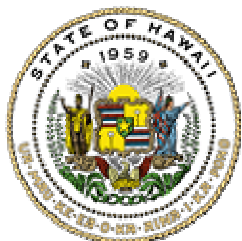




HAWAII BROWNFIELDS CLEANUP REVOLVING LOAN FUND

Annual Report for Calendar Years 2002 & 2003



Report Prepared by the Office of Planning
Department of Business, Economic Development & Tourism

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This annual report is prepared pursuant to Act 173, Session Laws of Hawaii, 2002. This is the first report submitted for the Hawaii Brownfields Cleanup Revolving Loan Fund (HBCRLF), and uses the calendar year to provide more up-to-date information on the status of the HBCRLF program. Future reports will be on a fiscal year schedule as loan activity commences.

Background

The U.S. Environmental Protection Agency (EPA), in recognition of the lingering threat to public health and the negative effect of ‘brownfields’ on community economic vitality, established a Brownfields Economic Redevelopment Initiative in the 1990s to facilitate state and local efforts to redevelop brownfields sites. A brownfield site is defined as “real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presences of a hazardous substance, pollutant, or contaminant” in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, §101(39), as amended (CERCLA). As part of its Initiative, the EPA established a Brownfields Cleanup Revolving Loan Fund grant program to capitalize state and local revolving loan funds for low-cost loans for the cleanup of contaminated sites.

The State of Hawaii, through the Department of Business, Economic Development, and Tourism (DBEDT) and the Hazard Evaluation and Emergency Response Office of the Department of Health (HEER), has been working on establishing a State brownfields program to address the public and environmental health issues posed by brownfields in Hawaii and to facilitate redevelopment of these properties in Hawaii. In 2001, the Office of Planning (OP) submitted a proposal on behalf of DBEDT for a 2002 EPA Brownfields Cleanup Revolving Loan Fund grant to capitalize a Hawaii Brownfields Cleanup Revolving Loan Fund (HBCRLF).

The purpose of the Hawaii Brownfields Cleanup Revolving Loan Fund is to facilitate the reuse and/or redevelopment of contaminated sites by making low-cost financing available for the cleanup of eligible public or privately-held properties. The funding sources for this endeavor are to be Brownfields Cleanup Revolving Loan Fund grant moneys from the EPA, HBCRLF program revenue, and any other funds deposited in a State revolving special fund established for this purpose.

Under EPA grant guidelines, seventy (70) percent of the grant award must be used for direct loans to cleanup projects. No more than ten (10) percent of the grant award may be used for program administration, and no more than twenty (20) percent of the grant may be used for technical assistance in overseeing the cleanup activities of loan recipients.

Summary of Activities and Accomplishments

In December 2001, the Office of Planning (OP) submitted a grant proposal on behalf of a coalition of the State, the City and County of Honolulu, and the County of Maui for 2002 EPA Brownfields Cleanup Revolving Loan Fund funding. In May 2002, the EPA awarded the Hawaii coalition \$2 million to capitalize a Hawaii Brownfields Cleanup Revolving Loan Fund (HBCRLF). Subsequently, Act 173 of the 2002 Legislative Session was signed into law on June 19, 2002, establishing a State special fund for the Brownfields Cleanup Revolving Loan Fund to be administered by DBEDT.

Cooperative Agreement. The Office of Planning submitted the final grant application and workplan on behalf of DBEDT and the Coalition in August 2002. A Cooperative Agreement for EPA grant award BL-97943301-0 was signed between DBEDT and EPA Region 9 on September 20, 2002, in which DBEDT was designated the Cooperative Agreement Recipient and Lead Agency for the EPA grant.

Program Organization, Implementation Plan, and Memorandum of Agreement. The HBCRLF Workplan approved by EPA relies on a working partnership among the Coalition members in implementing the HBCRLF Program. From 2002 to date, program activities have focused on establishing the HBCRLF program structure and clarifying the roles and responsibilities of the Coalition partners and agencies that will be responsible for the HBCRLF program. Program structure and procedures are to be formally adopted through an Implementation Plan approved by the EPA and a Memorandum of Agreement to be executed between Coalition partners.

