



**California Pollution Control
Financing Authority**

**CALIFORNIA RECYCLE
UNDERUTILIZED SITES
(CALReUSE) PROGRAM**

**REVITALIZING
CALIFORNIA
COMMUNITIES**

**Annual Report to the California State
Legislature Fiscal Year 2020-2021**

Fiona Ma, CPA, Chair
State Treasurer

Betty T. Yee
State Controller

Keely Martin Bosler
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June 2022

Table of Contents

Mission Statement and Organizational Description	3
Program Summary.....	4
Statement of Need.....	5
CALReUSE Solution.....	5-6
CALReUSE Assessment Program History & Overview.....	7
CALReUSE Assessment Program Accomplishments	8
CALReUSE Remediation Program History & Overview	9
CALReUSE Remediation Program Accomplishments	10-11
Program Highlight.....	12
CALReUSE Remediation Program Portfolio	Attachment A
CALReUSE Remediation Program Portfolio	Attachment B

About the California Pollution Control Financing Authority:

Mission Statement: As public servants, we are committed to promoting broad and equitable access to private capital through the delivery of diverse financing options to California businesses and environmental industries by being:

- **A driving force of public and private partnerships that create jobs and support vibrant economic development especially in disadvantaged and underserved communities.**
- **A leader in offering innovative and prudent financial risk mitigation tools, embracing new financing technologies.**
- **At the forefront of community-driven projects that restore the environment, protect public health, and promote economic independence and climate resilience.**
- **A statewide flag bearer in the issuance of green bonds and new technologies for solid waste, wastewater, recycling, and water furnishing infrastructure.**

The California Pollution Control Financing Authority (CPCFA) provides California businesses with financing options for tax-exempt facilities and small businesses. CPCFA, founded in 1972, administers programs serving a variety of goals, including:

- Helping businesses construct solid waste, recycling, water, and wastewater projects as a conduit issuer of tax-exempt bonds.
- Assisting small businesses in obtaining loans for business start-up and expansion and working capital through the California Capital Access Loan Program and Collateral Support Program.
- Collaborating with the California Air Resources Board and the California Energy Commission to provide lenders with loan loss reserve accounts to finance new, cleaner-burning, heavy-duty diesel trucks and buses and the acquisition of electric vehicle charging station equipment.
- Transforming contaminated sites into vibrant housing and infill developments that enhance communities through the California Recycle Underutilized Sites Program.

This annual report to the Legislature describing the CALReUSE Program is prepared pursuant to CPCFA's statute, Health and Safety Code Section 44525.7, and the Proposition 1C Housing and Emergency Shelter Trust Fund Act of 2006 statute, Health and Safety Code Section 53545.14(b).

CPCFA consists of:

Fiona Ma, CPA, Chair
State Treasurer

Betty T. Yee
State Controller

Keely Martin Bosler, Director
Department of Finance

Program Summary

Legislation enacted in 2000, Senate Bill 1986 (Chapter 915, Statutes of 2000), first authorized the CPCFA to administer the CALReUSE Assessment Program to provide forgivable loans to finance the cost of brownfield site assessments, technical assistance, and other specified activities to assist in the reuse and redevelopment of underutilized properties with real or perceived contamination.

Based on the demand for the CALReUSE Assessment Program, funding from Proposition 1C, the Housing and Energy Shelter Trust Fund Act of 2006 approved by the voters at the November 7, 2006, election, was aimed at financing brownfield cleanup projects that promote infill residential and mixed-use development. Funds were allocated to the CALReUSE Remediation Program via an interagency agreement with the Department of Housing and Community Development (HCD), which allowed CPCFA to expand the scope of CALReUSE to include the financing of brownfield remediation.

The CALReUSE Assessment and Remediation Programs piloted the alignment of three public policy goals: 1) increase housing production, 2) improve the environment, and 3) improve quality of life in California communities. Identifying and cleaning up contamination improves the environment and increases the number of sites available for housing production. In turn, new development of brownfield sites improves quality of life in California communities by replacing underutilized or blighted sites with purposeful projects. Even as the State of California has increased funding for DTSC programs, CALReUSE can support these public policy goals by assisting local governments in identifying and addressing contamination as part of the housing element sites inventory process.

