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**FINANCING BROWNFIELDS REDEVELOPMENT:
LINKAGES TO THE EMPOWERMENT ZONE/
ENTERPRISE COMMUNITY PROGRAM**

This report has not been reviewed for approval by the U.S. Environmental Protection Agency; and hence, the views and opinions expressed in the report do not necessarily represent those of the Agency or any other agencies in the Federal Government.

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EXECUTIVE SUMMARY

BACKGROUND

Recent social and economic conditions have pushed States and localities to reconsider the costs associated with abandoned, idled, or under utilized industrial and commercial sites that suffer from real or perceived environmental contamination. The cleanup and reuse of such sites, known as "brownfields", would protect public health and promote economic revitalization. Moreover, it would benefit low-income individuals as many brownfields are located in economically depressed areas.

OBJECTIVE

This report looks at opportunities for urban brownfields redevelopment in the context of the federal Empowerment Zone/Enterprise Community (EZ/EC) Program. This program targets economically distressed areas that tend to have brownfields and offers incentives for redevelopment. The report seeks to determine whether and to what extent urban communities participating in this program could serve as pilots for developing and implementing financing strategies for brownfields redevelopment.

EZ/EC BROWNFIELDS CASE REVIEWS

Eight urban communities participating in the EZ/EC Program were contacted to determine if and how brownfields cleanup and redevelopment activity interacted with their required strategic planning efforts. Six provided sufficient information with which to create case reviews. The EZ/ECs profiled in this report included Baltimore, Philadelphia, New York City, Los Angeles, Kansas City, and Houston.

FINDINGS

Important Linkages Exist Between Brownfields And The EZ/EC Program.

- The EZ/EC Program offers significant economic incentives that could be used for brownfields cleanup and redevelopment.
- All communities surveyed recognized brownfields as a barrier to economic development in at least some part of their EZ or EC.
- However, participating communities varied widely on the extent to which they focused on brownfields and used or intended to use the EZ/EC Program to help address them.

- Communities that had significant EPA involvement in their strategic planning process were more likely to identify ways to use EZ/EC Program incentives specifically for brownfields-related work.
- EZs/ECs want to be allowed to creatively and more easily access funds from federal agencies.

RECOMMENDATIONS

Use The EZ/EC Program To Help Communities Address Brownfields.

- EPA should capitalize on the high-profile nature and economic incentives of the EZ/EC Program by targeting brownfield demonstration pilots and other Agency efforts to participant communities.
- The Agency should work closely with the EZs/ECs in their planning and implementation efforts to help guarantee a strong brownfields (and other environmental) focus, as appropriate.
- EPA should to the maximum extent possible promote regulatory flexibility for brownfield efforts in EZs/ECs. EPA should also encourage other federal agencies to flexibly apply their regulations in ways that promote these efforts.
- The Agency should aggressively share and apply lessons learned in implementing brownfields cleanup and redevelopment in EZs/ECs with other federal agencies, State and local governments, and communities across the country.

I. OVERVIEW

A. BACKGROUND

Before the advent of environmental protection laws in the 1970s, industrial activities significantly polluted our nation's air, water, and land in many places. As environmental regulation and awareness increased, much of this pollution has been mitigated. Recently, however, deteriorating social and economic conditions in our cities have pushed local and State governments to reconsider the opportunity costs associated with abandoned, idled, or under used industrial and commercial sites that suffer from real or perceived environmental contamination. Such sites are known as "brownfields", and their cleanup and reuse would:

- revitalize economic centers;
- provide much needed jobs; and
- provide critical property, and income tax dollars (as well as sales tax revenues from products generated on such sites).

While the economic and environmental benefits of brownfields redevelopment are obvious, solutions to the barriers facing it are not. Private developers and investors often cite two reasons behind the observed avoidance of brownfield sites -- a lack of available financing and concerns over liability. In reality, it is the fear of open-ended liability (and the associated open-ended costs) under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) that has acted as a major barrier to developer interest, investor financing, and the cleanup and redevelopment of brownfields.

At the root of the problem are ambiguities associated with CERCLA and the fact that recent court cases, holding lenders liable for site cleanup, have become the basis for decision-making. This has led to misperceptions and fears regarding any potentially contaminated site, many of which may be only marginally contaminated. This uncertainty, in turn, has greatly increased the cost of capital, as the expected value of the land asset falls and the expected default on the part of the borrower increases dramatically. Although the actual risk may be low, lenders cannot accurately assess that risk; hence, they hedge against it as they assign risk probabilities to such projects. Direct liability has also contributed to lender reluctance, and court precedent has only added to this reluctance.

As a logical alternative to cleaning and redeveloping brownfields, developers and lenders alike have focused on suburban and exurban, greenfield sites, which by definition are not polluted. The consequence has been two-fold: suburban sites are increasingly developed and polluted, leading to urban sprawl, and inner city sites continue to deteriorate. In many cases, this continued deterioration acts as a drag on neighboring

areas, lowering property values, economic activity, and tax revenues. Frequently, the private owner simply abandons the brownfields site and the cost of cleanup reverts to the city or town as it becomes a part of the public domain.

The resulting environmental and economic opportunity costs associated with brownfields are significant. Moreover, revitalizing these properties would significantly benefit low-income individuals as the majority of urban brownfields are in economically depressed areas.

B. STUDY OBJECTIVE AND APPROACH

This report focuses on opportunities to finance urban brownfields redevelopment within the context of the federal Empowerment Zone/Enterprise Community (EZ/EC) Program. The Department of Housing and Urban Development (HUD) has the lead for the urban part of this program. The EZ/EC Program:

- targets areas that tend to have brownfields and, therefore, are key sites for a financing effort; and
- offers incentives for development, including brownfields redevelopment.

Specifically, the objective of this report is to determine whether and to what extent the urban communities selected to participate in the EZ/EC Program can serve as test locations for developing and implementing financing strategies for brownfields redevelopment.

Part II of the report outlines the EZ/EC Program, discusses how grant funds may be used and identifies the program's central themes. Part III reviews six empowerment zones/enterprise communities to determine whether brownfields redevelopment played(s) a role in their strategic planning efforts and activities, and if so, how.

The focus of each community case review is to evaluate whether the EZ/EC Program can be an important part of EPA's brownfields redevelopment initiative and to what extent the program is facilitating such redevelopment activities. Each review examines the financing mechanisms being used, or anticipated to pay for brownfields redevelopment, as many of these mechanisms may be models for adoption elsewhere.

The case reviews also characterize the parties involved, in order to determine what impact they have had on the relative priority assigned to brownfield activities. The report closes with findings and recommendations for actions that EPA and others could undertake to facilitate more activity on brownfields redevelopment within the EZ/EC Program.

II. DESCRIPTION OF THE EMPOWERMENT ZONE/ENTERPRISE COMMUNITY PROGRAM

A. PROGRAM GOAL

The federal EZ/EC Program seeks to revitalize distressed urban and rural communities by creating economic opportunities; improving physical, environmental, community, and human resources; and building partnerships between local groups and the federal government.

