

Appendix D, Part 2 Sample Cooperative Agreement Application

remaining tanks, the baghouse and the materials stored in them at a total cost of around \$300,000. The city is planning to foreclose on the property, due to delinquent taxes, and characterize subsurface contamination utilizing our brownfields assessment grant funds. A prospective purchaser has approached the city and the state, expressing interest in constructing a recycling plant on the property. This would be a compatible use for this site, as it is directly across the street from the city's Solid Waste Management Services waste collection center. BCRLF funds could be used by the prospective purchaser for cleanup of any remaining waste and contaminated soil or groundwater after the city completes the characterization.

The abandoned warehouse that took up an entire city block on Rowan Street between 21st and 22nd Streets burned to the ground last month (reference news article in Attachment 4). This warehouse was once used for illegal storage of hazardous waste and is believed to have contained some sort of flammable chemicals at the time of the fire. The city will probably place liens on the property for the cost of responding to the fire and removal of debris from the site afterwards. The building supply business that was operating out of the warehouse went bankrupt. This property may be a good candidate for a BCRLF financed cleanup of soil contamination that is believed to be present at the site. It is about 2.5 acres of level land situated directly across the street from a Western Middle School.

The City of Louisville has had some encouraging results with efforts to redevelop inner city industrial parks as described in news articles contained in Attachment 5. Both the completed Station Park and the planned Shippingport project are within the Empowerment Zone. The environmental condition of properties within Shippingport varies, and the City anticipates that some environmental cleanup work will be needed. The Baughman Group property, discussed at the end of the news article, is a good example of where BCRLF funds could contribute to the success of a large scale economic development project. This particular cleanup project (removal of contaminated soils) is expected to be complete by August of 1997, however.

Another example of a property/borrower that could be a good target for financing of environmental cleanup with BCRLF money is a 3 acre property at 15th and Main Street, immediately adjacent to (across Main Street from) the Shippingport area. There is an 80,000 ft² building on the property that has been used as a machine shop during much of its 100 year history. This vacant property is now under contract, but the prospective purchaser is concerned about moving forward on the deal due to probable environmental problems identified in the Phase I Environmental Assessment, namely contamination of the dirt floor with lubricating oils and degreasing solvents. This prospective purchaser is a seed and dried bean company that employs 45 people and has outgrown its current location. Though the company would prefer to stay in the city, the owner is considering the alternative of relocating on a greenfield site outside of Louisville. He has approached the city, asking if there is any assistance available to him

through our brownfields program. We may assist him by paying for the site characterization work with assessment grant money, but that may not be enough to move the deal forward. The BCRLF financing of cleanup activities could assist with bringing this and other similar deals to fruition.

The projects discussed above have been identified through interested parties coming to either the Office of Health and Environment or to the Office of Economic Development and asking what the brownfields program might offer to them. They know about the brownfields program through various outreach activities that have been carried out over the past two years. We also receive requests on a regular basis for help in identifying brownfield sites that may fit a particular need through the use of our GIS database that was developed as a key element of Louisville's brownfields program. We continue to expand and improve that database, so it is expected that its use as a tool to identify sites will likewise grow. In addition, the Community Development Bank does a substantial amount of outreach in its target area. Outreach is further described in Section D, below.

B.3. Ability to Finance Cleanups

The public-private partnerships created to reverse the disinvestment within Louisville's Enterprise Community bring to bear new sources of capital to establish new businesses, improve housing stock and create jobs. The BCRLF would close a gap by providing funds directed to revitalizing brownfields. These funds are currently within short supply within the Enterprise Community. See the discussion under Section C below for further information on how we plan to leverage BCRLF funds by requesting the participation of commercial banks.

C. Commitment to Creative Leveraging of EPA Funds

C.1. Ability to Attract and Support Other Financing

The Louisville Community Development Bank's commercial lending unit has targeted small manufacturing, industrial and service firms which are minority owned and/or are located in or near the investment area. SBA guarantees will be a specialty of the bank that will be relied on to manage risk associated with lending to promising entrepreneurs who have limited business or personal assets to pledge as collateral. These same small business customers are expected to be the primary source of borrowers of BCRLF funds. A BCRLF loan will reduce the amount and the cost of the SBA guaranteed commercial loan needed, making brownfield redevelopment a more attractive option. Preference will be given to making loans to projects that would not be economically viable without BCRLF funding.

