

From Lemons to Lemonade: How DHEC's Brownfield Cleanup Revolving Loan Fund Can Help

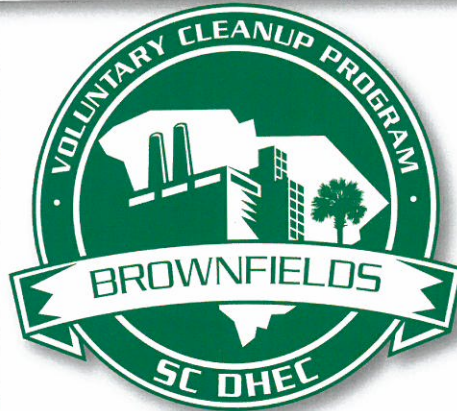
By Harold Shapiro
Senior Advisor
Catawba Regional Council of Governments

"This \$3+ million enterprise to create a recreational park from a former landfill and county maintenance area is a collaborative effort by Florence County to enhance the quality of life in the great State of South Carolina. Cooperation has been the cornerstone of our endeavor and will be crucial to our ultimate success. The impetus of this project was a \$2.5 million grant from the Drs. Bruce and Lee Foundation coupled with a low interest \$500,000 loan from the DHEC Revolving Loan Fund that was the final piece of the puzzle. When completed, this project will not only provide a first class recreational opportunity, but it will reclaim a blighted area by converting it into a revitalized estate in the blossoming City of Lake City" said K.G. Rusty Smith, Jr., County Administrator. (See **Rendering for new recreational park, P. 21**)

In addition to Florence, the counties of Aiken and Spartanburg have all taken advantage of DHEC's Brownfield Cleanup Revolving Loan Fund (RLF) to transform abandoned and contaminated old textile sites, manufacturing facilities and former landfills into properties that have new life. What once were brownfield properties are now being redeveloped or marketed



**Brownfields Cleanup
Revolving Loan Fund**
SOUTH CAROLINA



for reuse with the previous contamination either removed or contained.

The DHEC Revolving Loan Fund (RLF) is a \$7.5 million financing program, underwritten by EPA with additional funds provided by DHEC. Its purpose is to provide financial incentives in the form of below-market interest rates and limited debt forgiveness to help local governments, non-profits and businesses undertake the cleanup of hazardous waste from brownfield properties throughout the state. In doing so, the program helps alleviate health hazards, address community eyesores and potentially reinstate the former brownfield into productive re-use.

The RLF program provides very low interest loans (1 to 3 percent) for DHEC approved hazardous waste cleanup activities. Loans generally have 10-year terms. For local governments and nonprofits, a significant benefit is that 30 percent of the loan amount, up to \$200,000, is forgiven or in effect turned into a grant. Thus, on a \$650,000 RLF loan, only \$450,000 is repaid by the local government or non-profit.

Private businesses also can borrow from the RLF fund, but federal



Old maintenance facility in Lake City before cleanup for recreational park development

rules prohibit debt forgiveness. For a business, the advantage is having access to financing for contamination cleanup that is often difficult to obtain from conventional lending sources.

As one of most successful RLF financing programs in the southeast, 11 brownfield sites throughout South Carolina have been remediated in anticipation of new and productive uses with these funds. More than \$7.5 million has been loaned to date to enable the cleanup of sites such as large textile mills, landfills, scrap metal yards and contaminated industrial and commercial property. On these sites, new uses are emerging such as medical clinics, recreational parks, and shovel-ready, large scale commercial and industrial sites in highly desirable growth areas.

Spartanburg County used a \$1 million RLF loan to clean up the former Victor Mill site adjacent to Greer's downtown. According to Chris Story,

Assistant County Administrator at the time of remediation, "Without the RLF funding, this prominent piece of property would have continued to deteriorate until money was available in the county's budget. The RLF's low interest rate and the forgiveness provision helped make the financial decision easy."

RLF funds are available to property owners who are considered "non-responsible parties." The current or prospective owner cannot have contributed to the site's contamination. Furthermore, the RLF applicant must have entered into a Voluntary Cleanup Contract (VCC) with DHEC prior to taking legal possession to the property. One common approach is to obtain an option on the property, negotiate the required VCC, and then take possession of the site. The sequence of first obtaining the VCC before taking possession is critically important in not only being able to access funds from the RLF, but also to significantly reduce

potential liability for future claims of environmental contamination damage by third parties.

While RLF funds can supply a majority of the funding needed for cleanup, the program does require that the applicant contribute a match of 25 percent of the amount borrowed to the cleanup effort. For local governments and nonprofits, this local match can be provided through eligible in-kind services such as the waiver of tipping fees at county landfills and the use of public works equipment and labor. CDBG grants can also serve as the local match if used for cleanup activities.

Because these funds originate with EPA, borrowers are obliged to follow federal grant rules such as Davis Bacon. These requirements are similar to those of HUD CDBG programs, and most counties have experience in compliance.

According to Clay Killian, Aiken County Administrator, "It was a pleasant surprise to experience how helpful



Rendering of new recreational park on two adjacent brownfield sites in the Lake City area of Florence County (Illustration courtesy of Stewart Architects)

Catawba Regional COG and DHEC were in guiding us through the funding and reporting process.” In the case of Aiken County, RLF funds were used to cleanup the former 25 acre Seminole Mill site which—because of its close location to US Highway 1—is being primed for redevelopment.

Each RLF loan tends to be different in how it is structured, collateralized and guaranteed. Underwriting for the loan is specifically designed to be flexible in trying to meet the often unique circumstances of each local government or non profit. The actual application process has been streamlined with only a minimal amount of narrative material required. In fact, according to Suzanne King, Florence County Administrative Services Director, “Catawba COG and the DHEC Brownfields staff have played an integral role in

facilitating the seamless transition of this abandoned landfill into a wonderful asset to all who will visit. The relative ease with which the team conducted business was a rewarding experience.”

Applications are acceptable throughout the year. Once the necessary background and financial information is provided by the applicant, a funding decision is usually forthcoming within 30 days. This is a particularly opportune time for counties to consider brownfield cleanup projects using RLF funding. The DHEC RLF fund currently has in excess of \$2.5 million in unobligated funds.

The fund’s lending ability was recently augmented by an additional half-million dollar grant from EPA. Most loans from the fund are in the \$200,000 to \$500,000 range although—depending on funding availability—larger loans of up to a \$1 million plus are possible.

The RLF fund is managed jointly by DHEC and Catawba Regional COG in Rock Hill. Catawba Regional is responsible for marketing, underwriting and servicing RLF loans on a statewide basis.

To learn more about the RLF program, a helpful Fact Sheet is accessible on the Catawba Regional COG’s website at <http://catawbacog.org/wp-content/uploads/2010/05/BCRLF-fact-sheet-2014.pdf>



For more information on the program, contact Harold Shapiro at the Catawba Regional Council of Governments at hshapiro@catawbacog.org, or (803)-327-9041.



Demolition and cleanup of Victor Mills in Spartanburg County



Seminole Mill in Aiken County undergoing demolition and cleanup



Abandoned Piedmont Shirt Factory in Greenville County before demolition and soil cleanup by Greenville County Redevelopment Authority