



CITY OF CARSON
INTEROFFICE MEMORANDUM

TO: Mayor and City Council

FROM: Sharon Landers, City Manager

SUBJECT: Potential Brownfield Grants for the KL Fenix Project, 20601 S. Main Street

DATE: November 2, 2020

On August 18, 2020, the City Council requested staff to research potential brownfield grants for the KL Fenix project to be used to remediate their site. This memorandum discusses available funding options for brownfield landowners. Over the past several weeks, staff has worked with *Townsend Public Affairs* and *California Consulting*, to search available brownfield funding opportunities. The detailed summary of the available funding opportunities is attached to this memo under *Exhibit A - Grant Matrix State and Federal Brownfield Funding*. In addition, staff has researched the subject on State of California grant portal; however, no additional sources of funding were identified through this research.

Eight state or federal funding opportunities have been identified for brownfield remediation. From the eight funding opportunities, three opportunities appear viable for KL Fenix. The most viable brownfield funding opportunities for KL Fenix are in the form of low interest rates loans as individually summarized below. The remaining five sources are strictly for government agencies or nonprofit entities.

7(a) Loan Program, Small Business Administration

The 7(a) loan program is the SBA's primary program to help startup and existing small businesses access capital, with financing guaranteed for a variety of general business purposes. The SBA encourages the redevelopment of brownfields. SBA loan guarantees are available to small businesses interested in locating on revitalized brownfields. The SBA does not make loans itself, but rather guarantees loans made by participating lending institutions.

The maximum request per applicant is \$5,000,000. A business qualifies if it operates for profit, engages in business in the U.S., has reasonable owner equity to invest, and uses alternative financial resources, including personal assets, before seeking financial assistance. Eligible uses include working capital, purchase, renovation, and new construction of land or buildings, acquisition of equipment, machinery, furniture, and fixtures, and more. In the 7(a) program, the interest rate is negotiable, but not more than the SBA maximum:

EXHIBIT NO. 7

Memorandum – Brownfield Funding Opportunities

Monday, November 2, 2020

Page 2 of 3

Variable Rate Loans

Loan Amount	Max rate if maturity is less than 7 years	Max rate if maturity is more than 7 years
\$25,000 or less	7.5%	8%
\$25,000 to \$50,000	6.5%	7%
\$50,000 or more	5.5%	6%

Fixed Rate Loans

Loan Amount	Prime rate in effect on the first business day of the month, plus
\$25,000 or less	8.0%
\$25,000 to \$50,000	7.0%
\$50,000 to \$250,000	6.0%
\$250,000 or more	5.0%

Certified Development Company (CDC) (504) Loan Program (Small Business Administration)

The Certified Development Company (CDC) (504) loan program is a long-term financing tool that conserves working capital by requiring a lower borrower contribution. The 504 Program provides growing businesses with long-term, fixed-rate financing for the purchase of major fixed assets, such as land and buildings. To qualify, the business must not have tangible net worth of more than \$15,000,000, and an average net income of \$5,000,000 or less after federal income taxes for the two proceeding years prior to application.

In the 504 Program, interest rates on 504 Loans are correlated with the current market rate for 5-year and 10-year U.S. Treasury issues, which changes frequently. Specifics such as loan terms and repayments should be discussed with a local Certified Development Company (CDC). Typically, a 504 project includes a loan secured from a private-sector lender, with a senior lien covering up to 50 percent of the project cost; a loan secured from a CDC (backed by a 100 percent SBA-guaranteed debenture), with a junior lien covering up to 40 percent of the total cost; and a contribution from the borrower of at least 10 percent equity.

Staff recently contacted a local Certified Development Company (CDC) provider to quote current interest rates. The local CDC provided an example 50/40/10 breakdown of a 504 Loan structure in today's market. The following interest rates can be expected for a 25-year term loan:

- 50% portion (4.5 to 5.75 percent interest)
- 40% portion (2.58 percent)
- 10% portion (borrower injection)

Memorandum – Brownfield Funding Opportunities

Monday, November 2, 2020

Page 3 of 3

Revolving Loan Fund (RLF) Program, California Department of Toxic Substances Control (DTSC)

The DTSC RLF Program establishes a revolving loan fund that provides loans to help developers, businesses, schools, and local governments clean-up and redevelop brownfields. This is a brownfields clean-up loan program administered through a Cooperative Agreement with the U.S. Environmental Protection Agency (U.S. EPA).

To qualify, the loans can be provided to property owners if they are not responsible for the brownfield contamination. Property(ies) must meet the CERCLA definition of a Brownfield site: *“...real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant.”*

The Brownfield RLF is charging for interest at the Surplus Money Investment Fund (SMIF) rate, which was at 1.236% on June 30, 2020. Also, the underwriter process may also include charges such as an upfront application fee, plus loan fees upon loan closing. The interest rate to be used is the SMIF rate at the time that when the loan is processed.

