

December 2004

BROWNFIELD REDEVELOPMENT

Stakeholders Report
That EPA's Program
Helps to Redevelop
Sites, but Additional
Measures Could
Complement Agency
Efforts



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Highlights of [GAO-05-94](#), a report to congressional requesters

Why GAO Did This Study

Brownfields are properties whose use may be hindered by the threat of contamination. Cleaning up and redeveloping these properties can protect human health and the environment and provide economic benefits. Under the Brownfields Act, the Environmental Protection Agency (EPA) provides grants to state and local governments and others for site assessments, job training, revolving loans, and cleanups and to assist state efforts. GAO was asked to (1) obtain stakeholders' views on EPA's contribution to brownfield cleanup and redevelopment, (2) determine the extent to which EPA measures program accomplishments, and (3) obtain views on options to improve or complement EPA's program. Stakeholders GAO surveyed included grant recipients, state program officials, interest groups, and others.

What GAO Recommends

GAO recommends that EPA develop additional measures of the Brownfields Program's achievements. It also recommends that EPA consider stakeholder suggestions for improving and complementing the agency's brownfield efforts as it weighs potential changes to the program. GAO provided EPA with a draft of this report for its review and comment. EPA agreed with the report's findings and recommendations and provided technical comments we addressed in the report where appropriate.

www.gao.gov/cgi-bin/getrpt?GAO-05-94.

To view the full product, including the scope and methodology, click on the link above. For more information, contact John B. Stephenson at (202) 512-3841 or stephensonj@gao.gov.

BROWNFIELD REDEVELOPMENT

Stakeholders Report That EPA's Program Helps to Redevelop Sites, but Additional Measures Could Complement Agency Efforts

What GAO Found

Stakeholders said that EPA's Brownfields Program supports the initial stages of site redevelopment by funding activities that other lenders often do not, such as identifying contamination and cleaning up sites. While important, the impact of EPA's funding is difficult to isolate because it is often combined with funds from other sources. For example, representatives of a company that combined an EPA loan with city, state, and other federal agency funds to redevelop a brownfield site near Seattle, Washington, said that EPA's loan, while small, provided critical up-front funds for cleanup. Furthermore, while an unknown number of projects rely solely on private and other federal agencies' funding, EPA funds often go to sites with more complex cleanups, less desirable locations, or liability issues. In addition, officials in 10 states reported that EPA's assistance has been crucial to establishing and expanding the scope of their voluntary cleanup programs.

EPA's current performance measures do not measure major components of the Brownfields Program, such as progress toward cleaning and redeveloping sites or assisting state programs. Furthermore, EPA has not yet developed measures to assess the extent to which the Brownfields Program achieves key outcomes, such as reducing environmental risks. Similarly, EPA's Inspector General found that the brownfields performance measures do not demonstrate the program's contribution to reducing or controlling health and environmental risks. Acknowledging its measures' limitations, in fiscal year 2004, EPA began collecting additional data—such as the number of acres ready to be reused—about properties under the program and is developing performance measures for state voluntary cleanup programs.

Stakeholders identified three options for improving or complementing EPA's Brownfields Program. First, they suggested eliminating the provision in the Brownfields Act that, in effect, disqualifies from grant eligibility those landowners who purchased a brownfield site before January 2002. Second, they suggested changes to the stringent technical and administrative requirements that they believe have discouraged the use of revolving loan funds. While EPA officials maintained that the act eased administrative burdens, stakeholders believed that technical requirements continue to impede lending. Stakeholders also suggested that EPA give priority to applicants with proven administrative expertise or to coalitions that can consolidate administrative functions. Third, stakeholders believed that a federal tax credit for developers' remediation costs could attract developers to brownfield sites on a broader national basis. Although EPA and other organizations were also generally supportive of a tax credit, we did not analyze the costs and benefits of such a tax credit or any other potential incentives.

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Abbreviations

CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act
EPA	Environmental Protection Agency
GPRA	Government Performance and Results Act of 1993
IPA	Intergovernmental Personnel Act
NCP	National Contingency Plan
OMB	Office of Management and Budget

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United States Government Accountability Office
Washington, D.C. 20548

December 2, 2004

The Honorable Tom Davis
Chairman, Committee on Government Reform
House of Representatives

The Honorable Michael R. Turner
House of Representatives

An estimated 450,000 to 1 million brownfields—sites whose redevelopment or reuse may be complicated by the presence or potential presence of hazardous substances—sit abandoned or underused across the country. Brownfields can include industrial properties, former gas stations, warehouses, and residential buildings. These sites have remained largely undeveloped for several reasons, including uncertainty about the presence of contamination, limited cleanup resources, and fear by the sites' owners—or prospective purchasers—that they might be held liable for cleaning them up. Cleaning up and redeveloping these properties can improve and protect human health and the environment; increase local tax bases; and slow the development of undeveloped, open land. Although a number of federal agencies provide funding and technical assistance to aid in restoring brownfields, the Environmental Protection Agency (EPA) has the lead federal role in encouraging and facilitating the cleanup and redevelopment of these sites. In addition, state and local governments, commercial lending and real estate development corporations, and other entities provide funding for brownfield redevelopment—both with and without EPA's participation. While the availability of funding from these other sources depends on the particular circumstances of individual brownfield sites, many sites have been and are being redeveloped primarily through state, local, and commercial efforts with no assistance from EPA.

To address the numerous brownfield properties across the country, in 1995, EPA began its Brownfields Initiative under the Superfund Program, established by the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), to clean up contaminated sites. In January 2002, the Congress passed the Small Business Liability Relief and Brownfields Revitalization Act (Brownfields Act)(Pub. L. No. 107-118), formally establishing a separate Brownfields Program within EPA. The act authorizes \$250 million in grant funds annually for fiscal years 2002 through 2006. Of this amount, \$200 million is authorized to fund EPA grants for site assessments, job training, revolving loans, and newly

created cleanup grants in support of brownfield revitalization efforts.¹ Under the act, state and local governments and quasi-governmental entities can apply for site assessment and cleanup grants of up to \$200,000 and revolving loan fund grants of up to \$1 million.² Between fiscal years 1995 and 2004, EPA awarded over 1,200 brownfield grants totaling about \$400 million. In addition, of the \$250 million annual authorization, the act authorizes \$50 million in grants to assist states and tribes in developing and enhancing their environmental response—or voluntary cleanup—programs to address contaminated sites. Since fiscal year 2003, EPA has awarded about \$100 million in assistance to states and tribes.

To hold federal agencies systematically accountable for achieving results from their programs, such as EPA's Brownfields Program, the Congress passed the Government Performance and Results Act (GPRA) of 1993. The act requires EPA and other federal agencies to develop strategic plans covering at least 5 years and submit them to the Congress and the Office of Management and Budget. GPRA also requires agencies to set annual performance goals related to the goals and objectives in the strategic plan and to prepare annual reports comparing actual performance with annual goals. An agency's performance measures should, among other things, demonstrate results and provide useful information to track how programs and activities contribute to achieving its goals and mission. The objectives of EPA's Brownfields Program, as set out in the agency's strategic plan for fiscal years 2003 through 2008, are to assess, clean up, and redevelop properties; leverage job creation; and leverage cleanup and redevelopment funding from other sources.

In this context, we (1) obtained the views of stakeholders—including EPA grant recipients, state and local government officials, real estate developers, and interest groups, among others—on the extent to which EPA's program has contributed to the cleanup and redevelopment of brownfields; (2) determined whether the measures EPA uses to gauge the

¹EPA's site assessment grants provide funding for a grant recipient to inventory, characterize, assess, and conduct planning and community involvement related to brownfield sites. EPA also awards brownfield job training grants to provide environmental training for residents of brownfield communities. EPA's revolving loan fund grants provide funding for recipients to make no- or low-interest loans or subgrants for brownfield cleanup. EPA also awards cleanup grants that provide direct funding for a recipient to address contamination at brownfield sites.

²Nonprofit organizations are also eligible to apply for cleanup grants and revolving loan fund subgrants to clean up sites that the nonprofit owns.

performance of its brownfield activities provide sufficient information to identify program accomplishments; and (3) obtained these stakeholders' views on potential options for improving or complementing EPA's Brownfields Program. Additionally, you asked us to identify other federal agencies that support brownfield cleanup and redevelopment and describe their activities and funding levels.³ We provide this information in appendix II.

In conducting our work, we met with the Director of EPA's Office of Brownfields Cleanup and Redevelopment and other officials within that and other EPA headquarters offices. In addition, we visited eight entities that received site assessment, revolving loan, or job training grants located in four states—Colorado, Florida, Minnesota, and Washington State—to discuss their brownfield redevelopment activities, their views on EPA's contribution, and potential options to improve federal brownfields efforts. We selected a nonprobability sample of eight grant recipients by identifying one recipient of a grant with high activity (as determined by the number of sites assessed, the number of loans made, and loan size) and one with low activity in each state. On the basis of these paired criteria and an effort to select sites from a geographically diverse range of states, we chose four recipients of site assessment grants and four recipients of revolving loan grants—two of which also received job training grants. Additionally, we obtained the views of other local brownfield stakeholders who were identified by these grant recipients, such as real estate developers, property owners, attorneys, nonprofit organizations, and other state and local government officials involved in brownfield activities. We also identified and obtained the views of several industry groups and associations representing state and local governments with brownfield expertise. Although we did not identify a sample of EPA brownfield grant recipients that would allow us to generalize our findings to the total population of EPA brownfield grant recipients, our selection of recipients with high- and low-grant activity, in conjunction with the large, diverse groups we contacted, enabled us to obtain a wide range of views on EPA's program and brownfield issues. Furthermore, we obtained information about brownfield efforts from nine federal agencies identified by EPA as active in the Federal Brownfields Partnership. We also reviewed data from EPA's brownfields database and found them to be sufficiently reliable for use in this report. Appendix I provides additional details on our objectives, scope,

³For purposes of this report, we refer to the various federal departments, agencies, commissions, and other entities that undertake brownfield-related activities as "agencies."

and methodology. We conducted our review between October 2003 and November 2004 in accordance with generally accepted government auditing standards.