Projects financed by CALReUSE are located throughout California, from Humboldt to San Diego counties. CPCFA works directly with each awardee through assessment, remediation and as-needed monitoring, and consults with the California Department of Toxic Substances Control (DTSC) for technical assistance through an interagency agreement.

Since inception, the CALReUSE Assessment and Remediation programs have awarded 82 projects with financial assistance to assess or clean up contaminated sites and 74 of those projects entered into grant or loan agreements with CPCFA totaling more than \$61 million. Of the 74 projects, 44 had loan agreements under the purview of the Assessment Program and 30 have received funding through the Remediation Program. As of Fiscal Year 2020-2021, CALReUSE Assessment and Remediation Programs funding has contributed to the assessment and/or remediation of 618 acres of brownfields and the construction of 6,417 housing units, 3,281 of which are designated as affordable. The Assessment Program has no outstanding loans or funding available, and all Remediation Program funds have been disbursed.

Statement of Need

California's Goals for Housing Production, Environmental Improvement, and Improvement of Quality of Life Necessitate Brownfield Cleanup

The cleanup and development of brownfield properties presents an opportunity to expand California's housing inventory and create economic development on infill properties and in disadvantaged and low-income communities. Any site with a previous use—including agricultural—potentially contains contamination. The Center for Creative Land Recycling estimates there are 150,000 brownfield sites in California¹, each with proven or suspected contamination. Disadvantaged and low-income communities make up a disproportionate number of brownfield locations at 40% and 57% respectively².

The development of brownfield sites for new housing can yield a considerable increase in the number of available housing units. The University of Southern California estimated that 209,000 additional housing units could be developed on contaminated sites located in Los Angeles County, creating new housing for more than 600,000 residents.³ While many California communities that lack enough safe, secure, and healthy housing also have contaminated and underutilized sites, the costs to investigate and cleanup brownfields create disincentives for development of those sites.

CALReUSE Solution

CALReUSE Assessment and Remediation Program Models Proven Successful and Can Be Directed to Fill Current Gap in Brownfield Revitalization

Historically, funding for the cleanup of brownfields has been scarce. For example, the United States Environmental Protection Agency (EPA) offers brownfield cleanup funding through competitive grant and loan programs targeted at local governments. On average, only six California brownfield projects receive EPA assessment and remediation awards each year. This makes the State of California's role in funding the assessment and remediation of brownfield properties critical. The CALReUSE Assessment and Remediation Programs have been successful in piloting California's investment in brownfield cleanup and promotion of housing and transit-oriented development on contaminated and infill properties across the state.

¹ Corynn Brodsky, Center for Creative Land Recycling, "How Many Brownfields Does California Have?", 2007, accessed 6/22/22, <https://www.cclr.org/wp-content/uploads/2021/06/how-many-brownfields-in-ca.pdf>.

² In 2017, CPCFA sampled the State Water Resources Control Board's (SWRCB) GeoTracker database (<https://geotracker.waterboards.ca.gov/>) and the Department of Toxic Substances Control's (DTSC) EnviroStor database (<https://www.envirostor.dtsc.ca.gov/public/>). The addresses of the sample sites were entered into the California Air Resources Board (CARB) California Climate Investments Priority Populations 3.0 by Census Tract interactive map webpage (<https://webmaps.arb.ca.gov/PriorityPopulations3/>) and the results recorded and compiled to obtain the percentages located in communities defined as disadvantaged and low-income.

³ University of Southern California Center for Economic Development, A Brownfields-based Solution for Los Angeles County's Housing Crisis, 2004, accessed 6.23.22, <https://cpb-us-e1.wpmucdn.com/sites.usc.edu/dist/e/242/files/2019/01/A-Brownfields-based-Solution-for-Los-Angeles-County%E2%80%99s-Housing-Crisis-2004-20fd0es.pdf>.

