

Modifications to State's Municipal Borrowing and Municipal Bonds Law: Brownfields Legislative Proposal

In 2003, the legislature created the Brownfields revolving loan program, in s. 292.72, Wis. Stats. This provision gave the DNR the authority to accept federal brownfields grants from US Environmental Protection Agency to establish a brownfields revolving loan fund (RLF) program. In June 2004, DNR received a \$4 million grant from US EPA; at that time, it was the largest such grant in the nation.

While this statute provided the DNR the necessary authority to develop and implement an RLF program, it did not specify the types of "municipal obligation" that a community should use, under state law, in order to secure a loan.

A municipal obligation"includes every lawful promise or engagement in writing by a municipality to pay a specified future time a specified sum of money."

In summary, this bill draft amends ch. 67, Wis. Stats., to clarify the types of municipal obligations that would be appropriate for this unique environmental-redevelopment program. The clarifications in this bill draft are consistent with the municipal obligations specified in ch. 67, Wis. Stats., for financing TIFs, and for water and sewer programs administered under chapter 281 of the state statutes.

Need for and Benefits of Proposed Legislation:

- Makes this program easier to use, and thus more attractive to local governments and private party partners.
- Provides clarification to state law that a municipality can use either: (1) a note of anticipation (temporary borrowing); or a (2) promissory note as a municipal obligation to secure a loan for environmental clean-up funds.
- Reduces transaction costs for communities and bond counsels by specifying the two municipal obligations.
- Creates a temporary borrowing obligation, that can be paid off in 10 years (up to 20 years, if refunded) and the obligation does not count against municipal debt. This option was created to recognize that many clean ups are short-term projects, that do not require a multi-million dollar bond to finance the project (unlike a large sewer project). In these situations, the obligation will be paid off by other revenue sources (not bonding), such as TIF or ER TIF revenues, private developer contributions, and other revenue sources.
- Creates a longer-term obligation in the form of a promissory note (up to 20 years) that will count against municipal debt, for larger clean-up projects.
- Allows municipalities to not only fund public projects, but to assist with financing private developments, economic development, job creation and other enhancements to the tax base.

**Brownfields Ready for Reuse Loan & Grant Program
City of Fond du Lac
Georgetown Cleaners Loan for \$400,000**

Background

The busiest corner in Fond du Lac once housed a contaminated dry cleaner property that was an eyesore for the community. However, that corner is getting a new lease on life. The Redmond Company, a Wisconsin-based developer, purchased the entire city block at Main and Johnson streets for development of a new Walgreen's store and a retail building. Additionally, through this development, the city has been able to preserve the St. Louis Church, a historic building also located in the neighborhood. Prior to redevelopment, the properties were occupied by Manowske Welding, Georgetown Cleaners and the St. Louis Church.

Contamination and Cleanup

These sites were filled with miscellaneous debris, which had to be excavated and disposed of at a landfill. Five underground storage tanks were discovered during building decommissioning, creating some contamination issues on the property. Additionally, the former dry cleaner had contaminated the soil with dry cleaning chemicals. Cleanup activities at the site included workers removing and disposing of 1,271 tons of soil at a hazardous waste landfill.

Financial Assistance

The city is using funds from a Tax Incremental Finance District to help pay for remediation on the sites. Also, a Wisconsin Department of Natural Resources (DNR) \$400,000 Ready for Reuse loan, along with the DNR's Dry Cleaner Environmental Response Fund (a reimbursement program), will pay for a portion of the cleanup costs associated with the release from the former dry cleaner. The developer for this project is putting nearly \$7 million into property acquisition, building demolition, and construction of the new retail buildings.

Fond du Lac is the first recipient of a Ready for Reuse loan, which funds cleanup activities at contaminated sites across the state of Wisconsin.

