

# **FUTURE FEDERAL GRANT & FUNDING OUTLOOK:**



## ***What's Likely Still there, What Can Work for Brownfield Cleanup and Redevelopment***

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***“Economic Revitalization Through Brownfields”***

***October 18, 2017***

# *What this discussion cover...*



- Overview of commonly used federal tools – *looking beyond EPA for brownfield financing help*
  - ***USDA, EDA, CDBG***
- Snapshot of appropriations/funding levels for FY18
- Federal tax incentives – *what can we still count on?*
  - ***Historic rehabilitation, New Markets, Low-income housing tax credits***
- Examples along the way...

# ***Financing Programs: A Federal “Laundry List”***

## **What’s Been Used to Help Finance Brownfield Reuse?**

### **Loans**

- EDA capital for local revolving loan funds
- HUD funds for locally determined CDBG loans and “floats”
- EPA capitalized revolving loan funds
- SBA’s microloans
- SBA’s Section 504 development company debentures
- EPA capitalized clean water revolving loan funds (priorities set/ programs run by each state)
- HUD’s Section 108 loan guarantees
- SBA’s Section 7(a) and Low-Doc programs
- USDA business, intermediary, development loans

### **Grants**

- HUD’s Community Development Block Grants (for projects locally determined)
- EPA assessment, cleanup grants
- EDA public works and economic adjustment

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

- DOT (various system construction, preservation, rehabilitation programs)
- Army Corps of Engineers (cost-shared services)
- USDA community facility, business and industry grants

### **Equity capital**

- SBA Small Business Investment Cos.

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

- New Markets tax credits
- Historic rehabilitation tax credits
- Low-income housing tax credits
- Industrial development bonds
- Energy efficiency construction credits



***Fielding the team --  
Most commonly used  
(non-EPA) federal  
programs...especially  
in smaller communities***

- **HUD – CDBG**
- **EDA – public works, economic dislocation**
- **USDA – rural development/community facilities loans and grants, guarantees**
- **DOT – enhancement, construction, system rehab/modernization**

*Some blend of these programs can cover every aspect of the brownfield revitalization process...*

- brownfield reuse/redevelopment planning
- site acquisition
- environmental assessment
- removal or remediation of contamination
- installation of institutional controls
- site clearance, demolition, and debris removal
- rehabilitation of buildings
- construction of infrastructure, related improvements that enhance contaminated property value

# *HUD Entitlement and State/Small Cities CDBG Programs*

- Cities over 50,000 people get annual formula allocations
- Each state gets an annual funding allocation from HUD to meet small cities' (less than 50,000 population) community development needs
- CDBG funds must meet one of HUD's 3 broadly defined program objectives:
  - *addressing the needs of low- and moderate-income people (at least 51% of funds)*
  - *addressing slums and blight*
  - *meeting an urgent community need*

# ***CDBG Eligible Activities – With Links to Brownfield Needs -- Include:***

- Demolition and removal
- Rehabilitation of public and private buildings
- Planning
- Construction or reconstruction of infrastructure, neighborhood centers, recreation/public works facilities
- Can include coping with contamination as part of site preparation or infrastructure development
- Can be lent to private companies in some circumstances

## **For the state/small cities program –**

*– Each state sets its own project funding priorities, defines its own program requirements, within these objectives and activities*



# ***IL State/Small Cities CDBG***

**\$ 26.6 million in FY 2017 – making the fit to brownfields:**



- **Economic development -- \$2 million**
  - Eligible projects include – acquisition, construction, rehabilitation of structures (for business); infrastructure to support economic development (for municipalities)
- **Infrastructure fund -- \$14.4 million**
  - For projects involving water, sanitary, storm sewer upgrades – *what connection to preparing brownfields for new uses?*
- **Housing rehabilitation -- \$6.5 million**
  - Facilitate projects to encourage neighborhood revitalization, targeted to low-mod single family housing – *why not target to brownfield activities?*



# ***CDBG: Marsh Island Carry – Old Town, ME***

- Abandoned 3-acre Lily-Tulip paper plate manufacturing site on Penobscot River
  - Converted into waterfront park, 2 commercial buildings
  - Key funding included **\$400,000 state/small cities CDBG grant for infrastructure around commercial buildings**
  - Other funding included:
    - \$24,500 from the National Trails Recreation Act for trails, walkways, and river stabilization
    - \$8,000 from ME Forest Service for trees
- Leverage:** 4 new businesses, 30 jobs, \$18,000 in property tax revenues, open space



