

Financing Brownfield Transactions: *EPA programs and resources, federal tax incentives that can be applied*



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Oklahoma Brownfield Conference
May 22, 2012
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Federal Tools Can Be Fit together, Leveraged in Various Ways to Promote Site Reuse

- To provide resources directly
 - *Grants; forgivable/performance loans*

But also to...

- Reduce lender's risk
 - *loan guarantees; companion loans*
- 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*



How Have Federal Programs Been Used to Support Site Redevelopment Finance?

Eligible program activities can include:

- planning for redevelopment/reuse
- removal or remediation of contamination from sites or structures
- demolition and removal of buildings
- site acquisition and clearance
- environmental site assessment
- construction of infrastructure and related improvements that enhance site value



It's all about leveraging and partnerships!!

EPA'S Brownfield's Program – the basics

“Bricks-and-mortar” (ARC) programs

- Site assessment
 - Phase I, II, prepare cleanup and reuse plans
- Cleanup (20% match)
 - Must own site at time of award
- RLF capitalization grants (20% match)
 - Loans, up to 40% may be used as subgrants

Eligible applicants

- Range of public (state/local/tribal), non-profit, quasi-public development organizations
- Non-profits not eligible for assessment, RLF grants

EPA Clean Water, Drinking Water State RLFs

- State funds capitalized by EPA each year
- States set RLF priorities within broad EPA guidelines
- Individuals and non-profits among eligible loan recipients
- Can finance loans up to 20 years; activities can include brownfield mitigation to correct or prevent water quality problems, including groundwater contamination
- Eligible activities include –
 - *Site assessments, disposal of USTs, excavation/removal/disposal of contaminated soil or sediments*

A New Federal Approach

PARTNERSHIP FOR SUSTAINABLE COMMUNITIES

- Goal is to coordinate federal investments and align policies support communities
- Meet multiple economic, environmental, and social objectives with each dollar spent
- Partnership principles
 - provide more transportation choices
 - promote equitable affordable housing
 - enhance infill thru brownfields cleanup



Houston Reliant Arena

BROWNFIELDS ASSISTANCE

Brownfields Area-wide Planning Pilot Grant

http://www.epa.gov/swerosps/bf/areawide_grants.htm

Brownfields Assessment Grant

http://www.epa.gov/swerosps/bf/assessment_grants.htm

Brownfields Revolving Loan Fund Grant

<http://www.epa.gov/swerosps/bf/rflfst.htm>

Brownfields Cleanup Grant

http://www.epa.gov/swerosps/bf/cleanup_grants.htm



BROWNFIELDS ASSISTANCE (Cont'd)

Environmental Workforce Development and Job Training

<http://www.epa.gov/swerosps/bf/job.htm>

Brownfields Multi-purpose Pilot Grant

<http://www.epa.gov/swerosps/bf/applicat.htm>

Targeted Brownfields Assessment

http://www.epa.gov/swerosps/bf/grant_info/tba.htm



SMARTGROWTH ASSISTANCE



Smart Growth Implementation Assistance (SGIA) Grants

<http://www.epa.gov/smartgrowth/sgia.htm>

Building Blocks Technical Assistance Grants

<http://www.epa.gov/smartgrowth/buildingblocks.htm>

Greening America's Capitals

<http://www.epa.gov/smartgrowth/greencapitals.htm>

Governor's Institute for Community Design

<http://www.epa.gov/smartgrowth/grants/index.htm>



WATER ASSISTANCE



State Revolving Loan Fund

http://water.epa.gov/grants_funding/

Drinking Water State Revolving Loan Fund

http://water.epa.gov/grants_funding/dwsrf/index.cfm

Watershed Funding Programs

http://water.epa.gov/grants_funding/shedfund/watershedfunding.cfm

Green Infrastructure Community Partnerships

http://water.epa.gov/infrastructure/greeninfrastructure/gi_support.cfm#CommunityPartnerships



Five federal tax incentives that can be linked to revitalization transactions – all at little or no cost to the project....

