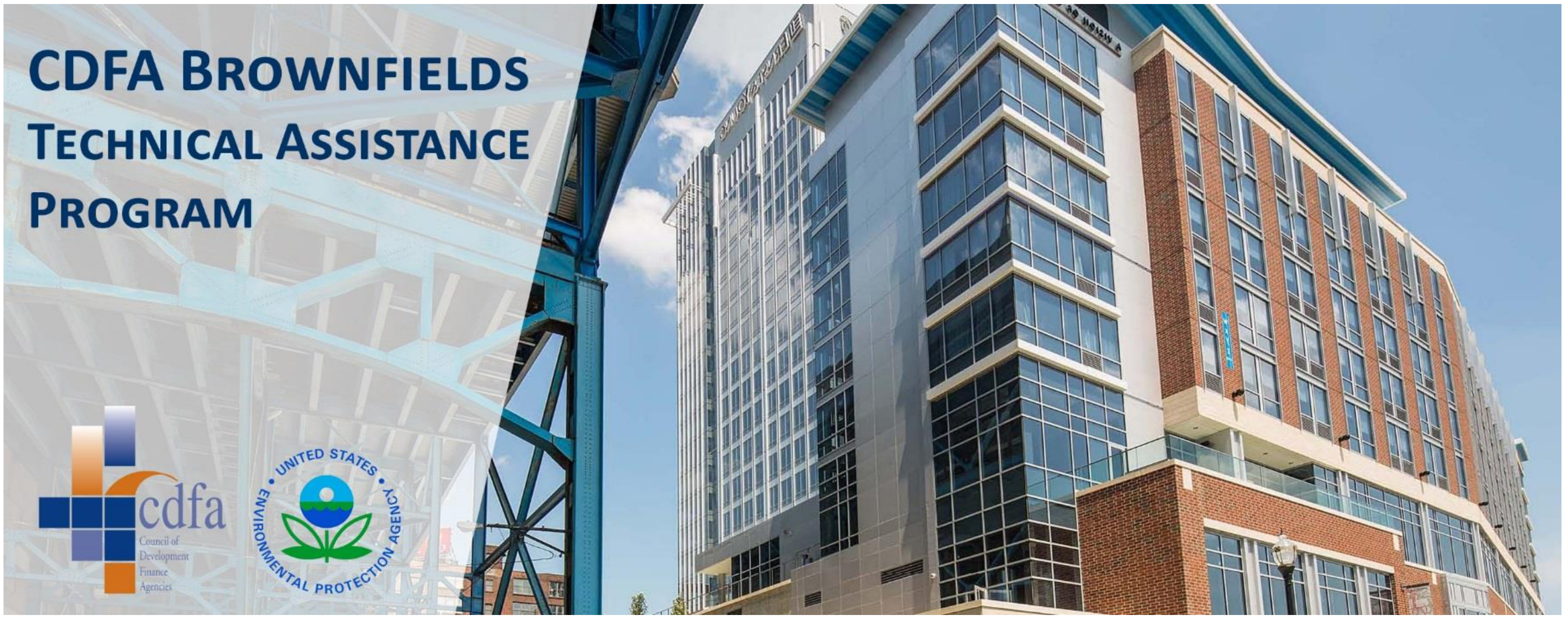
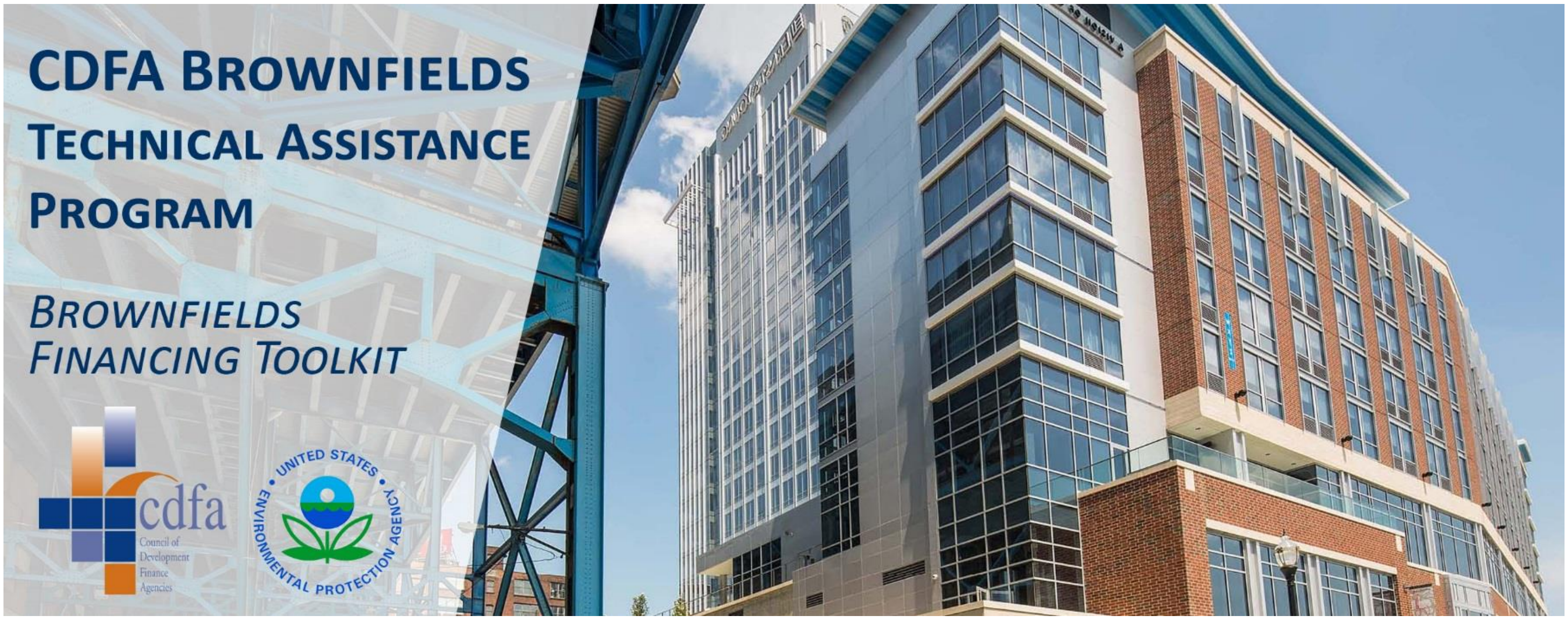