# ***CDBG -- Small Business Incubator, Walthill, NE***

- Small business incubator in Walthill (population 909)
- Renovated and modernized former 4,000 sq. ft. electric power plant site, built in 1910, abandoned 20+ years
- Financing included –
  - **\$105,000 in state small/cities CDBG**
  - \$150,000 local sources



# ***Economic Development Administration***

***Key EDA programs and initiatives that can support brownfield activities include:***

- Public works grants finance industrial development site and infrastructure preparation
- Economic dislocation program capitalizes RLFs for distressed areas
- Rural planning to support revitalization, through EDDs

**Key EDA competitive factor – high relative unemployment rate**

# *EDA/public works -- Plainview Steel – Plainview AR*

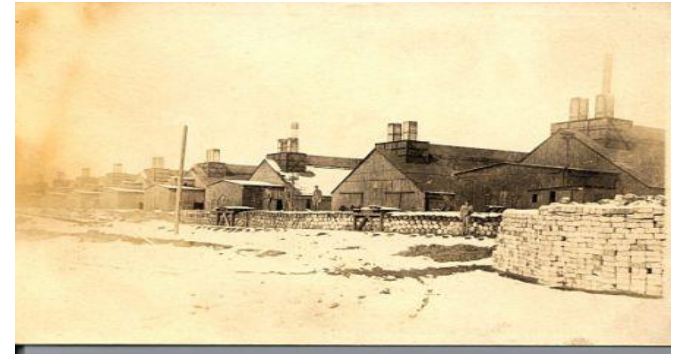
- Lumber/pressure treating facility, shut down in 1986 after quarter-century of operations; declared superfund site in 1999
- Cleaned, redeveloped as specialty steel plant
- **\$763,000 in EDA public works funding** supported site preparation, construction, infrastructure upgrading as part of \$1.1 million financing package
- **Today** – 25 new jobs, significant tax revenues for community





# *EDA/planning -- Cimarron Center -- Sand Springs, OK*

- Former zinc smelter, abandoned rail spur in small Oklahoma town
- Challenge was structuring a cleanup plan that made the site economically competitive with nearby greenfield for big-box retail
- Financing included **EDA planning resources**, local TIF
- **Leverage** -- Cimarron Center, with Wal-Mart Supercenter as anchor, has created 350 new jobs, added \$3.5 million in annual city sales tax revenues



# ***USDA Rural Development Programs***

**USDA rural development funds must meet broadly defined program objectives -- 4 key programs can do this within a brownfields context:**

- ***Community facility loans and grants*** – for a range of development and community benefit projects
- ***Business and industry loans/guarantees*** – to public or private organizations, for activities such as industrial park site development/rehabilitation or access ways
- ***Intermediary re-lending program*** – intermediaries such as local governments are loaned money to re-lend to companies, in order to finance business facilities
- ***Rural business development grants*** – given to provide operating capital and finance emerging private business and industry

# *How Can USDA Rural Development Programs Support Brownfield Reuse?*

*Eligible activities often can include: :*

- **Planning** for redevelopment or revitalization – for businesses and community facilities (*which could include brownfield projects*)
- **Site clearance/preparation**, including demolition – *key brownfield reuse/redevelopment activities*
- **Rehabilitation/improvement of sites or structures** – *which might need to include removal or remediation of contamination as part of project*
- **Construction** of real estate improvements
- **Installation** of amenities to enhance development

**Key USDA competitive factor – community population size**



# *USDA: Charleston Place – Seaford, DE*

- Abandoned sewing factory, built in 1920s
- Developed by non-profit Better Homes of Seaford
- **\$600,000 USDA rural development loan**, plus DE Housing Authority and private bank participation
- Ribbon cutting 1/9/06; fully occupied by March



# ***USDA: Potosi Brewery, Potosi, WI***

- Brewery built 1852 in Potosi (pop. 700), abandoned 1972
- Asbestos, lead paint, other contaminants
- **\$3.3 million B&I guaranteed loan** key to securing additional \$4.2 million in financing
- Transformed Potosi's main street; community involvement key
- **Result:** Refurbished as micro-brewery, brewing museum and library, opened June 2008
- 50 new jobs, 4 new beers



