



Brownfields and Creative Financing - What's Working Now

Brownfields Community Network, November, 2010

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Redevelopment Economics

- Site Redevelopment Analysis and Financing, Tax Increment Financing
 - Baltimore
 - Rochester
 - Private developers
- State TIF Policies to Support Smart Growth (Maryland)
- Green Job Strategies (ARTEZ)
- Brownfields and Smart Growth Strategies
- Economic Impact Analysis
- Climate Benefits of Smart Growth
- Local Government Energy-Climate Plans
- Staff director for the National Brownfields Coalition



Real Estate Financing Trends

- Greater use of governmental sources
- Brownfields particularly difficult:
 - Greater need for upfront investment vs. extreme shortage of private equity investment \$\$;
 - Lenders are skittish about risk
- Governmental grants useful for upfront costs, but loans and loan guarantees are key to vertical development.
 - Most state line-item brownfield grant-loan programs have been slashed



Brownfields Incentives that are still working

- Federal Incentives (NMTC, HUD 108, EPA Brownfields, Energy Incentives, HUD Loan guarantees)
- States with Bond-funded Brownfields Incentives – Ohio, PA, Cal, Wisc.
- States with remediation tax credit programs – Michigan, Missouri, New York, Florida, Massachusetts, New Jersey
- Local governments that have aggressively use TIF

Governmental Sources as Critical – Knapp's Dept store, Lansing, MI

- \$36.4 million total
- \$24.5 incentives, including:
 - \$7.3 million - state and federal historic tax credits;
 - \$2 million BEDI;
 - \$5.4 million HUD 108 loan;
 - \$4.8 million - new market tax credits;
 - \$1.8 million in Brownfield Michigan business tax credits;
 - Renaissance Zone designation – property tax credits for 12 years.




- Retail
- office space
- Business incubator
- High-end apartments

Governmental Sources as Critical – Heer's Department Store, Springfield, Mo

- Developer - \$4.4 million
- \$11 million FHA section 220 loan guarantee
- Federal and state Historic Tax Credits — \$10.1 million
- \$3 million TIF closed the gap
 - \$2 mil City loan
 - \$1 mil State loan
 - Uses 100% of property taxes and 50% of retail sales taxes



- vacant – 15 years
- loft apartments, retail space, a gym, and parking.



Private Tools that Can Help Brownfields Financing

- **Brownfields Equity Co** - Converting post-development tax credits into upfront cash –operates in states w/ transferable (or refundable) remediation income tax credits:
 - Missouri;
 - Massachusetts;
 - Florida;
 - New York

(Contact Ev Paull for more Info)

Private Tools that Can Help Brownfields Financing

- **Insurance Archeology**
 - Indianapolis is using insurance archeology to recover cleanup costs:
 - Legal action to recover of \$5 million from Ertel Manufacturing (unresolved).
 - Re-use: Major Tool and Machine (engineering, fabrication and machining services company).



Private Tools that Can Help Brownfields Financing

- “Double Bottom Line” investors for equity or mezzanine financing
 - California Environmental Redevelopment Fund (CERF),
 - Bay Area Smart Growth Fund,
 - Puget Sound Smart Growth Fund I,
 - Massachusetts Life Initiative





Brownfields Angles on New Markets Tax Credits

- Brownfields determination can be key element in ranking for “severe distress”
- Basic eligibility – poverty rate of 20% or median income less than 80% of median;
- “Severe distress”
 - Brownfield sites (CERCLA 101(39)) one of 15 criteria



Brownfields angles on New Markets Tax Credits

- **CDE's that target or have funded brownfield projects**
 - Urban Action Community Development LLC
 - Essential Community Capital, LLC
 - Brownfield Revitalization, LLC
 - Local Initiatives Support Corporation
 - Enterprise Community Loan Fund, Inc.
 - MBS Urban Initiatives CDE, LLC
 - Great Lakes Region Sustainability Funds LLC – Delta Institute, *Great Lakes region*
 - The Valued Advisor Fund, LLC
 - ShoreBank Enterprise Group, Pacific Enterprise Cascadia – *Washington and Oregon*
 - Wisconsin Brownfield and Economic Development Fund, LLC
 - Urban Revitalization & Brownfield Redevelopment Fund - *Wisconsin*
 - MassDevelopment New Markets LLC – Massachusetts

