

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



January 10, 2006

Pursuant to the Health and Safety Code section 25395.32, the Department of Toxic Substances Control (DTSC) is reporting its total number of loans awarded and total dollar amounts of loans awarded by the Cleanup Loans and Environmental Assistance to Neighborhoods (CLEAN) Loan Program for 2005.

Background

In 2000, the Legislature passed, and Governor Gray Davis signed into law, Senate Bill 667 (Sher, Chapter 912, Statutes of 2000), creating the Cleanup Loans and Environmental Assistance to Neighborhoods (CLEAN) Loan Program. The CLEAN Loan Program 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 Department of Toxic Substances Control (DTSC) administers the CLEAN Loan Program. CLEAN Loan Program staff is assigned to the Site Mitigation and Brownfields Reuse Program (SMBRP) at the California Environmental Protection Agency (Cal/EPA) Headquarters in Sacramento. Experienced staff in DTSC's four regional offices is assigned to provide oversight and technical assistance for approved CLEAN loan projects.

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

Funding

The Budget Act for Fiscal Year 2000-01 (Chapter 52, Statutes of 2000) appropriated \$85 million from the General Fund to the CLEAN Account. The Budget Act for Fiscal Year 2001-02 (Chapter 106, Statutes of 2001) reduced the level of funding by \$33 million and redirected up to \$17 million from the CLEAN Account to implement the Financial Assurance and Insurance for Redevelopment (FAIR) Program created by Senate Bill 468 (Chapter 549, Statutes of 2001). Senate Bill 1 (Chapter 1, Statutes of 2002) reverted to the General Fund \$44 million from the CLEAN Account. A total of \$77 million was reverted from the original \$85 million appropriation. The remaining \$8 million has been used to fund approved loan activities and program administration.

Loans

The CLEAN Loan Program began accepting loan applications in February 2001 following DTSC's adoption of emergency regulations. DTSC received 18 applications requesting a total of \$17.2 million. Six of these applications, totaling \$5.2 million, were approved and funded during the period from July 2001 to August 2002. The following projects received funding:

- \$950,000 loan for a site cleanup by Greve Financial Services, Inc. in Santa Fe Springs (Los Angeles County). This one-acre parcel is the former site of a chemical manufacturing company. Soil Vapor Extraction (SVE) wells for cleanup of contaminated site soil are in place and the complete SVE system should be operating by the end of 2005. A draft version of the Removal Action Workplan Report analyzing the options for cleanup of contaminated groundwater beneath the site has been submitted and is under review by DTSC staff. Future planned development for the property after remediation of soil and groundwater contamination will be new commercial and industrial facilities in an office park setting.
- \$700,000 loan for a site cleanup by Crossroads Investors III in Murrieta (Riverside County). This 20-acre site, which is located in a residential neighborhood near two schools, is a former battery storage facility. In December 2002, the response action for this site was completed and approved by DTSC. In 2003, fifty-five single-family homes were built on the site.
- \$1 million loan for a site cleanup by Butterfield Trails, Limited Partnership near downtown Los Angeles (Los Angeles County). The 2.7-acre property is the former site of a paint, lacquer, and printing manufacturing facility. Soil and groundwater underlying the site located at 590 South Santa Fe Avenue, Los Angeles, are contaminated with volatile organic compounds. The delineation of soil contamination on site is complete. A SVE system is installed and an extended pilot study is currently underway. Information collected from the pilot study will be used to design the final SVE system. The extent of groundwater contamination is unknown. A groundwater study which includes the installation of groundwater wells has been proposed by the proponent and the development of a work plan is currently in progress. Future planned development will be commercial and possibly residential (loft) housing.
- \$237,600 loan for a site cleanup by the Vacaville Redevelopment Agency (Solano County). This half-acre parcel is the former site of a chrome plating facility, automotive repair facility, and a residential duplex. On July 20, 2004, DTSC certified that the final removal action for this site has been properly implemented. The cleanup consisted of excavating and disposing of approximately 230 cubic yards of soil contaminated mostly with lead and some arsenic at appropriate offsite disposal facilities. The site is suitable for unrestricted use. Future planned development is commercial/residential within the city's revitalized downtown area.

