

# Unlocking Brownfields Redevelopment:

## *Establishing a Local Revolving Loan Fund Program*



### Brownfields Solutions Series



A brownfield is a property on which expansion, redevelopment, or reuse may be complicated by the presence, or perceived presence, of contamination. EPA's Brownfields Program provides grants to fund environmental assessment, cleanup, and job training activities. More specifically, EPA's Revolving Loan Fund (RLF) grants provide funding for a grant recipient to capitalize a revolving loan fund and to provide subgrants to carry out cleanup activities at brownfield sites. Through these grants, EPA seeks to strengthen the marketplace and encourage stakeholders to leverage the resources needed to clean up and redevelop brownfields.

This Brownfields Solutions Series fact sheet is intended to provide an overview to those interested in applying for an RLF grant, and information to new RLF grantees on how to establish an RLF program. The fact sheet describes how RLF grants can unlock the brownfields redevelopment process and summarizes six successful elements of RLF programs. Case studies from innovative and successful RLF programs provide real-world examples for readers who are new to the process. The information contained in this fact sheet is based on stakeholders' experiences in the brownfields RLF process. More information is available at: [www.epa.gov/brownfields](http://www.epa.gov/brownfields).

## RLF Grants Can Unlock the Brownfields Redevelopment Process



*The Akron Airdock in Ohio, after remediation from RLF funding.*

## Elements of Successful Revolving Loan Fund Programs

A successful RLF program is one that is actively utilized to provide capital for cleaning up brownfield properties. It balances loans and subgrants to maintain a healthy, self-sustaining fund—one in which loan repayments cycle back through the fund to be made available for use at other properties. RLF grantees should establish a local RLF program that is responsive to the needs of the community, staffed with the right professionals, and effectively marketed. RLF grantees can equip themselves to establish and administer a successful RLF program by implementing the following six RLF program elements.

**A revolving loan fund is a capital fund that is used to provide loans or subgrants. When loans are repaid, the loan amount is returned into the fund and re-lent to other borrowers, providing an ongoing source of capital within a community.**

A key challenge to brownfields cleanup and redevelopment is overcoming the financial barriers associated with developing a potentially contaminated site because private lenders are often reluctant to provide loans for projects with potentially contaminated

property. An RLF can help overcome this challenge by providing low-interest loans and grants to fill the gap in financing. This added source of funding can assist property owners with flexible and favorable borrowing and repayment terms.

# Elements for Successful RLF Program Implementation

Understand the Role of Key Participants in the RLF Program

Coordinate with State/Tribal Environmental Programs

Develop Technical Tools

Develop Processes for Administering the RLF Program

Market the RLF Program

Successful Operation of the RLF Program

## Understand the Role of Key Participants in the RLF Program

There are four key roles in an RLF program—the RLF grantee, RLF borrowers and subgrantees, the RLF manager, and the qualified environmental professional (QEP). The adjacent table identifies their roles and responsibilities.

Understand the Role of Key Participants in the RLF Program

Partnerships and coordination are essential to running a successful RLF program. It is important that all of the people who hold these key positions meet before the start of each project to discuss project requirements and ensure each position understands their responsibilities.

## Coordinate with State/Tribal Environmental Programs

The majority of contaminated sites in the United States are cleaned up under state or tribal authority. As such, it is important for RLF grantees to coordinate with these programs.

Coordinate with State/Tribal Environmental Programs

**Identify applicable state/tribal response programs.** EPA encourages RLF grantees to develop a partnership with state/tribal environmental agencies to identify the appropriate state/tribal program for each RLF cleanup project. Common state/tribal environmental programs include:

- **Voluntary cleanup programs (VCPs).** State VCPs or response programs provide a mechanism for property owners or developers to clean up a contaminated site,

while affording them liability and enforcement protection. These programs provide oversight assistance and ensure protective site cleanups while promoting the cleanup of contaminated properties that might otherwise be overlooked.

