

**California Pollution Control
Financing Authority**

**California Recycle Underutilized Sites
(CalReUSE) Program**

Turning Uncertainty Into Opportunity

**Report to the California State Legislature
December 2004**

CalReUSE

Turning Uncertainty Into Opportunity

Background

Legislative Summary. Legislation enacted in 2000 (SB 1986 (Costa), Ch. 915 of Statutes of 2000) authorized the California Pollution Control Financing Authority (CPCFA) to provide forgivable loans to finance the cost of site assessments, technical assistance, and other specified activities, to assist in the reuse and redevelopment of underutilized property with real or perceived contamination (brownfields). In response to the legislation and to further sustainable development efforts, the California Pollution Control Financing Authority implemented the California Recycle Underutilized Sites (CalReUSE) Program to assist with the reuse and redevelopment of brownfields. CalReUSE's goal is to use limited public resources to effect a change in the redevelopment process so that project economics can be determined, liability can be quantified, and redevelopment of these sites can move forward.

Program Development. An October 2000, report by the California Treasurer's Office, "Smart Investments - Ideas To Action," noted that the State has tens of thousand of properties with real or perceived environmental contamination problems. These properties are commonly referred to as "brownfields". The report notes that these brownfields not only pose environmental and health risks, but also represent underutilized economic assets in local neighborhoods. To spur the remediation and re-use of these sites, in mid-2000 the California Pollution Control Financing Authority (CPCFA) – chaired by the State Treasurer – began development of the CalReUSE Program as an integral part of the "Smart Investment" group of initiatives to invest in and to revitalize California communities, especially its often neglected urban and rural areas.

In developing the CalReUSE Program, CPCFA staff consulted at length with various industry practitioners, local government development officials, and state/private environmental law experts. Through this process, staff gained a strong understanding of important structuring concerns and specific program needs throughout the State. During 2001 CPCFA staff completed the State's regulatory process necessary to establish the program and initiate implementation. In 2002 the CalReUSE Program began engaging local government Strategic Partners to make loans and provide administrative support for the program. In 2003 CalReUSE brought on a private sector Strategic Partner to provide statewide program access.

Program Goal. CalReUSE's goal is to spur the development of brownfields. The program achieves this goal through providing pre-development dollars to address a gap in the funding of brownfields. The most risk for any development project is at the pre-development phase. For brownfield-based projects (as opposed to "greenfield" projects on previously undeveloped land), many developers are hesitant to invest funds because the ultimate costs of remediation – and thus development – are unknown or unclear.

CalReUSE closes this funding and information gap through providing pre-development dollars to finance professional site assessments. This brings certainty to the economic and development equation by quantifying environmental risks, providing information necessary for a remediation plan, assisting with development efforts, and applying cost and timeframe information to the problem. Parties to a brownfield project then can make informed decisions and measure exposure to liability. This significantly enhances the probability that a site can move forward in the development process.

Progress To Date

CalReUSE is structured such that selected governmental or private entities (Strategic Partners) work with CPCFA to select projects, distribute loan funds, and administer the program. In 2002 CPCFA approved three governmental Strategic Partners for the program (Oakland, Emeryville and the San Diego Centre City Development Corporation) and allocated a combined \$2.3 million for use in their respective communities. In January 2003, CalReUSE brought on a private sector Strategic Partner (CERF/CCLR¹) and allocated \$1 million to the partner to provide statewide program access. An additional \$2,000,000 of continued funding was allocated for distribution by CERF/CCLR in August 2004 to allow this Strategic Partner to continue meeting borrower demand for CalReUSE loans.

Each partner has strong qualifications, as evidenced by experienced staffs with long histories of working with local private developers, development agencies, and local governments on various brownfield and other development projects. A detailed discussion of the program's Strategic Partners and their capabilities is included at Attachment I to this report.

To date, CalReUSE's Strategic Partners have completed twelve loans totaling \$1,063,248: the City of Emeryville made two loans totaling \$64,793 and currently has one other approved for funding in the amount of \$125,000; the City of Oakland made four loans totaling \$500,000; and CERF/CCLR made six loans totaling \$498,455 and currently has two additional loans pending for \$250,000, which are expected to close in the first quarter of 2005. In 2004, CPCFA mailed approximately 20,000 copies of its "Brownfield Strategies" newsletter to selected parties from the CCLR target market list and from CPCFA's economic development contacts list. Public awareness and understanding of the program also was boosted by the creation of a CalReUSE video that was promoted in CPCFA's "Brownfield Strategies" newsletter and made available for distribution in DVD format to interested parties. The video was also used as an excellent visual aid during community outreach presentations.