# ***DOT Transportation Programs***

- Must work thru state MPOs, local transportation agencies
- In March 2009, DOT re-affirmed its brownfield policy
  - *Transportation funding can be used for cleanup at sites integral to transportation system development/upgrades*
- DOT highway/transit/enhancement/construction/rehab/modernization programs can support related revitalization by:
  - *(1) helping upgrade existing facilities*
  - *(2) offer transportation amenities that improve access to – and marketability of – sites*
  - *(3) fund facilities and structures that serve as part of the remedial solution – caps*

# ***DOT: Former Conoco Tower – Shamrock, TX***

- Opened in 1936 to serve the new Route 66 cutting thru the city; combined gas station and “U-Drop Inn Café”
- Closed in mid-1990s
- Purchased by First National Bank of Shamrock in 1997 and donated to city
- Restored by city of Shamrock for use as Chamber of Commerce
- **\$1.7 million DOT enhancement grant** paid for most of the station restoration, supplemented by local fundraising
- Café is being restored as a revenue-generating enterprise to help cover maintenance costs
- *Fun fact:* inspired “Ramone’s Body Shop” in Disney movie “Cars”







**V.**



## ***FY 2018 appropriations and budget process –***

- **Building blocks for brownfield redevelopment/  
financing partnerships?**
- **Or a potential train wreck this year?**



## ***Congressional action underway***

- **House Committee mark-up good for**

—



# ***Appropriations – What we know so far....House subcommittee report out***

## ***Brownfields program total***

- FY 17 enacted – \$153.3 million***
- FY 18 House – \$163.2 million***
- Trump request – \$118.5 million***

## **Project grants (assessment/cleanup/RLF)**

- FY 17 enacted – \$80 million
- FY 18 House – \$90 million
- Trump request – \$69 million

## **Grants to states**

- FY 17 enacted – \$47.7 million
- FY 18 House – \$47.7 million
- Trump request – \$33.4 million

## **Management/t.a./staffing/other**

- FY 17 enacted – \$25.6 million
- FY 18 House – \$25.5 million
- Trump request – \$16.1 million

# *Appropriations – What we know so far....about other programs*

## **CDBG – national total**

- FY 17 enacted – \$3.0 billion
- FY 18 House – \$2.9 billion
- Trump request – \$0

## **EDA – national total (public works)**

- FY 17 enacted – \$140 million
- FY 18 House – \$140 million
- Trump request – \$0

## **DOT – Highways national total**

- FY 17 enacted – \$44.0 billion
- FY 18 House – \$45.0 billion
- Trump request – \$45 billion

## **DOT – Transit national total**

- FY 17 enacted – \$10.8 billion
- FY 18 House – \$10.3 billion
- Trump request – \$10.3 billion

## **USDA –Community facility loans total**

- FY 17 enacted – \$2.6 billion

## **USDA – Business & industry program**

- FY 17 enacted – \$920 million
- FY 18 House – \$819 million
- Trump request – \$0

## **USDA – Economic development grants**

- FY 17 enacted – \$24 million
- FY 18 House – \$20 million
- Trump request – \$0



# ***Making the brownfield/redevelopment fit NOW – What public tools can we count on for leverage?***

***Federal tools in place for sure...tax incentives***

## **Historic Rehabilitation Tax Credits**

- *Permanently authorized; no cap or aggregate limit*

## **New Markets Tax Credits**

- *\$7.5 billion allocated Nov. 2016*
- *\$3.5 billion authorized annually thru 2019*

## **Low-income Housing Tax Credits**

- *Permanently authorized; \$3.5 billion/year*



# *Advantages of Using Tax Incentives in Brownfield Projects*

- Increase project's internal rate of return
- Ease borrower's cash flow by freeing up cash ordinarily needed for tax payments
- Some credits can be sold for cash, or syndicated to attract additional investment
- Not subject to competitive public grant process – *you qualify, you win!*

# *Historic Credits – The Quick & Dirty*



- **20% credit** for work done on historic structures –  
To qualify:
  - Building must be used in a business or income producing
  - Building must be a “certified historic structure” or located in a “registered historic district”
  - Rehabilitation must be approved by SHPO
- **10% credit** for work on “non-historic” structures built before 1936; no certification required
- Rehabilitation must be “substantial”, with qualifying expenditures greater than the building’s basis
- Expenditures must be capital in nature, depreciable as real property
- Credit may be subtracted directly from federal income taxes by the owner in year of completion

