

**California Pollution Control
Financing Authority**

CALREUSE PROGRAM
CALIFORNIA RECYCLE UNDERUTILIZED SITES

**2007 ANNUAL REPORT TO THE
CALIFORNIA STATE LEGISLATURE**

March 2008

About CPCFA:

The California Pollution Control Financing Authority (CPCFA) provides California businesses with a reasonable method of financing pollution control facilities and fosters compliance with government imposed environmental standards and requirements. Over the last thirty years CPCFA has evolved to meet California's needs as follows:

- In the solid waste industry through its Pollution Control Tax-Exempt Bond Program.
- For small businesses through the California Capital Access Program.
- With the reuse and redevelopment of brownfields through the California Recycle Underutilized Sites Program.
- With financial assistance to cities and counties in their community planning and development efforts through the Sustainable Communities Grant and Loan Program.

CPCFA consists of:

Bill Lockyer, Chair
State Treasurer

John Chiang
State Controller

Michael C. Genest, Director
Department of Finance

CALReUSE

Greening California's Brownfields

This report of activities for the California Recycle Underutilized Sites Program is submitted pursuant to Health and Safety Code Sections 44525.7 and 53545.14(b) for the calendar year ending December 31, 2007.

EXECUTIVE SUMMARY

The California Recycle Underutilized Sites (CALReUSE) Program address the funding and information gap in the development of property with real or perceived contamination – brownfields – and assists in transforming these underutilized properties into productive use, turning uncertainty into opportunity for revitalizing California's blighted areas. This report illustrates the activity of the CALReUSE Site Assessment Program and outlines the California Pollution Control Financing Authority's (CPCFA) 2007 efforts to expand the Site Assessment Program and create a grant and loan Remediation Program funded by The Housing and Emergency Shelter Trust Fund Act ("Proposition 1C") that was approved in November 2006.¹

CALREUSE SITE ASSESSMENT PROGRAM

The CALReUSE Site Assessment Program utilizes Strategic Partners² to provide forgivable loans up to \$125,000 to finance the costs of site assessments, technical assistance, and other specified activities, to assist in the reuse and redevelopment of brownfields. The number of sites moved forward in the development process is a measure of program success. Additionally, program performance is measured by the amount of CPCFA dollars leveraged to total costs of the projects assisted. A more detailed description of the program can be found in Attachment I to this report.

The CALReUSE Site Assessment Program places priority on projects located in distressed neighborhoods within urban and rural communities and for urban infill in project areas with a demonstrated need for redevelopment that absent CALReUSE assistance would most likely not move forward in the development process.

Key program accomplishments for the CALReUSE Site Assessment Program in 2007 include:

- ❖ Six new loans were approved.
 1. EmeryStation Triangle, LLC received a \$125,000 loan to conduct a Phase II site assessment with the anticipation of creating a 60,000 square foot Research and Development/Office Building in the City of Emeryville.
 2. Rawson Blum & Leon, Inc. received a \$125,000 loan to conduct site characterization on a 4.75 acre site that was formerly used for ink manufacturing in the City of Oakland.
 3. Mercy Housing California received a \$62,000 loan to assist in creating affordable housing

¹ Of the total \$2.85 billion in general obligation bonds approved under Proposition 1C, \$850 million is slated for the *Regional Planning, Housing and Infill Incentives Account*, which includes a provision for *brownfield cleanup that promotes infill housing development and other related infill development consistent with regional and local plans*.

²**Strategic Partner.** A public or private entity selected by the Authority to provide technical assistance, funding and administrative services to Borrowers pursuant to a contract with the Authority

opportunities in Los Angeles on a site with a variety of former uses, including a lumber yard, car wash and auto repair facility.

4. Sky Terrace Investors received a \$125,000 loan to conduct a Phase II site assessment on a former landfill and mobile home park to be redeveloped for both housing and industrial uses in the City of Sacramento.
5. Bridge Housing Ventures, Inc., received a \$125,000 loan to assess a former junkyard and brewery with the goal of developing much needed workforce live/work lofts in Oakland, California.
6. Burbank Housing Development Corporation received a \$81,800 loan to assist in converting a former auto body shop into affordable housing that will include reserved units for special needs households.

LOAN CRITERIA

CALReUSE loans made by a Strategic Partner must meet the following minimum loan terms:

- Minimum interest rate based on the earnings of the State's Pooled Money Investment Account (adjusted annually).
- Maximum loan amount of \$125,000 per site.
- Maximum loan term of 36 mos.
- Funding for allowable uses, including site assessment costs, technical assistance, and other specified costs to assist in the regulatory process and remediation planning.

- ❖ The repayment of four CALReUSE loans as borrower's progress to the remediation phase of their projects.
- ❖ CPCFA worked with state agency and brownfield development stakeholders to increase the effectiveness of the CALReUSE Site Assessment Program. The year long process culminated with the Authority's Board approving amendments to the program. New regulations were enacted in early 2008. The most substantive programmatic changes include:
 1. Increasing the maximum loan amount from \$125,000 per site to \$300,000 per site in general and \$500,000 for sites that will be cleaned up for housing developments.
 2. Modifying the interest rate from being based on the State's Pooled Money Investment (adjusted annually) to following the six-month London Interbank Offered Rate (LIBOR) to more adequately adjust with the financial market.
 3. Removing the exclusion/ineligibility of specific types of contaminated sites to increase the programs effectiveness in brownfield revitalization.

