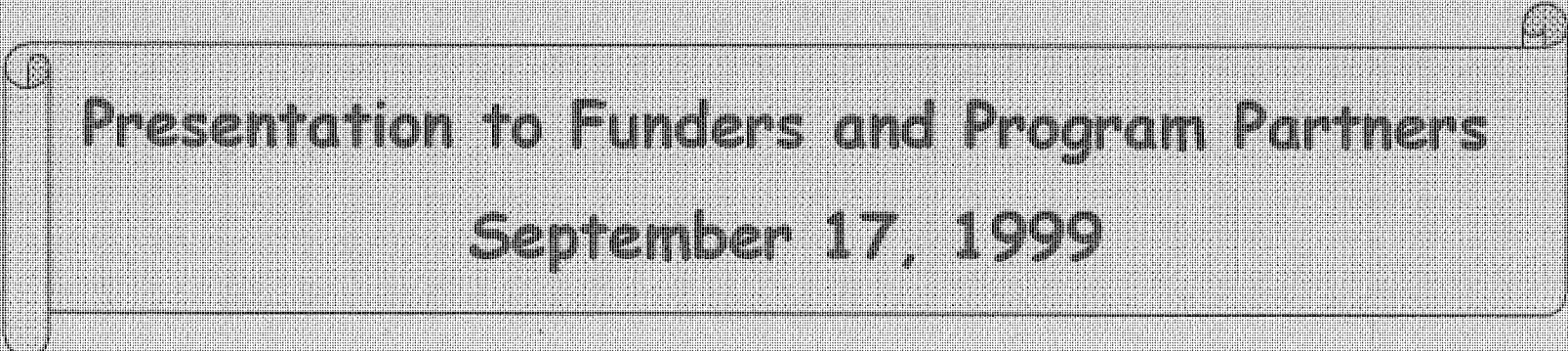




# Oregon Millsite Conversion Project



Presentation to Funders and Program Partners  
September 17, 1999

Rural Development Initiatives



# Oregon Millsite Conversion Project

Oregon Economic and Community  
Development Dept.

*Learning from the past...*  
*Planning for the future.*



# Agenda

- ☑ Background
- ☑ Program Accomplishments
- ☑ Lessons and Experience
- ☑ State of Rural Brownfields
- ☑ Roles of Intermediaries and RDI's Options
- ☑ Managing the gaps
- ☑ Next steps



# Background

The program's mission statement: "...a public-private partnership for the purpose of rehabilitating vacant and abandoned millsites into productive, readily useable industrial sites on which new and expanding businesses may locate, thereby bringing new employment opportunities to Oregon communities."



# Background

- In 1996 EDA awarded an additional \$300,000 to add five (5) sites to the program: Bandon, Klamath Falls, Molalla, Tygh Valley, and Yoncalla.
- With the program's expansion and the desire to build in-house expertise, RDI hired staff to manage the project.
- In 1997 EPA designated all 12 sites as Brownfields.



# Background

- ✦ The program's primary objective was to assess the economic feasibility of converting closed millsites into useable industrial property.
- ✦ Project began in July 1994 through the combined impetus of PacifiCorp and RDI, in partnership with EDA, OEDD, Stoel Rives, and U.S. Bank.
- ✦ Initial sites: Astoria, Coquille, Grants Pass, Merlin, Myrtle Creek, Philomath, and Sweet Home.

# Background

## *Phase One Funding:*

# EDA	\$365,000
# OECDD (in-kind)	\$ 52,500
# PacifiCorp	\$ 36,000
# PacifiCorp (in-kind)	\$ 38,500
# US Bank	\$ 21,500
# Stoel Rives (in-kind)	\$ <u>27,500</u>
# <u>TOTAL</u>	<u>\$541,000</u>



# Background

- In 1995 EPA launched the Brownfield Economic Development Initiative Grant Program. PacifiCorp funded a grant application on behalf of OEDD for the Millsite program.
- Oregon Millsite Conversion Project was the only rural applicant awarded a \$200,000 grant in the initial round of the EPA Brownfield Pilot program.