Exhibit A – Grant Matrix State and Federal Brownfield Funding

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	Description	Deadline	Eligible Applicants	Project Type Eligibility	Total Available Funding	Maximum Request	Anticipated # of Awards	Cost Share
<div>Certified Development Company (CDC) (504) Loan Program</div> <div>Small Business Administration</div>	The SBA encourages the redevelopment of brownfields. SBA loan guarantees are available to small businesses interested in locating on revitalized brownfields. Typically, this occurs through the use of one or more of the following factors: (1) indemnification; (2) completed remediation; (3) “No Further Action” letter obtained; (4) “minimal contamination” achieved; (5) cleanup funds approved; (6) escrow account available; (7) groundwater contamination originating from another site; (8) a pledge of additional or substitute collateral; or (9) other factors, such as the existence of adequate environmental insurance.	Rolling Deadline	<p>The SBA guarantees loans to help creditworthy small businesses that cannot qualify for a conventional loan access capital.</p> <p>Eligible entities include businesses that operate for profit, do business in the U.S. or its territories, meet the SBA's small business size standards, use proceeds for an approved purpose, have exhausted other funding sources, demonstrate they can repay the loan, and possess relevant management expertise and a feasible business plan. Under the 504/CDC Program, a business qualifies as small if it has a tangible net worth of \$15 million or less and an average net income of less than \$5 million after taxes for the preceding two years. If business and personal financial resources are found to be excessive, the business will be required to use those resources in lieu of part or all of the requested loan proceeds.</p>	<p>The Certified Development Company (CDC) (504) loan program is a long-term financing tool that conserves working capital by requiring a lower borrower contribution. The 504 Program provides growing businesses with long-term, fixed-rate financing for the purchase of major fixed assets, such as land and buildings. A CDC is a private, nonprofit corporation that promotes economic development within its community through 504 loans. The SBA authorizes CDCs to provide financing to small businesses with the help of third-party lenders.</p> <p>Typically, a 504 project includes a loan secured from a private-sector lender, with a senior lien covering up to 50 percent of the project cost; a loan secured from a CDC (backed by a 100 percent SBA-guaranteed debenture), with a junior lien covering up to 40 percent of the total cost; and a contribution from the borrower of at least 10 percent equity.</p> <p>Uses/Applications Include:</p> <ul style="list-style-type: none">• Purchasing land, including existing buildings.• Making improvements, including grading, streets, utilities, parking lots, and landscaping.• Constructing new facilities or modernizing, renovating, or converting existing facilities.• Purchasing long-term machinery and equipment.	N/A	\$5 million. <i>Note: The eligible amount may increase to \$5.5 million if the borrower is a small manufacturer, if the project reduces the borrower's energy consumption by at least 10 percent, or if the project generates at least 10 percent of the borrower's energy needs at the facility.</i>	N/A	Varies
<div>Public Works Program</div> <div>Economic Development Administration</div>	Through the Public Works Program, EDA provides catalytic investments to help distressed communities build, design, or engineer critical infrastructure and facilities that will help implement regional development strategies and advance bottom-up economic development goals to promote regional prosperity.	Rolling Deadline	<p>Eligible applicants in communities experiencing economic decline and distress include: (i) District Organization of an EDA-designated Economic Development District; (ii) Indian tribe or a consortium of Indian tribes; (iii) state, county, city, or other political subdivision of a state, including a special purpose unit of a state or local government engaged in economic or infrastructure development activities, or a consortium of political subdivisions; (iv) institution of higher education or a consortium of institutions of higher education; or (v) public or private nonprofit organization or association acting in cooperation with officials of a political subdivision of a state. 