Each level of government has an important role in the redevelopment of distressed communities. The federal government will remove regulatory barriers, simplify program rules, coordinate programs, and invest financial resources in distressed communities. States will invest State and federal funds, coordinate programs and agencies, and allocate a portion of their respective private activity bond cap for their own distressed areas. Local government will involve their entire community, plan comprehensively, leverage private resources with public capital, and streamline local government.

B. FINANCING TOOLS AND INCENTIVES

Enterprise communities and empowerment zones receive grants and incentives to encourage community development. For enterprise communities, incentives and grants include:

- eligibility for tax-exempt bonds for certain private business activities that occur within community boundaries;
- three million dollars in Empowerment Zone/Enterprise Community Social Service Block Grant (EZ/EC SSBG) funds;
- special consideration in competition for funding under numerous other federal programs, including the new community policing and national service initiatives; and
- special flexibility in regulatory interpretations and the use of federal funds.

The empowerment zones receive all of the grants and incentives offered to enterprise communities, plus:

- up to \$100 million in EZ/EC SSBG funds;

- an employer wage credit for zone residents engaged in trade or business within the zone; and
- Section 179 tax deductions for business properties within the zone.

C. FUNDING ELIGIBILITIES

Department of Health Human Services (HHS) agency regulations require that SSBG funds be used to finance approved program options exercised to achieve any one of the following three broad goals.

Goal 1: Achieve or maintain economic self-support to prevent, reduce, or eliminate dependency on federal, state, or local aid.

Program Options:

- Fund community and economic development services that focus on disadvantaged youths and adults, including skills training, transportation services, and job, housing, business, and financial management counseling;
- Support programs that promote home ownership, education or other routes to economic independence for low-income families, youth, or other individuals; or
- Assist in the provision of emergency and transitional shelter for disadvantaged families, youth, and other individuals.

Goal 2: Achieve or maintain self-sufficiency, including reduction or prevention of dependency

Program Options:

- Provide assistance to nonprofit organizations and community and junior colleges so they will be able to provide disadvantaged individuals with opportunities for short-term training courses in entrepreneurial, self-employment, and other skills that will promote individual self-sufficiency and the interests of the community; or
- Fund programs to provide training and employment for disadvantaged adults and youths in construction, rehabilitation, or improvement of affordable housing, public infrastructure, and community facilities.

Goal 3: Prevent or remedy the neglect, abuse, or exploitation of children and adults unable to protect their own interests, or preserve, rehabilitate, or reunite families.

Program Options:

- Provide support for residential or nonresidential drug and alcohol prevention and treatment programs that offer comprehensive services for pregnant women and mothers and their children; or
- Establish programs that provide activities outside of school hours, including keeping school buildings open during evenings and weekends for mentoring and study.

A community could define a brownfields redevelopment program as meeting the requirements of Goal 2 by providing training and employment for disadvantaged youths and adults via their direct involvement in the improvement of public infrastructure. Alternatively, communities could use their EZ/EC funds for other types of activities if their strategic plan explains how these activities will meet the goals described above, as well as why an approved program option was not selected. Although a community may choose to do other than an approved program option, there are certain types of activities that the funds may not be used for, including:

- purchasing or improving land or facilities (this restriction can be waived by HHS);
- making cash payments to individuals for subsistence or room and board;
- making wage payments to individuals as a social service;
- making cash payments for medical care; and
- providing social services to institutionalized people.

The EZ/EC SSBG funds must be passed through the State(s). The State must obligate these funds in accordance with a community's strategic plan within 2 years of the empowerment zone/enterprise community designation. The statute does not impose specific reporting requirements, although communities are required to certify that entities administering funds will provide periodic reports on their use of funds.

HUD has also made available Economic Development Initiative (EDI) funds of varying amounts to empowerment zones and enterprise communities. HUD is using these grant funds to encourage communities to use the existing Section 108 loan program, which allows communities to obtain loans for development projects at subsidized interest rates.

Historically, communities have not used all of their Section 108 loan authority because HUD regulations require them to pledge their future grant funds as collateral. In the event of a loan default, the community would have to repay the loan with these future grant funds. Many communities have been reluctant to risk future entitlements with loans to risky projects. To give a financial incentive to communities to accept this risk, HUD is requiring communities to use their Section 108 loan authority before they can receive an EDI grant. For example, if a community received a \$22 million EDI grant, it would have to use at least \$22 million of Section 108 loan authority to use the EDI grant award.

In addition, each EZ/EC community's strategic plan must identify the funding requested under any federal program in support of proposed economic, human, community, and physical development of the area. Communities are encouraged to find ways to link these federal programs in creative ways. In some cases, the selected strategy may not fit within the confines of existing federal programs. In these cases, communities are encouraged to identify the programs as potential sources of funding and to identify the programmatic waivers or other regulatory changes needed to use the funding. The inter-agency teams planned by several EZ/EC communities will have the opportunity to link their respective federal programs to address brownfields redevelopment.

In summary, the EZ/EC Program does not include any funds specifically earmarked for environmental initiatives. Communities can identify funding for brownfields in one of three ways:

- Direct part of EZ/EC SSBG grants to brownfield programs (which in some cases, land purchase for example, would require a waiver by HHS);
- Use Economic Development Initiative (EDI) funds, and possibly Section 108 loan funds, for brownfield-related projects; or
- Request funding for brownfield programs from existing federal programs, using the additional preference given to EZ/EC communities.

D. ADMINISTRATIVE AND REPORTING REQUIREMENTS

The Empowerment Zone/Enterprise Community Task Force, an interagency group made up of HUD, USDA, HHS, and other federal agency representatives, will be working with the selected communities to refine their strategic plans for implementation. Before an EZ/EC community can use the funds allotted, a benchmark plan for the first two years of its program must be submitted. The benchmark plan must identify activities and funding for those years, and must indicate all federal funds expended for development in the zone. When the strategic plan is approved by the task force, the empowerment zone or enterprise community will be able to expend the grant funds.

EZ/EC designees are required to submit periodic reports to HUD's Office of Community Planning and Development regarding progress made on benchmarks established by their strategic plans. These periodic reports will also reflect any modifications to the strategic plan that the designee may have negotiated with Task Force offices over the course of the implementation of the local program to take advantage of changing opportunities and circumstances.

E. URBAN EMPOWERMENT ZONE/ENTERPRISE COMMUNITY SELECTIONS

The empowerment zone/enterprise community designations were made on December 21, 1994. Urban communities received one of four designations:

- urban empowerment zone;
- supplemental urban empowerment zone;
- urban enhanced enterprise community; or
- urban enterprise community.

In June 1995, HUD announced the selection of six urban empowerment zone winners. The six urban empowerment zones selected are:

- Atlanta, Georgia;
- Chicago, Illinois;
- Baltimore, Maryland;
- Detroit and Wayne County, Michigan;
- New York County and Bronx County, New York; and
- Philadelphia, Pennsylvania, and Camden, New Jersey.

Two urban supplemental empowerment zones were selected. These zones will receive Economic Development Initiative (EDI) grant funds, but will not be eligible for the same incentives as regular empowerment zones. They are:

- the City of Los Angeles and Los Angeles, Vernon, and Lynwood Counties, California; and
- the City of Cleveland and Cuyahoga County, Ohio.

