

**2011**

Annual Report to the  
California State Legislature

Cleanup Loans and Environmental  
Assistance to Neighborhoods (CLEAN)  
Loan Program

California Environmental Protection Agency  
Department of Toxic Substances Control



## **Executive Summary**

Senate Bill 667 (Sher, Chapter 912, Statutes of 2000) created the Cleanup Loans and Environmental Assistance to Neighborhoods (CLEAN) Loan Program (Health & Safety Code, div. 20, art. 8.5, § 25395.20 et seq.). The Department of Toxic Substances Control (DTSC) administers the program, which provides low-interest loans to landowners, developers, local governments, redevelopment agencies, and community organizations to finance environmental assessments and hazardous waste cleanups of brownfields and underutilized urban properties.

The statute established two types of loans: the Investigating Site Contamination Program (ISCP) Loan, which provides up to \$100,000 per site to conduct Preliminary Endangerment Assessments (PEAs); and the CLEAN Loan, which provides up to \$2.5 million per site to conduct further investigation and cleanup.

The Budget Act for Fiscal Year 2000-2001 (Chapter 52, Statutes of 2000) appropriated \$85 million from the General Fund to the CLEAN Account. However, the Budget Act for Fiscal Year 2001-2002 (Chapter 106, Statutes of 2001) reduced the level of funding by \$33 million. In addition, Senate Bill 1 (Chapter 1, Statutes of 2002) reverted \$44 million from the CLEAN Account to the General Fund. This left \$8 million to be used for approved loan activities and program administration.

This report provides background information on DTSC's CLEAN Loan Program and describes investigation and cleanup activities conducted under the program in Fiscal Year 2010-2011 as required by Health and Safety Code section 25395.32.

## Introduction

In January 2001, DTSC adopted emergency regulations for the ISCP and CLEAN Loans and readopted them in July 2001 and March 2002. Final regulations were adopted in August 2002. DTSC developed loan applications, loan agreements, and environmental oversight agreements to implement the loan program.

In consultation with the Secretary of the California Environmental Protection Agency (Cal/EPA), DTSC established a seven-member Loan Committee to review loan applications and make recommendations to the Director of DTSC. Four of the seven members were designated as follows: the Secretary of Cal/EPA or designee; the Secretary of the Technology, Trade and Commerce Agency or designee; the Secretary of the Business, Transportation, and Housing Agency or designee; and the Director of the Governor's Office of Planning and Research or designee. The remaining three members represented economic development agencies, commercial lending organizations, environmental organizations, community/volunteer organizations, or other organizations. DTSC seeks to review new loan applications in 2012.

CLEAN Loan Program staff work within the Brownfields and Environmental Restoration Program (Cleanup Program) at the Cal/EPA Headquarters building in Sacramento. Other experienced staff members in DTSC's regional offices provide oversight and technical assistance for approved CLEAN Loan projects.

The CLEAN Loan Program began accepting loan applications in February 2001. DTSC initially received 18 applications requesting a total of \$17.2 million. Six of these applications, totaling \$5.2 million, were approved during the period from July 2001 to August 2002. One of the six loans was never issued and was disencumbered. Since several of the loans have been repaid, DTSC now has approximately \$3.38 million available for new loans. DTSC has been re-evaluating the program to update loan materials such as applications and manuals.

The following section describes sites for which loans were repaid in Fiscal Year 2010-2011, or for which response actions are under way.

### Description of Loan Activities

**Vacaville Department of Housing and Redevelopment (Vacaville Redevelopment Agency)**

**Loan Amount and Date Approved:** \$237,600; July 24, 2002

**Type of Loan:** CLEAN Loan

**Location:** Vacaville (Solano County)

**Description of Site Activities:** This half-acre parcel is the former site of a chrome plating facility, an automotive repair facility, and a residential duplex. The cleanup consisted of excavation and disposal of approximately 230 cubic yards of soil contaminated with lead and arsenic at appropriate off-site disposal facilities. On July 20, 2004, DTSC certified that the final removal action for this site had been properly implemented. The site is now suitable for unrestricted use.

During the last year, the City of Vacaville has been in the process of updating its General Plan. The proposed new General Plan would allow mixed-use, high-density development (up to 65 units per acre) of an area that includes this CLEAN Loan parcel. The updated General Plan is expected to be adopted in 2012.

The Vacaville Redevelopment Agency drew \$186,105.73 of its loan. The loan was repaid in full in July 2011.

**Greve Financial Services, Inc. (Angeles Chemical Company)**

**Loan Amount and Date Approved:** \$950,000; January 16, 2002

**Type of Loan:** CLEAN Loan

**Location:** Santa Fe Springs (Los Angeles County)

**Description of Site Activities:** This two-acre parcel is the former site of a chemical manufacturing company. Greve Financial Services, Inc. applied for and received a CLEAN Loan to perform investigation and cleanup operations at the former Angeles Chemicals site located at 8951 Sorensen Avenue in Santa Fe Springs (Los Angeles County). In the fall of 2007, a Soil Vapor Extraction system began removing contaminants from the soils. Greve has conducted a number of environmental investigations for the site. The company drew \$894,660.36 of its loan, which was repaid in full in February 2009.