CDFA Brownfields Financing Toolkit

Council of Development Finance Agencies

100 E. Broad Street, Suite 1200, Columbus, OH 43215 | Phone: 614-705-1300 | Email: info@cdfa.net



The *CDFA Brownfields Financing Toolkit* provides communities with an easy-to-use, best practices resource on brownfields redevelopment. The toolkit approach to development finance brings together the best of these financing concepts and techniques to provide a comprehensive response to capital and resource needs. This guide is intended to provide information to communities interested in identifying potential financing tools for the remediation and redevelopment of contaminated brownfield sites. The following development finance tools are covered in this guide.

- Bond Financing
- Tax Increment Financing
- Tax Credits
- Revolving Loan Funds
- EB-5 Visa Program

The *CDFA Brownfields Financing Toolkit* is one component of the CDFA Brownfields Technical Assistance Program, which is funded by a five-year grant from the U.S. Environmental Protection Agency (EPA) to provide assistance to communities throughout the country that are looking to finance the redevelopment of brownfield sites. To learn more about how your community can receive free technical assistance, visit www.cdfabrownfields.org.

An online Brownfields Financing Toolkit is available on our website. Locate the resources referenced in this document, along with additional resources and case studies at www.cdfabrownfields.org.

Brownfields Basics

The EPA defines brownfields as “real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant.”[1] A brownfield is any former industrial or commercial site that is abandoned or underutilized and suffers from real or perceived contamination. Left alone, brownfields are detriments to the landscape and environment, negatively affecting property values and deterring investment in nearby areas. They are typically the last urban sites to be redeveloped due to uncertainties related to contaminants and costs, and challenges posed by potential environmental liability issues and project financing. For communities that can overcome these challenges, the payoff can be very rewarding.

Sustainable community planning encourages the cleanup and reuse of these areas for the community’s long term environmental and economic health. Cleanup of brownfields can increase tax base and property values, create jobs, and spur local investment. Communities can take advantage of federal funds to assist with the assessment and cleanup of brownfield sites. Many states have established financing programs that have been combined with federal grants and resources to revitalize abandoned sites and return them to productive use. These financing programs often require specific and well-defined regulatory structures to work effectively.

Site Assessment and Cleanup

Site Assessment is the first step in understanding the potential contamination of a site and planning for its remediation, or cleanup. Each brownfield site undergoes multiple phases of site assessment, beginning with Phase I, which typically involves interviews regarding former site use, along with thorough review of documents and public records to determine expected contamination. Phase II Assessments require field based sampling and analysis to identify the type and concentration of existing pollutants, while Phase III and IV Assessments involve acquiring cleanup cost estimates and remediation planning for the site. Assessment grants are available through the EPA to fund brownfields inventories, planning, environmental assessments, and community outreach.[2]

The complexity of Site Cleanup can vary widely and the goals for cleanup are determined by existing regulations. Activities may involve soil, surface water or groundwater removal or encapsulation of contaminants. Entities that did not contribute to the contamination may perform remediation through a voluntary cleanup program, which may limit liability associated with newly discovered contamination after cleanup. A cleanup may be considered complete when local, state, or federal regulatory closure (e.g., a No Further Action Letter) is issued.[3] Competitive Cleanup grants are awarded by the EPA in amounts up to $200,000 and with a performance period of three years.

