

California Pollution Control  
Financing Authority

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## California Recycle Underutilized Sites (CALReUSE) Program

**2006 Annual Report  
to the  
California State Legislature**

*Greening California's Brownfields*

April 2007



**BILL LOCKYER**  
TREASURER  
STATE OF CALIFORNIA

April 20, 2007

Gregory Schmidt  
Secretary of the Senate  
State Capitol, Room 3044  
Sacramento, CA 95814

E. Dotson Wilson  
Chief Clerk of the Assembly  
State Capitol, Room 3196  
Sacramento, CA 95814

Re: California Pollution Control Financing Authority  
California Recycle Underutilized Sites (CALReUSE) Program  
Annual Report of Activities pursuant to Health and Safety Code §44525.7

Dear Gentlemen:

As Chair of the California Pollution Control Financing Authority (CPCFA), I am pleased to submit the California Recycle Underutilized Sites (CALReUSE) Program's Annual Report on Brownfields Site Assessment Assistance for the calendar year ending December 31, 2006.

CALReUSE assists with the reuse and redevelopment of brownfields, which are underutilized properties with real or perceived contamination issues. Highlights for 2006 include approval of contracts with two additional cities –Bakersfield and Berkeley– as strategic partners. Additionally, CalReUSE helped put 412 housing units on five sites with previously underutilized land.

Thank you for your consideration of this report.

Respectfully submitted,

Bill Lockyer  
State Treasurer

Attachment

cc: Diane F. Boyer-Vine, Legislative Counsel



# California Recycle Underutilized Sites (CALReUSE) Program

## 2006 Annual Report to the California State Legislature

Greening California's Brownfields



April 2007

About CPCFA:

The California Pollution Control Financing Authority (CPCFA) provides California businesses with a reasonable method of financing pollution control facilities and fosters compliance with government imposed environmental standards and requirements. Over the last thirty years CPCFA has evolved to meet California's needs as follows:

- In the solid waste industry through its Pollution Control Tax-Exempt Bond Program.
- For small businesses through the California Capital Access Program.
- With the reuse and redevelopment of brownfields through the California Recycle Underutilized Sites Program.
- With financial assistance to cities and counties in their community planning and development efforts through the Sustainable Communities Grant and Loan Program.

CPCFA consists of:

Bill Lockyer, Chair  
*State Treasurer*

John Chiang  
*State Controller*

Michael C. Genest, Director  
*Department of Finance*

# CALReUSE

## *Greening California's Brownfields*

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, 2006.

### **Executive Summary**

The California Recycle Underutilized Sites (CALReUSE) Program utilizes Strategic Partners<sup>1</sup> to provide forgivable loans to finance the costs 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).

CALReUSE addresses a funding gap in the development of brownfields, thereby helping to bring these underutilized properties into productive reuse. This program helps accomplish a range of important public policy goals – from the protection of public health and safety to fostering redevelopment.

CALReUSE targets properties in distressed urban and rural communities and urban infill areas with a demonstrated need for redevelopment that absent CALReUSE assistance would most likely not move forward in the development process. The number of sites moved forward in the development process is a measure of program success. Additionally, program performance is measured by the amount of CPCFA dollars leveraged to total costs of the projects assisted (A more detailed description of the program can be found in Attachment I to this report.).

CALReUSE places priority on projects located in distressed neighborhoods within urban and rural communities and for urban infill in project areas with a demonstrated need for redevelopment.

Key program accomplishments for CALReUSE in 2006 include:

- Four new loans were approved.
  - General Environmental Management, Inc., received a \$106,250 loan to assess the site of a former oil refinery in the San Diego area.
  - Dewey-KOAR, LLC, received a \$125,000 loan to complete a phase II site assessment on a former landfill in Sylmar.
  - Transition Properties, received a \$98,723 loan for testing and a clean up plan for a former auto dismantling facility in Colton.
  - Comm22, LLC, received a \$125,000 loan in order to conduct a phase II assessment of a former San Diego City School District maintenance yard.
- The addition of two new Strategic Partners, the cities of Bakersfield and Berkeley, to assist in the administration of the program; and,
- The repayment of four CALReUSE loans as borrower's progress to the remediation phase of their projects.