CALReUSE Solution

CALReUSE Can Add to the Housing Element Sites Inventory Process



Cedar Gateway, San Diego, CA, recipient of \$94k CALReUSE Remediation Grant (before).



Cedar Gateway, San Diego, CA, (after).

The CALReUSE Programs' investments have meaningfully contributed to the assessment or remediation of 618 acres of brownfields, and the construction of 6,417 housing units, 3,281 of which, are designated as affordable. The success of the CALReUSE approach is further demonstrated by the Department of Toxic Substances Control's (DTSC) use of similar models for two programs to which \$200 million of Cleanup in Vulnerable Communities Initiative (CVCI) funds have been allocated.

Even with current programs in place, a gap in financing the revitalization of brownfields remains. The California Department of Housing and Community Development's (HCD) Housing Element⁴ sites inventory process in each local government's general plan allows for the documentation of optional information, such as contamination, but does not provide for systematic evaluation or documentation of brownfield conditions. With the disincentive to development investment created by the presence or even suspected presence of contamination, inclusion of a parcel on a housing element sites inventory is no assurance of a feasible development process. CALReUSE can fill that gap by supporting local governments in their mandated work to identify and zone parcels for the development of housing.

⁴ <https://www.hcd.ca.gov/housing-elements-hcd>

CALReUSE Assessment Program History & Overview

The Legislature approved the CalReUSE Assessment Program in Fiscal Year (FY) 2001-2002, using funds derived from the CPCFA's bond issuance fees.⁵ CPCFA allocated \$10 million for the program and made available a total of \$6.4 million for borrowers. The Assessment Program provided low-interest loans of up to \$125,000 (increased to \$500,000 in FY 2008-2009) to help finance the cost of contaminated site assessment, technical assistance, and remedial action planning.

CPCFA designed the Assessment Program to mitigate financial risks associated with site assessments and redevelopment on contaminated sites. In those instances, when a borrower completed the environmental site assessment but then determined that a development project was unfeasible, the borrower could receive loan forgiveness. Should the borrower later move forward with development activities or transfer the property within 25 years, the forgiven loan must be repaid.

Between FY 2001-2002 and FY 2011-2012, CPCFA entered into loan agreements for 44 projects totaling more than \$3.5 million, resulting in the assessment of 221 brownfield acres. Of the 44 loan agreements, 25 loans totaling \$1.78 million have been repaid and 19 loans totaling \$1.79 million remain forgiven. The Assessment Program has zero outstanding loans and zero current funding available for new loans. CPCFA staff continues to monitor the compliance of all projects that received loan forgiveness. For a complete listing of awards, please see the CALReUSE Assessment Program Portfolio (Attachment A).

⁵ Established pursuant to Subarticle 1 (commencing with Section 8090) of Article 9 of Division 11 of Title 4 of the California Code of Regulations.

CALReUSE Assessment Program Accomplishments

CALReUSE Assessment Brings Valuable Information to Communities.

Throughout FY 2020-2021, 21 development projects were completed on Assessment Program loan sites. These projects resulted in 1,781 new housing units, of which 903 or 50% are affordable, as well as new commercial and retail space.

Funding from the Assessment Program brought about valuable information regarding the conditions of contaminated sites for community decision makers. This increased knowledge gained through assessments enables private developers and local entities to evaluate the best use of each site.

For example, the World of Good Taste site, in Sacramento, was intended to be developed as mixed-use (commercial and residential). However, using funding from the Assessment Program, the site was assessed and DTSC subsequently placed land use restrictions on the site. The land use restrictions resulted in the site being developed as commercial only.

As demonstrated in the table below, all but one of the CALReUSE Assessment loans were for projects located in economically distressed communities⁶. This reflects how lack of investment to revitalize brownfields can result in communities living beside underutilized and blighted sites.

CALReUSE Assessment Program Projects in Economically Distressed Communities by County			
County	Number of Projects	County	Number of Projects
Alameda	13	San Diego	5
Contra Costa	1	San Francisco	1
Humboldt	1	San Mateo	2
Kern	1	Santa Clara	2
Los Angeles	11	Santa Cruz	1
Sacramento	1	Sonoma	3
San Bernardino	1	Sub-Total	43 of 44 Total Projects

⁶ Economically distressed as defined in Section 8090 (i) of Article 9 of Division 11 of Title 4 of the California Code of Regulations.

