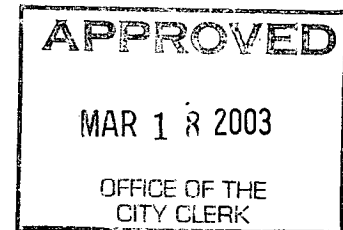




**Sacramento
Housing &
Redevelopment
Agency**

3.1

March 5, 2003



City Council
Sacramento, California

Honorable Members in Session:

**SUBJECT: BROWNFIELD CLEANUP REVOLVING LOAN FUND – MODIFICATION
OF MEMORANDUM OF UNDERSTANDING**

LOCATION & COUNCIL DISTRICT - Citywide

RECOMMENDATION

Staff recommends adoption of the attached resolution (page 5) which authorizes:

The City Manager and the Executive Director to sign an Amended Memorandum of Understanding between the City of Sacramento and the Sacramento Housing and Redevelopment Agency which reflects recommended changes, extends the term of the existing MOU, and clearly defines the delegation of roles, responsibilities and distribution of administrative expenses.

CONTACT PERSONS

Lisa Bates, Director, Community Development – City, 440-1316
Andrew Reid, Development Services Analyst, 440-1362

FOR COUNCIL MEETING OF - March 18, 2003

SUMMARY

In 1997 the City received an award of \$350,000 from the United States Environmental Protection Agency to operate a revolving loan fund for cleanup of sites contaminated with hazardous materials. In 1999 the EPA amended its Assistance Agreement with Sacramento to increase the loan fund by \$150,000, for a total of \$500,000. On August 29, 2000 the Council approved the execution of an Amended MOU between the City and SHRA that delegated roles, responsibilities and compensation to SHRA. That MOU has since been found to contain provisions that are incompatible with EPA requirements.

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This report recommends that the City Manager and Executive Director amend the existing Memorandum of Understanding to modify those provisions that are incompatible with EPA requirements, primarily the procedure for the draw down and disbursement of funds, and to lengthen the term beyond that contained in the original agreement.

COMMISSION ACTION

At its meeting of March 5, 2003, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES:	Amundson, Burruss, Castello, Faust, Harland, Hoag, McCarty, Piatkowski, Simon
NOES:	None
ABSENT:	Burns

BACKGROUND

In September 1997 the City of Sacramento was selected to receive a grant of \$350,000 from the United States Environmental Protection Agency (EPA) to operate a brownfield cleanup revolving loan fund (BCRLF). In 1999, EPA increased the award to the City from \$350,000 to \$500,000. The grant award is split into \$425,000 for loan capital and \$75,000 for administrative expenses. The Sacramento BCRLF is governed by EPA terms and requirements and comprehensive local guidelines developed by the City and SHRA.

A "brownfield" is generally defined as a site which is unused or under-utilized due to the actual or perceived presence of hazardous substances. These conditions occur in both commercial and residential settings. As new development and investment bypass suspect sites they become blights on the community, and if unaddressed may also pose health hazards to workers and residents.

To date, the Agency has approved one Brownfields loan, to the Capital Area Development Authority's (CADA) R Street Warehouse project. This \$250,000 loan is being used to remediate contamination at CADA's 1330 R Street site. When the site is clean it will be the location of the Capitol Lofts, a \$32.5 million 102 unit downtown housing development.

Memorandum of Understanding

The Amended Memorandum of Understanding between the City of Sacramento (the "City") and Sacramento Housing and Redevelopment Agency (SHRA) continues to designate the City to serve as Lead Agency and SHRA to serve as BCRLF Fund Manager. The duties of each party

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are defined by the terms of the Assistance Agreement with EPA and outlined in the Amended MOU. Of the 15 percent of grant funds that are eligible to pay for administrative expenses, 10 percent is assigned to SHRA and 5 percent to the City.

