



City of Carson Report to Mayor and City Council

June 7, 2011
New Business Consent

SUBJECT: CONSIDERATION OF RESOLUTION NO. 11-077 SEEKING SUPPORT FROM THE U.S. CONFERENCE OF MAYORS FOR THE BROWNFIELD REMEDIATION AND ECONOMIC DEVELOPMENT LOAN GUARANTEE PROGRAM

Submitted by Clifford W. Graves
Economic Development General Manager

Approved by Clifford W. Graves
Interim City Manager

I. SUMMARY

To garner additional support and momentum for the proposed Brownfield Remediation and Economic Development Loan Guarantee Program, Resolution No. 11-077 is presented for the City Council's Consideration (Exhibit No. 1). Approval of this resolution demonstrates the City Council's support of the program and seeks support from the U.S. Conference of Mayors.

II. RECOMMENDATION

WAIVE further reading and ADOPT Resolution No. 11-077, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, SEEKING THE SUPPORT OF THE U.S. CONFERENCE OF MAYORS FOR THE BROWNFIELD REMEDIATION AND ECONOMIC DEVELOPMENT LOAN GUARANTEE PROGRAM."

III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

IV. BACKGROUND

Staff has developed a White Paper in Support of Proposed Legislation known as the Brownfield Remediation and Economic Development Loan Guarantee Program (Exhibit No. 2). The paper provides an overview of a legislative proposal that will provide loan guarantees in the amount of \$50 million or more to develop Brownfield areas of at least 50 acres. The ultimate challenge facing comprehensive and sustainable Brownfield redevelopment is identifying sources of funding or financing to clean up and remediate impacted land, so that the private sector can invest in redevelopment of the land. Traditional financing mechanisms do not cover the magnitude and complexity that redevelopment of large tracts of Brownfields involves.

Approval of Resolution No. 11-077 approves submittal of Carson's request for support of the Brownfield Remediation and Economic Development Loan Guarantee Program at the 79th Annual Conference of Mayors scheduled for June 17-21, 2011.

V. FISCAL IMPACT

None.

VI. EXHIBITS

1. Resolution No. 11-077. (pgs. 3-4)
2. White Paper: Brownfield Remediation and Economic Development Loan Guarantee Program. (pgs. 5-12)

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TO:Rev032811

Reviewed by:

City Clerk	<u>City Treasurer</u>
<u>Administrative Services</u>	<u>Development Services</u>
<u>Economic Development Services</u>	<u>Public Services</u>

Action taken by City Council	
Date _____	Action _____

RESOLUTION NO. 11-077

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, SEEKING THE SUPPORT OF THE U.S. CONFERENCE OF MAYORS FOR THE BROWNFIELD REMEDIATION AND ECONOMIC DEVELOPMENT LOAN GUARANTEE PROGRAM

WHEREAS the current economic climate in conjunction with green energy innovations, land affordability and construction costs make it an ideal environment for the development of large Brownfields; and

WHEREAS the comprehensive remediation and development of large Brownfields has the ability to create new jobs, increase revenue, and promote further development for cities; and

WHEREAS the size and location of Brownfields make them an ideal candidate for implementing advanced green technology initiatives; and

WHEREAS a 2010 U.S. Conference of Mayor's survey of cities cited the number one reason for not developing Brownfields was a lack of funds and financing tools; and

WHEREAS traditional financing mechanisms are insufficient in providing the funds and financing for the remediation and redevelopment of large tracts of Brownfields; and

WHEREAS the federal government can act as a facilitator and guarantee the loan of funds necessary to remediate large Brownfields.

NOW, THEREFORE BE IT RESOLVED, that the City Council of the city of Carson, California, calls on Congress and the Administration to support the adoption of a Brownfield Remediation and Economic Development Loan Guarantee Program, which will establish a loan financing mechanism for the repayment of funds loaned specifically for the redevelopment of large Brownfields.

BE IT FURTHER RESOLVED that the City Council requests that a conference resolution be adopted by the U.S. Conference of Mayors that supports the Brownfield Remediation and Economic Development Loan Guarantee Program that would establish this loan financing mechanism for the repayment of funds loaned for redevelopment of large Brownfields.

(SIGNATURES ON FOLLOWING PAGE)

PASSED, APPROVED and ADOPTED, this 7th day of June, 2011.