Communities should contact their Regional EPA Offices to learn about additional state and local financing sources to assist with Brownfields Assessment and Cleanup.

Federal Brownfields Site Assessment and Cleanup Resources

- EPA Brownfields Assessment Grants
- EPA Targeted Brownfields Assessments- The Basics
  EPA Brownfields Cleanup Grants
- New Jersey Institute of Technology (EPA Regions 1,3, & 4)
- Center for Creative Land Recycling (EPA Regions 2, 4, 9, & 10)
- Kansas State University TAB (EPA Regions 5, 6, 7, 8, & Tribal Communities)

Bond Financing

Bond financing is a bedrock tool of the economic development community and is the foundation for all public financing. The Tax Reform Act of 1986 distinguishes between two types of municipal bonds: Governmental Bonds and Private Activity Bonds (PABs). The CDFA *Practitioner's Guide to Economic Development Finance*[4] describes the types of bonds:

Governmental Bonds
Government Bonds, unlike PABs, may be used for many public purposes (e.g., highways, schools, bridges, sewers, jails, parks, government equipment and buildings, etc.) except that private entities may not significantly use, control or own the facilities financed. Governmental Bonds benefit the general public in contrast to PABs that benefit private persons. Governmental Bonds should address an "essential governmental function." Whether bonds are Governmental Bonds or PABs depends on whether there is an arrangement that will likely transfer the benefits of tax-exempt financing to private (nongovernmental) persons.

Private Activity Bonds
PABs are issued for the benefit of private individuals or entities and can only be issued on a tax-exempt basis if they are "Qualified PABs." In order to be qualified, a bond must first meet the definitions of private activity. These include being issued for a substantial private purpose and/or being structured as a private loan. Additionally, the bonds must be issued for a specific purpose defined in the tax code as worthy of receiving the benefit of tax-exempt interest. The Internal Revenue Code (IRC) of the U.S. permits the financing of numerous categories of facilities as qualified PABs. The most relevant to brownfield remediation are found in the table below.

U.S. PAB Category	Description
Exempt Facility Bonds	Issued for private infrastructure projects, including: airports, docks, wharves and rail; water and sewage; solid waste; certain energy projects; and more.
Redevelopment Bonds	Issued for redevelopment projects in blighted areas, including contaminated sites.
501(c)(3) Bonds	Issued for charitable nonprofits, including hospitals and educational institutions, for facilities and certain other costs.
Small Issue Bonds for Manufacturing	Issued for eligible, small manufacturers to expand their manufacturing facilities.

With each of the above categories of qualified PABs, bonds must meet very specific requirements of the United States IRC. These requirements could vary in a global application of this concept, depending on national economic, social, and legal conditions. Qualified PABs are used either entirely or partially for private purposes and are given federal tax-exempt status.

Brownfields & Bond Financing

> In the U.S., bond financing is one of the most highly used forms of financing to address brownfield redevelopment. One of the reasons bond financing is so applicable is because of the flexibility of this tool. Bond proceeds can be used to finance the costs associated with site remediation as well as to create brownfield-specific loan programs. In addition, bonds are often paired with other financing mechanisms, such as tax increment finance and tax credits, because of their reliability and flexibility.
>
> — The World Bank, *Financing Mechanisms for Addressing the Remediation of Site Contamination*[5]

Bond Financing Resources from the CDFA Online Resource Database

Resource:	Resource Description:
How the Tool Works Qualified Private Activity Bonds	This document provides an overview of PABs, different types of PABs, model programs, the roles of various participants in the PAB process, and more.
Bonds & Borrowing: An Introduction	Vicki Elmer with UC Berkeley provides a general overview of bonds and examines the decisions necessary to borrow. Different types of bonds are described along with the bond issuance process.
CDFA Built by Bonds	This unique publication demonstrates the proven efficiency of tax-exempt bonds by addressing topics that include the potentially $53 billion in lost issuance and by providing 150 snapshots of projects financed with tax-exempt bonds.
Recommended Practices: Effective Industrial Development Bond Program Management	A successful IDB programs requires effective management, marketing and oversight. This publication lists a set of guiding principles when developing or implementing an IDB program.
CDFA Development Bond Finance Reference Guide	This guide provides a solid foundation for understanding the use of tax-exempt bonds, with an emphasis on small issue industrial development bonds and 501(C)(3) bonds.

