Speedway Business Park

Roadmap to Redevelopment

Prepared for:
Merit Development

Prepared by:
Council of Development Finance Agencies

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About the Roadmap to Redevelopment

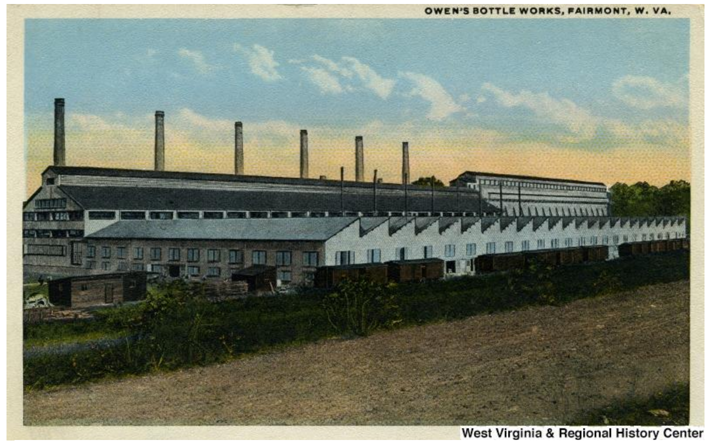
The *Roadmap to Redevelopment* is a product of the CDFA Brownfields Technical Assistance Program, which is funded through a grant from the U.S. Environmental Protection Agency. The program provides technical assistance to brownfields communities on redevelopment finance. For communities that require detailed, hands-on assistance for their redevelopment efforts, CDFA Brownfields Project Response Teams comprised of CDFA staff and technical assistance partners are available to conduct site visits and provide recommendations. The goal of these visits is to offer communities specific, actionable advice that can transform brownfields into economically-productive sites in accordance with the goals and plans of the community. CDFA will coordinate 36 Brownfields Project Response Teams over the life of the program.

The *Roadmap to Redevelopment* was developed through a two-day process that included interviews with numerous stakeholders from the government, business, and non-profit sectors. The plan provides a framework for financing the redevelopment of the former Owens-Illinois Glass Factory.

The *Roadmap to Redevelopment's* recommendations combine the input of development finance experts, CDFA staff, and the interests of stakeholder groups gathered during the Project Response Team site visit.

Background & History

Merit Development, Inc. is planning to locate the new Speedway Business Park on the site of the former Owens-Illinois Glass Factory in Fairmont, West Virginia. Established in 1910, the factory housed six glass furnaces and six bottle machines. When operating at peak production, the factory produced over 180,000 glass bottles daily and employed over 1,000 people. By 1978, Owens-Illinois began to phase out operations and by 1980 nearly 700 of the employees were laid off. The plant shut down in 1982 when the company moved all operations to Texas.



Owens Illinois Glass Factory. Photo courtesy of West Virginia & Regional History Center.

Since 1982, various other entities have owned and/or operated portions of the site. J&J Manufacturing demolished the factory following the closure. Clean Metal LLC operated a metals processing and recycling facility at the site after the factory was demolished. There have been no known operational activities on the property since 2002. Merit purchased the property in 2015 and entered into a Voluntary Remediation Agreement with the West Virginia Department of Environmental Protection (WVDEP) Office of Environmental Remediation to revitalize the site for commercial and industrial uses. Merit recently received a Certificate of Completion from West Virginia Department of Environmental Protection fore their remediation efforts.

Located east of downtown and just off of I-79, the site is one of the largest easily accessible sites in the region. It is also being marketed as the flattest large property in the state that is available for development. The entire property is zoned industrial; in Fairmont this zoning code allows uses from single- and multi-residential to light manufacturing. The current conceptual site plan calls for 113,000 square feet of retail, 67,000 square feet for industrial uses, and 48 residential multi-family units. Final site use may not be determined until an anchor tenant is identified. Merit is working with Black Diamond Realty to better undersntd the commercial demand. The remaining land (points 2, 6, 7, 12 and 15 on the map below) will be used for parking and green space compliant with Federal Emergency Management Agency (FEMA) regulations, as the property lies in a 100-year floodplain. The horizontal site development will improve surface drainage with strategic filling and grading to allow stormwater to flow to a box culvert on site and then into Hickman Run, a small stream that traverses the property. To date, one tenant has been identified: Mustang Oil Services will occupy lots 21 through 24. The remaining properties are being marketed to businesses looking to locate or expand in the region.


