

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
 COMMUNITY PLANNING AND DEVELOPMENT
 BROWNFIELDS REDEVELOPMENT PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 2002	ESTIMATE 2003	ESTIMATE 2004	INCREASE + DECREASE - 2004 vs 2003
	(Dollars in Thousands)			
<u>Program Level:</u>				
Obligations	\$22,371	\$28,694	...	-\$28,694
<u>Appropriations:</u>				
Enacted or Proposed	25,000	25,000	...	-25,000
Budget Outlays	4,625	10,000	13,000	3,000

SUMMARY OF BUDGET ESTIMATES

No funding is requested for the Brownfields Economic Development Initiative (BEDI) in fiscal year 2004, but the Department will continue to support the redevelopment of brownfields through the Community Development Block Grant Program (CDBG). A separate Brownfields program is not being retained in large part because program performance was not deemed sufficiently effective. The program to-date has reflected: (1) lower than expected subscription, (2) slow expenditure of funding and (3) very lengthy time frames to produce actual results. Reliance on the Community Development Block Grant program is expected to emphasize very high priority needs with a propensity for projects that are more "ready to go."

EXPLANATION OF INCREASES AND DECREASES

The fiscal year 2004 Budget reflects no new funding request, a decrease of \$25 million from last year. However, outlays are expected to increase \$3 million as older projects continue to accelerate spending of their obligations.

PROGRAM DESCRIPTION AND ACTIVITY

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

2. Program Area Organization. This program has awarded competitive grants, which must be used with Section 108 loan guarantees, for economic development and remediation of qualified brownfields projects. BEDI grants are used to either enhance the security of Section 108 guaranteed loans or to improve the feasibility of proposed projects.

- a. Eligible Recipients. Eligible recipients included 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) quality of the proposed plan and capacity of the applicant; (2) financial need for the assistance; (3) level of distress in the community to be served and in the jurisdiction applying for the assistance; and (4) extent of coordination with local stakeholders and the comprehensive planning process in general, including the appropriate environmental regulatory agencies.
- 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.

For the existing rounds of Brownfields grants, the Department has worked toward a collaborative effort with the Environmental Protection Agency (EPA). There is a longstanding Memorandum of Understanding with EPA and both HUD and EPA continue to integrate their efforts in the brownfields area to maximize the coordination of community development and environmental expertise.

Secretary Martinez and EPA Administrator Whitman have a working partnership under which each institution has focused on its relevant areas of expertise. Specifically, HUD has focused its financial and human resources on redevelopment of brownfields sites, while EPA concentrates its resources on up-front project assessment and remediation. HUD and EPA continue to work closely to target and utilize existing BEDI funds; to jointly evaluate proposals; to pro-actively help grantees to find complementary sources of funding; and to provide technical assistance to bring BEDI-supported projects to successful closure. EPA representatives serve on HUD's BEDI review panel and HUD staff in turn serve on EPA competition review panels. HUD is also part of the National Brownfields Partnership, which brings together resources from over 20 Federal agencies and non-governmental organizations to reclaim brownfields.

Between 1998 and 2002, HUD awarded 108 BEDI grants, with slightly under half of all applications having been funded. Of these 108 grantees, 102 are CDBG entitlement cities or counties with the remaining six being small cities. The average grant amount has been \$1.2 million. The largest grant awarded was for \$2.5 million while the smallest was for \$80,000. Less than 10 percent of the \$125 million in appropriations has been expended; a significant portion of the total appropriation has been projected to be used as loan loss reserves to cover shortfalls in debt service on the Section 108 guarantees loans required to accompany all BEDI grants, which by definition cannot be disbursed until construction is completed and the project is open for business, a process that typically takes in excess of 5 years.

Brownfield redevelopment projects have typically been large-scale and often complex undertakings, averaging more than \$40 million in total development costs. Each BEDI project has an average of five public and private sources of financing. While BEDI funds represent 2.3 percent of total development costs, they have leveraged an average of \$28 million in private funds and \$12 million in other public funds.

STATUS OF FUNDS

Balances Available

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

	ACTUAL <u>2002</u>	ESIMATE <u>2003</u>	ESTIMATE <u>2004</u>
	(Dollars in Thousands)		
Unobligated balance, start of year ..	\$1,065	\$3,694	...
Appropriation	<u>25,000</u>	<u>25,000</u>	...
Total Available	26,065	28,694	...
Obligations	<u>-22,371</u>	<u>-28,694</u>	...
Unobligated balance, end of year	<u>3,694</u>

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

	ACTUAL <u>2002</u>	ESTIMATE <u>2003</u>	ESTIMATE <u>2004</u>
	(Dollars in Thousands)		
Obligated balance, start of year	\$91,491	\$109,237	\$127,931
Obligations incurred	22,371	28,694	...
Subtotal	<u>113,862</u>	<u>137,931</u>	127,931
Outlays	<u>-4,625</u>	<u>-10,000</u>	<u>-13,000</u>
Obligated balance, end of year	<u>109,237</u>	<u>127,931</u>	114,931

Brownfields Redevelopment Program

ADMINISTRATIVE EXPENSES

FTE/OBJECT CLASS	ACTUAL 2002	ESTIMATE 2003	ESTIMATE 2004
FTE			
Headquarters	7	6	6
Field	1	1	...
Total FTE	8	7	6
S&E Cost (Dollars in Thousands)			
Personal Services	\$671	\$694	\$638
Travel	7	6	6
Printing	5	4	3
Other Services	21	20	23
Supplies	1
Total S&E Cost	\$705	\$724	\$670