

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

BROWNFIELDS REDEVELOPMENT PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
	(Dollars in Thousands)			
<u>Program Level:</u>				
Obligations	\$48,880	\$26,065	\$25,000	-\$1,065
<u>Appropriations:</u>				
Enacted or Proposed	\$25,000	\$25,000	\$25,000	...
Rescission	<u>-\$55</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>
Subtotal	\$24,945	\$25,000	\$25,000	...
Budget Outlays	\$3,570	\$26,000	\$31,000	+\$5,000

NA = Not Applicable

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2003 Budget requests \$25 million for the Brownfields Economic Development Initiative (BEDI) to enable reclamation and redevelopment of approximately 19 brownfield sites. Brownfields are abandoned, idled or under-used real property where expansion or redevelopment is complicated by real or perceived contamination. The Budget also proposes a legislative change that would eliminate the requirement for a Section 108 loan guarantee to accompany the application for BEDI funding. As a freestanding competitive grant program, BEDI will attract far more participants by allowing communities, especially non-entitlements, more flexibility in developing and funding brownfields sites.

The Department proposes to further integrate HUD's and EPA's efforts in the brownfields area so that HUD can better integrate our expertise in community development with EPA's environmental expertise which focuses on the clean-up of sites.

Secretary Martinez and EPA Administrator Whitman have formed a working partnership under which each institution focuses on its relevant area of expertise. Specifically, HUD will focus its financial and human resources on redevelopment of brownfields sites, while EPA will concentrate its resources on up-front project assessment and remediation. The BEDI program represents a key strategic component in the interagency effort as HUD and EPA will continue to work closely in targeting and utilizing BEDI funds; jointly evaluating proposals; pro-actively helping grantees to find complementary sources of funding; and providing technical assistance to bring BEDI-supported projects to successful closure.

EXPLANATION OF INCREASES AND DECREASES

The fiscal year 2003 proposal of \$25 million is level with the enacted 2002 Budget. The entire 2003 appropriation is expected to be obligated by fiscal year end. As stated above, a change in legislation is being proposed that de-links the BEDI grant program from the requirement that it be used with Section 108 loans and instead makes that usage optional.

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.

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2. Program Area Organization. This program makes competitive economic development grants for economic development and remediation of qualified brownfields projects. The program currently requires that BEDI grants be utilized with Section 108 loans, this requirement is proposed for elimination. It is anticipated that in some cases, grants and Section 108 loans will still be used together in part to meet the leveraging requirements of the Brownfields program. Grants used with 108 loans either enhance the security of Section 108 guaranteed loans or improve the feasibility of proposed projects. BEDI grants allow brownfield sites to be restored to 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 closely coordinate and further integrate the 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 BEDI activities are CDBG-eligible housing and economic redevelopment activities. These include: (1) assistance to private, for-profit entities for economic development projects; (2) acquisition of property; (3) rehabilitation of buildings or construction of real property improvements carried out by public or private nonprofit organizations; (4) infrastructure improvements, including construction, reconstruction or installation of public and other site improvements; (5) clearance, demolition, removal and rehabilitation of buildings and 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.

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:

- Broward County, FL - Broward County has received \$1,000,000 in BEDI funds and \$7,600,000 in Section 108 funds to assist the city of Lauderdale Lakes in redevelopment of a Brownfields site into a complete entertainment production facility. Gravity entertainment studios will manage the project, which will generate 1,250 new jobs. The BEDI and Section 108 funds will leverage \$46,000,000 in private funds.

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- Montgomery County, PA - The Redevelopment Authority of Montgomery County will receive \$2 million of BEDI funds and \$3 million in Section 108 loan guarantees to redevelop a 63-acre site located along the northern banks of the Schuylkill River in West Norriton Township which was the former headquarters of the Synthane Taylor Corporation. The proposed redevelopment project will consist of commercial office space, multi-family residential units, a hotel, and ancillary retail services. It is anticipated that this will provide significant economic and other public benefits to West Norriton Township and Montgomery County. The County estimates the Riverview at Valley Forge Redevelopment Project will create at least 200 new jobs. The County will use an additional \$1.25 million in other public funds, and an estimated \$102.4 million in private funds.

STATUS OF FUNDS

Balances Available

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

	ACTUAL <u>2001</u>	ESTIMATE <u>2002</u>	ESTIMATE <u>2003</u>
	(Dollars in Thousands)		
Unobligated balance, start of year	\$25,000	\$1,065	...
Appropriation.....	25,000	25,000	\$25,000
Rescission.....	<u>-55</u>	<u>...</u>	<u>...</u>
Total Available.....	49,945	26,065	25,000
Obligations.....	<u>-48,880</u>	<u>-26,065</u>	<u>-25,000</u>
Unobligated balance, end of year..	1,065

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

	ACTUAL <u>2001</u>	ESTIMATE <u>2002</u>	ESTIMATE <u>2003</u>
	(Dollars in Thousands)		
Obligated balance, start of year..	\$46,181	\$91,491	\$91,556
Obligations incurred.....	<u>\$48,880</u>	<u>26,065</u>	<u>25,000</u>
Subtotal.....	95,061	117,556	116,556
Outlays.....	<u>-3,570</u>	<u>-26,000</u>	<u>-31,000</u>
Obligated balance, end of year....	91,491	91,556	85,556

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

The Brownfields program supports the Departments goal to "Support Community and Economic Development Efforts," and the objective of helping communities more readily access revitalization resources to become more livable. It does so by supporting economic development and job creation on sites that would otherwise be unused or underutilized.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 8: Support community and economic development efforts.			

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STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Discretionary BA (Dollars in Thousands)	\$24,945	\$25,000	\$25,000
FTE			
Headquarters	3	3	3
Field	1	1	1
Subtotal	4	4	4
Strategic Objective 8.2: Help communities more readily access revitalization resources to become more livable.			
Indicator: Brownfields Economic Development Initiative grants will support the creation of 5,400 jobs.	7053	5400	5400
FTE Total	4	4	4