

CITY OF OAKLAND
AGENDA REPORT

OFFICE OF THE CITY CLERK
2006 SEP -7 AM 11:21

TO: Office of the City Administrator
ATTN: Deborah Edgerly
FROM: Community & Economic Development Agency
DATE: September 19, 2006
RE: **A Resolution And Request To Authorize Submission Of A Proposal To The California Pollution Control Financing Authority To Continue As A Strategic Partner Administering The Calreuse Brownfield Loan Program In The City Of Oakland**

SUMMARY

This report requests the City Council authorize the submission of a proposal to the State of California, California Pollution Control Financing Authority (CPCFA), for the City of Oakland to act as a Strategic Partner for the administration of the California Reutilized Sites (CALReUSE) Brownfields Loan Program. The program is intended to provide assistance for the redevelopment of sites that otherwise would not be developed due to the perception or real presence of contaminants. The City is currently acting as a Strategic Partner for the program, which provides low-interest loans for environmental site assessment only. The City's contract with the CPCFA expires in December 2006. The City received \$1 million in funding in 2002 and has been invited to re-apply through an RFP process for the current round of funding. The deadline for the RFP, along with the resolution from Council authorizing submission, is September 29, 2006.

FISCAL IMPACT

The CALReUSE Loan program requires a 25% match for each loan approved, 10% of which may be provided through in-kind staff support. Loans may be made up to a maximum of \$125,000 for a three year period, at an interest rate set by the State's Pooled Money Investment Fund, currently set at 3 percent for the current calendar year. In the past round of funding, the City provided the monetary match through a combination of redevelopment (Coliseum Area) funding and federal grant funding (Economic Development Administration- Oakland Industrial Corridors Brownfields grant project). The CALReUSE Program allows the Strategic Partner to require a cash contribution of a portion of the match funds from the applicants themselves. If selected to continue as a Strategic Partner, staff will return to Council to discuss the level of funding requested from the State and potential sources for the required match.

BACKGROUND

In 2002 the City entered into a contract with the CPCFA to act as a Strategic Partner to the CALReUSE Program and was awarded \$1,000,000 in funding. CEDA staff market the program, accept, review and approve loan applications. The entire loan principal is handled by the Bank of New York Trust Company, acting as a fiscal agent for the program throughout the State. The City therefore is not engaged with the act of calculating interest accrued or accepting any loan payments. Initially the task of loan documentation was handled by the One Stop Capital Shop,

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and subsequent to its closure, was handled by CEDA staff within the Redevelopment Division. Currently the program administration is handled by the Business Development program.

KEY ISSUES AND IMPACTS

The number of brownfields assessment and remediation cases within the City of Oakland has soared as infill development (both commercial and some residential) has occurred in the industrial and older commercial areas of Oakland, including the BART Station/Transit Village areas. One of the greatest barriers to the redevelopment of brownfields sites is the uncertainty of the development process. For contaminated sites, this uncertainty centers around two concepts: project viability (time and money) and environmental liability. The goal of the CALReUSE Loan program is to use public resources (State funds) to effect a change in the process so that project economics can be determined, liability can be quantified, and redevelopment of sites with *real or perceived contamination can move forward*. Capital lenders have not been willing to fund site assessments or other up-front costs associated with regulatory or remediation processes because these costs are considered to be predevelopment costs and not directly associated with gain in the value of the property. Debt sources place themselves in the most secure position and require equity to be in place prior to or concurrent with funding. Equity sources, including investors and financial partners to a developer, require an understanding of project economics before they are willing to fund predevelopment costs. As a result, many potential usable sites sit idle.

The State is seeking Strategic Partners who have a demonstrated understanding of the development process, the environmental assessment process, remediation, the regulatory process and loan administration. A Partner need not have all the requisite skills within its one agency, but should be capable of assembling a team with such skills. The City of Oakland Environmental Services Division, Public Works Agency is qualified to oversee environmental assessment, conducted by private consultants to the loan applicants/developers of brownfields sites. CEDA Business Development staff provides administrative support for the loan program, while Environmental Services division provides direct technical assistance for the CALReUSE program. Business Development has launched a public information campaign through the distribution of a new City publication, the Brownfield Resource Guide, funded by a grant from the U.S. Department of Commerce, Economic Development Administration. This marketing campaign includes new marketing material for the current CALReUSE loan program (Attachment A).

SUSTAINABLE OPPORTUNITIES

Economic: The CALReUSE Program allows the redevelopment of some of the most difficult development sites in the City, providing a catalyst for change in the older historic redevelopment areas.

Environmental: The CALReUSE Program will improve the environment, and protect residential health through encouraging the remediation of contaminated lands within the City.

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Social Equity: Many of Oakland's brownfields sites are located in older historic and lower income neighborhoods of Oakland. The remediation of such sites eliminates blight and brings revitalization to these neighborhoods. The CALReUSE program also benefits the community by encouraging the disclosure of specific site information to local neighborhood residents.