E-mail Evans Paull for contact info

TIF Basics

- Why stress TIF over other mechanisms?
 - The only incentive that can close gaps of \$50 mil+
 - Local government control;
 - Not dependent on appropriations;
 - Many variations and opportunities for creativity;
 - Depressed property values - good time to designate TIF districts.

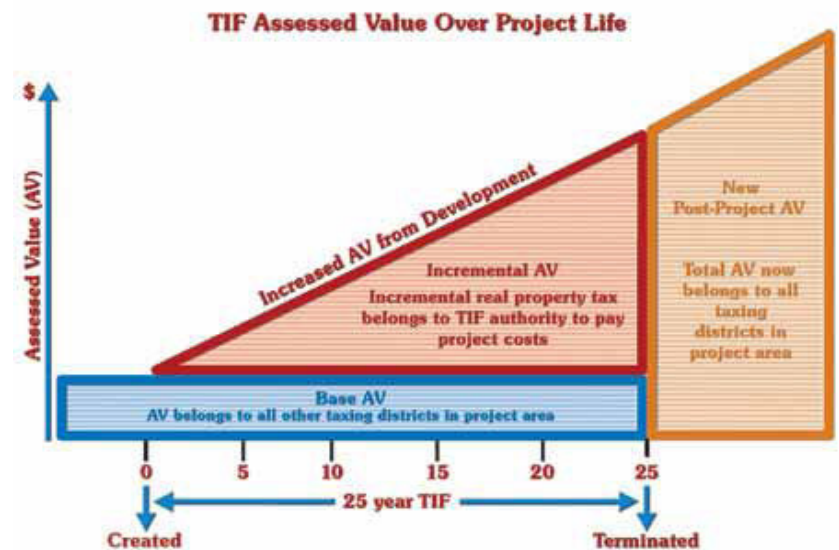


Chart source: TIERRA GRANDE –
"ABCs of TIF" By Robert R. Eversberg
& Paul R. Goebel