Results in Brief

Stakeholders reported that EPA's Brownfields Program provides an important contribution to site cleanup and redevelopment efforts by funding activities that might not otherwise occur. EPA grants typically support the initial stages of brownfield redevelopment and are important in that they fund activities and address sites—such as those with more complex cleanup requirements, less desirable locations, or liability or ownership issues—that private lenders and other government programs often do not, according to stakeholders. EPA's site assessment grants provide recipients with seed money for identifying contamination and estimating cleanup costs, while the agency's revolving loan fund grants provide funding for cleanup activities. However, EPA is often one of several funding sources for brownfield cleanup and redevelopment. All of the grant recipients we interviewed used EPA grants in conjunction with funding from state, local, and/or other federal sources to address brownfield sites. For example, a Seattle, Washington, company combined an EPA revolving loan with city, state, and Department of Housing and Urban Development funds to begin redeveloping a brownfield site into a housing and retail business property. Representatives of the company told us that EPA's revolving loan provided critical up-front funds for the cleanup during the first phase of the project. While EPA's program makes an important contribution to some individual brownfield redevelopment projects, an unknown number of other projects that are funded solely by other public and private sources without any EPA assistance have been completed and are under way. In addition, officials in all 10 of the states we contacted reported that EPA assistance has been crucial to establishing and expanding the scope of their voluntary cleanup programs.⁴ These officials said that without EPA's grants, their voluntary cleanup programs would not have had the resources to undertake activities such as compiling state inventories of brownfield sites, performing limited brownfield site assessments, and developing needed guidance and information for program participants.

⁴The 10 states we contacted included Alabama, Alaska, Colorado, Florida, Kentucky, Minnesota, Virginia, Washington, West Virginia, and Wyoming.

The performance measures EPA has used to date have provided information on accomplishments in some but not all key areas of the Brownfields Program, thereby limiting the agency's—and the Congress'—ability to determine the extent to which the program is achieving its goals. First, EPA's current brownfield performance measures do not fully address the program's central objectives. While EPA has reported to the Congress on the cumulative sites assessed, jobs generated, and cleanup and redevelopment funds leveraged by the program, the agency has not begun reporting data on grant recipients' activities to clean up and redevelop properties, which is one of its primary stated objectives. Second, EPA does not collect or report data on the assistance it provides to state voluntary cleanup programs. Although this is not one of the program's strategic objectives, these activities are a significant part of EPA's brownfield efforts, accounting for about one-third of the total program funds in each of fiscal years 2003 and 2004. Third, although EPA's overall mission is to protect human health and the environment, the agency has not yet developed measures to determine the extent to which the Brownfields Program helps reduce environmental risks. Acknowledging these limitations, in fiscal year 2004, EPA began collecting additional information—such as the number of acres ready to be reused—which agency officials believe will allow them to develop additional measures to gauge the program's achievements. Similarly, EPA is developing performance measures for voluntary cleanup programs, but the agency has not yet proposed that it include such measures in its performance reports. We are recommending that EPA continue its efforts to develop additional measures to gauge program achievements—especially those addressing the program's environmental and state voluntary cleanup aspects—and incorporate them into annual performance measures that are reported to the Congress.

Stakeholders identified three potential options for improving or complementing EPA's Brownfields Program. First, they suggested eliminating the provision in the Brownfields Act that, in effect, makes landowners who purchased a brownfield site prior to January 2002 ineligible for EPA grant funding. While the Consolidated Appropriations Act for Fiscal Year 2004 temporarily suspended the eligibility date for that fiscal year, stakeholders asserted that the clause continues to discourage brownfield redevelopment by limiting program eligibility. Second, stakeholders suggested changes to address the underutilization of revolving loan funds. As of November 2004, grant recipients had loaned out less than \$29 million (about 17 percent) of the \$168 million in revolving loan fund grants awarded by EPA. According to stakeholders, the stringent technical and administrative requirements to establish a revolving loan

fund have discouraged grant recipients from using the funds. While EPA officials maintain that provisions in the Brownfields Act eased administrative requirements, stakeholders believed that technical requirements continue to be the primary impediment to making loans. Additionally, stakeholder comments indicated that EPA could achieve greater results by giving priority to applicants with proven administrative expertise or to coalitions of agencies that could consolidate administrative functions and thereby produce economies of scale. Third, stakeholders believed that a federal tax credit, which would allow developers to offset a portion of their federal income tax with their remediation expenditures, could complement EPA's program by attracting developers to brownfield sites on a broader national basis. While EPA and other organizations with brownfield expertise were also generally supportive of a federal brownfield tax credit, we did not analyze the costs and benefits of such a tax credit or any other potential incentives. We are recommending that the Administrator of EPA consider stakeholder suggestions for improving and complementing the agency's brownfield efforts as EPA weighs potential changes to the program.

Background

EPA's initial efforts to address brownfield properties began in 1995 with the Brownfields Initiative under CERCLA, which was enacted in 1980 in the wake of discoveries of abandoned hazardous waste sites around the country. CERCLA authorizes EPA to compel parties responsible for the contamination to clean up hazardous waste sites; allows EPA to pay for the cleanups, then seek reimbursement from the responsible parties; and established a trust fund to help EPA pay for cleanups and related program activities. Under CERCLA, past and present owners and operators of hazardous waste sites, as well as generators and transporters of the hazardous substances, can all be held liable for cleanup costs. CERCLA establishes a defense to liability for innocent landowners—that is, owners who obtain property without knowing it was contaminated despite conducting “all appropriate inquiries” regarding the present and past uses of the property and the potential presence of on-site contamination.

Under its Brownfields Initiative, EPA awarded several types of grants in support of brownfield redevelopment, as follows:

- site assessment grants, which provide funding to inventory, characterize, assess, and conduct planning and community involvement related to brownfield sites;

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- revolving loan fund grants, which provide funding for recipients to make no- or low-interest loans for brownfield cleanup;
 - job training grants, which provide funding for environmental training for residents of brownfield communities;
 - showcase grants, which provided targeted technical and financial assistance from EPA and other federal agencies to support brownfield activities in select communities demonstrating innovative and successful approaches to addressing brownfields;
 - greenspace grants specifically for brownfield projects that result in parks or other greenspace development; and
 - Intergovernmental Personnel Act funds to site assessment grant recipients, which provide for employee exchanges between a federal agency and a state or local government entity to share environmental expertise with those entities.⁵

EPA's Brownfields Program

On January 11, 2002, the Congress amended CERCLA by passing the Small Business Liability Relief and Brownfields Revitalization Act (Brownfields Act) (Pub. L. No. 107-118). The act defined brownfields as real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant. Furthermore, the act established the Brownfields Program and amended the criteria for establishing the innocent landowner defense. It also limits liability for two types of parties: (1) contiguous property owners—persons who own property that may be contaminated by a release of hazardous substances from a neighboring property—and (2) bona fide prospective purchasers—persons who purchased the property after the act's passage on January 11, 2002; did not contaminate the property; and exercised appropriate care with respect to any hazardous waste found on the property. Both types of parties must demonstrate that they conducted

⁵The Intergovernmental Personnel Act (IPA) provides for the temporary assignment of personnel between the federal government and state and local governments, institutions of higher education, and other organizations. EPA's IPA program objectives include increasing the nation's environmental expertise, acquiring hard-to-find expertise, and providing a training ground for both EPA and nonfederal employees to gain experience at another level of government.

all appropriate inquiries into the site's previous ownership and use.⁶ Under the act, any landowner who acquired a potentially contaminated property before January 11, 2002, is not eligible for the bona fide prospective purchaser exemption and accordingly may not be eligible for brownfield grants.

In addition to clarifying CERCLA liability, the act also made several changes to EPA's brownfield grants, including

- authorizing EPA to continue awarding site assessment, revolving loan fund, and job training grants, and authorizing new cleanup grants up to \$200,000 to be used directly for brownfield remediation;
- allowing recipients of revolving loan fund grants, in accordance with certain statutory restrictions, to use a portion of these funds for subgrants for cleanup activities that, unlike loans, do not have to be repaid;⁷
- requiring recipients of revolving loan fund grants and cleanup grants to provide a 20 percent cost share, unless EPA determines that the cost share requirement would place an undue hardship on the recipient;
- allowing recipients of revolving loan fund grants that were awarded before January 11, 2002, to transition to the new requirements set out in the act;
- prohibiting the use of grant or revolving loan funds for administrative costs;
- requiring that 25 percent of grant funds be used for site assessment and cleanup activities on sites contaminated with petroleum or a petroleum product; and

⁶In August 2004, EPA proposed a rule that would establish specific requirements and standards for conducting all appropriate inquiries into the previous ownership, uses, and environmental conditions of a property for the purposes of qualifying for CERCLA liability protection.

⁷EPA guidance limits the portion of funds that can be used as subgrants to 40 percent of the original grant amount.

- generally prohibiting EPA from taking federal enforcement action under sections 106 and 107 of CERCLA at “eligible response sites” that are enrolled in a state program that meets certain criteria.

Brownfield grants are currently awarded competitively by regional panels that evaluate grant proposals against threshold criteria, such as applicant eligibility on a pass/fail basis, and a national panel that scores and ranks proposals on criteria such as the proposals’ budgets, the planned method for selecting sites that will receive grant funds, and the communities’ need for brownfield assistance.

EPA Funding of Brownfield Grants

Since EPA began the Brownfields Initiative in 1995, the agency has awarded over 1,200 brownfield grants totaling about \$400 million. Table 1 shows the number of grants and the amount (in nominal dollars) awarded for each grant type between fiscal years 1995 and 2002 (when the Brownfields Act was passed) and during fiscal years 2003 and 2004.

Table 1: Number and Amount of Brownfield Grants Awarded

Dollars in millions

Grant type	Fiscal years 1995 ^a through 2002		Fiscal year 2003		Fiscal year 2004 ^b	
	Number of grants	Amount	Number of grants	Amount	Number of grants	Amount
Site assessment	437	\$103.1	117	\$30.7	155	\$37.6
Revolving loan fund	143	117.0	28	30.4	18	20.9
Cleanup	N/A	N/A	66	11.4	92	16.9
Job training	57	12.1	10	2	16	2.5
Other ^c	97	14.4	-	-	-	-
Total	734	\$246.6	221	\$74.5	281	\$77.9

Source: GAO analysis of EPA data.

^aEPA awarded one site assessment grant in 1993 and two site assessment grants in 1994 as pilot tests for its Brownfields Initiative.

^bFiscal year 2004 numbers and amounts are for grants announced, not awarded. A small number of these grants may have been awarded after the end of fiscal year 2004, according to EPA officials.

^cThis category includes showcase grants, greenspace grants, and Intergovernmental Personnel Act funds awarded prior to the Brownfields Act.

State Voluntary Cleanup Programs

Many states have passed their own hazardous waste cleanup laws, many of which have liability and enforcement provisions similar to CERCLA's provisions. Concerns about liability under both federal and state laws have hindered cleanups at brownfields and other contaminated sites. To alleviate this problem, in the late 1980s, some states began to establish voluntary cleanup programs that allow private parties to identify and clean up sites, use less extensive administrative procedures, and obtain some relief from future state liability for past contamination.⁸ All 50 states now have voluntary cleanup programs, although these programs vary considerably in scope and breadth. Programs generally provide participants with protection from future state liability for cleanup costs. In addition, EPA has signed Voluntary Cleanup Program Memorandums of Agreement with 22 states. These memorandums clarify roles and responsibilities and encourage the cleanup of contaminated properties. Generally, they provide a statement that EPA does not plan or anticipate taking federal enforcement action at those sites going through a state voluntary cleanup program, with some caveats. Additionally, the Brownfields Act further encourages the use of state voluntary cleanup programs by generally prohibiting EPA from taking federal enforcement action under sections 106 and 107 of CERCLA at "eligible response sites" that are enrolled in a state program that meets certain criteria.

