Public-private partnerships for financing brownfields: segment outlines

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(1) Federal Programs Are Being Used in a Variety of Ways to Promote Brownfield Reuse

- To provide resources directly
  - Grants; forgivable loans

But also to...

- Reduce lender’s risk
  - loan guarantees

- Reduce borrower’s costs
  - interest-rate reductions/subsidies; due diligence assistance

- Improve the borrower’s financial situation
  - re-payment grace periods; tax abatements and incentives; technical assistance help

- Provide comfort to lenders or investors
  - performance data, risk management/corroborated
(2) The Brownfields “Red Zone”

Impact of Contamination – Why Incentives are Needed

- Conceptualizing and Planning the Project
- Economic Analysis for Marketing the Project

Dealing with Stigma

$ for Site Assessment

Additional Underwriting/Site Development/R.O.R. Costs

$ for Preparing a Cleanup Plan and Taking It Through VCP/State/Local Regulatory Agencies

$ for Cleanup

“Regular” Real Estate Construction/Development Costs

When Site is “Shovel Ready”
Financing Programs: Federal “Laundry List”

What’s Been Used in Brownfield Reuse Financing Packages?

Loans
- EDA capital for local revolving loan funds
- HUD funds for locally determined CDBG loans and “floats”
- EPA capitalized revolving loan funds
- SBA’s microloans
- SBA’s Section 504 development company debentures
- EPA capitalized clean water revolving loan funds (priorities set/programs run by each state)
- HUD’s Section 108 loan guarantees
- SBA’s Section 7(a) and Low-Doc programs
- USDA business, intermediary, development loans

Grants (continued)
- DOT (various system construction, preservation, rehabilitation programs)
- Army Corps of Engineers (cost-shared services)
- USDA community facility, business and industry grants

Equity capital
- SBA Small Business Investment Cos.

Tax incentives and tax-exempt financing
- Targeted expensing of cleanup costs
- Historic rehabilitation tax credits
- Low-income housing tax credits
- Industrial development bonds
- Energy efficiency construction credits

Tax-advantaged zones
- HUD/USDA Empowerment Zones
- HUD/USDA Enterprise Communities
(3) How Have these Programs Been Used to Support Brownfield Redevelopment?

- brownfield redevelopment/revitalization planning
- site acquisition
- environmental site assessment
- site clearance, demolition, and removal of buildings
- rehabilitation of buildings
- removal or remediation of contamination
- construction of infrastructure and related improvements that enhance brownfield site value

*Activities carried out in partnerships with the private sector, or to leverage private participation*
(3) Making the fit – most commonly used federal programs

- HUD – CDBG
- EDA – public works, economic dislocation
- DOT – enhancement, construction
- USDA – rural development/community facilities, loans and grants
- US Army Corps of Engineers
- Tax code incentives

EPA’s key federal family members…
(4) Federal tax incentives that can be linked to brownfield redevelopment – at little or no cost to the community or project….

4 with particular relevance to small cities and small sites –

- Rehabilitation tax credits
- Low income housing tax credits
- New markets tax credits
- Brownfield cleanup expensing
(4) Advantages of Using Tax Incentives in Brownfield Projects

- Increase project’s internal rate of return
- Ease borrower’s cash flow by freeing up cash ordinarily needed for tax payments
- Some credits can be sold for cash, or syndicated to attract additional investment
- Credits attract different players to the redevelopment table
- Not subject to competitive public grant process