Bond Financing Representative Case Study
State of Oregon

Oregon's Brownfields Program is available to provide financing for the full range of environmental activities—assessment through cleanup—associated with brownfields redevelopment. The department manages two brownfields financing funds: the $9.5M Oregon Brownfields Redevelopment Fund, funded by proceeds from the sale of state revenue bonds; and the $2.85M Oregon Coalition Brownfields Cleanup Fund, capitalized through a revolving loan grant from the U.S. Environmental Protection Agency. Both programs are primarily revolving loan programs, with a maximum term of 20 years; however limited grants can be awarded on a case-by-case basis for publicly-owned projects, depending on a financial analysis of the applicant's debt capacity and public benefits of the redevelopment project.

In 2004, the Port of Portland acquired a 700-acre abandoned site which once housed an aluminum smelter.[6] Partnering with Alcoa, FedEx Ground, Business Oregon, the Oregon Department of Environmental Quality, and other entities, the Port remediated and redeveloped the site to create recreation, wetlands, and natural space in addition to a regional distribution hub and industrial park. Estimates for job creation surpass 3,500 positions upon the completion of redevelopment.

— Business Oregon[7]

Tax Increment Financing

Tax Increment Financing (TIF) allows local governments to invest in infrastructure and other improvements and pay for them by capturing the increase in property tax revenues and, in some states, other types of incremental taxes. The increase in taxes generated by the enhancements, also known as increment, is used to pay the public debt or costs incurred while make these improvements. TIF can work in communities of all sizes and can be used to finance a variety of costs pertaining to public infrastructure, land acquisition, demolition, utilities, planning costs, and other improvements.

TIF is generally used to address blight and deterioration, promote neighborhood stability, and inspire district oriented economic development or redevelopment. While each state's TIF statute is different, common policy goals and objectives exist. Often TIF is used to advance development priorities, such as:

- Targeted investment and redevelopment;
- Developing industry niches;
- Bring goals, services, and/or housing to underserved, underdeveloped areas;
- Restoring brownfield sites to productive use; and
- Creating or retaining jobs and supporting industrial development.

Brownfields & Tax Increment Financing

Tax increment finance is one of the most applicable tools available for brownfield redevelopment. TIF is a targeted financing tool and incentive that can catalyze private investment by leveraging public contributions. The ability of a governmental unit to directly leverage public money for private engagement allows for a host of options beyond traditional financing sources.

With TIF in place, project developers can think beyond clean-up by focusing both current and future tax revenues towards paying down the costs of clean-up as well as new development. It also allows the government to direct tax revenue in a manner that targets major contamination, while incentivizing sustainability and green development.

TIF is also a performance-driven tool: future tax revenues are only generated if actual clean-up occurs. Project partners and stakeholders are held to a high level of performance and the tool affords considerable oversight, transparency and due diligence. In public finance, these elements are critical when dealing with significantly troublesome projects, such as site contaminated industrial sites.

TIF is perhaps most applicable for site contamination clean-up because it is justifiable and forward looking. TIF recognizes the deficiencies in the markets surrounding site contaminated properties and addresses the core of these issues. TIF is often used simply as a lever to catalyze interest and demand in a development site. The ability to address market forces through a relatively benign tool like TIF, allows for great potential and longer term opportunity.

— The World Bank, *Financing Mechanisms for Addressing the Remediation of Site Contamination*[8]

Tax Increment Financing Resources from the CDFA Online Resource Database

Resource:	Resource Description:
Using Tax Increment Financing for Brownfields Redevelopment	TIF is often the most effective incentive in closing project financing gaps for brownfield projects, however isn't often used to finance brownfield projects because of the need for up-front financing and the bond market looking for projects that are "done deals". This paper makes recommendations to enhance the use of TIF for these types of projects.
Recommended Practices: Effective Tax Increment Financing Program Management	CDFA has developed these recommended practices that address TIF, highlights some of the common procedural elements that development finance professionals face and provides guidance on strategies for maximizing TIF project success.
Understanding the "But For" Test	Wisconsin Department of Revenue outlines the standard for the "but for" test as it relates to TIF.
CDFA TIF State-by-State Report	The CDFA 2015 TIF State-By-State Report is a detailed review of the current state statutes and related regulations governing the use of tax increment financing tools throughout the country.
Creative Finance for Smaller Communities	This report from the Urban Land Institute outlines creative financing tools for smaller communities and provides several case studies from communities that are successfully implementing these strategies.
CDFA Tax Increment Finance Best Practices Reference Guide	The reference guide addresses what TIF is, why it should be used and how best to apply the TIF tool. The reference guide also highlights TIF projects from across the country and discusses how they can be applied to address many common economic development issues.
CDFA Advanced Tax Increment Finance Reference Guide	The Advanced TIF Guide builds upon CDFA's introductory offerings by exploring in-depth the complexities and transformative potential of tax increment financing. The guide examines model policies, guidelines & procedures and outlines the TIF process from A to Z. Throughout the book, clear guidance is offered for assessing project feasibility and monitoring the performance of active TIF districts.