The 2002 Brownfields Act authorizes grant funds for state and tribal voluntary cleanup programs. The act authorizes EPA to provide \$50 million for each of fiscal years 2002 through 2006, to state or tribal programs that include, or are taking reasonable steps to include, elements such as an inventory of brownfield sites, mechanisms for approval of cleanup plans and verification that cleanup actions were completed, and oversight and enforcement authorities adequate to ensure that cleanups protect human health and the environment. EPA's guidance to states and tribes seeking voluntary cleanup program grants specifies that, among other things, funds may be used to

- develop legislation, regulations, procedures, or guidance that would establish or enhance the program;
- finance a revolving loan fund for brownfield cleanups;

⁸Indian tribes also established programs to oversee assessment and cleanup activities.

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- purchase environmental insurance or develop an insurance mechanism to provide financing for cleanup actions under the program;
 - establish and maintain the required public records; and
 - conduct limited site-specific activities, such as assessment or cleanup.

In 2003, EPA distributed almost \$50 million among the 50 states, 30 tribes, the District of Columbia, and the Virgin Islands to develop or enhance their programs' infrastructure and capabilities. The Congress appropriated \$50 million in funding for state and tribal voluntary cleanup program grants for fiscal year 2004.

The Government Performance and Results Act of 1993

In 1993, the Congress passed GPRA, requiring all federal agencies to (1) develop and submit strategic plans covering at least 5 years to the Congress and the Office of Management and Budget (OMB), (2) set annual performance goals related to the goals and objectives in the strategic plan, and (3) annually compare actual program results with established performance goals and report this information to the Congress. Under the act, agencies are to establish in their strategic plans general outcome-related goals and objectives for their major functions and operations. Performance measures are the yardsticks used to assess an agency's success in meeting its performance goals. EPA's broad mission is to protect the nation's health and environment, and the agency's fiscal year 2003-2008 Strategic Plan places the Brownfields Program under its goal of protecting, sustaining, or restoring the health of communities and ecosystems. EPA's Strategic Plan identifies three performance measures for the program: the number of properties assessed, the number of jobs generated, and the cleanup and redevelopment funding leveraged.

Stakeholders Reported That EPA's Program Enables Brownfield Redevelopment That Might Not Otherwise Occur

Stakeholders told us that EPA's Brownfields Program provides an important contribution to cleaning up and redeveloping properties by funding activities—such as site assessments and remediation activities—that private lenders and other government programs often do not. EPA grant funds are often applied to brownfields that are less likely to be redeveloped without EPA funding because of the sites' more complex cleanup requirements, less desirable locations, or liability or ownership issues. However, because EPA is often one of several sources of funding for the range of activities at a brownfield site, its impact on the final

redevelopment of a property is difficult to isolate. Furthermore, officials in all 10 of the states we contacted reported that EPA assistance has been crucial to establishing and expanding the scope of their voluntary cleanup programs.

Stakeholders Acknowledged That EPA's Contribution Is Significant

EPA's Brownfields Program contributes significantly to grant recipients' redevelopment efforts, with site assessment grants providing seed money for identifying contamination and estimating cleanup costs and revolving loan fund grants supporting cleanup activities. By funding site assessments and cleanups, EPA provides a resource for activities that private lenders and other government programs often do not cover, according to stakeholders.⁹ In this regard, officials of the Washington Department of Community, Trade, and Economic Development—which is currently administering two EPA brownfield revolving loan fund grants totaling \$5.9 million for a coalition of state and local agencies—told us that the banking industry generally is reluctant to lend money for brownfield projects because of the high risks involved. Consequently, EPA is an important, and sometimes the only, funding source for the critical assessment and cleanup activities in the initial stages of redevelopment. For example, a representative of a nonprofit company redeveloping a brownfield site in Seattle, Washington, told us that the \$440,000 revolving loan they received from the Washington Department of Community, Trade, and Economic Development, while relatively small compared with the overall project costs of about \$24 million, provided critical funds for the cleanup during the first phase of the project. Similarly, a real estate developer revitalizing a brownfield site in Lakewood, Colorado, stated that although the Colorado Department of Public Health and Environment's \$1.9 million revolving loan accounted for a small portion of the project's estimated \$750 million cost, these funds were significant. The developer explained that the loan, which the state made with EPA revolving loan fund dollars, covered about one-half of the project's cleanup costs, helped the project advance in a timely

⁹These stakeholders included a nonprobability sample of eight EPA brownfield grant recipients, as well as (1) real estate developers, property owners, attorneys, and nonprofit organizations that the grant recipients identified and (2) several industry groups and associations representing state and local governments with brownfield expertise that we identified. Some stakeholders did not offer a response to our open-ended questions on various issues, while others offered more than one response. We did not determine the extent to which stakeholders agreed or disagreed with any particular response offered by other stakeholders.

manner, and provided financial reassurance to the project's other lenders that the cleanup would be properly performed.

Stakeholders also told us that EPA's grant funds are important to brownfield redevelopment because they are often applied to sites with (1) more complex cleanup requirements, (2) less desirable locations, or (3) liability or ownership issues that make them less likely to be redeveloped by private or other governmental investors alone. A senior planner with Palm Beach County, Florida, explained that some brownfield sites in prime locations are more likely to be redeveloped without EPA's assistance because of the potential positive financial return on investments in such properties. Brownfield sites in less desirable locations, however, need financial assistance for the site assessment and cleanup to make the project work, as do heavily contaminated areas located in prime locations. Similarly, officials with the Colorado Brownfields Foundation explained that some brownfield sites require additional financial aid because of their contamination, location, and other factors, and that EPA's assessment and cleanup funds are important for their redevelopment. Furthermore, an official with King County, Washington, who managed the two EPA site assessment grants that the county and the city of Seattle received, informed us that the county would not have assessed the 50 brownfield sites that it did without EPA's assistance because these sites involved complex environmental and funding issues.

Grant Recipients Combined Funds from Many Sources to Clean Up and Redevelop Brownfields

Although grant recipients and other stakeholders believed EPA's contribution is important, the agency is often only one of several sources funding activities at the site. All of the grant recipients we interviewed used EPA's grants in conjunction with funding from state, local, and other federal sources. For example, the Seattle development company we contacted combined an EPA brownfield revolving loan with city, state, and Department of Housing and Urban Development funds to begin redeveloping a brownfield site into a housing and retail business property. Additionally, the Colorado real estate developer with whom we spoke combined an EPA brownfield revolving loan; a substantial company equity investment; and several commercial loans, bonds, and other financing to fund a mixed-use project that will include retail shops and housing units.

Although EPA's program makes an important contribution to some individual brownfield redevelopment projects, an unknown number of other projects have been completed and are under way that are funded solely by other public and private sources without any EPA assistance. An

official with the Northeast-Midwest Institute—a nonprofit, nonpartisan research organization for the Northeast and Midwest states that has been very active on brownfield issues—emphasized that, while EPA and other federal programs provide key support for brownfield redevelopment, the number of brownfield sites far exceeds the number of sites that could be addressed by available federal resources. Furthermore, an official with the Center for Public Environmental Oversight—an organization that promotes and facilitates public participation in the oversight of environmental activities such as brownfields—echoed this view and said that, given the limited availability of funding from all levels of government, the vast majority of sites that are redeveloped do not receive any government assistance. Similarly, in its September 2003 report on the Brownfields Program, EPA stated that there remain hundreds of thousands of brownfield sites across the country that could be put to better use, but even with the additional assistance available under the Brownfields Act, the sheer enormity of the problem far outstrips all available federal resources.

States Reported That EPA Assistance Is Crucial to Establishing and Expanding Their Voluntary Cleanup Programs

Under the Brownfields Act, states and tribes may use EPA's voluntary cleanup program grant funds to, among other things, establish or enhance their programs, purchase insurance for financing state response actions, or finance a revolving loan fund for brownfield cleanup. Officials with the voluntary cleanup programs in the 10 states we contacted reported that EPA's funding has been crucial to establishing and expanding the scope of their programs. Program officials from 4 of the 10 states—Kentucky, Virginia, West Virginia, and Wyoming—reported that EPA's funds keep their voluntary cleanup programs operating and that, without this assistance, their programs would not exist. For example, Virginia officials said that their program relies solely on EPA funding and struggles to maintain, rather than enhance, their current program performance. Similarly, the Wyoming official said that the state used EPA's funds to help develop their program, including providing contractor support for developing the program's guidance, and to pay employees' salaries. This official said that the state plans to use some of EPA's funds to study various types of incentives the program could offer to encourage participants to redevelop brownfields, such as providing environmental insurance.

The state officials with whom we spoke, for the most part, believed that the activities they fund with EPA's grants are beneficial and contribute to the effectiveness of their programs. State officials from Colorado and Minnesota commented favorably on the flexibility that the activities provide their state programs. Alaska officials said that EPA's funding for

their program, which has only been in existence a short time, is very important for its development and growth. Both the Minnesota and Alaska officials commented on the benefits of using EPA funds to conduct site-specific assessments, and the Alaska representative further said that these assessments helped to redevelop foreclosed brownfield sites faster.

Officials from all 10 states said that their programs would not be able to accomplish a number of key activities without EPA's assistance, such as compiling state inventories of brownfield sites, performing limited brownfield site assessments, and developing needed guidance and information for program participants. For example, state officials overseeing Alabama's program said that EPA's funding allowed the department to hire additional staff, provide training, and develop an inventory and public record of brownfield sites. These officials told us that, although Alabama has been able to pay the program's administrative costs with user fees that are collected from participants, the revenue from these fees would not have been sufficient to allow them to expand the program and hire needed additional staff. Colorado program officials also noted that, without EPA's funding, the state's program would not be operating at its current service level and would not have undertaken activities such as performing brownfield site assessments or preparing cleanup guidance to deal with the state's growing problem of contamination from illegal methamphetamine drug laboratories.

EPA's Current Performance Measures Are Not Sufficient to Enable Effective Program Oversight and Decision Making

The performance measures EPA has used to date have not provided information on key outcomes and objectives of the Brownfields Program, thereby limiting the agency's ability to demonstrate the extent to which the program is achieving its goals. While EPA is beginning to collect data that may help it to better assess the program's achievements, its current brownfield performance measures do not fully address the program's central objectives, including its activities to clean up and redevelop properties, one of its primary stated objectives. Furthermore, EPA does not currently collect or report data on the assistance it provides to state voluntary cleanup programs. Finally, although EPA's overall mission is to protect human health and the environment, the agency has not yet developed measures to determine the extent to which the Brownfields Program helps reduce environmental risks. Acknowledging the limitations of its measures, in fiscal year 2004, EPA began collecting additional information that they believe will allow them to develop appropriate measures to gauge the achievements of the program, and the agency is also

taking steps to develop performance measures for state voluntary cleanup programs.

