

Humboldt Bay Harbor Recreation & Conservation District
Request for
County of Humboldt
EPA Brownfields Revolving Loan Fund Assistance

Assisting the Harbor District to redevelop the contaminated property (APN: 401-031-083) into a new heavy lift marine terminal to support the emerging offshore wind industry will meet the objective of the Brownfield Cleanup Revolving Loan Fund Program and help both the County of Humboldt and Harbor District to achieve our mutual goal to redevelop the former lumber mill sites on the Samoa Peninsula.

The property is currently being assisted by the USEPA and is classified as a Brownfield site. The Harbor District is in the process of preparing an Environmental Impact Report for the Project where the hazardous materials and other contamination will be assessed and the Coastal Development Permits will require the clean-up of the property as part of the development process. The Project is projected to be completed within the next 5 years.

The Counties Website states:

*The County of Humboldt maintains a revolving loan fund to assist property owners in addressing contamination issues on brownfield sites. A brownfield is a **property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant.***

The County defined who was eligible for grant or loan funds in the County Planning Department's Staff Report dated August 4, 2016 where the County accepted the USEPA Grant funds:

Finally, private parties and the county, as the grantee, must take funds in the form of loans, and are not eligible for grants; whereas non-profits, other governmental and quasi-governmental agencies are eligible for loans and/or grants. All grants and loans awarded have met these requirements, and will continue to meet these requirements.

The funds that are loaned must be repaid to the county and held in an US-EPA restricted Brownfield RLF. They may then be re-loaned/granted under the same rules. After the second repayment they become unrestricted and no longer need to be held in a separate fund.

The County loaned the Town of Samoa \$2,280,000 through this program and as collateral recorded a deed of trust on the property the Harbor District is proposing to clean up and

redevelop. The Harbor District and Town of Samoa jointly request that the County allow the Harbor District to assume the loan as part of the Harbor District's acquisition of APN: 401-031-083. As part of the transaction, the County would accept that the Town of Samoa has completed all required remediation and has fulfilled its obligation to clean up the properties. The County would release the Deed of Trust(s) recorded and accept the Assignment of Rent as collateral from the Harbor District.

US EPA CONSULTATION:

The County, Harbor District, and Town of Samoa met with the USEPA Brownfield Representative and at the conclusion of several meeting, the EPA stated the following:

- RLF loans can be transferred, and the entity responsible for repaying the loan does not have to own the site where the cleanup work was conducted.
- In terms of transferring a loan, it's recommended that an addendum to the loan be created to ensure (1) the new entity conducting the repayment is clearly signing on to the original loan agreement and (2) loan collateral is covered (as proof of collateral is a grant requirement). Other loan transfer options preferred by a grantee that address all grant requirements are acceptable as well.
- The County manages the local program and the decision to have the Harbor District assume the loan is up to the County.

LOAN TERMS:

The existing Town of Samoa and proposed Harbor District assumption of the loan is outlined below.

Special Loan Conditions:

- a) An addendum to the loan will be executed by the Harbor District to ensure (1) the new entity conducting the repayment is clearly signing on to the original loan agreement and (2) loan collateral is covered through an Assignment of Rents on APN 401-031-083.
- b) The addendum of the loan and Assignment of Rent will be processed by the Title Company managing the transfer of APN: 401-031-083 between the Harbor District and Town of Samoa.
- c) If APN 401-031-083 is not remediated by March 1, 2028, then the Harbor District must begin making annual payments on the loan with payments calculated on the loan principal balance amortized over a 10 year term.
- d) Once the Property is developed and the property is paying property taxes 50% (\$1,160,000) of the principal balance of the loan will be forgiven.

	Existing	Proposed
Borrower:	Town of Samoa	Harbor District
Loan Principal Balance	\$2,320,000	\$2,320,000
Loan Maturity Date	May 5, 2024	March 1, 2033
Rate of Interest	0%	0%
Default Interest Rate to be paid monthly until paid in full	5%	5%
Payment	Balloon Payment at loan maturity date	No payments until April 1, 2028 then \$10,000 per month with balloon payment on remaining principal balance at loan maturity date
Collateral	Deed of Trust: APN: 401-031-083	Assignment of Rents on 1) District [Lease of APN: 401-031-083 and 040. valued at \$65,000 per month (\$3,900,000 over 5 years)] 2) District Lease Nordic Aquafarms 3) Redwood Marine Terminal II Lease (APN 401-112-021)

COLLATERAL

The Harbor District has entered into an agreement with Crowley Wind Services to develop and operate the proposed new heavy lift marine terminal on the property. Through this agreement, Crowley Wind Services has agreed to pay the Harbor District a minimum of \$65,000 per month until the property is developed and then the rents will be adjusted upward based on an independent financial analysis. The collateral for this loan will be the Assignment of the rent from this agreement.

