

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

- **To provide resources directly** ***Brownfield Reuse***
 - *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/corroboration*

(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”

(3) Financing Programs: Federal “Laundry List”

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

- HUD’s Brownfield Economic Development Initiative (BEDI)
- HUD’s Community Development Block Grants (for projects locally determined)
- EPA assessment, cleanup grants
- EDA public works and economic adjustment

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