

Approaches to Environmental Remediation Financing

A Presentation to the Contra Costa County Hazardous Materials Commission





Amy Wilson, PhD, PE

Operations Lead, N. Cal. Remediation

Gary Gunderson, MBA, PE

Senior Project Manager



Topics

- Environmental liability transfer a brief history
- TRC Exit StrategyTM today
- Federal and state funding mechanisms
- State Proposition 1 Water Bond funding mechanisms





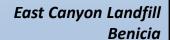


Environmental Liability Transfer

(A Strategy for Remediation Risk Resolution)

A Brief History

- <u>1996-2007</u>: Most common strategy environmental liability transfer supported by cost cap insurance as a risk mitigation tool
 - Insurance covers cost overruns associated with planned remediation
 - Liability transfer could include TRC taking title to real estate
 - Not all TRC Exit StrategyTM contracts incorporated this strategy or involved cost cap insurance!
- <u>~2007-2009</u>:
 - Loss ratios for insurers grew high
 - Financial crisis significantly impacts largest underwriter
 - Cost cap policies phased out and were generally no longer available after 2009





GBF/Pittsburg Landfill
Antioch





TRC Exit StrategyTM Today

- <u>Goal is the same</u>: Remediation risk resolution that satisfies client's business objectives
- Insurance is still used as part of a broad, holistic strategy in which TRC and our clients align interests, and share in risk/reward
- Pollution liability insurance:
 - Integrated into the broader risk resolution structure
 - Available and commonly used
 - Covers one or more of:
 - Third party claims (bodily injury, property damage)
 - Cleanup costs for previously unknown contaminants and agency re-openers
 - Offsite disposal liability, waste transport liability
 - Can cover multiple shareholders (seller, buyer, future buyers, lenders)
- Cost cap insurance market is limited:
- TRC Results you can rely on
- Coverage not as broad (e.g., no unknown contaminants)
- Very few policies written post ~2010



Confidential industrial site
San Jose

Shared Interest - What's the Point?



Traditional Consultant Engagement:

- Time and materials hourly rates
- Environmental risks highly variable
- Change orders occur
- Clients may not be able to rely on estimated remedial costs
- Remediation often begins without fully defining site conditions or the client's end use/business goals
- Consultant benefits when problems gets worse or project drags on

Risk Sharing:

- Fully define upfront the client's end use/business goals
 - Invest in upfront risk definition, estimation
- Fully examine remedial alternatives to achieve the client's goals
- Develop a strategy that aligns consultant's interests with those of the client
 - Where problems resolve easily, everyone shares in the reward
 - Where problems get worse, every feels a little "pain"
 - Consultant puts "skin in the game"
- Use risk management tools to close risk gaps insurance, indemnification, escrow/trust
- <u>Goa</u>l Provide assurance of resolution of regulatory obligations
- Maximize cooperation, focus on completion/schedule performance, maximize efficiency





Available Funding – EPA/Federal Brownfields Grants

- Who can apply? Government, tribes, nonprofits (for 4 of 6 programs)
- Property may be publicly or privately held
- Neither grant recipient nor owner can be responsible for contamination





Available Funding – EPA/Federal Brownfields Grants

Assessment

- \$200,000-\$750,000 with no match required
- Site-Specific or Community-Wide
- Assessment and Cleanup Planning

Cleanup

- \$200,000-\$600,000 with 20% match
- Must own property
- Cleanup Planning and Cleanup

Revolving Loan Fund

- \$1 million with 20% match
- Government
- Loan amount and interest return to grantee



Former lumber mill "The Landing", City of Mt. Shasta





Available Funding – EPA/Federal Brownfields Grants

Job Training

- \$200,000 with no match
- Government and nonprofit
- Tailor training to market demand (cleanup, etc.)

Targeted Brownfields Assessments

- Contractor Assistance
- Near-term redevelopment at a smaller scale

Area-Wide Planning

- \$200,000
- Brownfield Area Wide Plan





Available Funding Department of Toxic Substances Control (DTSC/State)

Revolving Loan Fund (RLF)

- Simple interest loans and grants
- Borrower cannot be responsible
- 10% Owner equity match
- Loans up to \$900,000
 - Public or private, but must control property
- Sub-grants up to \$200,000
 - Local governments, non-profits, housing authorities, school districts, tribes





Available Funding Department of Toxic Substances Control (DTSC/State)

Targeted Site Investigation (TSI)

- No cost assessment
- Work done by DTSC contractor
- Typical project \$75,000
- \$325,000 available for 2015-2016
- Same groups eligible as for grants





Available Funding

State Water Resources Control Board (SWRCB)

- Orphan Site Cleanup Fund (OSCF) has expanded coverage
- Release from on-site petroleum UST
- Maximum \$1 million
- \$10MM available ending Jan. 1, 2026
- Cannot be eligible for State UST Cleanup Fund
- Any entity <u>except State or Federal</u>
- Did not cause release or affiliated with such party
- Owns or has access to property
- May include UST removal
- Can include additional cleanup costs from previous closure



USPS facility
Hayward





Proposition 1 Water Bond Funding - \$7.545B

\$520M : Clean, Safe, and Reliable Drinking Water

\$1.485B: Ecosystem and Watershed Protection

\$810M : Regional Water Security

\$2.7B: Water Storage Projects that Benefit the Delta

\$725M: Water Recycling

\$900M : Groundwater Sustainability

\$395M : Flood Management





Proposition 1 Water Bond Funding Details of Potential Interest for the Northern Waterfront

\$810M Regional Water Security

- > \$510M: Integrated Regional Water Management Projects (water reuse and recycling, water conservation, storage, stormwater resource management, water desalination projects, improvement of water quality projects appropriated over California hydrologic regions, including \$65M for San Francisco Bay) (public scoping meeting summer 2015)
- > \$100M : Water Conservation Programs
- > \$200M : Stormwater Management Projects fund managed by SWRCB (draft funding guidelines by 4/16, public workshops 5/16, final funding guidelines 6/16)

\$725M Water Recycling

> \$625M: Water Recycling Funding Program - fund managed by SWRCB (draft funding guidelines 2/15, public workshops 4/15, final funding guidelines 6/15)

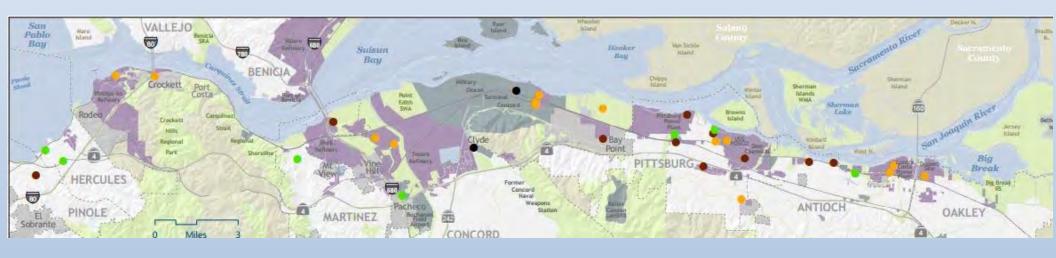
\$900M Groundwater Sustainability

- > \$800M Prevention and Cleanup of Contaminated Groundwater fund managed by SWRCB (draft funding guidelines 4/16, public workshops 5/16, final funding guidelines 8/16)
- > \$100M Development of Groundwater Management Plans fund managed by Department of Water Resources





Thank You.



Questions?

