

**California Pollution Control
Financing Authority**

**California Recycle Underutilized Sites
(CALReUSE) Program**

Brownfields Site Assessment Assistance

Report to the California State Legislature
December 2005

CALReUSE

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This report of activities for the California Recycle Underutilized Sites Program is submitted pursuant to Health and Safety Code Section 44525.7 for the calendar year ending December 31, 2005.

Background

Legislative Summary. Legislation enacted in 2000 (SB 1986 (Costa), Ch. 915 of Statutes of 2000) authorized the California Pollution Control Financing Authority (CPCFA) to provide forgivable loans to finance the cost of site assessments, technical assistance, and other specified activities, to assist in the reuse and redevelopment of underutilized property with real or perceived contamination (brownfields). In response to the legislation and to further sustainable development efforts, the California Pollution Control Financing Authority implemented the California Recycle Underutilized Sites (CALReUSE) Program to assist with the reuse and redevelopment of brownfields. CALReUSE's goal is to use limited public resources to effect a change in the redevelopment process so that project economics can be determined, liability can be quantified, and redevelopment of these sites can move forward.

Program Development. An October 2000, report by the California Treasurer's Office, "Smart Investments - Ideas To Action," noted that the State has tens of thousand of properties with real or perceived environmental contamination problems. These properties are commonly referred to as "brownfields". The report notes that these brownfields not only pose environmental and health risks, but also represent underutilized economic assets in local neighborhoods. To spur the remediation and re-use of these sites, in mid-2000 the California Pollution Control Financing Authority (CPCFA) – chaired by the State Treasurer – began development of the CALReUSE Program as an integral part of the "Smart Investment" group of initiatives to invest in and to revitalize California communities, especially its often neglected urban and rural areas.

In developing the CALReUSE Program, CPCFA staff consulted at length with various industry practitioners, local government development officials, and state/private environmental law experts. Through this process, staff gained a strong understanding of important structuring concerns and specific program needs throughout the State. During 2001 CPCFA staff completed the State's regulatory process necessary to establish the program and initiate implementation. In 2002 the CALReUSE Program began engaging local government Strategic Partners to make loans and provide administrative support for the program. In 2003 CALReUSE brought on a private sector Strategic Partner to provide statewide program access.

Program Goal. CALReUSE's goal is to spur the development of brownfields. The program achieves this goal through providing pre-development dollars to address a gap in the funding of brownfields. 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.

Progress To Date

CALReUSE is structured such that selected governmental or private entities (Strategic Partners) work with CPCFA to select projects, distribute loan funds, and administer the program. In 2002 CPCFA approved three governmental Strategic Partners for the program (Oakland, Emeryville and the San Diego Centre City Development Corporation) and allocated a combined \$2.3 million for use in their respective communities. In January 2003, CALReUSE brought on a private sector Strategic Partner (CERF/CCLR¹) and allocated \$1 million to the partner to provide statewide program access. An additional \$2,000,000 of continued funding was allocated for distribution by CERF/CCLR in August 2004 to allow this Strategic Partner to continue meeting borrower demand for CALReUSE loans.

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. A detailed discussion of the program's Strategic Partners and their capabilities is included at Attachment I to this report.

To date, CALReUSE's Strategic Partners have completed sixteen loans totaling \$1,412,738: the City of Emeryville made three loans totaling \$158,543; the City of Oakland made five loans totaling \$625,000; and CERF/CCLR made eight loans totaling \$629,240 and currently has three approved loans and one application pending for a total of \$500,000, which are expected to close in the first quarter of 2006.

Growth Efforts by CPCFA

In the upcoming year CPCFA will be focusing its efforts on program evaluation and growth. Staff will intensify dialogue with the Department of Toxic Substance Control to help address the issue of ongoing coordination and communication, to identify opportunities for collaboration on new or proposed brownfields projects. As appropriate, meetings may also include representatives from other regulatory agencies involved in brownfields activities, including the State Water Resources Control Board and the Regional Water Quality Control Boards, federal EPA and HUD, and CPCFA's Strategic Partners.

