

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
CALIFORNIA RECYCLE UNDERUTILIZED SITES (CALREUSE) PROGRAM**

Meeting Date: February 25, 2009

***Request for Approval of Funding Allocations to
Strategic Partners for the Assessment Program***

Prepared by: *Deana Carrillo*

Summary. Staff is requesting the Authority’s approval of a resolution to allocate funds to the Strategic Partners for the California Recycle Underutilized Sites (CALReUSE) Assessment Program (Program) in the amounts listed below for the purpose of funding loans under the Program.

Table 1		
Strategic Partner	Allocation Amount Requested by the Strategic Partner	6-Month Allocation Amount Recommended by the Authority* <u>Not To Exceed</u>
CCLR (statewide)	\$4,000,000	\$1, 273 26,407
Emeryville Redevelopment Agency	\$300,000	\$300,000
City of Oakland	\$1,000,000	\$400,000
City of Berkeley	\$293,750	\$125,000
San Diego Redevelopment Agency	\$864,844	\$400,000
Total	\$6,458,594	\$2,551,407
* Note: Recommended allocations were determined through an analysis of available Program funds as of 1/31/09, and may be modified subsequent to any additional loan activity by the Strategic Partners during the month of February.		

In providing the recommended allocation, staff considered the following three criteria:

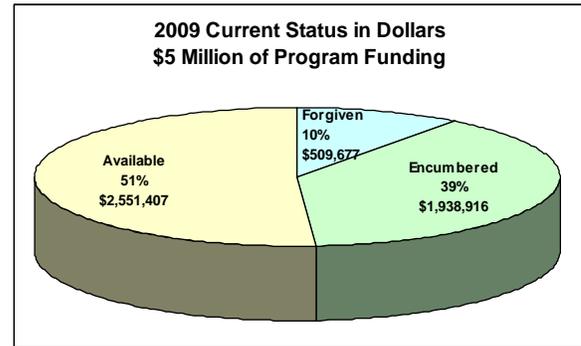
1. Availability of program funds. In 2008, the Program’s original set-aside of \$10 million for seed funding was decreased to \$5 million for the Program. This decrease in funding was necessary to address the Authority’s overall budget issue.
2. Strategic Partner contract viability. Allocations should be reasonable to ensure each Strategic Partner can actively administer the Program within its service area and ensure that contracts remain viable under the Program.
3. Need for funds. Recommended allocation is also prioritized based on the “need” for funds, which is shown through a Strategic Partner’s anticipated pipeline over the next year.

Strategic Partners are operating under contracts that were executed in March 2007, and will be extended for an additional year until February 28, 2010.¹ Strategic Partners’ allocations of funds

¹ Contracts have a two (2) year term with the allowance of a one year extension. All Strategic Partners except for the City of Bakersfield have requested the option to extend their contracts. The City of Bakersfield’s decision was based on an unanticipated decrease in staff that inadvertently affected the city’s ability to administer and market the Program.

are also set to expire on February 28, 2009 except for San Diego Redevelopment Agency which expired on February 1, 2009. Staff is recommending that the allocation be for a 6-month period; this will enable the Authority to shift funds to Strategic Partners that may have more demand for funds after the initial period.

As of January 30, 2009, of the \$5 million of funds for the Program, \$1,938,916 (39%) is currently encumbered in 16 existing loans; \$509,676.96 (10%) have been forgiven over the life of the Program; and \$2,551,407 (51%) is available for the current allocation for Strategic Partners to administer the Program over the next year. To date, \$3,629,404 has been distributed through 34 loans, of which \$1,022,498 have paid back in full with interest and is being revolved and reused.



Background. The CALReUSE Site Assessment Program provides forgivable loans up to \$500,000 for brownfield site assessment and characterization, technical assistance, and remedial action planning.² 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.

Purpose of the Program

Established in 2001, 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.

² 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.

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. 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 four 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, and the San Diego Redevelopment Agency. A description of the Strategic Partners can be found in Attachment I, and a complete listing of the CALReUSE Site Assessment Program loan activity by Strategic Partner can be found in Attachment II.

The Strategic Partners operate under contracts with CPCFA, but do not receive any payment from CPCFA to administer the program.³ As noted above, 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 a total of three years). The existing two-year contract is set to expire on February 28, 2009, and the Authority will be extending the contract for an additional one-year term.