CALReUSE Remediation Program History & Overview

The CALReUSE Remediation Program was funded with \$60 million from Proposition 1C, the Housing and Emergency Shelter Trust Fund Act of 2006 approved by the voters at the November 7, 2006, election, further defined by the Legislature in the 2007-2008 Budget Act and trailer bill.⁷ The Remediation Program is administered by CPCFA in accordance with an interagency agreement with the Department of Housing and Community Development (HCD), and with DTSC providing technical assistance.

The Remediation Program offered grants and loans to finance cleanup activities on contaminated sites so infrastructure can be developed, and construction of housing developments can commence. During the rulemaking process, CPCFA defined the Remediation Program's housing requirements to require that grant-funded projects provide California communities with housing developments that are at least 15% affordable⁸, with loans available for projects without the minimum percentage of affordable housing.

In FY 2008-2009, CPCFA awarded 34 projects totaling \$55 million in grants and loans based on factors such as the cost of contamination clean up, the development of housing units, project readiness, and other public benefits.⁹ Several projects were pre-approved for additional amounts to be allocated if funds became available. After the original awards, four projects returned their awards, and the funds were redirected to the Miramar Village project in Los Angeles County. In addition, the Sacramento Railyards project was allocated additional funds from loans that were repaid and grants that were not fully expended, increasing the Remediation Program's total contribution to projects to \$56 million. As of June 30, 2021, CPCFA awarded and expended all available funds.

In the initial program design, remediation and development were treated as separate and always sequential processes but the pilot experience has demonstrated that some sites will have both processes underway simultaneously or there will be a gap between the processes. For example, oversight agencies require some sites with groundwater or vapor contamination to continue sampling and monitoring during construction. Other sites complete remediation but a jurisdictional authority requires completion of certain infrastructure or amenities before the development phase under the CALReUSE Remediation grant or loan begins. There have been 22 projects that completed both remediation and development. Three projects have completed remediation and are now in the development phase, and four projects continue to undergo remediation. Another project completed remediation and partially completed housing but converted to a loan and repaid when rebuilding the housing component became infeasible after an arson fire. For a complete listing of awards, please see the CALReUSE Remediation Program Portfolio (Attachment B).

⁷ Senate Bill 77 (Chapter 171, Statutes of 2007) and Senate Bill 86 (Chapter 179, Statutes of 2007).

⁸ Affordable unit as defined by Health and Safety Code section 53545.13.

⁹ Selection criteria pursuant to Section 8102.14 of Subarticle 2 of Article 9 of Division 11 of Title 4 of the California Code of Regulations.

CALReUSE Remediation Program Accomplishments

Structured to promote housing production.

The CALReUSE Remediation Program reduces contamination in disadvantaged and low-income communities by revitalizing brownfields and adding new housing with features such as support services and access to transit. In FY 2020-2021, Curtis Park Villages (Sacramento County) became the 22nd project to complete both remediation and development. To date, CALReUSE Remediation Program funding has resulted in the production of 2,310 new housing units among 22 projects, of which 1,867 or 80%, are available as affordable for sale or rental housing units.

The following charts outline the impacts of the CALReUSE Remediation Program.

CALReUSE Remediation Outcomes	Completed Projects as of 6/30/21	Projects in Progress	Total
Acres of Brownfields Remediated	397	398	795
Number of Housing Units Completed	2,310	3,277	5,587
Number of Affordable Units Completed	1,867	796	2,663

Characteristics of Completed CALReUSE Remediation Projects					
Project Name and City (In alphanumeric order)	Number of Units	Number of Affordable Units	Support Services ¹⁰	Mixed-Use ¹¹	Transit Served ¹²
1345 Turk St., San Francisco	32	32			Y
15th and Commercial, San Diego	140	139	Y		
2235 Third Street, San Francisco	196	39			
3rd Street, San Jose	37	36			
64th and Christie Site, Emeryville	190	29			Y
Bay Avenue, Capitola	109	102	Y		
Carson City Senior Housing, Carson	86	85		Y	
Cedar Gateway, San Diego	65	63			Y

¹⁰ The support services provided were self-reported by each awardee in the completed Infill Development Report.