#### LOAN CRITERIA

CALReUSE loans made by a Strategic Partner must meet the following minimum loan terms:

- Minimum interest rate based on the earnings of the State's Pooled Money Investment Account (adjusted annually).
- Maximum loan amount of \$125,000 per site.
- Maximum loan term of 36 mos.
- Funding for allowable uses, including site assessment costs, technical assistance, and other specified costs to provide an understanding of the extent of contamination, and to assist in the regulatory process and remediation planning.

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<sup>1</sup>**Strategic Partner.** A public or private entity selected by the Authority to provide technical assistance, funding and administrative services to Borrowers pursuant to a contract with the Authority

## **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 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 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 by 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. Given the original contracts were set to expire in June 2006, the CPCFA Board approved a competitive bidding process for Strategic Partners for the CALReUSE Program. CPCFA sent Notices of Request for Proposals (RFP) to over 470 governmental and nongovernmental entities that had expressed interest in CPCFA programs or have existing brownfield programs. The notice was also advertised on the Authority's website and in the Department of General Services Contracts Register. The selection criteria were based on the following characteristics:

- An overall brownfields strategy and a flow of quality projects.
- Technical expertise in the regulatory, assessment and remediation processes.
- Administrative capacity to select projects and distribute loan funds.
- Marketing strategy to encourage borrower participation in the program.
- Ability to provide funding match.
- Ability to provide staff or resources.
- Prior partnership experience.

On December 12, 2006, the CPCFA Board approved renewal of strategic partner contracts with four existing Strategic Partners and execution of contracts with two new Strategic Partners, the Cities of Bakersfield and Berkeley. The new contracts will become effective in April 2007. Listed below are the allocated amounts for each Strategic Partner to fund loans under the program:

Center for Creative Land Recycling (CCLR)	\$2,000,000
City of Oakland	\$1,000,000
San Diego Redevelopment Agency	\$1,000,000
Emeryville Redevelopment Agency	\$ 150,000
City of Bakersfield	\$ 500,000
City of Berkeley	<u>\$ 400,000</u>
<b>Total:</b>	<b><u>\$5,050,000</u></b>

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 brief discussion of the program’s Strategic Partners and their capabilities is included at Attachment II to this report.

To date, CALReUSE’s Strategic Partners have made twenty loans totaling \$1,977,211, of which \$761,089 is outstanding. The City of Emeryville has made three loans totaling \$142,089, two of which have paid off. CERF/CCLR made thirteen loans totaling \$959,045, of which three loans have been forgiven<sup>2</sup> and three loans have been re-paid in full. Borrowers under the CALReUSE Program have three years to repay loans.

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<sup>2</sup> **Loan Forgiveness.** Upon written request from the Borrower, a Loan may be forgiven by the Strategic Partner if the Borrower, acting reasonably and in good faith, fails to complete the Brownfield Project or proceed with development of the Brownfield. Loan forgiveness is conditional. The Authority has the ability to forgive those loans that are related to properties for which development is not economically feasible; however, in the event circumstances change in the future such that development of the property becomes economically feasible, and the Borrower proceeds to develop the property, the Borrower is obligated to repay the forgiven balance of the CALReUSE loan. Akin to a settlement agreement or loan work out agreement, the agreement the Borrower is required to sign in the event the CALReUSE loan is forgiven relieves the Borrower of its obligation under the associated promissory note, and relieves the Authority of the need to carry a defaulted loan on its books, but gives the Authority the ability to collect the amount of the loan forgiven in the event of future development of the site.



## Project Highlights

### Urban Pacific Builders, Signal Hill, CA

The former Beach City Chevrolet in Signal Hill ran a successful business for 50 years until the dealership was forced to close due to flagging car sales. The site sat vacant until infill developer, Urban Pacific Builders saw an opportunity to build much needed moderately priced housing.