2019 Brownfields Federal Programs Guide 15 16 2019 Brownfields Federal Programs Guide</p> <p>Individuals and for-profit private entities are not eligible.</p>	<p>Support for the construction or rehabilitation of essential public infrastructure and facilities necessary to generate or retain private sector jobs and investments, and to enable communities to become more economically competitive. This includes:</p> <ul style="list-style-type: none">• Funding for public works and infrastructure enhancements relating to brownfields redevelopment.• Funding for economic development planning to economically distressed states, regions, and communities impacted by brownfields.• Funding for local technical assistance to help public and nonprofit leaders with their economic development decision-making.• Funding to capitalize revolving loan funds for state and local implementation of strategies to attract private sector investment.	\$1.467 billion (rolling deadline)	Varies	N/A	Varies
<div>Targeted Site Investigation (TSI) Program</div> <div>California Department of Toxic Substances</div>	DTSC provided environmental services to local governments, school districts, and non-profit organizations to facilitate the return of brownfields to safe and productive uses. The program focused on properties with a clear need for redevelopment, strong redevelopment potential, real or perceived contamination, and municipal/community support for redevelopment.	TBD	Local governments, School districts, Tribes, Non -profit organizations	<p>Sites must meet the U.S. EPA definition of a “Brownfield” site. U.S. EPA's definition comes from the 2002 Public Law 107-118 (H.R. 2869) and codified in 42 U.S.C. 9601. With certain legal exclusions and additions, the term "Brownfield" means real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant and may include petroleum hydrocarbon releases.</p> <p>The proposed TSI project must be of interest to the applicant for facilitating development, expansion or reuse. Redevelopment must be in the planning stages or in progress. The</p>	TBD	TBD	TBD	TBD
<div>Revolving Loan Fund (RLF) Program</div> <div>California Department of Toxic Substances Control (DTSC)</div>	<p>The DTSC RLF Program establishes a revolving loan fund that provides loans to help developers, businesses, schools, and local governments clean-up and redevelop brownfields. This is a brownfields clean-up loan program administered through a Cooperative Agreement with the U.S. Environmental Protection Agency (U.S. EPA).</p> <p>Property(ies) must meet the CERCLA definition of a Brownfield site: “...real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant.”</p>	Rolling Deadline	Loans may be provided to eligible governmental entities and other persons, such as siteowners or developer, if they are not responsible parties under CERCLA section 107. Subgrants may be given to eligible governmental entities or nonprofit organizations. Parties responsible for the contamination are not eligible for cleanup funding.	<p>Loans may be provided to eligible governmental entities and other persons, such as site owners or developer, if they are not responsible parties under CERCLA section 107. Subgrants may be given to eligible governmental entities or nonprofit organizations. Parties responsible for the contamination are not eligible for cleanup funding.</p> <p>Qualified borrowers who own, have control of, or access to, an eligible brownfield site may apply for simple interest, below market rate loans. Governmental or tribal entities and nonprofit organizations that own the site they intend to cleanup may also apply for grants up to \$200,000 per site. DTSC funds eligible sites on a first-come, first-served basis. Loans and subgrants may be used for cleanup of two types of brownfields sites – hazardous substances release sites and petroleum sites. Loans and subgrants cannot be used for pre-cleanup site assessments; they are solely for remediation costs. Applicants must complete assessment/investigation of the site and submit a completed workplan and a cost estimate.</p>	N/A	Up to \$200,000 in grants per year, rest in loans	TBD	TBD

