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INTRODUCTION

Good morning, Mr. Chairman, and Members of the Subcommittee. I am pleased to have this opportunity to appear before you today to discuss the Brownfields Economic Redevelopment Initiative and, in particular, the Brownfields Cleanup Revolving Loan Fund Pilot program.

BROWNFIELDS ECONOMIC REDEVELOPMENT INITIATIVE

Today, through the Brownfields Initiative, EPA continues to promote the assessment, cleanup, and redevelopment of abandoned and contaminated properties across the country that were once used for industrial and commercial purposes ("brownfields"). While the full extent of the brownfields problem is unknown, the United States General Accounting Office (GAO\RCED-95-172, June 1995) estimates that approximately 450,000 brownfield sites exist in the United States. Virtually every community in the country, no matter what the size, is grappling with the challenge of problems associated with recycling older, mostly industrial and commercial properties. The presence of these properties fuels urban sprawl, luring investment and job development farther from city centers and inner suburbs.

The Administration believes that environmental protection and economic progress are inextricably linked, and what is good for the environment is also good for the economy. Cleanup of sites is only half of the equation. It is best pursued in tandem with redevelopment, to maximize community benefit both publicly and privately. The Brownfields Initiative exemplifies an effort to bring all parties to the table. The Initiative provides a framework which encourages stakeholders to seek common ground on a range of challenges -- environmental, public health, economic, legal and financial, and it is a worthy challenge. The Agency's multifaceted brownfields initiative represents a significant step forward by the Administration and, according to Renew America, represents "a new paradigm in locally-based environmental protection that forges public-private partnerships, promotes innovation, and relies on market incentives and private sector actions."

To stimulate redevelopment and attract private-sector interest in the redevelopment and reuse of brownfields, there continues to be a need for government initiatives like the Brownfields program. According to the U.S. Conference of Mayors (USCM), our cities, towns and urban centers are sitting on hundreds of thousands of acres of brownfields. The Conference of Mayors surveyed 200 cities and determined that "the lack of cleanup funds" for brownfields is "the most frequently identified impediment" to the cleanup of brownfields. The report, *Recycling America's Land, (Volume II, April 1999)* estimates that developing brownfields could bring in almost $1 billion to nearly $3 billion in tax revenues annually, create nearly 700,000 new jobs, and take some of the development pressure off of our farms and forest lands.

EPA's brownfields assessment pilots are making a difference in shifting the balance of current incentives away from greenfields and to brownfields investment. Increasingly, private investment opportunities are being attracted to sites assessed by the pilot program. As the Agency has learned, to attract and leverage greater private investment to a broader spectrum of sites so that they, too, can become more marketable, support from the government beyond providing site assessments to fund support for cleanup is needed. In a recent study funded by EPA, the Council for Urban and Economic Development (CUED) reviewed 107 brownfields projects across the country. The projects examined involved both public and private sectors. The report concluded that for every $1 the federal, state, and local governments put into revitalizing brownfields, $2.48 in private investment is attracted. Stamford, Connecticut, while not a part of the CUED study, illustrates the report's point. Stamford recently made its first loan in the amount of $250,000 from the Brownfields Cleanup Revolving Loan Fund to a private developer. This loan will leverage a $30 million investment.

As part of the Brownfields Initiative, the Brownfields Cleanup Revolving Loan Fund pilot program is one aspect of a nationwide effort to grapple with the challenges associated with cleaning up abandoned or underutilized, and contaminated properties. It is an effort taking place in both rural and urban communities.

Let me briefly describe what we have accomplished in the almost five years since the initial Brownfields Action Agenda was announced on January 25, 1995.

Brownfields Assessment Demonstration Pilots

The Brownfields Assessment Pilots have served as an essential and important tool in a comprehensive strategy to promote the sustainable reuse of brownfields. Pilot activities are directed toward environmental response activities preliminary to cleanup, such as site assessment, identification, characterization, and site response or cleanup planning and design. To date, EPA has selected 307 pilots in states, communities and tribes, funded at up to $200,000. These two-year pilots are intended to generate further interest in Brownfields redevelopment across the country. Many different communities are participating, ranging from small towns to large cities. In charting their own course toward revitalization, we are seeing many positive results. The assessment pilot effort,

combined with our targeted state and EPA property assessment efforts, has resulted in the assessment of 1,174 brownfields properties. Our assessment pilots have reported the related cleanup of 134 properties, and determined that more than 575 properties do not need additional cleanup. This has led to known redevelopment of 51 properties. The assessment pilots have provided information that they have leveraged more than $1.6 billion in redevelopment funds and have been the catalyst for support for more than 5,000 jobs as a result of the EPA program.