An Assignment of Rent is a common form of commercial real estate collateral. An “assignment of rents” allows the lender to collect the rent payments, if the borrower defaults on their loan payments.

CONTAMINATION:

In 2022, the U.S. Environmental Protection Agency (EPA) Region 9 tasked Toeroek Associates, Inc., and its subcontractor, Tetra Tech, Inc., to conduct a Phase I Environmental Site Assessment (ESA) of the Redwood Marine Terminal I site. The Phase I ESA has already completed for APN: 401-031-083 and the remaining approximately 180 acres of the new terminal properties and has applied for funding directly from the USEPA for Phase II assessment of the property. Some of the items identified in the Phase I documented the presence of:

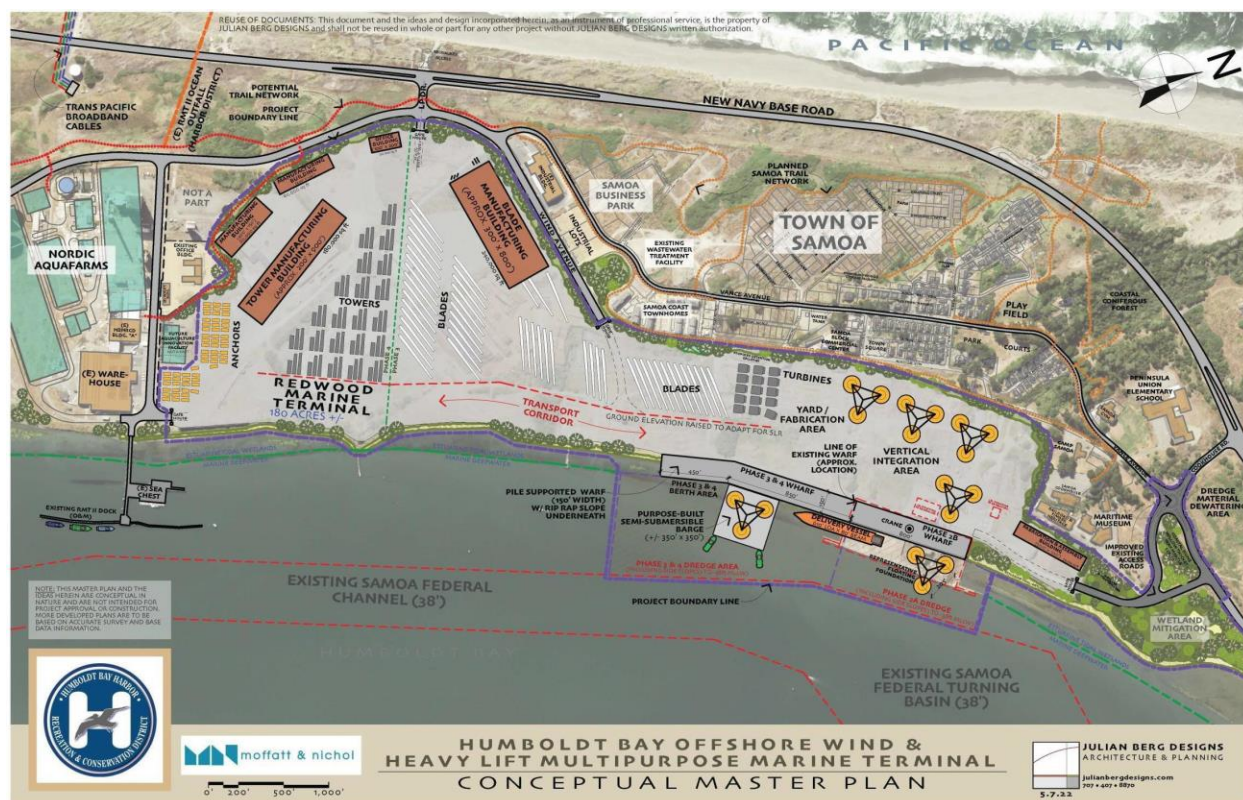
- Two refuse burners on the subject property from 1920 to approximately 1969 may have contributed dioxin/furan or polycyclic aromatic hydrocarbon (PAH) contamination to the subject property.
- A sawmill and planing mill were present on the subject property from 1920 to approximately 1969, and a powerhouse, fuel house, boiler house, and pipe house were present on the subject property from 1949 to approximately 2005. The presence of these former structures associated with heavy machinery, lubricants, and fuels on the subject property
- The former and existing subject property buildings were constructed prior to 1978 and LBP was possibly used during initial construction. The possible presence of lead contamination in the soil along the existing roof drip lines and former building footprint drip lines from externally applied LBP.