CPCFA will also increase its participation as a member of the National Brownfield Association and become more involved in workshops and conferences during the upcoming year, including events sponsored by the California Redevelopment Association, the California Association for Local Economic Development, RTM Communications Inc., and the National Brownfield Association. CPCFA will host its own Sustainable Communities Conference highlighting CALReUSE. These conferences provide important opportunities to showcase the State's efforts to stimulate brownfields reuse and to interact with local governments, redevelopment agencies, brownfields developers, financial institutions, and property owners.

Furthermore, CPCFA will actively solicit additional cities to become Strategic Partners. Likely candidates are cities that have previously received funding from other agencies for brownfields remediation in their communities.

¹ CERF stands for the California Environmental Redevelopment Fund and CCLR stands for the California Center for Land Recycling

A. Local Governmental Strategic Partners

- 1. City of Oakland.** The City of Oakland's Brownfields Program has been in existence for over five years. Oakland has implemented a comprehensive brownfields strategy utilizing its Brownfields Action Team (BAT). BAT 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 industrial 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 business loans and assistance through the Oakland Business Development Corporation. Further information concerning Oakland's brownfields programs may be found on the City's website at www.business2oakland.com/main/brownfieldsprograms.htm. Oakland's initial CALReUSE Program allocation was \$1,000,000. To date, the City has committed funding for the projects described below.

City of Oakland Redevelopment Agency: Funded 2nd Quarter 2003 (due 09/2006). A \$125,000 CALReUSE loan is funding the initial environmental study to jumpstart an important development project at the MacArthur BART station in Oakland. The Redevelopment Agency of the City of Oakland, San Francisco Bay Area Rapid Transit, and Creative Housing Associates are working jointly to create a Transit Village at the BART station. The project is being designed as a true intermodal facility that will provide 400 to 800 new housing units, retail shops, improved access for bikes and shuttle busses, as well as continued vehicle access to the station. This project is expected to intensify the use of BART's currently underutilized property in the station area by redeveloping the property and the surrounding parcels into a vibrant transit village. This project is estimated to cost \$95 million dollars to complete. If the site assessment proves the project viable, CALReUSE funds have the potential to be leveraged 760:1.

Fruitvale Development Corporation: Funded 3rd Quarter 2003 (due 2nd Quarter 2006). A \$125,000 CALReUSE loan is funding an environmental study to determine the extent of petroleum and other contamination around the Fruitvale Transit Village Phase II site. The Fruitvale Transit Village is a multi-use development at the Fruitvale BART Station, and includes a day care, senior housing and retail with plaza and streetscape improvements. The proposed redevelopment of the Phase II site involves the construction of approximately 200 housing units and a retail market mall across the street on what is now surface parking lot, adjacent to the existing development and the BART Station.

McCoy-Wright Partners: Funded 1st Quarter 2004 (due 1st Quarter 2007). A \$125,000 CALReUSE loan is funding an environmental study to determine the extent of lead, nickel, chromium, tuolene and other contamination around the 785 Seventh Street site. This site is located midway between the West Oakland BART Station, Jack London District and Downtown, with immediate access to the I-880 freeway. The proposed redevelopment of the site is for either mixed use development or affordable housing.

San Pablo Auto & Body: Funded 1st Quarter 2004 (due 1st Quarter 2007). A \$125,000 CALReUSE loan is being used for the characterization of a site on San Pablo Avenue in the

City of Oakland, six blocks from the new Uptown development. San Pablo Auto & Body is working with Alameda County Environmental Health Agency and is in communication with the California Environmental Reuse Fund (CERF) regarding the financing of the site's eventual clean-up. The proposed redevelopment of the site is the construction of a car wash. The owner received entitlements for the car wash from the City of Oakland in 2001, and its construction will expand the business of the owner, whose automotive body shop adjoins the property. The owner is currently considering additional options for the site, since the site could also be redeveloped in commercial mixed use, given the rising popularity of Oakland for urban residential infill development.