Background on the CALReUSE Site Assessment Program

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 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 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 by 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.

CALReUSE Strategic Partners. 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 2007 the CALReUSE Site Assessment Program was administered through six Strategic Partners – five local government Strategic Partners and one statewide Strategic Partner – with the following allocations:

Center for Creative Land Recycling (CCLR)	\$2,000,000
City of Oakland	\$1,000,000
San Diego Redevelopment Agency	\$1,000,000
Emeryville Redevelopment Agency	\$ 150,000
City of Bakersfield	\$ 500,000
City of Berkeley	<u>\$ 400,000</u>
Total:	<u>\$5,050,000</u>

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 brief discussion of the program’s Strategic Partners and their capabilities is included at Attachment II to this report. Strategic Partners are selected in a competitive process based on the following criteria:

- An overall brownfields strategy and a flow of quality projects.
- Technical expertise in the regulatory, assessment and remediation processes.
- Administrative capacity to select projects and distribute loan funds.
- Marketing strategy to encourage borrower participation in the program.
- Ability to provide funding match.
- Ability to provide staff or resources.
- Prior partnership experience.

To date, CALReUSE’s Strategic Partners have made twenty five loans under the Site Assessment Program. A detailed breakdown of program loans to date by Strategic Partner can be found in Attachment III to this Report.

CALREUSE/PROPOSITION 1C EXPANSION TO INCLUDE CLEANUP FINANCING

Background

Statute (SB 1986, 2000) authorizes the California Pollution Control Financing Authority to assist in

financing – among other things – the costs of performing or obtaining brownfield site assessments, remedial action plans and reports, technical assistance, the cleanup, remediation, or development of brownfield sites, or any other similar or related costs, subject to all applicable federal, state, and local laws, procedures, and regulations. When CALReUSE was first developed in 2001 the Authority determined to roll out the program in two phases: first, assessment, characterization and remedial action plans for brownfields, and second, remediation and development. The Authority set aside \$10 million to fund the Site Assessment Program activities on a pilot basis, with the goal of expanding the program at a later date.

Proposition 1C was the impetus to the CALReUSE expansion to include a loan and grant program to finance brownfield cleanup. Approved by voters in 2006, The Housing and Emergency Shelter Trust Fund Act slated \$850 million for infill infrastructure investments. It includes a provision *for brownfield cleanup that promotes infill housing development and other related infill development consistent with regional and local plans*. In 2007, the Legislature allocated CALReUSE in consultation with the Department of Housing and Community Development (HCD) \$60 million of Proposition 1C monies for the purpose of *brownfield cleanup that promotes infill residential and mixed-used development, consistent with regional and local land use plans*.³

Program Development

The California Pollution Control Financing Authority conducted a nine month public participation process across the State that included consultation with HCD and other state agencies, brownfield development practitioners, housing developers and other stakeholders. The collaborative process resulted in the development of an innovative brownfield cleanup program that offers grants and loans up to \$5 million for brownfield cleanup that will produce residential and mixed use development in California's infill areas to create housing opportunities for working families.

The Authority approved emergency regulations to enact the CALReUSE Remediation Program in December 2007. The following is a brief summary of the proposed CALReUSE Remediation Program:

Project Criteria:

- Create or promote residential or mixed use development
- Be located in an Infill Area
- Be consistent with regional and local land use plans
- Have a Cleanup Plan approved by an Oversight Agency prior to funding

Loan and Grant Terms:

- Financing available from \$50,000 to \$5 million for brownfield cleanup
- 6 years to cleanup the site and complete the Development Project
- Loans have an interest rate of Six Month LIBOR fixed for the term of the loan (interest rate cannot fall below two percent (2%))

Grant Eligibility:

- At least 15% of the Development Project must create affordable housing
- Must meet the State's density requirements

³ Senate Bill 86, 2007.

Next Steps for 2008

The initial development of the CALReUSE Remediation Program will take place over the next year. The Authority entered into an interagency agreement with HCD to structure the administration of the program in January 2008. CPCFA anticipates 1) making program regulations permanent and 2) selecting qualified Strategic Partners to assist in administering the program at the local level in the first and second quarters of 2008. The Authority looks forward to initial financings in the third quarter of 2008. No projects have received financing to date.

CPCFA will continue to report to the Legislature on the CALReUSE Remediation Program's progress on an annual basis pursuant to statute.⁴

⁴ Health and Safety Code Sections 53545.14(b) requires CPCFA to include the following information for each fiscal year covering the duration of the CALReUSE Remediation Program: a summary of the projects that receive loans or grants pursuant, including the description, location and estimation of completion for each recipient project; and an update on the status of each project and the number of infill housing units facilitated by the program.