Four urban enhanced enterprise communities were also chosen. These will have more flexibility in the use of HUD funds than other enterprise communities, and are eligible for HUD's EDI grants:

- Oakland, San Leandro, and Alameda, California;
- Boston, Massachusetts;

- Kansas City, Missouri and Kansas City, Kansas; and
- Houston, Texas.

A total of 60 enterprise communities were selected (these are included in the list making up Appendix A).

Since the designation, each community has been working with HUD, HHS, other federal agencies, and the EZ/EC Task Force to finalize their strategic plans, and turn them into action plans for program implementation, rather than grant applications. In order to use the special EZ/EC grant funds, each community must have their plan approved by the Task Force.

For several reasons, most of the communities contacted were still in the initial stages of this process when evaluated. First, all of the communities developed their strategic plans on the assumption that they would receive designation with the highest level of funding, the urban empowerment zone. As a result, some communities that received a different designation have had to reconsider priorities and examine which projects in the strategic plan will have first priority on limited federal funds.

Some communities initially submitted strategic plans that were unable to clearly identify activities, roles, and funding sources, or that required additional community or policymaker review before they could be implemented. Now that the designation had been received, more stakeholders were weighing-in on issues, suggesting activities, defining roles, and seeking funding. In fact, now that the designation had been received, and actual funding was anticipated, many communities found that more programs and stakeholders were lining up to request additional funds, or to request inclusion of their program in the strategic plan.

Some communities did not create an organization or working group to manage the application process, and only began creating a governing structure after the designation was received. Due to the requirement for stakeholder participation, creating this administrative framework takes a considerable investment of time. This too can delay revision of a strategic plan.

Finally, in the months following the submissions of the strategic plans, changes occurred in each community's political, economic, and social framework. Events ranging from economic downturns, to changes in gubernatorial administrations, to new-found awareness of environmental problems required communities to revise their strategic planning. No EZ/EC programs were "up and running," and no strategic plans had been approved by the EZ/EC Task Force as of July 1995.

III. BROWNFIELDS CASE REVIEWS: ANALYSIS OF SELECTED EMPOWERMENT ZONES/ENTERPRISE COMMUNITIES

Eight urban EZ/EC Program winners were contacted to determine if and how brownfields efforts interacted with their strategic planning:

- Baltimore;
- Philadelphia;
- New York City;
- Los Angeles;
- Kansas City;
- Houston;
- Atlanta; and
- Boston.

The first six of these cities provided sufficiently detailed information to create case reviews. Each was asked if they knew of brownfields in their communities, and whether there were existing programs to cleanup these sites. Next, each was asked to describe the parts of their strategic plans related to brownfields. They were also asked what roles EPA, State, or local environmental agencies had played in their strategic planning process, and what roles were expected as the EZ/EC Program was implemented. Finally, they were asked which aspects of the Program might be used to address brownfields in the future.

A. BALTIMORE EMPOWERMENT ZONE

Recognizing that the remediation of contaminated sites is critical to urban redevelopment, the city's strategic plan directly addresses brownfields. Prior to its EZ designation, Baltimore began to bring State and local policy makers together to address problems related to contaminated sites. Although this preceded Baltimore's EZ designation, the incentives offered by the EZ/EC Program have renewed interest in redevelopment of several sites. Proposals in the strategic plan indicate that site remediation will be a key focus of the city's EZ efforts.

1. Overview

Historically, the City of Baltimore has been a center for manufacturing and other heavy industry. Major industries have included steelmaking, shipbuilding, manufacturing and transportation equipment, textiles, and chemicals. Over the last 25 years, however, industry has declined in the Baltimore area, resulting in declining employment, a reduced tax base, and a significant number of contaminated sites.

As a result of this industrial activity, Baltimore's EZ areas contain many contaminated sites. In the Fairfield area, and the adjacent areas of Curtis Bay, Wagner's Point, and Brooklyn, residential blocks are closely interspersed with chemical and petrochemical industries. In addition, the entire area had been used for construction of Liberty ships during World War II, as well as the subsequent dismantling of those same ships. Such activities led to increased lead levels and other environmentally related problems in the zone.

Many residents in these four neighborhoods share common property lines with industrial facilities. Neighborhood residents also suffer the highest cancer rate in Maryland, a State with one of the highest cancer rates in the country. The zone includes a number of CERCLIS¹ and oil-contaminated sites that are owned by major chemical and petrochemical corporations such as Amoco, Conoco, Texaco, FMC, Chevron, Mobil, Shell, and Vista Chemical. Other contaminated sites are abandoned or belong to smaller companies.

2. Existing Brownfields Program

The Baltimore City Planning Department had been aware of the contaminated site problem for some time. The Department had recently established a working group of stakeholders -- including developers, regulatory agency representatives, environmental lawyers, economic development advocates, and community activists to address brownfield issues. This working group became a standing committee when Baltimore received one of the 50 national brownfields pilot demonstration grants from U.S. EPA. One of the working group's first activities was a brownfields symposium to educate the community and potential developers of brownfields sites within the empowerment zone.

3. The Empowerment Zone/Enterprise Community Program

The Empower Baltimore Management Corporation is a nonprofit organization established specifically to execute the strategic plan of the Baltimore empowerment zone. In coordination with the City Planning Department, the Corporation is the chief agent for implementing the EZ/EC program. The Corporation is a broad-based organization consisting of businesses, community members, nonprofit institutions, and government agency representatives. EPA, HUD, and HHS have all participated in the strategic planning for the zone. Sources contacted indicated that EPA's involvement in the strategic planning process enhanced the consideration of brownfields and other environmental issues.

¹ A CERCLIS site is a site that is suspected of contamination and reported to EPA by the state government, local government, or a private citizen. Under CERCLA, EPA must maintain a list of such sites (the list is called CERCLIS, hence the name, CERCLIS site). Sites contaminated by oil or petrochemicals are not considered CERCLIS sites because petrochemicals were not included in the CERCLIS designation.

3.1. Ecological Industrial Park

Baltimore's strategic plan included a proposal to create an Ecological Industrial Park that will serve as a magnet for environmentally-conscious economic development in the area. Castle Capital, a company which specializes in Continuous Ablative Regenerator (CAR) resource recovery technology, planned to locate in the Park as the anchor tenant. The Company had agreed to dedicate a section of its CAR capacity to recover oils and other resources in degraded land sites in Fairfield and remove all pollution from the soil. Such efforts will recover the land for further development in the Park and improve community environmental standards.

Baltimore's EZ/EC Program had hired a consultant to survey landowners in the Fairfield area about their land use and the status of their parcels. Part of this survey would include identifying vacant and potentially contaminated parcels, which could be added to the Park. While financing sources for the Park had not been identified, some part of the funds will likely come from the City's share of the EZ/EC SSBG grant, or other grant funds available through the EZ/EC Program, such as EDI funds.