Our ultimate approach to leveraging of other funds specifically for cleanup activity will depend largely on the level of demand for these loans. Generally, participation by private lending institutions will only occur if these loans can be made at the prime rate or above. Loans at interest rates below the prime will result in the lending institution taking a loss on the loan. Though the banks have an interest in any loan product that will generate credits for them under the Community Reinvestment Act, that is secondary to their need to be profitable. Assuming that these loans can be profitable, there are three options that we have identified to approach leveraging funds from private institutions.

First, we can ask the banking community for matching funds. The Louisville Branch of the Federal Reserve Bank of St. Louis (The Fed) has agreed to assist us in seeking matching funds from private institutions. Reference the letter of support from the Fed in Attachment 6. The Fed has an established network of local bankers that they deal with regularly regarding Community Reinvestment Act compliance and other issues. This network of contacts and the Fed's assistance have already been invaluable to Louisville's brownfields program. We have had four brownfields outreach meetings directed specifically toward lenders that were hosted by the Federal Reserve. These meetings have been educational in nature, with guest speakers making presentations on various brownfields issues. The lenders have thus been "warmed up" to the idea that lending on brownfields properties can make good business sense. They are also well aware that these types of loans will help their rating under the Community Reinvestment Act. The LCDB is able to set up and manage pools of funds with multiple participants.

Second, we are proposing to make BCRLF funds available to guarantee loans made by private institutions in addition to being able to lend the funds directly. This could result in significant leveraging of funds, as the guarantee would only cover a percentage of the loan. A 20% loan guarantee, for example, could result in a \$1 million loan with a commitment of only \$200,000 in BCRLF funds. The loans covered by these guarantees would be required to meet the same eligibility requirements as BCRLF loans themselves.

Third, the Louisville Community Development Bank can sell loans on the secondary market. This could be an effective tool in accelerating the recapitalization of the revolving loan fund after the initial round of lending is complete.

C.2. Cash and In-Kind Contributions

In-kind contributions will take several forms. The Office of Health and Environment will not expect reimbursement from the fund for administration, contract management, and in-house technical support that it provides. The LCDB will tie this loan product into outreach activities that are routinely conducted at no cost to the fund. The services of the Land Bank, the revenue given up by the taxing authorities, and

possible discounted property sale prices are in-kind contributions that could have a role in some BCRLF deals. See section E.1, below, for a complete explanation of the role the Land Bank plays in some brownfields deals. Overhead and some direct costs of evaluation and impact assessment activities carried out by the University of Louisville are in-kind contributions. The Office of Economic Development's participation in recruiting small businesses that may be borrowers is another.

The City of Louisville has a capital account set up that could be used to supplement BCRLF funds. See Attachment 7 for a description of this fund, the current funding level (\$100,000 funded in the '96-'97 budget year) and the amounts requested for each year through 2002. A portion of this money could be used to supplement BCRLF funds or to pay for brownfields site manager expenses if this expense is higher than anticipated. This money can also be used for brownfields acquisition costs and cleanup expenses directly incurred by the city. Until we know what the actual demand for BCRLF funds is, and the actual funding levels provided to this account in future years, we prefer to maintain maximum flexibility in how these funds are spent. Note that, if this funding is used to purchase property or to pay for a portion of cleanup costs with the balance funded through a BCRLF loan, it would still be a significant commitment of local funds that will contribute to the overall success of brownfields projects and the BCRLF.