After conducting its initial environmental investigation, Urban Pacific discovered – along with the usual suspects associated with auto sites (underground fuel and waste oil tanks) – that the site had previously been part of an oil and gas production operation. The initial report revealed the existence of several oil wells that had been abandoned under older regulations. That’s when Scott Choppin, President of Urban Pacific, called CCLR.



Project site before

Fearing the project was now “upside-down” – an expression used when the cost of the environmental cleanup is higher than the value of the property – and a close date looming, we were able to provide Urban Pacific with a loan for the next phase of investigation to determine if the project was still viable.

With our funds, Urban Pacific was able to define and estimate the cost of the environmental cleanup and re-work the pro forma for the property. Construction is underway on this development, which includes an 81-unit condo complex of two- and three-story buildings with ocean and city views.



Project site after (artist rendering)

*“This program is an excellent tool for developers that provide housing in the urban environment. Given the critical need to recycle brownfield sites, the program provided much needed funds early in the development process that allowed Urban Pacific to go the distance when it came to the site assessment and clean up operations.”*

— Scott K. Choppin, Chief Executive Officer, Urban Pacific Group, Inc.

**South County Housing Corporation  
Gilroy Cannery, Gilroy, CA**

The former Gilroy Cannery is a 12-acre site adjacent to the City's downtown commercial district. The Cannery operated from 1917 to 1997 and was the town's major economic driver. South County Housing Corporation, a nonprofit affordable housing developer, was interested in redeveloping the site, but was concerned about the potential contamination on the property. That's when South County contacted CCLR. We encouraged them to apply for our forgivable

loan program, which provided them with a "free look" at the site.

The Cannery will be redeveloped from a former industrial use to a vibrant mixed-use, mixed-income venture that will provide new housing, office, and retail space, as well as stimulate and reinforce the ongoing investment in Gilroy's downtown.



Project site before



Project site after (artist rendering)

*"CCLR's loan program functioned exactly as it should have, by giving our organization the confidence to proceed with a venture that we might have otherwise passed on. The loan provided a low-risk source of money to do the due diligence that we needed to satisfy ourselves that we could take on this difficult project."*

— Nancy Moore Wright, South County Housing Corporation

## Resources for Community Redevelopment Project, Emeryville, CA

The Redevelopment Agency is working with Resources for Community Development (RCD) to develop affordable ownership housing on the former site of the Ambassador Laundry Building at 36<sup>th</sup> and Adeline Streets. The Agency purchased the property in 2003, and it included a two-story brick laundry building, several wood-frame lean-to structures behind, a vacant bungalow and an adjacent vacant lot. All structures have been vacant and dilapidated for several years. The laundry building was torn

down to make way for the new development, but its historic bricks were saved for future reuse.

The project will be a mixed income community, consisting of 39 units for moderate income homebuyers and 16 market rate units. The project is located in an underserved area of Emeryville and will encourage reinvestment in area properties.



Project site before

*“The CALReUSE Program was an invaluable tool for the non-profit to investigate the environmental condition of a site prior to incurring large capital outlays. It allowed the Redevelopment Agency to step in and purchase the site with limited cost to the non-profit developer. The CALReUSE Program is an ideal tool for in-fill redevelopment as it limits exposure and maximizes opportunities in areas that need investment.”*

– Igancio Dayrit, City of Emeryville

## **Growth Efforts by CPCFA**

In the upcoming year CPCFA will be focusing its efforts on expanding the program to fulfill other areas of statutory authority which may include clean up, remediation, or development of brownfield sites. In 2007 CPCFA will seek to work more closely with the State Department of Housing and Community Development, Department of Toxics Substances Control and other agencies to further ally the CALReUSE Program with other State priorities such as providing affordable housing.