ATTACHMENT I

CALIFORNIA RECYCLE UNDERUTILIZED SITES PROGRAM

CALReUSE Site Assessment Program

California Pollution Control Financing Authority

SUMMARY

Legislation enacted in 2000 (SB 1986 (Costa), Ch. 915 of Statutes of 2000) authorizes the California Pollution Control Financing Authority (CPCFA) to provide forgivable loans to finance the costs 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). Pursuant to this legislation, CPCFA implemented the California Recycle Underutilized Sites (CALReUSE) Program.

CALReUSE addresses a gap in the funding of brownfields, thereby helping to bring these underutilized properties into productive reuse. This program helps accomplish a range of important public policy goals – from the protection of public health and safety to fostering redevelopment.

CPCFA chooses Strategic Partners to select projects, distribute loan funds, and administer the program. Strategic Partners can be governmental agencies or public or private entities that have a demonstrated understanding of community economic development, real estate development project economics, environmental assessment and remediation processes, among other attributes.

CALReUSE targets properties in distressed urban and rural communities and urban infill areas with a demonstrated need for redevelopment. It focuses on properties that, absent CALReUSE assistance at this pre-development phase, would most likely not move forward in the development process.

CPCFA anticipates that up to \$10 million will be provided to fund program activities on a pilot basis. Due to uncertain outcomes associated with site assessments and the difficulty in redeveloping contaminated sites, repayment of CALReUSE loans may not be possible in many circumstances. The number of sites moved forward in the development process will be a measure of program success. Additionally, program performance will be measured by the amount of CPCFA dollars leveraged to total costs of the projects assisted.

BACKGROUND

One of the greatest barriers to successful redevelopment of brownfields projects is the uncertainty in the development process. This uncertainty centers around two concepts: project viability (time and money) and environmental liability. CALReUSE's goal is to use limited public resources to effect a change in the process so that project economics can be determined, liability can be quantified, and redevelopment of sites with real or perceived contamination can move forward.

However, capital markets have not been willing to fund site assessments or other up-front costs associated with the regulatory and remediation processes because these costs are considered to be predevelopment costs. Debt sources, including banks and other lenders, place themselves in the most

secure position and require equity to be in place prior to (or concurrent with) funding. Equity sources, including investors and financial partners, require a development entity to have an understanding of the economics of the project and to have determined economic feasibility prior to their participation. Similarly, development entities are often not willing to fund predevelopment costs if they do not have a grasp of project economics. As a result, many potentially usable sites sit idle.

Where a project involves a brownfields site, a professional site assessment is necessary to gain an acceptable understanding of economic feasibility. By financing the costs of site assessments, CALReUSE assists in filling a critical funding gap in the early stages of project development. Where the economics are determined to be acceptable, development entities are more likely to spend money to commission the reports necessary to fine tune the economic equation, attract capital, and move through the regulatory process.

In addition to the reluctance of capital markets to fund site assessment costs, many development entities do not have the resources or expertise in-house to deal with additional issues, such as the regulatory and remediation processes, that surround brownfields sites. Therefore, CALReUSE includes a technical assistance component designed to help development entities overcome uncertainties related to such issues. For example, CALReUSE may provide technical assistance to educate development entities on the remediation process or provide funds for development entities to hire the expertise to assist them through the regulatory process.

A professional site assessment, as well as an analysis of regulatory issues and other possible hurdles, can bring certainty to the economic equation by quantifying environmental risk, providing information for a remediation plan, and applying cost and timeframe information to the problem. Parties to the project can then make informed decisions and measure exposure to liability. This enhances the probability that a site can move forward in the development process.

PROGRAM ADMINISTRATION AND METHOD OF DISTRIBUTION

CPCFA utilizes a collaborative approach of engaging Strategic Partners to administer CALReUSE. Within program guidelines established by CPCFA, Strategic Partners select projects, distribute loan funds, and administer the program. CPCFA envisions relationships where its partners are given the responsibility and flexibility to administer a successful program with the appropriate accountability. These entities may be newly formed or existing organizations.

By statute, CPCFA is authorized to work in conjunction with public and private sector entities including, but not limited to, cities, counties, school districts, redevelopment agencies, financial institutions, and for-profit and non-profit development entities. Because contamination issues add complexity to almost every element of project development, CALReUSE selects Strategic Partners with a demonstrated understanding of the development process, the environmental assessment process, remediation, the regulatory process, and loan administration. A Strategic Partner need not have all of the requisite skills within its organization but should be capable of assembling a team with such skills, or dedicating resources to securing needed services for selected development projects. For example, as noted above, technical assistance to a development entity could be provided by the Strategic Partner or through loan funds made available to secure the technical assistance.

STRATEGIC PARTNER SELECTION CRITERIA

CPCFA currently requires Strategic Partners to provide a minimum match of 25% of Strategic Partner

funds to CPCFA funds. An alignment of interests between CPCFA's goals and a Strategic Partner's goals is critical. CPCFA and each Strategic Partner enter into an agreement that sets out their respective roles and responsibilities.

Strategic Partners should have a defined strategy to facilitate the redevelopment of brownfields, a quality team with expertise to execute the strategy, and a program that meets CPCFA criteria.