# Background

## *Phase Two Funding:*

# EDA	\$300,000
# EPA	\$200,000
# OECDD (cash)	\$ 25,000
# OECDD (in-kind)	\$ 10,000
# U.S. Bank	\$ 30,000
# Bank of America	\$ 50,000
# <u>TOTAL</u>	<u>\$615,000</u>



# Background

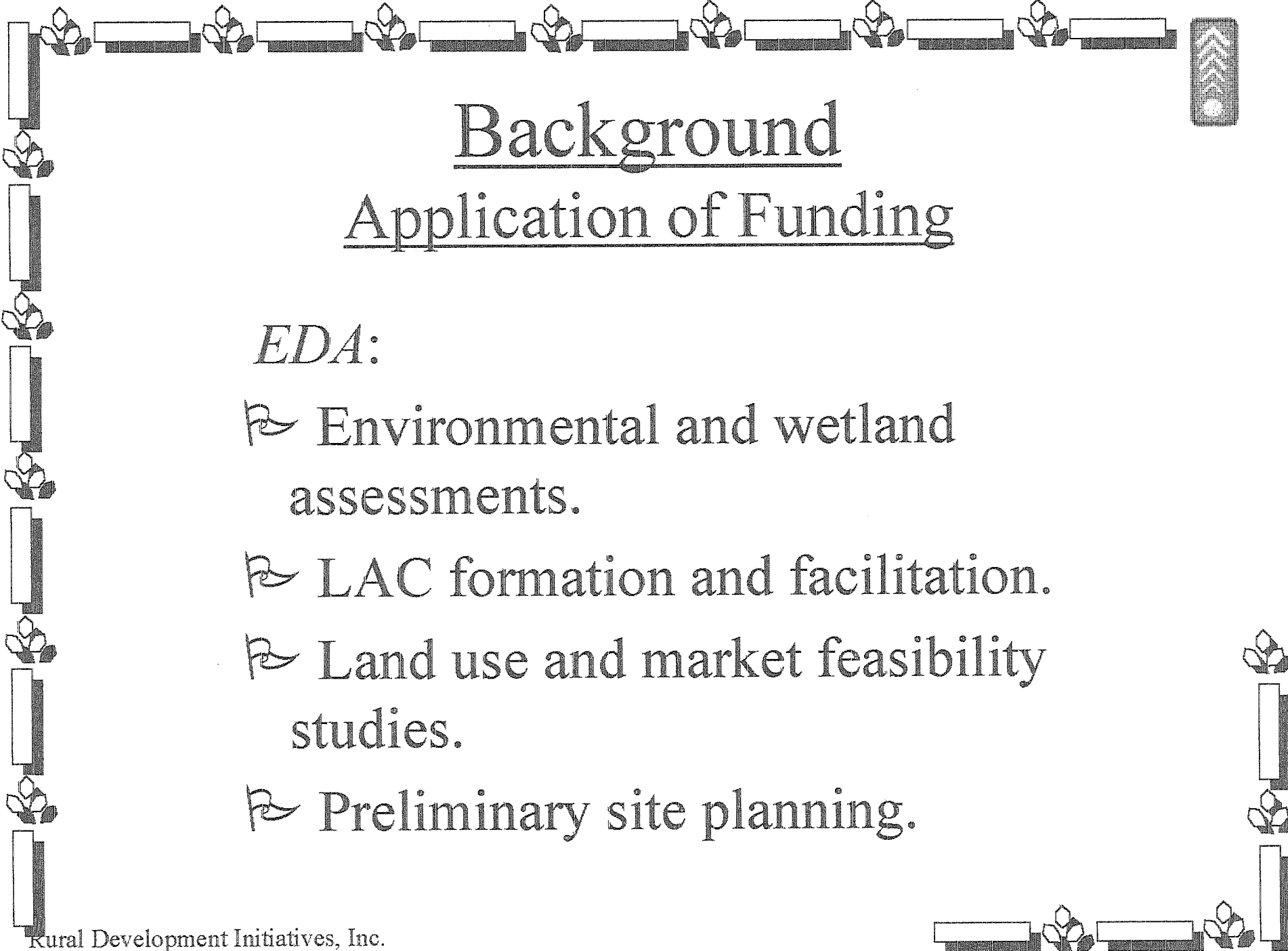
## Reports Completed:

