

Annual Report to the
California State Legislature

Cleanup Loans and
Environmental Assistance to
Neighborhoods (CLEAN) Loan
Program

California Environmental Protection Agency
Department of Toxic Substances Control



January 2002

Pursuant to the Health and Safety Code section 25395.32, the Department of Toxic Substances Control (DTSC) is reporting its total number of loans awarded and total dollar amounts of loans awarded by the Cleanup Loans and Environmental Assistance to Neighborhoods (CLEAN) Loan Program for 2001.

Background

In 2000, the Legislature passed, and Governor Gray Davis signed into law, Senate Bill 667 (Sher, Chapter 912, Statutes of 2000), creating the Cleanup Loans and Environmental Assistance to Neighborhoods (CLEAN) Loan Program. The CLEAN Loan Program provides low-interest loans to landowners, developers, local governments, redevelopment agencies, and community organizations to finance environmental assessments and hazardous waste cleanups of brownfields and underutilized urban properties.

There are an estimated 90,000 brownfield properties in California. Many of these sites sit idle because property owners and prospective purchasers have been reluctant to proceed with development due to known or perceived hazardous contamination. The CLEAN Loan Program offers the opportunity and financial tools to help investigate and remedy adverse environmental conditions, promoting the redevelopment of properties and resulting in an overall improvement of communities throughout the state.

The Department of Toxic Substances Control administers the CLEAN Loan Program. CLEAN Loan Program staff are located at the California Environmental Protection Agency Headquarters Building in Sacramento, and can be reached at (916) 324-0706 or loans@dtsc.ca.gov.

Funding

The Budget Act for Fiscal Year 2000-01 (Chapter 52, Statutes of 2000) appropriated \$85 million from the General Fund to the CLEAN Account. The Budget Act for Fiscal Year 2001-02 (Chapter 106, Statutes of 2001) reduced the level of funding by \$33 million and authorized up to \$17 million from the CLEAN Account to implement the Financial Assurance and Insurance for Redevelopment (FAIR) Program created by Senate Bill 468 (Chapter 549, Statutes of 2001). Senate Bill 1 (Third Extraordinary Session) (Peace, Chapter 1, Statutes of 2002) reverted to the General Fund \$77 million of the original \$85 million appropriation. The remaining \$8 million is being used to fund approved loan activities and program administration.

Loans

The Program began accepting loan applications in February 2001 following the adoption of emergency regulations. DTSC has received eighteen applications requesting a total of \$17.2 million. Seven of these applications, totaling \$5.2 million were approved. The approved applications are:

- \$950,000 loan for a site cleanup in Santa Fe Springs (Los Angeles County). This one-acre parcel is the former site of a chemical manufacturing company. Future planned development for the property after remediation of soil and groundwater contamination will be new commercial and industrial facilities in an office park setting.
- \$20,000 loan for a site investigation in Stockton (San Joaquin County). This property formerly housed a circuit board manufacturer, and is proposed for new commercial development. (NOTE: Borrower withdrew the loan application.)
- \$700,000 loan for a site cleanup in Murrieta (Riverside County). This 20-acre site, which is located in a residential neighborhood near two schools, is a former battery storage facility. Future planned development after the cleanup of contaminated soil will be 54 market-rate single-family homes.
- \$1 million loan for a site cleanup near downtown Los Angeles (Los Angeles County). The 2.7-acre property is the former site of a paint, lacquer, and printing manufacturing facility. Future development will be commercial and possibly residential (loft) housing.
- \$400,000 loan for a site cleanup by the Vacaville Redevelopment Agency (Solano County). This parcel is the former site of chrome manufacturing facility and residential duplex. Future planned development is mixed-use commercial and retail within the city's revitalized downtown core area.
- \$270,000 loan for a site cleanup by the East Bay Habitat for Humanity, Inc. for a site in Oakland (Alameda County). The two-acre property was formerly used as a salvage yard. Future planned development is 20-24 single-family residences for qualified low or very low-income families.
- \$1.9 million loan for a site cleanup by the Richmond Redevelopment Agency (Contra Costa County). Former site of Kaiser Shipbuilding facility and other industrial uses, the future planned development for this 7.3-acre property is commercial, retail, residential, and open space to provide public access to the waterfront area.