Priority is given to potential Strategic Partners that demonstrate the following:

- Ability to provide greater than the minimum required match of CPCFA funds. Certain and limited non-monetary contributions (such as dedicated staff or resources) may be considered towards the match.
- An understanding of the community economic development process.
- Knowledge of real estate development project economics.
- An understanding of the environmental assessment and remediation process.
- The ability to navigate environmental regulatory processes and issues related to real estate development.
- The ability to deal with site access issues on sites not owned by the development entity.
- Public/private partnership experience.
- The capacity to provide technical assistance.
- An overall brownfields strategy with knowledge of markets and neighborhoods with, or that leads to, a flow of quality projects.

Strategic Partners are given the flexibility to design responsible programs that provide accountability while facilitating the redevelopment of brownfields sites.

LOAN CRITERIA

Loans extended by a Strategic Partner include the following minimum loan terms (loan terms are subject to change as CPCFA develops and evaluates CALReUSE). **These loan terms are specific to the Site Assessment Program for 2007, and do not reflect the proposed modifications that were submitted to the Office of Administrative Law:**

- Minimum interest rate based on the earnings of the State's Pooled Money Investment Account (adjusted annually).
- Maximum loan amount of \$125,000 per site.
- Maximum loan term of 36 months.
- Funding for allowable uses, including site assessment costs, technical assistance, and other specified costs to provide an understanding of the extent of contamination, and to assist in the regulatory process and remediation planning.
- Project criteria as set forth in the next section.

PROJECT CRITERIA

Strategic Partners are required to place priority on projects located in distressed neighborhoods within existing urban and rural communities, and projects located in urban infill areas with a demonstrated need for redevelopment.

In addition, a goal of the program is to assist projects that meet the following criteria:

SITE ENVIRONMENTAL CHARACTERISTICS

- Sites that have potential for economically beneficial reuse but are not being redeveloped due to lack of information centered around real or perceived contamination, uncertainty about clean-up costs and timeframes, and the regulatory process.
- Projects that will result in the clean-up of environmental contamination thereby protecting the public health and safety of California's citizens.

LEVERAGE

- Projects that maximize program dollars to project financing facilitated.
- Projects that maximize matching funds to increase leverage of CPCFA/Strategic Partner funds and promote an alignment of interest with CPCFA/Strategic Partner.

PROJECT FEASIBILITY

- Projects most likely to move forward in the development process (e.g., attract capital or potential buyers) if the site is proven economically feasible.
- Projects supported by a quality development entity with a proven track record.
- Projects that absent CALReUSE resources would most likely not move forward.

EXCLUSIONS These exclusions are specific to the Site Assessment Program for 2007, and do not reflect the proposed modifications that were submitted to the Office of Administrative Law.

- A parcel currently listed on the National Priorities List pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Section 9605(a)(8)(B)).
- A parcel currently listed for a response action pursuant to Section 25356 of the California Health and Safety Code.
- A parcel that is, or has ever been, owned or operated by a department, agency, or instrumentality of the United States.
- A parcel that is a hazardous waste facility that is subject to the requirements of Article 9, Chapter 6.5, Division 20 of the California Health and Safety Code.

ATTACHMENT II

CALReUSE Strategic Partners

A. Statewide Strategic Partner

1. The Center for Creative Land Recycling (CCLR) has been a statewide Strategic Partner since 2003. CCLR (see-clear) is a non-profit organization with the mission to encourage and facilitate land recycling in ways that revitalize urban areas, discourage urban sprawl, and conserve greenspace. CCLR and the California Environmental Redevelopment Fund (CERF) had jointly served as the Statewide Strategic Partner from 2003 through 2006. CCLR has continued to administer the CALReUSE Program and the work that was previously done jointly. To date, CCLR has administered over sixteen loans under the program. Further information concerning CCLR's brownfield programs may be found on the following website: http://www.cclr.org/about_cclr.htm.

Thomas & Barbara Brenkwitz: Funded 4th Quarter 2003 (Repaid June 2007). Full site characterization funded by an \$82,705 CALReUSE loan was completed, enabling the borrower to obtain construction financing on this site in Tracy, California. Construction of a 20,000 square foot commercial building on the site is underway, and the site characterization loan was paid in full on June 4, 2007.

World of Good Taste: Funded 4th Quarter 2003 (due October 2008). The borrower requested and received a loan extension on an \$85,000 CALReUSE loan used to conduct an assessment of soil beneath a building on a Sacramento, California site. The loan was extended to October 1, 2008, and the borrower continues to work on with the California Department of Toxic Substances Control (DTSC) and the local community to move this project forward with the goal of utilizing the building as a bakery, café and central distribution facility. The current balance owed is \$76,404.

Urban Pacific Builders: Funded 4th Quarter 2003 (Repaid July 2006). A \$46,750 CALReUSE loan funded both Phase I¹ 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 was received by CERF/CCLR per CPCFA regulations. Borrower repaid loan in full in July 2006.

¹**Phase I and II Investigations.** A Phase I site assessment typically consists of a noninvasive investigation of the property which includes interviews and public records searches. Phase II site assessments may include activities such as soil sampling and/or installing various ongoing monitoring equipment at the site.