Tomorrow Development: Funded 1st Quarter 2005 (due 1st Quarter 2008). A \$125,000 CALReUSE loan is being used for the characterization of a site on 2547 E. 27th Street, a former gas station, now vacant land zoned for commercial mixed use, from which underground storage tanks were removed in 1994. The site assessment will be to ascertain any remaining groundwater contamination issues. Some delays have been incurred with a redistricting of County environmental staff assigned with inspection of these sites, however the owner is now pursuing the second stage of the work plan, and the current proposed fieldwork is anticipated to last about five days. The vacant site is proposed to be redeveloped with two single family homes.

Pipeline. The City of Oakland currently has three projects in "pre-planning" under consideration that are in the process of applying for funding.

7th and Union - West Oakland. This is a two-acre site located two blocks from the West Oakland BART Station within a designated transit Oriented Development Zone owned by Caltrans. The site was used by the U. S. Postal Service (USPS) for "Driver Training" and storage for the past ten-twenty years. The USPS decided to vacate the site due to a homeland security mandate and because the USPS main facility is four blocks away. The City's Redevelopment Division is working with Caltrans on an option to purchase, then will pass-through to private developers through a development agreement with 7th Street Partners (a combination of the private firm Aegis Partners and the Alliance for West Oakland Development, a non-profit). Aegis owns a surface lot adjacent - adding another 1 acre to the project site.

The City is working with the California Department of Transportation on the sale of a Surplus Property site in West Oakland two blocks from West Oakland BART within the area designated by the City in Transit-Oriented Development zoning district. The two-acre+ site was formerly an on-ramp area for the freeway and was used for the last fifteen years, since the falling of the Cypress Freeway in 1989, as a driver training and storage area. The City has entered into a development agreement with a private developer for the development of the site in residential mixed-use/transit-oriented development. The private developer is currently in the process of applying for a CalReUSE loan for the environmental assessment of the site.

This is the site of the former Carnation factory which is located on a 4.3 acre site on the newly-landscaped Mandela Parkway (former Cypress Freeway) in West Oakland. The site has been under the ownership of a local Bay Area development company since 2000. It is located approximately ½ mile from the West Oakland BART Station and about two miles from Oakland City Center, which is also on 14th Street. The owners are considering several development options for the site, which is in an industrial zone, but which may be able to accommodate some mixed use development. This site has had some DTSC-supervised

cleanup; however, there is a portion of the site which has not yet been explored for environmental conditions, for which a new CalReUSE loan would be used.

2. **City of Emeryville.** 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. Further information concerning Emeryville's brownfields programs may be found on the City's website at www.ci.emeryville.ca.us/econdev/brownfields.html. Emeryville's initial CALReUSE Program allocation was \$300,000. To date, Emeryville has committed CALReUSE funding for the projects described below.

Oliver & Company: Funded 2nd Quarter 2003 (Repaid 1st Quarter 2004). A \$42,000 CALReUSE loan funded an environmental study to delineate the extent of chromium and other contamination around a site located in a mixed-use district in a redevelopment project area. The proposed redevelopment of the site involved the rehabilitation and seismic retrofit of a building on the site. This loan was paid off by the borrower.

Resources for Community Development: Funded 4th Quarter 2003 (due 4th Quarter 2006). A \$22,793 CALReUSE loan funded site assessments to determine any residual contamination from previous laundry operations in a light industrial, mixed-use district located in a redevelopment project area. The proposed redevelopment of the site involves the rehabilitation and new construction of up to 70 units of affordable housing.

