




# Financing A Brownfield



*Another Piece of the Puzzle:*

**Community  
Development Banking**

# Community Development Banking



**Banks** dedicated to partnering with businesses, government, non-profit organizations and individuals to revitalize underserved communities through job creation, affordable housing, equity investment, financial education and other enterprises that promote economic opportunities and sustainable communities.

- Commercial Banks
- Community Development Financial Institutions (CDFIs)
- Community Development Corporations (CDCs)

# Bankers...

## Late to the Brownfield Party




Until 1995, government-funded programs primarily drove Brownfield development.

Banks were hesitant to lend for environmental clean-up projects or even provide post clean-up construction funding due to

- lender liability issues;
- perceived risk (safety & soundness issues; reputational);
- lack of capacity for this type of specialized lending (especially small banks); and
- economic cycles; bank's business plan.

Added Incentive:

# The Community Reinvestment Act



In 1977, Congress enacted the Community Reinvestment Act (“CRA”) to encourage federally-insured banks and thrifts to help meet the credit needs of their entire community including low- to moderate-income neighborhoods, consistent with safe and sound operations.



Revisions to the CRA in 1995 transformed the way financial institutions comply with the law through their lending, service and investments.

# CRA CREDIT



***“...Loans to borrowers to finance environmental cleanup or redevelopment of an industrial site as part of an effort to revitalize the low- or moderate-income community in which the property is located.”***

***“...The rehabilitation and construction of affordable housing or community facilities may include the abatement or remediation of, or other actions to correct, environmental hazards, such as lead-based paint, that are present in the housing, facilities, or site.”***

**Bank loans / investments receive CRA credit if the project is situated in a qualified location and financing leads to the remediation of contaminants and the successful redevelopment of the site (job creation, affordable housing, etc.).**

# Financial Initiatives


## Suitable for Brownfield Projects



- **Commercial Bank Financing** (can include Participation Loans with other Lenders; Consortium Loans; Shared National Credits)
- **New Market Tax Credit (NMTC) Loans**
- **Community Lending Program (CLP)** from Federal Home Loan Bank (FHLB)
- **Commercial/Industrial Development Bonds (IDBs)**
- **Bank Investments (CDEs, CDFIs, CDCs, national investment corporations, bonds).** Must pass the “community welfare” test.

Bring a Friend to the Table

## Leveraging Private & Public Funds



Sharing liability and exposure on an environmental credit can make a deal more attractive to the conventional or community development bank, i.e. grants for clean-up or remediation; credit guarantees.

*Banks can provide critical early-stage and gap financing for project developers. “Take-out” financing or guarantees from outside sources make the projects doable for many banks.*

# Project Partners

- Federal Grants
- Federal Loans
- Tax Incentives
- State Environmental Redevelopment Funds
- Foundation Grants
- Private Conservation Groups; Non-Profits
- Private Capital Investors
- Other Banks, CDFIs, CDCs, CDEs





Get Your Project Noticed...

# Secrets from a Community Development Banker

## PROJECT LOCATION

- ✓ Census Tract Number and Income Level of Tract (Low-, Moderate-, Middle- [including Rural Distressed or Underserved Area], or Upper-Income)
  - [www.ffiec.gov](http://www.ffiec.gov) (Choose Geocoding/Mapping System)
  - Include MSA, State Code, County Code, Tract
  - May be included in Appraisal
- ✓ Federal, State or Local Designations
  - TIF District (Tax Increment Financing)
  - Empowerment or Enterprise Zone
  - Designated Disaster Areas
  - Other official designation consistent with a federal, state, local or tribal government plan for the revitalization or stabilization of a low- or moderate-income geography.



**MORE**

Get Your Project Noticed...

# Secrets from a Community Development Banker

## REDEVELOPMENT OF SITE

✓ **Job Creation**

- \* Number of jobs created
- \* Wages paid (range)
- \* Skilled or Unskilled Labor

✓ **Affordable Housing**

- \* % of Units Reserved for Low- and Moderate- Income Persons
- \* Average Rent (HUD's Fair Market Rent Calculation)

✓ **Community Revitalization / Stabilization**

- \* How will Project Revitalize or Stabilize an Area. Example:  
"Provide necessary infrastructure to attract residents and businesses and increase tax base."