Tax Increment Financing Representative Case Study
City of Atlanta, GA

The 138-acre site of Atlantic Steel's former fabrication facility created a blight within Atlanta's Midtown district.[9] The City of Atlanta dedicated TIF proceeds within the district and other financing tools, such as water and sewer bonds, in combination with federal and private funds. The total development project surpassed $2B for the complete remediation and redevelopment of the site. Over $200M of this financing was raised through TIF bonds.

The final Atlantic Station project involves the creation of a dense, multi-use development focused on smart growth. The finance team faced two significant challenges.[10] To address the first issue, Georgia's Redevelopment Powers Act was amended to permit interest capitalization on the bonds from 18 months to up to 42 months.

There was a risk that development efforts could wane over the course of the project such that the incremental tax revenues received would be insufficient to pay scheduled bond debt service. This risk could not be mitigated without private developer guarantees. Unfortunately, such guarantees could jeopardize the exclusion of bond interest from federal income taxation. To enhance the creditworthiness and preserve the tax-exempt status of the bonds, the plan recommended that the city create a special district coterminous with the tax allocation bond district. As part of this arrangement, the city agreed to levy a tax on all special district taxpayers if pledged incremental tax revenues were ever insufficient to pay bond debt service. With additional security from this "generally applicable tax," rather than from private developer payment guarantees, the federally tax-exempt status of the bonds would not be affected.

— The World Bank, *Financing Mechanisms for Addressing the Remediation of Site Contamination*[11]

Tax Credits

Tax credit programs allow businesses and investors to claim a dollar for dollar tax credit for committing resources to a project or business. Tax credits reduce a taxpayer's tax liability. They are not a deduction. Rather they come off of the taxpayer's total tax liability. In order to receive a tax credit, an investor must demonstrate that their investment has been made. Such a resource commitment could be an investment in a bricks and mortar real estate project or a cash investment in a business. The distributor of the tax credit is authorized to issue credit based on the actual outlay of resources as evidenced by the investor. Tax credits can be used for several purposes in development projects: to provide an increased internal rate of return for investors, to reduce the interest rates on a particular financing package, and perhaps most importantly, to provide a repayment method for investors in place of cash. In the latter case, the credits can often be sold on the secondary market to generate income.

Tax credits are also flexible. They can be used in urban, rural and suburban communities, and in some cases on a regional basis. They can also provide a targeted impact by addressing many different community sectors, such as low-income neighborhoods, historic districts and underserved markets that present opportunities for new investment. There are three main federal tax credit programs – New Markets Tax Credits, Historic Tax Credits and Low-Income Housing Tax Credits.

CDFA Tax Credit Reference Guide	This guide walks through guidelines for due diligence and performance monitoring and details the primary tax credits available at the federal level.

New Markets Tax Credits

The New Markets Tax Credits (NMTC) program expands the availability of credit, investment capital, and financial services to underserved urban and rural communities. Administered by the Community Development Financial Institutions (CDFI) Fund under the U.S Department of the Treasury, the NMTC provides a 39 percent federal tax credit to investors over a seven year period, while providing significant gap financing. NMTC program applications awarded to communities whose poverty rate is above 20%, or whose area median income (AMI) is less than 80 percent of the average AMI. Tax credits are allocated for distribution to certain qualifying entities, known as Community Development Entities (CDEs) and can be combined with other sources of capital to finance commercial redevelopment projects.

Brownfields & New Markets Tax Credits

Brownfield developers can benefit greatly from New Markets Tax Credits. Projects can receive funding for a full range of redevelopment activities, including land acquisition, environmental remediation, demolition, site preparation, construction, renovation and infrastructure improvements. Involved CDEs can "package" funding sources together to help bolster the cleanup and redevelopment of brownfield projects including utilizing EPA Brownfield grants.

— The World Bank, *Financing Mechanisms for Addressing the Remediation of Site Contamination*[12]

New Markets Tax Credit Resources from the CDFA Online Resource Database

Resource	Resource Description
Novogradac NMTC Basic Overview	Novogradac provides a brief overview of NMTC in this helpful introductory video.
State New Markets Tax Credit Programs	This interactive map from Novogradac highlights each of the NMTC state programs.
NMTC Success Stories	The New Markets Tax Credit Coalition has an interactive map that highlights NMTC success stories in all 50 states.
Creative Tax Credit Solutions	Tony Smith with S.B. Friedman provides an in-depth look at how NMTCs are used, evaluated, leveraged and structured to impact community development.