### Round One

- ✦ Level I and II environmental assessments
- ✦ Wetland determination and delineation
- ✦ Community redevelopment opportunities studies
- ✦ Land use feasibility studies
- ✦ Preliminary Master Plans

### Round Two

- ✦ Level I and II environmental assessments
- ✦ Wetland determination and delineation
- ✦ Community design charrette

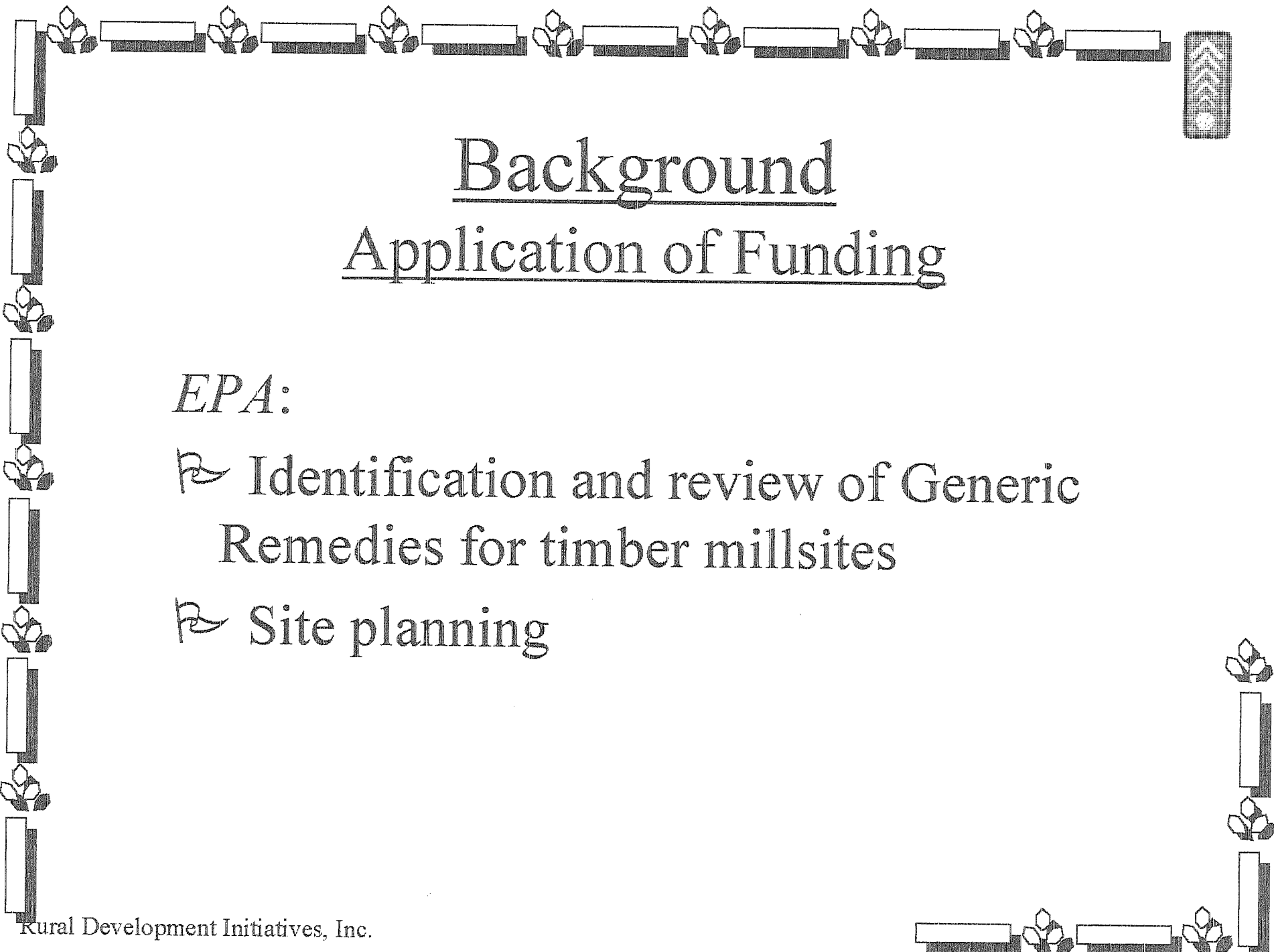


# Background

## Application of Funding

*EDA:*

- Environmental and wetland assessments.
- LAC formation and facilitation.
- Land use and market feasibility studies.
- Preliminary site planning.