Bayrock Residential: Funded 1st Quarter 2005 (due 1st Quarter 2007). A \$93,750 CALReUSE loan funded site characterization for a site that is comprised of commercial, industrial, and single and multi-family parcels owned by Oaks Club Room. It is on the intersections of 40th and San Pablo, and 41st and San Pablo, across the street from Anna Yates Elementary School, Oaks Club, and the Andante Development. A number of the parcels are vacant. Previous environmental assessments conducted by various parties have shown that the Site has been affected by off-site and on-site contamination sources, including a former gasoline station that was once on the 40th Street alignment. As part of their due diligence, the Borrower is conducting additional sampling to further delineate the extent of contamination and to determine remediation measures. Additional investigation is also necessary to determine if contamination exists under the residences on 41st Street. If the Borrower proceeds with the development of the project, they propose to request Agency assistance to seek reimbursement from the State Underground Storage Tank Fund for remediation funds. The proposed redevelopment of the site will result in 5,000 square feet of retail space and 68 condominiums.

Additional activities to date include marketing the loan program to developers and property owners, contact with prospective grantees/borrowers, and active discussions with potential applicants.

3. **City of San Diego.** The 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 10 years experience with the redevelopment of at least 80 brownfields projects, utilizing a variety of environmental professionals, land use planners, and special environmental counsel. One of the primary purposes of the RDA and CCDC is to develop blighted areas. The RDA and CCDC set aside funds in each fiscal year budget for use for environmental purposes including environmental investigations and remediation efforts for projects, and therefore they are able to provide both matching funds and services. San Diego's initial CALReUSE Program allocation was \$1,000,000. CCDC activities to date include the completion and distribution of a marketing brochure for the program and discussions with potential applicants. CCDC posts information on CALReUSE on its website, and the City of San Diego provides a link to CCDC information.

CCDC: www.ccdc.com/index.cfm/fuseaction/projects.loans/#calreuse

City of San Diego: www.sandiego.gov/redevelopment-agency/links.shtml

Pipeline. The CCDC is currently considering a \$125,000 loan application from YRP International to gain site control for the Hotel Churchill and adjoining property in downtown San Diego. CCDC staff is also in conversations about a potential application for a site located on Commercial Avenue.

B. Statewide Strategic Partners

1. California Environmental Redevelopment Fund (CERF)/California Center for Land Recycling (CCLR). In January 2003, the CPCFA entered into an agreement with the California Environmental Redevelopment Fund, LLC (CERF) and the California Center for Land Recycling (CCLR) to serve as a Statewide Strategic Partner for the CALReUSE Program.

CERF and CCLR provide the full range of technical assistance and remediation financing expertise needed to provide statewide loan services under the CALReUSE Program and to stimulate the revitalization of struggling communities in California. Their overlapping missions, combined with CERF's financial support for the cleanup of contaminated lands and CCLR's environmental expertise and financial assistance programs for projects in under-served communities, create a unique opportunity for a very successful collaboration that represents a logical statewide strategic partnership for the CALReUSE Program.

CERF's and CCLR's strategy for implementing the CALReUSE Program statewide is based on stimulating brownfields redevelopment projects that serve as models of sustainable development, build on local strengths, and are based on community participation at all stages. Prior to receiving a loan, prospective borrowers will be required to demonstrate local government support, community benefit, and committed community involvement. Preference is given to projects that demonstrate the availability of funding for project completion and a strong likelihood of achieving timely and transferable successes. Further information concerning CERF and CCLR's brownfield programs may be found on the following websites.

CERF: http://www.ca-cerf.com/whoWeAre_frame.htm

CCLR: <http://www.cclr.org/new.html#reuse>

CERF/CCLR's initial Program allocation was \$1,000,000 in 2003 and, in August of 2004, this amount was increased by \$2,000,000 to accommodate additional expectations. To date, CERF/CCLR has committed funding for the projects described below.

Thomas & Barbara Brenkwitz: Funded 4th Quarter 2003 (due August 2006). An \$82,705 CALReUSE loan funded full characterization of a site in Tracy, California. The proposed redevelopment of the site involves construction of a 20,000 square foot commercial building. The Final Report is complete, and the borrower is now waiting for city approval and for construction financing to complete the project.