The Authority typically 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, and any increased allocation requests are brought to the CPCFA Board for approval. Given the current demand on the Program, staff is recommending that the board approve allocations for a 6-month period. This modified time period will enable the Authority’s board to shift funds if necessary to Strategic Partners that have the most viable pipelines after the established 6-month period.

Strategic Partner	Original Contract Allocation	2008 Additional Allocation	Loan Amt. Approved	No. of Loans
CCLR (statewide)	\$2,000,000		\$1,317,037	10
Emeryville Redevelopment Agency	\$150,000	\$275,000	\$125,000	1
City of Oakland	\$1,000,000		\$75,000	1
City of Berkeley	\$400,000		\$125,000	1
San Diego Redevelopment Agency	\$1,000,000		\$135,156	2
City of Bakersfield	\$500,000			0
Total	\$5,050,000	\$5,325,000	\$1,777,193	15

³ The Strategic Partners may collect fees from developers who utilize the CALReUSE loans.

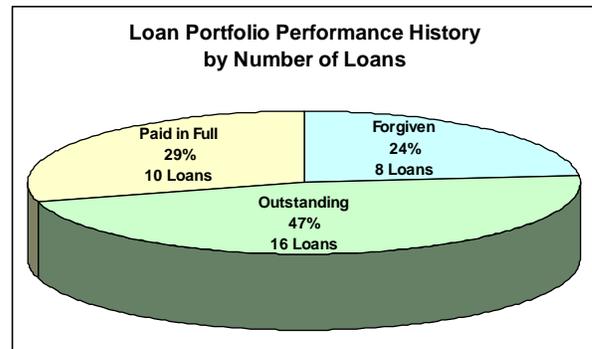
Funding for the Program

The CALReUSE Assessment loans provided to developers are funded out of the CPCFA administrative fund generated by the large borrowers in the bond program. At the Program’s inception in 2001, the Authority set aside \$10 million of CPCFA administrative funds as seed money for the Program, and anticipated a loan forgiveness rate of 40%. Since this time, the Authority has faced budgetary pressures in 2008 and the Program’s overall funding was limited to \$5 million.

The Program, pursuant to the Regulations, also requires a 25% Match for each loan issued, the cost of which is shared by the Strategic Partner and the individual borrower. For each loan a Strategic Partner may attribute 10% of the match with its “in-kind” efforts attributable to staff overhead and costs required to administer the Program. For the public sector entities, the balance of the 15% cash match is provided by various revenue sources identified in the proposals. For the private sector statewide partner, CCLR, borrowers are required to provide equity in the amount of 15% of the entire loan. The equity match required of the borrower provides a layer of confidence insuring that viable applicants will apply for the program funds. In the instance where the borrower is a public entity, an agreement may be arranged to use certain dedicated project funding resources as a portion of the Match. Additionally, CCLR assesses a 2% one-time fee to offset marketing and administrative expenses.

Loan Portfolio Performance

As noted above and illustrated in Attachment I, from 2004 through January 30, 2009 Strategic Partners have administered 34 loans totaling \$3,624,404. Only 8 of these loans (10% of the \$5 million overall Program funds and 14% of the \$3.6 million loaned to date) have been forgiven or are in the process of requesting forgiveness, 10 (\$1,022,498) have been paid back in full, and \$1,938,916 are currently encumbered in 16 existing loans.



Strategic Partners Anticipated Pipelines. Several of the Strategic Partners have experienced an increased interest and demand on the program which is most likely due to a number of factors; including 1) modifications to the regulations that increased the maximum loan amounts from \$125,000 to \$300,000 for brownfield sites in general and \$500,000 for potential housing sites; 2) an increase in public awareness of the program due to the development of the Remediation Program and some Strategic Partners (Oakland and CCLR) becoming “one-stop shops” due to their administration of both the Assessment and Remediation Programs; and 3) the economic downturn has led numerous developers to explore alternative options to traditional bank construction loans.

Agenda Item – 4.B.

Center for Creative Land Recycling: CCLR is currently working with over 10 potential applicants across the State that are anticipated to request a total amount of approximately \$4.5 million. The statewide Strategic Partner currently receives approximately 10-15 inquiries a month specific to the Assessment Program.

Emeryville is currently working with a potential applicant for a loan of approximately \$300,000.

Oakland is currently working with 5 potential applicants that are anticipated to request approximately \$400,000 for their projects. The city has requested an additional \$200,000 for sites/applicants in the future.

The ***City of San Diego*** is currently working with 5 potential applicants for a potential total amount of requested funding of approximately \$560,000.