New Markets Tax Credits Representative Case Study
Gateway Marketplace, MI

The Gateway Marketplace project was financed by the Michigan Economic Growth Authority, a loan from the General Retirement System of the City of Detroit and $57.6 million in critical NMTC financing, provided by National New Markets Fund, Invest Detroit CDE, National Community Investment Fund, Wayne County-Detroit CDE, and Liberty Financial Services.

Located on a 36-acre brownfield site in a USDA designated food desert and surrounded by severely low-income census tracts, the project's anchor tenant is a 214,000 square foot Meijer supercenter that providing affordable groceries to local residents and will be the city's first new national grocery store in over two decades. It is estimated that Gateway Marketplace will bring more than $1.7 million of annual sales to the community.

It is estimated that Gateway Marketplace will bring more than $1.7 million of annual sales to the community. The project will provide much needed healthy and affordable food choices to a target market of 500,000 urban residents. This project will create over 300 construction jobs and almost 900 permanent jobs in a community with high unemployment.

— New Markets Tax Credit Coalition[13]

Historic Tax Credits

The Historic Tax Credits (HTC) offers private investors a tax credit that can be claimed for the year in which the renovated building is put into service. There are two separate tax credits: one for the restoration of certified historic properties and one for the rehabilitation of older but noncertified properties. The 20 percent tax credit is available for historic properties rehabilitated for commercial, industrial, agricultural, or rental residential purposes, but not for properties used exclusively as an owner's private residence. Working in conjunction with state historic preservation agencies, the NPS must approve all rehabilitation projects seeking to use the 20 percent tax credit. The rehabilitation must be consistent with the historic character of the property. Owners seeking to claim the 20 percent tax credit must complete a detailed application process and maintain certification throughout the rehabilitation work.

Brownfields & Historic Tax Credits

Given that historic tax credits focus on older buildings, they are an ideal brownfields financing tool. Their use at brownfields properties is rapidly accelerating across the country. The tax credits help attract redevelopment capital to many projects in blighted and ignored areas not ordinarily considered for investment. These projects encompass a wide range of properties and project types, including offices, hotels, retail stores, warehouses, factories, and rental housing.

— National Park Service[14]

Historic Tax Credit Resources from the CDFA Online Resource Database

Resource	Resource Description
Historic Tax Credit Catalyst for Change Study	This report from Place Economics demonstrates quantitatively the catalytic impact that the rehabilitation of historic buildings has on the community made possible with the use of the historic tax credit.
The Federal Historic Tax Credit - Creating Jobs, Building Communities, Preserving Heritage in MT	The National Trust for Historic Preservation and Montana Preservation Alliance collaborated to create a compelling report about the largest community reinvestment program in the country, the federal historic tax credit.
Revitalizing America's Mills	This report focuses on mills -- former textile, wood, paper, iron, and steel mills. The report describes the challenges and opportunities of mill sites with case studies highlighting some of the most creative solutions from across the country.

Historic Tax Credits Representative Case Study
Poughkeepsie, NY

The Poughkeepsie Underwear Factory built in 1874 and is a 3 ½-story, eight-bay brick building. Before the building got its name for producing underwear, it was once a barrel-making factory and manufactured leather goods. Around 1900, The Poughkeepsie Underwear Company began operating out of the building, which soon became known as the Poughkeepsie Underwear Factory.

After several decades, the company stopped producing underwear. The building was used as a print factory, and then as a warehouse. Then, it became vacant. Added to the National Register of Historic places in 1982, the site became eligible for Historic Tax Credits.

Hudson River Housing purchased the property and using Historic Tax Credits will convert the former factory into fifteen rental units with nine efficiency apartments and six live-work lofts. But one-third of the space, the front end of three floors, is destined to be work space, with food businesses a prime target. $1.5M of the $7M construction costs came from federal/state historic preservation credits. Hudson River Housing, will sell the credits to private investors who can use them in their tax planning.

— Middle Main/Hudson Housing Authority[15]

Low Income Housing Tax Credits (LIHTC)

Low Income Housing Tax Credits (LIHTC) were created under the Tax Reform Act of 1986 to provide incentives for the use of private equity in the development of affordable housing for low-income Americans. The program is administered at the state level. Each state receives an allocation of federal tax credits determined by a formula based on its population. These credits are intended to ensure an attractive minimum rate of return on investments in low-income housing. Each state can issue LIHTC tax-exempt bonds up to its ceiling to attract investment capital for the development of low-income housing. LIHTCs may be used as part of a brownfields financing package if affordable rental housing is part of a project. The credits are used successfully in many states as part of mixed-income housing developments and as infill projects on brownfields sites.