- **Underground storage tank (UST) programs.** UST programs work to prevent and respond to contamination caused by petroleum and other releases from UST systems, including tanks and piping.
- **Programs for asbestos, PCB, and lead-based paint issues.** Many states also have separate programs and/or requirements for addressing asbestos, PCB, and lead-based paint contamination, which are generally not addressed in VCP or UST programs.

EPA encourages RLF cleanups to follow state/tribal processes and

procedures so long as the substantive requirements of the EPA RLF program, and the terms and conditions of the cooperative agreement are met. For additional information on state or tribal cleanup programs, visit the EPA Brownfields Web site for links to state programs: [www.epa.gov/brownfields/state\\_tribal.htm](http://www.epa.gov/brownfields/state_tribal.htm)

**Develop relationships with the state/tribal response programs to facilitate coordination.** EPA encourages RLF grantees to coordinate and closely integrate with state/tribal programs as early as possible. This relationship can help target sites for cleanup, ensure the RLF grantee is familiar with program requirements, and facilitate a relationship between the borrower/subgrantee or the QEP and the state/tribal response program representative.

**Understand the requirements of the state/tribal response programs.** A cleanup that is performed as part of an RLF program must

## Key RLF Program Roles

Participants	Role
<b>RLF Grantee</b>	A community or a coalition of communities that is awarded EPA RLF grant funding to capitalize an RLF for brownfields cleanup. The RLF grantee administers the RLF program and is legally responsible for ensuring proper environmental cleanups and complying with all applicable federal, state, local, and tribal laws and regulations. The RLF grantee approves RLF borrowers and subgrantees, and selects the individuals that fill the RLF manager and QEP positions.
<b>RLF Borrowers and Subgrantees</b>	The RLF program makes loans and subgrants to cleanup contaminated property. Borrowers and subgrantees are responsible for ensuring their environmental cleanup projects comply with eligible RLF uses, planning and executing the cleanup, and documenting all fund uses as required by the program. Borrowers and subgrantees are contractually responsible to the RLF grantee.
<b>RLF Manager</b>	The RLF manager is designated as the financial manager of the RLF. The RLF is initially capitalized with the EPA grant, which can then be supplemented with program income (e.g., principal repayment, interest, and fees) resulting from the lending of funds. The RLF manager administers the loans and subgrants from the RLF, and manages RLF funds.
<b>Qualified Environmental Professional (QEP)</b>	The QEP is designated by the RLF grantee to coordinate environmental cleanups funded through the RLF. Multiple QEPs may be involved with a single RLF program—up to one per site assisted by the RLF. Each QEP ensures that the cleanup is conducted in accordance with applicable laws and regulations and is responsible for documenting the cleanup actions at a site.

meet all applicable federal and state environmental standards. It is important for RLF grantees to understand these requirements. Once a project is selected, identification and evaluation of applicable federal and state laws should occur throughout the cleanup selection process to reduce the potential for schedule delays and overlooked cleanup requirements.

**Consider requiring RLF borrowers and subgrantees to put sites through applicable state/tribal response programs.** State/tribal programs continue to be at the forefront of brownfields cleanup and redevelopment. RLF grantees should work with state/tribal program contacts to determine whether all RLF borrowers and subgrantees should be required to participate in an appropriate state/tribal response program.

### Develop Technical Tools

The technical tools used to administer an RLF program are the financial components critical to the program's overall success.



**Secure an RLF manager.** Each RLF grantee must designate and secure an RLF manager to be responsible for the financial management of the RLF. The RLF manager can be a government employee or a qualified private or nonprofit entity. The grantee may enlist the services of other entities with fund management experience to help the RLF manager fulfill his responsibilities, which include development of loan criteria, outreach, and marketing plans, and active management of the fund.

**Consider the local universe of cleanup sites and the existing market.** Understanding the geographic area, the type of potential borrowers (e.g., developers, nonprofits, municipalities), and the type of redevelopment/end-use can help the RLF program: 1) target marketing efforts to appropriate properties; 2) facilitate

the identification and selection of successful RLF projects; and 3) develop appropriate loan products to meet borrower needs.