Mid-Peninsula Housing Advocates: Funded 1st Quarter 2004 (Forgiven 1st Quarter 2006). 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. The borrower was unable to secure a purchase and sale agreement for the site and thus requested forgiveness of this loan in December 2005 which was granted in the 1st Quarter of 2006.

South County Housing: Funded 1st Quarter 2004 (Repaid August 2005). A \$125,000 CALReUSE loan is was 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. South County Housing successfully investigated the site, secured acquisition and construction funds and repaid the loan.

Alabama Street Housing Assoc./Citizens Housing Coalition: Funded 1st Quarter 2005 (Repaid March 2, 2007). A \$125,000 CALReUSE loan was used for remediation planning at a site in San Francisco, California, slated for a mixed-use project. The project includes the development of affordable family rentals, affordable senior rentals, for-sale family units, and light industrial/retail. Construction Permits were issued by the City and County of San Francisco on October 12, 2006 and the project is anticipated to be completed in 2008.

First Community Housing: Funded 2nd Quarter 2005 (Repaid January 2006). A \$125,000 CALReUSE loan is being used to asses a former retail/industrial site located in San Jose, California. The proposed project will include the redevelopment of affordable multi-family housing (35 units) and 2,000 square feet of light retail. The Borrower paid loan in full January 2006. The Borrower subsequently received remediation funding from the State Water Resources Control Board. The project is currently under construction.

Garden Grove Agency for Community Development: Funded 3rd Quarter 2005 (due August 2008). A CALReUSE loan was approved for \$125,000 to develop a former gas station into affordable family housing. Monitoring wells have been installed, as well as a vapor recovery system. Dual spargers have also been installed and will be running for the next two years. The borrower received other funding sources for the site assessment and has decided not to request any disbursements under the loan agreement for this project.

Castlewell Properties, Inc.: Funded 4th Quarter 2005 (Forgiven 4th Quarter 2005). A \$5,740 CALReUSE loan was used for assessment of a Los

Angeles site formerly used for a dry cleaning facility (1930 – 1970's) with suspected Tetrachloroethene (PCE) contamination. The proposed new use of the site was development of 7 For-Sale townhouse units. The borrower requested and received forgiveness of this loan in December 2005 as the contamination was too extensive to make this project feasible.

General Environmental Management, Inc.: Funded 2nd Quarter 2006 (Forgiven 1st Quarter 2007). A \$106,250 CALReUSE loan was approved to assess the site of a former oil refinery. The proposed new use of the site was to develop new housing. Site-specific risk assessment revealed high levels of benzene in the soil and groundwater on site as well as migrating off site. Borrower requested loan forgiveness due to the level and extent of contamination. Loan forgiveness was requested in December 2006 and it was granted in the 1st Quarter of 2007.

Dewey-KOAR: Funded 2nd Quarter 2006 (Repaid 4th Quarter 2007). A \$125,000 CALReUSE loan was approved to develop a former landfill in Sylmar into single family homes. The Phase II Environmental Assessment work was completed, which involved the installation of a down-gradient groundwater monitoring well on neighboring property and a re-surveying of the property for landfill gas emissions. Gas emissions were found to be below actionable levels, and after the report was submitted to the LA County Environmental Health Department – Solid Waste Management Division, the department issued a No Further Action letter. The borrower has purchased the property and the loan was paid in full on November 29, 2007

Transition Properties: Funded 2nd Quarter 2006 (due April 2009). A \$98,723 CALReUSE loan was approved to develop a former auto dismantling facility into a light-industrial park in Colton. The first round of testing and proposal for cleanup resulted in a Preliminary Environmental Assessment (PEA) Addendum and Work Plan being submitted to the Department of Toxic Substances Control (DTSC). This plan was subsequently approved, and a second phase of on-site testing yielded no new findings. The borrower is currently working with the DTSC to determine the appropriate remediation method, and the discussion is currently focused on on-site encapsulation with a deed restriction.

COMM22, LLC: Funded 2nd Quarter 2006 (due June 2009). A \$125,000 CALReUSE loan was approved to conduct a Phase II assessment on a former San Diego City School District maintenance yard to convert the property into a multi-generational affordable housing and service-minded retail area. COMM22 is an LLC formed by three 501 c 3 nonprofit organizations (BRIDGE Housing, Bronze Triangle CDC and MAAC Project). COMM22 is working with the water board and school district towards completing the site assessment regarding environmental well monitoring assessments. COMM22 has also continued its community outreach efforts, including the development

of a website that is now live (www.comm22.com).

Mercy Housing California: Funded 1st Quarter 2007 (due March 2010).

A \$62,000 loan was issued to conduct a Phase II Site Assessment on a property that had been formerly used as a lumber yard, hand car wash, and auto repair facility in Los Angeles. The borrower intends to redevelop the site into affordable housing, and the Phase II assisted in negotiating a discounted purchase price on the property. The property remains on the market and the borrower is continuing its negotiation with the property owner.

Bridge Housing Ventures, Inc.: Funded 2nd Quarter 2007 (due January 2010).