Remnants of the Scrap Recycling Operation

Conceptual Site Plan for the Speedway Business Park. Points 1,2,3,5,6,7,8 – Retail and Designated Parking; Point 4 – Multi-Family Residential; Points 9,10,11,12,13,14,15,16,19 Industrial Space; Points 17, 18 – Site Access Points

Total project costs cannot be determined until decisions are made regarding final site plans. The development team is considering daylighting the culvert that runs through the property. The extent of the stream restoration may not be determined until the proximal site uses are identified. Some costs are certain. A century old sanitary sewer line runs parallel to the abandoned rail line and will need to be relocated to allow for maximum site use and maintenance access. Additionally, utilities that run along the perimeter of the site will need to be brought inward to service future tenants. Merit's challenge has been to identify financing resources for these activites and continue moving the project forward while site plans are being finalized; availability of certain public or non-profit funding sources will ultimately depend on final end uses planned for the property. This report summarizes potential financing solutions for site redevelopment and includes a list of available financing tools for potential Speedway Business Park tenants.

Recommendations

Part I: Financing Site Improvement

With remediation completed, Merit can begin to prepare the site for development by grading and filling in accordance with the FEMA approved plan. To maximize buildable space, the existing sanitary sewer line crossing the site will need to be relocated on the property to allow access by Public Works for future maintenance. Merit should pursue the following financing sources for their potential to finance these activities and any remaining site work:

i. Marion County Surplus Funds

Marion County has discretionary funds set aside for development. To access these funds, Merit will need to present a clear picture of the site's end use complete with updated site plans and renderings. The County Commissioners control how the surplus funds are spent and typically favor projects of a retail or industrial nature that emphasizes job growth.

ii. West Virginia Economic Development Authority (WVEDA) Direct Loans

WVEDA offers direct loans in the amount of $50,000 to $10M. Applicants must meet WVEDA's job creation and retention objectives. Eligible activities include the purchase of land, site preparation, building acquisition, construction or renovation, machinery, and equipment. The loan term is generally 15 years for real estate intensive projects with a personal guarantee for an owner with 20 percent or more of the subject business. [1]

iii. West Virginia Department of Transportation (WVDOT) Industrial Access Road (IAR) Program

The WVDOT sets aside $3M in IAR funds. The IAR Program provides funds to facilitate public access to the new or expanding industry, which may reduce capital and future maintenance cost to the industry. IAR funds are approved based on total qualified industrial investment associated with the new or expanding industry (10:1 Industrial investment: Unmatched IAR funds; 5:1 Industrial investment: Matched IAR funds).[2] The funds are dispersed on a first-come/first-served basis and must be applied via county or municipality.

[1] Direct Loan Program. (n.d.). Retrieved from: http://www.wveda.org/node/3
[2] Commerce, W. D. (2017, November 28). West Virginia Department of Commerce | A world-class tourism, business and relocation destination. from http://www.wvcommerce.org/

iv. Project Specific Tax Increment Financing (TIF)

A project-specific TIF is used when a single project or piece of property is targeted for a fundable project. The tax increment derived from project-specific TIFs typically go towards the public improvements necessary to help make the project feasible, such as parking, infrastructure, and sewer/water improvements.[3] There is a current TIF district that covers the development site established by the city in 2015. The development team should work with the City of Fairmont to closely assess the potential for a project-specific TIF within the existing district. Consultants should be engaged to conduct a comprehensive analysis of the amount of TIF revenue that could be generated over time.