Mayor Jim Dear

ATTEST:

City Clerk Helen S. Kawagoe

APPROVED AS TO FORM:

City Attorney



**BROWNFIELD REMEDIATION AND ECONOMIC REDEVELOPMENT
LOAN GUARANTEE PROGRAM**

White Paper in Support of Proposed Legislation

March 2011

Executive Summary

The comprehensive development of large Brownfield areas have numerous benefits to a community such as the ability to create short and long term jobs, increase existing revenues, create new streams of revenue, spur other development, and allow for the use of green energy production. This paper provides an overview of a legislative proposal that will provide loan guarantees in the amount of \$50 million or more to develop Brownfield areas of at least 50 acres. Our current economic climate coupled with advanced green energy innovations and the current affordability of land and construction costs make right now the ideal environment in which to provide attractive financing options to communities that will allow for the comprehensive development of large Brownfields.

I. Introduction

In 1930 the Rockefeller Center in New York City was built at the onset of the Great Depression. For many, our present recession is reminiscent of those dire times. Despite the financial climate, a private investor went on to complete the development which provided thousands of jobs, spurred new economic development, revitalized a deteriorating and underused area of New York and over time produced millions in net profits to its developers. This development is proof of the economic benefit of investments that can be made even in the time of recession.

The days of Rockefeller type private investors are gone, but the lesson can still be applied. Vast tracts of the most desirable land in our country lie derelict as liabilities rather than assets in many of our urban centers because they are Brownfields. A Brownfield is an abandoned, idled, or underused property where expansion or redevelopment is complicated by the presence or potential presence of contamination.

The biggest challenge facing comprehensive and sustainable Brownfield redevelopment is identifying sources of funding or financing to clean up and remediate impacted land, so that the private sector can invest in redevelopment of the land. Traditional financing mechanisms do not cover the magnitude and complexity that the redevelopment of large tracts of Brownfields involves. Financing for assessments, remediation, incentives for developers, and actual development can require upwards of \$100,000,000. Yet due to the prime geographic location of many of these sites, the potential for generating jobs and revenue for communities far outweighs the initial investment. The federal government can be a key partner and facilitator by providing loan guarantees to local governments or redevelopment agencies. Through this approach, large

Brownfield tracts can be remediated and in turn help spur our economy, build a community's assets and protect our land and residents from harmful contamination.

II. Defining the Issue - A Case Study: Carson, California

According to the Government Accountability Office (GAO) there are as many as 425,000 Brownfields comprising some 5 million acres of land throughout the US. A 2010 US Conference of Mayor's survey of cities, cites the number one reason for not developing Brownfields was a lack of funds. Undeveloped Brownfield areas that lie vacant are environmental hazards, attract crime and gang activity, and fail to produce much needed tax revenue.

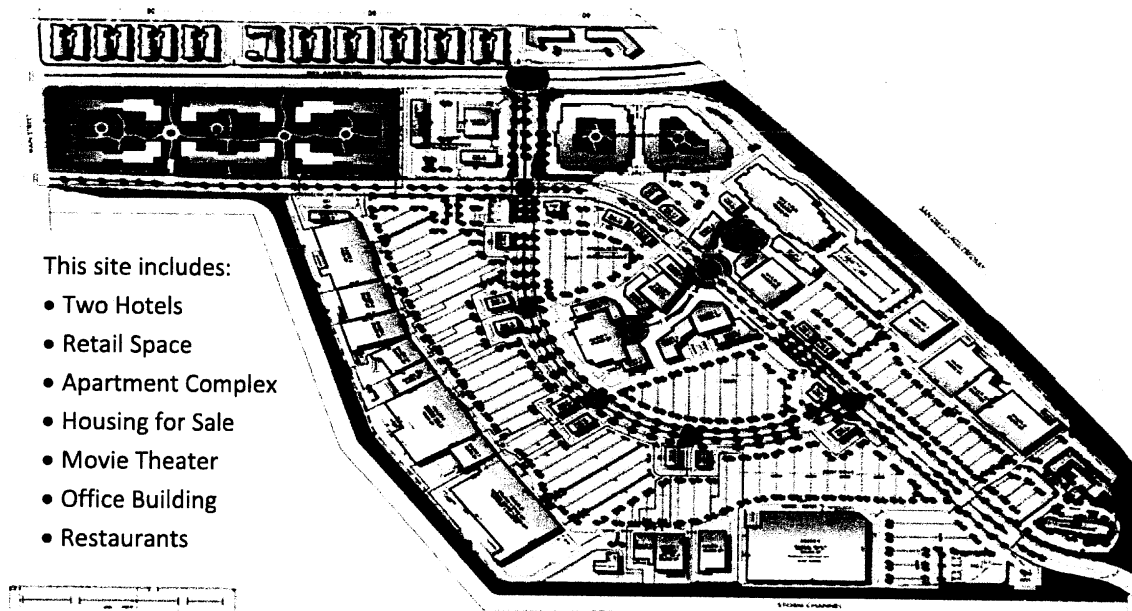
The City of Carson, California, with over 217 Brownfield sites, is a prime example of a City attempting to reach its full potential amid the challenges of abandoned and unused property. Carson, like many US Cities, contains large amounts of land that were once used as landfills and industrial sites that left the land contaminated.