# ***Historic Rehabilitation Tax Credits***

- Taken the year renovated, income-producing building put into service

***In FY 2016 – 1,299 projects, \$1.43 billion in credits***

- Leveraged ***\$7.16 billion*** in private investment
  - *17% of projects less than \$250,000 in size; 29% less than \$½ million; 50% less than \$1 million*
- Generated **\$5 billion** in state tax revenues, **\$4.9 billion** in local tax revenues
- Created ***108,528 jobs***
- Average Credit/Project = \$1.1 million
- Creative integration of energy, brownfield reuse elements

**Historic rehabilitation credits are permanently authorized, with no annual aggregate federal limit**

# *Ford Motor Assembly Plant,-- Richmond CA*

- Built in 1930, 520,000 sq.ft. ; closed 1953
- Original Albert Kahn “ daylight factory”
- Rehabilitation work began in 2004
  - *Included seismic retrofits, green performance measures, including solar panels on roof*
- **\$11 million in rehab tax credits**
- ***Today*** – houses several manufacturers of sustainable products, plus 45,000 sq ft meeting and entertainment venue



# *Thames Street Landing – Bristol, RI*

- \$8.3 million mixed-use redevelopment, including housing, hotel, and offices at a vacant downtown site
  - *200-year history – industrial uses started in 1861*
- Developed in phases; banks unwilling to provide follow-on financing until 1<sup>st</sup> phase generated a positive cash flow
- **Rehab tax credits key to generating positive cash flow, attracting additional private capital**
- Today, project is cornerstone for historic revitalization of Bristol waterfront





# ***New Markets Tax Credits – The Quick & Dirty***



- Projects must be located in low-income census tract or serve low-income population
- Eligible activities include – loans, equity investments and/or T.A.
- NMTCs distributed thru CDE allocatees
  - Low-income community reps on governing/advisory board

## ***How NMTCs can offer incentive for brownfield projects:***

- NMTC provides a 39% tax credit over 7 years to investors in qualified projects in low-income communities
  - *5% per year for 3 years, 6% per year for 4 years*
- NMTC is a yield enhancement
  - *Ex: \$10 million investment yields \$3.9 million in tax credits*
- A project that generates below market returns can provide market returns when combined with NMTC



# ***New Markets Tax Credits -- highlights of 2015-2016 funding round (announced 11/17/16)***

- **\$7 billion** authorized to 120 CDEs in 36 states
  - *Allocatees anticipate making investments in 44 states*
  - *9 Illinois-based allocatees awarded \$575 million*
- Distribution by area type:
  - *\$4.16 billion (59%) in major urban areas*
  - *\$1.41 billion (21%) in minor urban areas*
  - *\$1.27 million (20%) in rural areas*
- Planned loans to or equity investments in include:
  - *\$4.83 billion (71%) to finance/support business loans*
  - *\$2.01 billion (29%) to finance real estate projects*

# ***Family Health Care – Fargo ND***

- Former 1920 Pence Automobile Company renovated in 2011 to house consolidated operations of Family HealthCare
- **\$4.1 million** in NMTCs supported the \$14.8 million project
- Other financing:
  - *\$4.1 million in historic credits*
  - *\$6.6 million HRSA facility improvement grant*
  - *\$1.3 million from local foundations, corporate contributors*
  - *\$2.6 million in FHC equity*



# *Artspace Commons North – Salt Lake City, UT*

- Former metal scrap yard
- Redeveloped into 102 rent-to-own units
- Includes 53,000 sq. ft. of retail
- Solar array produces 312-kilowatts from 334 rooftop solar panels and 525 solar panels on an adjacent surface parking structure
- **Key concern** – financing gaps stemming from rehab of brownfield into affordable housing
- **Role of NMTCs** – \$27.1 million instrumental in attracting private capital from US Bancorp Community Development Corp., American Express Centurion Bank
- Significant additional private investment in surrounding area



# *Low-Income Housing Tax Credits – the Quick and Dirty*



- Can encourage capital investment in affordable housing/target investment to certain areas – vacant properties, brownfields, infill locations, other priority sites
  - *States get annual population-based allocation for distribution to communities and non-profits – approx. \$1.75 per capita*
- Investors can get 9% annual credit for 10 years for qualified new construction/rehabilitation costs (i.e. 90% of total) for projects not financed with federal subsidy
  - *Federal subsidy limits credit to 4%*
- Credits can be used for new construction, rehabilitation, or acquisition and rehabilitation