EPA's Current Brownfield Performance Measures Reflect Some but Not All of the Program's Major Activities

The current performance measures that EPA reports to the Congress regarding its brownfield activities do not fully address the program's central objectives, thereby limiting both the agency's and the Congress' ability to determine the extent to which the program is achieving its goals. EPA collects data on its brownfield activities in a number of areas. Some of these data are intended solely for the agency's internal use, and others are intended for reporting to the Congress on the program's performance under its GPRA requirements. The performance measure information that EPA provides to the Congress through the agency's 5-year strategic plan and annual plans is important in that it informs decision making and oversight of the program. EPA's fiscal year 2003-2008 Strategic Plan states that the specific objectives and targets for the Brownfields Program for this period are to (1) assess, clean up, and redevelop 9,200 properties; (2) leverage \$10.2 billion in cleanup and redevelopment funding; and (3) leverage 33,700 jobs. In its fiscal year 2003 annual report, EPA reported to the Congress on the cumulative (1) sites assessed, (2) jobs generated, and (3) cleanup and redevelopment funds leveraged. However, EPA did not report the number of properties cleaned up or redeveloped under the program. Although EPA's fiscal year 2004 annual plan includes—in addition to the measures in the 2003 plan—the number of properties cleaned up and the number of acres available for reuse as measures it plans to report to the Congress, the agency did not include targeted goals for these measures. According to agency officials, these goals were not included because the agency is still in the process of collecting the data it needs to set meaningful goals for these measures.

EPA's current performance measures also do not provide information on the impact of EPA's funding to state voluntary cleanup programs. While supporting state and tribal voluntary cleanup efforts is not one of the Brownfields Program's stated strategic objectives, these activities are a significant part of EPA's brownfield activities. EPA's funding to establish or enhance voluntary cleanup programs—authorized at \$50 million per year by the Brownfields Act—comprised about one-third of the agency's total Brownfields Program funds in each of fiscal years 2003 and 2004. However, EPA does not currently collect data on the results from this funding.

Furthermore, while EPA's objective to assess, clean up, and redevelop properties addresses the environmental impact of the program, its current

measures do not allow the agency to determine the extent to which the program helps reduce environmental risks, a key agency outcome goal. In July 2003, an EPA consultant suggested that, in its brownfield grants and loan agreements, EPA should require recipients to report on environmental indicators as a condition of receiving funding. In addition, the EPA Inspector General found that while the Brownfields Program's current performance measures may provide important, desired, and relevant information on the economic outputs and activities associated with brownfield expenditures, the measures do not provide information on how risks to human health and the environment will be reduced or controlled through brownfield investments. In 2002, the Inspector General suggested that EPA could use measures, such as acres of brownfields assessed and cleaned up or the population protected by brownfield cleanup actions, to more fully capture the program's environmental impact. In June 2004, the Inspector General reiterated this point, noting the lack of program performance measures that indicate how risks to human health and the environment will be reduced or controlled through brownfield assistance.¹⁰ Furthermore, on the basis of our recent work in evaluating EPA's grant management process, we testified in July 2004 that EPA is not consistently ensuring that its grants—such as those awarded under the Brownfields Program—are clearly linked to environmental results.¹¹

EPA Is Taking Steps to Obtain and Report Additional Information That May Better Measure Brownfields Program Accomplishments

Recognizing the limitations of its current performance measures and supporting data, EPA has taken a number of steps to collect additional information on the results of its brownfield activities that should enhance its ability to develop more meaningful measures of the Brownfields Program's accomplishments. First, in August 2002, EPA initiated an internal work group to develop a data collection instrument for the site assessment, cleanup, and revolving loan fund grants. This work group developed a property profile form to collect information from each grant recipient beginning in fiscal year 2004. This form will provide EPA with more detailed information on such factors as common contaminants and property size, among other things. Officials in EPA's Office of Brownfields

¹⁰EPA, Office of Inspector General, *Observations on EPA's Plans for Implementing Brownfields Performance Measures*, 2002-M-00016 (Washington, D.C.: May 24, 2002) and *Substantial Progress Made, But Further Actions Needed in Implementing Brownfields Program*, 2004-P-00-20 (Washington, D.C.: June 21, 2004).

¹¹GAO, *Grants Management: EPA Continues to Have Problems Linking Grants to Environmental Results*, [GAO-04-983T](#) (Washington, D.C.: July 20, 2004).

Cleanup and Redevelopment told us that these data will allow the agency to better measure the direct economic and environmental impact of EPA's activities on a property-specific basis. These officials anticipate that these data will provide a better measurement of program results, and they plan to conduct further evaluations after a full year of data collection to determine whether and how to use the data to form environmental indicators.

In addition, EPA has efforts under way that may assist the agency in developing performance measures to gauge the impact of funding for voluntary cleanup programs. In 2004, to develop such measures, EPA formed a work group of state and tribal officials that analyzed methods that states currently use to measure their programs. Also in 2004, the Association of State and Territorial Solid Waste Management Officials reported that while states continue to use counts of completed activities—such as the number of cleanups completed—as the primary measure for evaluating their programs, some states use other quantifiable indicators—such as the number of acres available for reuse and the anticipated land reuse—to assess their programs' broader, more global impacts.¹² EPA officials told us that the work group is now building on these efforts by developing performance measures for EPA's assistance to voluntary cleanup programs that could be implemented by the end of fiscal year 2005. However, states may view any reporting requirements that EPA imposes on them as burdensome. An EPA consultant reported in July 2003 that efforts to integrate states' data into EPA's brownfield data system would likely require a high level of state resources because many states have established their own systems.

A recent OMB review has also prompted EPA to take steps to develop measures that provide a more comprehensive picture of the program's impact. In February 2004, OMB completed an EPA Program Assessment and Rating Tool review—a systematic method of assessing the performance of program activities, focusing on these activities' contribution to an agency's achievements of its strategic and program performance goals.¹³ According to the Director of EPA's Office of Brownfields Cleanup and Redevelopment, the office recently developed, and OMB approved, a performance indicator that will be used in future

¹²Association of State and Territorial Solid Waste Management Officials, *State Response Programs: Measuring Success* (Spring 2004).

¹³OMB developed a Program Assessment and Rating Program for federal agencies in 2002 to improve program performance and better link performance to budget decisions.

OMB reviews of the Brownfields Program. The indicator will show “EPA investments per acre reused and compared to leveraged investments for redevelopment per acre of property.” This measure will provide information on changes that occurred at a given brownfield property after it received EPA brownfield assistance and will enable OMB to compare the efficiency of the Brownfields Program with other federal programs. This measure could also be incorporated into the Brownfields Program’s strategic plan and annual performance report to provide the Congress with more meaningful information about the program.¹⁴

Finally, EPA’s fiscal year 2005 annual performance plan included additional information, which the agency will report to the Congress, that more closely links the program to the goals of its strategic plan. The plan added a new measure that tracks the number of cleanup grants awarded and added a targeted goal—60 properties—for the “properties cleaned up” measure that was included in the previous annual plan without such a goal. This latter measure, which records the number of previously contaminated properties that have been cleaned up and made available for reuse, potentially addresses the program’s environmental impact. Incorporating this measure and goal as well as efforts to collect additional information are steps forward in measuring the agency’s progress in achieving the program’s goals and objectives.

While EPA has initiated efforts to obtain additional data on the accomplishments of the Brownfields Program, further action is needed to ensure that the Congress has sufficient information to make informed decisions and conduct appropriate oversight regarding all aspects of the program, including the agency’s efforts to assist state and tribal voluntary cleanup programs and the program’s impacts on environmental risks. Therefore, EPA must ensure that its data collection efforts address the program’s central activities and that, once collected, it uses these data to inform the Congress about program results.

¹⁴OMB also directed EPA to modify its currently reported measures to provide more accurate information about the program’s impact. EPA agreed to qualify two of its performance measures—jobs generated and cleanup and development funds leveraged—by indicating that the EPA investment “enabled” the outcome. OMB believed that this addition (1) recognized that other entities were involved in the creation of jobs and the leveraging of funds on brownfield projects and (2) impacted these measures.

Stakeholders Identified Changes That Could Enhance Existing Federal Brownfield Redevelopment Efforts

The grant recipients, developers, expert groups, and other stakeholders we contacted suggested three options for improving or complementing EPA's Brownfields Program. First, stakeholders suggested eliminating a restriction in the Brownfields Act that, in effect, disqualifies from grant eligibility those landowners who purchased a brownfield site before January 2002. Second, they suggested that EPA make changes to the stringent technical and administrative requirements that they believe continue to discourage the use of revolving loan funds, despite changes in the act, and give priority to applicants with proven administrative expertise. Third, stakeholders supported allowing a federal tax credit for developers' remediation costs. While EPA and other organizations varied in their support of these changes, we did not analyze the costs or benefits of any of these options.

Stakeholders Believed That Revising a Restrictive Provision of the Brownfields Act Could Expand the Number of Eligible Grant Applicants

Some stakeholders told us that revising a restrictive provision of the Brownfields Act could expand the number of applicants eligible for brownfield grants.¹⁵ The act effectively limits grant eligibility to parties who purchased their property after January 11, 2002.¹⁶ These stakeholders believed that EPA's Brownfields Program could have a broader impact if those who purchased property prior to January 11, 2002, were also eligible to receive brownfield grants. Representatives of three of the organizations with brownfield expertise mentioned that many local governments that were actively addressing brownfields by acquiring these sites before the law was enacted have been penalized by the eligibility date. For example, the Director of EPA's Office of Brownfields Cleanup and Redevelopment noted that a local government in Rhode Island purchased a brownfield site on December 27, 2001, and followed the appropriate steps to demonstrate that it is not potentially responsible for contamination. However, this local government is not eligible to apply for EPA brownfield grant assistance because the site was purchased before the law was enacted. In addition, a coalition of groups with brownfield expertise, as well as EPA brownfield officials, reported that EPA rejected a number of brownfield grant

¹⁵These stakeholders included representatives of eight land developers and other private companies and four organizations with brownfield expertise.

¹⁶The act states that responsible parties are not eligible for brownfield grants. The current owner of a contaminated property is generally considered to be a responsible party. However, persons who purchased property after January 11, 2002, may be considered bona fide prospective purchasers, who are not generally responsible parties.

applications in fiscal year 2003, and other applications were never submitted, largely because of the eligibility date.