Site work is proceeding under a voluntary cleanup agreement.

**Butterfield Trails, Limited Partnership****Loan Amount and Date Approved:** \$1 million; February 1, 2002**Type of Loan:** CLEAN Loan**Location:** Los Angeles (Los Angeles County)

**Description of Site Activities:** This 2.7-acre property is the former site of a paint, lacquer, and printing manufacturing facility. Soil and groundwater underlying the site at 590 South Santa Fe Avenue in Los Angeles are contaminated with volatile organic compounds; Butterfield Trails, LP applied for a loan to clean up the soils and groundwater. Development proposals include commercial property and possibly residential (loft) housing. In Fiscal Year 2007-2008, Butterfield Trails, LP submitted a Groundwater Monitoring Work Plan and an Additional Site Characterization Work Plan to DTSC. However, the company has not conducted sampling on all existing on-site and off-site groundwater monitoring wells or submitted the Remedial Investigation Report and Removal Action Work Plan that were due to DTSC by the end of Fiscal Year 2007-2008. Butterfield Trails, LP drew \$999,997.75 of its loan; DTSC has not received monthly loan payments since February 2008. Under the provisions of the promissory note signed and dated by the borrower on February 1, 2002, failure to make any payment when due is considered an Event of Default. In 2008, DTSC issued three demand letters to the borrower requesting past due loan payments. The balloon payment was due on February 1, 2011. DTSC is exploring its options to address the final cleanup at the site and enforce Butterfield Trails, LP's repayment obligations.

## Program Overview

Pursuant to Health and Safety Code section 25395.32, DTSC provides the following report.

(a) One Investigating Site Contamination Program (ISCP) loan was approved pursuant to Health and Safety Code section 25395.21 in the amount of \$20,000. The loan application was later withdrawn by the applicant. No funds were issued; therefore, no loans have been repaid and no loans are in default for the program.

(b) Because no funds were issued for ISCP loans, pursuant to section 25395.21, no funds have been waived pursuant to subdivision (f) of Health and Safety Code section 25395.21 as a result of the property being determined not to be economically feasible to develop.

(c) Six CLEAN Loans were approved pursuant to Health and Safety Code section 25395.23 and funded for a total of \$5,212,600. Four loans have been repaid. One loan for \$1.9 million was never issued and was disencumbered. The Butterfield Trails loan is in default.

(d) Because no funds were issued for ISCP loans, no preliminary endangerment assessments have been completed pursuant to oversight agreements entered into between DTSC and borrowers under the CLEAN Loan Program.

(e) Since 2002, three response actions have been completed pursuant to agreements entered into by DTSC and borrowers under the CLEAN Loan Program:

1. Crossroads Investors III, Riverside County  
Response action completed and approved by DTSC in December 2002
2. Vacaville Redevelopment Agency, Solano County  
Response action completed and approved by DTSC in July 2004
3. East Bay Habitat for Humanity, Inc., Alameda County  
Response action completed and approved by DTSC in September 2005

Response actions are continuing under a Voluntary Cleanup Agreement at the Greve Financial Services, Inc. site. A response action is pending at the Butterfield Trails, Limited Partnership site.

## **Future of the CLEAN Loan Program**

DTSC continues to provide technical oversight for the response action and environmental remediation work that is funded by the previously approved loans. In addition, DTSC performs loan servicing activities and repayment services to ensure the fiscal soundness of the CLEAN Loan Program and the loan portfolio.

In 2010, the Department hired an underwriter/contractor to update the loan program's procedures, manual, forms, and implementation plan. The underwriter's suggested changes are undergoing peer review. The contractor will perform the underwriting duties for any CLEAN Loans issued in Fiscal Year 2011-2012.

In 2012, DTSC plans to reestablish the loan committee, which will review applications and make recommendations to the Director of DTSC on future loans. DTSC will be sending letters requesting a designee from other state agencies to represent them on the committee. Once the underwriter's changes are approved, DTSC plans to advertise the availability of new loans in 2012.

## **Planned Marketing and Outreach Activities**

To ensure that those who may benefit from the available loan funds are aware of their availability, DTSC is planning a number of marketing and outreach activities in early 2012:

### Workshops

DTSC plans to host several workshops throughout the state in partnership with U.S. EPA and the State Water Resources Control Board to provide information to state and local government officials, private developers, and environmental consultants on the CLEAN Loan program and other brownfield cleanup funding.

### Webinars

The Department anticipates participating in webinars to highlight available brownfield cleanup funds, as well as participating in local government stakeholder meetings, panel conference discussions, and symposia that focus on brownfield cleanup and development activities.

### Website

DTSC's website includes updated information on the CLEAN Loan Program and the current status of approved loans (see [http://www.dtsc.ca.gov/SiteCleanup/Brownfields/Loans\\_Grants.cfm](http://www.dtsc.ca.gov/SiteCleanup/Brownfields/Loans_Grants.cfm)). As they are finalized and become available, DTSC will post the new CLEAN Loan application manual and forms and other informational resources on its website.