**Understand and develop a variety of loan products to meet borrower needs.** RLF grantees should work with their RLF manager to optimize the lending potential of the RLF. A variety of loan products, as described in the table below, can be employed to respond to the needs of the local cleanup market.

**Consider and integrate flexible loan terms to accommodate borrowers while maintaining the RLF.** The RLF grantee should incorporate flexible loan terms to encourage the cleanup of brownfields while ensuring that the RLF remains viable. The RLF grantee and manager should ensure that the RLF funding is used to fill financing gaps that would otherwise reduce the project's success, and should not automatically provide low-cost financing to every borrower.

- **Develop reasonable interest rate structure.** The RLF manager should make loans available to borrowers at interest rates appropriate to the project and local economy. In some cases, loans may be issued at the current market

rate, while in others, loans may be issued at less than the market rate.

- **Consider the length of the repayment term.** Grantees are required to develop a plan for determining repayment terms on individual loans. This plan should provide enough detail to assure EPA that loans will be repaid in a timely and efficient manner. In addition, RLF grantees should balance the needs of the borrower—providing a longer repayment term or allowing a deferment period—to make the project happen.
- **Evaluate the total cost of the project.** Understanding the project's total cost and the need for the borrower to obtain additional financing can help determine the appropriate loan size and structure.

**Develop cleanup subgrants.** Cleanup subgrants are grants made from the RLF to states, political subdivisions, Indian tribes, U.S. territories, eligible governmental entities, or nonprofit organizations. These eligible entities must own the site at the time of the subgrant award and throughout the duration of site cleanup. Unlike loans, cleanup subgrants may not be made within the same governmental entity

## Flexible RLF Loan Products

Loan Type	Description
<b>Standard Loans</b>	A standard loan provides capital to borrowers at interest rates comparable with the current market. A standard loan made by an RLF program may be attractive as an additional source of funding to fill a financing gap in a cleanup project. Standard loans may include a deferment period (where loan repayment does not begin immediately), providing added flexibility to the borrower.
<b>Intra-governmental Loans</b>	An intra-governmental loan is a direct loan made by the RLF grantee to a branch within its own governmental unit. Often, local governments acquire contaminated property through tax foreclosure or condemnation. An intra-governmental loan can provide the necessary funding for a government to complete the cleanup of the property.
<b>Low or Zero Interest Loans</b>	A low or zero interest loan is a loan provided at below-market interest rates—as low as zero percent interest—providing capital to a property owner at little to no cost.
<b>Loan Guarantees</b>	A loan guarantee can reduce the risk of private lenders and provide the needed backing to persuade lenders to provide financing that would not otherwise be provided.
<b>Bridge Loans</b>	A bridge loan can provide short-term financing to a borrower, typically pending the arrangement of larger or longer-term financing. Money from the new financing is generally used to “take out” (i.e., to pay back) the bridge loan, as well as other capitalization needs. This is another RLF funding tool that can be used to fill financing gaps for borrowers.
<b>Discounted Loans (partially forgiven loans)</b>	A discounted loan allows the RLF grantee to “forgive” a portion of the principle (i.e., the borrower would not need to “pay back” the portion forgiven). Discount loans are allowed under certain conditions. See your grant's Terms and Conditions or contact EPA for further details.

that receives the RLF grant (i.e., intra-governmental subgrants are not allowed under the RLF program). However, if the city redevelopment agency is a separate legal entity, it may be eligible.

- **Evaluate potential needs/special target market for subgrants.** Since subgrants are not repaid to the RLF, it is important to identify potential subgrantee projects carefully. One target market for subgrantees may be projects that are unable to draw on other sources of funding because of neighborhood or community economic status.
- **Determine the percentage of funds available for subgrant.** The percentage of the RLF that can be used for subgrants is specified in each cooperative agreement's terms and conditions. Loans are generally preferred over subgrants because repayment of the loans will extend the life and expand the utility of federal expenditures under this program.
- **Develop a strategy and criteria for issuing subgrants.** RLF grantees must consider the following criteria for issuing subgrants: the creation or preservation of greenspace; meeting the needs of low-income communities; facilitating the use of existing infrastructure; and protecting the long-term use of RLF funds.