Exhibit A – Grant Matrix State and Federal Brownfield Funding

	Description	Deadline	Eligible Applicants	Project Type Eligibility	Total Available Funding	Maximum Request	Anticipated # of Awards	Cost Share
FY 2021 Brownfield Assessment Grants Environmental Protection Agency	Assessment Grants provide funding for developing inventories of brownfield sites, prioritizing sites, conducting community involvement activities, conducting planning, conducting site assessments, developing site-specific cleanup plans, and developing reuse plans related to brownfield sites. Assessment Grant funds may not be used to conduct cleanup activities.	10/28/2020	<ul style="list-style-type: none">• General Purpose Unit of Local Government, including a county, municipality, city, town, township, local public authority, school district, special district, intrastate district, council of governments• Land Clearance Authorities• Government Entity created by state legislature• Regional Councils or group of General Purpose Units of Local Government• State-chartered Redevelopment Agency• States• Native American Tribes• Nonprofits• LLCs where all managing members are nonprofits• LLPs where all general partners are nonprofits• Qualified community development entity	Applicants may apply for a Community-wide and/or a Site-specific Assessment Grant, or apply as part of an Assessment Coalition • Community-wide Assessment Grants are appropriate when a specific site is not identified and the applicant plans to spend grant funds on more than one brownfield site in its community. • Site-specific Assessment Grants are appropriate when a specific site is identified and the applicant plans to spend grant funds on this one site only. • Assessment Coalition Grants are for three or more eligible entities who will perform. Assessment Grant activities on at least five brownfield sites within their communities.	\$32 million	Community-wide Assessment Max: \$300,000 Site-Specific Assessment Max: \$200,000 (possible to request a waiver of the \$200,000 limit and request up to \$350,000) Assessment Coalition Max: \$600,000	87	None
FY 2021 Brownfield Cleanup Grants Environmental Protection Agency	Cleanup Grants provide funding to carry out cleanup activities on brownfield sites owned by the applicant.	10/28/2020	<ul style="list-style-type: none">• General Purpose Unit of Local Government, including a county, municipality, city, town, township, local public authority, school district, special district, intrastate district, council of governments• Land Clearance Authorities• Government Entity created by state legislature• Regional Councils or group of General Purpose Units of Local Government• State-chartered Redevelopment Agency• States• Native American Tribes• Nonprofits, including nonprofit colleges and universities• LLCs where all managing members are nonprofits• LLPs where all general partners are nonprofits• Qualified community development entity An applicant must be the sole owner of at least one brownfield site within their target area by October 28, 2020, where cleanup activities may be conducted.	<ul style="list-style-type: none">• Grant funds may be used to address hazardous substances and/or petroleum contamination at one or more brownfield sites.• Sites eligible for hazardous substances funding are those sites with the presence or potential presence of hazardous substances, pollutants, contaminants, sites that are contaminated with controlled substances or that are mine-scarred lands.	\$13 million	\$500,000	26	20%
FY 2021 Brownfield Multipurpose Grants Environmental Protection Agency	Multipurpose Grant funding must be used to conduct both assessment and cleanup activities, and to develop an overall plan for revitalization of the target area if a plan does not already exist. Indicate on which page of the application information on your plan to conduct assessment and cleanup activities, and to develop an overall plan for revitalization of the target area, if a plan does not exist, can be found. If an overall plan for revitalization of the target area already exists, please state this in your response. Note, information that is referenced can be in the written narrative or the budget table.	10/28/2020	<ul style="list-style-type: none">• General Purpose Unit of Local Government, including a county, municipality, city, town, township, local public authority, school district, special district, intrastate district, council of governments• Land Clearance Authorities• Government Entity created by state legislature• Regional Councils or group of General Purpose Units of Local Government• State-chartered Redevelopment Agency• States• Native American Tribes• Nonprofits• LLCs where all managing members are nonprofits• LLPs where all general partners are nonprofits• Qualified community development entity An applicant must be the sole owner of the site(s) that is the subject of its Cleanup Grant application and must own the site(s) by October 28, 2020, to be eligible to receive a Cleanup Grant.	<p>Multipurpose Grant applicants should have the capacity to conduct a range of eligible activities, for example:</p> <ul style="list-style-type: none">• Developing inventories of brownfield sites;• Prioritizing sites;• Conducting community involvement activities;• Conducting environmental site assessments;• Developing cleanup plans and reuse plans related to brownfield sites;• Conducting cleanup activities on brownfield sites owned by the applicant; and• Developing an overall plan for revitalization. <p>Multipurpose Grant funding must be used to conduct both assessment and cleanup activities, and to develop an overall plan for revitalization of the target area if a plan does not already exist.</p> <p>Note, projects that allocate at least 70% of the funds for tasks directly related to site-specific work, including site assessments, remediation, and associated tasks (with at least \$200,000 designated for tasks directly associated with site remediation) will be reviewed more favorably.</p>	\$8 million	800000	10	\$40,000 (may be in the form of a contribution of money, labor, material, or services)

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7(a) Loan Program Small Business Administration	<p>The SBA encourages the redevelopment of brownfields. SBA loan guarantees are available to small businesses interested in locating on revitalized brownfields. Typically, this occurs through the use of one or more of the following factors: (1) indemnification; (2) completed remediation; (3) “No Further Action” letter obtained; (4) “minimal contamination” achieved; (5) cleanup funds approved; (6) escrow account available; (7) groundwater contamination originating from another site; (8) a pledge of additional or substitute collateral; or (9) other factors, such as the existence of adequate environmental insurance.</p>	Rolling Deadline	<p>The SBA guarantees loans to help creditworthy small businesses that cannot qualify for a conventional loan access capital.</p> <p>To be considered for a 7(a) loan, applicants must meet broad eligibility requirements designed to accommodate the most diverse variety of small business financing needs. Applicants must operate for profit within the U.S.; meet the SBA’s small business size standards; have exhausted other financing options and invested equity; and demonstrate they can repay the loan.</p>	<p>The 7(a) loan program is the SBA’s primary program to help startup and existing small businesses access capital, with financing guaranteed for a variety of general business purposes. The SBA does not make loans itself, but rather guarantees loans made by participating lending institutions. The 7(a) name comes from section 7(a) of the Small Business Act. The 7(a) loans are the most basic and most used types of SBA-backed loans.</p> <p>Uses/Applications Include:</p> <ul style="list-style-type: none">• Working capital.• Purchase, renovation, and new construction of land or buildings.• A loan guarantee is a pledge by one party (the guarantor) to assume the debt obligation of a borrower if the borrower defaults. It is not a direct loan. For this program, SBA is the guarantor.• Acquisition of equipment, machinery, furniture, and fixtures.• Establishment of a new business or operation, or expansion of an existing business.• Debt refinancing (under special conditions).	N/A	\$5 million	N/A	Varies
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