The ***City of Berkeley*** does not have a potential pipeline at this time.

Recommendation. Staff recommends that the Authority approve staff's request to fund Strategic Partner allocations not to exceed the amounts listed above for a 6-month period.

A RESOLUTION OF THE CALIFORNIA POLLUTION CONTROL FINANCING
AUTHORITY AUTHORIZING THE ALLOCATION OF FUNDING TO THE STRATEGIC
PARTNERS FOR MAKING LOANS UNDER THE CALIFORNIA RECYCLE
UNDERUTILIZED SITES ASSESSMENT
PROGRAM
February 25, 2009

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, Emeryville Redevelopment Agency, City of Oakland, San Diego Redevelopment Agency and City of Berkeley are current Strategic Partners under the CALReUSE Assessment Program; and

WHEREAS, the Strategic Partners require funding allocation to administer the Program and continue to make CALReUSE loans accessible to borrowers across the State; and

NOW, THEREFORE BE IT RESOLVED, that the Authority has allocated funding not to exceed the following amounts to each Strategic Partner for funding loans under the Program:

Emeryville Redevelopment Agency	\$ 300,000
City of Oakland	\$ 400,000
San Diego Redevelopment Agency	\$ 400,000
City of Berkeley	\$ 125,000
Center for Creative Land Recycling (CCLR)	<u>\$1,326,407</u>
Total	<u>\$2,551,407</u>

Section 1. The Authority authorizes a total allocation not to exceed \$2,551,407 to the Strategic Partners for funding loans under the Program for a term of six months beginning on March 1, 2009.

Section 2. The Strategic Partners shall at all times make available their portion of the 25% Match as required by Section 8090(z) of Title 4, Division 11, Article 9 of the California Code of Regulations and as set forth in the contracts.

Section 3. This resolution shall take effect immediately upon its approval

Attachment I: Summary of Strategic Partner Qualifications

The **Center for Creative Land Recycling** (CCLR or "see clear") 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 the statewide Strategic Partner in the both the Assessment and Remediation Program.

Emeryville, through its redevelopment agency and other city branches has successfully developed several large brownfield properties. The Emeryville RDA is currently a Strategic Partner and 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 further has partnerships that facilitate the CALReUSE program, such as MOU's 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.

Oakland's Brownfields Program has been in existence for over ten years. Oakland has implemented a comprehensive brownfields strategy utilizing its Brownfields Team. The Team 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 contaminated 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 new business loans and assistance through the Oakland Business Development Corporation.

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 under its initial Strategic Partner contract with the Authority, it was very successful in using the Polanco Act on numerous Brownfield properties downtown; therefore, the downtown developers did not need the program. In 2007, San Diego expanded 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 anticipated 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. The RDA allocates funds in each fiscal

Attachment I: Summary of Strategic Partner Qualifications

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. San Diego has had a slow start-up in implementing the Program, and after addressing several challenges has recently executed its first two new loans under the Program.

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 enables 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 administers the loan program with technical assistance from the TMD.

