

Financial Issues Committee Meeting #3 Minutes

April 30, 2014, 1-3 p.m.

Waukesha State Office Building

141 NW Barstow St., Rooms 338 A&B - Waukesha WI

Call-in option was also available

ATTENDEES

John Antaramian, EC Corp; Tory Kress, City of Milwaukee; Chris Valcheff, True North Consultants; Donna Volk, AECOM; Shelly Griswold, Fehr-Graham; Darsi Foss, DNR; Michael Prager, DNR; Jenna Soyer, DNR; Barry Ashenfelter, DNR.

AGENDA ITEMS 2-6:

The group discussed the idea of creating one flexible grant/loan fund for RR to administer, rather than the existing silo-farm of issue/activity specific programs. All committee members suggested this would be a good idea and should allow DNR to help expedite site assessment and cleanup, address high-priority needs, and offer better satisfaction for customers. I could also reduce DNR administrative costs.

It was agreed that current state and federal grant and loan programs for brownfields are oversubscribed and a substantial need exists for additional public funding to get activity on challenging sites moving. There is also a gap between what US EPA funds and what DNR and WEDC fund, especially with respect to soil management.

Donna said she sees a big gap on petroleum sites. Potential purchasers need to do their due diligence upfront, when they are interested in purchasing the whole property, not just the smaller section that was cleaned up and closed. Some residual contamination is often present, yet funding for additional assessment is often lacking.

Chris said he'd prefer that RR have one big grant/loan fund that could be used for everything related to assessment and cleanup. An easy-to-access one-fund would be beneficial to both municipalities and private developers.

Shelly agreed, and said the one-fund concept would be great for both the private parties and the local governments.

Donna she also supported the flexible one-fund idea, as long as there was good and transparent tracking and reporting of the awards that were made.

John asked if there was consensus support among committee members for a flexible one-fund in RR for brownfield assessments and cleanups. Each member said yes, they supported this idea.

John then asked for suggestions on how money in this one-fund should be spent/awarded.

Chris said he'd make it as open as possible, and allow anyone who has a brownfield need to apply.

Tory said that Milwaukee would not be in favor of allowing these grant and loan funds to go to private parties. She said municipalities generally get stuck with the toughest, most challenging sites, and, therefore, should be the entities that have access to this funding. If, alternatively, private parties were allowed to apply for these funds, Tory felt they should be required to get a letter of support from the local municipality to be eligible.

Chris said he'd probably be okay with grant/loan funds only being available to municipalities if the local governments could somehow partner with private parties on specific projects.

John indicated that he was generally opposed to providing state money to municipalities for planning efforts. He felt they would be more invested in the project if they paid for the planning themselves. Shelly said she supported public funding for planning in general, but thought there might be enough of that available through EPA Grants. Donna also said that planning wasn't a priority for the fund. Jenna noted that EPA grants for area-wide planning are available once every three years.

Chris suggested that the one-fund should exclude sites that had environmental insurance policies in place, especially new gas stations. Donna said that she felt Phase I's should be covered under the one fund, as the applicant would be the local government (either as the prospective purchaser or in partnership with the prospective purchaser).

In response to a question about PECFA, Darsi said she felt that if there's a site that's eligible for PECFA they should get in the PECFA queue and seek funding that way. Other committee members suggested that site activities that are not eligible for PECFA reimbursement should be covered by the one-fund.

John expressed concern about public funds being used on sites operated by profitable, ongoing businesses – such as chain gas stations and convenience stores. He said it might be best if a municipality had to own the property in order to be eligible for grant/loan funds.

Donna and Chris said they felt the municipality should not have to own the property, but it should be the applicant for the grant/loan. John mentioned requiring a 25% match by the municipality for these sites.

Demolition was discussed by the group, and all agreed it was a huge cost for any redevelopment project. Chris felt that most developers could/should address these costs on their own. Donna, however, suggested that municipalities would benefit from demolition funding assistance.

Darsi mentioned that past DNR grant programs have limited the overall amount available to, for example, 15% for any one municipality, and 40% of a grant for demolition. She suggested that any fund should probably be structured as a reimbursement program.

John asked the group if they thought the grant/loan applicant needed to be the owner of the property. The group discussed this and tentatively decided that a municipality should be the applicant but the LGU did not need to own the property at the time of application.