State housing agencies administer the LIHTC program by reviewing tax credit applications submitted by developers and then allocating the credits. This process allows each state to set its own priorities and address its specific housing goals. Some states consider infill, vacant property reclamation, and mixed use in their allocation plans, all of which are priorities that can make brownfield sites more attractive to housing developers as they compete for LIHTC allocations.

Brownfields & Low Income Housing Tax Credits

The LIHTC program offers several advantages to developers considering affordable housing projects on brownfields, which are enhanced by the renewed interest in central cities and consideration of abandoned sites and properties for infill uses. These range from cost savings to opportunities for leveraging funding from other programs.

Nonprofit housing developers such as community development corporations often find the program especially advantageous because each state must set aside at least 10 percent of its credit allocation for projects developed by nonprofits. The guaranteed return stemming from the tax credit can attract private banks not normally interested in housing or brownfields projects.

—National Service Center for Environmental Publications [16]

Low Income Housing Tax Credit Resources from the CDFA Online Resource Database

Resource	Resource Description
Low Income Housing Tax Credit Fact Sheet	This fact sheet from the Office of the Comptroller of the Currency overviews the Low-Income Housing Tax Credit (LIHTC) Program.
Low Income Housing Tax Credit Overview Video	This video presentation produced by Novogradac & Co. provides a clear overview of the Low-Income Housing Tax Credit (LIHTC) program

Low Income Housing Tax Credits Representative Case Study
Lebanon, PA

Mifflin Mills is Lebanon, Pennsylvania's, first affordable rent-to-own townhouse community. It was developed by the Lebanon County Housing Authority through the Low-Income Housing Tax Credit program administered by the Pennsylvania Housing Finance Agency. The development includes 20 three-bedroom townhomes located just blocks from downtown Lebanon. During the first 15 years of occupancy, funds will be escrowed for tenants to use toward the down payment on the townhome. The 1,380-square-foot 2- and 3-story units have open floor plans, front porches, off-street parking, Energy Star appliances, and high efficiency natural gas heat. Mifflin Mills was developed on a vacant blighted city block, and construction of the townhouse community greatly improved the appearance of the neighborhood. In addition, the property was designed to blend with the neighborhood streetscape, further adding to the aesthetics of the community.

— Lebanon County Housing Authority[17]

Revolving Loan Funds

Revolving Loan Funds (RFLs) are a widely used financing tool, but they are sometimes misunderstood or underutilized. RLFs are a gap-financing measure that can effectively address a wide range of economic development, including infrastructure, small businesses, and redevelopment. An RLF is a self-replenishing pool of money, utilizing interest and principal payments on old loans to issue new ones. While the majority of RLFs support local businesses, some target specific areas, such as health care, infrastructure development, and environmental cleanup.

An RLF provides access to a flexible source of capital that can be used in combination with more conventional lending sources. The loan often fills a gap between the amount a borrower can obtain in the private market and the amount needed to start or expand a project. For example, a borrower may obtain 60 percent to 80 percent of project financing from other sources.

Quality RLFs issue loans at market or otherwise competitive and attractive rates. RLFs must be able to generate enough of an interest rate return to replenish the fund for future loan allocations. With competitive rates and flexible terms, a RLF provides access to new financing sources for the borrower, while lowering overall risk for participating institutional lenders.

A wide variety of capital sources can be used to establish an RLF. General obligation bond issuances, dedicated tax revenues, federal grants, bank funds (often through Community Reinvestment Act credits), foundation grants and investments, and high net worth individuals are all common sources of initial fund capital. Once established, an RLF with the right interest rate and risk portfolio can be self-sustaining, providing access to capital to projects in perpetuity.

Brownfields & Revolving Loan Funds

The actual shape of loan programs varies dramatically from one project to the next. At times a public entity at the municipal or state level may provide capital, underwriting, administration, and servicing, maintaining sole financial control of the remediation project. Loan programs can be specifically earmarked for contaminated sites or brownfields, or they can be part of a job creation, urban revitalization, or other related loan program. The private sector can also contribute debt financing to [redevelopment] projects, either independently or as part of a Public-Private Partnership with related governmental entities. The public sector can leverage these private funds through a number of credit enhancement programs, strengthening areas of weakness identified by traditional lenders through indirect or conditional investments and reserves.

[A] Potential application of loan funds entails the investment in renovations, construction, machinery and equipment, or furniture and fixtures. These project assets can serve as collateral for the deal, and this type of project may not require supplemental security or credit enhancements. Communities typically deploy loan funds toward final development work, utilizing grant funds or developer equity for site assessment, cleanup, and professional fees.