## ATTACHMENT I

### CALIFORNIA RECYCLE UNDERUTILIZED SITES PROGRAM

# **CALReUSE Program**

## *Greening California's Brownfields*

### California Pollution Control Financing Authority

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#### SUMMARY

Legislation enacted in 2000 (SB 1986 (Costa), Ch. 915 of Statutes of 2000) authorizes the California Pollution Control Financing Authority (CPCFA) to provide forgivable loans to finance the costs 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). Pursuant to this legislation, CPCFA implemented the California Recycle Underutilized Sites (CALReUSE) Program.

CALReUSE addresses a gap in the funding of brownfields, thereby helping to bring these underutilized properties into productive reuse. This program helps accomplish a range of important public policy goals – from the protection of public health and safety to fostering redevelopment.

CPCFA chooses Strategic Partners to select projects, distribute loan funds, and administer the program. Strategic Partners can be governmental agencies or public or private entities that have a demonstrated understanding of community economic development, real estate development project economics, environmental assessment and remediation processes, among other attributes. Initial local government Strategic Partners include Oakland, San Diego and Emeryville that have been allocated a total of \$2.3 million for projects in their communities. CALReUSE has one private sector Strategic Partner (CERF/CCLR<sup>3</sup>) and has allocated \$3 million to this partner to provide statewide program access.

CALReUSE targets properties in distressed urban and rural communities and urban infill areas with a demonstrated need for redevelopment. It focuses on properties that, absent CALReUSE assistance at this pre-development phase, would most likely not move forward in the development process.

CPCFA anticipates that up to \$10 million will be provided to fund program activities on a pilot basis. Due to uncertain outcomes associated with site assessments and the difficulty in redeveloping contaminated sites, repayment of CALReUSE loans may not be possible in many circumstances. The number of sites moved forward in the development process will be a measure of program success. Additionally, program performance will be measured by the amount of CPCFA dollars leveraged to total costs of the projects assisted.

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<sup>3</sup> **CERF/CCLR.** CERF stands for the California Environmental Redevelopment Fund and CCLR stands for the California Center for Land Recycling

## BACKGROUND

One of the greatest barriers to successful redevelopment of brownfields projects is the uncertainty in the development process. This uncertainty centers around two concepts: project viability (time and money) and environmental liability. CALReUSE's goal is to use limited public resources to effect a change in the process so that project economics can be determined, liability can be quantified, and redevelopment of sites with real or perceived contamination can move forward.

However, capital markets have not been willing to fund site assessments or other up-front costs associated with the regulatory and remediation processes because these costs are considered to be predevelopment costs. Debt sources, including banks and other lenders, place themselves in the most secure position and require equity to be in place prior to (or concurrent with) funding. Equity sources, including investors and financial partners, require a development entity to have an understanding of the economics of the project and to have determined economic feasibility prior to their participation. Similarly, development entities are often not willing to fund predevelopment costs if they do not have a grasp of project economics. As a result, many potentially usable sites sit idle.

Where a project involves a brownfields site, a professional site assessment is necessary to gain an acceptable understanding of economic feasibility. By financing the costs of site assessments, CALReUSE assists in filling a critical funding gap in the early stages of project development. Where the economics are determined to be acceptable, development entities are more likely to spend money to commission the reports necessary to fine tune the economic equation, attract capital, and move through the regulatory process.

In addition to the reluctance of capital markets to fund site assessment costs, many development entities do not have the resources or expertise in-house to deal with additional issues, such as the regulatory and remediation processes, that surround brownfields sites. Therefore, CALReUSE includes a technical assistance component designed to help development entities overcome uncertainties related to such issues. For example, CALReUSE may provide technical assistance to educate development entities on the remediation process or provide funds for development entities to hire the expertise to assist them through the regulatory process.

A professional site assessment, as well as an analysis of regulatory issues and other possible hurdles, can bring certainty to the economic equation by quantifying environmental risk, providing information for a remediation plan, and applying cost and timeframe information to the problem. Parties to the project can then make informed decisions and measure exposure to liability. This enhances the probability that a site can move forward in the development process.

