

By Terri Smith, Environmental Liability Management, Inc.

## Leveraging financing tools in the redevelopment of contaminated properties

Contaminated properties pose a significant concern

for communities. The identification, cleanup, reuse and/or redevelopment of these properties are



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often complicated by the inability to find the financial resources to complete the process. Many communities lack the funding necessary to get brownfield sites identified and evaluated in order to provide the information necessary for a prospective developer to consider in purchasing the property for his next redevelopment project.

The lack of financing options has often been identified as one of the significant impediments to the redevelopment of environmentally challenged properties. To address this issue the federal government and many states governments have established various financing programs that are available for many aspects of contaminated property redevelopment projects such as site identification, planning, assessment, cleanup and in some instances construction.

These various financing options include loans, grants, tax credits, tax incentives as well as tax advantage zones. How do these options provide assistance in the redevelopment of contaminated properties? They can be used to reduce a lender's risk, reduce a borrower's costs, improve a borrower's financial situation, as well as provide a level of comfort to lenders or private investors. Depending on the type of redevelopment effort, various financial incentives as well as technical assistance can be found

in many programs administered by both the federal and state government.

One such federal program and initiative is The "Small Business Liability Protection and Brownfield Revitalization Act" a law that was enacted in January 2002 that authorizes up to \$200 million for brownfield assessment and cleanup grants. This federal funding mechanism can be used in many cases to leverage existing state and local financial opportunities. In 2006, the U.S. Environmental Protection Agency (USEPA) made available \$70 million for site assessment, cleanup, revolving loan funds and job training grants to states. In addition, \$50 million was made available to states and tribes for implementing voluntary cleanup programs. The USEPA has other financial and technical assistance programs for job training, revolving loan funds, targeted assistance grants and environmental justice grants.

Other federal financing tools that can be used to facilitate the redevelopment of contaminated properties include the U.S. Housing and Urban Development (HUD) Community Development Block Grant (CDBG) program funding. This program is implemented locally to promote economic and community development. The CDBG can be used for planning activities, support services, housing, site acquisition and brownfield redevelopment. The intent of the program is to assist low and moderate income persons, address slums and blight in the community, or meet an urgent community need. Another HUD program that can be used by communities to facilitate property reuse activities include Section 108 Loan Guarantees, which can

be use to finance property clearance, infrastructure, or rehabilitation (including cleanup). The HUD Brownfield Economic Development Initiative (BEDI) was established to provide additional funding assistance for brownfield redevelopment projects supported by the Section 108 program.

The U.S. Economic Development Agency (EDA) has programs that can also be used by communities to assist in the redevelopment of contaminated properties. The programs include public works grants to finance industrial property development and infrastructure preparation.

The U.S. Department of Agriculture (USDA) provides funding opportunities to small communities through its Rural Business Development Grant, rural utilities fund, rural housing funds, rural business and industry funds, as well as providing technical assistance through its rural Empowerment Zones and Enterprise communities programs. Moreover, it provides assistance through its Urban Resources Partnership with funding and technical assistance to education and restoration efforts for community-based projects.

In addition to these federal grant and loan financing tools there are federal tax incentives that can be leveraged for contaminated property redevelopment and revitalization. These incentives include rehabilitation tax credits, low income housing tax credits, new market tax credits, and the Federal Taxpayer Relief Act that allows tax expensing for the cleanup costs associated with a contaminated property.

Other non-traditional financial and technical assistance programs can be obtained through various other federal agencies.

Some of these agencies include the Army Corps of Engineers, U.S. Department of Transportation, Federal Emergency Management Agency, and the U.S. Small Business Administration. While not all of these mechanisms address environmental issues the funding can be used to leverage financial incentives that may already be in place.

As many of the readers know there are also state financing tools that include grants and low interest loans as well as municipal tax incentives for the redevelopment and reuse of contaminated properties. Currently there are approximately 22 States across the country that offer tax credit and/or tax abatement financial incentive programs. Approximately 13 States offer direct financing assistance such as low interest loans and grant programs. The most commonly used municipal financial tools used in the redevelopment of contaminated properties include tax increment financing (TIFs), tax abatements and/or property transfers.

In addition, municipalities should also evaluate the various incentives and financial opportunities available through a number of other state agencies such as a state's Economic Development Authority (EDA). Many times the EDA can provide financial assistance with bonding instruments, low interest loans and grants.

Moreover, a State's Department of Transportation (DOT) can sometimes provide financial assistance for infrastructure improvements that when incorporated with other funding mechanisms can render that underutilized contaminated property into a viable option for re-

use. Other DOT programs that should be evaluated include obtaining monies for bicycle and pedestrian pathways, transit village concepts and park and rides.

It should also be noted that the financial and technical assistance programs that are mentioned above should be evaluated for use in conjunction with various insurance programs that are available from the insurance industry for contaminated property cleanup and redevelopment.

Many successful contaminated property redevelopment efforts take into account the various financial considerations that are available. Let's face it many of these redevelopment projects would not take place if the public sector did not facilitate the project through the use of financial or technical assistance to make the project a reality. What are required to make use of the many financial and technical assistance programs available to municipalities are careful planning, vision and creativity to ensure that your next redevelopment effort moves forward.

Leveraging state and federal resources with many of the non-traditional funding opportunities provides a solid foundation to advance contaminated property reuse efforts. Linking these various funding options with the liability release efforts in place on the federal and state level provides the much-needed impetus to further reuse efforts in many of our urban and suburban municipalities.

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