✓ **Community Services Targeted to Low-or Moderate-Income Persons. Examples:**

- \* Child Care - Percentage of clients receiving subsidized care
- \* Schools - Socioeconomic % of students ([www.greatschools.net](http://www.greatschools.net))
- \* Health Care - % of clients receiving Medicare and Medicaid subsidies + % of annual revenues charged as charity or indigent care (company financials)

The  
End  
Result



# Financing Brownfield Projects

Diverse Examples Utilizing  
Commercial Bank Funding for  
Brownfield Projects


# Financing the Purchase of Land & Construction of Distribution Center for Regional Distributor of Wholesale HVAC & Plumbing Components



11.38 Acre Former Industrial Site Owned by the  
Local Municipality  
*Remediated Brownfield Site in Moderate-Income  
Census Tract ; Job Creation Led to CRA Qualification*

- Phase I - Identification of several Recognized Environmental Conditions
- 2005 - Phase II on behalf of the Municipality & resulted in Phase III remediation recommendation.
- Contaminated soils removed. No contaminants of concern identified in groundwater.
- Early 2010 - Land Use Covenant signed by Municipality, WVDEP & approved by Project Manager.
- February 2010 - Certificate of Completion was issued.
- April 2010 - Borrower commences financing.
- May 2010 - Bank issues Commitment Letter.
- June 2010 - Engineering study disclosed that the aforementioned remediation created subsurface problems requiring correction before building could be constructed.
- June 2011 – Construction financing closed. WVEDA provided takeout funding.
- April 2013 – 75,000 sq ft Distribution Center opens creating several jobs for the area.

# Funding Line of Credit for Subcontractor Providing Materials




Decommissioning and decontamination (D & D) of a nuclear plant that produced enriched uranium, including weapons-grade, for the U. S. atomic energy program & nuclear weapons program.

*Environmental clean-up of site located in a moderate-income census tract led to CRA qualification*

- The U.S. Government hired contractor to perform the D&D over the next 10-15 years.
- Borrower, a full service industrial supplier of pipe, valves & fittings, had opportunity to be one of the primary suppliers for materials.
- Borrower is Level Two Tier Certified Supplier for U.S., HUB-Zone Certified, State EDGE Certified Supplier, and “Small Business” as recognized by the federal government (contractor must award certain % of subcontracts to local small businesses).
- Line of credit to be used for special order items and increased inventory related to the project.


# Letter of Credit for Purchase and Redevelopment of a Former Steel Plant Site



110 Acre Riverfront, Rail-Served Site Owned by  
Bankrupt Steel Company  
*Remediated Brownfield Site in  
Low-Income Census Tract ; Job Creation Led to CRA  
Qualification*

- Private developer: \$15MM investment to redevelop site into industrial park. Initially 50 new manufacturing jobs. Additional jobs once property is leased.
- Developer spent \$1.2MM for environmental studies and remediation.
- Ohio Office of Budget and Management Controlling Board issued \$1MM in Clean Ohio Assistance funds (brownfields grant) for asbestos abatement & demolition of two blast furnaces, a boiler house and an annealing building. Local municipality applied for the Clean Ohio grant.
- Financing: Ohio Department of Development issued \$6.1MM in taxable revenue bonds for the project.
- Bank Financing: Performance Letter of Credit for the borrower in support of the revenue bonds.

# The Bank as an Investor



Banks purchase (invest in) state and local municipal revenue or general obligation bonds that provide funds for environmental remediation and reclamation to prepare areas for redevelopment.

Purchase of Commonwealth of Pennsylvania Build America Bonds to fund its “Grow Greener” redevelopment projects to include maintenance and protection of the environment, open space and farmland preservation, watershed protection, abandoned mine reclamation, acid water drainage remediation and other environmental initiatives. Commonwealth would then issue grants to qualifying municipalities and projects.



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