

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
CALIFORNIA RECYCLE UNDERUTILIZED SITES (CALReUSE) ASSESSMENT PROGRAM
Meeting Date: March 26, 2008

Executive Summary
Request for Increased Allocation of Funds for Strategic Partners

Prepared by: *Deana Carrillo*

Issue. The successful lending efforts of the Emeryville Redevelopment Agency (“Emeryville” or “Agency”) and the statewide Strategic Partner, the Center for Creative Land Recycling (CCLR or “see clear”) in administering the California Recycle Underutilized Sites (CALReUSE) Site Assessment Program (“Program”) has resulted in the need for additional allocation to meet the anticipated demand on the Program over the next twelve months. Staff is requesting that an additional allocation be transferred from the CPCFA Program Fund for the Strategic Partners in the amounts of \$275,000 to the Emeryville Redevelopment Agency and \$1,000,000 for CCLR.

Background. The CALReUSE Site Assessment Program has begun operating under the adopted emergency regulations, enacted on February 29, 2008. The Program provides forgivable loans up to \$500,000 for brownfield site assessment and characterization, technical assistance, and remedial action planning.¹ Eligible projects include sites with potential beneficial reuse not currently redeveloped due to lack of information about real or perceived contamination, uncertainty about clean up costs, or concern regarding timeframes and the regulatory process. Priority is given to projects located in distressed neighborhoods with demonstrated community support.

In March 2007, the Authority entered into two-year contracts with Strategic Partners to administer the Program. Additionally, the Authority allocated an initial \$150,000 to the Emeryville Redevelopment Agency and \$2,000,000 to CCLR to administer loans under the Program.

Performance. The Emeryville Redevelopment Agency has been a Strategic Partner since the inception of the Program, successfully administering 4 loans within its jurisdiction.

CCLR has been a Strategic Partner since 2003,² and as the statewide Strategic Partner has successfully administered 16 loans, over half of the total number of loans that have been administered program-wide over time.

Anticipated Demand. Demand for loans from the CALReUSE Site Assessment Program is anticipated to increase significantly for a number of reasons, several of which include: the Authority’s recent modifications to the Site Assessment Program which broadened the number and types of brownfield sites eligible for financing; the overall expansion of CALReUSE to include brownfield cleanup financing through Proposition 1C funds which has raised the visibility of the program amongst housing developers across the State; the Programs newly increased loan amounts;³ as well as the natural progression of increased awareness of the program and its benefits over its lifetime.

Recommendation. Staff recommends that the Authority approve resolutions to increase Strategic Partners’ allocations under the existing contracts for the CALReUSE Site Assessment Program in the amounts of (1) \$275,000 for the Emeryville Redevelopment Agency, and (2) \$1,000,000 for the Center for Creative Land Recycling for funding loans under the CALReUSE Site Assessment Program.

¹ Loan limits are set at \$300,000 for brownfield sites in general and \$500,000 for brownfield sites that will be redeveloped in a fashion that promotes residential and mixed use development consistent with Proposition 1C.

² CCLR originally contracted as a co-Strategic Partner with the California Environmental Redevelopment Fund (CERF) (2003 – 2006), and became an independent Strategic Partner in 2007.

³ Loan amounts were increased from \$125,000 to \$300,000 for brownfield sites in general and \$500,000 for brownfield sites that will be redeveloped in a fashion that promotes residential and mixed use development consistent with Proposition 1C.

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
 CALReUSE Site Assessment Program
 Meeting Date: March 26, 2008**

Approval of Increased Allocation of Funds to Strategic Partners

Prepared by: Deana Carrillo

ISSUE. Staff requests the Authority’s approval of resolutions to allocate additional funding to 1) the Emeryville Redevelopment Agency (“Emeryville RDA”) and 2) the Center for Creative Land Recycling (CCLR, pronounced “see clear”), under the existing Strategic Partner contracts of the CALReUSE Site Assessment Program. The additional allocation is necessary for the Strategic Partners to meet their anticipated demand over the next year.