3.2. Baltimore Industrial And Commercial Redevelopment Trust

The strategic plan also included a proposal for the establishment of the Baltimore Industrial and Commercial Redevelopment Trust. The goal of the Trust would be to recycle and rehabilitate property that has become environmentally contaminated. The Trust would identify contaminated properties and seek potential buyers or users to produce substantial economic or social benefits in the empowerment zone. The Trust would initially take title to a property, perform environmental assessments, and provide for "measured remediation" of the property using one of four sources of funds:

- potential purchaser's funds;
- the value of a purchaser's tax credits associated with purchasing and redeveloping the land;²
- the trust's own funds; or
- federal or State Superfund money.

The Trust would not take title to any site already on EPA's National Priority List (NPL). For other sites, Baltimore would ask EPA and Maryland's environmental agency to provide a covenant against the CERCLA legislation to guarantee that these sites will not become part of the NPL as long as the planned cleanup occurs. The intervention of the Trust is intended to "hold harmless" any potential owner or operator of suspect property located within the empowerment zone from any EPA or state lawsuit stemming from the existing CERCLA legislation.

² It is unclear whether this tax credit would be taken by the potential purchaser or by the Trust, and whether this tax credit is already available, or an additional incentive that the EZ/EC program is requesting from the federal government.

Baltimore anticipates two outcomes from the operation of the Trust. First, by removing the threat of financial and legal liability, new entrepreneurs would be attracted to activities within the EZ. Second, the Trust would be an active participant in the identification of non-NPL properties, and would work to facilitate the measured remediation and improvement of the environmental condition of these properties.

The Trust would initially be financed through \$1 million in block grant funds that would be used to identify parcels and conduct initial Phase I and Phase II CERCLA investigations. In subsequent years, \$500,000 per year of federal funds would be used to conduct site assessments for selected properties. The federal funds would be matched on a 2:1 ratio by city and/or State funds. This and other proposals in the Baltimore strategic plan were under revision to create a plan for actions over the next two years. It was not yet clear whether the Trust would become one of the priority activities to be funded by EZ/EC SSBG grant funds.

4. Using The EZ/EC Program To Address Brownfields Issues

Baltimore was aggressively using the incentives and funds in the EZ/EC Program to address brownfield issues. The timing of the Planning Department's brownfields initiative, having coincided with the beginning of the EZ/EC Program, may have helped ensure that site remediation and redevelopment were a focus at a critical point in EZ/EC strategic planning. The involvement of EPA in the strategic planning process enabled the zone to focus resources on environmental issues. Both this EPA involvement and the programs initiated under the EZ/EC strategic plan will help address present and future brownfield issues.

B. PHILADELPHIA/CAMDEN EMPOWERMENT ZONE

EZ/EC-related grants were not used to address brownfield issues in the Philadelphia/Camden empowerment zone, however, certain EZ/EC program elements may facilitate site remediation. The Philadelphia/Camden empowerment zone contains several brownfields which Philadelphia, the local business association, and the Philadelphia Industrial Development Corporation (PIDC) have identified through their existing development activities. The Mayor's Office of Community Services wanted to use the EZ/EC grant funds as seed money for as many development projects as possible, and explicitly did not intend to use funds directly for brownfields cleanup. Nevertheless, policy makers in the zone believed the EZ/EC program would facilitate brownfields cleanup in two ways. First, the program provides financial incentives that may prompt investors to reconsider sites in the empowerment zone, despite cleanup costs. Second, the additional contacts to federal agencies and the preference for federal grants that EZ/EC communities receive may help identify other sources of funds for cleanup.

1. Overview

The Philadelphia/Camden empowerment zone consists of two neighborhoods in Philadelphia, American Street and West Philadelphia/Parkside, along with portions of Camden, New Jersey. The Philadelphia neighborhoods also fall under two other existing programs.

- a) *A State enterprise zone designation*, which offers additional incentives to investors in zone businesses. This State-supported effort gives low interest loans, property and land tax credits, crime prevention rebates, local real estate tax abatements, utility discounts, and on-the-job training benefits.
- b) *A land acquisition and development project*, called the American Street initiative, sponsored by the Philadelphia Industrial Development Corporation (PIDC), a quasi-public corporation created by the city to spur economic development. This program is a partnership of the State, the city, and the neighborhood, and predates the EZ/EC designation.

2. Existing Brownfields Program

The Philadelphia city government, the local business association and the PIDC run a "site assembly" program that identifies suitable sites for businesses to locate. For this program, the city and the PIDC inventory potential sites, their facilities, transportation access, and potential liabilities, including environmental problems. Using State and city funds, the PIDC purchases the land and addresses problems that may inhibit its sale, including assessment, removal, and cleanup of environmental problems. The PIDC sells the land and uses part of the proceeds for further land purchases. The PIDC engages in about 30 land sales per year, totaling about 50 to 60 acres. PIDC prices are lower than market value. For example, in the Park Side neighborhood, the PIDC sells land for an average of \$55,000 per acre whereas the market value is \$100,000 per acre. In addition, the PIDC is working with the American Street neighborhood to implement the American Street Initiative to acquire and redevelop sites in that neighborhood.

The largest problem that PIDC had encountered in the cleanups had been overlapping and confusing regulatory standards from federal and State agencies, including EPA, the U.S. Army Corps of Engineers, and the state Department of Environmental Resources. To solve this problem, PIDC was trying to bring regulatory agencies together to provide "one-stop shopping". For example, two years ago, the PIDC arranged a cleanup of a site formerly owned by Sovereign Oil. The PIDC brought together city agencies, State agencies, and the responsible party, and brokered an agreement that released the company involved from future liability as long as the site was cleaned to an agreed-upon standard. Eventually, the PIDC hopes to persuade federal agencies to "sign off" on such cleanup agreements to protect developers from future liability.

3. The Empowerment Zone/Enterprise Community Program

The city governments in Camden and Philadelphia, with the help of the PIDC, were taking the lead in implementing the EZ program. The program was staffed by a team of city workers who address issues most closely related to their respective agencies. HUD and HHS were the chief federal agencies involved. Fannie Mae had also agreed to work with the zone to spur up to \$1 billion in housing investments and other benefits. EPA had started a recycling program in the American Street neighborhood.

The program was staffed by teams divided into four committees addressing different problems areas:

- Economic;
- Housing;
- Health and Human Resources; and
- Crime and Safety.

None of the committees directly addressed environmental topics. However, if the neighborhoods express concern on an environmental issue, it would be handled by the Health and Human Resources committee. A member of that committee said that brownfields and environmental issues had not been discussed yet. With the exception of the Department of Health, there was no representation on the EZ team from State or local environmental agencies. If environmental issues were to arise, this could be explored in the future. The mayor's office stated that they did not intend to direct EZ-related grants to brownfields cleanup because they would prefer to leverage the funds to help implement a large number of development projects and felt that direct grants for cleanup would limit their resources to only a few projects.

The zone program will offer the following bi-State services:

- Job Bank—To match residents with new zone-related positions;
- Labor Force Information Network—To educate residents on trends in business growth and opportunities for career expansion;
- Technical Assistance Bank (includes the 26 largest corporations in the zone)—To offer high-quality intensive support in doing neighborhood strategic plans;
- Futures Consortium—To ensure that information infrastructure develops with the regional economy.

