Approaches to Environmental Remediation Financing

A Presentation to the
Contra Costa County Hazardous Materials Commission

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Topics

• Environmental liability transfer - a brief history
• TRC Exit Strategy™ 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

- **1996-2007**: 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 Strategy™ contracts incorporated this strategy or involved cost cap insurance!*

- **~2007-2009**: 
  - 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
TRC Exit Strategy™ Today

• **Goal is the same**: 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:**
  – Coverage not as broad (e.g., no unknown contaminants)
  – Very few policies written post ~2010
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, everyone feels a little “pain”
  - Consultant puts “skin in the game”
- Use risk management tools to close risk gaps – insurance, indemnification, escrow/trust
- **Goal** – 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, non-profits (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 except State or Federal
• 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
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?