Chris, John and others talked about soft costs (i.e. consultant fees, municipal staff time, in-kind contributions, etc.) being allowed as part of the required municipal match.

For discussion, John put out the idea of limiting access to the overall one-fund in the following way: \$500,000 per site, per year with a 30% match; and \$1 million per municipality, per year.

Donna said that smaller municipalities would probably be more apt to use a simple, flexible grant process. Darsi noted that about 40% of all DNR SAG grants were for \$30,000 or less.

The group discussed the idea of creating a continuous (no deadline) grant/loan application process, as well as establishing a quarterly application deadline. Members felt it's likely there will be more applications than funds

available, and talked about potential ways to address that. Darsi said DNR's experience with other grant funds seemed to indicate that some sort of deadline was a good idea because it prompted applicants to "meet the deadline" and get going on a project. John suggested that DNR would likely need one new staff person to manage the one-fund grant/loan program. The group agreed that a quarterly or biannual deadline was appropriate.

The group defined the eligible activities for the fund by what would not be covered as follows: a) Planning; b) Activities covered by environmental insurance; and c) Activities eligible for other state, non-competitive funds (i.e. PECFA, DERF, ACCP)

Committee members discussed the now-expired federal tax incentive for environmental remediation, which allowed a full tax deduction of 50% of the eligible costs in the year they were incurred. John directed staff to get a fiscal estimate of how much a similar benefit would cost the state if enacted in Wisconsin.

On the issue of tax credits for environmental remediation, John directed staff to identify the best model available in another state or the federal government, suggest how to make it easy to administer and prepare a recommendation for discussion at the next meeting.

Other committee members expressed general agreement that tax credits and deductions would probably encourage some remediation and redevelopment work.

The committee discussed the concept of creating environmental credits for brownfield redevelopment and using them or trading the credits like certain air emission credits are traded now. Jenna said her research on existing emission credits and water quality credits indicated that they probably wouldn't be applicable or available in brownfield redevelopment situations. She said she would follow up with Tory on the idea of mobile source pollution credits.

Jenna talked about her research on how to encourage stronger partnerships between municipalities and private developers. Chris said the one-fund idea, where a municipality applies for a grant/loan on behalf of a private developer, might do a lot to encourage public/private partnerships. Shelly agreed. John talked about researching the idea of a regional venture-capital fund for brownfields redevelopment.

Barry outlined his research, based on a question at the previous meeting, on New Jersey's natural resource damage assessment (forfeiture) as a funding mechanism for brownfield cleanups. The group decided this idea was beyond the scope of their review.

Barry discussed the Milwaukee PACE (property assessed clean energy) program, in which a property owner can develop a qualifying energy efficiency project for their property, then arrange financing from a financial institution of their choice, and then apply to the city of Milwaukee to designate loan repayments as a governmental special charge/assessment to be paid off over time on property tax bills. If approved, the City, the property owner and the lender enter into a three-party agreement to finance the property. The program is potentially open to any lender that would like to participate, but the city is currently partnering with Clean Fund and the Milw. Economic Development Corporation to provide up to \$100 million of private capital to the program.

Committee members considered the possibility of using this model for brownfield cleanups. Chris said it could also, potentially, be used by the state or municipality, to recoup brownfield loan funds. John directed staff to put together a recommendation on a PACE-like program for brownfields for discussion at the next meeting.

Action Items	Decision/Recommendation	Dissenting Opinions
None		

Assignments	Timeframe	Person(s) Responsible
Issue paper on RR one-fund concept	Before next meeting	Jenna
Issue paper on possible ER TIF changes	Before next meeting	Jenna
Issue paper on a venture capital fund for remediation and redevelopment	Before next meeting	Jenna
Issue paper on possible tax credits	Before next meeting	Jenna & Barry
Issue paper on state tax deduction for environmental cleanups	Before next meeting	Barry
Issue paper on LGU secured loans for cleanups, which are repaid via a special assessment on the affected property	Before next meeting	Barry

NEXT MEETING

April 30, 1:00 – 3:00 p.m.
Waukesha State Office Building
141 NW Barstow St. -- Room 163 in the West Building
Waukesha WI 53188

Call-in Option:
Dial-In: 1 (866) 244-1377, Passcode: 6768 325#