# *Low-Income Housing Tax Credits*

- Credits support a wide range of housing types/situations
  - *Urban, suburban, rural projects*
  - *Housing for families, special needs tenants, elderly*

*\$3.85 billion in credits issued in fiscal year 2015,  
supporting 90% of all affordable housing  
construction that year*

*Illinois has received \$621 million from 1987-2005,  
supporting 97,000 units*



# ***LIHTCs: Mifflin Mills – Lebanon, PA***

- Former vacant, blighted city block near downtown
- **Key concern** – attracting investors to rent-to-own project structure targeted to moderate-income families
- **Role of LIHTCs** – **\$1.5 million in tax credits essential to viability of financing package**
- **Result** – 20 units, PA's first affordable “rent-to-own” townhouse community
- Energy efficient construction, designed to blend into existing residential neighborhood



# *Albina Corner – Portland, OR*

- 3/4 acre Albina Corner is adjacent to a bus line and near a major light rail station
- Area is gateway to several inner-city neighborhoods, where small scale contaminants have deterred reuse.
- Site redeveloped into a mixed-use area that includes 48 units of low-income housing built over 12,000 square feet of commercial space; includes a child care center and a second floor courtyard and play lot
- **LIHTCs** one of 14 funding sources.





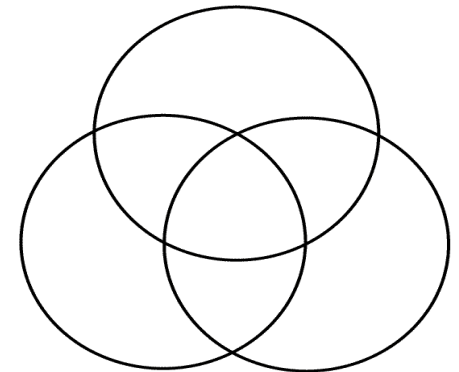


## *So – What ’s next in this volatile climate for brownfields?*

*“Fasten your seatbelts...  
it ’s going to be a bumpy ride ”*

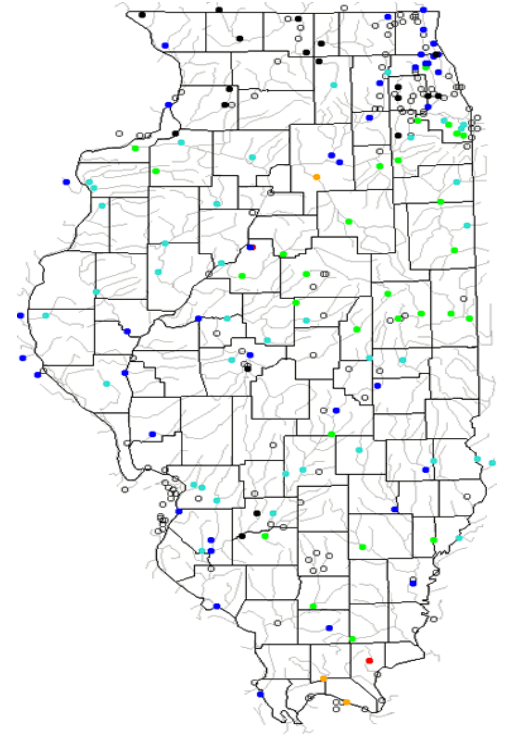
### *Key take-aways TODAY:*

- Public-private partnerships will be key, and this is the time to develop new ones that fit with current trends*
- Think creatively about ways to integrate “brownfields” into new areas – make it the center of your new “Venn diagram” of financing/levergaging for redevelopment*