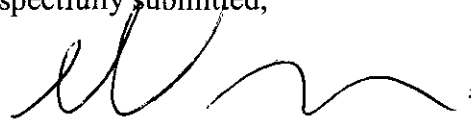
DISABILITY AND SENIOR CITIZEN ACCESS

There are no immediate issues pertaining to the benefits and impacts for the disability and senior citizen communities and compliance with the Americans with Disabilities Act (ADA) and the Older Americans Act, and other applicable laws.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the City Council authorize staff to submit a proposal to the California Pollution Control Financing Authority for the City to act as a Strategic Partner in the administration of the CALReUSE loan program.

Respectfully submitted,



DANIEL VANDERPRIEM, DIRECTOR
Redevelopment, Economic Development,
Housing & Community Development,

Reviewed by: Aliza Gallo,
Business Development Services Manager

Prepared by: Margot Lederer Prado, AICP
Brownfields Specialist, Business Development

APPROVED AND FORWARDED TO THE
CITY COUNCIL:



OFFICE OF THE CITY ADMINISTRATOR

Attachment A: CalReUSE Loan flyer

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California Recycle Underutilized Sites Program for Environmental Site Assessment and Loan Program

Offering low-interest, three-year loans for the investigation and characterization of Brownfield sites in Oakland for redevelopment by public and private developers and owners

Administered by the City of Oakland, Community & Economic Development Agency, Office of Business Development

Loan Facts

- Low interest rate (based on the State's Surplus Money Investment Fund earnings)
- No interest payments required during the term of the loan
- Loan amounts up to \$125,000 per site
- Minimum 15% cash match based on the loan amount
- Maximum loan term 36 months
- Loan may be forgiven if the borrower, in accordance with the Loan Program Manager, determines that the proposed development is not feasible, due to environmental conditions

Site Eligibility Criteria

- Reuse of the site is potentially beneficial and contributes to the reduction of blight in the community
- Project Developer has a proven track record and real commitment to the site
- Proposed projects should be economically feasible and likely to move through development process
- Project Developer has genuine interest and willingness to proceed with cleanup of environmental contamination
- Project will benefit from and will maximize leverage of the Cal ReUSE funds

For additional information or to obtain a loan application, contact the City Brownfields Administrative Manager at 238-3741.



A program sponsored by the California State Treasurer's Office, California Pollution Control Financing Authority, through a partnership with the City of Oakland, helping return vacant or under-utilized Brownfields to active use.



Diana Lewis
City Attorney

OFFICE OF THE CITY CLERK

OAKLAND CITY COUNCIL

2006 SEP -7 AM 11:05
RESOLUTION No. _____ C.M.S.

Introduced by Councilmember _____

RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO APPLY TO CONTINUE ITS CONTRACT AS STRATEGIC PARTNER FOR THE STATE OF CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY CALREUSE LOAN PROGRAM

WHEREAS, the City of Oakland has an abundance of brownfields sites within its Redevelopment Areas, defined as sites which are blighted, vacant or underutilized sites due to the real or perceived presence of contaminants; and

WHEREAS, the high cost of environmental site assessment, cleanup and related legal and insurance issues are major barriers in the reuse of these sites; and

WHEREAS, to encourage development of brownfields sites, the State of California operates a program providing loans for testing of such sites and designates Strategic partners throughout the State to administer the California Reutilized Sites Brownfields Loan (CalReUSE) Program; and

WHEREAS, the California Pollution Control Financing Authority has a current contract, expiring in December 2006, with the City of Oakland to act as a Strategic Partner to market, package and award low-interest loans for environmental site assessments for the CALReUSE loan program; and

WHEREAS, the State has invited the City of Oakland to re-apply to continue as a Strategic Partner for the CALReUSE program; and

WHEREAS, the requirements of CEQA, the CEQA guidelines as prescribed by the Secretary of Resources, and the provisions of the Environmental Review Regulations of the City of Oakland have been satisfied; now, therefore be it

RESOLVED: That the City Council hereby authorizes the City Administrator, or her designee, to submit an application to the California Pollution Control Financing Authority to continue as a Strategic Partner for the CALReUSE loan program; and be it

FURTHER RESOLVED: That the City Council has independently reviewed and considered this environmental determination, and the Council finds and determines that this action complies with CEQA because this action on the part of the City is exempt from CEQA pursuant to Section 15061(b)(3) (general rule) of the CEQA guidelines; and be it

FURTHER RESOLVED: That should the City be selected to continue as a Strategic Partner for the CalReUSE Program, staff will return to Council to seek authorization for the level of funding requested from the State and sources for the required match.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 20____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, QUAN, REID, and PRESIDENT DE LA FUENTE

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California