



Budget Briefs from the Legislative Reference Bureau

BB-97-4

October 1997

BROWNFIELDS AND LAND RECYCLING

The biennial state budget act (1997 Wisconsin Act 27), signed by Governor Tommy Thompson on October 11, 1997, created grant and loan guarantee programs to assist in the rehabilitation of brownfields and a land recycling loan program for remedial actions by municipalities that own contaminated sites where ground or surface water is affected.

I. BROWNFIELDS GRANT PROGRAM

Section 560.13, Wisconsin Statutes, defines brownfields as “abandoned, idle or underused industrial or commercial facilities or sites, the expansion of which is adversely affected by actual or perceived environmental contamination.” Act 27 provides grants for certain redevelopment and remediation activities, including acquisition of brownfields sites; demolition or reconstruction of buildings or structures; pollution investigation; or restoring soil or groundwater. Persons, municipalities or local development corporations are eligible for grants under the program, if the party that caused the contamination is unknown or unable to pay remediation costs. The grant recipient must contribute to the costs of the project in cash or in kind, and the contribution must cover 20% to 50% of the project, depending on the size of the grant.

The Department of Commerce is required to consider four factors in awarding grants. In descending order of importance, they are: 1) the potential of the project to promote economic development in the area; 2) whether the project will have a positive effect on the environment; 3) the amount and quality of the recipient’s contribution to the project; and 4) the innovativeness of the recipient’s proposal for remediation and redevelopment. Grants may be made in varying amounts, but no single grant may exceed \$1.25 million. At least seven grants must be awarded for projects in municipalities of less than 30,000 population. The Department of Commerce will promulgate rules for the grant program. It also must consider the recommendations of the Department of Administration and the Department of Natural Resources before awarding a grant.

II. BROWNFIELDS REMEDIATION LOAN GUARANTEE PROGRAM

Act 27 authorizes the state to guarantee loans made for the remediation of brownfields. The loan guarantee program is financed from the Wisconsin Development Reserve Fund. Loan proceeds may not be applied to the outstanding balance of any other loan. Loans cannot exceed 15 years in duration or \$500,000 in principal. The total outstanding principal for all

loans guaranteed under the program may not exceed \$22.5 million without approval of the legislature's Joint Committee on Finance.

The Wisconsin Housing and Economic Development Authority (WHEDA) administers the program and sets the percentage of the loan the state will guarantee (not to exceed 80%). WHEDA may determine the guarantee percentage uniformly for all loans under the program or on a case-by-case basis. Participating lenders must obtain a security interest in equipment, machinery and other assets associated with the project, and they also have to agree to the guarantee percentage.

III. LAND RECYCLING LOAN PROGRAM

Act 27 authorized the Department of Natural Resources (DNR) and the Department of Administration (DOA) to administer a program for financial assistance to municipalities that own sites where groundwater or surface water is contaminated. Assistance may consist of low-interest loans at 55% of the defined market interest rate; purchase or refinance of financial obligations incurred for environmental remediation; guaranteeing or insuring loans; or subsidizing loans received from the Board of Commissioners of Public Lands. The DNR must seek approval from the federal Environmental Protection Agency for the use of State Water Pollution Control Revolving Funds in funding the program.

Applicants under the program are selected from a priority list created by the DNR. The DNR will promulgate rules for ranking projects, based on their potential for reducing pollution and threats to human health and the extent to which they will make land available for redevelopment, thereby preventing the development of undeveloped land. Successful applicants must establish a dedicated source of revenue for loan repayment, comply with federal regulations, and allow DNR representatives access to the site. The site may not be sold for less than market value during the term of the loan.

IV. FOR MORE INFORMATION

For copies of Sections 234.88, 281.60 and 560.13, Wisconsin Statutes, contact the Legislative Reference Bureau at (608) 266-0342. For more detailed information on these programs, contact the Department of Commerce at (608) 266-1018; the Wisconsin Housing and Economic Development Authority at (608) 266-3529; or the Department of Natural Resources at (608) 267-7562.