# Background

## Application of Funding

*EPA:*

- Identification and review of Generic Remedies for timber millsites
- Site planning

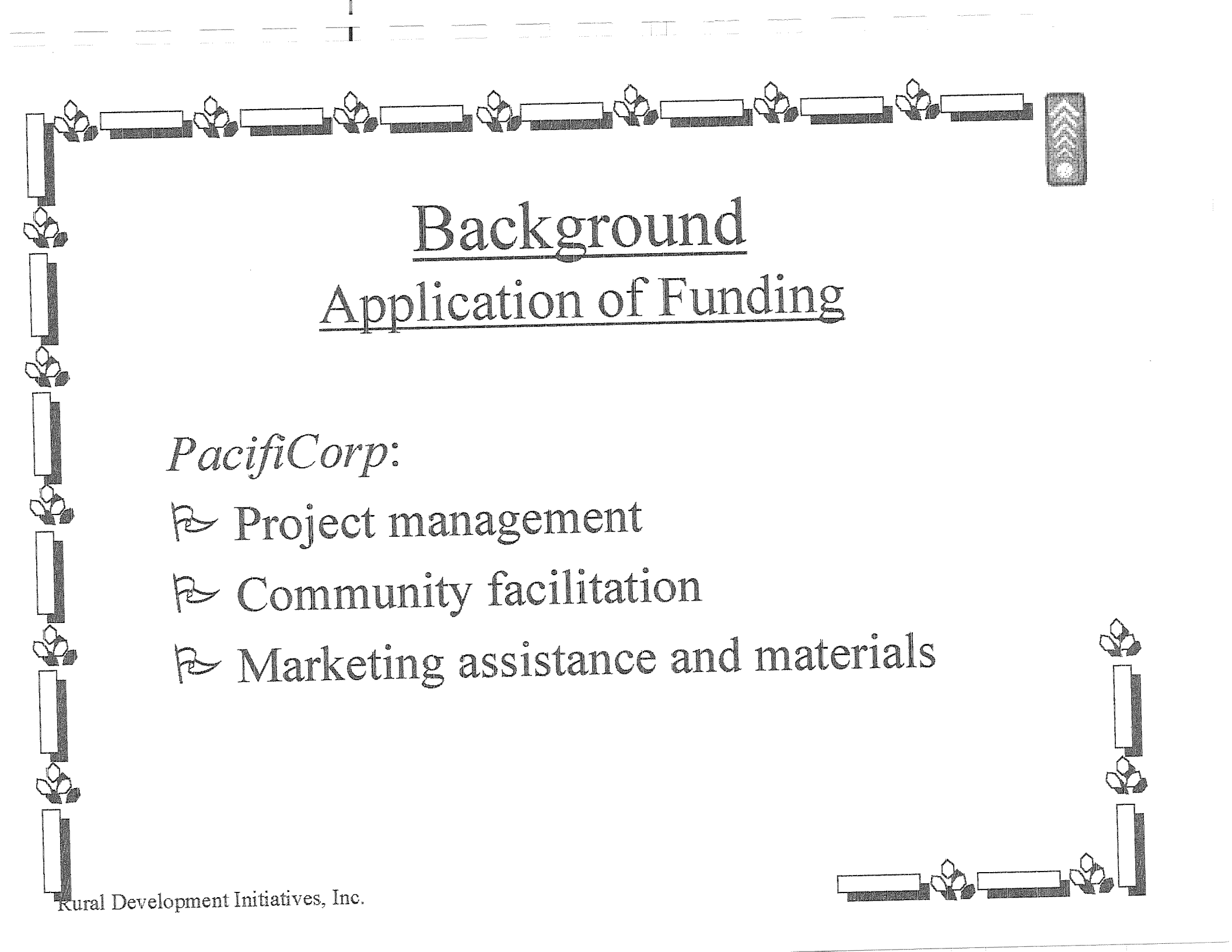


# Background

## Application of Funding

*OECD:*

- ✦ Community and regulatory support
- ✦ Marketing materials
- ✦ Infrastructure and other public funding assistance