Carson has several large tracts of vacant land in prime locations that are ripe for development. The Boulevards at South Bay (the Boulevards) is a 168 acre site located in Carson just 17 miles south of downtown Los Angeles and approximately 6.5 miles east of the Pacific Ocean. It is located in close proximity to the I-405, I-110, SR-91, and I-710 freeways. Five Hundred Thousand cars pass the Boulevard site each day on the I-405 freeway. In addition, the site is crossed on three sides by main local streets and is highly visible and accessible from other main attractions in Carson. Once completed, the Boulevards will be a unifying location for the Carson community and South Bay region.

The Boulevards site was originally used as a landfill that took in solid waste as well as oil, sludge and heavy metals. The site was classified as a hazardous materials site and had a significant amount of blight from dilapidated buildings and abnormal previous uses. Due to the prime location and accessibility to large population pockets, the Boulevard site attracted the attention of various developers as well as NFL teams looking for a new home in Los Angeles County. Nonetheless, the cost associated with remediation of contaminated land coupled with the high cost of development has been a deterrent for private investment.



THE BOULEVARDS AT SOUTHBAY



To move the Boulevards project forward, the City of Carson's Redevelopment Agency invested over \$90 million dollars into the remediation and development of the site. The City then entered into a public – private partnership with a developer who immediately matched the Redevelopment Agency's financial investment. The Boulevards site, when complete in 2014, will include various sized retail locations, entertainment venues, hotels, an apartment complex, and homes for sale. This project will raise an estimated \$107 million in property tax revenues alone over the next 30 years. In addition, the Boulevards will create thousands of permanent jobs, provide much needed affordable housing and eliminate much of the blight that was taking over the broader area. In short, this project will improve the overall health and financial sustainability of the community and it will be a model in mixed use development for years to come.

Carson, like many municipalities across the country, is still struggling with a decline in revenue. A project like the Boulevards has broken the redevelopment agency's bank. Carson still has at least two other large Brownfield areas that are ripe for a similar type of development. These two other large tracts of Brownfields measuring approximately 78 acres and 93 acres cannot be addressed due to the financial constraints created by the large amount of redevelopment funds currently tied up in the Boulevards.

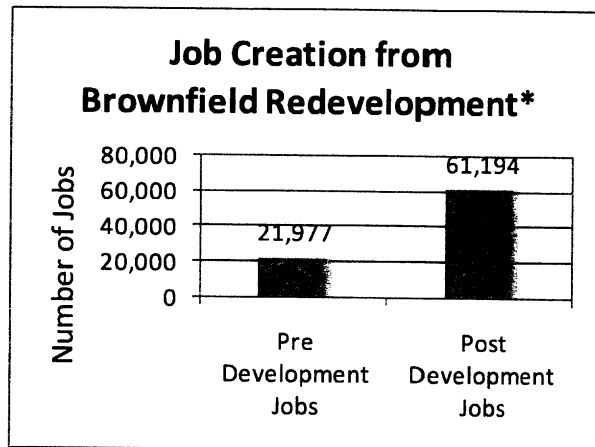
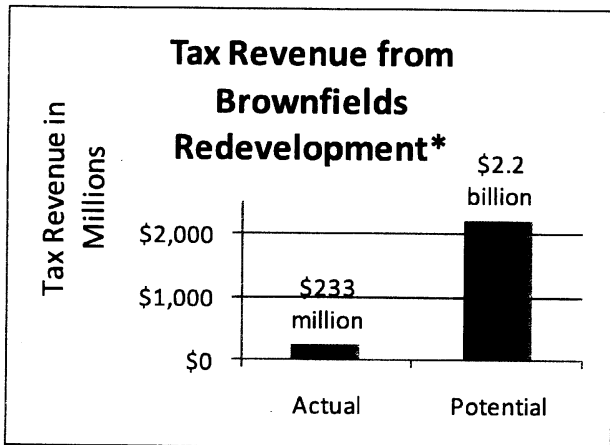
Carson is not alone. Cities with large Brownfields that have high regional visibility and attractive development opportunities are caught in a similar conundrum. They have massive community assets that cannot be fully realized through opportune development of these areas which prevents the creation of new streams of much needed revenue. What if a City or Redevelopment Agency does not have \$90 million dollars to invest in a remediation project? The private sector has shown a willingness to make investments in communities and on Brownfield



sites once the land has been remediated. A federal loan guarantee would provide the financial mechanism that would bridge the time gap between remediation and actual redevelopment of the land.