The affordable housing developer obtained a \$125,000 to assist in converting a former junkyard and brewery into workforce rate live/work lofts in Oakland. The first round of pilot testing found that the contamination in the groundwater was more significant than anticipated. The Borrower is working with the Regional Water Quality Control Board and has submitted a remedial action plan to cleanup the site.

Sky Terrace Investors, LLC: Funded 4th Quarter 2007 (due October 2010).

A \$125,000 loan is being used to initiate a Phase II environmental assessment on a former landfill and mobile home park. The Borrower hopes to redevelop the site for housing and industrial usage in Sacramento.

Burbank Housing Development Corporation: Funded 4th Quarter of 2007 (due October 2010).

A \$81,800 loan is being used to conduct site assessment on a former auto body shop in Guerneville, California. As of December 2007, the Borrower had begun to conduct shallow soil sampling on the site. The site is anticipated to be redeveloped as affordable housing which will include reserved units for special needs households.

B. Local Governmental Strategic Partners

- 2. 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 staffing in three departments: Fire Department, the Public Works Agency, Environmental Services Division, and the Economic Development Division (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, and 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 projects described below.

City of Oakland Redevelopment Agency: Funded 2nd Quarter 2003 (Repaid August 2006). A \$125,000 CALReUSE loan funded the initial environmental study to jumpstart a transit-oriented development village at the MacArthur BART station in Oakland. The Redevelopment Agency of the City of Oakland, San Francisco Bay Area Rapid Transit, and a consortium of builders, including McGrath Partners, Bridge/BUILD Housing, and Shea Homes are working jointly to create a mixed use development at the BART station. The project is being designed as a true intermodal facility that will provide 540 new housing units, 30,000 square feet of retail space, 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 \$250 million dollars to complete. If the site assessment proves the project viable, CALReUSE funds have the potential to be leveraged 760:1. On February 15, 2006, the City of Oakland released the Notice of Preparation for the Environmental Impact Report. The completion of assessment activities is pending. Loan was repaid August 2006.

Fruitvale Development Corporation: Funded 3rd Quarter 2003 (Loan Terminated in 2007). A \$125,000 CALReUSE loan was used to initiate an environmental study to determine the extent of petroleum and other contamination around the Fruitvale Transit Village Phase II site. The Fruitvale Transit Village was proposed as a multi-use development at the Fruitvale BART Station, including a day care, senior housing and retail with plaza and streetscape improvements. The proposed redevelopment of the Phase II site involved the construction of approximately 200 housing units and a retail market mall across the street on what is now a surface parking lot, adjacent to the existing development and the BART Station. The Borrower was working with BART on permits and plans for the second phase of the project which the CALReUSE funds would have been used. As of December 2007 the borrower determined the project wasn't feasible under market conditions and terminated the loan. The Borrower may pursue redeveloping the site at a later date.

McCoy-Wright Partners: Funded 1st Quarter 2004 (due September 2008). A \$125,000 CALReUSE loan is funding an environmental study to determine the extent of lead, nickel, chromium, toluene and other contamination around the 785 Seventh Street site. This site is located midway between the West Oakland BART Station, Jack London District and Downtown, with immediate access to the I-880 freeway. The original proposed redevelopment of the site was for either mixed use development or

affordable housing, but was changed to 10,000 square feet of commercial condominiums (406 units). Loan has been utilized fully. Borrower has been approved by the City for an EPA-BCRLF Loan of \$150,000 to begin a specific portion of the cleanup action required. Assessment is continuing beyond what was originally anticipated, and the loan is being extended until September 2008.

San Pablo Auto & Body: Funded 1st Quarter 2004 (due June 2008). A \$125,000 CALReUSE loan is being used for the characterization of a site on San Pablo Avenue in the City of Oakland, six blocks from a new Uptown development. San Pablo Auto & Body was working with Alameda County Environmental Health Agency and is in communication with the California Environmental Reuse Fund (CERF) regarding the financing of the site's eventual clean-up. The proposed redevelopment of the site is the construction of a car wash. The owner received entitlements for the car wash from the City of Oakland in 2001, and its construction will expand the business of the owner, whose automotive body shop adjoins the property. In 2007 the California Department of Toxic and Substance Control (DTSC) became the lead oversight agency on the site, due to the discovery of a large level of contamination that had not been discovered in the previous assessment process. San Pablo Auto & Body recently requested an extension of the loan term to provide adequate time for the borrower to work with the new oversight agency. The loan is anticipated to be repaid upon the oversight agency's approval of a remedial action plan or upon June 30, 2008, whichever comes first.

Tomorrow Development: Funded 1st Quarter 2005 (due 1st Quarter 2008). A \$125,000 CALReUSE loan is being used for the characterization of a site on 2547 E. 27th Street, a former gas station, located within a residential neighborhood. The former gas station site had underground storage tanks that were removed in 1994. Tomorrow Development's environmental consultant installed monitoring wells, including one installed in the public right of way. Well surveys were performed and underground tank was discovered. Completion of initial assessment activities were completed in January of 2007, and sampling has continued to present, concurrent with the removal of the additional tank. The oversight agency – Alameda County Environmental Health – requested additional monitoring tests and reports in December of 2007. The borrower anticipates that the oversight agency will determine whether it will issue a remedial action plan during the first quarter of 2008. At that time, conclusion of all assessment activities and a final request for disbursement of funds for assessment is expected. Full repayment of the CALReUSE Loan is expected to occur in early spring 2008, concurrent with the application for a building permit for the residential construction of two single-family homes.

