

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**  
**California Recycle Underutilized Sites Remediation Program**  
**Meeting Date: June 20, 2018**

***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*

**Summary.** Staff requests 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 make available an additional \$722,058.31 for project costs from HCD’s 2017 budget surplus from the Housing and Emergency Shelter Trust Fund of 2006 (Prop 1C), pursuant to Chapter 14, Statutes of 2017, (AB 97, Ting). As the funding is a reallocation from the proceeds from a grant repayment it will not change the amount of the contract from the initial \$60 million.

**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.<sup>1</sup> 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 initial allocation, \$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 an initial \$55 million to projects, with funding capped at \$5 million per project to ensure that more projects would receive the necessary funds for cleanup activities. An additional \$29,120,037 in funding was pre-approved should CPCFA receive additional funds, and a reconfirmation of the project by the Authority.

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 5,439 housing units, including 2,793 affordable housing units – a program investment of \$10,112 per unit.

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<sup>1</sup> 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.”

In 2015, the Board approved a resolution to execute the second amendment to the Agreement. The second amendment specified two liquidation dates for Program funds, consistent with the statutory amendments to the authorizing legislation for Proposition 1C funding. Funds subject to the initial allocation and encumbrances were given a liquidation date of June 30, 2017, pursuant to Chapter 26, Statutes of 2013 (AB 92), and newly allocated funds of \$1,356,403.64 were given a liquidation date of January 1, 2018, pursuant to Statutes 2012 (AB 1585). The newly allocated funds consisted of a Program loan repayment of \$356,403.64 and \$1,000,000 redirected to the CPCFA by HCD for administrative costs.

In 2016 the Board approved a resolution to execute the third amendment to the Agreement. The third amendment extended the liquidation date of the initial \$60 million through June 30, 2020, pursuant to Chapter 23, Statutes of 2016 (SB 826), and also extended the term of the Agreement to June 30, 2020 to match the liquidation period.

In 2017 the Board approved the remaining \$9,750,000 to the Sacramento Railyards project should additional funding come available through returned and recaptured funds remaining on other project grants.

**Amendments to the Interagency Agreement.**

**CALReUSE Project Costs**

In March 2018, the Red Star Apartments project repaid its grant award plus interest in the amount of \$810,090.18 (\$722,058.31 in principal, and \$88,031.87 in interest), as the grantee was unable to complete the Infill Development Project. CPCFA was required to send the proceeds from the grant to HCD in accordance with language in the Interagency Agreement that “Any funds, including interest earned, not obligated or encumbered by June 30, 2017, shall revert to HCD”. As a result the funds were returned to HCD in May 2018.

After discussions with HCD it was determined CPCFA could re-use the \$722,058.31 in principal repaid from the Red Star Project, via HCD’s 2017 budget surplus pursuant to Chapter 14, Statutes of 2017, (AB 97, Ting).

Staff anticipates making the reallocated funds available for the Sacramento Railyards project, as the project is currently underfunded, as CPCFA has awarded a grant of \$14,975,000, but has only allocated \$6,111,771.84 due to a lack of additional funding.

**Staff Recommendation.** Staff recommends approval of the attached Resolution to authorize the Executive Director to execute the amended Interagency Agreement 07-1-016 reallocating \$722,058.31 for project costs from HCD’s budget surplus from the Housing and Emergency Shelter Trust Fund of 2006 (Prop 1C), pursuant to Chapter 14, Statutes of 2017, (AB 97, Ting).

**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)**

**June 20, 2018**

**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 January 1, 2008, 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 reallocate an additional \$722,058.31 of the funding to CPCFA for the programs project costs, pursuant to Chapter 14, Statutes of 2017, (AB 97, Ting);

**NOW THEREFORE BE IT RESOLVED**, that the Executive Director of the Authority is hereby authorized to execute Amendment 4 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: June 20, 2018