

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
California Recycle Underutilized Sites Remediation Program
Meeting Date: March 17, 2015

Request for Approval of Amendment to the Interagency Agreement with the California Department of Housing and Community Development Regarding the CALReUSE Program to Implement Provisions of the Housing and Emergency Shelter Trust Fund Act (Proposition 1C)

Prepared by: *Ethan Wieser and Jason L. Bradley*

Summary. Staff requests Authority approval to amend Interagency Agreement (“Agreement”) 07-1-016 between the California Pollution Control Financing Authority (“CPCFA” or “Authority”) and the California Department of Housing and Community Development (“HCD”). The amendment will: extend the expiration date of the Agreement from June 30, 2015 to January 1, 2018; make available an additional \$1,356,403.64 to CPCFA to be used for either administrative or project costs; and specify the liquidation dates associated with certain funds.

Background. The California Recycle Underutilized Sites (“CALReUSE”) Remediation Program is a grant and loan program funded with \$60 million from Proposition 1C, the Housing and Emergency Shelter Trust Fund Act of 2006 (“the Act”), further defined by the Legislature in the 2007-08 Budget Act and trailer bill.¹ Administered by the Authority in consultation with the California Department of Housing and Community Development, the Remediation Program finances brownfield cleanup that promotes infill residential and mixed-use development, consistent with regional and local land use plans.

Of the \$60 million allocated to the Remediation Program, \$55 million was allocated to project costs and \$5 million was allocated to administrative costs. The \$5 million in administrative costs was split between CPCFA and HCD; CPCFA was allocated \$3.8 million for the administration of the Program and HCD retained \$1.2 million to cover statewide administrative costs. The Authority solicited grant and loan applications from potential development projects, in a single competitive round in November 2008. As a result of this solicitation, the Authority awarded \$55 million to projects; the Authority capped the funding award at \$5 million per project to ensure that more projects would receive the necessary funds for cleanup activities. Projects were evaluated and awarded funding according to the Program’s regulations, including factors such as the creation of affordable housing units, project readiness, and public benefits. By May 2009, all of the Authority’s funding was awarded. Of the 34 projects receiving awards, 30 projects executed agreements with the Authority. Four projects declined their awards, and the funds were redirected to an underfunded project on a waiting list. The \$55 million that was awarded will assist in the creation of 6,139 housing units – a program investment of \$8,959 per unit.

¹ Senate Bills 77 and 86 of 2007 allocated \$60 million to CALReUSE to administer a program of “grants or loans... for the purpose of brownfield cleanup that promotes infill residential and mixed-use development, consistent with regional and local land use plans.”

Amendments to the Interagency Agreement.

Term of Agreement

This amendment will extend the term of Agreement to January 1, 2018, consistent with recent statutory amendments extending the encumbrance and liquidation dates under the Act.

Budget Amendment

Administrative Costs

In the original Agreement \$1.2 million was set aside for HCD's statewide administrative costs. HCD over-estimated these costs as compared to its actual expenditures. Therefore, the amendment to the budget reduces the allocation for HCD's statewide administrative costs to \$200,000, with the remaining \$1 million to be allocated to CPCFA for use as either administrative or project costs.

Loan Repayment

In March 2013 the Program's only loan was repaid to the Authority; principal and interest repaid on the loan totaled \$356,403.64. CPCFA staff made an attempt to repurpose the funds to other projects in need but was unsuccessful due to the language in the original Agreement stating that "Any funds, including interest earned, not obligated or encumbered by June 30, 2012, shall revert to HCD". As a result the funds were returned to HCD in May 2013.

After discussions with HCD, CPCFA staff and HCD staff collectively agreed that the language in the original Agreement did not accurately describe HCD's intent in regards to loan repayments. HCD did not intend for funds repaid to the Authority to revert back to HCD. To enable CPCFA to redistribute the loan repayments, HCD removed this language from this amendment, which will allow CPCFA to utilize the funds for either administrative or project costs.

Staff is currently analyzing how to best utilize the additional funds.

Liquidation Dates

This amendment specifies two liquidation dates for the Remediation Program funds:

1. Any funds which have been disencumbered and redistributed, including but not limited to CPCFA's newly allocated funds (\$1,356,403.64) and other funds unused by the original awardees and redistributed to other awardees, will have a new liquidation date of January 1, 2018, pursuant to Statutes 2012 (AB 1585, Perez) which authorizes the re-awarding of any disencumbered funds by January 1, 2016 and authorizes liquidation of these encumbrances until January 1, 2018.
2. Funds still subject to the original allocation and encumbrances will have a liquidation date of June 30, 2017 pursuant to Chapter 26, Statutes of 2013 (AB 92).

Agenda Item 4.B.

Staff Recommendation. Staff recommends approval of the attached Resolution to authorize the Executive Director to execute the amended Interagency Agreement 07-1-016, extending the term through January 1, 2018, and with the revised budget and liquidation dates as described above.

RESOLUTION OF THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY AUTHORIZING THE EXECUTIVE DIRECTOR TO SIGN THE AMENDMENT TO THE INTERAGENCY AGREEMENT WITH THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT REGARDING THE CALREUSE PROGRAM TO IMPLEMENT PROVISIONS OF THE HOUSING AND EMERGENCY SHELTER TRUST FUND ACT (PROPOSITION 1C)

March 17, 2015

WHEREAS, the California Pollution Control Financing Authority (“Authority”) was created under the provisions of Section 44500 of the Health and Safety Code; and

WHEREAS, Section 44519 of the Health and Safety Code provides that the Authority is authorized to “delegate to one or more of its members, its executive director, or any other official or employee of the authority any powers and duties that it may deem proper, including, but not limited to, the power to enter into contracts on behalf of the authority”; and

WHEREAS, Section 53545(b)(2) and 53545.14 of the Health and Safety Code provides funding for brownfield cleanup that promotes infill housing development and other related infill development consistent with regional and local plans; and

WHEREAS, on March 17, 2015, the Authority entered into Interagency Agreement 07-1-016 with the California Department of Housing and Community Development (“Department”) to utilize \$60,000,000 from the funding for loans or grants under the California Recycle Underutilized Sites (CALReUSE) program; and

WHEREAS, the Department desires to allocate an additional \$1,356,403.64 of the funding to CPCFA for program or administrative costs, to extend the expiration date of the Agreement from June 30, 2015 to January 1, 2018, and to extend certain liquidation dates.

NOW THEREFORE BE IT RESOLVED, that the Executive Director of the Authority is hereby authorized to execute Amendment 2 to Interagency Agreement 07-1-016 with the California Department of Housing and Community Development, the total amount of which will not exceed \$60,000,000.00.

FURTHER, that the Executive Director shall execute and submit the amended Interagency Agreement to the Department of General Services for approval.

Date of Adoption: March 17, 2015