The Consolidated Appropriations Act for Fiscal Year 2004 temporarily suspended the eligibility date for that fiscal year, prompting EPA to reopen the grant application period for 1 month in February 2004 to provide previously excluded applicants with an opportunity to submit proposals. However, all of the stakeholders we spoke with who raised this issue believed that the eligibility date will impact the program's support of brownfield redevelopment by limiting program eligibility until it is permanently revised. Groups such as the U.S. Conference of Mayors, an organization that represents mayors in strengthening federal-city relationships, and the National Association of Local Government Environmental Professionals, a national association representing local government professionals with various environmental responsibilities, have suggested limiting the eligibility date provision to those landowners who caused or contributed to the contamination. Such a limitation would enable nonpolluting prospective purchasers that acquired brownfields before January 2002 to qualify for EPA's brownfield funding. The Director of EPA's Office of Brownfields Cleanup and Redevelopment supports removing the eligibility date from the prospective purchaser requirements to make landowners purchasing property before January 11, 2002, eligible for grant funds. This official noted that the act's other requirements for obtaining prospective purchaser liability protection are sufficient without specifying the date of acquisition.

Stakeholders Believed Pooling Grant Funds Could Aid Recipients That May Lack Administrative Expertise and Produce Economies of Scale

Almost one-half of the stakeholders with whom we spoke, such as grant recipients, state or local government officials, and real estate developers, suggested changes to address the underutilization of revolving loan fund grants. As of November 1, 2004, recipients of revolving loan fund grants had loaned about \$28.6 million (about 17 percent) of the \$168 million in such grants that EPA had awarded up to that date. EPA data show that, of the 154 active grants, 47 grant recipients had made 67 loans for brownfield projects and the remaining grant recipients had made no loans.¹⁷ Reacting to this situation, EPA began rescinding revolving loan fund grants from communities that had not used them and "deobligated" about \$12 million in revolving loan funds, thereby making them available to make other grants.

¹⁷According to EPA officials, an additional 10 revolving fund loans may be signed before December 2004.

Thirty grants have been or will be deobligated by the end of calendar year 2004, and 44 additional grants have been or will be reissued under the new requirements in the act by this date.

The Congress has also expressed concern about the underutilization of EPA's revolving loan fund grants. In the Senate Report accompanying EPA's fiscal year 2004 appropriations bill, the Committee on Appropriations expressed disappointment in the revolving loan component of EPA's Brownfields Program, noting that only a small percentage of grant recipients had made loans, and that these loans had resulted in the completion of only a small number of brownfield site cleanups over the life of the program.¹⁸ EPA officials told us that the Brownfields Act's provision allowing a portion of revolving loan fund grants to be awarded to brownfield projects in subgrants that do not have to be repaid will make these grants more attractive to applicants and bring renewed interest in the loans.¹⁹ EPA officials also maintained that the act eased the administrative burden on grant recipients by removing full CERCLA National Contingency Plan requirements. EPA, however, retains certain requirements in order to ensure that environmental cleanups protect public health and the environment.²⁰

According to five revolving loan fund grant recipients and a number of developers, however, other technical and administrative requirements not directly addressed by the Brownfields Act have also discouraged grant

¹⁸EPA officials stated that informally collected information collected as of November 1, 2004, suggests that cleanups have been completed at 37 brownfield sites, are ongoing at 19 others, and 3 more are about to get under way. They explained that since EPA brownfield funds generally represent only a portion of ongoing cleanup activities, recipients may delay reporting progress until such time as all site cleanup activities are completed.

¹⁹EPA guidance allows up to 40 percent of revolving loan fund grant dollars to be distributed as subgrants to provide direct assistance for brownfield cleanups.

²⁰Prior to 2002, EPA-funded brownfield cleanups were subject to the National Contingency Plan (NCP)—CERCLA regulations that provide EPA's blueprint of how to respond to hazardous substance releases. Applicable NCP requirements included conducting an environmental engineering evaluation and cost analysis, developing an environmental sampling and analysis plan that must be reviewed and approved by EPA, publishing a public notice of the proposed cleanup activity and providing a public comment period, and preparing a formal community relations plan. Under the 2002 Brownfields Act, an NCP provision applies to EPA-funded brownfield cleanup only if EPA determines that the provision is relevant and appropriate to the Brownfields Program. While EPA regions will determine the terms and conditions applicable to each grant, EPA expects that grant recipients will receive increased flexibility as a result of the new provision.

recipients from using the funds. Managing a revolving loan fund requires the government or nonprofit entity receiving the grant to perform many of the functions of a commercial lending institution, including establishing interest rates, repayment terms, and collateral requirements; processing and approving loans; and collecting loan payments. Revolving loan fund grant recipients with whom we spoke reported that this process requires significant staff time and expertise. While some stakeholders acknowledged that other factors, such as the availability of low-interest private loans and marketing of the loan fund by grant recipients, play a role in the number of loans made, seven of the grant recipients and groups with whom we met told us that having expertise was key to making loans and that grant recipients with financial expertise or experience administering other revolving loan funds were better equipped to successfully operate a brownfields loan fund as well.

Comments from eight stakeholder groups indicate that, to address this impediment, EPA could achieve greater results through its brownfield revolving loans by giving priority to applicants with proven expertise or to coalitions of agencies that can consolidate administrative functions and thereby produce economies of scale. Four revolving loan fund grant recipients and two groups with brownfield expertise reported that grant recipients with in-house technical expertise, such as economic development or regional planning agencies, were more likely to have financial expertise or experience administering other revolving loan funds and were therefore better positioned to set up a fund. Grant recipients that partnered with other state or local agencies to obtain technical expertise also were successful in this regard. Two revolving loan fund grant recipients also reported that grant recipients who hired contractors to manage the administrative aspects of the revolving loan fund have been successful at establishing a fund framework and were better positioned to make loans. For example, the Department of Environmental Services in Hennepin County, Minnesota, contracted with a nonprofit organization that specializes in servicing loans to manage its fund. Hennepin County has made four loans totaling over \$1.7 million to local brownfield projects.

Three revolving loan fund grant recipients also said that coalitions that consolidate administrative functions and pool revolving loan fund grants were able to take advantage of economies of scale by making more loans once they had made the up-front administrative investment to establish the fund. Nine grant recipients and other stakeholders told us that EPA's grants were not large enough to justify the time and effort required to establish a fund because it is frequently depleted after one or two loans are made. The

65 loans made to date range from \$50,000 to \$1.95 million, with an average loan amount of about \$420,000. The act limits revolving loan fund grants to \$1 million, and many grants have been funded at less than this amount. However, EPA grant guidelines allow coalitions of eligible entities to apply together to receive funds of up to \$1 million each. For example, five entities could apply jointly and each receive up to \$1 million, for a total of up to \$5 million for the coalition. By pooling revolving loan funds among six entities, as of September 2004, the Washington Department of Community, Trade, and Economic Development was administering two revolving loan fund grants of \$2.3 million and \$3.6 million, respectively. The department has loaned \$440,000 for a project converting a former landfill and dumping ground into an affordable housing development for senior citizens in an economically distressed area of Seattle.

The revolving loan fund grant applicants' ability to manage a fund is 1 of 10 ranking criteria EPA evaluates in selecting grant proposals.²¹ EPA's fiscal year 2005 grant proposal guidelines direct applicants to describe previous experiences in managing federal funds and to provide a plan for managing the loan fund in accordance with prudent lending practices. Applicants' ability to manage the grant is allocated a maximum of 10 points out of a possible 120 points for all ranking criteria. While EPA's draft guidance to regional offices outlines elements of prudent lending practices that should be addressed in grant recipients' work plans, it does not require grant recipients to discuss their expertise or resources to establish or implement these lending practices. We did not evaluate EPA's grant selection or award process.

²¹In addition to management capabilities, EPA evaluates (1) the grant proposal budget; (2) the community's need for brownfield redevelopment; (3) the process that the grant recipient will use to select brownfield projects for loans or subgrants; (4) the target market (types of borrowers or subgrant recipients) and a business plan addressing the loan structure and factors that will be considered in awarding subgrants; (5) the sustainable reuse of brownfield projects receiving loans or subgrants; (6) the extent to which the revolving loan fund grant would facilitate the creation or preservation of a park, greenway, undeveloped property, recreational property, or other public use development; (7) community involvement activities; (8) the reduction of threats to human health and the environment; and (9) the leveraging of additional resources from the applicant and all other federal, state, nonprofit, or private funding resources. According to EPA officials, the grant proposal budget, target market and business plan, and the leveraging additional resources criterion also provide an assessment of applicants' ability to manage the grant.

Stakeholders Supported a Federal Tax Credit to Encourage Brownfield Redevelopment

All of the stakeholders we spoke with about tax credits believed that a federal brownfield tax credit, which would allow developers to offset a portion of their federal income tax with remediation expenditures, could complement EPA's Brownfields Program by attracting developers to brownfield sites on a broader national basis. These stakeholders stated that a federal tax credit would help to enhance the federal, state, and local brownfield redevelopment efforts currently under way. One stakeholder noted that while brownfield redevelopment is still a small and specialized real estate market, a federal tax credit could attract new developers and investors to these projects. A local government official told us that a federal tax credit would be beneficial in that it would provide an incentive that real estate developers could access directly—unlike many incentives available exclusively to government entities—and that the private sector would easily understand. At least 10 developers and 5 state or local government officials also said that other similar federal tax credits, such as the federal low-income housing and historic rehabilitation credits, have proven effective in stimulating redevelopment.²² The U.S. Conference of Mayors and other organizations with brownfield expertise told us that a federal tax credit has tremendous potential to foster new brownfield redevelopment. Furthermore, a brownfield redeveloper in Minnesota suggested that a federal tax credit would be most effective if the credit were directed to brownfield projects with more complex contamination, liability, or cleanup issues that would be less likely to be redeveloped without federal aid. Nevertheless, while stating that a credit could be beneficial, three stakeholders voiced concern about a tax credit's impact on federal revenue. EPA's Brownfields Program Director was also generally supportive of a federal brownfield tax credit, noting that a tax credit could be an incentive to new brownfield redevelopment. However, this official emphasized that a tax credit is separate from EPA's Brownfields Program and would not fall under EPA's jurisdiction. We did not analyze the costs and benefits of such a tax credit or any other potential incentives.

Conclusions

EPA's Brownfields Program has supported efforts to identify, assess, and clean up contamination on brownfield properties in communities across

²²The federal low-income housing tax credit provides an owner of newly constructed or renovated rental housing who sets aside a specified percentage of units for low-income persons for a minimum of 15 years with a tax credit over a 10-year period. The federal historic rehabilitation tax credit provides the owner of a certified historic structure with a tax credit equal to 20 percent of the amount of qualified rehabilitation expenditures.

the country. While this support is small relative to the number of brownfields and the investment often required to fully clean up contamination and redevelop properties, EPA's program has, in particular, helped communities address less desirable sites that might not be developed if left to the private real estate market. Although EPA's contribution to brownfield revitalization is generally acknowledged, the agency has not fully measured or reported to the Congress on the extent of this contribution—information that is needed to improve congressional decision making and oversight of the program. While EPA has reported on some achievements of the program, further action is needed to ensure that the Congress has sufficient information on the results of the program to monitor and oversee all aspects of the program, including efforts to assist state and tribal voluntary cleanup programs, and on the program's impacts on environmental risks. EPA has initiated efforts to obtain additional data, but the agency must ensure that these efforts address the program's central activities and that, once collected, it uses these data to inform the Congress of program results.