The City's role as Lead Agency includes performing program oversight and BCRLF draw down functions. SHRA, as Fund Manager, is responsible for the day to day operation of the program including marketing, loan underwriting and approval, quarterly reporting, and providing required documentation to the City. These roles, with the minor modifications included in the Amended Memorandum of Understanding, are consistent with EPA requirements.

FINANCIAL CONSIDERATIONS

The City has received a total award of \$500,000 from EPA. Of this amount, \$425,000 is available for loans and \$75,000 for administrative expenses. A loan of \$250,000 to CADA has been approved, however it cannot be disbursed until the technical changes contained in the Amended Memorandum of Understanding are approved. Administrative expenses may be drawn down only in proportion to the disbursement of funds under the loan program. Funds are to be disbursed to the City directly by EPA. The City in turn will disburse those funds to SHRA.

The amount of administrative funds which will be received in a given program year is difficult to predict as those funds are tied directly to the level of borrowing activity. Total administrative reimbursement over the life of the fund will total \$25,000 to the City and \$50,000 to SHRA.

POLICY CONSIDERATIONS

The actions recommended in this report are consistent with previously approved policies to assist commercial projects within the City of Sacramento. The action is consistent with the mission of the City's 2001-2004 Strategic Plan and meets the goals of enhancing and preserving neighborhoods and promoting and supporting economic vitality.

ENVIRONMENTAL REVIEW

The proposed action does not constitute a project pursuant to the California Environmental Quality Act Guidelines Section 15378(b)(4), and is exempt from further environmental review pursuant to the National Environmental Policy Act, 24 CFR Part 58.34(a)(3). Individual projects that receive BCRLF loans in the future will be subject to environmental review and compliance with both CEQA and NEPA. No funds will be expended prior to completion of environmental review and compliance.

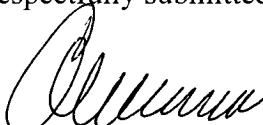
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M/WBE CONSIDERATIONS

M/WBE considerations do not apply to the actions included in this report. However, the terms of the award from EPA include goals for the inclusion of minority- and women-owned businesses. EPA's goals apply to prime contractors and the contractors making awards to subcontractors. They will be required to take race- and gender-neutral yet affirmative steps to reach the goals. Projects that receive BCRLF loans will be monitored and the use of M/WBE firms will be reported to EPA.

Respectfully submitted,



ANNE M. MOORE
Executive Director

Transmittal approved,


aw 
ROBERT P. THOMAS
City Manager

TABLE OF CONTENTS:

- 1) Resolution (page 5)
- 2) Memorandum of Understanding (page 6-7)

MEMORANDUM OF UNDERSTANDING
BROWNFIELDS CLEANUP REVOLVING LOAN FUND PROGRAM

RECITALS

WHEREAS, the United States Environmental Protection Agency (EPA) has launched the Brownfields Economic Redevelopment Initiative to empower states, local governments, and Indian tribes to prevent, assess, safely cleanup, and sustainably reuse sites contaminated with hazardous substances.

WHEREAS, in 1995 the CITY OF SACRAMENTO (CITY) was awarded a Brownfield Pilot Project Grant.

WHEREAS, in July 1997 the CITY was notified of a commitment of \$350,000 from the EPA to implement a Brownfields Cleanup Revolving Loan Fund (BCRLF).

WHEREAS, in September 1999 the CITY was notified of an additional commitment of \$150,000 from EPA to implement the BCRLF.

WHEREAS, the CITY is the Lead Agency and Cooperative Agreement recipient for the BCRLF as those terms are defined by EPA under the Brownfield Economic Redevelopment Initiative grant.

WHEREAS, the CITY, as Lead Agency, has previously designated the Sacramento Housing and Redevelopment Agency (SHRA) to serve as Fund Manager to manage the BCRLF in accordance with the Cooperative Agreement, federal and state requirements, and prudent lending practices.

WHEREAS, SHRA is an experienced revolving loan fund manager and currently manages both state and federal revolving loan funds.