— The World Bank, *Financing Mechanisms for Addressing the Remediation of Site Contamination*[18]

Revolving Loan Fund Resources from the CDFA Online Resource Database

Resource:	Resource Description:
Unlocking Brownfields Redevelopment: Establishing a Local Revolving Loan Fund Program	This EPA publication explains the basics of setting up and successfully administering a local brownfield revolving loan fund.
Banking on Infrastructure: Enhancing State Revolving Funds for Transportation	Brookings highlights state and federal infrastructure programs that stretch public and private dollars and support the kind of infrastructure investments necessary to build the "Next Economy".
Tips for Managing Your RLF	This article provides fund capitalization, committee, program marketing, and loan servicing tips for revolving loan funds.
Revolving Loan Fund Sources	This resource created by Urban Capital Solutions lists several federal, state, and private RLF capitalization sources with links to their specific programs.
Revolving Loan Fund Reference Guide	This guide addresses how to design and manage an RLF program that complements economic development strategies.

Revolving Loan Fund Representative Case Study
State of Washington

The Washington Department of Commerce manages a fund targeting brownfields that present an immediate danger to health and the environment.[19] Eligible applicants include government entities, site owners, and developers. Loan funds do not cover pre-remediation site assessments, which are important to the underwriting of the projects. Washington's interest rates are fixed at below-market rates. Loans range in size from $10K to $450K, with no minimum equity.

Rainier Court, an urban mixed-use district located in Seattle's Rainier Valley, leveraged under $1M in Brownfields Revolving Loan Funds from the State of Washington with city financing and multiple grants, earning the project a national award for excellence in brownfield redevelopment in 2005.[20] The seven-acre site had previously been a public health and safety concern due to illegal dumping, abandonment of vehicles, hazardous chemicals, and leaking underground storage tanks. After development, the project yielded nearly 400 units of low-income and senior housing and created an estimated 50 permanent jobs.[21]

— The World Bank, *Financing Mechanisms for Addressing the Remediation of Site Contamination*[22]

EB-5 Visa Program

The EB-5 Visa Program is a federal foreign direct investment, immigration, and regional economic development program that provides access to capital to U.S. businesses and creates American jobs at no expense to the American taxpayer. Globalization has spurred an unprecedented rise in wealth overseas, as well as increased the speed of capital between nations. By building immigration benefits into investment incentives, the EB-5 Program provides a welcome avenue for overseas wealth to be delivered to the U.S. economy – tapping into new opportunities and opening a new frontier of development finance programs.

Brownfields & EB-5

Regional centers and private developers have begun turning to the EB-5 program for financing brownfield redevelopment in many US cities. Projects with environmental issues can be a concern to EB-5 investors since the foreign nationals have to make “at-risk” investments. In other words, if the project does not produce the required number of jobs within the two year period, the foreign national’s path to path to permanent residency could be derailed. EB5 investors will need to understand the risks that environmental investigation/remediation process may impact project viability. Environmental issues can increase costs that could make a project infeasible or delay project completion so that the requisite jobs may not be created or may be delayed. Thus, developers seeking EB-5 financing for contaminated property should discuss complications posed by environmental issues in the offering memorandum if the environmental conditions could pose material risks to timely project completion. Foreign nationals will want to retain advisors to help understand the environmental issues as part of their overall project and financial due diligence.

— Schnapf LLC[23]

EB-5 Resources from the CDFA Online Resource Database

Resource	Resource Description
The EB-5 Program as a Capital Access Tool	Clem Turner of Homier & Law, P.C. discusses the basics behind the EB-5 program and methods in using the program as a tool to access capital.
EB-5: Addressing the Financing Gap	The article overviews the program and discusses EB-5's value as a gap finance tool for economic development.
IIUSA Approved Best Practices	Invest in the USA’s overview of best practices related to EB-5 and the Regional Center industry.

EB-5 Financing Representative Case Study
City of Cleveland, OH

The Flats East Bank development project is the largest private sector investment in Cleveland, OH since 1988. The City of Cleveland has historically had an under-developed waterfront as a result of the City's industrial past. However, developers saw potential to build a high density mixed-use project that offered a high level of connectivity to transportation arteries, close proximity to cultural and commercial hot spots, and waterfront access.

The Flats East Bank is located on 24 acres adjacent to Lake Erie, directly in the heart of the East Bank. The final project includes more than $500 million in overall development. This development boasts a 450,000 square foot Class 'A' office tower, 150 room Aloft hotel, a health and fitness center, and eight new restaurants. The project was financed in part by $45 million in EB-5 financing from 90 different foreign investors. Additional financing for the project came from bonds issued by the state and multiple local port authorities, as well as grant funding. The project has helped to create more than 1,800 new jobs.

— Steve Strnisha, Cleveland International Fund.[24]

End Notes

[1] U.S. Environmental Protection Agency (2011). *Brownfields Definition*. Retrieved from: http://www.epa.gov/brownfields/overview/glossary.htm

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