Strategic Partner	2006 Board Allocation for Strategic Partner Contracts	Requested Amount of Additional Allocation	Projected Total Allocation as of Spring 2008
Emeryville RDA	\$ 150,000	\$ 275,000	\$ 425,000
CCLR	\$2,000,000	\$1,000,000	\$3,000,000

BACKGROUND.

Purpose of the CALReUSE Site Assessment Program

The goal of the CALReUSE Program is to spur the reuse and redevelopment of underutilized property with real or perceived contamination (brownfields). The program achieves this goal through providing pre-development dollars to address a gap in the funding of brownfield development. The most risk for any development project is at the pre-development phase. For brownfield-based projects (as opposed to “greenfield” projects on previously undeveloped land), many developers are hesitant to invest funds because the ultimate costs of remediation – and thus development – are unknown or unclear.

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

The CALReUSE Program provides forgivable loans of up to \$300,000 for general brownfield sites and \$500,000 for brownfield sites that will be redeveloped to produce infill housing. Loan proceeds may be used for brownfield site assessment and characterization, technical assistance, and remedial action planning. Eligible projects include sites with potential beneficial reuse not currently redeveloped due to lack of information about real or perceived contamination, uncertainty about clean up costs, or concern regarding timeframes and the regulatory process. Priority is given to projects located in distressed neighborhoods with demonstrated community support.

Program Administration

CALReUSE is structured so that selected governmental or private entities – Strategic Partners – select projects in accordance with CPCFA guidelines, distribute loan funds, and administer the program. A complete listing of the CALReUSE Site Assessment Program loan activity by Strategic Partner can be found in Attachment I. 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. The Program is currently administered through one non profit agency that serves as the statewide Strategic Partner and five local government Strategic Partners, which include: the Center for Creative Land Recycling (CCLR), which provides statewide service, the Emeryville Redevelopment Agency, City of Oakland, City of Berkeley, City of Bakersfield, and the San Diego Redevelopment Agency.

The Strategic Partners operate under contracts with CPCFA, but do not receive any payment from CPCFA to administer the program.⁴ Strategic Partner Contracts are valid for a two year period, and may be extended at the discretion of the Authority for a one year period for non-governmental entities (for a total of three years) and for a total contract term of five years for a governmental entity. The Authority allocates each Strategic Partner with financing for a one year term. The Executive Director may extend a Strategic Partner’s allocation for an additional 6-month or one year term. Any increased allocation requests are brought to the CPCFA Board for approval.

The CALReUSE loans provided to developers are funded out of the CPCFA administrative fund generated by the large borrowers paying fees into the bond program. Ten million dollars were initially set aside as seed money for the CALReUSE Site Assessment Program. As illustrated in Attachment I, to date Strategic Partners have administered 25 loans totaling \$2,496,011. Only 12% of these loans have been forgiven, 40% have been paid back in full, and 48 % are currently outstanding.

Staff anticipates that the Authority will see an increase in activity in the CALReUSE Site Assessment Program, due to a combination of recent events including the 1) expansion of the Program’s loan terms and eligible sites, 2) ability to provide both assessment and cleanup financing, creating a potential of a “one-stop shop”, and 3) the maturity and natural growth of the Program.

STRATEGIC PARTNER ALLOCATIONS.

The Authority approved Strategic Partner selection and allocations for the 2007-2009 contracts in December 2006. The Strategic Partner’s allocations became valid upon execution of the contract, March 1, 2007, and were set to expire on February 29, 2008. All of the Strategic Partners requested extensions of their allocations with the exception of the City of Bakersfield.⁵ The Emeryville Redevelopment Agency and CCLR have requested additional allocations. The table below outlines the Strategic Partners’ allocations and loan activity for the 2007-2009 contracts to date.

⁴ The Strategic Partners may collect fees from developers who utilize the CALReUSE loans.

⁵ The City of Bakersfield chose not to extend its allocation; however, Bakersfield remains a Strategic Partner under contract through February 28, 2009. The decision was based on the City’s unanticipated decrease in staff that inadvertently affected its ability to administer and market the Program.