¹¹ Defined as the specific building associated with the CALReUSE grant being mixed-use, as self-reported by each awardee. Single-purpose buildings that are part of a larger mixed-use development were not counted.

¹² Defined as located within a half-mile of a transit stop, as self-reported by each awardee.

CALReUSE Remediation Program Accomplishments

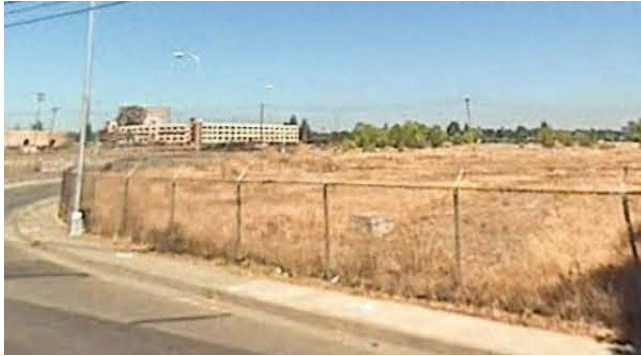
Project Name and City (In alphanumeric order)	Number of Units	Number of Affordable Units	Support Services ¹⁴	Mixed-Use ¹⁵	Transit Served ¹⁶
COMM22, San Diego	206	197	Y		Y
Curtis Park Village	91	90			Y
Fourth Street Apartments, San Jose	100	99	Y		Y
Lampwork Lofts, Oakland	92	0			
La Valentina, Sacramento	81	80		Y	Y
Lillie Mae Jones Plaza, Richmond	26	25	Y		Y
Lorena Apartments, Los Angeles	112	111			
Miramar Village, Los Angeles	114	113			
Octavia Court, San Francisco	15	14	Y		Y
PWC Family Housing, Los Angeles	45	44	Y		Y
St. Joseph's, Oakland	84	83	Y	Y	Y
Studio 15, San Diego	275	273			Y
The Crossings on 29th, Los Angeles	34	33	Y		Y
Township 9, Sacramento	180	180		Y	Y
Totals	2,310	1,867	9	4	14

CALReUSE Project Highlight

CALReUSE Remediation Supported Revitalization of Former Railyard into Mixed-Use Including Senior Affordable Housing.

CPCFA provided \$4 million in funding for cleanup of a former railyard maintenance yard. The completed project is affordable senior rental housing, and the rest of the development includes multi-family and single family residential, commercial, a park, open space, and transit connections.

Before: Underutilized site (photo credit: Google).



After: Affordable senior rental housing.



After: Exterior view including pedestrian bridge between east-bound and west-bound light rail stations.



Grantee: Calvine and Elk Grove-Florin, LLC

Project Location: 2315 10th Avenue, Sacramento, CA 95818

Legislative Districts: Assembly 7, Senate 6

Remediation Grant: \$4,018,066

Use of Funds: Removal of contaminated soils, import of clean fill material, and extraction and sampling of groundwater

Prior Use: The site operated as a railyard maintenance yard from the early 1900's to 1983.

Environmental Concerns: Metals, petroleum, PCBS, PAHS and VOCS from sandblasting, painting, machining, welding, dismantling and reassembly of steam locomotives, boilers, and rail cars, and diesel engine repair.

Development Project:

- 91 senior rental housing units, including 90 affordable units
- 131 multi-family market rate units
- 281 single-family residences
- Three commercial centers
- Six acres of park and open space
- Transit connections including light rail station

Completion Dates: Cleanup of the senior rental portion of the brownfield was completed in 2014, and the senior housing was completed in 2016, while cleanup elsewhere on the site continued. The final documents were completed, and the grant terminated in 2021.