## PROGRAM ADMINISTRATION AND METHOD OF DISTRIBUTION

CPCFA utilizes a collaborative approach of engaging Strategic Partners to administer CALReUSE. Within program guidelines established by CPCFA, Strategic Partners select projects, distribute loan funds, and administer the program. CPCFA envisions relationships where its partners are given the responsibility and flexibility to administer a successful program with the appropriate accountability. These entities may be newly formed or existing organizations.

By statute, CPCFA is authorized to work in conjunction with public and private sector entities including, but not limited to, cities, counties, school districts, redevelopment agencies, financial institutions, and for-profit and non-profit development entities. Because contamination issues add complexity to almost

every element of project development, CALReUSE selects Strategic Partners with a demonstrated understanding of the development process, the environmental assessment process, remediation, the regulatory process, and loan administration. A Strategic Partner need not have all of the requisite skills within its organization but should be capable of assembling a team with such skills, or dedicating resources to securing needed services for selected development projects. For example, as noted above, technical assistance to a development entity could be provided by the Strategic Partner or through loan funds made available to secure the technical assistance.

### STRATEGIC PARTNER SELECTION CRITERIA

CPCFA currently requires Strategic Partners to provide a minimum match of 25% of Strategic Partner funds to CPCFA funds. An alignment of interests between CPCFA's goals and a Strategic Partner's goals is critical. CPCFA and each Strategic Partner enter into an agreement that sets out their respective roles and responsibilities.

Strategic Partners should have a defined strategy to facilitate the redevelopment of brownfields, a quality team with expertise to execute the strategy, and a program that meets CPCFA criteria.

Priority is given to potential Strategic Partners that demonstrate the following:

- Ability to provide greater than the minimum required match of CPCFA funds. Certain and limited non-monetary contributions (such as dedicated staff or resources) may be considered towards the match.
- An understanding of the community economic development process.
- Knowledge of real estate development project economics.
- An understanding of the environmental assessment and remediation process.
- The ability to navigate environmental regulatory processes and issues related to real estate development.
- The ability to deal with site access issues on sites not owned by the development entity.
- Public/private partnership experience.
- The capacity to provide technical assistance.
- An overall brownfields strategy with knowledge of markets and neighborhoods with, or that leads to, a flow of quality projects.

Strategic Partners are given the flexibility to design responsible programs that provide accountability while facilitating the redevelopment of brownfields sites.

### LOAN CRITERIA

Loans extended by a Strategic Partner include the following minimum loan terms (loan terms are subject to change as CPCFA develops and evaluates CALReUSE):

- Minimum interest rate based on the earnings of the State's Pooled Money Investment Account (adjusted annually).
- Maximum loan amount of \$125,000 per site.
- Maximum loan term of 36 months.
- Funding for allowable uses, including site assessment costs, technical assistance, and other specified costs to provide an understanding of the extent of contamination, and to assist in the regulatory process and remediation planning.
- Project criteria as set forth in the next section.



## PROJECT CRITERIA

Strategic Partners are required to place priority on projects located in distressed neighborhoods within existing urban and rural communities, and projects located in urban infill areas with a demonstrated need for redevelopment.

In addition, a goal of the program is to assist projects that meet the following criteria:

### SITE ENVIRONMENTAL CHARACTERISTICS

- Sites that have potential for economically beneficial reuse but are not being redeveloped due to lack of information centered around real or perceived contamination, uncertainty about clean-up costs and timeframes, and the regulatory process.
- Projects that will result in the clean-up of environmental contamination thereby protecting the public health and safety of California's citizens.

### LEVERAGE

- Projects that maximize program dollars to project financing facilitated.
- Projects that maximize matching funds to increase leverage of CPCFA/Strategic Partner funds and promote an alignment of interest with CPCFA/Strategic Partner.

### PROJECT FEASIBILITY

- Projects most likely to move forward in the development process (e.g., attract capital or potential buyers) if the site is proven economically feasible.
- Projects supported by a quality development entity with a proven track record.
- Projects that absent CALReUSE resources would most likely not move forward.

