

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

BROWNFIELDS REDEVELOPMENT PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 2000	ENACTED 2001	ESTIMATE 2002	INCREASE + DECREASE - 2002 vs 2001
(Dollars in Thousands)				
<u>Program Level:</u>				
Obligations .....	\$50,000	\$49,945	\$25,000	-\$24,945
<u>Appropriations:</u>				
Enacted or Proposed .....	\$25,000	\$25,000	\$25,000	...
Rescission .....	...	-\$55	...	+\$55
Subtotal .....	\$25,000	\$24,945	\$25,000	+\$55
Budget Outlays .....	\$3,819	\$25,180	\$30,000	+\$4,820

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2002 Budget requests \$25 million for the Brownfields Redevelopment or Brownfields Economic Development Initiative (BEDI) to enable reclamation and redevelopment of approximately 25 brownfield sites and provide 5,400 jobs. Brownfields are abandoned, idled or under-used real property where expansion or redevelopment is complicated by real or perceived contamination.

EXPLANATION OF INCREASES AND DECREASES

The fiscal year 2002 proposal of \$25 million is the same as the 2001 appropriation, prior to a rescission of .22 percent required by P.L. 106-554. Obligations are expected to decrease by \$25 million in 2002, as the 2001 level reflects the obligation of carryover. The entire 2002 appropriation is expected to be obligated by fiscal year end. Outlays are expected to increase by \$5 million over 2001, reflecting the spend-out of multiple years of previous funding.

PROGRAM DESCRIPTION AND ACTIVITY

1. Legislative Authority. BEDI grants are Economic Development Grants, and are authorized by Section 108(q) of the Housing and Community Development Act of 1974, as amended.

2. Program Area Organization. This program makes competitive economic development grants in conjunction with Section 108 loan guarantees for qualified brownfields projects. By either enhancing the security of Section 108 guaranteed loans, improving the feasibility of proposed projects, or supporting business development activities on brownfield sites, these grants allow areas to restore productive, job-creating uses and to address the economic development needs of communities in and around such sites.

- a. Eligible Recipients. Eligible recipients include Community Development Block Grant (CDBG) entitlement communities and non-entitlement communities.
- b. Allocation of Funds. Grants are made on a competitive basis in accordance with Section 108(q) selection criteria, including: (1) level of distress in the community to be served and in the jurisdiction applying for the assistance; (2) financial need for the assistance; (3) quality of the proposed plan and capacity of the applicant; and (4) extent to which the applicant is operating a brownfields program and is working with appropriate environmental regulatory agencies. The grant process will coordinate the

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Department's efforts with those of the EPA, reflecting the joint partnership goal of restoring brownfield sites to safe and productive uses.

- c. Eligible Activities. Eligible Brownfields Redevelopment activities are CDBG-eligible activities that support the cleanup and economic redevelopment of targeted brownfield sites. These include: (1) assistance to private, for-profit entities for economic development projects; (2) acquisition of property; (3) clearance, demolition, removal and rehabilitation of buildings and improvements; (4) rehabilitation of buildings or construction of real property improvements carried out by public or private nonprofit organizations; (5) infrastructure improvements, including construction, reconstruction or installation of public and other site improvements; and (6) the investigation and clean up of environmental contaminations in connection with any of these eligible activities.

An estimated 450,000 brownfields exist, the vast majority of which are located in urban areas. While brownfields are often perceived as environmental problems, they are also barriers to community revitalization. Brownfields redevelopment is identified as a priority by the U.S. Conference of Mayors (USCM), the National Association of Counties, the Large Urban Counties Caucus and the National Governors Association. A survey by the USCM on brownfields in over 200 cities estimated that brownfields redevelopment could add up to \$2.7 billion in additional tax revenue and create 675,000 jobs if the sites were returned to productive use.

Existing environmental laws may discourage the investment required to successfully stimulate new economic activities on environmentally hazardous sites. Communities must address these requirements when carrying out economic redevelopment efforts in areas that have low or moderate amounts of contamination from prior industrial uses. The lack of cleanup funds has been ranked a top impediment by cities. Because these costs and related obstacles of redeveloping brownfields were not anticipated by communities, they have neither the resources nor the proven capability to address these sites. As a result, economic redevelopment often excludes these areas which otherwise could become significant parts of local economic development strategies. BEDI funds provide the capital to help address these issues.

The Brownfield National Partnership draws on the collective resources of more than 20 Federal agencies to address brownfields cleanup and redevelopment issues. It enables HUD and other Federal agencies to coordinate efforts to provide communities with the financial and technical assistance necessary to revitalize brownfields. Other key components include Environmental Protection Agency (EPA) funding for assessment, cleanup and job training, and tax incentives that would allow businesses to "expense" brownfield costs. To assure that HUD's and EPA's brownfields efforts are coordinated, a Memorandum of Understanding (MOU) pledging full cooperation between the agencies in the development and implementation of urban brownfields strategies was signed in September 1996.