## Develop Processes for Administering the RLF Program

An RLF program should be designed to optimize its lending potential—so that loans and subgrants are disbursed to maximum benefit. Establishing effective administrative procedures to process loans, repayments, and subgrants will also reduce the wait time for borrowers and subgrantees to receive their funds.



### Develop an implementation plan.

The RLF manager is required to develop an implementation plan that will ensure that basic RLF goals are met, such as:

- Maximizing the amount of money loaned out for cleanup purposes, and ensuring that RLF funds do not remain idle
- Using established lending practices (i.e., loan processing, documentation and approval, servicing, administrative procedures, and collection and recovery actions) and underwriting principles (i.e., establishing interest rates, repayment terms, fee structures, and collateral requirements)
- Ensuring and obtaining proof of adequate financial security from borrowers

- Identifying additional sources of capital for the RLF, such as federal agencies other than EPA, states, tribes, political subdivisions, and public-sector entities
- Meeting the 20 percent cost-share requirement that is part of EPA Brownfields RLF cooperative agreements
- Identifying the types of loans and grants available through the RLF program

### Develop a process for selecting borrowers.

Several eligible borrowers may be competing for RLF funds; therefore, it is important that the RLF manager establish criteria to determine the types of borrowers that should be selected. In addition, the RLF manager should establish criteria for determining borrower eligibility and include a step to identify the applicable state/tribal program for each cleanup.

### Develop a process for selecting subgrantees.

The subgrantee selection process will involve many of the same criteria and precautions used to select borrowers. The RLF grantee and RLF manager should establish a rating system to help differentiate competing applicants, based on elements such as project type, subgrantee financial standing, identification of applicable state/tribal programs, and likelihood of project success.

## Flexible Loan Terms - Ohio Department of Development

The Ohio Department of Development (ODOD) has been successfully distributing and managing its RLF funds since it was awarded its first of several EPA grants in April 2001. ODOD has successfully administered six RLF loans totaling more than \$5 million and one subgrant, in Columbus, Akron, Chesterland, Sandusky, Broadview Heights, and Cleveland. Much of this success can be attributed to experienced staff and the understanding and integration of flexible loan terms and subgrants.

In November 2005, ODOD adeptly combined a five-year, zero interest loan for \$525,000 with a \$200,000 subgrant to the Columbus and Franklin County Metropolitan Park District (Metro Parks) to assist with cleanup costs associated with the 18-acre Northern Tier section of the Whittier Peninsula property. In February 2007, ODOD provided a discounted loan of \$2 million to the Summit County Port Authority for the Akron Airdock project. With a low interest rate of 0.5%, a time scale of 10 years and 10% of principle forgiven, this loan covered only a portion of the site's \$13 million cleanup. The loan will be used to help clean up PCB contamination associated with the Airdock facility, which was built in 1928 to build lighter-than-air ships for the U.S. Navy. For more information on ODOD's RLF program go to [www.odod.state.oh.us/ud/BCRLF.htm](http://www.odod.state.oh.us/ud/BCRLF.htm).



## Innovative Marketing Approaches – Hillsborough County, Florida

Hillsborough County, Florida, was awarded its first RLF grant in 2000. It has encouraged active participation in its brownfields program through several unique marketing approaches targeting the county's 18,000-acre Urban Development Area.

In 2005, the Hillsborough County RLF program provided a \$225,000 loan and a \$170,000 subgrant to the Hillsborough Community College (HCC) in Tampa, Florida. The HCC learned about and successfully applied for this funding through its participation in a **local brownfields communication network**. This strong, informal network has flourished based on widespread community support for and investment in brownfields redevelopment.