¹ CERF stands for the California Environmental Redevelopment Fund and CCLR stands for the California Center for Land Recycling

A. Local Governmental Strategic Partners

1. **City of Oakland.** The City of Oakland's Brownfields Program has been in existence for over five years. Oakland has implemented a comprehensive brownfields strategy utilizing its Brownfields Action Team (BAT). BAT offers significant in-house expertise that provides information technology, risk-based corrective action, legal strategies, site assessment and remediation, site assembly, permit tracking, and various financing mechanisms to successfully reutilize industrial sites. In addition to its Brownfields Cleanup Revolving Loan Fund, the City has access to various financial resources including U.S. Economic Development Administration grants, U.S. Environmental Protection Agency funds, Redevelopment Agency funds. It also provides business loans and assistance through the Oakland Business Development Corporation. Further information concerning Oakland's brownfields programs may be found on the City's website at www.business2oakland.com/main/brownfieldsprograms.htm. Oakland's initial CalReUSE Program allocation was \$1,000,000. To date, the City has committed funding for the following projects:
 - A \$125,000 CalReUSE loan is funding the initial environmental study to jumpstart an important development project at the MacArthur BART station in Oakland. The Redevelopment Agency of the City of Oakland, San Francisco Bay Area Rapid Transit, and Creative Housing Associates are working jointly to create a Transit Village at the BART station. The project is being designed as a true intermodal facility that will provide 400 to 800 new housing units, retail shops, improved access for bikes and shuttle busses, as well as continued vehicle access to the station. This project is expected to intensify the use of BART's currently underutilized property in the station area by redeveloping the property and the surrounding parcels into a vibrant transit village. This project is estimated to cost \$95 million dollars to complete. If the site assessment proves the project viable, CalReUSE funds have the potential to be leveraged 760:1.
 - A \$125,000 CalReUSE loan is funding an environmental study to determine the extent of petroleum and other contamination around the Fruitvale Transit Village Phase II site. The proposed redevelopment of the site involves the construction of approximately 200 housing units and a retail market hall.
 - A \$125,000 CalReUSE loan is funding an environmental study to determine the extent of lead, nickel, chromium, tuolene and other contamination around the 785 Seventh Street site. The proposed redevelopment of the site is for either mixed use development or affordable housing.
 - A \$125,000 CalReUSE loan is being used for the characterization of a site on San Pablo Avenue in the City of Oakland. The proposed redevelopment of the site is the construction of a car wash. This would expand the business of the owner of an automotive body shop that adjoins the property.
 - The City of Oakland is also considering an application from a developer in which a vacant site is proposed to be redeveloped with two single family homes. Eligible predevelopment costs can be financed with a CalReUSE loan.

- 2. City of Emeryville.** The City of Emeryville, through its redevelopment agency and other city branches, has successfully developed several large brownfield properties. It also administers several loan and grant programs to facilitate brownfield site assessment and redevelopment. One of these programs, the Capital Incentives for Emeryville's Redevelopment and Remediation (CIERRA) program, provides matching site assessment grants (up to \$25,000) and no/low-interest remediation loans. Emeryville has further partnerships that facilitate the CalReUSE Program, such as memoranda of understanding with the State's Department of Toxic Substance Control (DTSC) and the Regional Water Quality Control Board, where Emeryville serves as the environmental regulator for simple clean-up sites. Further information concerning Emeryville's brownfields programs may be found on the City's website at www.ci.emeryville.ca.us/econdev/brownfields.html. Emeryville's initial CalReUSE Program allocation was \$300,000. To date, Emeryville has committed CalReUSE funding for the following projects:
- A \$42,000 CalReUSE loan funded an environmental study to delineate the extent of chromium and other contamination around a site located in a mixed-use district in a redevelopment project area. The proposed redevelopment of the site involved the rehabilitation and seismic retrofit of a building on the site. This loan was paid off by the borrower.
 - A \$22,793 CalReUSE loan funded site assessments to determine any residual contamination from previous laundry operations in a light industrial, mixed-use district located in a redevelopment project area. The proposed redevelopment of the site involves the rehabilitation and new construction of up to 70 units of affordable housing.
 - An application for a \$125,000 loan for site characterization was recently approved and is expected to be executed in early 2005. The proposed redevelopment of the site will result in 5,000 square feet of retail space and 68 condominiums.
 - Additional activities to date include marketing the loan program to developers and property owners, contact with prospective grantees/borrowers, and active discussions with potential applicants.
- 3. City of San Diego.** The City of San Diego, through its Redevelopment Agency (RDA) and the Centre City Development Corporation (CCDC), an operating arm of the RDA, has more than 10 years experience with the redevelopment of at least 80 brownfields projects, utilizing a variety of environmental professionals, land use planners, and special environmental counsel. One of the primary purposes of the RDA and CCDC is to develop blighted areas. The RDA and CCDC set aside funds in each fiscal year budget for use for environmental purposes including environmental investigations and remediation efforts for projects, and therefore they are able to provide both matching funds and services. San Diego's initial CalReUSE Program allocation was \$1,000,000. CCDC activities to date include the completion and distribution of a marketing brochure for the program and discussions with potential applicants. CCDC posts information on CalReUSE on its website, and the City of San Diego provides a link to CCDC information.