- 3. 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 projects described below.

Oliver & Company: Funded 2nd Quarter 2003 (Repaid 1st Quarter 2004). 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.

Resources for Community Development: Funded 4th Quarter 2003 (Repaid 3rd Quarter 2006). 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. The loan was paid in full in July 2006.

Bayrock Residential: Funded 1st Quarter 2005 (Repaid July 2007). A \$93,750 CALReUSE loan funded site characterization for a site that is comprised of commercial, industrial, and single and multi-family parcels owned by Oaks Club Room. It is on the intersections of 40th and San Pablo, and 41st and San Pablo, across the street from Anna Yates Elementary School, Oaks Club, and the Andante Development. A number of the parcels are vacant. Previous environmental assessments conducted by various parties have shown that the Site has been affected by off-site and on-site contamination sources, including a former gasoline station that was once on the 40th Street alignment. The original proposed redevelopment of the site included 5,000 square feet of retail space and 68 condominiums. The Alameda County Department of Environmental Health requested additional

off-site sampling to delineate contamination caused by others. The County approved the remediation work plan pending completion of off-site sampling. The developer redesigned the project, including the rehabilitation and relocation of five existing structures. In December 2006 the Planning Commission approved the plans for the renovation of five houses on the Oak Walk site at 41st/40th/San Pablo Avenue. The City Attorney's Office has drafted an Owner Participation Agreement (OPA) to provide a housing development subsidy of \$1.6 million to the Oak Walk project developer (Bay Rock Residential) for the rehabilitation of the houses in exchange for their sale as affordable housing to moderate income households. The Oak Walk project began construction in October 2007 and will ultimately result in a mixed use residential/commercial condominium development, include 54 units of which four will be set-aside as Below-Market Rate units.

Emery Station Triangle LLC: Funded 4th Quarter 2007 (due January 2011). A \$125,000 loan was issued to conduct a Phase II Site Assessment, with the goal of revitalizing the site into a 60,000 square foot Research & Development/Office building. The borrower is working closely with the Emeryville Redevelopment Agency. No funds have been drawn to date.

- 4. City of Berkeley.** The City of Berkeley encourages mixed-use (housing over retail) development on its commercial corridors where a number of former gas station or auto repair sites have been successfully redeveloped. Former heavy industrial sites in West Berkeley are now being considered for light industry, research and development, and retail. The corridors and industrial zone comprise an Environmental Management Area where any development application is screened by the Planning Department's Toxics Management Division (TMD) for potential health and environmental concerns that may be encountered during construction. Through agreements with the regional Water Quality Control Board and other agencies, the TMD serves as the Local Implementing Agency for most development-related environmental regulations. Participation as a Strategic Partner in the CALReUSE program will allow Berkeley to make loans to developers to characterize pollution on sites and to thereby share the risk inherent in the development process. The City of Berkeley Office of Economic Development will administer the loan program with technical assistance from the TMD.

Rawson Blum & Leon, Inc: Funded 2nd Quarter 2007 (due June 2010). A \$125,000 loan was issued to conduct site assessment activities on a 4.78 acre site that was used for ink manufacturing from the early 1930s until 2004. The site is contaminated with petroleum hydrocarbons and other chemicals, and contains a groundwater plume that has also been impacted by an offsite source. The site has been targeted for redevelopment into an auto dealership by the borrower.

5. **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 ten years experience with the redevelopment of at least 80 Brownfield projects, utilizing a variety of environmental professionals, land use planners, and special environmental counsel. Although CCDC did not make any loans under the program, it was very successful in using the Polanco Act on numerous Brownfield properties downtown; therefore, the downtown developers did not need the program.

San Diego will be expanding its presence in the program by also including project areas covered by the Southeastern Economic Development Corporation and the Redevelopment Division of the City's Community and Economic Development Division. The RDA anticipates more redevelopment activity in its other redevelopment project areas that have potential brownfield issues and fewer resources than the City's redevelopment project area managed by CCDC. Loans would still be available for CCDC projects as well. The RDA allocates funds in each fiscal year budget for project area administration (17 project areas) and project development. These funds can be and have been used for environmental investigations and sometimes full remediation efforts for projects, and are therefore available to provide both matching funds and services. More information can be found at the following websites: CDC: www.ccdc.com/index.cfm/fuseaction/projects.loans/#calreuse and City of San Diego: www.sandiego.gov/redevelopment-agency/links.shtml

No loans have been issued to date.

6. **City of Bakersfield.** The City of Bakersfield and the Bakersfield Redevelopment Agency have developed partnerships with the State of California Water Resource Control Board by participating in its Contamination Orphan Site Cleanup Program, and with the U.S. Environmental Protection Agency by taking part in its Revolving Loan Fund for Brownfields. Leveraging these financial resources, the City of Bakersfield and the Bakersfield Redevelopment Agency have been successful in facilitating brownfield site assessment and assisting with remediation processes of former oil refinery property wastes, steel foundry wastes, and asbestos removal. The City of Bakersfield, Fire Prevention Services Division, is the California Certified Unified Program Agency for the City and has expertise in the areas of hazards materials, hazardous waste, underground storage tanks, etc., providing information and assistance to individuals and small business in site assessment and remediation of brownfields.