III. Other Regional Opportunities-A National Scope:

Cities across our country are challenged with identifying and securing sources of funding for Brownfield re-development. As 45 of our 51 states have had budget shortfalls, many current sources of funding for Brownfields are taking cuts. This deterioration in funding sources compounds the challenge of developing comprehensive strategies to remediate Brownfields, especially large tracts. Overly fragmented approaches to Brownfield re-development was one major problems cited in the *Connecticut Economy* as an obstacle to reviving Brownfields. As the funding to re-develop Brownfields continues to be insufficient, cash strapped states and municipalities will continue to lose out on increased revenue and the multitude of other benefits that redeveloped Brownfields can provide.



*Taken from US Conference of Mayors National Report on Brownfields Redevelopment May 2006.

As vacant or underused land, Brownfield development would increase the tax base of the areas where they are located. In addition to tax revenues the development will also provide temporary and permanent jobs which will likely increase the income tax base as well. The benefits of increased revenue are bolstered even further by the environmental benefits. The obvious benefit is the cleaning of contaminated land. However, Brownfields also afford municipalities the opportunity to “green” their communities.

States in the West, Northeast, and South are searching for ways to address growing regional challenges in air pollution, congestion, and over burdening of utilities. Located in urban centers and along waterways, contaminated Brownfields may be the only areas large enough to implement new green technologies and mass transportation systems. As solar and wind electricity become more popular, there is greater opportunity for the integration of these technologies into comprehensive Brownfield development plans. These types of plans will help to promote “smart growth” which seeks the better use of land to enhance economic and



community vitality and to control urban sprawl. This is of particular importance in areas in the Midwest which are completely revamping and challenging traditional notions of city growth and development.

Approximately 30% of the Brownfield acreage in our country is concentrated in the Midwestern states. The current decline in the auto industry and other previously thriving industrial sectors has left a sizeable number of large scale inner city Brownfields. As these areas deal with the challenge of shrinking cities, maintenance of infrastructure, and the need for more environmentally friendly development; the proposed approach will be vital to the recovery of this region.

Like the Midwest, many regions in our country have been forced to re-examine how we use our land, develop our communities and manage our population. For example, the West is facing a \$50 billion budget shortfall and the South is facing a dramatic decline in housing markets. Our entire country is being forced to find innovative ways to reinvent ourselves. The time for moving on to greener pastures is over. Now we must recreate green pastures in cities and states where we live.

Examples of Brownfields turned to Green Building Projects*

City/Project Name	Development	Green Elements
Baltimore, MD – <i>Montgomery Park</i>	1.3 million sq. ft. office space; 3,500 jobs	Green roof; energy-efficient recycled building materials; bio retention; recycled grey water
Cambridge, MA – <i>Genzyme</i>	350,000 sq. ft. Corporate Headquarters	LEED platinum; 42% energy efficiency savings; 34% water usage savings; 75% recycled building materials
Denver, CO – <i>Cherokee Denver (Gates Rubber)</i>	Mixed Use – 3000 dwelling units & 1.75 million sq. ft. commercial space	Transit-oriented development; LEED certification
Atlanta, GA – <i>Atlantic Station</i>	Mixed Use – 5,000 dwelling units & 30,000 jobs	LEED Certification; <i>Going Carless Program</i>
Redding, CN – <i>Georgetown Land Development</i>	Mixed Use – 416 DU, 300,000 sq. ft. commercial space, theater, B&B	Photovoltaics, hydro-electric dam, fuel cell system, transit oriented development
New York, NY – <i>Via Verde</i>	202 DU affordable housing	LEED Gold – green roofs, geothermal, photovoltaics

* Data from Northeast-Midwest Institute's 2008 *Energy Benefits of Urban Infill, Brownfields, and Sustainable Urban Development*.

