

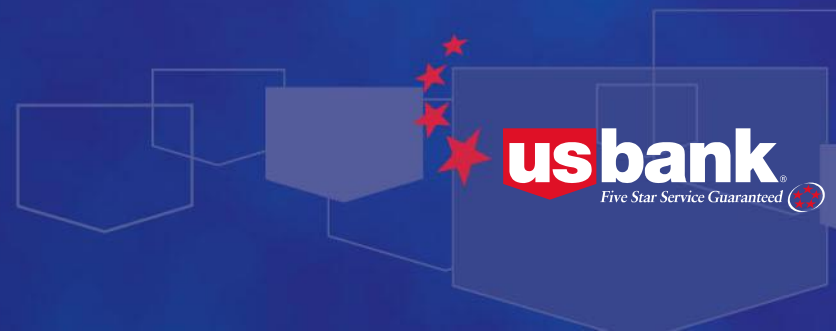
The Economics of Revitalization Forum, Part II

Financing Brownfields 2.0

RETECHS

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How Do I Approach a Brownfield Project?

- **Approach is similar to any property with contamination (this has not fundamentally changed in the last 10 years),**
- **Define the Nature and Extent of the Contamination,**
- **Document compliance with regulators - MPCA,**
- **Provide Cleanup Plan with Cost and Timeline to remediate.**

WHAT Do We Need from the Regulators?

- **Preferably Oversight and Approval, though not mandatory for some independent cleanups,**
- **If work has been done independently, must demonstrate compliance with the MPCA,**
- **Must have a cleanup plan that includes appropriate cleanups goals, verification sampling and complete documentation.**

What Can You Do To Facilitate The Loan On Contaminated Property?

- **Contract with a high quality and experienced consultant,**
- **Provide Bank's Read & Rely letter for reports,**
- **Seek firm with experiencing characterizing and cleaning up similar contaminants under similar geologic conditions,**
- **Make sure that they have worked successfully with the applicable regulatory program and MPCA.**

Communicating With Your Lender

- **Understand your property and disclose all known environmental risks early, including:**
 - Provide all environmental reports and plans (keep copies),
 - Relevant communication with MPCA,
 - Explain the remedial approach.
- **Expect a new Phase 1, even if the last Phase I ESA was conducted a few years ago, as this will summarize the previous work and identify gaps.**

How is Post Closure Cleanup Managed?

- **The cost estimate to cleanup plus a contingency may be escrowed,**
- **The size of the contingency is commensurate with the level of risk of the cleanup,**
- **If the cost of the cleanup plan or the method of cleanup appears uncertain, a Cost Cap insurance policy may be required.**

Post Closure Cleanup for Construction Loans

- **If the remediation can be accomplished during the site development, cost could be available from a construction draw,**
- **The construction draw approach works well for:**
 - **Dig and haul projects where the contamination is removed while excavating for a basement or below ground parking,**
 - **Placement of a barrier below the foundation,**
 - **Passive or active venting of the foundation.**

What are the Primary Obstacles to Funding?

- **Poor quality investigation,**
- **Good quality but limited work, where extent of Contamination has not been thoroughly defined,**
- **Inadequate documentation on the clean up and demonstration of regulatory compliance,**
- **Cost estimate is incomplete or there is a lack of confidence in the reliability,**
- **Timeline for completion uncertain.**

Getting financing in this Economy?

- **I have not changed my approach to Brownfield because of the economy,**
- **I have not noticed loan officers shying away from property with contamination,**
- **Support for deal with contamination depends on a clearly defining the nature and extent, an sound & approved cleanup plan and a manageable approach to the cost and timeline for the cleanup.**



Frequently Encountered Issues- Improperly Closed Service Stations & USTs



- **Tanks, product lines & contamination** may be present,
- **Geophysical Testing** may be needed to look for the tanks,
- Soil and ground water **sampling is needed.**

Solvent from Dry Cleaners & Historic Degreasing Operations



- Ask what solvent is or was used & how is it recycled?
- How old is the dry cleaner?
- After 5 to 6 years they are very high risk.

A Closer Look Revealed Illegal Storage and Disposal of Used Solvent



- Solvent was illegally decanted from filtrate
- Operator was evaporating spent solvent rather than properly recycling
- Borrower decided not to purchase property and worked with Bank on another property