



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
[www. CityofSacramento.org](http://www.CityofSacramento.org)

Consent
 July 15, 2008

Honorable Mayor and
 Members of the City Council

Title: Brownfield Revolving Loan Fund Grant Acceptance

Location/Council District: Citywide

Recommendation: Adopt a **Resolution** (1) authorizing the City Manager to accept the Brownfield Revolving Loan Fund grant from the U.S. Environmental Protection Agency to assist with the cleanup of contaminated sites within the City of Sacramento to prepare them for development, and (2) authorizing staff to accept \$959,893 in grant funds and adjust the grant project (G21000100) revenue and expenditure budget to facilitate the implementation of the Brownfield Revolving Loan Fund Program.

Contact: Diana Sasser, Project Manager, (916) 808-5519

Presenters: Not Applicable

Department: Economic Development

Division: Citywide

Organization No:

Description/Analysis

Issue: In September 1997, the City of Sacramento (City) was selected to receive a grant of \$350,000 from the U.S. Environmental Protection Agency (EPA) to operate a brownfield cleanup revolving loan fund (BCRLF). In 2003, the EPA increased the award to \$1 million. The City has now received an award of \$959,793 from EPA. This Council action will allow the City to accept these funds and direct staff to establish a grant revenue and expenditure budget of \$959,793 to provide Brownfield Revolving Loan Fund (BRLF) loans and grants to public entities and qualifying nonprofit organizations to remediate brownfields sites. The City will require each loan and grant recipient to provide a 20% match to the amount of the loan, which will fulfill the City's 20% match requirement.

Policy Considerations: The action recommended in this report is consistent with previously approved policies to assist commercial projects and promote infill development.

Environmental Considerations: The proposed action does not constitute a project as defined by the California Environmental Quality Act (CEQA) [Guidelines Section 15378 (b)(4)] and is exempt from NEPA per 24CGR Part 58.34 (a)(4). Projects which receive BRLF loans will be subject to environmental review.

Rationale for Recommendation: The proposed action will allow the City Manager to establish a new grant project for the new BRLF program. The action also allows the City Manager to accept the program and pay for related administrative costs authorized by the grant. Further action will be required prior to the implementation of this program to establish program loan guidelines. No loans will be entered into prior to City Council authorization of the loan program. This program will assist with the cleanup of contaminated sites within the City to prepare them for development.

Financial Considerations: The City has received an award of \$959,793 from EPA. The recommended action will establish a new revenue expense budget for the Program and will establish a grant revenue and expenditure budget of \$959,793. The City will require each loan and grant recipient to provide a 20% match to the amount of the loan, which will fulfill the City's 20% match requirement.

Emerging Small Business Development (ESBD): Not applicable.

Respectfully Submitted by: 
James R. Rinehart
Citywide Development Manager

Approved by: 
David V. Spaur, CECD, EDFP
Economic Development Director

Recommendation Approved:


for Ray Kerridge
City Manager

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Attachment 1**BACKGROUND**

A "brownfield" is generally defined as a site which is unused or under-utilized due to the (actual or perceived) presence of hazardous substances. These conditions occur in both commercial and residential settings. As new development and investments bypass the suspect site it becomes a blight to the community, and in worst-case scenarios it may also present health hazards.

In 1997, the City of Sacramento was awarded an Environmental Protection Agency ("EPA") Brownfields Cleanup Revolving Loan Fund Program ("BRLF") grant of \$350,000. That grant was augmented in 1999 by \$150,000 and again in 2004 by \$500,000 for a total BRLFP of \$1,000,000. A final grant in the amount of \$422,418 was awarded to the City in 2005.

The City could not apply for the new funds until the previous grant had been completed and closed out. The previous grant was closed out at the end of 2006, allowing for the City to apply for new funds in 2007. The grant may be used to capitalize a revolving loan fund and to pay for administrative costs. The Sacramento BRLF is governed by a combination of EPA loan terms and requirements and comprehensive local guidelines.

The City of Sacramento and the Sacramento Housing and Redevelopment Agency ("SHRA") jointly initiated the operation of the Brownfields Cleanup Revolving Loan Fund Program ("BRLF" or "Fund") in January 1998. The City was the grantee and SHRA was the fund administrator/manager (collectively, "staff"). Staff marketed the program through media contact, a fact sheet, outreach to partners including chambers of commerce and the Business Environmental Resource Center ("BERC").