The decline in property and construction costs makes this an ideal time for the re-development of Brownfields. Our country is learning the lesson from cities like Detroit that it is better to use the land available over urban sprawl if our city-centers are to thrive. The



preservation of our suburban and rural lands will support agriculture and green innovations that need space to grow. As cities and states re-envision how they operate and grow, a funding mechanism such as a guaranteed loan for large Brownfield re-development can create opportunities for green growth, environmental responsibility, and the generation of new forms of revenue. As our nation continues to push for smart growth, large, comprehensive Brownfield re-development can be the catalyst to move us to our next phase of prosperity.

IV. Available Programs

Although the current state, federal, and local budget crisis has left the continuation of some programs uncertain, there are programs that address Brownfields. However none of these programs provide a financing tool that will address the scope or magnitude of comprehensive large scale Brownfield development. Through the current Community Development Block Grant (CDBG), the Environmental Protection Agency (EPA) and state funding, there are various programs through which Brownfields are addressed.

1. **Section 108 Loan Guarantees** - Section 108 provides communities with a source of financing through loan guarantees for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. The program is restricted however to an amount equal to five times a city's CDBG grant amount. Additionally the city must forego their CDBG grant amount in order to cover the loan amount that HUD is guaranteeing. Cities who receive less than 1 to 2 million would at a maximum be able to get a loan guarantee of only 5 to 10 million which is not enough for the large scale projects that the proposed loan guarantees contemplate. Additionally those same cities would lose the grant of CDBG funds to make neighborhood investments for the next five years. For these reasons many municipalities are hesitant to use Section 108 loan guarantees as CDBG money has been vital to efforts to stabilize communities in the wake of the foreclosure crisis and economic downturn.
2. **Brownfield Economic Development Initiative (BEDI) Grants** - BEDI is designed to assist cities with the redevelopment of abandoned, idled and underused industrial and commercial facilities where expansion and redevelopment is burdened by *real or potential* environmental contamination. The BEDI grants are small awards of usually two million or less. These smaller awards generally combine with the Section 108 awards. However even with grants of both awards, there would not be enough financing for large Brownfield remediation and development.
3. **EPA Programs** – The EPA has a few programs in place to address Brownfields, however they are limited to assessment, job training, and cleanup. In addition to the limit in scope they are also limited to much smaller amounts than would be needed for large scale projects.



4. **State Programs** – Individual states have various programs that offer a range of benefits from tax incentives to loan guarantees. These programs however do not address the breadth or magnitude of financing needed for large Brownfield remediation and development.

Although there are programs that currently exist to address Brownfields, none of the programs even in combination are able to provide the amount of financial assistance needed by Cities with large Brownfield areas. The proposed loan guarantee financing mechanism will fill the gap that has been left by existing programs.

V. Proposed Legislation

The proposed *Brownfield Remediation and Economic Development Loan Guarantee Program* (Pilot Program) will establish a guaranteed loan financing mechanism that allows the Secretary of HUD to guarantee the repayment of principal and interest on loans made by lenders to local governments or local redevelopment agencies for project areas that include remediation of a minimum of 50 acres of Brownfields. The minimum principal loan amount shall not be less than \$50,000,000 and repayment shall be through project proceeds beginning no later than 15 years after the date that such loan has been made. This bill would encourage lenders to grant loans in these large amounts.

VI. Recommended Action Plan

This Pilot Program is an ideal financial mechanism as cities and other political subsidiaries search for new streams of revenue and a means to revitalize their communities. Many municipalities have land that is ripe for development but for the financial impediment that keeps both the municipalities and developers from making the best use of the land.

The program should be launched as a pilot with five or six municipalities chosen to participate. We are currently seeking support for this program. Your support of this program would help clean-up our environment and protect our nation's residents from the potential environmental hazards posed by Brownfields. In addition to the environmental impacts, these developments have the potential to create hundreds of temporary jobs and thousands of future permanent jobs. The economic viability of these large developments will invigorate city and state revenue streams for years to come. Large scale Brownfield remediation and development can serve as catalyst for definite stabilization of our communities.

VII. Conclusion

Our current climate of reform and renewal has created a window of opportunity in which the federal government can help municipalities turn large Brownfields from draining value to creating value in our communities. The proposed loan guarantee program would encourage



financial institutions to lend large amounts of funds necessary for the clean-up and development of large Brownfield areas. The benefits of this type of development are economic, environmental, and social. The desperately needed revenue, jobs, and positive growth that can be generated from Brownfield development make this a timely investment for right now. Support this proposal by contacting us to learn more and to let us know how you are willing to offer your support.

This paper was written by Intisar H. Rashid, National Urban Fellow for the City of Carson, California.

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