# Background

## Application of Funding

*PacifiCorp:*

- Project management
- Community facilitation
- Marketing assistance and materials



# Background

## Application of Funding

*Stoel, Rives:*

- Negotiation assistance with property owners, consultants, regulatory agencies
- Legal assessment of environmental findings and reporting requirements

*US Bank and Bank of America:*

- Financing potential for Brownfield sites
- Funding gaps




## Background

- Each of the twelve program sites focused on the Local Action Committee (LAC) composed of citizens, site neighbors, city and county officials, and others interested in the site's redevelopment.
- The site owner was expected to work closely with the LAC to determine the site's redevelopment options.





# Program Accomplishments

 Demonstrated quantifiable progress toward redevelopment, economic diversification and job creation.

- ❖ Rendata Industrial Park has so far created over two dozen jobs through three companies located at the Park.
- ❖ Redevelopment of the K-Falls and Astoria sites (and also possibly Molalla) will include residential and commercial uses.
- ❖ Bandon will move the city shop to the millsite, giving access to more valuable land on which the shop is now located.





# Program Accomplishments

- ❖ Created increased national awareness of the economic benefits of millsite redevelopment in distressed rural communities.
  - ❖ RDI is playing a key role in the national discussion of rural Brownfield issues.
  - ❖ Millsite redevelopers in other states are using components of the OR Millsite Redevelopment Project as a template, especially the LAC model for community involvement.



# Program Accomplishments

- 
- Created community forums that ensured citizen involvement in the site redevelopment strategy.
- ❖ Bandon, Molalla, Tygh Valley, and Yoncalla LACs played central roles in the design charrettes that led to preliminary site plans.
  - ❖ Phase I LACs met at least four times to review site reports, market studies, and site planning.
  - ❖ LACs have become a model for other non-Oregon rural Brownfield programs.
- 




# Program Accomplishments

 Created a vehicle for attracting resources to and efficient investment in relatively small and remote millsite locations.

- ❖ Myrtle Creek and Tygh Valley are receiving inquiries from out-of-state firms considering relocation.
- ❖ Bi-Mart is interested in locating a store in Coquille.



# Program Accomplishments



RDI, managing a multiple site project, fostered an efficient economy of scale not available for a single site.

- ❖ One environmental engineering firm investigated all 12 sites, streamlining the Level I and Level II reporting process and one firm conducted all 12 wetland studies.
- ❖ Data from all 12 sites fed into the Generic Remedies report.
- ❖ Peer learning among communities and site owners.
- ❖ More efficient fund raising.



# Program Accomplishments

- ❖ RDI facilitated a proactive, positive connection among the regulatory agencies and the site owners.
  - ❖ RDI facilitated the decisions regarding wetland jurisdictional interaction among the site owners and the regulatory agencies.
  - ❖ Gave site owners the comfort level to permit regulatory agency personnel access to the sites.



# Program Accomplishments

## Site Summaries

Astoria - Sale of site to private developer underway.  
Groundbreaking soon.

Bandon - City planning for relocation of shop.

Coquille - Bi-Mart remains interested in relocation.  
ODOT issues must be resolved.

Grants Pass - Existing traffic patterns limit development.

K-Falls - Master development plan underway with mixed uses.

Merlin - Development of Rendata Industrial Park.



# Program Accomplishments

## Site Summaries

Molalla - Avison is investigating marketing options.

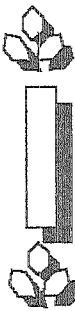
Myrtle Creek- Site receiving some leasing interest. Improved I-5 interchange helps market.

Philomath - Willamette Industries has taken the site off of the market.

Sweet Home - No indication of Willamette Industries' intentions for the site.

Tygh Valley - Lack of community consensus for infrastructure hampers development. One recent sales lead.