Loan Overview

- Pursuant to Health and Safety Code section 25395.32, subdivision (a), one Investigating Site Contamination Program loan was approved in the amount of \$20,000. The loan application was later withdrawn by the applicant. No dollars have been repaid for this loan program and no loans are in default for the program.
- Pursuant to section 25395.32, subdivision (b), no funds for Investigating Site Contamination Program loans have been waived as a result of the property being determined not to be economically feasible.
- Pursuant to section 25395.32, subdivision (c), six CLEAN Loans were approved for a total of \$5,220,000. No loans have yet been repaid and no loans are in default.
- Pursuant to section 25395.32, subdivision (d), no preliminary endangerment assessments have been completed pursuant to oversight agreements entered into between DTSC and borrowers under the CLEAN Loan Program.
- Pursuant to section 25395.32, subdivision (e), no response actions have been completed pursuant to agreements entered into by DTSC and borrowers under the CLEAN Loan Program.

Marketing and Outreach Activities

As part of its effort to market the CLEAN Loan Program to interested organizations, local governments, and individuals, DTSC staff participated in more than 50 workshops, conferences, expositions, and speaking engagements to present and promote the program.

Cal/EPA and DTSC were the major sponsors for the National Brownfield Association's first Western Regional Deal Flow Conference in Long Beach, California. The conference targeted property owners, prospective purchasers, developers, end users, environmental, real estate, legal, insurance, and financial professionals, and federal, state, and local government representatives.

DTSC's Web site includes comprehensive, updated information on the CLEAN Loan Program and the current status of applications, as well as an online application that can be submitted electronically for a more convenient and expedited loan review process.

Legislative Changes

Enactment of Assembly Bill 254 (Chapter 548, Statutes of 2001) made important changes to the program including longer loan repayment terms, other allowable forms of collateral to secure loans, oversight of response actions by Regional Water Quality Control Boards and the State Water Resources Control Board at some properties, and changes to promote local government and redevelopment agency participation in the program.

In addition, to establishing the new Financial Assurance and Insurance for Redevelopment Program (FAIR) Program, SB 468 also made statutory changes to the CLEAN Loan Program by allowing loans to be used for investigations and cleanups as part of expansion activities of certain small businesses.

Future of the CLEAN Loan Program

Although there is currently no funding available for new loans, DTSC will continue to provide technical oversight on the response action and environmental remediation work that is being funded by the loans. In addition, DTSC will perform loan servicing activities and repayment services for borrowers to ensure the fiscal soundness of the program and the loan portfolio.

The CLEAN Loan Program will continue to review new applications and to provide information to applicants about other possible funding sources. Applications will be rated and ranked according to guidelines outlined in the regulations. Upon repayment of CLEAN loan funds from current Borrowers, a notice of funding availability will be published to inform qualified applicants that loan funds are available.

Partnerships have been forged between the CLEAN Loan Program and other public and private entities that provide funding and actively promote brownfield redevelopment activities, including the California Pollution Control Financing Authority's Cal ReUSE Program, U.S. EPA, National Brownfields Association, California Center for Land Recycling, and California Environmental Restoration Fund. In this way, DTSC will be able to maximize limited resources to promote environmental protection and brownfield economic development in California.

Financial Assurance and Insurance for Redevelopment Program (FAIR) Program

To further increase opportunities for brownfields redevelopment and the resulting economic development, Cal/EPA and DTSC will be establishing the Financial Assurances and Insurance for Redevelopment (FAIR) Program in 2002. Under the new program, a state-designated insurance company (or companies) will be selected to provide environmental insurance to property owners and developers using pre-negotiated standardized policies.

Environmental insurance has proven to be a valuable tool for private developers and lending institutions in reducing concerns over environmental liability and cleanup costs. However, environmental insurance is not readily available or affordable for many smaller redevelopment projects. FAIR will help increase the availability and affordability of environmental insurance products to make conventional financing more feasible for a wide range of brownfield properties, and stimulate the redevelopment of brownfields and underutilized urban properties.

Public hearings and the development of a Request for Proposals to implement FAIR will take place in the first half of 2002. The selection of an insurance company to serve as the State-designated provider for FAIR are expected to be completed by the end of 2002.