While stakeholders we contacted praised EPA's program, they identified a number of limitations that, if addressed, could improve the program. First, many stakeholders stated that the Brownfields Act imposes certain limitations on the program by restricting the number of potential recipients who qualify for EPA brownfield grants. While changing the provision of the act that prevents pre-January 2002 purchasers of brownfield properties from qualifying for EPA grant funds would expand the number of eligible applicants, a careful review of the implications of such a change would be warranted as part of any consideration of legislative amendments. Second, stakeholders identified the underutilization of the revolving loan fund component of the program as a concern that despite changes brought about by the Brownfields Act, continues to restrict access to these funds. Some of these barriers may be addressed by directing revolving loan funds to government and nonprofit entities that have demonstrated the ability to manage and administer a fund. Similarly, pooling these funds so that recipients can make more cleanup loans may make better use of this resource by leveraging the up-front administrative investment required to set up a fund.

Recommendations for Executive Action

To enhance federal efforts to clean up and redevelop brownfield properties, EPA should consider stakeholder suggestions for improving and complementing the agency's activities as it weighs potential changes to the

program. Specifically, we recommend that the Administrator of EPA take the following four actions:

- continue the agency's efforts to develop additional measures to gauge the achievements of the Brownfields Program, especially those addressing the program's environmental and state voluntary cleanup aspects, and to incorporate this information into annual performance measures that are reported to the Congress;
- weigh the merits of revising the Brownfields Act to eliminate the provision that prevents pre-January 2002 purchasers of brownfield properties from qualifying for EPA grant funds, and, if the agency determines that such a change would benefit the Brownfields Program without any significant detrimental effects, develop a legislative proposal to amend the act to incorporate this revision;
- closely monitor the brownfield revolving loan fund grants to determine why they have been underutilized and what, if any, changes are needed to facilitate or encourage grant recipients' use of these funds; and
- determine the advantages and disadvantages of giving priority to coalitions or other entities with proven revolving loan fund administrative expertise when awarding grants and, if found to be beneficial, adopt this as a key criterion for selecting grant recipients.

Agency Comments and Our Evaluation

We provided EPA with a draft of this report for its review and comment. EPA agreed with the findings and recommendations in the report and provided information on the agency's plans and activities to address them. With regard to our recommendation that EPA continue its efforts to develop additional measures to gauge the achievements of the Brownfields Program, EPA stated that the agency will continue to collect and evaluate environmental data received from brownfield grant recipients in developing an environmental measure. EPA further said that it continues to work closely with the states through a work group to develop measures for the state response programs and hopes to develop baseline information over the next several years to better enable them to establish stronger environmental indicators. In addition, regarding our recommendation that EPA weigh the merits of revising the Brownfields Act to eliminate the provision that prevents pre-January 2002 purchasers of brownfield properties from qualifying for EPA grant funds, EPA agreed that the agency should weigh the potential benefits to the Brownfields Program and any

potential detrimental effects in considering whether to develop a legislative proposal to amend the act. It also acknowledged that the Congress has provided, and EPA has supported, expanded eligibility for pre-January 2002 purchasers of brownfield properties as part of the annual appropriations process. With regard to our recommendation to closely monitor the brownfield revolving loan fund grants to determine why they have been underutilized and what, if any, changes are needed to facilitate or encourage grant recipients' use of these funds, EPA stated that it will continue to monitor these grants. Finally, regarding our recommendation that EPA determine the advantages and disadvantages of giving priority to coalitions or other entities with proven revolving loan fund administrative expertise when awarding grants, and, if found to be beneficial, adopt this as a key criterion for selecting grant recipients, EPA stated that the agency has (1) adjusted the ranking criteria for revolving loan fund grant recipients, giving more weight to ranking factors that demonstrate an applicant's ability to manage a revolving loan fund and make loans, and (2) has strengthened its evaluation of recipients' proposed business plans. If coalitions have a strong business plan, according to EPA, they are likely to rank more highly on this criterion. Furthermore, according to EPA, the agency also has changed the application evaluation process to require EPA regions to provide an advisory ranking score on "the ability to manage grants" criterion, to include the applicant's past performance, if any, as an indicator of potential future success. In addition, EPA said that it may award supplementary funds to successful grant recipients that have already made loans, thus providing additional incentives to grant recipients with demonstrated performance. EPA's successful completion of these ongoing and planned activities would effectively address the concerns we raised in this report. EPA also provided a number of technical comments, which we have incorporated into the report where appropriate. The full text of EPA's comments is included in appendix III.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to interested congressional committees, the EPA Administrator, and various other federal departments and agencies. We will also make copies available to others upon request. In addition, the report will be available at no charge on GAO's Web site at <http://www.gao.gov>. If you have any questions about this report, please

contact me at (202) 512-3841. Key contributors to this report are listed in appendix IV.

A handwritten signature in black ink, reading "John B. Stephenson". The signature is written in a cursive style with a long horizontal flourish extending to the right.

John B. Stephenson
Director, Natural Resources
and Environment

Objectives, Scope, and Methodology

The objectives of this review were to (1) obtain stakeholders' views on the extent to which the Environmental Protection Agency's (EPA) Brownfields Program has contributed to the cleanup and redevelopment of brownfields, (2) determine whether the measures EPA uses to gauge the performance of its brownfield activities provide sufficient information to identify program accomplishments, and (3) obtain stakeholders' views on potential options for improving or complementing EPA's program. Additionally, we identified other federal agencies that support brownfield cleanup and redevelopment and described their activities and funding levels.

To obtain stakeholders' views on EPA's contribution to the cleanup and redevelopment of brownfields and potential options for improving or complementing EPA's Brownfields Program, we met with the Director of EPA's Office of Brownfields Cleanup and Redevelopment and other officials within that and other EPA headquarters offices and with EPA Region VI officials in Dallas, Texas. In addition, we visited eight entities that received site assessment, revolving loan, or job training grants located in four states—Colorado, Florida, Minnesota, and Washington State—to discuss their brownfield redevelopment activities, their views on EPA's contribution, and potential options to improve federal brownfield efforts. We selected a nonprobability sample of eight grant recipients by identifying one recipient of a grant with high activity (as determined by the number of sites assessed, the number of loans made, and loan size) and one with low activity in each state. On the basis of these paired criteria and an effort to select sites from a geographically diverse range of states, we chose four recipients of site assessment grants and four recipients of revolving loan grants—two of which also received job training grants. We also reviewed documents related to these recipients' grants and visited brownfield redevelopment sites.

In addition, we obtained the views of other local brownfield stakeholders who were identified by these grant recipients, such as real estate developers, property owners, attorneys, nonprofit organizations, and officials from other state and local government agencies (some of which have received EPA brownfield grants), involved in brownfield activities. We also identified and obtained the views of several industry groups and associations representing state and local governments with brownfield expertise. We also spoke with state environmental officials about their voluntary cleanup programs in the four states we visited and an additional six randomly selected states: Alabama, Alaska, Kentucky, Virginia, West Virginia, and Wyoming.

Appendix I
Objectives, Scope, and Methodology

In an effort to obtain consistent information from the nonprobability sample of grant recipients, local brownfield stakeholders, industry groups and associations, and state environmental officials we contacted, we followed a standard set of questions for each of the groups. Some groups did not respond to every question because they were not as knowledgeable about some aspects of EPA's Brownfields Program or some of the brownfield issues we inquired about, while others offered more than one response. We did not determine the extent to which stakeholders agreed or disagreed with any particular response offered by other stakeholders. While we did not identify a sample of EPA brownfield grant recipients that would allow us to generalize our findings to the total population of grant recipients, the selection of recipients with high- and low-grant activity, in conjunction with the large, diverse groups we contacted, enabled us to obtain a wide range of views on EPA's program and brownfield issues.

The stakeholders we contacted are included in table 2.

Table 2: Stakeholders Contacted to Obtain Views on the Contribution of EPA's Program and Options for Improving or Complementing the Program

Stakeholder category	Stakeholder contacted
Nonprobability sample of EPA's brownfields grant recipients	Colorado Department of Public Health and Environment Westminster, CO Hillsborough County, FL South Florida Regional Planning Council Hennepin County, MN Virginia, MN Seattle/King County, WA State of Washington Department of Community, Trade, and Economic Development
Private and nonprofit real estate development entities	Developer, Denver, CO Developer, Hollywood, FL Developer representative, Miami, FL Developer, Tampa FL Developer group interview, Tampa, FL (eight participants) Housing Trust Group of Florida Developer, Minneapolis, MN Developer, Minneapolis, MN Developer group interview, Tacoma, WA (four participants) SouthEast Effective Development, WA

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Objectives, Scope, and Methodology**

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Stakeholder category	Stakeholder contacted
State voluntary cleanup programs	Alabama Alaska Colorado Florida Kentucky Minnesota Virginia Washington West Virginia Wyoming
Other state/local governments/agencies	City of Englewood, CO Colorado Housing and Finance Authority Florida Department of Environmental Protection, Southeast District, West Palm Beach, FL Palm Beach County, FL Minnesota Department of Employment and Economic Development St. Paul Port Authority, MN City of Seattle, WA City of Tacoma, WA
Other organizations and individuals	Association of State and Territorial Solid Waste Management Officials Center for Public Environmental Oversight Colorado Brownfields Foundation Environmental Coalition of South Seattle Independent researcher, Pittsburg, PA International City/County Management Association Minnesota Environmental Initiative and Twin Cities Metropolitan Council National Association of Local Government Environmental Professionals National Brownfield Association Northeast-Midwest Institute U.S. Conference of Mayors

Source: GAO.

To determine whether the measures EPA uses to gauge the performance of its brownfield activities provide sufficient information to identify program accomplishments, we contacted the Director of EPA's Office of Brownfields Cleanup and Redevelopment and other officials within that and other EPA headquarters offices, including the Office of Planning, Analysis, and Accountability and the Office of Solid Waste and Emergency Response. We reviewed EPA's fiscal years 2003 to 2008 Strategic Plan, as well as the agency's fiscal years 2003, 2004, and 2005 annual performance reports. Additionally, we reviewed EPA Inspector General reports related to the Brownfields Program, as well as the Office of Management and Budget's February 2004 Program Assessment and Rating Tool review of the program.