Chosen through a competitive process, these pilots are helping communities articulate a reuse strategy that demonstrates model opportunities to organize public and private sector support, and leverage financing, while actively demonstrating the economic and environmental benefits of reclaiming brownfield sites. The Brownfield pilots enable recipients to take a unified approach to site assessment, environmental cleanup, and redevelopment, an approach that stimulates economic activity and the creation of jobs.

Stakeholders tell the Agency that many Brownfields redevelopment activities could not have occurred in the absence of EPA efforts. For example:

- In Chicopee, Massachusetts, an older manufacturing community, EPA funded an assessment on a 3.75 acre site which had become a haven for criminal activity. Combined with funds from the HUD Community Development Block Grant, the city demolished the old building on the property. A subsidiary of CNBC has begun construction of a state-of-the-art digital broadcasting station that is expected to leverage 100 new jobs.

- In Birmingham, Alabama, efforts are underway to transform a run-down industrial area into a 150-acre industrial park, with 75 acres reserved for heavy industry, a 50-acre distribution center, a business park, and a full-scale retail center. Work on the distribution center is already underway, and by the project's completion, more than 2 million square feet of industrial and commercial facilities could be in place. Planners believe that ultimately the area will see the creation of more than 2,000 jobs.

- In Somerville, Massachusetts, the construction of a $14 million assisted living and neighborhood health center by the Visiting Nurses Association is being built as a result of the brownfields assessment grant and a combination of other federal funding support.

The Brownfields Assessment Demonstration Pilots have helped to lay a foundation for revitalizing communities. We speak often about involving key stakeholders, but for many communities, the first step is often from within, calling for interdepartmental coordination and collaboration among such entities as the city's redevelopment and environmental, public health, legal, business and finance

departments and offices. This infrastructure and institutional modeling is critical to a sustainable community-based brownfields solution.

Brownfields Cleanup Revolving Loan Fund Pilots

As EPA worked to implement a comprehensive brownfields strategy, it became clear that we needed to build upon our experience with the assessment pilots through a "second stage" brownfields pilot award. The Brownfields Cleanup Revolving Loan Fund (BCRLF) pilots reflect this staged approach. To EPA, the previous award of an assessment pilot serves not only as one of EPA's possible pilot eligibility factors, but it also is a useful indicator of both the experience and the commitment a community has made to address its brownfields problems.

Through capitalization grants from EPA, the BCRLF pilots enable communities and coalitions of communities to fund the safe cleanup and sustainable reuse of brownfields through revolving loan funds. EPA's goal for these pilots is to develop revolving loan fund models in communities that can be used to promote coordinated public and private partnerships for the cleanup and reuse of brownfields.

Brownfields are not alike; instead they fall on a continuum. At one end are properties for which the market is strong enough to overcome environmental or other liabilities. Those sites are the proverbial "low hanging fruit," ripe for picking by developers and among the most easily supported by investors and lenders. Those sites that will not draw private redevelopment quite so easily are the very properties that we believe will benefit most from the BCRLF. These marginally viable properties are often characterized by weaker marketability, unknown or potential environmental contamination, and, often by location in distressed neighborhoods where property values are low and other social problems persist. For the transactions involving these properties to succeed, some measure of government intervention usually is required.