TIF Trends – Bond Market

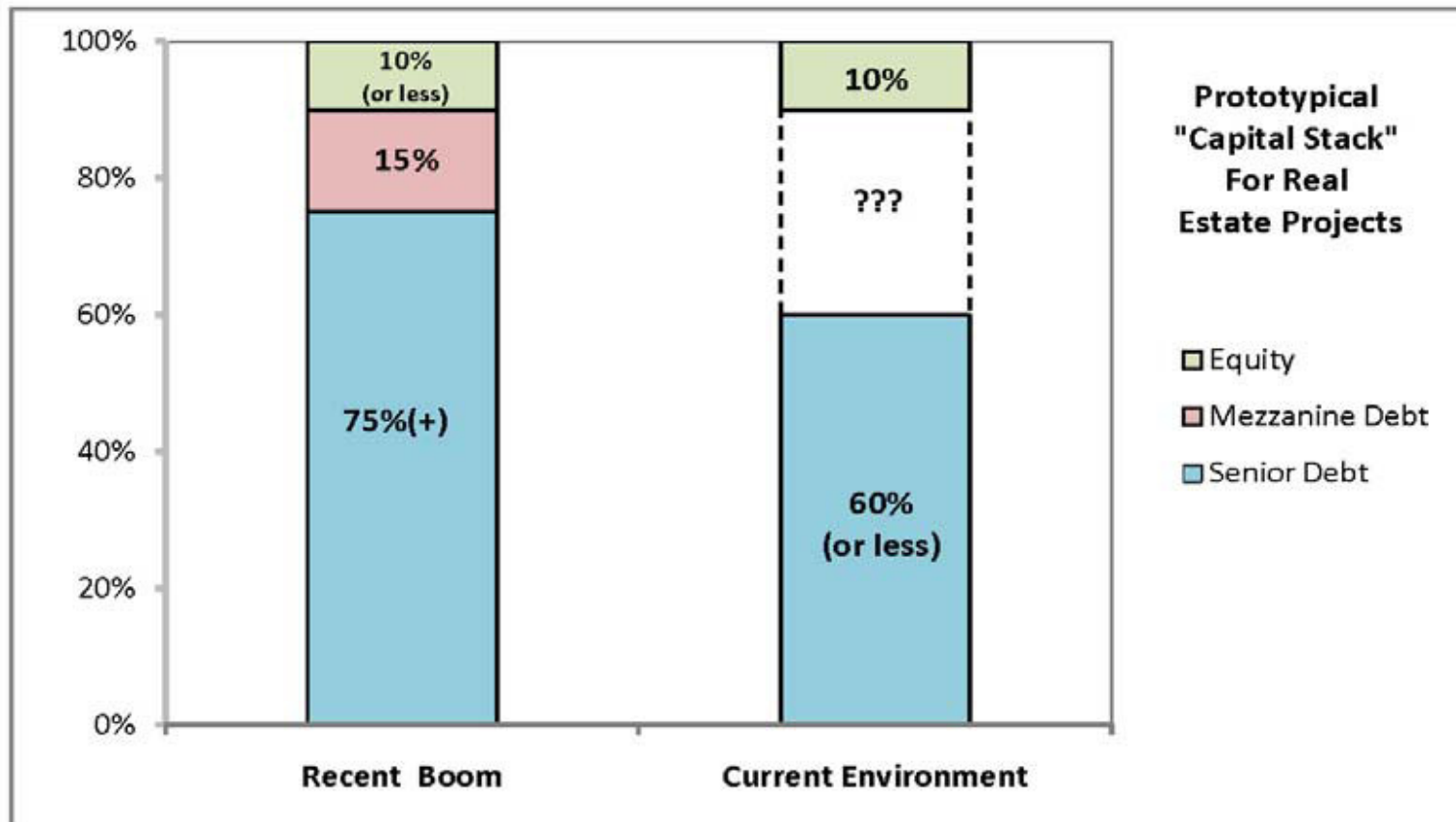
2006

- \$5.5 billion in issuances
- Loan to value up to 90%
- Interest rates – 6 – 6½ %
- Debt coverage ratio – 1.2

2009

- Less than \$1 billion issuances
- Loan to value - 50-60%
- Interest rates – 8¾ %
- Debt coverage ratio – 1.5

TIF Trends - Bond Market





New Tools and Alternatives to Bond Market Financing

- Pay-as-you-go
- TIF combined with Recovery Zone bonds (shifts taxable debt to tax exempt)
- Credit Enhancements – FHLB Standby-Letter-of-Credit
- TIF with governmental loans and guarantees:
 - HUD 108
 - EPA Brownfields RLF
 - State loans and guarantees

Atlantic Station TIF

TIF for Large-scale New Urbanist Projects

- \$167 million of \$250 million gap
- Reimbursing \$50 million cleanup
- Expected \$4 billion investment
- AIG Global Real Estate provided upfront equity financing
- Dramatic VMT reduction