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Strategic Partner	2006 Allocation for 2007-2009 Contracts	Amount of Loans Issued in 2007	Number of Loans Issued in 2007	Remaining Unencumbered Allocation	Requested Amount of Additional Allocation	Projected Total Allocation for Spring 2008
Emeryville RDA	\$ 150,000	\$ 25,000	1	\$ 25,000	\$ 275,000	\$ 425,000
CCLR	\$2,000,000	\$393,800	4	\$1,606,200	\$1,000,000	\$3,000,000
City of Bakersfield	\$ 500,000	–	–	\$ 500,000	–	–
San Diego RDA	\$1,000,000	–	–	\$1,000,000	–	\$1,000,000
City of Berkeley	\$ 400,000	\$125,000	1	\$ 275,000	–	\$ 400,000
City of Oakland	\$1,000,000	–	–	\$1,000,000	–	\$1,000,000
Program Total	<u>\$5,050,000</u>	<u>\$ 693,800</u>	<u>6</u>	<u>\$4,406,200</u>	<u>\$1,225,000</u>	<u>\$5,825,000</u>

STRATEGIC PARTNER REQUESTS FOR ADDITIONAL ALLOCATION.

Emeryville Redevelopment Agency. 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.

Performance. Emeryville has been a Strategic Partner since the Program’s first round of funding in 2004. Emeryville has financed four loans totaling \$314,793, of which three have been repaid and one remains outstanding. Emeryville’s current unencumbered allocation is \$25,000. An increased allocation of \$275,000 will give the city a total of \$300,000 to continue to successfully administer the program within its jurisdiction.

Anticipated Demand. While the Agency does not have imminent anticipated loans to date, it has identified a number of potential sites that meet the Program’s mission and eligibility requirements. The Agency has found that these sites are smaller, and would require loans of up to \$50,000. CALReUSE funds, partnered with other sources of funds available to Emeryville, would enable the Agency to provide financing for 2-3 sites over the next year.

CCLR. The Center for Creative Land Recycling is a nonprofit organization focused on creating sustainable communities by identifying and implementing responsible patterns of land use and development. CCLR’s mission is to encourage and facilitate land recycling in ways that revitalize urban areas, discourage urban sprawl, and conserve greenspace. CCLR was founded in 1996 as a project of The Trust for Public Land (TPL), a national, nonprofit land conservation organization with seed funding from The James Irvine Foundation. CCLR became an independent 501(c)(3) organization in 1999. CCLR promotes the reuse and recycling of brownfields. CCLR’s work is accomplished through training, technical assistance, and small grants for communities that are attempting to revitalize vacant or environmentally distressed properties. CCLR is currently a statewide Strategic Partner.

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Performance. CCLR has been a statewide Strategic Partner since 2003. 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 half of the loans under CALReUSE, sixteen loans totaling \$1,556,218 under the Program. Of its overall financing to date, 38 percent of the loans have been repaid in full, 19 percent have been forgiven, and 44 percent are currently outstanding.

Anticipated Demand. As the CALReUSE statewide partner, CCLR has received a significantly growing number of inquiries over the last three months alone. To date, CCLR has been contacted by a dozen potential borrowers with overall project costs of approximately \$2.725 million. An additional allocation of \$1,000,000 would set aside \$2.6 million of unencumbered allocation for this Strategic Partner to administer. The table below illustrates CCLR’s anticipated demand to date for Program financing over the next year; additionally, CCLR anticipates receiving a significant amount of new inquiries and applications with the impending roll out of the CALReUSE Remediation Program.