The Technical Assistance Bank could potentially include advice on brownfields remediation, if a company with this expertise participated.

3.1. Capital Partners

The empowerment zone program will include a community development financial delivery system known as Capital Partners. This entity will have "branches" in each zone neighborhood, called Neighborhood Enterprise Centers. Through Capital Partners, housing, commercial, and industrial development projects would be able to borrow empowerment zone funds, or obtain letters of credit or loan guarantees. These loans and credit enhancements would be available for cleanup projects as long as they were related to a housing, commercial, or industrial development. The repayment of these funds will finance future zone projects.

3.2. Increased Developer Interest

PIDC had increased interest in parcels within the empowerment zone since the designation, but added that it was too early to tell how significant the incentives would appear to developers. The cities had also requested a series of waivers from federal IRS regulations for investors in the zone and were waiting to hear on their request.

4. Using The EZ/EC Program To Address Brownfields

When contacted, the Philadelphia brownfields efforts and the EZ/EC program were not directly linked, and there were no plans to use EZ/EC-related grant funds for site remediation. However, potential links did exist in parts of the EZ/EC program:

- Increased participation by federal agencies in the zone may facilitate the PIDC's efforts to bring together policy makers on brownfield issues;
- Capital Partners loans may assist developers in financing some cleanup efforts;
- The Technical Assistance Bank operated by the program might include advice on site remediation; and
- Incentives offered by the empowerment zone may outweigh costs of cleanup for some sites.

C. NEW YORK CITY EMPOWERMENT ZONE

The New York City EZ had a number of contaminated sites with redevelopment potential. The communities involved were familiar with the problem, but lack of financing, the brownfield "stigma", and confusion over liability law were identified as the largest barriers to brownfield redevelopment. Although New York City's EZ program was only in its very beginning stages, all participants expressed the hope that the program would help them identify financing resources and resolve outstanding liability questions.

1. Overview

The New York City empowerment zone encompasses portions of both Upper Manhattan and the South Bronx. The Upper Manhattan section is a largely residential community, although there are some commercial and industrial uses. The Upper Manhattan section does contain a number of former industrial sites that were being reconsidered as candidates for redevelopment. The South Bronx portion of the empowerment zone, in contrast, possesses a roughly even mix of residential, commercial and industrial uses.

The main industries in the Upper Manhattan empowerment zone section include recycling, electric generation, and auto body repair. The three main industries in the South Bronx part of the zone are food distribution, solid waste facilities and wastewater facilities for the City of New York.

2. Existing Brownfields Program

The economic development mission of the Bronx Overall Development Corporation had been hindered in the past by several contaminated sites. Due to this past history, and to the industries operating in the Bronx area, the Corporation was sensitive to environmental issues associated with land use. In fact, the siting of 60 percent of New York's waste treatment facilities in the South Bronx had also caused an overall heightened environmental awareness in the area. On a 2.5 square mile section of the Hunts Point peninsula in the South Bronx, for example, there were 25 solid waste transfer stations — one for every tenth of a square mile. In addition, the area's past experience with Superfund sites, including a medical waste incinerator, had made the community extra-sensitive to contaminated sites. The area included at least 5 sites with cleanup costs of \$30-\$50 million. The Bronx Overall Development Corporation was already working to identify funding for cleaning up these sites, but had been hampered by lack of funds, and the "stigma" associated with contaminated sites.

An additional problem was that the Bronx's solid waste and wastewater facilities appeared incompatible with the other primary land use in the area — food distribution. One large site, the Food Center, served as the City's largest food distribution center, and was legally restricted to that use by a state law. Ninety acres of vacant land area were available for development on this site. The Bronx corporation planned to redevelop the site into a freezer storage warehouse, which would be compatible with the state restriction on the site's land use. Due to a shortage of freezer warehouse space, food for the New York city public schools was trucked in daily from Philadelphia. A buyer could not be identified for the site, however, in large part due to the multimillion dollar cleanup costs, and the stigma associated with nearby treatment plants.

3. The Empowerment Zone/Enterprise Community Program

New York City's EZ program was being implemented in the Upper Manhattan and South Bronx sections of the zone by non-profit development corporations, the Upper Manhattan Empowerment Zone Development Corporation and the Bronx Overall Redevelopment Corporation, respectively. Unlike the South Bronx Corporation, the Upper Manhattan Corporation was created specifically for the EZ program, and thus, did not have any existing brownfields experience.

Although the Upper Manhattan Corporation's strategic plan did not identify specific brownfields projects to be financed, the corporation was looking at the potential to redevelop a former factory site into a community college. The former factory site, known as the Washburn Wire site, was vacant, but the level of contamination, and the cost for cleanup, were unclear. In the future, the corporation may look at the potential to redevelop other sites as well.

The empowerment zone program was in its beginning stages, and was revising its strategic plan due to the change in governor (which may also affect levels of funding committed to the program). So far, there had apparently been no participation by federal agencies other than HUD and HHS.

4. Using The EZ/EC Program To Address Brownfields

Although liability issues and the brownfields "stigma" were mentioned as barriers by the communities, the primary barrier to brownfields redevelopment in the NYC empowerment zone appeared to be lack of funds. Because the strategic plan did not specify funding for any brownfields-related project, it was not clear whether funds from the EZ program would be made available for this purpose. If funds are made available, the zone would be able to address the key barriers that impede brownfield development.

B. LOS ANGELES SUPPLEMENTAL EMPOWERMENT ZONE

The Los Angeles Supplemental EZ application cited access and liability issues as key barriers to relieving blighted conditions in the zone area, and proposed several strategies to expedite the cleanup of contaminated properties. Since 1987, the area has been a California enterprise zone participating in a State program that also provides incentives for economic development. In that time, the city had become aware of numerous contaminated sites that hamper redevelopment in the area. However, no significant resources had been available to address this problem. The supplemental empowerment zone planning process, as well as the other resources potentially available for brownfields redevelopment, had drawn attention to the issue, and served as a catalyst for the City to address these sites.

1. Overview

Residents in the Los Angeles Supplemental Empowerment Zone are among the most exposed to environmental pollutants from toxic air emissions, lead-based paint, and contaminated soil. The area lacks parks and other open/green spaces, and suffers from pervasive urban blight that includes abandoned buildings, dumped tires and other waste materials, graffiti, and light pollution. Many properties in the supplemental empowerment zone are vacant or underutilized, hampering economic development efforts and creating an unhealthy situation for the community.

2. Existing Brownfields Program

Los Angeles had no program that specifically addressed brownfields at the time, although they were planning to submit an application for an EPA national brownfields pilot demonstration project grant.

3. The Empowerment Zone/Enterprise Community Program

The supplemental empowerment zone program was being implemented by the city through the Department of Community Development and the Mayor's Office. The area has been a State of California enterprise zone for almost a decade. The City planned to use the additional EDI funds provided by the supplemental empowerment zone designation to establish a community development bank, which would be run by the Mayor's office. All other aspects of the program will be coordinated through the Division of Industrial and Economic Development in the Department of Community Development.