# *What All This Means for Illinois Communities...*

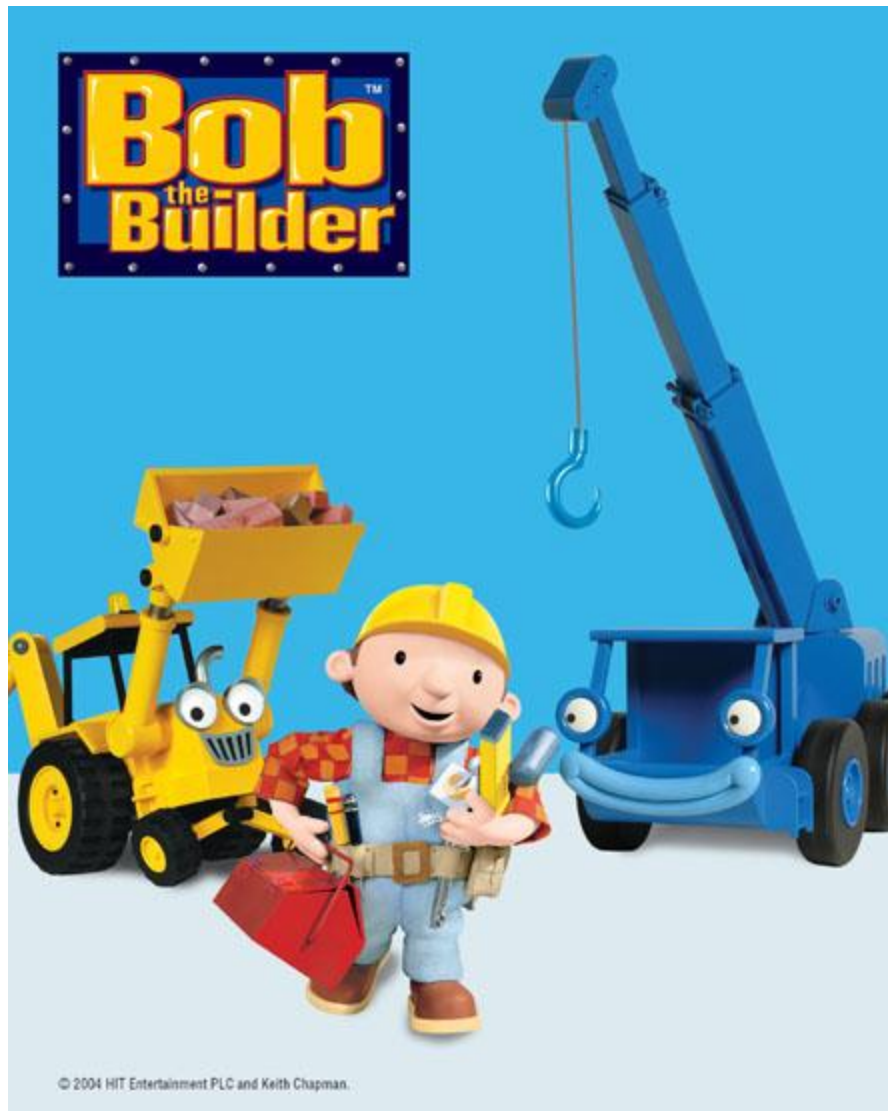
- Less reliance on federal assistance
- Need to recalibrate project financing strategies
- Need creative use of resources
- Thinking unconventionally – using a blend of guarantees and tax incentives in addition to grants
- Need to develop new resources – revamped TIF? Brownfield guarantees? State-local guarantees in tandem with federal grants? Contingency/shortfall/gap financing pots of \$\$?



# ***So, to wrap-up....when it comes to brownfield reuse --***

Any community, even the smallest rural crossroads, will face brownfield issues that may impede local development efforts...and they are facing them in a volatile federal climate with uncertain levels of resources.

- ***The question will be -- how can they identify and leverage \$\$\$ to achieve brownfield success?***
- ***Can they do it?***



*Yes, they  
can !!!*



***Bob does brownfields!!***

# ***Yes, they can!! Rosalia, WA –***

## ***Locally driven public-private partnerships can stimulate innovative site financing in small communities***

- 1923 vintage Texaco gas station, in downtown Rosalia, WA (pop. 600)
- Abandoned 21 years; UST issues
- Site as focus of “heritage tourism” main street revitalization strategy
- Converted to “gateway” retail, craft/farmers market, visitor center for nearby Steptoe Nat’l Battlefield, national forest

### ***Public financing sources include:***

- \$33,000 USTfields grant
- \$54,000 WA Dept of Ecology grant
- \$45,000 Whitman County “community development” grant





# ***Yes, they can!! Rosalia, WA – Locally driven public-private partnerships can stimulate innovative site financing in small communities***

## ***Partner donations include:***

- Development grant sharing from surrounding counties
- Rosalia Lions Club
- Rosalia “Gifted Grannies”
- Retired Texaco Executives Assn.
- Pro bono legal, remedial services
- Utility incentive rates
- Community sweat equity
- First-ever partnership with a state Dept. of Corrections





*For additional examples and  
information....*

*Contact Charlie Bartsch at my  
new coordinates*

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