Section 220 Loan Guarantee

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## **FHA 220 Loan Guarantee**

- New construction or substantial rehabilitation of apartment properties.
- Property must be located in area of concentrated development where a coordinated plan of public and private sector investments are being made.



## **Heer's Department Store, Springfield, Mo.**

- Developer - \$4.4 million
- \$11 million FHA section 220 loan guarantee
- Federal and state Historic Tax Credits — \$10.1 million
- \$3 million TIF closed the gap
  - \$2 mil City loan
  - \$1 mil State loan
  - Uses 100% of property taxes and 50% of retail sales taxes



# State Brownfields Incentives that are Still Working

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- States with Bond-funded Brownfields Incentives –
  - Ohio, PA, Cal, Wisc.
- States with remediation/redevelopment tax credit programs –
  - Missouri, New York, Florida, Massachusetts, New Jersey, Colorado, Connecticut.
- States/localities with dedicated sources of revenue –
  - New Jersey, Washington State, Minneapolis-St. Paul.
- State-Supported Tax Increment Financing
  - Kentucky, Missouri, Michigan, Connecticut, New Jersey.

# Local Incentives

## Tax Increment Financing

- Why stress TIF over other mechanisms?
  - The only incentive that can close gaps of \$50 mil+
  - Local government control;
  - Not dependent on appropriations;
  - Many variations and opportunities for creativity;
  - Depressed property values - good time to designate TIF districts.

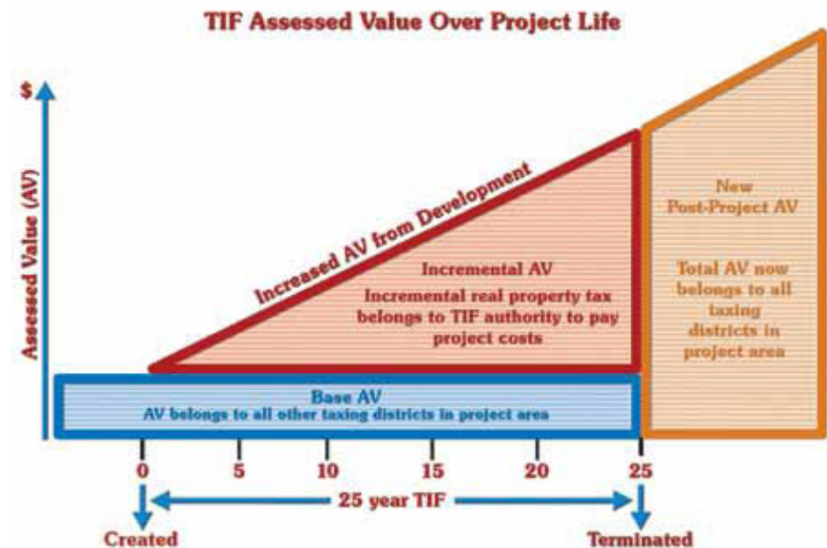


Chart source: TIERRA GRANDE –  
"ABCs of TIF" By Robert R. Eversberg  
& Paul R. Goebel

# Atlantic Station TIF

## TIF for Large-scale New Urbanist Projects

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- \$167 million of \$250 million gap
- Reimbursing \$50 million cleanup
- Expected \$4 billion investment
- AIG Global Real Estate provided upfront equity financing
- Dramatic VMT reduction



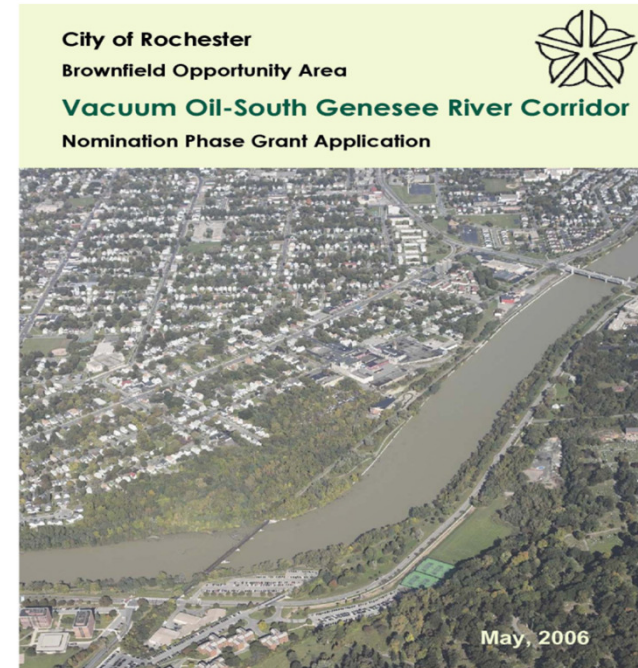
- 6 mil sq ft office
- 5,000 DU's
- 2 mil sq ft retail
- 1,000 hotel rms
- 11 acres open space