### EXCLUSIONS

- A parcel currently listed on the National Priorities List pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Section 9605(a)(8)(B)).
- A parcel currently listed for a response action pursuant to Section 25356 of the California Health and Safety Code.
- A parcel that is, or has ever been, owned or operated by a department, agency, or instrumentality of the United States.
- A parcel that is a hazardous waste facility that is subject to the requirements of Article 9, Chapter 6.5, Division 20 of the California Health and Safety Code.

## ATTACHMENT II

# CALReUSE Strategic Partners

### A. Statewide Strategic Partner

- 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 underserved 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.

In 2007 CERF will be discontinuing its participation as a Strategic Partner. However, CCLR will continue the work that was previously done jointly with CERF. Further information concerning CCLR's brownfield programs may be found on the following website: <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 4<sup>th</sup> 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 borrower has completed the plans and the city has given its approval. Construction began in the Fall of 2006 with completion expected in March 2007. The loan was due in August 2006 but was extended with a payoff expected in early 2007. The default interest rate of 10% is effective as of August 2006, per the promissory note.

**World of Good Taste: Funded 4<sup>th</sup> 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. Preliminary Endangerment Assessment approved by DTSC. Negotiating Deed Restriction Agreement with the landlord and DTSC. Borrower requested and received a loan extension due to prolonged negotiations with DTSC delaying its project. The current balance owed is \$76,404.

**Urban Pacific Builders: Funded 4<sup>th</sup> Quarter 2003 (Repaid July 2006).** A \$46,750 CALReUSE loan funded both Phase I<sup>4</sup> 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 was received by CERF/CCLR per CPCFA regulations. Borrower repaid loan in full in July 2006.

**Mid-Peninsula Housing Advocates: Funded 1<sup>st</sup> Quarter 2004 (Forgiven 1<sup>st</sup> Quarter 2006).** 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. The borrower was unable to secure a purchase and sale agreement for the site and thus requested forgiveness of this loan in December 2005 which was granted in the 1<sup>st</sup> Quarter of 2006.

**South County Housing: Funded 1<sup>st</sup> 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 1<sup>st</sup> Quarter 2005 (due March 2007).** A \$125,000 CALReUSE loan was 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. Construction Permit issued by the City and County of San Francisco on October 12, 2006. As of December 2006 the company has completed the construction financing and is working with the city lender in order to get funds distributed to pay off the balance of the loan (\$14,151). Loan payoff expected in the first quarter of 2007.

**First Community Housing: Funded 2<sup>nd</sup> Quarter 2005 (Repaid January 2006).** 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. The Borrower paid loan in full January 2006. The Borrower subsequently received remediation funding from the State Water Resources Control Board. The project is currently under construction.

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<sup>4</sup>**Phase I and II Investigations.** A Phase I site assessment typically consists of a noninvasive investigation of the property which includes interviews and public records searches. Phase II site assessments may include activities such as soil sampling and/or installing various ongoing monitoring equipment at the site.

**Garden Grove Agency for Community Development: Funded 3<sup>rd</sup> Quarter 2005 (due August 2008).** A CALReUSE loan was approved for \$125,000 to develop a former gas station into affordable family housing. Monitoring wells have been installed, as well as a vapor recovery system. Dual spargers have also been installed and will be running for the next two years. The borrower received other funding sources for the site assessment and has decided not to request any disbursements under the loan agreement for this project.

**Castlewell Properties, Inc.: Funded 4<sup>th</sup> Quarter 2005 (Forgiven 4<sup>th</sup> Quarter 2005).** 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 requested and received forgiveness of this loan in December 2005 as the contamination was too extensive to make this project feasible.

**General Environmental Management, Inc.: Funded 2<sup>nd</sup> Quarter 2006 (Forgiven 1<sup>st</sup> Quarter 2007).** A \$106,250 CALReUSE loan was approved to assess the site of a former oil refinery. The proposed new use of the site was to develop new housing. Site-specific risk assessment revealed high levels of benzene in the soil and groundwater on site as well as migrating off site. Borrower requested loan forgiveness due to the level and extent of contamination. Loan forgiveness was requested in December 2006 and it was granted in the 1<sup>st</sup> Quarter of 2007.

