

WV Brownfield Presentation

Conventional Financing

Outline

- Conventional Commercial Bank Lending
- Problems Encountered
- Other Funding Options

Brownfield Lending 101

- Credit Worthiness of the deal,
- Strength of the borrowers and guarantors.
- How strong is the collateral?
 - How much equity is the borrower putting into the deal.
 - Initial Investigation and Remediation should be done by the Borrower.
 - How close to complete is the Brownfields Agreement and Remediation.
 - Cost to Cure
- Strength of the Agreements

Conventional Lenders

Risk Avoidance vs. Risk Management

- Liability – Deep Pockets
- Collateral – Stigma and Value Issues
- Transaction Costs – Much higher due diligence, insurance, and legal costs.
- Public Relations – Bad press, historical perception.

Collateral Risk for the Bank

- What protects the borrower from a large Environmental payout?
- Has the borrower done their homework?
- Do they have Legal Counsel
- A good Environmental Consultant
- Are we close enough for a Field Goal or TD?

FACTS:

What do we know.....or Don't Know

- About the RP?
- About the Plume?
- About sensitive receptors?
- How much work has been done?
- The State's Position?
- Contractual Obligations
- Offsite impacts

What are the contractual obligations?

- Need copies of all agreements
 - Purchase Contracts.
 - Brownfields Agreement.
- May need Legal Counsel for the Bank to review these agreements.

What is the offsite potential for impact?

- Has this been assessed?
- Especially sensitive to drinking water.
- Potential for third party lawsuits.

What is the Regulatory Position on the Risk...

- Has the State reviewed the Science of the Plume?
- What Engineering Controls?
- What Institutional Controls

Risks to Money..

- Need to convert the risks to Money
- Understand where the money is coming from to deal with the risks.



Problems Encountered

- Incomplete Investigation
- Brownfield Agreement not Completed.
- Issues with Contracts
- Unknown Risks and Costs

Case Study 1- Furniture Mfg in NC

- Groundwater Solvent Contamination.
- State DWQ required more assessment and remediation from RP
- Brownfields Agreement was complete and protected our borrower.
- However, the Sales Contract transferred ALL environmental clean up liabilities from the Seller (RP) to the Buyer/Borrower; and effectively negated the Brownfields Protection
- Outcome:

Case Study 2 – Lock Company

- The site in Eastern NC where the State Haz. Waste - RCRA was requiring Cleanup of Solvent and Metals.
- Residences and drinking water wells neighboring the property.
- The B.F. Agreement absolved the PD from remediation, except for what was required by State Haz. Waste Section.
- Haz Waste Section was requiring additional investigation and remediation.
- Outcome:

Case Study 3 – Misc Mfg in PA.

- Protection from onsite GW Plume covered under Brownfields, but not the River.
- Recommendation for Phase II of the river was omitted in Phase I.
- Client was angry when the consultant, because they withheld their recommendation, until questioned.
- Outcome:

Other Funding Options

- Where can borrowers go to purchase a property, until it is ready to be financed through traditional commercial bank.
- What funding sources are available for borrower's equity to remediate the site?

Other Funding Options

- Remediation Capitol Funding
- EnviroFinance Group
- Brownfield Renaissance Partners LLC

What they will cover...

- Site Characterization/Assessment
- Acquisition
- Remediation
- Predevelopment Expense/Soft Costs/Interest
- Construction
- Takeout/Permanent Financing

Other Funding Options...

- 50% LTV on dirty, un-zoned, raw land.
- 75% LTV on improved, dirty property.
- Approval Speed is rapid
- Typically works when no other financing is available

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