- Renewable energy tax credits
- New Markets Tax Credits
- Rehabilitation tax credits
- Low income housing tax credits
- Brownfield cleanup expensing



Renewable Energy Tax Incentives

Renewable energy bonus depreciation deduction

- Solar electric, and other technologies, are classified as “5-year property” under IRS/MACRS system
 - 50% “bonus” depreciation provision added in 2008: half the cost of the property can be deducted in the year placed in service, balance over 4 years

On-site renewable investment tax incentives

- **30%** of costs of on-site solar, fuel cell, small wind renewable systems, thru 12/31/16
- **10%** for geothermal heat pumps, microturbines, thru 12/31/16
- **10%** credit for CHP installation, thru 12/31/16, in year it becomes operational

New Markets Tax Credits

- **Gives investors federal tax credits (39% over 7 years) for equity investments in designated Community Development Entities (CDEs), for use in low-income communities**
- CDEs use their allocations to make loans or investments in “qualified businesses” and development activities –
 - **Historically, most common investments -- *in for-profit, non-profit businesses and real estate***
 - **Other eligible activities include -- *charter schools, homeownership projects, community facilities***
 - All investments at preferential rates/terms
 - Matchmaking a good CBO strategy – find a CDE with an allocation!

New Markets Tax Credits -- highlights of 2011 funding round (announced 2/23/12)

- **\$3.62 billion** authorized to 70 CDEs in 29 states
 - *Allocatees anticipate making investments in 49 states*
 - *\$714 million (20%) targeted to rural areas*
- Planned loans to or equity investments in include:
 - *\$1.99 billion (56%) to finance/support business loans*
 - *\$1.5 billion (43%) to finance real estate projects*
- **3 Oklahoma** allocatees authorized for \$160 million
 - *4 for \$95 million in 2010 round...*
 - *Recipients must allocate credits within 5 years*
- For **information** – www.cdfifund.gov

Rehabilitation Tax Credits

- Taken the year renovated, income-producing building is put into service
- 20% credit for work done on historic structures, with rehab work certified by state
- 10% credit for work on “non-historic” structures built before 1936; no certification required

In 2011 – 937 projects, \$805 million in credits

- Leveraged ***\$4.02 billion*** in private investment
- Created ***55,458 jobs***

Oklahoma 2011 historic rehab activity

- 44 projects
- \$45.2 million in certified expenses

Ford Motor Assembly Plant,-- Richmond CA

- Built in 1930, 520,000 sq.ft. ; closed 1953
- Original Albert Kahn “daylight factory”
- Rehabilitation work began in 2004
 - *Included seismic retrofits, green performance measures, including solar panels on roof*
- **\$11 million in rehab tax credits**
- ***Today*** – houses several manufacturers of sustainable products, plus 45,000 sq ft meeting and entertainment venue



Low-Income Housing Tax Credits

- States get annual population-based allocation to distribute to communities and non-profits – approx. \$1.75 per capita
- **States set investment, location priorities**
 - *LIHTCs can be used to target investment to certain areas, such as infill locations, brownfield reuse, or to encourage energy efficient construction*
- **Nationally -- \$3.85 billion in credits issued in fiscal year 2010, supporting 1/3 of all new construction that year**
- Investors can get 9% annual credit for 10 years for qualified new construction/rehabilitation costs (i.e. 90% of total) for projects not financed with other federal subsidy

Brian J. Honan Apartments – Boston, MA

- CDC saw an opportunity to develop former fish processing plant into affordable housing
- **Low-income housing tax credits** key parts of financing incentive package needed to attract capital, convince funders that the project, would work, deliver necessary ROI
- **Result** – affordable units in a sustainable development: green energy, pedestrian access to groceries, shops, transit



Brownfield Cleanup Cost Expensing Incentive

- ***What it is*** – deduction pegged to “**qualified environmental cleanup costs**”, allows new owners to recover cleanup costs in the year incurred
- ***Uniqueness*** – only federal brownfield incentive targeted to private site owners.
- ***Value*** – offsets cleanup costs; tax advantages of remedy can be integrated into project design
- ***Goal*** – aims to level economic playing field between greenfield and brownfield sites through favorable tax treatment of cleanup costs
- ***On hiatus*** – in effect thru 12/31/11; tax extender bill would make it retroactive to 1/1/12, thru 12/31/13