CERF LLC

California Environmental Redevelopment Fund

Innovative Financing for Brownfields and Environmental Cleanup

The Company

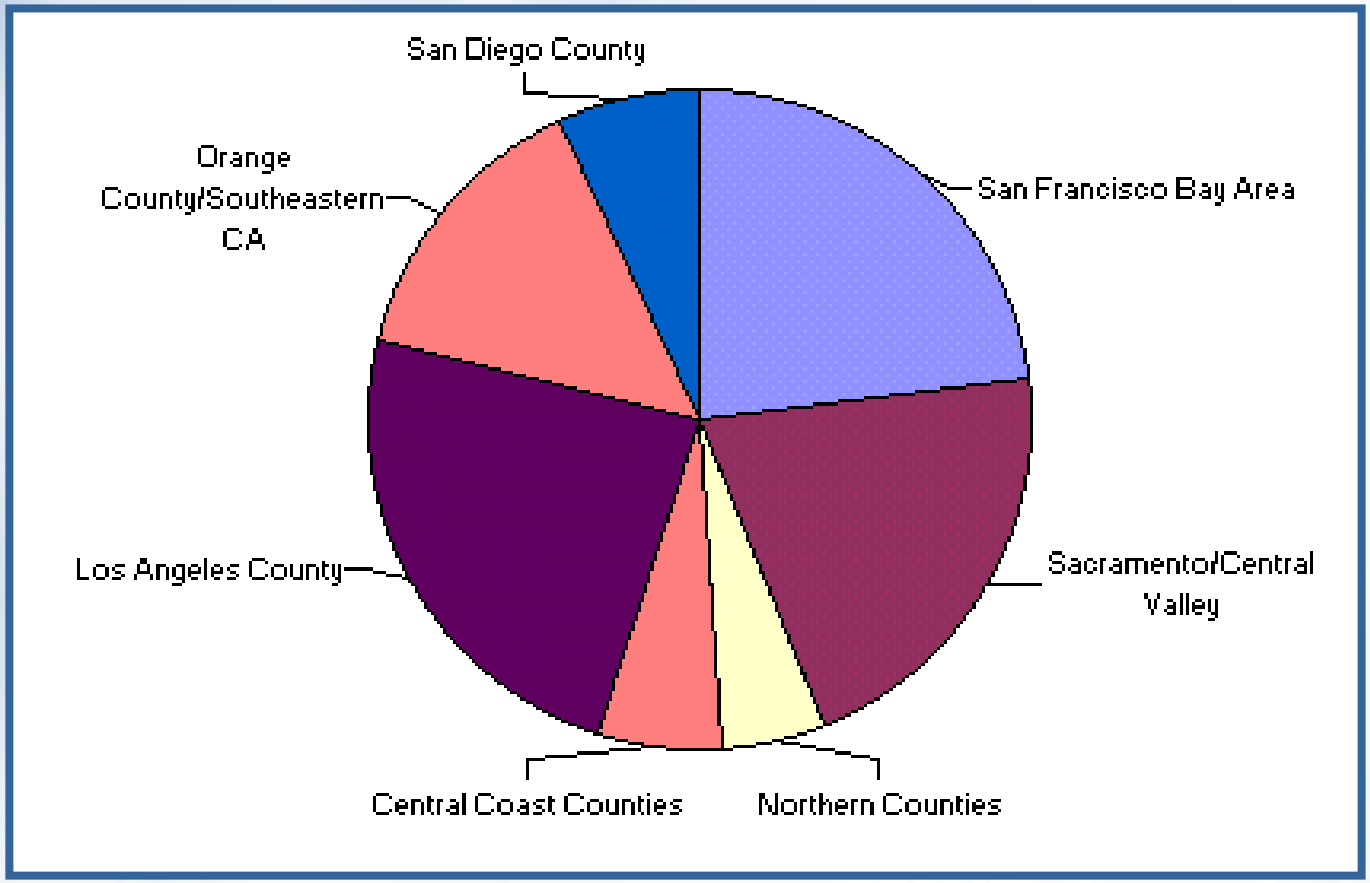
- We are a private, for-profit company designed to provide remediation and related financing, of contaminated sites anywhere in California
- We have resources of $32 Million, and are open to additional investor financing
- Investors currently are 19 California banks including, Washington Mutual, Citibank West, Bank of America, Bank of the West, the banks of Greater Bay Bancorp and Cedars Bank