**Dewey-KOAR: Funded 2<sup>nd</sup> Quarter 2006 (due May 2009).** A \$125,000 CALReUSE loan was approved to develop a former landfill in Sylmar into single family homes. The borrower began phase II site assessment work which included the installation of landfill gas wells and groundwater monitoring wells, and made additional improvements to the existing passive venting system and to the asphalt parking area to control septic and landfill gas emissions. LA County Environmental Health Department advised that no further action is required for landfill gas emissions. Finalizing agreements with adjacent property owners to install a down gradient groundwater monitoring well to complete the environmental assessment. Borrower anticipates completing acquisition of the property during 2007 at which point the loan will be repaid.

**Transition Properties: Funded 2<sup>nd</sup> Quarter 2006 (due April 2009).** A \$98,723 CALReUSE loan was approved to develop a former auto dismantling facility into an industrial facility in Colton. The first round of testing and a proposal for a cleanup plan was sent to the Water Board. Water Board redirected the proposal to the Department of Toxic Substances Control (DTSC). Borrower is currently negotiating with DTSC regarding the cleanup plan and the next phase of testing. As of December 2006, \$30,030 has been disbursed.

**COMM22, LLC: Funded 2<sup>nd</sup> Quarter 2006 (due June 2009).** A \$125,000 CALReUSE loan was approved to conduct a Phase II assessment on a former San Diego City School District maintenance yard into a multi-generational affordable housing and service-minded retail area. COM22 is an LLC formed by three 501 c 3 nonprofit organizations (BRIDGE Housing, Bronze Triangle CDC and MAAC Project). The borrower has worked on schematic drawings and subsurface assessments. The borrower has met with the San Diego City School District to provide an update and to initiate environmental well monitoring assessments to be conducted by the County of San Diego over the next 12 months. The

borrower has also met with the Grant Hill Revitalization Committee and hosted a community outreach meeting to build a relationship with the current neighbors and homeowners, in order to build support for the project. As of December 2006 \$98,643 has been disbursed.

**B. 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 staffing in three departments: Fire Department, the Public Works Agency, Environmental Services Division, and the Economic Development Division (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. The Brownfields Administrative Manager has been selected as a speaker on Brownfields at the American Planning Association National Conference in Philadelphia in April 2007 and will describe the benefits of the CALReUSE loan program before a national audience. Further information concerning Oakland's brownfields programs may be found on the City's website at [www.business2oakland.com/main/brownfieldsprograms.htm](http://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 2<sup>nd</sup> Quarter 2003 (Repaid August 2006).** A \$125,000 CALReUSE loan funded the initial environmental study to jumpstart a transit-oriented development village at the MacArthur BART station in Oakland. The Redevelopment Agency of the City of Oakland, San Francisco Bay Area Rapid Transit, and a consortium of builders, including McGrath Partners, Bridge/BUILD Housing, and Shea Homes are working jointly to create a mixed use development at the BART station. The project is being designed as a true intermodal facility that will provide 540 new housing units, 30,000 square feet of retail space, 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 \$250 million dollars to complete. If the site assessment proves the project viable, CALReUSE funds have the potential to be leveraged 760:1. On February 15, 2006, the City of Oakland released the Notice of Preparation for the Environmental Impact Report. The completion of assessment activities is pending. Loan was repaid August 2006.

**Fruitvale Development Corporation: Funded 3<sup>rd</sup> Quarter 2003 (due 1<sup>st</sup> Quarter 2007).** 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. The Borrower is working with BART on permits and plans for the second phase of the project which the CALReUSE funds

will be used. As of December 2006, no loan funds have been disbursed and the loan has been extended to February 2007.