The strategic plan for the supplemental empowerment zone program contained an action plan to expedite the cleanup of contaminated properties. The plan proposed a number of steps, including:

- Establish a multi-agency task force, comprised of representatives from federal, State, county, and city environmental regulatory agencies to develop a protocol to expedite the cleanup of contaminated sites in all EZs and ECs. This protocol could include pre-approved work-plans for certain cleanup procedures, pre-approved permits for activities such as demolition and debris removal, and designation of a lead agency responsible for the sign-off of remediated sites;
- Seek a waiver for property owners from CERCLA liability for cleanup activities conducted to deal with illegal dumping for which a potentially responsible party would be difficult or impossible to locate;
- Seek assurances from the federal government to address concerns of banks regarding CERCLA liability for properties on which they grant loans;

- Develop and submit an application for the U.S. EPA'S national pilot brownfields demonstration grant program to obtain resources and assistance in the cleanup of contaminated sites to restore them to productive use;
- Support owners of contaminated property in obtaining low-cost loans for the cleanup of contaminated sites from the Hazardous Waste Reduction Loan Program (This program will be further examined by EFAB in a subsequent report focusing on specific brownfields redevelopment financing techniques.);
- Create a job training program in site remediation and support the creation of locally-based contaminated sites cleanup businesses to provide cleanup services under the expedited protocol established above.

4. Using The EZ/EC Program To Address Brownfields

The Los Angeles Supplemental Empowerment Zone program had included site remediation in its strategic planning, and planned to use some of the incentives provided to initiate site cleanup programs. Although no programs proposed in the plan had been implemented (pending receipt of an EPA national brownfields pilot project grant and EDI grant funds), it was clear that the supplemental empowerment zone would continue to focus on contaminated site remediation to some extent.

E. KANSAS CITY ENHANCED ENTERPRISE COMMUNITY

The Kansas City Enhanced Enterprise Community intended to use the EZ/EC program incentives to address brownfields in three ways. First, it invoked EZ/EC regulatory flexibility provisions by requesting waivers of specific program rules that impede brownfields remediation. It also proposed creating a land reclamation bank that could use this flexibility to shield developers from potential liability. Finally, the Missouri section of the enhanced enterprise community planned to use part of the EZ/EC-related Economic Development Initiative funds for brownfields cleanup. Where site contamination was a key impediment to redevelopment, both cities were prepared to consider dedication of federal funding on a project-by-project basis.

1. Overview

The Kansas City, Missouri, and Kansas City, Kansas, Bi-State Enhanced Enterprise Community (EEC) encompasses older neighborhoods in the center of both cities. The area includes numerous industrial and commercial sites with underground storage tanks and contamination from hazardous waste. As stated in the community's strategic plan, efforts to resolve environmental issues on these properties had been hindered by the following factors:

- Absentee ownership or unknown owners;
- Inability to hold property owners accountable and/or transfer property due to expenses of back-tax and legal procedures;
- Limited options for owners that lack the financial resources needed to remedy problems; and
- Lack of resources for cleanup and removal.

2. Existing Brownfields Program

As part of existing redevelopment efforts, both cities had conducted environmental assessments, site clearance, and cleanup activities using city and State funds. City officials attributed the high degree of involvement in brownfields cleanup to stiff competition from city sites. (The value of parcels in central Kansas City is not as high, relative to suburban parcels, as in urban EZs, such as Philadelphia or New York City. Therefore, the city must offer comparatively more services to potential investors to attract development.)

Both cities' redevelopment programs did not target brownfields in particular, but sought potential development sites. If a site targeted for development happens to be a city-owned or abandoned brownfield, the city conducts the needed environmental assessments and cleanup before reselling it to a developer. The community was also working with the Midwest Research Institute to apply for an EPA national brownfields pilot grant.

3. The Empowerment Zone/Enterprise Community Program

The EEC program was run by a bi-State steering committee with representatives from both city's federal agencies, businesses, community leaders, and other stakeholders. This committee was staffed by the Mid-America Regional Council, a nonprofit group. The Council was funded by the Kaufman Foundation to coordinate the EEC effort. Thus far, the only federal agencies involved were HUD, HHS, and SBA. No EPA activity was reported. It may occur as the EEC's request for regulatory flexibility is considered.

3.1. Strategic Plan

The strategic plan for the enterprise community program incorporated several elements that address brownfields:

- Regulatory flexibility,
- Land reclamation bank,
- Environmental assistance teams, and
- Property certification teams.

Regulatory Flexibility. The enterprise community used the EZ/EC's regulatory flexibility provisions by requesting waivers of specific program rules that impede brownfields remediation. The application also requested that "in the absence of clear criminal intent or contempt of court, waive fines and punitive responses to contamination and cleanup of commercial properties and, instead, require all available resources to be applied to cleanup of the problem."

Land Reclamation Bank. A not-for-profit, land reclamation bank would be managed by a board of directors made up of zone residents, business, and financial institution that provide financing within the zone. The bank would be specifically empowered to broker the transfer or received title to only those contaminated properties that can neither be transferred or cleaned up by current owners due to lack of private resources. Current owners of such properties would forfeit all or most of their financial interest in the property in exchange for release from environmental liability. The land bank would have latitude to manage its own risk exposure and to maximize its ability to reclaim the economic viability of properties via remediation, sale, and reuse.

Environmental Assistance Teams. Environmental assistance teams would be made up of trained zone residents to perform environmental evaluations for residents and property owners on request. The team would be trained to recommend cost-effective measures to resolve environmental and health hazards either by self-help or referral to qualified specialists. The teams would prioritize their assessments as follows:

- Properties that contain a suspected personal health or safety risk — i.e., lead poisoning;
- Abandoned properties proposed for clearance or seizure; and
- Business properties seeking to resolve an environmental issue associated with continued operations or new and expanded activities.

Property Certification Teams. Property certification teams would be made up of zone residents trained to evaluate property from the perspective of a potential lender seeking to avoid environmental liability. Their focus would be primarily economic, rather than evaluating the environmental risks that the environmental assistance teams would consider. Property certification teams might be financed in part by Realtor fees for property certification services.

The strategic plan was created, however, for the funding level of an empowerment zone, rather than an enterprise community. The community was still evaluating which programs would be established, given the reduced level of federal funding available. No other financing sources had been identified for any of these programs.

3.2 Economic Development Initiative

Kansas City, Missouri had submitted two additional projects to be funded with EDI funds, which incorporate site remediation. They were the:

- Westside Business Park (WBP); and
- Eighteenth & Indiana Business and Light Industrial Park.

Westside Business Park. The Westside Business Park consists of a mixed-use office and light industrial development jointly proposed by the City of Kansas City, Missouri, and the Kansas City Hispanic Economic Development Corporation (HEDC). The development site consists of 20 acres, under the single ownership of the Kansas City Terminal Railroad. \$625,000 out of a total budget of \$18 million had been allotted for site testing and environmental work. The project financing breakdown was as follows:

- \$2.5 million—Equity funds from the developer
- \$7.1 million—Economic Development Initiative grant
- \$7.1 million—Section 108 loan
- \$1.7 million—Commercial loan.

