

2010

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

In the year 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 (Health & Safety Code, div. 20, art. 8.5, § 25395.40 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 2000-01 (Chapter 52, Statutes of 2000) appropriated \$85 million from the General Fund to the CLEAN Account. However, the Budget Act for Fiscal Year 2001-02 (Chapter 106, Statutes of 2001) reduced the level of funding by \$33 million, up to \$17 million of which was redirected to implement the Financial Assurance and Insurance for Redevelopment (FAIR) Program created by Senate Bill 468 (Chapter 549, Statutes of 2001). In addition, Senate Bill 1 (Chapter 1, Statutes of 2002) reverted \$44 million from the CLEAN Account to the General Fund. In summary, a total of \$77 million has been deducted from the original \$85 million appropriation. The remaining \$8 million has been used to fund approved loan activities and program administration.

This report provides background about DTSC's CLEAN Loan Program and describes CLEAN Loan Program investigation and cleanup activities, along with marketing and outreach strategies conducted in Fiscal Year 2009/10. This report also provides information for Fiscal Year 2009/2010 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, standardized loan agreements, and model environmental oversight agreements to address DTSC oversight of these loan projects.

In consultation with the Secretary of Cal/EPA, DTSC established the seven-member Loan Committee, which reviews loan applications and makes 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.

CLEAN Loan Program staff work within the Brownfields and Environmental Restoration Program (Cleanup Program) at the California Environmental Protection Agency (Cal/EPA) Headquarters in Sacramento. Other experienced staff members in DTSC's four 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 and funded during the period from July 2001 to August 2002.

The following section is a description of the loans that have been made and the activities they have funded. The first case illustrates how DTSC's CLEAN Loan Program has worked with community groups to redevelop properties for new uses. In this case, the CLEAN Loan enabled a community organization called East Bay Habitat for Humanity, Inc., to put formerly contaminated property back into sustainable, productive use. DTSC started working with East Bay Habitat for Humanity, Inc. in 2002 to prepare a piece of property for construction of twenty-six affordable homes for qualified low-income families. In December 2008, the last of the homes were completed, and they were transferred to the new owners in early 2009.

Description of Loan Activities

East Bay Habitat for Humanity, Inc.

Loan Amount and Date Approved:

\$425,000; August 2, 2002

Type of Loan: CLEAN Loan

Location: Oakland (Alameda County)

Description of Site Activities: This two-acre property had been formerly used as a nursery and then as a salvage yard. East Bay Habitat for Humanity, Inc. removed 2,957 cubic yards of contaminated soil and disposed of it at an offsite Class I and Class II landfill to clean up the site to unrestricted residential standards.

The term of this loan agreement was extended to March 2, 2005, to allow for completion of the removal action. On September 26, 2005, DTSC certified that the final removal action for this site had been properly implemented. In December 2008, East Bay Habitat for Humanity completed the building of the last six of the planned 26 single-family residences for qualified low-income families. East Bay Habitat for Humanity, Inc. drew \$234,715.64 of its loan. The loan has been repaid in full.



East Bay Habitat for Humanity, Inc. completed the building of 26 single-family homes for qualified low-income families.

Crossroads Investors III

Loan Amount and Date Approved: \$700,000; February 1, 2002

Type of Loan: CLEAN Loan

Location: Murrieta (Riverside County)

Description of Site Activities: 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. Fifty-five single-family homes were built on the site in 2003. The Crossroads loan has been repaid in full.

Richmond Redevelopment Agency

Loan Amount and Date Approved: \$1.9 million; June 27, 2002

Type of Loan: CLEAN Loan

Location: Richmond (Contra Costa County)

Description of Site Activities: This 7.3-acre property is the former site of a Kaiser shipbuilding facility and other industrial uses. The future planned development for this

property is commercial, retail, residential, and open space to provide public access to the waterfront area. DTSC entered into a Business Loan Agreement with the Richmond Redevelopment Agency on June 27, 2002, and it expired on June 27, 2004. At that time, the Richmond Redevelopment Agency had not drawn on any committed funds; therefore, DTSC disencumbered the funding for this project. Because the funds were disencumbered, this applicant will not be included in future reports.

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 offsite 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. Funding received in 2007 from a Transportation for Livable Communities Planning Grant issued by the Solano Transportation Authority is currently being used to study proposed redevelopment in downtown Vacaville. The study includes examining related land use, transportation, cultural needs, design guidelines, and water and sewer needs. Future planned development within the city's revitalized downtown area, including the subject site, is commercial and residential. Development of public infrastructure and facilities will be conducted by the Vacaville Redevelopment Agency and/or the City of Vacaville, with individual properties developed for commercial and residential use by private developers.

The Vacaville Redevelopment Agency drew \$186,105.73 of its loan and is current with monthly loan payments. The balloon payment will be due on July 1, 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 at the site. Greve has conducted a number of environmental investigations for the site and is in the process of developing a site-wide

Remedial Investigation (RI) report that will characterize the site soils and groundwater. Upon completion of the RI report, a Feasibility Study must be conducted to identify the appropriate remedial technologies for soil and groundwater. The Response Action has not been completed and approved by DTSC to date for the site. Greve Financial Services, Inc. drew \$894,660.36 of its loan. This loan was repaid in full in February 2009.

Applicant: 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. Proposed future planned development is commercial and possibly residential (loft) housing. In FY 2007-08, Butterfield Trails, LP submitted a Groundwater Monitoring Work Plan and an Additional Site Characterization Work Plan to DTSC. Butterfield Trails, LP 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 (RAW) that was due to DTSC by the end of FY 2007-08. Butterfield Trails, LP drew \$999,997.75 of its loan. Since February 2008, DTSC has not received monthly loan payments from Butterfield Trails, LP. 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 will be 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. Three loans have been repaid, one loan is current on monthly payments, one loan was disencumbered, and one 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) 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 ongoing/pending for the Greve Financial Services, Inc. and Butterfield Trails, Limited Partnership sites.

Marketing and Outreach Activities

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

The link is http://www.dtsc.ca.gov/SiteCleanup/Brownfields/Loans_Grants.cfm.

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, DTSC hired an underwriter/contractor to update DTSC's CLEAN Loan Program Procedures Manual, forms, and implementation plan. The contractor will perform the underwriting duties for any CLEAN loans issued in 2011.