v. Power of 32 Site Development Fund

Formed by a collaboration of public, private and nonprofit sectors to serve 32 counties in Pennsylvania, West Virginia, Ohio and Maryland, the Power of 32 Site Development Fund is a private investment fund that supports site development.[4] It was created in response to a lack of large developable sites within the region. The fund targets sites that are 25 acres or larger, whose end use is industrial, commercial or mixed use. Preference is given to brownfield sites or land in underserved communities targeted by the Community Reinvestment Act. The fund will loan up to 90 percent loan to value (LTV) and requires a first lien position on the mortgage. Merit should apply for Power of 32 Site Development Fund investment as appropriate with end use and ability to satisfy the first lien requirement.

vi. Clean Water State Revolving Fund (CWSRF)

EPA-capitalized CWSRFs can provide loans to fund projects for wastewater treatment, stormwater management, green infrastructure, and watershed and estuary management. States design and operate these programs, and set terms and priorities for funding, within broad EPA guidelines. In West Virginia, projects must be recommended by the Infrastructure & Jobs Development Council. Statewide, about $20.7 million was available during FY2017.

[3] Tax Increment Financing Best Practices Reference Guide. (n.d.). Retrieved from: https://www.cdfa.net/cdfa/cdfaweb.nsf/resourcecenters/tif.html
[4] The Power of Bridging Borders. (n.d.). Retrieved from: http://powerof32.org/power-bridging-borders/

Part II: Unlocking Grants in Collaboration with the City

The following resources should be reviewed for their potential to help finance the project in combination with the sources described above. The City of Fairmont will have to apply and act as a conduit to these financing sources. Each financing source that can be secured will increase the opportunity to leverage additional funding.

vii. U.S. Department of Agriculture (USDA) Rural Business Development Grants (RBDG)

RBDG is a competitive grant designed to support targeted technical assistance, training and other activities leading to the development or expansion of small and emerging private businesses in rural areas that have fewer than 50 employees and less than $1M in gross revenues.[5] The funds from this grant can be used for a wide range of activities, including construction of access roads or utility extensions on the property. Grants range from $10,000 to $500,000. There is no cost sharing requirement.

viii. West Virginia Small Cities Block Grant (SCBG)

The Small Cities Block Grant program distributes federal Community Development Block Grant (CDBG) funds for community and economic development projects throughout West Virginia to non-entitlement communities. The SCBG program supports the expansion of economic opportunity, principally for those of low and moderate income. As a brownfield redevelopment project, the Speedway Business Park meets the blight elimination objective of the program. Depending on the ultimate end uses of the site, the project could also meet the low- and moderate-income benefit objective if half the jobs generated by the development went to low- and moderate-income persons. The City of Fairmont has not applied for CDBG funds for several cycles; this may increase their chance of being awarded since the state prefers to spread the awards geographically. State funding priorities can vary from year to year; West Virginia has identified community facilities, flood and storm drainage and water and wastewater facilities, and economic development as activities "generally eligible" for funding.

ix. Appalachian Regional Commission (ARC) Grants

ARC awards grants and contracts from funds appropriated to the Commission annually by Congress. ARC supports infrastructure investments that promote economic and employment opportunities. The funds are intended to leverage other public dollars and private-sector investment to attract commercial and industrial development. ARC also offers grants for equipment for hospitals and rural clinics, should that end use be pursued. Typically, ARC grants fund activities on municipally owned properties, but it may still be worth exploring if some aspect of the project would qualify to receive pass-through funding.

[5] Rural Business Development Grants. (n.d.). Retrieved from: https://www.rd.usda.gov/programs-services/rural-business-development-grants

x. Claude Worthington Benedum Foundation

The Claude Worthington Benedum Foundation supports economic development activities in West Virginia and Southwestern Pennsylvania based upon the region's strengths in research, technology, and advanced manufacturing. Many rural communities receive financial support through the foundation. The Benedum Foundation emphasizes the importance of regional impacts and planning, and job creation.[6] While the Foundation may not fund a specific development project, they can be a source for revolving loan capital or impact investing.

xi. U.S. Economic Development Administration (EDA) Assistance to Coal Communities (ACC)