In fiscal year 1997, EPA used $10 million of its brownfields budget for the award of BCRLF pilots at up to $350,000 each. Twenty-three pilots are now in various stages of development. It is true that none of these original BCRLF pilots has made a loan to date. I am confident that will soon change. Although EPA awards the BCRLF through cooperative agreements, the day-to-day operations and activities relating to loan applications are the responsibility of the BCRLF recipient. Many of the pilots have been delayed not only because of the newness of the program itself, but also because of such things as personnel turnover. Prior to making a loan, communities must develop the infrastructure necessary to ensure that loans will be in compliance with the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA); the National Contingency Plan (NCP); and cross-cutting Federal authorities. The development of such an infrastructure requires a real commitment from pilot communities, as well as considerable sophistication and understanding. The importance of such a commitment cannot be overlooked in this equation. For some

pilots, infrastructure development, requiring the establishment of both site manager and fund manager roles, has proven to be a difficult task. For others, the more difficult task is finding an eligible borrower.

EPA is working to overcome BCRLF pilot program start-up delays. Indeed, the establishment of these initial pilots in October 1997 preceded the publication of the BCRLF Administrative Manual (May 1998) by eight months. The Manual details the appropriate infrastructure to sustain, account, and report on loans and cleanup. It is intended to assist not only the pilots but also EPA regions in developing cooperative agreements and overseeing BCRLF pilots, as well as providing program participants with a description of the program requirements. In addition, the Agency also published in October 1998, model terms and conditions to further aid the understanding of the pilots regarding specific requirements of the BCRLF pilot program. Without the descriptions and explanations these materials could provide to the pilots, many communities were uncertain as to the best way to proceed. To further assist pilots, the Agency has planned a separate BCRLF Pilot-to-Pilot session to precede the Brownfields '99 Conference, December 6-8, in Dallas, Texas. This pilot session will be held on December 6th and is designed to provide opportunities for all of the BCRLF pilots to learn from one another, interact and network, and raise issues for discussion. Finally, the Agency has been working on providing supplemental support for the BCRLF program in EPA Regions through the establishment of an Interagency Agreement with the U.S. Army Corps of Engineers. Through this agreement, the EPA will provide budget support for use of Corps personnel in each EPA regional office for a twelve-month period.

Developing a new program is not done in an instant. It is an evolutionary process, as we have discovered. Better understanding of the program has emerged from this process. We have educated ourselves as to the needs of our pilots, and the pilots have educated us as well as themselves as to the requirements of the program. We have stretched our capacity to the fullest to assure communication and education continue. As each piece of the puzzle has fallen into place, we find progress being made. A synergy has emerged from this effort that has already been evidenced by the quality, and quantity of applications received for the award of the 1999 BCRLF pilots. Representing more than 65 communities as single pilot communities or as coalitions of states and communities, forty-five (45) new BCRLF pilots were announced just this past May. In ten of the new pilots, states like Massachusetts, Illinois, Arizona, and California will assist cities in carrying out a variety of activities under the BCRLF. We were extremely pleased to see in the applications an increased level of understanding of program parameters and needs, as well as a sophistication in infrastructure planning. In addition, as a result of the dialogue with the first round of pilots, the Agency has determined that recipients of the most recent pilots would benefit from an increase in capitalization grants to $500,000 per community.

The period following the announcement of this latest round of BCRLF pilots has been a busy one for both EPA regions and the new pilots. Over the last several

months, pilots developed formal cooperative agreement application packages. The information in the BCRLF pilot proposals formed the basis for the cooperative agreement application. However, the cooperative agreement application requires, in most cases, more detailed information, including standard budget forms and a formal workplan. The 45 BCRLF pilot cooperative agreement negotiations were just completed on September 30, 1999. Since that time, each pilot is proceeding with the establishment of its BCRLF loan program, and procedures for day-to-day management of loans. The specific responsibilities of the cooperative agreement recipient include both environmental and financial management components of operating a loan fund. Two key roles must be in place prior to loans being made, the BCRLF site manager and the fund manager. In addition, loan documents and properties must be identified and processed.

Since my appearance before the Commerce Subcommittee on Finance and Hazardous Materials in August, I am extremely pleased to be able to report that the first BCRLF loan has been made. The loan was made on the 1st of October in Stamford, Connecticut, and will be used to help clean up the Stamford Harbor waterfront property. The $250,000 loan was awarded by the City of Stamford to the Southfield Associates, LLC, through its managing member, Clearview Investment Management, Inc. Clearview Investment, which specializes in the management of waterfront redevelopment, will use these funds to restore the harbor area to a major economic and recreational resource. Restoration of the harbor will also provide a much-needed economic boost to Stamford's two lowest-income neighborhoods, Waterside and South End, which are located within a State Enterprise Zone. Waterside's population is 71% minority residents, with 25% of families living below the poverty level, while South End's residents are 80% minority residents, with a 16% poverty rate.