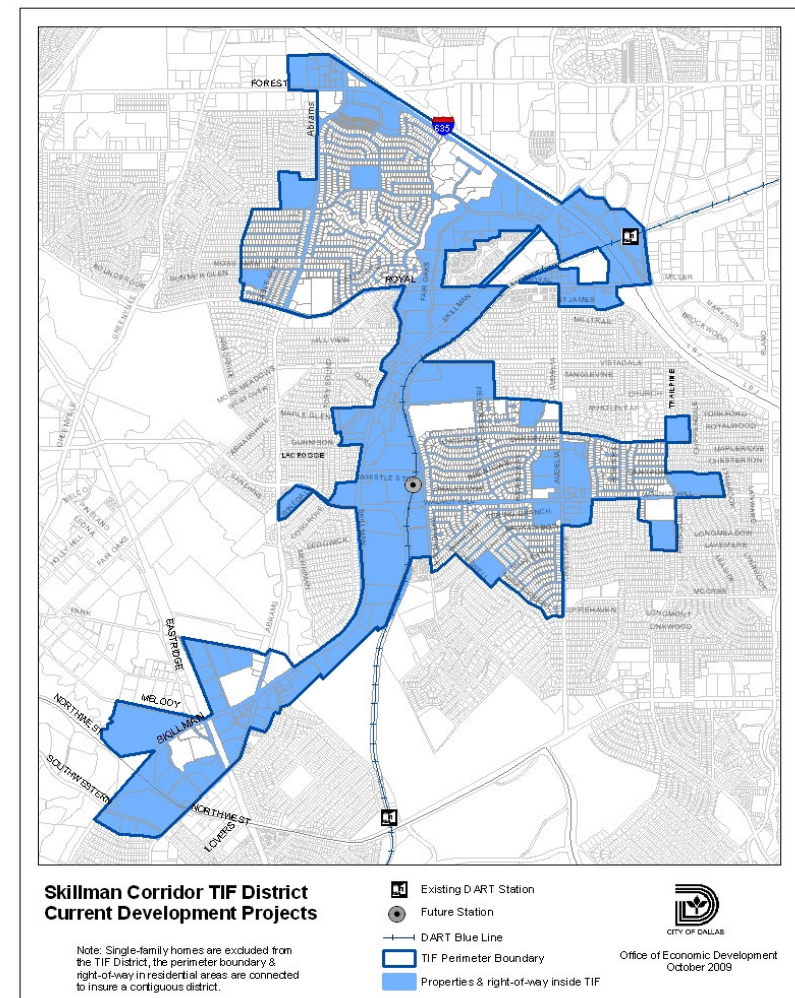
- 6 mil sq ft office
- 5,000 DU's
- 2 mil sq ft retail
- 1,000 hotel rms
- 11 acres open space



Project TIF - Atlantic Station

TIF for Mega-brownfields Projects

Sources and uses for phase I infrastructure and site prep		
Item	Amount	Source
Roads and Utilities	\$30,000,000	TAD
Environmental Remediation	\$25,000,000	TAD
Capping (Environmental)	\$25,000,000	TAD
Right-of-way	\$50,000,000	Developer
Parking	\$30,000,000	TAD
Bridge	\$50,000,000	State/Fed
Total Phase I	\$210,000,000 (TIF total - \$110 million)	



Area TIF – Dallas, Skillman District – Pay-as-you-go



Lake Highlands Town
Center/TOD project

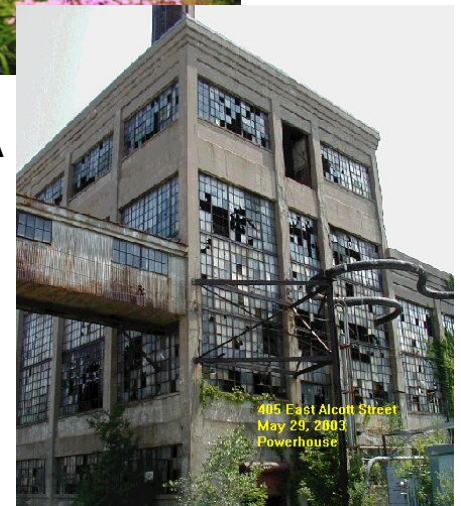
- Objective: transform area to urban/TOD/ mixed use center
- Pay-as-you-go
- \$850,000 annual revenues from:
 - 8 development projects w/ no TIF subsidy
 - Property value growth
 - Includes negotiated school revenues

Michigan's Brownfields Redevelopment Authorities

- Contaminated and obsolete properties
- 30 years tax capture local and state property taxes, used for:
 - Remediation
 - Site prep
 - Infrastructure
- Surplus revenues may go to to Site Remediation RLF;
- Example Kalamazoo using revenues from past successes to seed new projects



Kalamazoo BRA
Mackenzie's
Bakery
seeding the
Portage
Paper
Stream
Restoration
Project



TIF and Land Banking



- Genesee County, Michigan
- Extensive use of TIF - site prep/cleanup of tax foreclosure properties.
 - Michigan law allows scattered site, non-contiguous TIF districts;
 - Legislative reform to define any property in a land bank as a "brownfield"
 - One TIF issuance had thousands of properties;
 - Strong properties cross-subsidize weaker ones.