The EDA has allocated funds for communities who have been negatively impacted by the changes in the coal economy.[7] The funds which are allocated to local governmental entities can be used to promote regional economic growth and diversification, new job creation, and re-employment opportunities for displaced coal economy workers. In 2017 the EDA awarded $30M to 35 projects in 16 states, with West Virginia receiving over $8M in support.

xii. West Virginia Economic Infrastructure Bond Fund

The Economic Infrastructure Bond Fund is a financial assistance program run through the WV Department of Commerce that provides funding for projects likely to foster and enhance economic growth and development. [8] It emphasizes businesses and/or industrial parks. Funding priority goes to projects resulting in immediate job creation or opportunity for economic growth. Loans are limited to a maximum of $3M and awarded to public entities.

[6] Econ Development. (n.d.). Retrieved from: http://www.benedum.org/programs/economic.shtml
[7]Assistance to Coal Communities (ACC). (n.d.). Retrieved October, 2017, from https://www.eda.gov/coal/
[8] Commerce, W. D. (2017, October 23). Retrieved from: http://www.wvcommerce.org/people/communityresources/infrastructure/smallcitiesgrantfund/default.aspx

Part III: Exploring Financing Opportunities for Stream Restoration

As previously mentioned, the development team is considering daylighting the culvert that has historically run throughout the property. Doing so would provide an opportunity to include natural features that might enhance storm water management design. These efforts would likely not qualify as a total stream restoration, which would involve restoring the stream to its natural condition (including removal of the box culvert). As Merit considers options for this aspect of the project, it is worth considering the following potential sources of funding, which might come into play depending on the final project design.

xiii. Wetlands Mitigation Bank

Mitigation banking is a system of credits and debits devised to ensure that ecological loss resulting from various developments are compensated for by the preservation and restoration of wetlands and streams so that there is no net loss to the environment. The development team can relinquish the land needed for stream restoration to an approved mitigation banker. The stream can then be restored and maintained at a minimum cost to the development group as a mitigation banker would do all the restoration work in exchange for mitigation credits.[9]

xiv. National Park Service Land and Water Conservation Fund Program (LWCF)

The LWCF provides supplemental funding for the acquisition and/or development of high-quality, public outdoor recreational areas. This funding source is a 50/50 reimbursable matching grant.[10] Although the conceptual plan for the site does include public use space, there is a fair amount of green space set aside per the FEMA regulations. The City of Fairmont has indicated interest in connecting an existing bike trail on or near the site with access to the Speedway Business Park. If the City desired to provide bike and pedestrian traffic along the restored stream and Merit was interested in providing an easement for this portion of the property, LWCF could be explored as a funding source for trail construction, stream restoration, and related activities.

[9] Mitigation Banking Factsheet. (2017, February 22). Retrieved from: https://www.epa.gov/cwa-404/mitigation-banking-factsheet

[10] Commerce, W. D. (2017, October 23). Retrieved from: http://www.wvcommerce.org/people/communityresources/infrastructure/landandwaterconservationfund/default.aspx

Part IV: Financing Tools for Future Tenants

The ability to attract industrial or retail tenants to the site will be critical to the future success of the Speedway Business Park. The following federal business financing tools are available to qualifying businesses locating in the Speedway Business Park and should be marketed to potential tenants. At the state level, the West Virginia Department of Commerce offers several business loan and tax incentive programs for a range of manufacturing and commercial end uses.

i. Small Business Administration 504 Loans

The 504 Loan Program provides approved small businesses with long-term, fixed-rate financing used to acquire fixed assets for expansion or modernization, however, new buildings are not an eligible cost. 504 Loans are made available through Certified Development Companies (CDCs). CDCs are non-profit corporations set up to support economic growth in their local region. Of note, the Regional Development Funding Corporation has just recently expanded into West Virginia to provide 504 loans. 504 Loans are typically structured with SBA providing 40 percent of the total project costs, a participating lender covering up to 50 percent of the total project costs, and the borrower contributing 10 percent of the project costs.[11] Public funds can be used for the required 10 percent local injection; Marion County, mentioned earlier on page 7, might be a potential partner, using its surplus funds targeted for development.

