

FLEXIBLE FINANCE TOOLS

FILLING THE GAP

Flexible RLF Programs Can Make a Proposal a Reality

The U.S. Environmental Protection Agency (EPA) provides significant flexibility to its Brownfields Program's Revolving Loan Fund (RLF) cooperative agreement recipients (CARs) to negotiate terms with potential borrowers and subgrantees (or subrecipients). This flexibility allows CARs to create enabling conditions for redevelopment of brownfields sites. CARs can structure their loans to eligible borrowers for allowable activities in a manner that is most conducive to local market conditions and community needs.

Flexibility is a cornerstone of the RLF program and the program promotes the use of these financial tools:

- **Subgrants**—A portion of RLF funds can be used for subgrants to eligible entities. Subgrants can be used in combination with loans.
- **Discounted loans**—Forgiveness of a portion of the principal, up to 30%, or a maximum of \$200,000, is allowed for some borrowers.
- **Low or 0% interest loans**—below-market interest rates (even as low as 0%) are acceptable.
- **Intra-governmental loans**—A direct loan can be given to a branch of a recipient's own government unit.
- **Taking on extra loan risks**—Flexibility with the type of collateral allowed, including other properties and certificates of deposit owned by the borrower. A willingness to accept a lower debt service coverage ratio by a CAR can seal the deal.



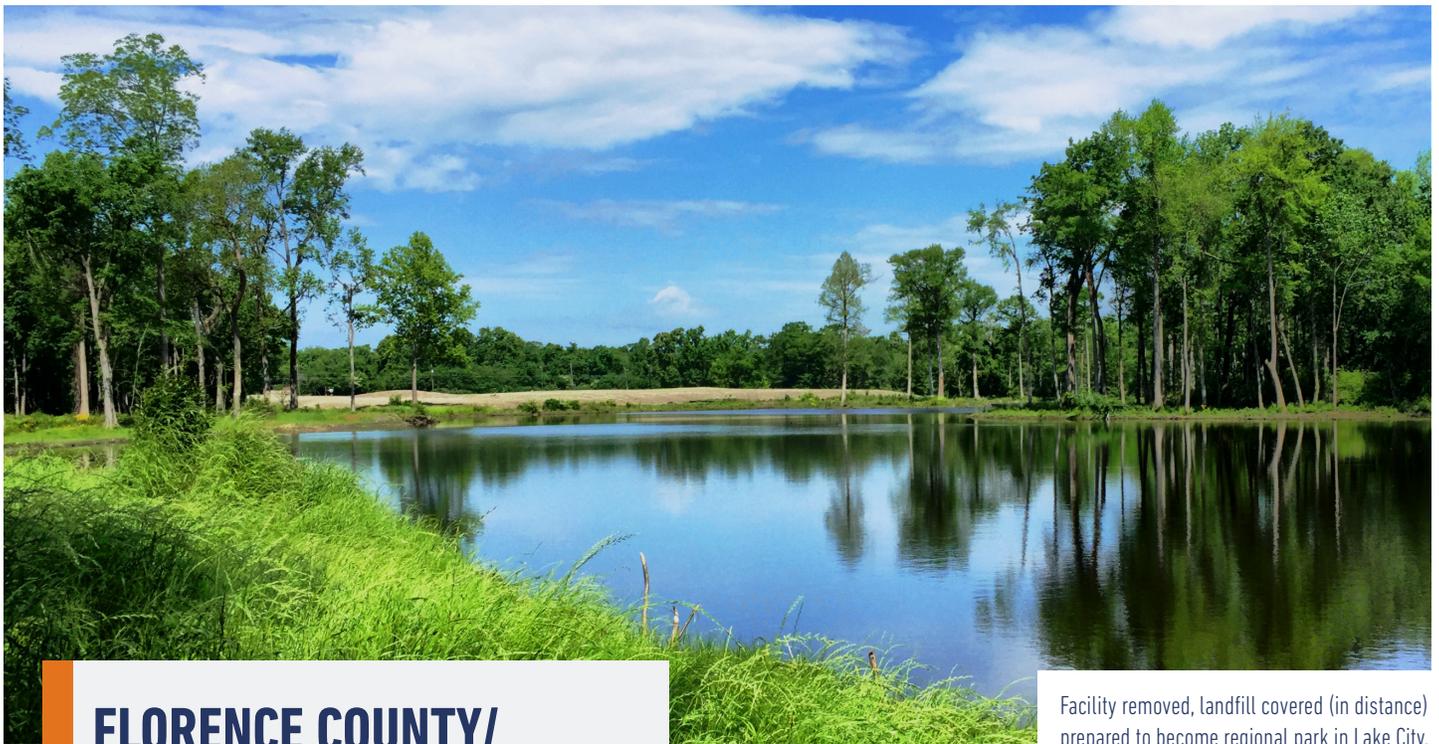
Before picture of city maintenance facility and sewer lift from Lake City Landfill Site Case Study

Many CARs take advantage of these flexible financial tools, individually or as a combination, to advance cleanup of brownfields sites and spur redevelopment.

Note: The terms and conditions for each cooperative agreement (CA) provide more details about each of these financial tools.

SOUTH CAROLINA DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL

The EPA provided \$9.48 million in RLF funding to the South Carolina Department of Health and Environmental Control (SCDHEC). Projects from all over South Carolina are eligible for RLF funds, including those described here. SCDHEC uses the Catawba Regional Council of Governments as its RLF fund manager.



FLORENCE COUNTY/ LAKE CITY LANDFILL SITE CASE STUDY REPORT

After cleanup, the 17-acre landfill site in Lake City will become a regional park, providing much-needed open space for the local community. Various flexible finance tools available in the RLF program were used to bring this project to fruition:

- SCDHEC issued a \$500,000 RLF loan at a 1% interest rate and 10-year term, taking advantage of a low- or below market interest rate and loan term flexibilities.
- SCDHEC allowed 25% of loan principal forgiveness after cleanup was completed. The ability to forgive a portion of the loan amount helped finalize the deal. The 25% loan amount was not forgiven upfront, but was spread over 10 years to keep the incentive spread over the project life.
- Florence County collateralized the loan with a county-owned office building. The flexibility in accepting various types of collateral, at times with higher risks, helped advance the project.
- A private foundation provided a \$191,000 grant for eligible cleanup costs, including the 25% match for the RLF loan.

Facility removed, landfill covered (in distance) prepared to become regional park in Lake City.

PELZER TEXTILE MILL SITE CASE STUDY REPORT

The Pelzer Textile Mill site is in the small town of Pelzer, South Carolina. Pelzer's population is 89, according to the 2010 census. After cleanup, the building will become a community center and a museum.

- The project received a \$250,000 RLF loan for a local not-for-profit organization at a 1% interest rate and 10-year term to remove asbestos and lead-based paint from the building.
- Anderson County provided repayment guarantee for the RLF loan by using county funds. This guarantee ensured on-time loan repayments.
- A certificate of deposit from the Anderson County government was pledged as loan collateral. This reduced the risk of loan default.

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