CERF

Market Research:

- 90,000 contaminated sites in California
- Small, former or operating business sites, one acre or less, up to huge current or dormant industrial sites
- Estimated 90% are in the $5 Million or less cleanup cost range
- Due to safety and soundness, higher transaction costs, and time, banks will not make loans on contaminated sites
- None surveyed make loans specifically for remediation
- Private funds will invest, but usually focus on larger sites and will require high equity returns
- Public sector funds from time to time become available, but are limited in size and scope.

Distribution of Sites



CERF has identified **THREE** key market segments:

I. Private or Non-Profit Real Estate Developers or Investors
II. Operating Businesses or Commercial/Multi-Family Property Owners
III. Public Entities – Municipalities or RDA's

Use of Funds

- Site Remediation *or*
- Site
  - Acquisition
  - Improvement
  - Rehab/Construction
  - Pre-Development
  - General business purpose
  - Or combinations of the above
    - **All of the above uses made in conjunction with a remediation**

Types of Financing

- Interest only…
- Amortized … "mini-perm" up to 5 years
- Mezzanine or Equity…only on exception
- Participation…qualified lenders
- Pre-Construction or Construction…
- Loan guarantees…
- Public entity financing…RE or TIF

Rail Yard to Urban Center

- 65 acre development
- $5 million loan
- Five year term
- Funds used for part of remediation cost and entitlement expenses
- Private developer and institutional partner
- Environmental Insurance

Purchase of Property with Contamination

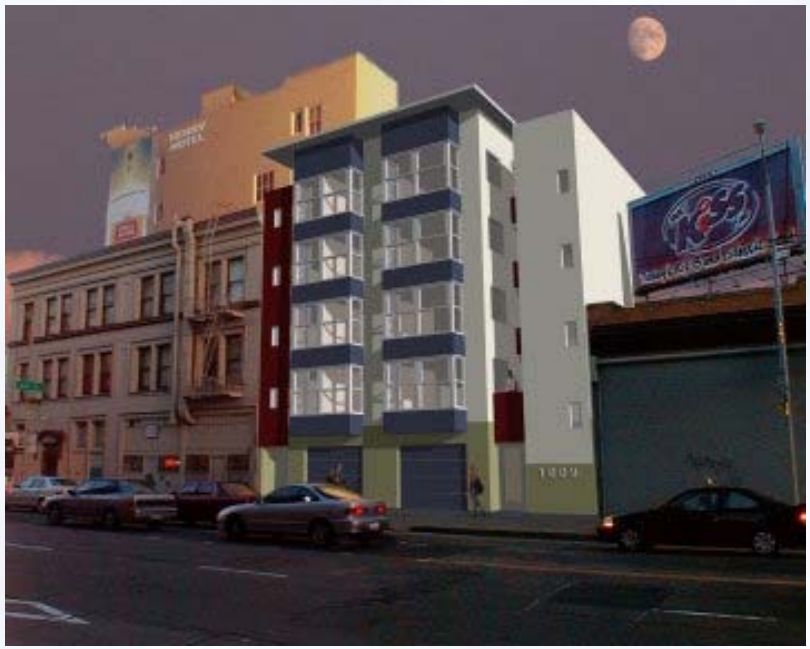
- $1.75 million loan to acquire building including $150,000 for building upgrades
- *Cleanup is being paid by UST Funds: assignment*
- Two year loan with options to extend

New Construction on Owned Land

- Land owned since 1988
- RP is paying for the cleanup/monitoring
- CERF $500,000 is being used for new construction/rehab
- To be used as Emissions testing center and auto repair