Hillsborough County Board of County Commissioners (BOCC) also created a **brownfield development team** composed of real estate, economic development, planning, and environmental local government staff. The team participated in marketing and education activities to expand awareness of available funding and stimulate real estate investment.

In 2005, the BOCC intensified marketing efforts by expanding the size of the brownfield target areas with the intent to qualify properties in this area for its EPA RLF, and to market the properties for redevelopment. The expanded target area map is currently posted on the county's brownfields Web site. Based on the success of the program, EPA awarded the county \$400,000 in RLF supplemental funding in July 2007 to address the need for future brownfields cleanup efforts. For more information on Hillsborough County's Brownfields Program, go to: [www.hillsboroughcounty.org/pgm/communityplanning/brownfields/](http://www.hillsboroughcounty.org/pgm/communityplanning/brownfields/).



**Develop document templates for loan and subgrant approvals.** Having pre-designed templates already in place will expedite the administrative side of approvals for both borrowers and subgrantees. These documents should include terms that may vary from individual project and borrower/subgrantee, such as interest rates, repayment terms, and other considerations.

**Develop a process for identifying a site-specific QEP.** Each RLF program may have multiple QEPs associated with it—up to one for each site assisted by RLF funds—and should have a process in place to identify a QEP for each cleanup project. For example, some RLF grantees work with one or more environmental consulting firms to identify site-specific QEPs.

### *Market the RLF Program*

To develop a strategy for marketing an RLF program, consider the who, what, when, where, and how of identifying borrowers, subgrantees, and sites within a given community. **Who** in the community needs RLF loans or subgrants? **What** kind of loan will best meet the community need? **When** the deal is made, what follow-up assistance is needed to ensure RLF loan and subgrant requirements are met?

Market  
the RLF  
Program

**Where** are the properties that the community is trying to develop?

**How** can an RLF loan help borrowers and subgrantees? The answers to these questions will form the outline of the marketing plan.

#### **Develop local partnerships.**

Every community has a different combination of site types, developers, local organizations, and institutional arrangements. Focusing RLF outreach toward selected local organizations can build a network that helps spread the word about an RLF program's availability. Potential targeted organizations could include: public, local, and state officials or agencies; local and/or state agencies involved in brownfields cleanup, redevelopment, or economic development; citizen and community groups; academic institutions; nonprofit organizations, including local chambers of commerce; private-sector companies involved in environmental assessment and cleanup; real estate companies; banks; and environmental insurance providers.

**Identify target sites.** When identifying potential sites for cleanup and redevelopment, site characteristics such as location, size, level of contamination, complexity, proximity to infrastructure, and surrounding development should all be considered. These characteristics will further influence the type of marketing required. For example, a small site cleanup may involve a

local business that needs access to capital, while a larger site cleanup may involve a national developer that needs assistance with navigating local regulatory permitting requirements.

**Identify potential borrowers and subgrantees.** For marketing purposes, it is important to understand which entities will be most interested in receiving an RLF loan or subgrant and/or will be the best candidates for the RLF program. Potential borrowers include expanding businesses, local developers, national developers, nonprofit organizations, and public and quasi-public entities. Potential subgrantees can be nonprofit organizations; Indian tribes, or eligible government entities.

**Develop an outreach strategy to reach appropriate stakeholders.** Strategies for reaching any or all of the potential partners listed should be customized based on the stakeholder, community conditions, and the types of sites looking to be addressed. The most appealing products available through an RLF program should be highlighted, and their appeal will vary depending on local needs and demand, as well as the availability of existing state resources.

**Market the RLF program to borrowers and subgrantees.** RLF program outreach can include print-based promotion—such as brochures, newsletters, advertisements and web pages—or people-based approaches—

## RLF and Affordable Housing: Emeryville, California

Emeryville, California, is a small city tucked between Oakland and Berkeley. Previously dubbed the “dirtiest town on the Pacific Coast,” Emeryville has since become a model for land reuse. Recognizing that housing is essential for sustaining and rebuilding communities, Emeryville has embraced affordable housing as part of a larger economic development strategy. Since 1995, the city has aggressively reclaimed approximately 385 acres of brownfields. A decade after it started, the city has built or is building 845 housing units, a third of which are affordable for low- and moderate-income households. Much of this success is attributed to the Emeryville Redevelopment Agency’s encouragement of affordable infill housing development on brownfield sites funded by a combination of local, state, and federal resources. As a key component of this strategy, Emeryville has been successfully integrating EPA RLF funds into affordable housing projects.