The 15.1 acre project area, which includes both the 2.88 acre Northeast Utilities Site and the 12.31 acre Hoffman Fuel Site, will be developed into a residential shore front community, called Southfield Harbor. The development will include approximately 320 residential units and a marina facility with approximately 68 boat slips. The development will also include an extensive boardwalk system, which will include seating areas, educational signs, and a public fishing pier.

The BCRLF loan to Stamford is expected to leverage $30 million dollars of private development funds. The loan also is expected to generate between 100 and 200 construction jobs and 12 full-time, permanent administrative jobs.

Mayor Malloy from the City of Stamford is here today to share his perspective on the BCRLF, but let me tell you why I think Stamford was successful in making the first BCRLF loan. The Stamford pilot represents a very personal commitment by the Mayor to revitalize his city. He visited me in Washington several months ago and said at that time that it was his intention to make that first loan. I have no doubt that Stamford benefitted from the program development, education, outreach, and communication EPA has undertaken. The guidance manuals and materials are instructive and the

efforts in EPA's regional offices are commendable, but the Mayor's energy and commitment to the program must not be overlooked or underestimated.

Building on the Stamford pilot experience, several of the new pilots have tentatively identified loan recipients, and we therefore anticipate that loans will be forthcoming from these pilots in the near future.

Within the next few weeks, the Agency will be publishing in the *Federal Register* a notice that applications are being accepted for a third round of BCRLF pilots. Applications will be due in February and grant recipients will be announced next Spring. EPA will again be awarding pilots to both individual entities and to coalitions. Because coalitions of varying numbers and funding needs are anticipated, it is somewhat difficult to predict the number of pilots that will be awarded. Awards will again be up to $500,000 per eligible entity.

Other Brownfields Initiative Activities

Job Training Pilots

EPA initiated a third brownfields demonstration pilot program in 1998 to help local citizens take advantage of new jobs created by assessment and cleanup of brownfields. The Job Training and Development Demonstration Pilot program provides two-year grants of up to $200,000 to applicants located within or near one of the existing assessment pilot communities. Colleges, universities, non-profit training centers, and community job training organizations, as well as states, Tribes and communities, were eligible to apply. Today, 21 job training pilots are in place. The first 11 were awarded last year, and the most recent 10 pilot awards were announced in May.

Brownfields Partnerships Build Future Solutions

The Brownfields Initiative is clearly about partnerships -- with other Federal, State, and local agencies, and a diverse array of stakeholders. The EPA has undertaken partnership efforts with individual States as well as through broad organizational structures like the National Association of Development Organizations (NADO), the National Governors Association (NGA), the National Association of Local Government Environmental Professionals (NALGEP), the Conference on Urban Economic Development (CUED) and the U.S. Chamber of Commerce.

EPA continues to work closely with States and Indian Tribes as key partners in the cleanup and redevelopment of contaminated properties. The Administration supports the continued growth of the State and Tribal regulated and voluntary programs which have greatly expanded the number of sites cleaned up to protect human health and the environment. To date, 44 States have established voluntary cleanup programs. Recognizing the important role that State environmental agencies

have in encouraging economic redevelopment of brownfields, EPA has provided $28.6 million in funding to States and Tribes to support the development of these programs since FY 1997. EPA will provide $10 million, in FY 2000, to encourage the development or enhancement of State programs that encourage private parties to voluntarily undertake early protective cleanups of less seriously contaminated sites, thus accelerating their cleanup and redevelopment. EPA is also pleased with the progress it has made in signing MOAs with States. Twelve States have now signed MOAs with EPA regarding sites to be cleaned up under voluntary cleanup programs. The most recent state to sign an MOA with EPA is Oklahoma in Region 6. One additional MOA is now close to signature.