CCDC: www.ccdc.com/index.cfm/fuseaction/projects.loans/#calreuse

City of San Diego: www.sandiego.gov/redevelopment-agency/links.shtml

B. Statewide Strategic Partners

1. California Environmental Redevelopment Fund (CERF)/California Center for Land Recycling (CCLR). In January 2003, the CPCFA entered into an agreement with the California Environmental Redevelopment Fund, LLC (CERF) and the California Center for Land Recycling (CCLR) to serve as a Statewide Strategic Partner for the CalReUSE Program.

CERF and CCLR provide the full range of technical assistance and remediation financing expertise needed to provide statewide loan services under the CalReUSE Program and to stimulate the revitalization of struggling communities in California. Their overlapping missions, combined with CERF's financial support for the cleanup of contaminated lands and CCLR's environmental expertise and financial assistance programs for projects in under-served communities, create a unique opportunity for a very successful collaboration that represents a logical statewide strategic partnership for the CalReUSE Program.

CERF's and CCLR's strategy for implementing the CalReUSE Program statewide is based on stimulating brownfields redevelopment projects that serve as models of sustainable development, build on local strengths, and are based on community participation at all stages. Prior to receiving a loan, prospective borrowers will be required to demonstrate local government support, community benefit, and committed community involvement. Preference is given to projects that demonstrate the availability of funding for project completion and a strong likelihood of achieving timely and transferable successes. Further information concerning CERF and CCLR's brownfield programs may be found on the following websites.

CERF: http://www.ca-cerf.com/whoWeAre_frame.htm

CCLR: <http://www.cclr.org/new.html#reuse>

CERF/CCLR's initial Program allocation was \$1,000,000 in 2003 and, in August of 2004, this amount was increased by \$2,000,000 to accommodate additional expectations. To date, the following loans have been made:

- A \$82,705 CalReUSE loan is funding full characterization of a site in Tracy, California. The proposed redevelopment of the site involves construction of a 20,000 square foot commercial building. The Final Report is complete, and the borrower is now waiting for city approval and for construction financing to complete the project.
- An \$85,000 CalReUSE loan was used to conduct an assessment of soil beneath a building on a Sacramento, California site. The assessment was performed in conjunction with a Voluntary Cleanup Agreement with the California Department of Toxic Substances Control. The proposed redevelopment of the site involves the use of the building as a bakery, café and central distribution facility. The borrower recently submitted the Final Report to DTSC for approval.
- A \$46,750 CalReUSE loan funded both Phase I and II investigations for a Signal Hill, California site where auto sales and repair facilities were previously located. The proposed redevelopment of the site involves construction of 15 units of high-density attached, for-sale housing. The Final Report has been received by CERF/CCLR per CPCFA regulations.

- A \$34,000 CalReUSE loan was used to complete and review a Phase II environmental assessment at a location in South San Francisco, California where a furniture factory was formerly located. The proposed redevelopment of the site is affordable housing and community space.
- A \$125,000 CalReUSE loan is being used for a Phase II environmental assessment and eligible legal fees at a former cannery/industrial site in Gilroy, California. The proposed redevelopment of the site is for a mixed-use project that incorporates residential and light retail.
- A \$125,000 CalReUSE loan is being used for remediation planning at a site in San Francisco, California. The proposed project includes the development of affordable family rentals, affordable senior rentals, for-sale family units, and light industrial/retail.
- Two additional applications, each for a \$125,000 loan, were received by CERF/CCLR and are expected to be funded in 2005.