Cities are addressing brownfield redevelopment issues with BEDI funds, as well as Community Development Block Grant (CDBG), Economic Development Initiative (EDI) funds, and Section 108 guaranteed loans. Some examples are:

- El Monte, CA - El Monte will receive \$500,000 in BEDI funds and \$4 million in Section 108 loan guarantees to develop the Pacific Place project which will make possible the development of an International Business Incubator and Foreign Trade Center. The Center will increase opportunities in the area of foreign trade. The city will use BEDI and Section 108 loan funds to assist in the cleanup of brownfields conditions at the site, and enable the redevelopment of existing blighted properties. The City anticipates that at least 355 jobs will be created by the project. The BEDI and Section 108 funds will leverage \$2,500,000 of other public funds and \$11,380,000 of private funds.
- Baltimore, MD - Baltimore has been awarded \$1,000,000 in BEDI funds and \$8,000,000 in Section 108 funds to provide financing for the Montgomery Park Business Center. The project is located in the West Side Empowerment Zone and involves renovation of an historic 1.3 million square foot eight story

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art-deco style commercial warehouse. The new development will aim for tenants who need flexible floor plans and high tech electronic capabilities. The project will generate 1400 new jobs. The BEDI and Section 108 funds will leverage \$62,000,000 of other public and private funds.

- Montgomery County, PA - The Redevelopment Authority of Montgomery County will receive \$2 million of BEDI funds and \$3 million in Section 108 loan guarantees for site preparation of industrial property in Conshocken Borough along with Schuylkill River for redevelopment as 570,000 square foot e-commerce office building and 500,000 square foot residential complex. The project will facilitate the investment of over \$60 million in the construction and renovation of buildings on the site. The project is expected to create 1,000 new jobs and retains 2,000 jobs. The EDI and Section 108 funds are scheduled to leverage \$107,817,281 of other public and private funds.

HUD has a critical role in successfully implementing the Brownfields initiative. While HUD will work together in redeveloping and revitalizing the identified brownfield sites, in coordination with organization identified earlier, a separate dedicated source of funding is needed for this program given the large number of competing demands for CDBG funding as well as the large number of sites to be redeveloped. HUD has the expertise and ability to help cities implement brownfields redevelopment programs, and will coordinate with the EPA in Washington and in the Field.

Status of Funds

Balances Available

a. Unobligated Balances. The following table compares the program obligations with funds available by year.

	ACTUAL <u>2000</u>	ESTIMATE <u>2001</u>	ESTIMATE <u>2002</u>
	(Dollars in Thousands)		
Unobligated balance, start of year	\$50,000	\$25,000	...
Appropriation.....	25,000	25,000	\$25,000
Rescission.....		...	<u>-55</u>
...			
Total Available.....	75,000	49,945	25,000
Obligations.....	<u>-50,000</u>	<u>-49,945</u>	<u>-25,000</u>
Unobligated balance, end of year..	25,000	...	...

b. Obligated Balances. The status of obligated balances is as follows:

	ACTUAL <u>2000</u>	ESTIMATE <u>2001</u>	ESTIMATE <u>2002</u>
	(Dollars in Thousands)		
Obligated balance, start of year..	...	\$46,181	\$71,001
Obligations incurred.....	<u>\$50,000</u>	<u>50,000</u>	<u>25,000</u>
Subtotal.....	50,000	96,181	96,001
Outlays.....	<u>-3,819</u>	<u>-25,180</u>	<u>-30,000</u>
Obligated balance, end of year....	46,181	71,001	66,001

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED (\$ AND FTE) AND RESULTS

BEDI supports the Department's Strategic Goal #4: "Improve Community Quality of Life and Economic Activity," by improving the quality of the environment within urban communities. The \$25 million program level is projected to assist up to 25 sites and to create 5,400 jobs, depending in large part on the complexity and type of clean-up and economic development involved at each site. The Brownfields program requires that a Section 108 Loan Guarantee program be part of a community's proposal, thus leveraging

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private funds that are guaranteed by the Federal Government. A substantial portion of the projected job creation is also included in the discussion of the Section 108 Loan Guarantee Program within the Community Development Block Grant program justification.

SELECTED PERFORMANCE MEASURES

	ACTUAL 2000	ENACTED 2001	ESTIMATE 2002
<b>Strategic Goal 4: Improve community quality of life and economic vitality.</b>			
Discretionary BA (Dollars in Thousands)	25,000	24,945	25,000
FTE	19	18	18
<b>Strategic Objective 4.2: Economic conditions in distressed communities improve.</b>			
Outcome Indicator 4.2.8: Brownfields Economic Development Initiative grants combined with Section 108 loan guarantees will support the creation of 5,400 jobs.	Not Available	Not Available	5,400