C.3. Efficiency of Planned Administrative Structure

Use of the Louisville Community Development Bank as fund manager is a key aspect of Louisville's proposal that will contribute to administrative efficiency. The LCDB is a natural choice for this role because, much like the brownfields program and the BCRLF pilot in particular, the LCDB has economic revitalization of distressed areas of the city as its primary mission. The LCDB also is an institution that has experience in lending and is already established. Sustainability of its products is also a necessity to the long-term success of the bank; another attribute important to the BCRLF. The LCDB is a private institution that is dependant on both good business decisions and successful economic revitalization for its long-term survival. The LCDB has much more contact with the rest of the Louisville banking community than does any governmental institution. We expect this to add efficiency to the loan availability notification process, and make it easier to leverage other private financing with BCRLF funding.

D. Benefits of BCRLF Loans to the Local Community

D.1. Announcement and Notification of BCRLF Fund Availability

Notification of the availability of BCRLF funds will be accomplished in at least three ways. First, an advertisement will be placed in *The Courier-Journal*, *Business First*, *The Defender*, *American Builder and Contractor*, and *Homebuilders Association*.

Second, we plan to print 5,000 brochures that will describe the loan program and distribute them to every bank in Louisville, the Office of Economic Development, the Small Business Administration, The Federal Reserve Bank, the Justice Resource Center, and others. The City and the LCDB will continue to keep these stakeholders informed on the status and availability of the BCRLF loan funds. They will serve as effective conduits of information to potential borrowers. These stakeholders and their roles are as follows.

The Louisville Community Development Bank (LCDB), which will serve as the fund manager, will have direct contact with potential borrowers within its target geographic area. Besides having the brochure available, the bank has a physical presence. It is in a stand alone building, located within the lending target area, that attracts visits from customers that come to the bank to pursue project funding. Other forms of communications with potential borrowers will be in the form of indirect communications through the LCDB's investor banks. Every bank that does business in the Louisville metropolitan area, with one exception, has purchased an equity stake in the LCDB. These investor banks are all a part of LCDB's communication network. Note that the LCDB differs from regular commercial banks in the higher level of involvement/assistance that it offers to its customers. Reference Attachments 2 and 3 for further information on the bank's operations.

The Louisville Branch of the Federal Reserve Bank of St. Louis, which is represented on Louisville's Brownfields Working Group, has also committed to assist the City with outreach to private lending institutions. These lending institutions will, in turn, be able to identify customers that have a need for this type of loan, and direct them to the Community Development Bank. These lenders have incentive to assist in this way because these loans will reduce their risk on projects that include cleanup activities. This activity is consistent with the Federal Reserve's mission in helping banks comply with their Community Reinvestment Act obligations. Reference the letter of support from the Federal Reserve in Attachment 6.

The Justice Resource Center (JRC), which will be the partner performing community outreach activities for specific loans/cleanup projects under this proposal, may also be able to help identify small businesses and brownfield properties within the community that could benefit from a BCRLF loan. The JRC has the advantage of having the closest ties to the community of all the partners involved in this proposal.

The Office of Economic Development (OED) is a joint city-county agency that assists in the development and expansion of area businesses. Local businesses and businesses that are considering expansion into the Louisville area will often come to OED with inquiries about the availability of funds for development projects.

The Kentucky District Office of the Small Business Administration (SBA), which is located in Louisville, has regular contact with small businesses that are seeking capital. SBA has agreed to distribute our brochures and otherwise inform small businesses about our BCRLF program as appropriate.

D.2. Community Involvement in Future Land Reuse

It is anticipated that a remediation plan will have already been developed at the time a potential borrower applies for a BCRLF loan. Prior to approving a loan application under this program, a public notice will be issued. This public notice will solicit comments on the remediation plan and the appropriateness of the loan itself. The public notice will describe the planned future use of the property and offer the opportunity for a public meeting on the proposed loan and remediation plan. The public notification will also be sent directly to everyone on a brownfields mailing list that will be maintained. The Justice Resource Center, which is a local civil rights group active with environmental justice issues, has agreed to take on a partnership role in implementing the BCRLF program. The JRC will handle the public notification process, will maintain a copy of the administrative record on each project, and will chair the public meetings.

The University of Louisville's Center for Environmental Management is another partner in this process. Their role, which is described in greater detail in Section E.2, will include prediction of the future community impacts that a proposed loan would have, and measuring the actual impacts of completed BCRLF-funded cleanups on their surrounding communities.