ii. United States Department of Agriculture (USDA) Business & Industry Loan Guarantees

The Business & Industry Loan Guarantees Program increases access to business capital through loan guarantees that enable commercial lenders to provide affordable financing for businesses in eligible rural areas. Loan Guarantees range from 80 percent up to $5M to 60 percent for loans exceeding $10M.[12]

iii. United States Department of Agriculture (USDA) Intermediary Relending Program (IRP)

The USDA Intermediary Relending program provides low-interest loans to local intermediaries that re-lend to businesses to improve economic conditions and create jobs in rural communities. The purpose of the IRP is to assist in creating a revolving loan fund that can be used to help finance business and economic development activity to create or retain jobs in disadvantaged and remote communities.

[11] SBA 504 Loan Program. (n.d.). Retrieved from: https://www.sba.gov/offices/headquarters/ofa/resources/4049
[12] Business & Industry Loan Guarantees. (n.d.). Retrieved from: https://www.rd.usda.gov/programs-services/business-industry-loan-guarantees

iv. PenTrust Employee Real Estate Construction Trust (ERECT) Funds

PenTrust ERECT Funds are commingled real estate investments that provide qualified retirement plans the opportunity to diversify their existing stock and bond portfolios with commercial and industrial real estate. The funds are invested regionally throughout Western Pennsylvania, Eastern Ohio, and West Virginia in new-build or rehabilitation projects.[13] Any income-producing commercial real estate property is eligible for ERECT funding. The ERECT fund advisory board reviews all applications for adherence to established criteria before issuing investments.

v. EB-5

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. West Virginia has been utilizing EB-5 since 2013 and the closest regional center is in Charleston. To qualify for an EB-5 Visa, an investor must invest at least $1M (or $500K for a project in a “targeted employment area”) in an enterprise that will create at least 10 new full-time jobs for U.S. citizens and legal residents. The City of Fairmont is located in a qualifying high unemployment area.

[13] PenTrust Online - Who We Are. (2016, March 23). Retrieved from: http://pentrustonline.com/whoweare/index.html

Part VI: Financing Community Facilities

In addition to the uses proposed in the concept plan, the developer has indicated a willingness to entertain certain community facilities such as a healthcare center or an indoor sports complex. Several stakeholders expressed the need for one or both facilities to be located in Fairmont. Some local hospitals are looking to expand or establish health clinics due to demand. The indoor sports complex would host a variety of sporting events; indoor soccer fields are specifically in demand by youth leagues as well as college leagues. The resources below should be explored for their potential to fund such facilities.

Financing a Healthcare Facility:

i. United State Department of Agriculture (USDA) Community Facilities Program Grants

   The Community Facilities Program Grants provides affordable funding to develop essential community facilities in rural areas. An essential community facility is defined as a facility that provides an essential service to the local community for the orderly development of the community in a primarily rural area and does not include private, commercial or business undertakings. The program grants up to 75 percent of project costs, and loans up to 20 percent of project costs to eligible facilities.[14]

ii. Health Resources and Service Administration (HRSA) Rural Health Care Services Outreach Program

   HRSA makes grants to organizations to improve and expand health care services for underserved people with a focus area on rural health. The Outreach Program is a community-based grant program aimed at promoting rural health care services by enhancing health care delivery in rural communities.[15] The program has a $5M yearly budget and is geared for small heath care quality improvement.

iii. Department of Housing and Urban Development (HUD) Office of Healthcare Programs

   HUD’s Section 242 program provides mortgage insurance for acute care facilities, including small rural hospitals. The Section 232 program provides mortgage insurance for residential care facilities such as assisted living, intermediate care, and nursing homes. These programs can finance new construction or substantial rehabilitation of a project, and bring the benefits of FHA insurance, often for lower, fixed-interest rate loans. There is no maximum loan amount, and loan-to-value ratio can be up to 90 percent.