Discussions between OP, HEER, county representatives, and EPA Region 9 have resulted in agreement over the general organization of the HBCRLF program. As Lead Agency and Cooperative Agreement Recipient, DBEDT is responsible for administration of the grant on behalf of the Coalition and for ensuring that grant activities and funds comply with the Cooperative Agreement, EPA grant guidelines, and underlying federal and State laws and regulations. OP is the Project Manager for the grant, and is responsible for program activities and loan administration, as well as all administrative and fiscal reporting. HEER is the Site Manager providing the technical oversight of all cleanup activities funded through the HBCRLF. The county partners are primarily responsible for providing a county liaison to the program, and ensuring that cleanup projects are consistent with county plans and community involvement requirements are met for cleanup activities under the loan program. A Coalition Loan Committee representing the State, the City and County of Honolulu, and the County of Maui will be responsible for approving all loans.

A Memorandum of Agreement is being drafted to formalize these agreements about the program organization and procedures. A draft Implementation Plan for the HBCRLF program, which provides procedures for loan administration, technical oversight of cleanup activities, and community involvement procedures, has been prepared and is undergoing review and revision by Coalition program staff and EPA Region 9 Brownfields Project Officers. Administrative rules are also being drafted for review by the Attorney General's office. Standard loan documents are being developed for HBCRLF loans.

Related Projects. The National Oceanic and Atmospheric Administration's Office of Response and Restoration, OP, and HEER have been discussing opportunities to partner in developing

geographic information system tools and databases to be able to identify conservation resources and potential sites with threats from contamination. Information tools such as this would assist the HBCRLF program in identifying potential sites for brownfields funding, and allow for ready access to information on site conditions and activities.

Training and Outreach. In October 2003, Coalition program staff from OP, DBEDT, HEER, the City and County of Honolulu, and the County of Maui attended the 2003 National Brownfields Conference in Portland, Oregon. The conference was the first exposure many of the Program staff had had to brownfields issues, state-of-the-art practices, and brownfields redevelopment projects from across the nation. OP and HEER staff have talked with individuals and groups about the program, including a presentation to the Hawaii Bar Association's Natural Resources section. OP has also been discussing the potential of conducting a how-to-package-a-brownfields-project training with Coalition program staff and the Hawaii Office of the Department of Housing and Urban Development.

EPA Grant Budget Highlights

The only expenditures of grant funds to date has been payment of travel and lodging expenses for OP staff and county partners' staff to attend the 2004 National Brownfields Conference in Portland, Oregon in October 2003. The EPA grant program budget and expenditures are summarized in the table below.

**Hawaii Brownfields Cleanup Revolving Loan Fund
Program Budget & Expenditures**

Reporting Period: October 2002 - December 2003

Budget Categories	Current Approved Budget	Costs Incurred to Date	Total Remaining Funds
Administrative Expenses			
Personnel			
Fringe Benefits			
Travel	\$33,070.00	\$4,292.52	\$28,777.48
Equipment			
Supplies	\$500.00		\$500.00
Contractual	\$108,300.00		\$108,300.00
Other/subawards*			
Public notice ads	\$600.00		\$600.00
Conferences/workshops	\$30,590.00		\$30,590.00
Indirect Cost Rate	\$26,940.00		\$26,940.00
Admin Subtotal	\$200,000.00		\$195,707.48
Loan Capitalization	\$1,400,000.00		\$1,400,000.00
Technical Site Assistance to Lead Agency			
Contractual	\$400,000.00		\$400,000.00
TOTAL			
EPA Funds	\$2,000,000.00		\$1,995,707.48

Based on discussions with HEER and EPA, all loan recipients will participate in HEER's Voluntary Response Program (VRP). HBCRLF loan recipients would pay HEER directly for technical oversight costs through the VRP. Therefore, OP is submitting a revised budget for EPA approval that will transfer the \$400,000 budgeted for HEER technical assistance to the loan corpus for direct loans, boosting the amount available for loans to \$1.8 million.

State HBCRLF Special Fund Revenues and Expenditures

There is no loan or special fund activity to report at this time.

Activities Planned for the 2004 Calendar Year

The Memorandum of Agreement and the HBCRLF Implementation Plan will be finalized by Summer 2004. Program staff plans to hold hearings on the proposed administrative rules by Fall 2004. Concurrently, a formal marketing and outreach program will be developed and initiated to solicit loan activity before the close of the 2004 calendar year. Work will progress on creating opportunities for brownfields education and conducting the training on packaging a brownfields project training in Fall 2004. Brownfields database and website development will continue throughout the end of the year.