Brownfields National Partnership

Early in the development of EPA's Brownfields Initiative, the Agency realized that it needed to find ways to further identify, strengthen, and improve commitments to brownfields, while continuing efforts toward a comprehensive, community-based approach to clean up and redevelop contaminated property. We recognized the important contribution of many of our Federal partners to brownfields through their participation in the Brownfields National Partnership. Through the partnership, Federal departments and agencies can offer special technical, financial, and other assistance that can be of great benefit to brownfields communities. More than 20 national partners are committing resources and assistance to brownfields. The Federal Home Loan Bank Board, for example, is exploring ways to bring more private investment to redeveloping brownfields properties and, along with the U.S. Conference of Mayors, has selected 50 cities to participate in a project to research opportunities, impediments, and successes by both cities and lenders to address brownfields.

Showcase Communities

The Brownfields Showcase Communities project is an outgrowth of those early partnership efforts and now forms an important component of the Brownfields Initiative. It represents a multi-faceted partnership among federal agencies to demonstrate the benefits of coordinated and collaborative activity on brownfields in 16 Brownfields Showcase Communities. For example, through the Showcase Community in Glen Cove, New York, a revitalization plan to convert brownfields and Superfund sites into tourist destinations has been completed. State, Federal, and local agencies have played a crucial role in securing $18 million in grants from various agencies. In addition, a prospective purchaser agreement was signed between EPA and the Glen Cove Industrial Development Corporation for the Li Tungsten and Captain's Cove Superfund sites. Proceeds from selling the property will go toward repaying response costs.

Redevelopment Barriers - Addressing Liability Concerns

The Agency also committed to addressing the fear of liability and other barriers impeding the cleanup and redevelopment of brownfields. Over the past several years, EPA has announced a variety of guidance and initiatives that have had a positive impact among Brownfields stakeholders in terms of removing uncertainties often associated with brownfields properties. The Agency also is pleased to see the inclusion of innocent and contiguous landowner defenses and protection for prospective purchasers as common elements of most brownfields legislative proposals. We believe these liability relief provisions -- innocent landowner, contiguous landowner and prospective purchaser -- will provide a great deal of certainty to homeowners, buyers, and developers involved in the purchase and sale, and cleanup and redevelopment of brownfields properties.

Lessons Learned

The Brownfields Economic Redevelopment Initiative has achieved much initial success. The continuing value of the Brownfields Initiative is its evolution and promise for the future. To build upon these successful first steps and launch others, we must not lose sight of our overall goal to revitalize communities. With the breadth and variety of activities and stakeholders converging on the brownfields issue, we have tried to establish a framework that articulates a complete and comprehensive brownfields program. Brownfields cleanup under the BCRLF pilot grant program, in particular, is a tool to help leverage opportunity for the revitalization of communities.

EPA recognizes that more must be done to provide flexibility to the brownfields cleanup and redevelopment process. As we hear from many of our pilots, and as I am sure Mayor Malloy would echo, compliance with the National Contingency Plan regulations when using Superfund Trust Fund monies while substantially less complex than those provisions applying to the Superfund remedial program, are nonetheless daunting to many.

Brownfield reforms made under CERCLA should be codified, and should reaffirm use of the Superfund Trust Fund to address the full range of brownfield issues including: technical assistance funding for brownfields identification, assessment and reuse planning, cooperative agreement funding to capitalize revolving loan funds for brownfields cleanup, support for State development of voluntary cleanup programs, liability protection for bona fide prospective purchasers, innocent landowners of contaminated property and contiguous property owners, support for mechanisms for partnering with Federal, State, local and tribal governments and other non-governmental entities to address brownfields, and support and long-term planning for fostering training and workforce development.

LEGISLATION

The Clinton Administration strongly supports the passage of brownfields legislation and views it as an important step toward restoring hope, opportunities, and jobs to local communities and neighborhoods that are being held back by the presence of abandoned industrial sites. Through three rounds of administrative reforms, the Superfund program has made significant progress in cleaning up hazardous waste sites, protecting public health and the environment, as well as in the assessment and cleanup of brownfields sites.