To identify federal agencies, other than EPA, that support brownfield cleanup and redevelopment and describe their activities and funding levels, we (1) reviewed the November 2002 and September 2004 Brownfields Federal Partnership Action Agendas, (2) interviewed officials in the Office of Brownfields Cleanup and Redevelopment, and (3) collected and analyzed funding information from 9 federal agencies that participate in the partnership and that EPA identified as the agencies providing or likely to provide the largest amount of funding to brownfield-related activities. These agencies included the Departments of Energy, Housing and Urban Development, Justice, and Transportation; the National Institute of Environmental Health Sciences within the Department of Health and Human Services; the Department of Commerce's Economic Development and National Oceanic and Atmospheric Administrations; the General Services Administration; and the Army Corps of Engineers. We asked these agencies to describe their brownfield-related activities and provide information on their historical funding for these activities. Of the 9 federal agencies, 3 did not provide financial information. Two of these 3 agencies—the Departments of Justice and Transportation—reported that, although they support brownfield redevelopment, they could not provide information on the amount of funding provided to brownfield-related activities because the information is not tracked separately and cannot be easily identified. While the General Services Administration works with state and local planners and others to effectively match underutilized federal property holdings with local revitalization objectives, the agency reported that it did not provide financial support to brownfields.

We also reviewed data from EPA's brownfield database and found them to be sufficiently reliable for use in this report. In particular, we interviewed agency officials on data collection and reporting protocols, reviewed user manuals for the database, conducted basic electronic checks of the data, and corroborated limited entries in the database with information obtained from grant recipients during site visits.

We conducted our review between October 2003 and November 2004 in accordance with generally accepted government auditing standards.

Summary Information on Other Federal Agencies' Activities and Funding in Support of Brownfield Redevelopment

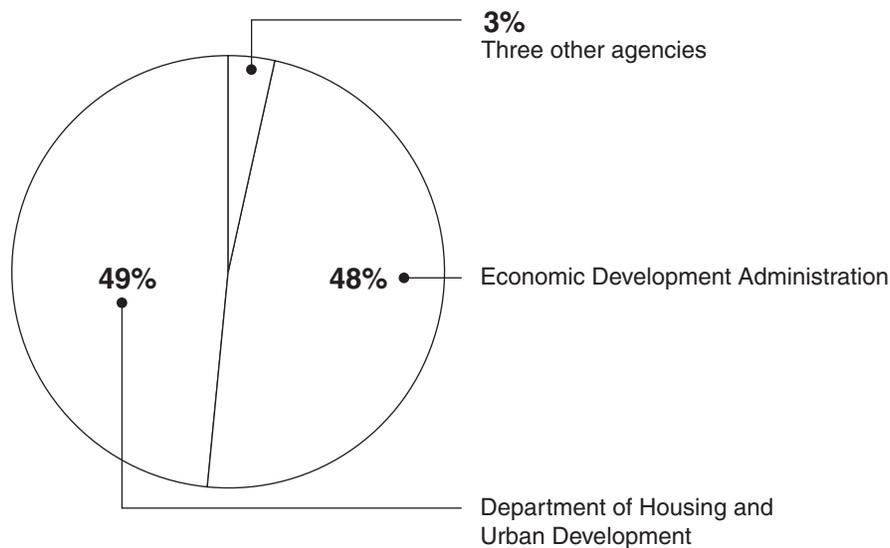
Although EPA has the lead federal role in brownfield redevelopment, a number of other federal agencies also have programs that either directly address brownfield issues or provide funds and services that could be used to support brownfield redevelopment efforts. In May 1997, the Clinton Administration announced the Brownfields National Partnership Action Agenda, a 2-year initiative to bring federal, state, and local agencies together to clean up and redevelop brownfields. Under this initiative, more than 20 federal agencies were to better coordinate their brownfield resources and activities—specifically carrying out more than 100 action items involving brownfields that would result in specific economic outcomes: that is, additional private investment in brownfields, new jobs, and the protection of thousands of acres of greenspace. In 2002, 23 agencies renewed their commitment to coordinating brownfield efforts with an updated Brownfields Federal Partnership Action Agenda—outlining commitments, new initiatives, events, and activities that each agency would undertake to help communities address brownfields and associated problems. Through the Action Agenda, federal agencies jointly committed to actions such as making funding and technical assistance to brownfield communities a budget priority, changing agency policies to facilitate brownfield redevelopment, and sharing program information by linking their Web sites. Most of these agencies do not have separate programs specifically dedicated to brownfield redevelopment, but they provide some form of assistance for brownfield properties as part of a broader program.

Of the 23 federal agencies—other than EPA—that participate in the Brownfields Partnership, 9 have been particularly active in supporting brownfield-related activities, according to an EPA official. These agencies include, the Departments of Energy, Housing and Urban Development, Justice, and Transportation; the National Institute of Environmental Health Sciences within the Department of Health and Human Services; the Department of Commerce's Economic Development and National Oceanic and Atmospheric Administrations; the General Services Administration; and the Army Corps of Engineers within the Department of Defense. Most of these agencies do not have separate programs specifically dedicated to brownfield redevelopment, but they provide some form of assistance that benefited brownfield properties as part of a broader program. Of the 9 agencies, 5 reported about \$260 million in funds obligated to brownfields

Appendix II
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from fiscal years 2001 through 2003.¹ The Department of Housing and Urban Development and the Economic Development Administration within the Department of Commerce were responsible for almost all of the funding provided during this period—about \$250 million or 96 percent of the total funds obligated—with each agency contributing about \$125 million. The Department of Energy, the Department of Health and Human Services, and the National Oceanic and Atmospheric Administration provided the remaining support of about \$10 million (see fig. 1).

Figure 1: Funding for Brownfield-Related Activities Reported by 5 Federal Agencies



Source: Data submitted to GAO by individual agencies.

Table 3 includes a summary of these 9 agency's brownfield-related activities and funding for fiscal years 2001 through 2003.

¹Of the 9 federal agencies, 3 did not provide financial information. Two of these 3 agencies—the Departments of Justice and Transportation—reported that, although they support brownfield redevelopment, they could not provide information on the amount of funding provided to brownfield-related activities because the information is not tracked separately and cannot be easily identified. While the General Services Administration works with state and local planners and others to effectively match underutilized federal property holdings with local revitalization objectives, the agency reported that it did not provide financial support to brownfields.

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Table 3: Nine Federal Agencies' Activities and Funding in Support of Brownfield Redevelopment, Fiscal Years 2001 Through 2003

Agency	Brownfield-related support activities/funding ^a												
Army Corps of Engineers	<p><i>Activities:</i></p> <p>In addition to providing engineering support to the military, the Army Corps of Engineers provides engineering services such as planning, design, and construction management on a reimbursable basis to non-Department of Defense federal agencies. For example, the Corps may provide engineering services related to remediation of hazardous waste sites, environmental restoration, and infrastructure renewal in support of the brownfield activities of non-Department of Defense federal agencies. Although the Corps can provide reimbursable support to state, local, and tribal governments for brownfield-related activities, among other things, this support is limited to only those engineering services for which the Corps is uniquely equipped. Given current budget constraints and the backlog of Corps Civil Work projects, only occasionally are there new opportunities to coordinate the Corps' projects with community brownfield projects.</p> <p><i>Funding:</i></p> <p>Fiscal years 2001 through 2003 - the Corps carried out about \$1.8 million in brownfield-related activities for various federal agencies on a reimbursable basis.</p>												
Department of Commerce - Economic Development Administration	<p><i>Activities:</i></p> <p>The mission of the Commerce Department's Economic Development Administration (EDA) is to lead the federal economic agenda by promoting innovation and competitiveness. EDA investments, including those in support of brownfield redevelopment, are intended to create wealth and minimize poverty by promoting a business environment that is favorable for attracting private capital investment and creating higher skill, higher wage jobs. EDA provides grants to state and local governments, educational institutions, nonprofit organizations, and others for brownfield-related activities primarily under two programs:</p> <p>The Public Works and Economic Development Facilities Program provides grants to help construct or rehabilitate essential public infrastructure and develop facilities needed to generate higher skill, higher wage jobs and attract private investment. For example, the program provides grants for investments in industrial and business parks, port facilities, and rail sidings, as well as for redevelopment of brownfields.</p> <p>The Economic Adjustment Program provides grants to assist state and local entities to design and implement strategies to adjust or bring about change to their economies. Funded activities may include the creation of business development and financing programs, such as revolving loan funds and market or industry research and analysis.</p> <p><i>Funding (in millions, by fiscal year):</i></p> <table style="margin-left: 20px;"> <tr> <td>2001</td> <td>–</td> <td>\$53.3</td> </tr> <tr> <td>2002</td> <td>–</td> <td>42.5</td> </tr> <tr> <td>2003</td> <td>–</td> <td>29.1</td> </tr> <tr> <td colspan="2">Total</td> <td>– \$124.9</td> </tr> </table>	2001	–	\$53.3	2002	–	42.5	2003	–	29.1	Total		– \$124.9
2001	–	\$53.3											
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Agency	Brownfield-related support activities/funding^a
Department of Commerce - National Oceanic and Atmospheric Administration	<p><i>Activities:</i></p> <p>The National Oceanic and Atmospheric Administration (NOAA) assists in conserving and managing the nation's coastal and marine resources. NOAA's brownfield-related activities focus on the redevelopment of coastal brownfield properties and the protection and restoration of coastal resources. These activities are primarily carried out by NOAA's Office of Response and Restoration and Office of Ocean and Coastal Resource Management. NOAA is leading a "Portfields" project to help coastal communities address contamination, restoration, and economic redevelopment issues related to port development, dredging, and "brownfields" redevelopment. The agency provides technical assistance, training, and support to states and communities to strengthen local and regional capabilities to restore or redevelop contaminated sites. It also provides funding to coastal states for brownfield redevelopment as part of waterfront revitalization efforts.</p> <p><i>Funding (by fiscal year):^b</i></p> <p>2001 – \$460,000 2002 – 510,000 <u>2003 – 660,000</u> Total – \$1.6 million</p>
Department of Energy	<p><i>Activities:</i></p> <p>The Department of Energy supports brownfield-related activities by providing technical assistance relating to energy use and environmental remediation, sharing lessons learned about cleanup and long-term stewardship efforts, and funding-related research and development.</p> <p><i>Funding (by fiscal year):^c</i></p> <p>2001 – \$130,000 2002 – ---^d <u>2003 – 50,000</u> Total – \$180,000</p>
Department of Health and Human Services - National Institute of Environmental Health Sciences	<p><i>Activities:</i></p> <p>The National Institute of Environmental Health Sciences' Brownfields Minority Worker Training Program awards cooperative agreements to nonprofit organizations that provide health and safety training to minority residents in brownfield communities. The program tests strategies to educate new workers in life skills training, mentoring, remedial science and math, and specific health and safety training that will help them enter careers in the construction and environmental remediation and technology workforce. For example, participants receive training in the handling and removal of hazardous substances. EPA provides the needed funding.</p> <p><i>Funding (in millions, by fiscal year):</i></p> <p>2001 – \$3.0 2002 – 3.0 <u>2003 – 2.2</u> Total – \$8.2</p>