# TIF - Bond Market and Alternatives

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- Bond Market TIF's in 2009 - \$1 billion, down from \$5.5 billion in 2006
- Alternatives to bond market financing
  - Pay-as-you-go
  - TIF with governmental loans and guarantees:
    - HUD 108
    - EPA Brownfields RLF
    - State loans and guarantees



## Rochester – Vacuum Oil

- 58 acre riverfront site
- Needs cleanup and infrastructure
- Residential mixed use project

# Alternatives to Bond Market TIF Financing – HUD 108

<b>Before</b>		
<b>After</b>		 <p>BALTIMORE CITY VLT FACILITY</p> <p>EXTERIOR RENDERING CORNER OF WARNER ST. / WORCESTER ST.</p>
	<b>2006 business park plan</b>	<b>slots and nightclub plan</b>



## Alternatives to Bond Market TIF Financing – HUD 108 for Gateway South

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- Upfront expenditures – site assembly and site prep (\$18 million)
- HUD 108 - interest only for 5 years
- Security – special assessment district and CDBG

# Gateway South Sources and Uses

BUDGET ESTIMATE	West Baltimore Development District Gateway South and Acme Business Center				
	HUD 108	ED Bonds	BEDI Grant	State Grant	Total
<b>Sources of Funds</b>					
	\$ 13,275,000	\$ 5,225,000	\$ 975,000	\$ 500,000	\$ 19,975,000
<b>Uses of Funds</b>					
Projected Acquisition Sub-Total	\$ 7,310,767	\$ 2,310,500			\$ 10,121,267
Projected Relocation Sub-Total	\$ 3,630,500	\$ 2,519,500			\$ 6,150,000
Site Preparation	\$ 894,500				\$ 894,500
Implementation Fees					\$ -
Personnel	\$ 250,000	\$ 250,000			\$ 500,000
Legal/Accounting*		\$ 75,000			\$ 75,000
Relocation Consultant Fees		\$ 50,000			\$ 50,000
Other/Contingency		\$ 20,000			\$ 20,000
					\$ -
Financing/Interim Costs					\$ -
Cost of Issuance	\$ 100,000				\$ 100,000
Capitalized Interest	\$ 1,089,233				\$ 1,089,233
					\$ -
Debt Service Reserve			\$ 975,000		\$ 975,000
					\$ -
<b>Totals by Source</b>	<b>\$ 13,275,000</b>	<b>\$ 5,225,000</b>	<b>\$ 975,000</b>	<b>\$ 500,000</b>	<b>\$ 19,975,000</b>



# Gateway South Benefit Analysis, ROI

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	<b>TOTAL</b>
Sq ft, new	598,241
Investment	\$ 100,000,000
Leveraging ratio	8.39
Total Jobs	1,496
Jobs -city res	524
public investment/# jobs ratio	\$ 7,966
New RP taxes after TIF	\$ 2,679,513
Piggyback Taxes, annually	\$ 372,126
land sale	\$ 2,478,990
other taxes and fees, annually	\$ 200,000
years to break even point	4.35

# Matching TIF w/ HUD 108 and EPA RLF – Des Moines

- Des Moines Gray's Landing (Riverpoint West) TIF:
  - \$17 million HUD 108 for assembly and infrastructure
  - \$1 million EPA Brownfields Revolving Loan Fund for cleanup.
- Backstop for TIF:
  1. \$2.9 million surplus revenues from adjacent TIF district
  2. Developer guarantee
- New Markets Tax Credits

\$220 million mixed-use project

- 543 townhomes/condominiums
- 740,000 sf office/retail space
- 143,000 sf flex space



# Multiple Funding Sources

## Knapp's Dept. store, Lansing, MI

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- \$36.4 million total
- \$24.5 million incentives, including:
  - \$7.3 million - state and federal historic tax credits;
  - \$2 million BEDI;
  - \$5.4 million HUD 108 loan;
  - \$4.8 million - new market tax credits;
  - \$1.8 million in Brownfield Michigan business tax credits;
  - Renaissance Zone designation – property tax credits for 12 years.



- Retail
- office space
- Business incubator
- High-end apartments



## Contact Info

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