- \$425,000 loan for a site cleanup by the East Bay Habitat for Humanity, Inc., for a site in Oakland (Alameda County). The two-acre property was formerly used as a nursery and then a salvage yard. Two thousand nine hundred fifty-seven cubic yards of soil was removed and disposed of at an offsite Class I and Class II landfill to clean up the site to unrestricted residential standards. DTSC anticipates certifying the cleanup in September 2005. The term of this loan agreement was extended to March 2, 2005 to allow for completion of the removal action. East Bay Habitat for Humanity, Inc. drew \$234,715.64 of their loan. Future planned development is 20-24 single-family residences for qualified low or very low-income families.
- \$1.9 million loan for a site cleanup by the Richmond Redevelopment Agency (Contra Costa County). Former site of Kaiser Shipbuilding facility and other industrial uses, the future planned development for this 7.3-acre property is commercial, retail, residential, and open space to provide public access to the waterfront area. The Business Loan Agreement between Richmond Redevelopment Agency and DTSC expired on June 27, 2004. At that time, Richmond Redevelopment Agency had not drawn on any committed funds, therefore, DTSC disencumbered the funding for this project.

Loan Overview

- Pursuant to Health and Safety Code section 25395.32 (a) one Investigating Site Contamination Program (ISCP) loan was approved in the amount of \$20,000. The loan application was later withdrawn by the applicant. No dollars were issued; therefore none have been repaid for this loan program and no loans are in default for the program.
- As no funds were issued for ISCP loans, pursuant to section 25395.32 (b), no funds for Investigating Site Contamination Program loans have been waived as a result of the property being determined not to be economically feasible to develop.
- Pursuant to section 25395.32 (c) six CLEAN Loans were approved and funded for a total of \$5,212,600. One loan has been repaid, one loan was disencumbered, and no loans are in default.
- Pursuant to section 25395.32 (d), as 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.

- Pursuant to section 25395.32 (e), two removal 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 December 2002.
 2. Vacaville Redevelopment Agency, Solano County
Response Action Completed and Approved by DTSC July 2004.

Response actions are underway at the remaining three CLEAN Loan sites.

Activities to Establish the CLEAN Loan Program

Emergency regulations were adopted by DTSC in January 2001 and later readopted in July 2001 and March 2002. Final regulations were adopted in August 2002. Loan applications and standardized loan agreements were developed; and model environmental oversight agreements were also developed to address DTSC oversight of ISCP and CLEAN loan projects.

DTSC, in consultation with the Secretary of Cal/EPA, established the seven-member Loan Committee which serves to review loan applications and make recommendations to the Director of DTSC. Four of the seven members are designated as follows: the Secretary of the California Environmental Protection Agency 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 represent economic development agencies, commercial lending organizations, environmental organizations, community/volunteer organizations, or other organizations.

Marketing and Outreach Activities

DTSC's website includes updated information on the CLEAN Loan Program and the current status of approved loans.

Future of the CLEAN Loan Program

Currently, funding is not available for new CLEAN loans; however, DTSC is evaluating the disencumbrance of recent funds in the account to determine if new loans could be awarded in the future. DTSC will also evaluate if future funds for technical oversight and other related services would be available if new loans were awarded.

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

Partnerships have been forged among the CLEAN Loan Program and other public and private entities that provide funding and actively promote brownfield redevelopment activities, including the California Pollution Control Financing Authority's Cal ReUSE Program, U. S. Environmental Protection Agency-Region 9, National Brownfields Association, Center for Creative Land Recycling, and the California Environmental Redevelopment Fund. In this way, DTSC will be able to maximize limited resources to promote environmental protection and brownfield economic development in California.