Yoncalla - Douglas County continues to look for purchase options.







# Lessons & Experience

## Value Added

- ❧ Good information about the environmental issues induced site owners to take redevelopment steps.
- ❧ Viable re-uses for the 12 program sites include more than manufacturing (e.g., residential, commercial)
- ❧ Site contamination issues are quantifiable and limited, not posing insurmountable barriers to redevelopment.



# Lessons & Experience

## Value Added

- ❧ Local Action Committees provided an effective mechanism for communities to address long term planning issues and to build their understanding of the real estate development process.
- ❧ A single project management entity created economies of scale in service delivery and the dissemination of information.



# Lessons & Experience

## Barriers to Redevelopment

- ❧ The *overall* cost of redevelopment, not just remediation, to make sites marketable for current economic uses is a barrier to redevelopment (e.g., infrastructure, legal fees, title insurance).
- ❧ The site owner's lack of sufficient equity and/or lack of sufficient return on equity is a barrier to private sector investment.



# Lessons & Experience

## Barriers to Redevelopment

- ❧ Site owners' commitment to redevelopment varies. Memos of understanding with stronger language (e.g. grant fund recapture) were needed to ensure property owner commitment throughout the process.
- ❧ If we are to shorten the time frame for viable redevelopment, the site selection process needs to more strongly favor sites that have a realistic market potential.



# Lessons & Experience

## Barriers to Redevelopment

❧ The redevelopment time line is much longer than was anticipated (e.g., Astoria - 8 yrs and counting). Successful redevelopment is contingent upon:

- |  |  |
|--|--|
| <input type="checkbox"/> Property owner commitment | <input type="checkbox"/> Market demand |
| <input type="checkbox"/> Remediation requirements  | <input type="checkbox"/> Community     |
| <input type="checkbox"/> Funding options           | support                                |

❧ Patience and very deep pockets are needed for *any* party to realize the benefits of their investment in a site.



# Lessons & Experience

## Administration

- ❧ The job of coordinating communications and managing expectations of a wide range of stakeholders (e.g., site owners, public agencies, funders, community members) is a large and complex task. Three RDI program managers over a five year period made this job even more difficult.



# Lessons & Experience

## Administration

- ❧ The funding stream for Brownfield redevelopment investment needs to correspond with the long time frame required to realize any return on investment (i.e., 7 - 10 years). “Boom and bust” funding streams make long range planning and sustained progress difficult.



# State of Rural Brownfields

- \* At this point in the agenda we want to consider:
  - \* Current tools for Brownfield development
  - \* Where the Brownfield programs are in Oregon
  - \* What changes are occurring for Brownfield issues within Oregon, regionally, and nationally
- \* Throughout the Oregon Millsite Conversion Project, RDI has stressed the importance of networking with and learning from other Brownfield projects. We are quite certain, however, that our knowledge and understanding of Brownfield work can continually be enhanced.





# State of Rural Brownfields

## \* Tools available for Brownfield development:

- ❖ Brownfield Economic Development Initiative (used w/ HUD Section 108)
- ❖ Tax credit for certain census tracts
- ❖ New insurance instruments
- ❖ Bank lending in Brownfield arena



# State of Rural Brownfields

## \* Tools available for Brownfield development (cont.):

- ❖ Oregon Brownfield Revolving Loan Fund
- ❖ Oregon Capital Access Program
- ❖ Oregon Credit Enhancement Fund
- ❖ Oregon Special Public Works Fund
- ❖ Community Development Block Grant



# State of Rural Brownfields

- ✧ Brownfield programs in Oregon:
  - ❖ Oregon Millsite Conversion Project
  - ❖ Portland
  - ❖ Coos Bay
  - ❖ Union County



# State of Rural Brownfields

\* Brownfield programs in N. California, Washington, Idaho and Alaska

- ❖ CA Mill Reuse Pilot Program (CA Trade & Commerce Agency)
- ❖ N. CA Mill Reuse Program (Superior EDD)
- ❖ 9 programs in WA, mostly in urban areas
- ❖ 1 rural program in Idaho
- ❖ 1 rural program in Alaska



# State of Rural Brownfields

- \* California is doing a good job of networking with RDI and benefiting from the lessons learned from the Oregon Millsite Conversion Project.
- \* RDI needs to foster connections with the WA, Idaho, and Alaska Brownfield public and private redevelopment organizations.