City of Potential Project	Type of Project	Estimated Amount
Santa Rosa	Mixed Use	\$175,000
County of Mendocino	Unknown	300,000
Huntington Park	Industrial	300,000
Huntington Beach	Mixed Use	300,000
Bell Gardens	Industrial	300,000
San Francisco	Office	200,000
Englewood	Commercial	125,000
Stockton	Commercial	125,000
Carson	Retail	300,000
Long Beach	Mixed Use	300,000
Santa Fe Springs	Industrial	300,000
		<u>\$2,725,000</u>

RECOMMENDATION. Staff recommends that the Authority approve resolutions to increase Strategic Partners’ allocations under the existing contracts for the CALReUSE Site Assessment Program in the amounts of (1) \$275,000 for the Emeryville Redevelopment Agency, and (2) \$1,000,000 for the Center for Creative Land Recycling for funding loans under the CALReUSE Site Assessment Program.

Agenda Item – 4.B.1.

**A RESOLUTION OF THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
AUTHORIZING INCREASED ALLOCATION OF \$275,000 TO THE EMERYVILLE
REDEVELOPMENT AGENCY FOR MAKING LOANS UNDER THE CALIFORNIA RECYCLE
UNDERUTILIZED SITES (CALREUSE) ASSESSMENT PROGRAM**

March 26, 2008

WHEREAS, the California Pollution Control Financing Authority (the “Authority”) was created under the provisions of the California Pollution Control Financing Act as contained in Section 44500, et seq., of the Health and Safety Code; and

WHEREAS, the Authority is vested with all powers necessary to carry out the powers and responsibilities of the California Pollution Control Financing Act pursuant to Health and Safety Code Section 44517; and

WHEREAS, the Emeryville Redevelopment Agency is a current Strategic Partner in the California Recycle Underutilized Sites (CALReUSE) Assessment Program (the “Program”) as defined by Article 9 of the Authority’s regulations (the “Regulations”);

WHEREAS, the Emeryville redevelopment Agency has requested \$275,000 of additional funding allocation in order to continue administering the Program within its jurisdiction; and

WHEREAS, the Authority finds that an additional funding allocation for CALReUSE Site Assessment loans initiated through the Emeryville Redevelopment Agency is necessary to continue the success of the Program.

NOW, THEREFORE BE IT RESOLVED, by the Authority, as follows:

Section 1. The Authority authorizes the transfer of \$275,000 from the CPCFA Fund to the Emeryville Redevelopment Agency Strategic Partner Escrow Account for the purpose of funding loans for brownfield site assessment and characterization, technical assistance, and remedial action planning.

Section 2. This resolution shall take effect immediately upon its approval.

**A RESOLUTION OF THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
AUTHORIZING INCREASED ALLOCATION OF \$1,000,000 TO THE CENTER FOR CREATIVE
LAND RECYCLING FOR MAKING LOANS UNDER THE CALIFORNIA RECYCLE
UNDERUTILIZED SITES (CALREUSE) ASSESSMENT PROGRAM**

March 26, 2008

WHEREAS, the California Pollution Control Financing Authority (the “Authority”) was created under the provisions of the California Pollution Control Financing Act as contained in Section 44500, et seq., of the Health and Safety Code; and

WHEREAS, the Authority is vested with all powers necessary to carry out the powers and responsibilities of the California Pollution Control Financing Act pursuant to Health and Safety Code Section 44517; and

WHEREAS, the Center for Creative Land Recycling is a current Strategic Partner in the California Recycle Underutilized Sites (CALReUSE) Assessment Program (the “Program”) as defined by Article 9 of the Authority’s regulations (the “Regulations”);

WHEREAS, the Center for Creative Land Recycling has requested \$1,000,000 of additional funding allocation in order to continue administering the Program to all project locations across the State; and

WHEREAS, the Authority finds that an additional funding allocation for CALReUSE Site Assessment loans initiated through the Center for Creative Land Recycling is necessary to continue the success of the Program and make CALReUSE Site Assessment loans accessible to borrowers throughout the State.

NOW, THEREFORE BE IT RESOLVED, by the Authority, as follows:

Section 1. The Authority authorizes the transfer of \$1,000,000 from the CPCFA Fund to the Center for Creative Land Recycling (CCLR) Strategic Partner Escrow Account for the purpose of funding loans for brownfield site assessment and characterization, technical assistance, and remedial action planning.

Section 2. This resolution shall take effect immediately upon its approval.