The State of Kentucky does not have standards specific to land-use based environmental cleanups. It is anticipated that most, if not all, cleanups funded with BCRLF funds will be performed in accordance with Kentucky's response to release requirements found in KRS 224.01-400. Though this statute does not contain explicit provisions for land-use based cleanups, it does provide for a remediation option of "Managing the release in a manner that controls and minimizes the harmful effects of the release and protects human health, safety, and the environment". Kentucky has an effort underway to establish a voluntary cleanup program that would be more explicit with regard to land-use based cleanups and presumptive remedies for management of contaminants in place at commercial and industrial sites.

D.3. Contribution to Community Economic Development Plans

The geographic area that Louisville has dubbed its empowerment zone (the federally designated enterprise community) is within the area targeted for BCRLF loans. Reference the map included in Attachment 3. This area is also part of the state

designated enterprise zone. More information on specific economic development efforts that support this area is included in Section B.1, above.

D.4. Environmental Justice Benefits

The geographic area that will be targeted for BCRLF loans is a predominantly minority area and has high levels of poverty associated with it. The simple fact that this area was selected demonstrates the City's commitment to address environmental justice and "economic justice" concerns that exist within these parts of our City.

The Office of Health and Environment (OHE) has an established relationship with the Reverend Louis Coleman who heads up the Justice Resource Center. The Justice Resource Center (JRC) is the local organization that is most active in environmental justice issues in Louisville, as evidenced by JRC's selection last year to receive a \$20,000 environmental justice grant from the EPA. OHE has worked with Reverend Coleman through involvement in the West County Community Involvement Project, the Chickasaw Lake dioxin contamination problem, the Park DuValle redevelopment Environmental Subcommittee. OHE also made a presentation on Louisville's brownfields program at a February 27, 1997, town hall meeting that was hosted by the Justice Resource Center and sponsored by the Environmental Justice Resource Center from Clark Atlanta University. The primary benefit derived from our work with the JRC is that we have gained a much better understanding of what the community sees as the top priorities from an environmental standpoint. In order to ensure that environmental justice concerns are not overlooked, we have solicited help from the JRC in implementing the community outreach portion of our BCRLF pilot. Reverend Coleman has agreed to this arrangement.

The West County Community Involvement Project (WCCIP) mentioned above is closely aligned with an EPA-sponsored project being carried out by the University of Louisville known as Environmental Justice through Pollution Prevention. The text of the grant proposal that describes this work is included as Attachment 8 to this proposal. The geographic focus of this project has considerable overlap with the Community Development Bank's target area that will be the focus of the BCRLF funds. The clear environmental priorities of the west Louisville community, established through extensive outreach activities of the WCCIP, are focused almost exclusively on air quality concerns. In response to this, we will give preference to redevelopment projects that have minimal impacts on air quality.

D.5. Projected Sustainable Benefits

The Office of Health and Environment (OHE) is the municipal agency primarily responsible for implementing the brownfields program. It is difficult to project at this time, especially beyond the three year period for completing the initial round of lending,

what the workload associated with this and other environmental programs of the city will be. This is the reason that our budget includes funding for a consultant to serve as the Brownfields Site Manager on BCRLF projects, as opposed to performing this function entirely in-house. OHE already has "level of effort" type contracts in place with eight different contractors that can do this kind of work. These contracts were competitively bid in accordance with federal contracting requirements, and are renewable annually for up to five years total. We are currently in second year of the five, and it is anticipated that the contracts will be rebid before the end of the five years. These are the same contracts that are currently being used for site assessment work under our Brownfields Pilot grant. Though we anticipate that the BCRLF funds will cover the costs of the brownfields site managers, we do have other resources available. OHE does have sufficient technical/regulatory expertise to perform this function in-house for a limited number of projects. We also have a capital account established that is targeted for the acquisition and remediation of brownfields properties, and/or to supplement the BCRLF funds provided by the EPA. See Attachment 7 for a description of this fund, the current funding level (\$100,000 funded in the '96-'97 budget year) and the amounts requested for each year through 2002. A portion of this money could be used to pay for brownfields site manager expenses.