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[14] Community Facilities Direct Loan & Grant Program. (n.d.). Retrieved from: https://www.rd.usda.gov/programs-services/community-facilities-direct-loan-grant-program

[15] Rural Health Care Services Outreach Program. (n.d.). Retrieved from: https://www.grants.gov/web/grants/view-opportunity.html?oppId=295218

iv. Appalachian Regional Commission (ARC) Health Program

As indicated earlier, ARC health grants can provide equipment for hospitals and rural clinics, as well as fund training of health care professionals.

Financing an Indoor Sports Complex:

i. Pursue Funding Opportunities through United States Soccer Foundation Grants

The USSF provides *Safe Places to Play* grants ($100,000) and *Program* grants to support soccer programs nationwide. *Safe Places to Play* grants fund the planning, design, and construction of synthetic grass soccer fields. To apply, an organization needs to have a minimum 10-year lease or land use agreement in place. These grants are highly competitive and limited. The Program grants are awarded annually to fund operational costs such as equipment and stipends for program managers. [16]

ii. Consider Partnering with Marion County Parks and Recreation Commission (MCPARC)

MCPARC offers a wide variety of recreational opportunities from water sports to performance spaces. They have limited funding set aside for new park projects each year and may be able to assist with some of the costs of a community indoor sports complex, or be willing to take on the ownership and operation of such a facility provided enough commitments were made by organizations wanting to use the space.

iii. Public-private partnerships to provide complementary funding

Complementary strategies could be pursued to enhance primary funding sources like those noted above. These include corporate sponsorships or naming rights; advertising (such as scoreboard panels); vendor financing of certain aspects of the project; or pledges of rental or use fees from major, ongoing users (such as Fairmont State University).

[16] U.S. Soccer Foundation. (n.d.). Retrieved from: https://ussoccerfoundation.org/grants/

Additional Resources

CDFA Brownfields Financing Toolkit |
http://www.cdfa.net/cdfa/cdfaweb.nsf/ord/201502_BF_Toolkit/$file/CDFA%20Brownfields%20Financing%20Toolkit%2002.02.15.pdf

CDFA Online Resource Database |
http://www.cdfa.net/cdfa/cdfaweb.nsf/ordsearch.html

CDFA Federal Financing Clearinghouse |
https://www.cdfa.net/cdfa/cdfaweb.nsf/ffcsearch.html

Tax Increment Finance Resource Center |
https://www.cdfa.net/cdfa/cdfaweb.nsf/resourcecenters/tif.html

Community Development Block Grant Programs |
https://www.hudexchange.info/programs/cdbg/

Land and Water Conservation Fund |
https://www.nps.gov/subjects/lwcf/stateside.htm

Appalachia Funders Network |
http://www.appalachiafunders.org/

Claude Worthington Benedum Foundation |
http://www.benedum.org/

U.S. Small Business Administration CDC Lenders of WV|
https://www.sba.gov/sites/default/files/articles/WV_Lenders_List_-March_2016.pdf

U.S. Department of Agriculture Rural Development Programs|
https://www.rd.usda.gov/programs-services/all-programs

U.S. Soccer Foundation Grants|
https://ussoccerfoundation.org/grants/application-process

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Tina M. Shaw	
Anna Withrow	

About the Authors

The *Roadmap to Redevelopment Plan* was authored by the Council of Development Finance Agencies (CDFA), a national association dedicated to the advancement of development finance concerns and interests. Learn more about CDFA at www.cdfa.net.

The CDFA project team consisted of the following individuals:

Emily Moser, Program Manager
Blake Williams, Program Coordinator

CDFA was advised during the Brownfields Project Response Team site visit by a team of technical assistance advisors:

Charlie Bartsch, Senior Strategist
Communities in Economic Transition
& CDFA Technical Advisor

Michael Pehur, Development Finance Consulting Director
Duane Morris Government Strategies LLC

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Toby Rittner, President & CEO
Council of Development Finance Agencies
100 E Broad Street, Suite 1200
Columbus, OH 43215

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