# State of Rural Brownfields

\* Rural communities seeking federal dollars for Brownfield redevelopment encounter the national urban focus of Brownfield development:

- ❖ Brownfield Economic Development Initiative (BEDI) must be used in tandem with the HUD Section 108 Loan Program.
- ❖ Tax credits have too many restrictions.
- ❖ Local staff have little or no experience with managing such federal programs.



# State of Rural Brownfields

- \* For some of the OR Millsite properties, and other rural sites around the nation that are not on main transportation routes, innovative marketing options are needed (e.g., telecom centers, warehousing, etc.).
- \* Public and private incentives, prospective purchaser agreements, and new insurance instruments help to overcome investor discomfort in rural Brownfield redevelopment.



# Roles of Intermediaries

- Multi-site assessments through single point of contact for economies of scale.
- Facilitation of community involvement in redevelopment process.
- Regional, state, and national Brownfield networking.
- Private non-profit access to public and private funding.





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# Roles of Intermediaries

- Objective, non-governmental, third party entity to aid site owner contacts with regulatory agencies.
  - Assess property owner's short and long term commitment, including financial.
  - Ensure local community capacity through training and leadership development.
- 
- 



# Roles of Intermediaries

- Compile and clarify site information for stakeholders regarding site status, that also sets forth a reasonable RDI exit strategy.
- Assist for-profit developers with access to public and private funding, community involvement, and regulatory agency oversight.



# RDI considerations for further project involvement

- ☞ Clearly defined goals and objectives that fit RDI's mission, staff skills sets, and financial potentials.
- ☞ Availability and accessibility of public and private funding.



## RDI's Options

- ✂ Terminate involvement in Brownfield redevelopment.
- ↑ Expand services to other community-based and private developers for Brownfield and non-Brownfield real estate development on a site-specific basis.
- \$\$ Apply for additional public and private funds to continue a multi-site Brownfield redevelopment program.



## The option we are considering

- ☒ Complete an exit strategy for the 12 MSC project sites.
- ☒ Training and coaching community teams regarding community-based real estate development for commercial, industrial or residential properties.
- ☒ On-demand consulting with private Brownfield site owners for community participation, financing, business planning, etc.





## Current Examples

& Technical assistance to the Community Action Team of Sisters for Affordable Housing Development.

& Ongoing discussions with development consultant to assist with commercial / industrial Brownfield redevelopment.

### Funding for additional work:

\* PacifiCorp Foundation \$10,000  
(approved)

\* M.J. Murdock Charitable Trust \$31,645  
(pending)



# Managing the Gaps

Does the option we are considering make sense:

- **Community-based real estate development through capacity building, training, and technical assistance.**
- **Consulting to for-profit developers on a fee-for-service basis based upon RDI's skill sets, experience, and mission.**



# Managing the Gaps

- 👍 How can public and private stakeholders fill the gaps?
  - ↪ Help communities and site owners access environmental assessment and wetland mitigation, infrastructure, and other development funds.
  - ↪ Disseminate lessons learned.
  - ↪ Create and implement effective marketing strategies for rural sites.
  - ↪ Achieving economies of scale with multi-site rural assessments.



# Managing the Gaps

- 👍 How can public and private stakeholders fill the gaps?
  - ↳ Play a more active role in the policy setting and legislative arena.
  - ↳ Provide non-governmental, third party facilitation among site owners and regulatory agencies.
  - ↳ Network with regional and national rural Brownfield players.
  - ↳ Ensuring developers standardization of environmental evaluations.