Eighteenth and Indiana Business and Light Industrial Park. The 63 acre Park project will include 8 buildings with varied uses. The entire project will cost \$27.7 million, with \$1.6 million allotted to environmental remediation. EDI grant funds were earmarked for this cost. The full financing package breakdown was:

- \$11.8 million—private equity and cash from operations;
- \$1.45 million—city and nonprofit funds;
- \$520,000—HHS grant;
- \$7.1 million—EDI grant; and
- \$7.1 million—Section 108.

4. Using The EZ/EC Program To Address Brownfields

Kansas City's initial strategic plan included many ambitious programs to manage brownfields. As the community scaled back its plan to reflect the reduced grant award that accompanies an enterprise community designation (even an enhanced one), it was not clear when and how these programs would be financed. If no financing can be ultimately identified, the community will continue to incorporate environmental considerations in its planning and to devote limited available resources to brownfields remediation needed as part of development projects, such as the Westside Business Park and the 18th and Indiana Business and Industrial Park.

F. HOUSTON ENHANCED ENTERPRISE COMMUNITY

Although no specific brownfields had been identified in the Houston enhanced enterprise community, two industrial areas—the Houston Ship Channel and the Buffalo Bayou -- were likely to contain contaminated sites. Recognizing this potential barrier to development, the city was working with its enhanced enterprise community (EEC) program to identify sites and educate developers about brownfield issues. Early and proactive involvement by EPA regional representatives in the EEC program had allowed the city to make brownfields a focus of its strategic planning.

1. Overview

Over the past 60 years, Houston's economy has been dominated by the heavy industries, such as petroleum, chemical, plastic, and shipping. Abandoned industrial sites from these industries may represent a potential barrier to development in the city. Most of the 20-square miles in the City's enterprise community, however, are residential areas. The few industrial areas included in the community -- the Houston Ship Channel and the Buffalo Bayou -- probably contain some brownfields. At the time of the review, however, the number of contaminated sites and the extent of contamination were unknown.

2. Existing Brownfields Program

The City had recently began to examine brownfield issues and to develop related programs. Working in close coordination with EPA regional representatives and the EEC program, the city was sponsoring a working group on brownfields, and planned to sponsor a seminar for bankers, developers, environmental attorneys, and other stakeholders. The city had also applied for, and has since received an EPA national brownfields pilot grant.

3. The Empowerment Zone/Enterprise Community Program

The EEC program was being coordinated by the Mayor's Office, with a working group comprised of stakeholders in the strategic plan. The working group was in the process of establishing a nonprofit organization that will ultimately be the implementing entity, although the City of Houston will continue to disburse the funds. The program had been notified that it would receive a \$22 million EDI grant when the strategic plan and HHS regulations on use of funds were finalized. At that time, the program will be in a better position to evaluate how these funds, the associated Section 108 loan authority, and the SSBG funds will be disbursed.

Both HHS and HUD were participating on Houston's EEC working group. Several other federal agencies, including EPA, had offered assistance and information to the EEC program.

4. Using The EZ/EC Program To Address Brownfields

Both the EZ/EC program and the brownfields program were in a very preliminary stage of development. There was little information on programs or intended programs to date. Until the number and extent of contaminated sites within the enterprise community becomes known, it will be difficult to determine whether the EZ/EC incentives will be a useful or necessary vehicle for facilitating site remediation. EPA's early involvement with the EZ/EC program, however, ensured that brownfields were considered in the program's strategic planning.

IV. FINDINGS AND RECOMMENDATIONS

A. IMPORTANT LINKAGES EXIST BETWEEN BROWNFIELDS AND THE EZ/EC PROGRAM

1. EZ/EC Program Offers Significant Incentives

The EZ/EC Program offers participating communities important economic incentives that could be used for the cleanup and redevelopment of brownfields sites. The major ones include:

- private sector eligibility to access tax-exempt private activity bonds to finance business start-up and operations;
- millions of dollars in Social Service Block Grant Funds from the U.S. Department of Health and Human Services;
- special consideration for funding under numerous other federal programs, including the U.S. Department of Housing and Urban Development's Economic Development Initiative and its Section 108 loan program; and
- special flexibility in the interpretation of regulations and use of funds under federal programs.

2. Brownfields Recognized As A Barrier To EZ/EC Development

All of the EZ/EC participants surveyed recognized brownfields as a barrier to development in at least part of their zones or communities. They clearly understood that these sites impose significant social and economic cost burdens on afflicted communities.

3. EZ/EC Brownfields Efforts Vary

EZs/ECs varied widely on the extent to which they used or intended to use the EZ/EC Program to address brownfields. They fell into three basic groups:

- Communities that were marginally or recently aware of brownfields and did not have specific programs to address them. These communities said they will probably use EZ/EC-related grant funds directly for brownfields cleanup or related activities -- Baltimore, Houston, and Los Angeles;
- Communities that were aware of brownfield problems and had begun to address them, but will use existing programs for brownfields redevelopment and not the EZ/EC program -- Philadelphia/Camden and New York; and

- Communities that were aware of brownfields, had begun to address them, and intend to use the EZ/EC program as a direct vehicle for addressing them further -- Kansas City and Boston.

4. EPA Involvement Key To Brownfields - EZ/EC Linkages

EZ/EC communities that had significant EPA involvement in the strategic planning process seemed more likely to identify ways to use EZ/EC incentives specifically for brownfields-related programs.

5. EZs/ECs Want Federal Flexibility

Although they recognized that the program was in early stages, EZ/EC participants liked the idea of providing "one-stop shopping" for federal programs and resources in their communities. Communities expressed the hope that the increasing awareness and federal agency participation that is expected to come out of the EZ/EC program will allow them to identify and capitalize more sources of funds in flexible and creative ways.

COMPARISON OF EZ/EC PROGRAMS WITH RESPECT TO BROWNFIELDS					
City/ Metropolitan Area	Existing Brownfields Program?	EZ/EC Projects/ Strategic Plan Addresses Brownfields?	EPA Prominently Involved in EZ/EC Program?	Using EZ/EC Funds Directly for Site Remediation?	Applying for Pilot Program Grant?
Urban Empowerment Zones					
Atlanta, GA	N/A	N/A	N/A	N/A	N/A
Baltimore, MD	NO	YES	YES	YES	YES
New York, NY	YES	NO	NO	NO	N/A
Philadelphia/ Camden (PA/NJ)	YES	NO	NO	NO	N/A
Supplemental Urban Empowerment Zones					
Los Angeles, CA	NO	YES	N/A	N/A	YES
Urban Enhanced Enterprise Communities					
Boston, MA	YES	YES	N/A	YES	N/A
Kansas City (KS,MO)	YES	YES	NO	YES	YES
Houston, TX	NO	NO	YES	YES	YES
Note: N/A = Information not available					

B. USE THE EZ/EC PROGRAM TO HELP COMMUNITIES ADDRESS BROWNFIELDS

As shown by the case reviews, the economic incentives provided under the EZ/EC Program can be useful for brownfields cleanup. However, the incentives are not a panacea for the brownfields problem. Most EZs/ECs believe that the funds available under the program are too limited to finance cleanups. Further, the EZs/ECs represent only a fraction of the disadvantaged communities in the nation. Yet the high-profile nature of the EZ/EC Program does coincide with wider public interest in the issue of contaminated sites. If EPA targets brownfield efforts in these communities, EPA can capitalize on this profile to spur environmental remediation of these sites.