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(Continued From Previous Page)

Agency	Brownfield-related support activities/funding ^a								
Department of Housing and Urban Development	<p><i>Activities:</i></p> <p>The Department of Housing and Urban Development (HUD) provides grant funds and economic development loan guarantees to communities to redevelop brownfields, primarily through three programs: the Community Development Block Grant (CDBG) Program, the Section 108 Loan Guarantee Program, and the Brownfields Economic Development Initiative (BEDI). HUD encourages brownfield economic development projects that propose the redevelopment of a brownfield site through new investments by identified private sector parties and that will directly result in new business or job creation, increases in the local tax base, or other near-term measurable economic benefits.</p> <ul style="list-style-type: none"> • CDBG program funds are provided directly to larger communities and, indirectly through state programs, to smaller communities. The funds are distributed on the basis of formulas that combine several measures of community needs, such as population, extent of poverty, or age of the housing stock. To be eligible for funding, all activities or projects must meet at least one of the program's designated national objectives: benefit low- and moderate-income persons, prevent or eliminate slums or blight, or address particularly urgent community development needs caused by conditions that pose a serious and immediate threat to the community's health or welfare. Funding can be used for a wide range of activities directed toward neighborhood revitalization, economic development, and improved community facilities and services. For example, activities approved for CDBG funds include acquiring real property; clearing, demolishing, and rehabilitating residential and nonresidential structures; and providing public facilities and improvements such as water and sewer facilities. • HUD's Section 108 Loan Guarantee Program helps provide communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. Eligibility requirements for authorized activities are the same as those of the CDBG Program. Under the Section 108 Program, HUD guarantees notes or other obligations issued by the borrower or its public agency designee. Borrowers are required to pledge current and future CDBG funds as security for the loan and also to secure the loan with other collateral. • BEDI emphasizes the redevelopment of brownfield properties by providing competitive grants for local governments for economic development projects involving contaminated or potentially contaminated land or buildings. The grants are designed to enhance the security of loans guaranteed under the Section 108 Program, and all BEDI grants must be used in conjunction with a new Section 108-guaranteed loan commitment. <p>Additionally, HUD manages other economic development, housing, and technical assistance programs to assist communities with brownfield revitalization, including the Renewal Community/Empowerment Zone/Enterprise Community Initiative, the Rural Housing and Economic Development Program, the Home Investment Partnership Program, and the department's University and College programs.</p> <p><i>Funding (in millions, by fiscal year).^b</i></p> <table style="margin-left: 20px;"> <tr> <td>2001 –</td> <td>\$36.1</td> </tr> <tr> <td>2002 –</td> <td>43.1</td> </tr> <tr> <td>2003 –</td> <td><u>46.3</u></td> </tr> <tr> <td>Total –</td> <td>\$125.5</td> </tr> </table>	2001 –	\$36.1	2002 –	43.1	2003 –	<u>46.3</u>	Total –	\$125.5
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of Brownfield Redevelopment

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Agency	Brownfield-related support activities/funding^a
Department of Justice	<p><i>Activities:</i></p> <p>The Department of Justice supports brownfield-related activities through its Weed and Seed Program. This program uses a multidisciplinary approach to combating violent crime, drug use, and gang activity in high-crime neighborhoods. The goal of the program is to “weed out” violence and drug activity and “seed” the sites with a wide range of crime and drug prevention programs, human service resources, and neighborhood restoration activities to prevent crime from reoccurring. Up to \$50,000 is available for each brownfield-related restoration activity—such as the cleanup of methamphetamine labs—at weed and seed sites.</p> <p><i>Funding:</i></p> <p>The Department of Justice reported that the agency could not provide data on the amount of funding provided to brownfield-related activities. Because these activities are a component of broader agency programs, funding for these activities is not tracked separately and cannot be easily identified, according to the agency.</p>
Department of Transportation	<p><i>Activities:</i></p> <p>The Department of Transportation’s goals include, among others, providing policy leadership and financial assistance to improve transportation and foster economic growth while ensuring safety and security and protecting the environment. Although the department does not have a brownfields program, it encourages the transportation community to consider community brownfield redevelopment in transportation planning. Almost all of the department’s funds for highways and most transit funds are distributed on a formula basis to state and local transportation agencies, which set priorities for highway and transit projects through state and regional transportation planning processes.</p> <p><i>Funding:</i></p> <p>The Department of Transportation reported that the agency could not provide data on the amount of funding provided to brownfield-related activities. Because these activities are a component of broader agency programs, funding for these activities is not tracked separately and cannot be easily identified, according to the department.</p>
General Services Administration	<p><i>Activities:</i></p> <p>The General Services Administration (GSA) partners with communities to ensure that underutilized federal properties are included in urban redevelopment. Through its Brownfields Redevelopment Initiative, GSA identifies underutilized federal properties with varying degrees of contamination and helps put them back into productive use. GSA works with state and local planners, economic development officials, and community groups to include underutilized federal property holdings in local revitalizations objectives. Through an exchange of information, communities become aware of the location of federal holdings within their localities and have a better understanding of the process involved in acquiring underutilized federal property. In turn, GSA, guided by local objectives, is able to focus and prioritize the disposal of underutilized federal property.</p> <p><i>Funding:</i></p> <p>GSA reported that, while it works with state and local planners and others to integrate underutilized federal property into local revitalization objectives, it does not provide financial support to brownfield redevelopment efforts.</p>

Appendix II
Summary Information on Other Federal
Agencies' Activities and Funding in Support
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Source: GAO analysis of information from individual agencies.

^aUnless otherwise noted, funding information relates to amounts obligated.

^bIncludes staff support for Portfields Initiative.

^cExpended amounts.

^dAgency did not report funding for fiscal year 2002.

^eIncludes total amounts obligated for BEDI grants and total amounts expended for CDBG for asbestos removal, cleanup of contaminated sites, and lead-based paint and lead hazard test and abatement. Totals do not include \$225.7 million in loan guarantees for BEDI projects and \$1.6 billion CDBG funds for activities that may have been—but were not necessarily—conducted at brownfield sites, including property acquisition, clearance and demolition, and rehabilitation; infrastructure development; construction of parking facilities and flood and drainage facilities; and water/sewer and street improvements.

Comments from the Environmental Protection Agency



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

November 9, 2004

OFFICE OF
SOLID WASTE AND EMERGENCY
RESPONSE

Mr. John Stephenson, Director
Natural Resources and Environment
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Stephenson:

EPA appreciates the opportunity to provide comments on the draft GAO Report, "Stakeholders Report that EPA's Program Helps to Redevelop Sites, But Additional Measures Could Complement Agency Efforts" (GAO-05-94). EPA is in overall agreement with the findings, conclusions, and recommendations of your report. The following responses to the report's four *Recommendations for Executive Action* elaborate on EPA's activities and possible future activities to address your recommendations.

1) **GAO Recommendation:** Continue the agency's efforts to develop additional measures to gauge the achievements of the Brownfields Program, especially ones addressing the programs' environmental and state voluntary cleanup aspects, and to incorporate this information into annual performance measures that are reported to the Congress.

EPA Response: EPA will continue to collect and evaluate environmental data received from brownfields grantees in developing environmental measures. EPA continues to work closely with the states as co-regulators through a workgroup with them to develop measures for the state response programs. EPA hopes to develop baseline information from the information collected from property and grant profiles over the next several years to better enable the Agency to establish stronger environmental indicators.

2) **GAO Recommendation:** Weigh the merits of revising the Brownfields Act to eliminate the provision that prevents pre-January 2002 purchasers of brownfields properties from qualifying for EPA grant funds and, if the agency determines that such a change would benefit the brownfields program without any significant detrimental effects, develop a legislative proposal to amend the act to incorporate this revision.

EPA Response: Congress has provided, and EPA has supported in the President's FY05 Budget Request, expanded eligibility for pre-January 2002 purchasers of brownfields properties, as part of the annual appropriations process. EPA agrees we should weigh the potential benefits to the Brownfields program and any potential detrimental effects in considering whether to develop a legislative proposal to amend the act to eliminate the pre-January 2002 purchaser provision.

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**Appendix III
Comments from the Environmental
Protection Agency**

3) **GAO Recommendation:** Closely monitor the brownfields revolving loan fund grants to determine why they have been underutilized and what, if any, changes are needed to facilitate or encourage grant recipients' use of these funds.

EPA Response: EPA continues to monitor the brownfields revolving loan fund (RLF) grants. In recent years EPA has awarded fewer RLF grants, selecting only the strongest RLF applicants, as recommended by GAO in previous studies. EPA has adjusted the ranking criteria for RLF grantees, giving more weight to ranking factors which demonstrate an applicant's ability to manage an RLF. EPA officials provided a report to Congress in September 2004 with updated RLF information, including the fact that 30 RLF grants have been deobligated or will be by the end of calendar year 2004, and 44 RLF grants have transitioned to the new grants program under the Brownfields Act (SBLBRA) or plan to be by the end of calendar year 2004.

4) **GAO Recommendation:** Determine the advantages and disadvantages of giving priority to coalitions or other entities with proven revolving loan fund administrative expertise when awarding grants, and if found to be beneficial, adopt this as a key criterion for selecting grant recipients.

EPA Response: EPA has adjusted the ranking criteria for RLF grantees, giving more weight to ranking factors which demonstrate an applicant's ability to manage an RLF and make loans, and strengthened evaluation of proposed business plans. If coalitions have a strong business plan, they are likely to rank more highly on this criterion. We also have changed the application evaluation process in FY 2005 to require the home region to provide an advisory ranking score on "the ability to manage grants" criterion. We hope this will inform the national panel as to the Region's evaluation of the applicant's past performance, if any, as an indicator of potential future success. In addition, EPA may award supplementary funds to successful RLF grantees who have already made loans, thus providing additional incentives to RLF grant recipients with demonstrated performance.

In addition to the responses to the report's recommendations provided above, EPA has provided, under separate correspondence, specific technical comments and suggestions on the report to ensure accuracy of data. Please contact Linda Garczynski, Director of the Office of Brownfields Cleanup and Redevelopment on 202-566-2731 should you have questions or concerns about EPA's response or technical comments and suggestions.

Sincerely yours,



Thomas P. Dunne
Acting Assistant Administrator

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Staff Acknowledgments

In addition to the individuals named above, Teresa Dee, Kirk Menard, Joanna Owusu, and Cristina Ramirez made key contributions to this report. Important contributions were also made by William Bates, Mark Braza, Elizabeth Curda, John Delicath, Richard Johnson, and Judy Pagano.

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