# Managing the Gaps

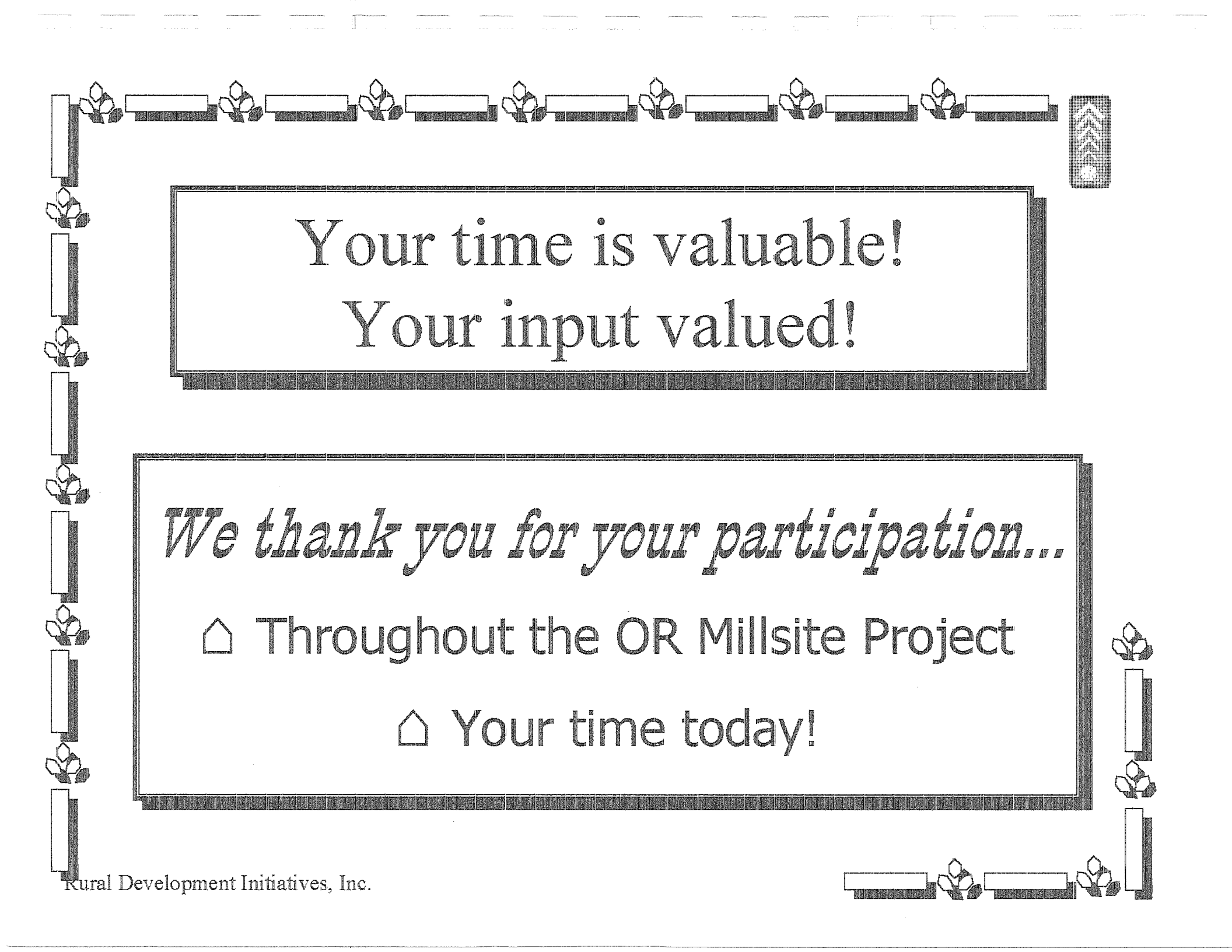
👍 How can public and private stakeholders fill the gaps?

- ↳ Facilitation of community involvement in redevelopment process.
- ↳ Community-based real estate development through capacity building, training, and technical assistance.
- ↳ Consulting to for-profit developers on a fee-for-service basis based upon RDI's skills sets, experience, and mission.



# Managing the Gaps

- 👉 How can public and private stakeholders fill the gaps?
  - 👉 Private non-profit access to and packaging of public and private resources.
  - 👉 Monitoring and accounting of program results.
  - 👉 Ensuring coordination and access to institutional knowledge for and between site owners, regulatory agencies, communities, private sector, and redevelopment agencies.



Your time is valuable!  
Your input valued!

*We thank you for your participation...*

- △ Throughout the OR Millsite Project
- △ Your time today!