Creative Financing for Brownfields-Grayfields Redevelopment

New Partners for Smart Growth
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Redevelopment Economics

- 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

**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 (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

- **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

- 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

- 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

- 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

- 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

○ **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

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

- States with Bond-funded Brownfields Incentives –
  - Ohio, PA, Cal, Wisc.
- States with remediation/redevelopment tax credit programs –
- States/localities with dedicated sources of revenue –
- 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

- $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

- 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

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<thead>
<tr>
<th>Before</th>
<th>After</th>
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<tbody>
<tr>
<td><img src="image1.png" alt="2006 business park plan" /></td>
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<td><img src="image3.png" alt="2006 business park plan" /></td>
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<table>
<thead>
<tr>
<th>Before</th>
<th>After</th>
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</thead>
<tbody>
<tr>
<td>slots and nightclub plan</td>
<td>slots and nightclub plan</td>
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</table>

*Images courtesy of the Department of Housing and Urban Development (HUD)*
Alternatives to Bond Market TIF Financing – HUD 108 for Gateway South

- 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**

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>HUD 108</th>
<th>ED Bonds</th>
<th>BEDI Grant</th>
<th>State Grant</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>$ 13,275,000</td>
<td>$ 5,225,000</td>
<td>$ 975,000</td>
<td>$ 500,000</td>
<td>$ 19,975,000</td>
</tr>
</tbody>
</table>

### Uses of Funds

- **Projected Acquisition Sub-Total**:  
  - HUD 108: $ 7,310,767  
  - ED Bonds: $ 2,310,500  
  - Total: $ 10,121,267

- **Projected Relocation Sub-Total**:  
  - HUD 108: $ 3,630,500  
  - ED Bonds: $ 2,519,500  
  - Total: $ 6,150,000

- **Site Preparation**:  
  - HUD 108: $ 894,500  
  - ED Bonds: $ 894,500  
  - Total: $ 894,500

- **Implementation Fees**:  
  - HUD 108: $ -  
  - ED Bonds: $ -  
  - Total: $ -

- **Personnel**:  
  - HUD 108: $ 250,000  
  - ED Bonds: $ 250,000  
  - Total: $ 500,000

- **Legal/Accounting***:  
  - HUD 108: $ 75,000  
  - ED Bonds: $ 75,000  
  - Total: $ 150,000

- **Relocation Consultant Fees**:  
  - HUD 108: $ 50,000  
  - ED Bonds: $ 50,000  
  - Total: $ 100,000

- **Other/Contingency**:  
  - HUD 108: $ 20,000  
  - ED Bonds: $ 20,000  
  - Total: $ 40,000

- **Financing/Interim Costs**:  
  - HUD 108: $ -  
  - ED Bonds: $ -  
  - Total: $ -

- **Cost of Issuance**:  
  - HUD 108: $ 100,000  
  - ED Bonds: $ 100,000  
  - Total: $ 200,000

- **Capitalized Interest**:  
  - HUD 108: $ 1,089,233  
  - ED Bonds: $ 1,089,233  
  - Total: $ 2,178,466

- **Debt Service Reserve**:  
  - HUD 108: $ 975,000  
  - ED Bonds: $ 975,000  
  - Total: $ 1,950,000

### Totals by Source

- **HUD 108**: $ 13,275,000  
- **ED Bonds**: $ 5,225,000  
- **BEDI Grant**: $ 975,000  
- **State Grant**: $ 500,000  
- **Total**: $ 19,975,000
## Gateway South Benefit Analysis, ROI

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

- $36.4 million total
- $24.5 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
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