**Attachment II: CALReUSE Assessment Program
Program Loan Activity by Strategic Partner through January 31, 2009**

Strategic Partner	Borrowers	Original Loan Amount	Loan Issuance Date	Loan Expiration Date	Total Amount Borrowed to date	Outstanding Principal Balance	Loan Status/Comments
CERF/CCLR (2003-2006)	Alabama Street Housing Association	\$125,000.00	3/1/2004	3/1/2007	\$14,150.84	\$0.00	Loan paid in full
	Castlewell Properties, Inc.	\$5,740.00	10/3/2005	10/3/2008	\$5,740.00	\$0.00	Loan forgiven
	First Community Housing, Inc.	\$125,000.00	11/8/2004	11/8/2007	\$57,773.91	\$0.00	Loan paid in full
	Mid-Peninsula Housing Coalition	\$34,000.00	3/8/2004	3/8/2006	\$13,603.48	\$0.00	Loan forgiven
CCLR (2007 to present)	South County Housing	\$125,000.00	4/12/2004	4/12/2006	\$54,889.60	\$0.00	Loan paid in full
	Thomas & Barbara Brenkwitz	\$82,705.00	2/10/2004	8/1/2006	\$81,885.16	\$0.00	Loan paid in full
	Urban Pacific Builders, LLC	\$125,000.00	3/1/2004	3/1/2007	\$44,684.20	\$0.00	Loan paid in full Loan forgiveness pending
	World of Good Taste, Inc.	\$85,000.00	9/29/2003	10/1/2008	\$76,403.57	\$76,403.57	Loan forgiven
	General Environmental Management, Inc.	\$106,250.00	5/5/2006	5/5/2009	\$87,407.34	\$0.00	Loan paid in full
	Dewey-Koar, LLC	\$125,000.00	5/18/2006	5/18/2009	\$125,000.00	\$0.00	Loan paid in full
	Transition Properties, LP	\$98,723.00	4/5/2006	4/5/2009	\$97,684.53	\$97,684.53	
	COMM22 LLC	\$125,000.00	6/16/2006	6/16/2009	\$98,643.00	\$98,643.00	Loan forgiveness pending
	Mercy Housing California	\$62,000.00	3/5/2007	3/5/2010	\$35,020.50	\$35,020.50	
	Bridge Housing Ventures, Inc.	\$125,000.00	6/18/2007	1/30/2010	\$125,000.00	\$125,000.00	
	Sky Terrace Investors LLC	\$125,000.00	10/31/2007	10/31/2010	\$113,058.79	\$0.00	Loan paid in full
	Burbank Housing Development Corp.	\$81,800.00	10/31/2007	10/31/2010	\$22,641.00	\$22,641.00	
	Resources for Community Dev.	\$100,000.00	3/21/2008	4/15/2011	\$52,863.00	\$52,863.00	
	Environmental Investments, LLC	\$174,237.00	6/13/2008	6/15/2011	\$0.00	\$0.00	
Revita WDI, LLC	\$127,000.00	8/20/2008	8/20/2011	\$55,699.70	\$55,699.70		
Ekloff, Inc.	\$300,000.00	8/28/2008	8/28/2011	\$154,651.04	\$154,651.04		
New Railroad Sqaure LLC	\$122,000.00	10/22/2008	10/22/2011	\$26,526.14	\$26,526.14		
Golden Pacific Partners	\$100,000.00	10/24/2008	10/24/2011	\$25,089.29	\$25,089.29		
Strategic Partner Total	22 Loans	\$2,479,455.00			\$1,368,415.09	\$770,221.77	

**Attachment II: CALReUSE Assessment Program
Program Loan Activity by Strategic Partner through January 31, 2009**

City of Emeryville	Bayrock Residential, LLC	\$125,000.00	2/19/2005	7/1/2007	\$93,750.00	\$0.00	Loan paid in full
	Oliver & Company	\$42,000.00	7/3/2003	2/1/2005	\$31,253.58	\$0.00	Loan paid in full
	Resources for Community Development	\$22,793.00	7/30/2003	7/30/2006	\$17,094.74	\$0.00	Loan paid in full
	Emery Station Triangle II, LLC	\$125,000.00	12/26/2007	1/1/2011	\$97,422.65	\$97,422.65	
Strategic Partner Total	4 Loans				\$239,520.97	\$97,422.65	
City of Oakland	San Pablo Auto Body	\$125,000.00	7/26/2004	10/31/2008	\$124,303.07	\$124,303.07	Loan forgiveness pending
	Thomas McCoy & Morris Wright	\$125,000.00	5/19/2003	9/15/2008	\$121,250.89	\$121,250.89	Administering loan extension
	Tomorrow Development Co., Inc.	\$125,000.00	12/23/2004	3/18/2008	\$60,949.00	\$60,949.00	Loan forgiveness pending
	City of Oakland Redevelopment Agency	\$125,000.00	6/5/2002	9/30/2006	\$85,927.61	\$85,927.61	Loan paid in full
	Debra Esposito Petro/Estate of John Espo.	\$75,000.00	7/15/2008	7/15/2011	\$20,688.00	\$20,688.00	
Strategic Partner Total	5 loans				\$413,118.57	\$413,118.57	
		\$314,793.00					
San Diego Redevelopment Agency	Community Housing Works	\$45,156.00	1/8/2009	1/8/2012	\$0.00	\$0.00	
	SHEA Mercado, LLC	\$90,000.00	12/11/2008	12/11/2011	\$0.00	\$0.00	
Strategic Partner Total	2 loans	\$135,156.00			\$0.00	\$0.00	
City of Bakersfield	No loans						
City of Berkeley	Rawson Blum & Leon, Inc.	\$125,000.00	6/1/2007	6/1/2010	\$106,250.00	\$0.00	Loan forgiven
Strategic Partner Total	1 loan	\$125,000.00			\$106,250.00	\$0.00	

Program Total: 36 Loans

\$3,629,404.00