**McCoy-Wright Partners: Funded 1<sup>st</sup> Quarter 2004 (December 2007).** A \$125,000 CALReUSE loan is funding an environmental study to determine the extent of lead, nickel, chromium, toluene 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 original proposed redevelopment of the site was for either mixed use development or affordable housing, but was changed to 10,000 square feet of commercial condominiums (406 units). Loan has been utilized fully. Borrower has been approved by the City for an EPA-BCRLF Loan of \$150,000 to begin a specific portion of the cleanup action required. When funds are received the CALReUSE loan will be due and payable. As of December 2006 the balance owed is \$128,499.40 including interest. The new maturity date of this loan is December 20, 2007.

**San Pablo Auto & Body: Funded 1<sup>st</sup> Quarter 2004 (due 1<sup>st</sup> 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. Phase II is nearly complete and the borrower has received a letter from the County regarding the acceptance of the next stage of the monitoring action. A fifth request for disbursement of CALReUSE funds for work done in response to comments from the Alameda County Environmental Health (ACEH) was submitted in February, 2007, leading to a current loan balance of \$79,605.90.

**Tomorrow Development: Funded 1<sup>st</sup> Quarter 2005 (due 1<sup>st</sup> Quarter 2008).** A \$125,000 CALReUSE loan is being used for the characterization of a site on 2547 E. 27<sup>th</sup> Street, a former gas station, located within a residential neighborhood. The former gas station site had underground storage tanks that were removed in 1994. Tomorrow Development's environmental consultant installed monitoring wells, including one installed in the public right of way. Well surveys were performed and underground tank was discovered. Completion of initial assessment activities were completed in January of 2007, and sampling has continued to present, concurrent with the removal of the additional tank. Conclusion of all assessment activities is expected in April 2007, and a final request for disbursement of funds for assessment is expected at that time. Full repayment of the CALReUSE Loan is expected to occur in early Summer, 2007, concurrent with the application for a building permit for the residential construction of two single-family homes.

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](http://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 2<sup>nd</sup> Quarter 2003 (Repaid 1<sup>st</sup> 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 4<sup>th</sup> Quarter 2003 (Repaid 3<sup>rd</sup> 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. The loan was paid in full in July 2006.

**Bayrock Residential: Funded 1<sup>st</sup> Quarter 2005 (due 1<sup>st</sup> 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 40<sup>th</sup> and San Pablo, and 41<sup>st</sup> 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 40<sup>th</sup> Street alignment. The proposed redevelopment of the site will result in 5,000 square feet of retail space and 68 condominiums. The Alameda County Department of Environmental Health has requested additional off-site sampling to delineate contamination caused by others. The County has approved the remediation work plan pending completion of off-site sampling. The developer redesigned the project, including the rehabilitation and relocation of five existing structures. In December 2006 the Planning Commission approved the plans for the renovation of five houses on the Oak Walk site at 41<sup>st</sup>/40<sup>th</sup>/San Pablo Avenue. The City Attorney's Office has drafted an Owner Participation Agreement (OPA) to provide a housing development subsidy of \$1.6 million to the Oak Walk project developer (Bay Rock Residential) for the rehabilitation of the houses in exchange for their sale as affordable housing to moderate income households. The OPA will be sent to the developer in January 2007. The Oak Walk project (mixed use residential/commercial condominium development) will also include 54 units, 4 of which will be set-aside as Below-Market Rate units.

- 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 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, it was very successful in using the Polanco Act on numerous Brownfield properties downtown; therefore, the downtown developers did not need the program.

San Diego will be expanding 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 anticipates 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. Loans would still be available for CCDC projects as well. The RDA allocates funds in each fiscal 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.

CCDC: [www.ccdc.com/index.cfm/fuseaction/projects.loans/#calreuse](http://www.ccdc.com/index.cfm/fuseaction/projects.loans/#calreuse)

City of San Diego: [www.sandiego.gov/redevelopment-agency/links.shtml](http://www.sandiego.gov/redevelopment-agency/links.shtml)