NOW THEREFORE, the CITY and SHRA agree as follows:

AGREEMENT

1. The CITY continues to designate the SHRA to serve as the BCRLF Fund Manager and SHRA continues to accept such designation.
2. SHRA will continue to promote the BCRLF program citywide, and in conjunction with other redevelopment financial incentives in all the Redevelopment Project Areas.
3. SHRA will follow the established procedural and loan underwriting guidelines for the BCRLF program, including application and administrative fees to be charged to borrowers. The Sacramento Housing and Redevelopment Commission loan committee will be delegated authority to approve or deny individual BCRLF loans. Loan Agreements shall be between the SHRA and the Borrower.
4. The SHRA shall submit to CITY all information required to submit BCRLF draw down requests to EPA. CITY shall submit draw down requests directly to EPA upon receipt of all required information from SHRA.
5. The CITY will draw down approved loan fund directly from EPA. Each draw down will be at 115% of the loan amount, with one-third of the extra 15 percent going to the CITY to compensate for Lead Agency administrative costs and two-thirds going to SHRA to compensate for administrative costs related to acting as BCRLF Fund Manager. The balance of approved loan funds shall be transmitted by CITY to SHRA for disbursement to Borrower.

6. SHRA will report to CITY on a quarterly basis regarding the success of the BCRLF. In its reports, SHRA will summarize the program's marketing efforts, loan proposals under consideration, completed loan transactions, and loan repayment activities. CITY will submit quarterly reports to EPA as required by the terms of the Cooperative Agreement
7. Neither SHRA, or any officer or employee thereof, shall be responsible for any damage or liability occurring by anything done or omitted to be done by CITY under this Agreement. It is also understood and agreed that, pursuant to Government Code Section 895.4, CITY shall indemnify, defend and hold SHRA harmless from any liability imposed for injury to persons or property occurring by reason of anything done or omitted to be done by CITY under or in connection with any work, authority or jurisdiction delegated to CITY under this Agreement.
8. Neither CITY, or any officer or employee thereof, shall be responsible for any damage or liability occurring by anything done or omitted to be done by SHRA under this Agreement. It is also understood and agreed that, pursuant to Government Code Section 895.4, SHRA shall indemnify, defend and hold CITY harmless from any liability imposed for injury to persons or property occurring by reason of anything done or omitted to be done by SHRA under or in connection with any work, authority or jurisdiction delegated to SHRA under this Agreement.
9. This document contains the entire agreement between the parties and supersedes any oral or written understanding they may have had prior to the execution of this Memorandum of Understanding. This Agreement may only be modified or amended in writing signed by both parties.
10. The term of this Agreement shall be for five (5) years commencing January 1, 2003. This Agreement may be terminated by either party upon sixty (60) days following receipt of written notice to the other party.
11. The parties desire to determine, by this Agreement, their respective rights and obligations upon the termination of the Use Permit.

CITY OF SACRAMENTO

SACRAMENTO HOUSING AND
REDEVELOPMENT AGENCY

BY _____
Robert P. Thomas
City Manager

BY _____
Anne M. Moore
Executive Director

APPROVED AS TO FORM

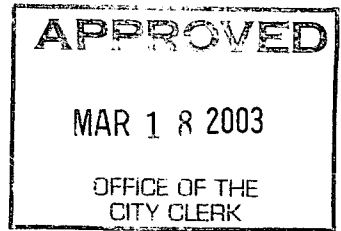
APPROVED AS TO FORM

City Attorney

Agency Counsel

ATTEST:

City Clerk



RESOLUTION NO. 2003-121

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF

SACRAMENTO BROWNFIELD CLEANUP REVOLVING LOAN PROGRAM

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO:

Section 1. The City Manager and Executive Director of the Sacramento Housing and Redevelopment Agency are authorized to sign the Amended Memorandum of Understanding in connection with administration of the Sacramento Brownfield Cleanup Revolving Loan Fund.

Section 2. All authorities granted in Section 1 and Section 2 of Resolution No. 2000-504 remain in full force and effect and are not superseded by this Resolution.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____
DATE ADOPTED: _____