World of Good Taste: Funded 4th Quarter 2003 (due October 2006). An \$85,000 CALReUSE loan was used to conduct an assessment of soil beneath a building on a Sacramento, California site. The assessment was performed in conjunction with a Voluntary Cleanup Agreement with the California Department of Toxic Substances Control (DTSC). The proposed redevelopment of the site involves the use of the building as a bakery, café and central distribution facility. The borrower recently submitted the Final Report to DTSC for approval.

Urban Pacific Builders: Funded 4th Quarter 2003 (due December 2006). A \$46,750 CALReUSE loan funded both Phase I and II investigations for a Signal Hill, California site where auto sales and repair facilities were previously located. The proposed redevelopment of the site involves construction of 15 units of high-density attached, for-sale housing. The Final Report has been received by CERF/CCLR per CPCFA regulations.

Mid-Peninsula Housing Advocates: Funded 1st Quarter 2004 (due March 2007). A \$34,000 CALReUSE loan was used to complete and review a Phase II environmental assessment at a location in South San Francisco, California where a furniture factory was formerly located. The proposed redevelopment of the site is affordable housing and community space.

South County Housing: Funded 1st Quarter 2004 (Repaid August 2005). A \$125,000 CALReUSE loan is was used for a Phase II environmental assessment and eligible legal fees at a former cannery/industrial site in Gilroy, California. The proposed redevelopment of the site is for a mixed-use project that incorporates residential and light retail. South County Housing successfully investigated the site, secured acquisition and construction funds and repaid the loan.

Alabama Street Housing Assoc./Citizens Housing Coalition: Funded 1st Quarter 2005 (due March 2007). A \$125,000 CALReUSE loan is being used for remediation planning at a site in San Francisco, California. The proposed project includes the development of affordable family rentals, affordable senior rentals, for-sale family units, and light industrial/retail.

First Community Housing: Funded 2nd Quarter 2005 (due June 2008). A \$125,000 CALReUSE loan is being used to asses a former retail/industrial site located in San Jose, California. The proposed project will include the redevelopment of affordable multi-family housing (35 units) and 2,000 square feet of light retail.

Castlewell Properties, Inc.: Funded 4th Quarter 2005 (due October 2008). A \$5,740 CALReUSE loan was used for assessment of a Los Angeles site formerly used for a dry cleaning facility (1930 – 1970's) with suspected Tetrachloroethene (PCE) contamination. The proposed new use of the site was development of 7 For-Sale townhouse units. The borrower has requested forgiveness of this loan as the contamination was too extensive to make this project feasible.

Pipeline. For 2006 CERF/CCLR currently has three approved projects and one project in "pre-planning" under consideration that is in the process of applying for funding.

Walnut Hill Partners: \$125,000 approved for a Signal Hill site. Previous use for the site was an oil refinery; suspected contamination is hydrocarbon impacted soil and groundwater. Proposed

reuse of the site is mixed-use and mixed-income development with a planned total of 325 residential units and 2,764 sq ft of retail space.

Lakeview Terrace: \$125,000 approved for property located in Sylmar. Previous use for the site was a Class II Landfill; suspected contamination is landfill gas and groundwater contamination. Proposed reuse of the site is 116 units of housing; landfill area will become a common green space and parking lot.

Rivertown Developers: \$125,000 approved for multiple parcels located in the Antioch Redevelopment Area. Known contamination from current and former industrial sites include soil and groundwater contaminated with petroleum hydrocarbons, VOC, metals and/or cyanide. Proposed reuse of the site is Urban Core with diverse economic, housing, cultural and entertainment opportunities and recreational activities along the river front.

CERF/CCLR is assisting a developer with a preliminary application for up to \$125,000 to assess a property located in Colton that was a former wrecking and recycling yard; the suspected contamination is metals – lead and chromium. Proposed reuse of the site is an industrial building.