In 1999, Emeryville received its first RLF grant. Since then it has received several supplemental funding awards. In July 2003, the city provided \$1,175,000 in EPA RLF funds to GreenCity LLC for the cleanup of the GreenCity Lofts property, a former paint factory located in both the Cities of Emeryville and Oakland. The GreenCity Lofts project team completed cleanup of the 0.9-acre property in December 2004 and 62 condominiums were constructed in 2005. Of the 62 units, 31 are located in Emeryville with six set aside as affordable housing. In partnership with EPA and through its RLF program, Emeryville continues to develop its affordable housing portfolio on brownfield sites. It has been cited as one of the top 15 producers of affordable housing in the Bay Area. For more information on the City of Emeryville’s redevelopment efforts, go to: [www.ci.emeryville.ca.us/econdev/housing\\_rehab.html](http://www.ci.emeryville.ca.us/econdev/housing_rehab.html).

such as public meetings and invited stakeholder seminars, conferences, and direct telephone calls. Once interest is generated, one-on-one meetings allow potential borrowers and subgrantees to ask questions specific to their projects.

Whenever possible, consider including an RLF loan or subgrant within a redevelopment financing package. As site cleanup financing is often a challenge, structuring a brownfields cleanup RLF loan within part of a larger financing package can make the deal more attractive.

### Successful Operation of the RLF Program

Once an implementation plan is in place, the RLF program can begin operating. Successful operation can be linked with building staff skills, “successfully revolving” the RLF, and meeting EPA administrative requirements.



**Building staff skills to provide technical assistance to borrowers and subgrantees.** RLF program staff should be trained in loan fund and grant management, environmental cleanup program elements, marketing skills, and RLF program basics.

Ideally, RLF program staff should have exceptional communication skills and an in-depth understanding of the program, so that they can work with potential (and selected) borrowers and subgrantees, providing technical and administrative assistance when needed.

**Maintaining capitalization/making the fund revolve.** An RLF program should consider the timing, size, and distribution of loans and subgrants when issuing funding to borrowers and subgrantees. Based on the individual loan terms and subgrant amounts, an RLF program may provide multiple loans with varying repayment schedules at a single time, or issue loans on an ongoing basis. Both approaches could ensure the RLF is replenished with income, allowing the RLF grantee to then issue additional loans from this income. The RLF manager should develop a plan for timing these loan closeouts to ensure the fund revolves over time.

Supplemental funding for RLF grants is available to grantees that have depleted their funds and have viable cleanup projects ready to go. Further information regarding supplemental funding is available from EPA’s brownfields Web site: [www.epa.gov/brownfields](http://www.epa.gov/brownfields).

**Negotiating a closeout agreement with EPA.** RLF programs have five years from the cooperative agreement start date to obligate awarded funds to borrowers and subgrantees for site cleanup activities and a maximum of five years to complete all required activities and request final payment of funds from EPA. At the end of the cooperative agreement, EPA may choose to modify the agreement to allow the RLF program to use any remaining funds for other eligible grant activities, such as a final subgrant.

An RLF program should begin “closing out” its cooperative agreement with EPA after: 1) all administrative and environmental cleanup actions required under the cooperative agreement have been completed, and 2) all unused funds have been returned to EPA. EPA will close out or de-obligate any unused funds, and is responsible for closing out the cooperative agreement once all the required actions of the award have been completed. At the end of the cooperative agreement, EPA may choose to modify the agreement to allow the RLF program to use any remaining funds for other eligible activities, such as a final subgrant.