Staff identified the CADA R Street Warehouse as an eligible project. The CADA project requested \$250,000 from the Fund, which was almost the entire amount of funding available for projects. At that point in time, staff ceased marketing the program due to a lack of loan funds until September 1999, when the City received an EPA grant augmentation of \$150,000.

CADA requested the balance of the loan funds available at that time. This left the program in the same status as before with no uncommitted funds. In the first quarter of 2002, the CADA project scope was revised and the loan request was reduced to \$250,000 with a 20 year repayment deferral. Subsequent to the execution of the loan for \$250,000, in March 2004 a second loan for \$200,000 was approved and executed for the CADA project.

With only \$28,430 in loan funds remaining uncommitted, the City again requested and received a \$500,000 grant augmentation from EPA. This was followed by another augmentation the following year in September 2005, of an additional \$442,418. To date, the City has not lent out these additional funds which are being reauthorized and re-awarded to the City under this action.

The BRLF Program includes a 20% matching requirement to obtain Program funds. Staff intends to satisfy this requirement by requiring the loan and grant recipients to pay a 20% match on loans and grants they receive upon approval by the City.

Staff is recommending that the City serve as both the Fund Manager and the Administrator to address the complex processing system created by having joint City/SHRA oversight. Additionally, by having the City manage the program, SHRA becomes eligible to receive subgrants and loans from the BRLF Program. The City anticipates contracting with a loan processing company to manage the portfolio and provide loan advisory services. A loan committee will be established to review and approve applications. Staff intends to formulate the loan program and bring it back to the City Council for approval. No loans will be entered into prior to City Council authorization of a loan program.

The City would use EPA funds for the City of Sacramento's Brownfields Revolving Loan Fund Program. Brownfields redevelopment is a fiscally-sound way to bring investment back to Sacramento's neglected neighborhoods and business corridors; cleanup the environment; reuse infrastructure; eliminate blight; and relieve pressure on urban fringe. The City would use these funds within redevelopment project areas as well as blighted commercial corridors including, but not limited to: Downtown, River District and Sacramento's Commercial Corridors.

I. Loan Summary

Two loans were executed under the program – both to the CADA Warehouse located at 12th and R Streets. Payments on both of these loans were deferred for 20 years, or starting in 2012 for the first loan and 2014 for the second. They are summarized as follows:

Agreement I: CADA Warehouse located at 12th and R Streets
Loan amount: \$250,000 approved in 2002
Purpose: Excavation of site performed by Delta Oil under DTSC oversight.

Agreement II: CADA Warehouse located at 12th and R Streets
Loan Amount: \$200,000 approved on 12/15/04
Purpose: Soil Remediation

RESOLUTION NO. 2008-

**ADOPTED BY THE SACRAMENTO CITY COUNCIL
ON DATE OF _____**

**AUTHORIZING THE ACCEPTANCE OF GRANT FUNDING FROM THE
U.S. ENVIRONMENTAL PROTECTION AGENCY FOR A BROWNFIELD
REVOLVING LOAN FUND GRANT PROGRAM**

BACKGROUND

A. A "brownfield" is generally defined as a site which is unused or under-utilized due to the (actual or perceived) presence of hazardous substances. Brownfields redevelopment is a fiscally-sound way to bring investment back to Sacramento's neglected neighborhoods and business corridors; cleanup the environment; reuse infrastructure; eliminate blight; and relieve pressure on urban fringe. The City Council previously authorized establishment of a Brownfield Cleanup Revolving Loan Fund to promote the cleanup of brownfield sites within the City for future development of such sites;

B. The City has previously accepted grant funding from the U.S. Environmental Protection Agency (EPA) to fund the City's Brownfield Cleanup Revolving Loan Fund Program; and

C. The City has now received additional grant funding from EPA for the City's Brownfield Revolving Loan Fund Program.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL
RESOLVES AS FOLLOWS:**

Section 1. The City Manager is authorized to accept \$959,793 in grant funding (Fund 2702) from the U.S. Environmental Protection Agency awarded for the Brownfield Revolving Loan Fund and adjust the revenue and expenditure budget for the City's Brownfield Revolving Loan Program (G21000100).

Section 2. To facilitate the implementation of the BRLF Program. Each loan and grant recipient shall provide a 20% match to the amount of their loan(s), which will fulfill the City's 20% match requirement.

Section 3. Staff is directed to formulate the loan program for City Council approval. No loans will be entered into prior to City Council authorization of a loan program.