Cleveland Flats East Bank

Retooling the Deal using TIF and HUD 108

- Old deal – Bond market TIF to fund infrastructure
- New deal:
 - \$30 million Recovery Zone for infrastructure
 - Redevelopment - \$30 million HUD 108 loan to be repaid from TIF
 - Ohio TIF law allows TIF for redevelopment, not just infrastructure
- Previously committed - \$25 million in local, state, federal brownfields funding



- \$520 million total
- Mixed use/walkable
- Green

TIF - HUD 108

Baltimore's Gateway South

Before		
After		
	2006 business park plan	2010 slots and nightclub plan – Celebration Plaza



TIF - HUD 108

Baltimore's Gateway South

- Upfront expenditures – site assembly and site prep (\$18 million)
- HUD 108 - interest only for 5 years
- Security – special assessment district and CDBG

Matching TIF w/ HUD 108 and EPA RLF – Des Moines

- Des Moines Gray's Landing (Riverpoint West) TIF:
 - \$17 million HUD 108 for assembly and infrastructure
 - \$1 million EPA Brownfields Revolving Loan Fund for cleanup.
- Backstop for TIF:
 1. \$2.9 million surplus revenues from adjacent TIF district
 2. Developer guarantee
- New Markets Tax Credits

\$220 million mixed-use project

- 543 townhomes/condominiums
- 740,000 sf office/retail space
- 143,000 sf flex space



State Revenues in TIF - Kentucky Lexington, Distillery District

Distillery District

- 25-acre Industrial District
- \$177 million Mixed Use
- TIF includes \$46 million from State revenues under the "Mixed Use Redevelopment in Blighted Areas Program"
- Achieved 1.8 debt coverage ratio





Kentucky

State Revenues in the TIF

Two types of state-assisted TIF

- Signature Projects – over \$200 million – also eligible for State Moral Obligation backing
- Mixed Use Redevelopment in Blighted Urban Areas – over \$20 million
- Both – mixed use w/ no more than 20% retail
- Must be projected to have a positive fiscal and economic impact on state

○ Other states that put state revenues into certain TIF projects:

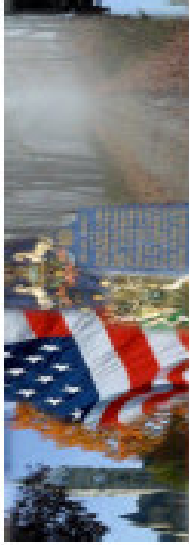
- Missouri (up to 50% of sales or income taxes)
- Indiana (certified technology parks)
- Kansas
- Tennessee
- Colorado



Pennsylvania TIF Guarantee Program

Pennsylvania Tax Increment Financing Guarantee Program

- \$100 million fund;
- State guarantee up to \$5 million for projects consistent w/ smart growth and economic development objectives;
- Priority for brownfield sites;
- Guarantee serves as credit enhancement;
- For infrastructure and remediation.



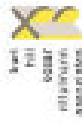
Housing and Redevelopment Authority of the County of Butler



COMMUNITY DEVELOPMENT CORPORATION
OF BUTLER COUNTY



The Redevelopment Authority
of the City of Butler



BUTLER CITY REVITALIZATION – Phase I **Housing and Community Development Initiative**



Connecticut – State Loan and Guarantee

Connecticut's Brownfields Redevelopment Authority (CBRA)

- \$50 million economic development bond fund
- State grants up to \$10 million to developer for remediation and site prep, based on locality diverting tax revenues
- Size of the grant linked to the projected TIF revenue stream
- State takes the risk that the project will not perform.



Contact Info

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