One of the benefits of having the Louisville Community Development Bank (LCDB) serve as the fund manager for the BCRLF is that LCDB is a fully chartered bank that is expected to be doing business with this community for a long time to come. The LCDB has an urban mission that is very consistent with the goals of the brownfields program.

It is anticipated that the availability of BCRLF funds will make it economical to clean up and redevelop some brownfields properties that would otherwise lay fallow for some time to come. There are both direct and indirect environmental benefits resulting from these projects moving forward. The direct benefit is that contamination is cleaned up, eliminating the risk of exposure. The indirect benefit is that after the property is redeveloped, it will presumably be maintained. It will be much less likely to become a dump site for debris such as waste tires, old wood pallets, appliances, etc. that we have found to be a common characteristic of most brownfields sites in Louisville.

Economic benefits are derived from increased property tax revenue and from jobs provided to the community. As an example, one specific brownfields redevelopment project we are currently evaluating could result in 45 jobs being retained in Louisville that could otherwise be relocated out of town and, possibly, out of state. This 3 acre property is currently vacant, and is located immediately adjacent to the Shippingport Center target area (See Attachment 5). The successful redevelopment of the property would provide valuable momentum toward the success of the overall Shippingport redevelopment effort. The business is also a non-polluting industry.

E. Long-Term Benefits and Sustainability

E.1. National Replicability

The major innovation Louisville has now launched is the Louisville Community Development Bank - the entity that will serve as the Fund Manager. The LCDB has a sharp spatial and community focus - on an area that includes a major concentration of brownfield sites - and then empowers it to work on redevelopment of brownfields. With major backing from area commercial banks and loan pools financed by other institutions, as well as a capacity to broker loans and form lending consortia, the LCDB provides a model for the extent to which brownfields redevelopment can be stimulated and accelerated simply through the presence of a financial institution with an interest in such investments. The availability of the revolving loan fund as an investment tool that increases the potential to provide subsidized capital for brownfields redevelopment strengthens the hand of the CBD and enhances its funds from major commercial lenders to directly leverage the small revolving loan pool for brownfield projects.

The LCDB is already focused on contaminated sites and those with contamination stigma. Local financial institutions are already prepared to work through the LCDB to participate in loans that contribute to their improved performance relative to Community Reinvestment Act criteria. Thus the financial community has already institutionalized some level of investment in brownfields. The Revolving Loan Fund will (a) demonstrate another mechanism for funding brownfield cleanups, (b) accelerate redevelopment by making available loans for cleanups, a type of loan many financial institutions are not willing to provide, and (c) increase the probability of success of redevelopment proposals by providing a subsidy to the projects, in the form of below market rate loans for cleanup costs.

Having a revolving loan fund will also contribute to improved management of brownfield redevelopment efforts city-wide. This impact will arise from the need to target and prioritize the limited loan funds available, and from the resulting cooperative applicant recruitment and screening processes being developed by the LCDB, the local Office of Economic Development and the Office of Health and Environment, the lead agency for this project.

National replicability will depend on the nature of available financial institutions. There is no reason an institution other than a community development bank could not play the role Louisville is assigning to the LCDB. Thorough documentation of the project development and screening processes and loan decisions, along with monitoring of the loan outcomes in terms of pollution changes, business developments and neighborhood impacts will help establish the conditions appropriate for replication of the Louisville approach.

Another aspect of Louisville's brownfields program that may be useful as a model to other communities is our adaptation and use of the Land Bank Authority (LBA) to foreclose on, and hold title to, tax delinquent property. The LBA is an entity that was set up to represent all four taxing jurisdictions in mass foreclosure actions on tax delinquent property. Liens for delinquent taxes are cleared upon foreclosure by the Land Bank. The Land Bank normally would then sell the property and split the proceeds among the four taxing jurisdictions. The LBA has historically dealt only with residential property. We are close to an agreement with the four taxing entities that will institutionalize the LBA's role in brownfields. Under this agreement, the LBA will, at the request of one of its board members, foreclose on brownfields properties and clear the tax liens as described above. The innovative part of this is that the sale proceeds will be placed in a separate fund for use in the acquisition and cleanup of future brownfields sites, rather than splitting the money up between the member jurisdictions. This will not have a bearing on all BCRLF deals, but it will provide a source of properties that will be targeted for BCRLF financed cleanups, such as the Exmet property described in Section B.2, above. It is also possible that a portion of a cleanup would be performed by the city, and payed for with this special fund. The cleanup could then be completed by a purchaser using BCRLF funds.