In the past, the Administration supported brownfields legislation within the framework for comprehensive legislative reforms to the Superfund program. In light of the progress being made, the ever increasing need to meet and assist communities in their revitalization, as well as the apparent bi-partisan, and broad-based public support for brownfields reform, the Administration now supports a targeted legislative approach which addresses brownfields cleanup and redevelopment, and specific liability provisions necessary to support brownfields. In addition, EPA strongly supports legislation that would reinstate the expired Superfund taxes. These funds are needed for the ongoing Superfund cleanup effort and the brownfields program.

Among the legislative approaches introduced in this session, H.R. 1750, the "Community Revitalization and Brownfields Cleanup Act of 1999," was introduced by Representative Towns and is co-sponsored by 170 Members of Congress. As Administrator Browner stated in her letter of May 10, 1999, "this brownfield redevelopment legislation is an important step toward restoring hope, opportunities and jobs to local communities and neighborhoods that are being held back by the presence of abandoned industrial sites." Accordingly, Administrator Browner expressed the Clinton Administration's strong support for the approach taken in HR 1750, which would promote brownfields cleanup and redevelopment by providing grants and loans, and providing appropriate liability protection to prospective purchasers, contiguous property owners and innocent landowners; and preserves critical safeguards for communities by ensuring EPA has authority to protect human health and the environment.

A June 4, 1999, letter from President Clinton to the Honorable Deedee Corradini and the Nation's Mayors echoes the sentiments expressed in Administrator Browner's letter. Administrator Browner's letter notes the broad consensus of Congressional and public support enjoyed by brownfields reform proposals, and requests the opportunity to continue to work with Representative Towns on appropriate resource levels and other refinements to the bill. President Clinton's letter likewise remarks that HR 1750 offers the best prospect for broad public support, because it focuses on those proposals that reflect substantial consensus in Congress and among communities; and confirms his commitment to continue to work with Representatives Boehlert and Borski, as well as Senator Baucus, to achieve truly bipartisan brownfields legislation.

EPA has identified several provisions of H.R. 1750 that are of particular merit.

The bill provides $500,000 for brownfields assessment grants and $500,000 - up to $1 million - for grants for the capitalization of revolving loan funds. Unique to the legislation, however, are provisions which (1) ensure grant funding support for local governments, consortiums, and regional councils; (2) provide opportunities to support projects and programs with particular significant environmental and economic benefits; (3) make awards to states as determined necessary to facilitate receipt of funds by one or more local governments and (4) simplify the grant application and review procedures conducted by the Agency.

H.R. 1750 also limits the procedural requirements of the NCP in brownfields "to the extent that those requirements are relevant and appropriate to the program..." To that end, the Agency would seek to continue to apply those provisions of the NCP that address the need for fully protective cleanups in compliance with State and Federal regulations. Refinements to the brownfields program, such as the provision in H.R. 1750, reflect and express the insights and experience we have gained from our brownfields pilots. H.R. 1750 removes yet another barrier to the redevelopment of properties in distressed urban areas and small towns. Other pending legislation does not address the procedural issues of Superfund and the NCP as they relate to brownfields. We look forward to working with the Congress to address specific provisions and resources issues in this bill.

CONCLUSION

The federal attention directed at brownfields assessment, cleanup, and redevelopment over the past five years reflects a growing realization that yesterday's eyesore is today's opportunity. For EPA and the federal government, it is an opportunity to demonstrate that environmental protection can also promote economic development. For communities and cities, it is the opportunity to return a wasted asset to productivity, job creation and revenue generation. For local contractors and developers, brownfields redevelopment is an opportunity to expand their work, to clean up sites and to build new facilities. For local lenders, it is the opportunity to meet their community reinvestment needs, often at much less of a credit risk than they might otherwise anticipate. But the biggest opportunity is for the people who live with brownfields sites every day. Eyesores are cleaned up. Frequently, potential threats to health are substantially reduced, if not altogether eliminated The value of property increases. And often brownfields redevelopment provides the neighborhood's residents with a new sense of hope.

We are confident that the BCRLF program has caught hold and will be moving forward to make more loans for brownfields cleanups in the future.

Finally, EPA is encouraged by the focus that Congress has given to the problems engendered by brownfields. We remain committed to working with you to generate a broad consensus among a variety of local, state and private sector stakeholders on brownfields legislation that can be enacted and signed into law.

Thank you. I would be happy to answer any questions on the brownfields program you may have.