No loans have been issued to date.

Attachment III

CALReUSE Site Assessment Program Program Loan Activity by Strategic Partner through December 31, 2007

Strategic Partner*	Borrower	Approved Loan Amount	Loan Issuance Date	Date Loan Due	Total Amount Borrowed/Drawn Down to Date	Outstanding Loan Balance	Loan Status*
CERF/CCLR ('03-'06)	Alabama Street Housing Association	\$125,000.00	03/01/04	03/01/07	\$14,150.84	\$0.00	Loan Paid in Full
	Castlewell Properties, Inc.	\$5,740.00	10/03/05	10/03/08	\$5,740.00	\$0.00	Loan Forgiven
	First Community Housing, Inc.	\$125,000.00	11/08/04	11/08/07	\$57,773.91	\$0.00	Loan Paid in Full
	Mid-Peninsula Housing Coalition	\$34,000.00	03/08/04	03/08/06	\$13,603.48	\$0.00	Loan Forgiven
	South County Housing	\$125,000.00	04/12/04	04/12/06	\$54,889.60	\$0.00	Loan Paid in Full
	Thomas & Barbara Brenkwitz	\$82,705.00	02/10/04	8/1/2006	\$81,885.16	\$0.00	Loan Paid in Full
	Urban Pacific Builders, LLC	\$125,000.00	03/01/04	03/01/07	\$44,684.20	\$0.00	Loan Paid in Full
	World of Good Taste, Inc.	\$85,000.00	09/29/03	10/01/08	\$76,403.57	\$76,403.57	
	General Environmental Management	\$106,250.00	05/05/06	05/05/09	\$87,407.34	\$0.00	Loan Forgiven
	Dewey-Koar, LLC	\$125,000.00	05/18/06	05/18/09	\$125,000.00	\$0.00	Loan Paid in Full
	Transition Properties, LP	\$98,723.00	04/05/06	04/05/09	\$30,030.44	\$30,030.44	
	COMM22 LLC	\$125,000.00	06/16/06	06/16/09	\$98,643.00	\$98,643.00	
	CCLR ('07)	Mercy Housing California	\$62,000.00	03/05/07	03/05/10	\$35,020.50	\$35,020.50
Bridge Housing Ventures, Inc.		\$125,000.00	06/18/07	01/30/10	\$106,250.00	\$106,250.00	
Sky Terrace Investors LLC		\$125,000.00	10/31/07	10/31/10	\$0.00	\$0.00	
Burbank Housing		\$81,800.00	10/31/07	10/31/10	\$22,641.00	\$22,641.00	
Strategic Partner Total:	16 Loans	\$1,556,218.00			\$854,123.04	\$368,988.51	

* See Attachment II for details on Strategic Partner's loans.

Attachment III

Strategic Partner*	Borrower	Approved Loan Amount	Loan Issuance Date	Loan Date Due	Total Amount Borrowed/Drawn Down to Date	Outstanding Loan Balance	Loan Status*
City of Emeryville	Bayrock Residential, LLC	\$125,000.00	02/19/05	07/01/07	\$93,750.00	\$0.00	Loan Paid in Full
	Oliver & Company	\$42,000.00	07/03/03	02/01/05	\$31,253.58	\$0.00	Loan Paid in Full
	Resources for Community Development	\$22,793.00	07/30/03	07/30/06	\$17,094.74	\$0.00	Loan Paid in Full
	Emery Station Triangle LLC	\$125,000.00	12/26/07	01/01/11	\$0.00	\$0.00	
Strategic Partner Total:	4 Loans	\$314,793.00			\$142,098.32	\$0.00	
City of Oakland	San Pablo Auto Body	\$125,000.00	07/26/04	06/30/08	\$78,875.87	\$78,875.87	
	Thomas McCoy & Morris Wright	\$125,000.00	05/19/03	09/15/08	\$121,250.89	\$121,250.89	
	Tomorrow Development Co., Inc.	\$125,000.00	12/23/04	03/31/08	\$60,949.00	\$60,949.00	
	City of Oakland Redevelopment Agency	\$125,000.00	06/05/02	09/30/06	\$85,927.61	\$0.00	Loan Paid in Full
	Strategic Partner Total:	4 Loans	\$500,000.00			\$347,003.37	\$261,075.76
City of Berkeley	Rawson Blum & Leon, Inc.	\$125,000.00	06/01/07	06/01/10	\$106,250.00	\$106,250.00	
Strategic Partner Total:	1 Loan	\$125,000.00			\$106,250.00	\$106,250.00	
San Diego Redevelopment Agency	No loans issued to date						
City of Bakersfield	No loans issued to date						
Program Total: 25 Loans		\$2,496,011.00			\$1,449,474.73	\$736,314.27	

* See Attachment II for details on Strategic Partner's loans.