E.2. Measures of Success

The impacts of the Brownfields Cleanup Revolving Loan Pilot will be measured in several dimensions: financial performance, economic development measures, and removal of environmental barriers.

Financial performance will be measured in terms of the dollar volume of loans approved, the rate of default, and the volume of dollars leveraged with BCRLF funds.

Economic development measures will be the number of jobs created or retained at the cleanup site, new enterprises created, and the number/size of properties returned to the tax rolls. To the extent that data is available, we will also measure changes in property values for the brownfield sites themselves and properties in the neighborhoods that are in close proximity to these sites. We will also quantify the changes in tax revenues associated with these changes in property values.

Environmental progress will be measured in terms of the actual volume of land cleared of environmental barriers and delivered to the market for development. We will also quantify reductions in actual environmental risks associated with each brownfield cleanup, to the extent practical given the data and toxicological information available for the site.

Regular monitoring of individual project and overall program impacts will be conducted under the leadership of the Center for Environmental Management of the

University of Louisville (CEM). See the letter of support from the University, included as Attachment 6 to this proposal. We list here the criteria to be used, the measures to be employed, and the data required to construct the measures. These are standard assessment tools, with the exception of the Neighborhood Impacts measures. CEM has been involved in deriving means of estimating this impact - the increases in area property values resulting from cleanup of a site. All items except the last are transferable to other comparable settings; tax revenue increases depend on the structure of local taxation.

CRITERION	MEASURE	DATA
Environmental Cleanup	contamination removed	pre- & post-mitigation site assessments
Envir. Barriers Removed	acreage redeveloped	totals across funded projects of redeveloped land; acreage redeveloped/\$
Loan Performance	loan default, call, payback	loan data, by type, size of project
Fund Maintenance	depletion of revolving funds	interest credited to fund annually minus administration costs charged
Financial Leverage	non-RLF \$\$s used in projects	leveraged funds used in cleanups; loans made for redevelopment after cleanup
Property Value Impact	increased site property value	site's new assessed value after redevelop
Neighborhood Impacts	area property value increases	change in sales, rental prices in the immediate area of redeveloped sites
Employment Impacts	net new jobs created	# jobs resulting from projects, adjusted for relocation, displacement effects
Income Impacts	net new payroll, profits	data on businesses created, expanding
Tax Increases	property values; net new jobs	from tax rates and estimated impacts

Data will be analyzed by CEM, using student interns and faculty guidance as needed. Findings will be updated and reported annually to OHE. This annual report will presumably fulfill most of the reporting requirements that will be negotiated as part of the BCRLF cooperative agreement between the EPA and the City of Louisville.

BCRLF List of Attachments

- Attachment 1...Legal opinion from City Law Director
- Attachment 2...Portions of the Louisville Community Development Bank's Business Plan
- Attachment 3...Portions of LCDB's application for a Community Development Financial Institutions grant
- Attachment 4...News article on Warehouse fire
- Attachment 5...News article on Station Park/Shippingport
- Attachment 6...Letters of support
- Attachment 7...City budget sheets/descriptions
- Attachment 8...U of L EJPP grant (text only)

Attachment	Description	Page
1	Legal opinion from City Law Director	1
2	Portions of the Louisville Community Development Bank's Business Plan	2-3
3	Portions of LCDB's application for a Community Development Financial Institutions grant	4-5
4	News article on Warehouse fire	6
5	News article on Station Park/Shippingport	7
6	Letters of support	8-9
7	City budget sheets/descriptions	10-11
8	U of L EJPP grant (text only)	12