COUNTY/EFID TAX REVENUES FROM REDEVELOPMENT

The Harbor District has received over \$11 million to complete engineering, CEQA, and all required permits for the approximately \$750 million project. Redeveloping the contaminated property will help the County to improve its tax base as documented in the recently adopted Samoa Peninsula Enhanced Infrastructure Financing District (EFID) which was adopted by the County on June 22, 2021. The EFID Assessment Report projected that once the contamination is cleaned up and the Harbor District’s proposed heavy lift marine terminal is developed, the development will result in approximately \$182 million in increased property valuation and the

County/EFID will receive an estimated approximately \$564,200 annually through its 31% share of the annual Property Tax Assessment.

The Harbor District has a proven track record of working with the USEPA Brownfield program as it has successfully cleaned up the former pulp mill property on the Samoa Peninsula and along with the County of Humboldt attracted Nordic Aquafarms to invest over \$500 million to develop a new over 600,000 square foot state of the art indoor recirculating aquaculture facility. This project has already received unanimous approval from the County Planning Commission and Board of Supervisors and is pending final approvals from other State regulatory agency's in mid 2023. This Brownfield redevelopment project is projected to bring in approximately \$1,080,000 annually to the County/EFID through property tax assessments.



JOB CREATION AND OTHER ECONOMIC BENEFITS

According to the July 2021 report titled: Economic Impact of the Port of Humboldt Multipurpose Heavy Lift Terminal Improvement Project:

Activities associated with Stage 1 and Stage 2 of the projected Port of Humboldt improvements and investments would generate approximately **\$617 million in industry output** to the regional economy of Humboldt County or approximately **\$810 million in industry output** across the state of California.

Key economic benefits are summarized as follows:

- **Stage 1 would generate \$136 million in total industry output in Humboldt County or \$178 million across California over 5 years**
- **Stage 2 would generate \$481 million in total industry output in Humboldt County or \$633 million across California over 5 years**
- **4,257 jobs in Humboldt County** – including 830 jobs during Stage 1 and 3,426 jobs during Stage 2
- **4,708 jobs across California** – including 908 jobs during Stage 1 and 3,800 jobs during Stage 2
- **\$279 million in labor income in Humboldt County or \$356 million in labor income across California**
- **\$38 million in state and local tax revenues generated across California** – \$8.4 million during Stage 1 and \$29.9 million during Stage 2

Benefits from Stage 1 and Stage 2 development scenarios would be temporary and would only result during construction. The subsequent establishment of wind farm construction and maintenance industries and wind turbine parts manufacturing industries would bring additional construction benefits as well as permanent jobs and impacts. Over time, the development and recruitment of a skilled local workforce would help spur further investment in supporting industries (Collier et al. 2019). This additional growth and investment is beyond the scope of this study; however, other recent studies have estimated wide ranges of long-term operational economic benefits associated with offshore wind development in California. It is estimated that operations phase jobs associated with offshore wind projects in California could be between 3,000 and 6,000 by 2050 and that cumulative gross domestic product impacts during construction and operations phases of offshore wind farm development could reach as high as \$39.7 billion (Speer et al. 2016). Based on the estimated range of development scenarios at the Port of Humboldt, it was concluded that port improvements and wind farm development could generate between \$330 million and \$2.5 billion in total economic benefit from construction, between 1,600 and 13,000 jobs during construction, and between \$3.2 million and \$117 million in operations-phase output along with between 26 and 960 new jobs (Hackett et al. 2020).