To maximize results in addressing this challenge, EPA should consider four elements:

- Tie brownfields pilot awards and other efforts to EZs/ECs;
- Work closely with EZs/ECs to ensure a brownfields focus in their programs;
- Promote regulatory flexibility for brownfields redevelopment in EZs/ECs; and
- Share lessons learned in EZs/ECs with other communities and agencies.

1. Target Brownfield Pilots and Other Agency Efforts to EZs/ECs

One powerful way that EPA could capitalize on the high-profile and economic incentives offered by the EZ/EC Program is by targeting Agency efforts, where possible, to these communities. For example, EPA could give special consideration to brownfield pilot applications that involve projects in EZs/ECs. Priority projects such as the Common Sense Initiative could also give strong consideration to proposals involving EZ/EC brownfields work. In new efforts such as the sustainable development challenge grant program, EPA could build in special consideration for projects in EZs/ECs. The Agency should also look to traditional air, water, and land media programs for tie-in opportunities.

2. Work With EZs/ECs to Ensure a Brownfields Focus

EPA should participate in the EZ/EC planning processes by educating them on ways to use the incentives and grants available under the EZ/EC Program for brownfields remediation. For example, EPA might show a community how to combine the regulatory flexibility offered under the EZ/EC Program with EZ/EC grant funds to establish a land reclamation bank (as proposed by Baltimore and Kansas City). The bank could purchase contaminated land and use grant funds to clean it up to an industrial standard. The bank would maintain ownership and lease it to developers, who would be shielded from liability under the regulatory flexibility provided by EPA. The lease income from the properties could finance future land purchases. EPA could analyze previous experiences from other brownfield programs to advise communities on how to create and operate such a bank.

3. Promote Regulatory Flexibility for Brownfields Work in EZs/ECs

The EZ/EC legislation mandates that regulatory flexibility be shown to distressed communities. EPA can carry out this mandate by examining regulations that might impede brownfields cleanup and determining the kinds of flexibility needed. The Agency could benefit from using the EZs/ECs as pilots to determine which regulatory interpretations will be most useful to brownfields programs and which regulations cannot be relaxed.

The Administration's regulatory flexibility initiative, *Reinventing Environmental Regulation* (March, 16, 1995) also contains several programs that could be utilized by communities seeking to redevelop brownfields:

- Promoting Project XL, a project that will support initiatives by facility managers to reduce costs of environmental management and achieve environmental performance beyond that required in existing regulations;
- Creating sustainable development challenge grants (which could be used for brownfields redevelopment);
- Refocusing hazardous waste regulation on high-risk wastes;
- Expanding the use of risk assessment in local communities;
- Using risk-based enforcement;
- Increasing the use of regulatory negotiation and other consensus-based decision making;
- Creating incentives for auditing, disclosure, and correction of environmental violations -- including contaminated sites; Streamlining RCRA corrective action procedures; and
- Supporting development of alternative strategies for communities to integrate environmental quality and economic development goals at the local level.

EPA could also encourage regulatory flexibility on the part of other agencies where it enhances brownfields programs. For example, HHS does not generally permit the use of EZ/EC SSBG funds for purchasing or improving real property unless it is done in the context of approved program options. Under current regulations, therefore, a program that wanted to use these grant funds to purchase and cleanup contaminated sites needs a waiver from HHS. EPA could request that HHS grant this waiver on a routine basis.

4. Share Lessons Learned in EZs/ECs With Other Communities and Agencies

By targeting efforts to EZs/ECs, EPA can test approaches for wider application nationwide. The EZ/EC Program is a natural forum for EPA to work with federal economic and social development agencies, such as HUD, USDA, and HHS, to increase their awareness and understanding of the brownfields problem. The brownfields cleanup and redevelopment lessons learned in the EZs/ECs should also be shared with communities across the country. The understanding and interaction created between agencies and communities should prove invaluable to brownfield efforts in these other communities.

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VI. APPENDIX: EZ/EC PROGRAM URBAN SELECTIONS

A. EMPOWERMENT ZONES

State	City
Georgia	Atlanta
Illinois	Chicago
Maryland	Baltimore
Michigan	Detroit, Wayne County
New York	New York County, Bronx County
Pennsylvania	Philadelphia
New Jersey	Camden

B. SUPPLEMENTAL EMPOWERMENT ZONES

State	City
California	City of Los Angeles, Los Angeles County Vernon County, Lynwood County
Ohio	City of Cleveland, Cuyahoga County

C. ENHANCED ENTERPRISE COMMUNITIES

State	City
California	Oakland, San Leandro, Alameda
Massachusetts	Boston
Missouri - Kansas	Kansas City
Texas	Houston

D. ENTERPRISE COMMUNITIES

State	City
Alabama	Birmingham
Arizona	Phoenix
Arkansas	Pulaski County
California	Los Angeles, Huntington Park
California	San Diego
California	San Francisco, Bayview, Hunters Point
Colorado	Denver City and County
Connecticut	Bridgeport
Connecticut	New Haven
Delaware	Wilmington, New Castle County
District of Columbia	Washington
Florida	Dade County, Miami
Florida	Tampa
Georgia	Albany
Illinois	East Saint Louis
Illinois	Springfield
Indiana	Indianapolis
Iowa	Des Moines
Kentucky	Louisville
Louisiana	New Orleans
Louisiana	Ouachita Parish
Massachusetts	Lowell
Massachusetts	Springfield

D. ENTERPRISE COMMUNITIES (continued)

State	City
Michigan	Flint
Michigan	Muskegon
Minnesota	Minneapolis
Minnesota	Saint Paul
Mississippi	Jackson
Missouri	Saint Louis City and County, Wellston
Nebraska	Omaha
Nevada	Clarke County, Las Vegas
New Hampshire	Manchester
New Jersey	Newark
New Mexico	Albuquerque
New York	Albany
New York	Buffalo
New York	Newburgh, Kingston
New York	Rochester
North Carolina	Charlotte
Ohio	Akron
Ohio	Columbus
Oklahoma	Oklahoma City
Oregon	Portland
Pennsylvania	Harrisburg
Pennsylvania	Pittsburgh, Allegheny County
Rhode Island	Providence

D. ENTERPRISE COMMUNITIES (continued)

State	City
South Carolina	Charleston
Tennessee	Memphis
Tennessee	Nashville
Texas	Dallas
Texas	El Paso
Texas	San Antonio
Texas	Waco
Utah	Ogden
Vermont	Burlington
Virginia	Norfolk
Washington	Seattle
Washington	Tacoma
West Virginia	Huntington
Wisconsin	Milwaukee