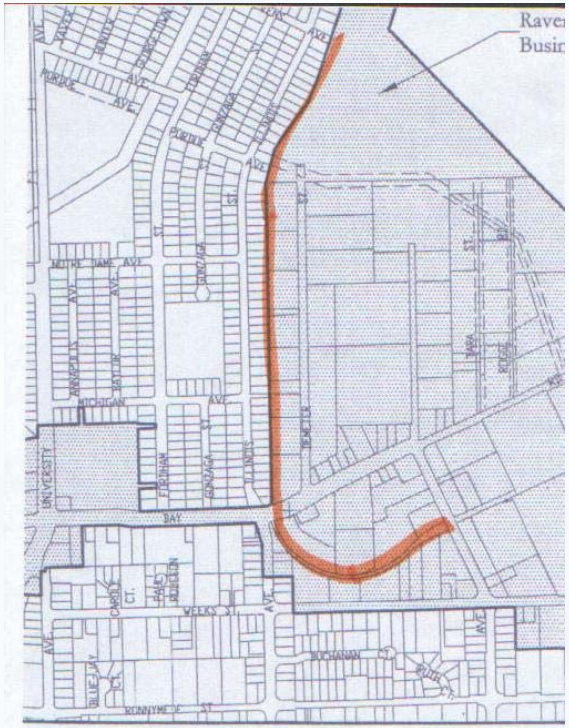
New Construction/Non Profit

- $1,000,000 loan
- Soil Contamination
- Remediation; soil removal
- Eight affordable condominium units – pre-qualified buyers
- Construction rolling to a Mini-perm loan



RDA Land-Clean Up

- $500,000 loan
- RP - $500,000
- R. Estate not appropriate collateral
- PTI pledge as security
- Exit: Cash flow PTI/Bond refi.



CERF Underwriting Standards:

- **Credit**… **Bank** underwriting standards for small and mid-size businesses and real estate loans.
- **Land loans**…are the exception and will have appropriate take-out provisions.
- **Environmental**…underwriting standards were developed **exclusively for CERF** by the Task Force.
- **Requirements…** include Phases I and II, a Remedial Action Plan and cleanup cost estimates. Detailed checklists and procedures are part of the process.
- **Documentation…**general requirements for credit and environmental underwriting are on the website www.ca-cerf.com and in the brochure.

CERF Financing Terms:

- Loans amounts from $500,000 to $5 million
- Rates are market and risk based
- Currently average between 4.5-5.5 % over Prime -floating
- Maturities from 6 months up to 5 years
- Collateral requirements vary with availability and risk
- LTV's are 50% for land and 75% improved both "as is - as clean"
- Personal guarantees usually required
- Environmental Insurance usually required.

The Process

Submit Documentation

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CERF Staff Review

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CERF Investment Committee Review

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Decision

Cal ReUSE

(California Recycle Underutilized Sites Program)

<u>Site Characterization:</u> Funds to determine the extent of contamination and the cost of cleanup is generally not available conventionally.

- CPCFA under Cal ReUSE Program will provide loans for characterization
- Up to $**125,000** per site.
- Subsidized rate currently is **2.66%.**
- No payments until: term (3 years), sale or development
- 15% (match) is required from borrower.
- Loans can be <u>extended</u>
- Loans can be <u>forgiven</u>

Cal ReUSE…cont'd

CERF & CCLR…are the "Statewide Strategic Partner"

- Accept applications and select eligible projects,
- Underwrite both the credit and the environmental conditions,
- Approve all loans,
- Administer all loans,
- Determine eligibility for loan extensions,
- Determine eligibility for loan forgiveness.
- Application Packet: www.ca-cerf.com

Benefits of CERF

- A small, private company - committed and able to get answers **quickly**
- A company designed and funded **only** for, complete contaminated property financing…unlike any other institution or agency we know of
- A Staff and Investment Committee made up entirely of credit, environmental and insurance specialists…your deal will get **informed** attention and care
- Statewide **provider** of Cal ReUSE funds.

California Environmental Redevelopment Fund

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Next Session

11:00 a.m. – 12:15 p.m.

Urban Real Estate Development And Financing Programs