

**U.S. House of Representatives
Committee on Financial Services
Hearing on Amendments to H.R. 2941**

**Robert Colangelo
Executive Director, National Brownfield Association**

I thank the Committee for the opportunity to present my opinion on HR 2941. In my capacity as Executive Director, National Brownfield Association, a non profit educational organization, with more than 600 members, I work with property owners, developers, investors transaction support professionals and representative of the public sector and hear the concerns of a wide range of stakeholders. As publisher and founder of Brownfield News magazine, the only magazine dedicated to coverage of this issue, and as manager of Brownfield Development, LLC, which holds title to a 26 acre industrial park a brownfield, I have first hand knowledge of the difficulties and complexities associated with financing and redeveloping brownfield properties.

“Brownfields” include properties that are contaminated or perceived to be contaminated. They may also include properties that are underutilized for various socioeconomic reasons, such as abandonment, obsolescence, tax delinquency, and/or blight.

Structuring the finance to acquire and cleanup environmentally impaired property remains the primary obstacle in redeveloping brownfields. The lending community considers brownfield transactions high-risk. Therefore, they are not leveraged and securing traditional sources of debt financing remains difficult at best. Banks will not lend on a brownfield property until its environmental risk has been mitigated. This leaves equity funds and gray market sources of capital as the primary mechanism for financing these transactions. Both sources of capital are expensive - typically requiring yields in excess of 30 percent.

As the brownfield market matures, considerable experience has been gained by both the public and private sector about the redevelopment process. The maturing market has left fewer positive value properties available that can generate returns that warrant the use of high priced capital sources. The current market condition has left hundreds of thousands of sites within the confines of our cities undeveloped due to the high cost of private capital, poor market conditions and difficulty in utilizing government incentives. As the market evolves, government incentives will continue to serve as a key mechanism to lower the cost of private capital. By structuring the acquisition of a brownfield using a combination of equity, debt and government incentives, a blended lower cost of capital can be achieved. The lower cost of capital will allow more brownfield sites to be economically redeveloped.

The governments and particularly HUD’s role in the brownfield redevelopment process will also increase as the market transitions from “environmentally-driven to real estate-driven transactions.

The Brownfield Office of the City of Chattanooga, Tennessee is a great example of the real world difficulties in using HUD’s Section 108 Loan Guarantee and the companion Economic

Development Initiative (EDI) and Brownfield Economic Development Initiative (BEDI) grants to promote industrial and business recruitment and retention.

The goal of Chattanooga's Brownfield Office is to have significant and positive impact on the city by identifying, developing and supporting redevelopment methodologies to provide expanded economic opportunities and healthy community environments for local communities affected by brownfields. The office identified the redevelopment of abandoned industrial sites – brownfields as an important economic objective for the city. Actions to facilitate this objective included the identification of projects to stimulate economic development using HUD's Section 108 Loan Guarantee and the companion Economic Development Initiative (EDI) and Brownfield Economic Development Initiative (BEDI) grants to promote industrial and business recruitment and retention.

However, implementation has been stymied by several factors including:

- Linking the Section 108 Loan to EDI/BEDI funding
- Unwillingness by the mayor's office to risk CDBG proceeds as collateral
- Lack of local financial expertise to administer the Section 108 loan
- Failure to produce a specific project that "fits" the HUD definition of "economic development"

This legislation appears to promote the responsible redevelopment and productive reuse of brownfield properties by removing unwarranted obstacles, specifically de-linking grants and loan guarantees for brownfield development from the pledge of the community development block grant funds. This proposed change will allow more communities to have access to funding which in turn should allow them to promote the cleanup, transfer, and economical reuse of more brownfields.

In addition, through the proposed formation of pilot programs, a common loan pool can be created that will allow public entities the flexibility and discretion to apply these incentives to local development projects.

This legislation is another step in the right direction toward fostering the participation of a wide range of stakeholders (owners, developers, transaction support, public sector, and community representatives) in brownfield redevelopment. Moreover, the bill would allocate resources to promote partnerships between the public and private sectors and encourage the reuse and redevelopment of brownfields consistent with the environmental and socioeconomic needs of the community. It also would create flexible incentives that promote the investigation, cleanup, transfer, and reuse of brownfields.

I strongly encourage his committee to consider creating opportunities for stakeholders to educate the public and private sectors regarding these new policies and incentives, create opportunities to network with other stakeholders to stimulate brownfield reuse, and to encourage dialogue that fosters responsible brownfield reuse and considers local needs and concerns.

Robert V. Colangelo

Executive Director, National Brownfield Association
Publisher, *Brownfield News* magazine
5440 N. Cumberland Avenue, Suite 238
Chicago, IL 60656
T: 773 714-0407
F: 773 714-0989
E: brownfield@compuserve.com

Mr. Colangelo is an entrepreneur whose has been a pioneer in the brownfield industry. He created Brownfield Development, LLC in 1994. The Company acquired a 26-acre industrial park, the first major cleanup proposed by a third party in Chicago. In 1996, he founded *Brownfield News* magazine, the foremost source of information for the brownfield market. In June of 1999 Colangelo established a nonprofit organization, the National Brownfield Association. In two short years, this association has climbed to over 600 members, all of whom are dedicated to improving the environmental and economic condition of our nation's cities. In 2001, he established Brownfield Central, LLC a web based online exchange for brownfield properties, products, services and information. Prior to working in the brownfield industry Colangelo founded Environmental Planning Group a strategic consulting/investment banking operation focused in the environmental industry.

Colangelo was a founding member of the ASTM E50.02 committee and has assisted in drafting the Pre-Screen and Phase I Site Assessments standards. Colangelo has instructed short course seminars for the University of Wisconsin and the National Ground Water Association on the topic of Phase I Environmental Property Assessments and has made numerous presentations on the topic of investigating and transferring environmentally impaired property in Eastern and Western Europe, Russia and North America.

He holds a BS in Geology and an MS in Hydrogeology from Northeastern Illinois University and is the author of three books:

Buyer Be(A)ware: Fundamentals of Environmental Property Assessments;
Environmental Site Assessments and Their Impact on Property Value: The Appraiser's Role ;
Brownfields: The National Perspective