



# DISCUSSION PAPERS

COMMUNITY AFFAIRS DEPARTMENT

**FINANCIAL RESOURCES FOR THE ENVIRONMENT:  
THE UNSUCCESSFUL ATTEMPT TO CREATE A  
PRIVATE FINANCING INTERMEDIARY FOR  
BROWNFIELD REDEVELOPMENT PROJECTS**

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## PREFACE

Most people know of small and large properties that lie dormant because of real or perceived contamination from a prior use. Often, these brownfields are the properties believed to have “great potential,” held back only by the funding to clean up the contaminants.

In 1999, The Development Fund of San Francisco and Phoenix Land Recycling Company, a Pennsylvania nonprofit, decided to join forces to create a financing vehicle to clean up contaminated properties in the Commonwealth of Pennsylvania. The Pennsylvania Department of Environmental Protection (DEP), the William Penn Foundation, and the Vera I. Heinz Foundation funded the planning process. The Federal Reserve Banks of Philadelphia and Cleveland supported the effort by inviting bankers to participate in the planning process. The Reserve Banks believed that many brownfields would be located in low- and moderate-income urban neighborhoods and understood that small-business owners often face contamination issues if they want to purchase the property where they operate their businesses.

After more than two years of discussion, the financing vehicle, Financial Resources for the Environment (FRE), failed to get off the ground. To help us and others understand why the result was not the positive outcome we expected, the Federal Reserve Bank of Philadelphia asked Keith Welks, the president of Phoenix Land Recycling Company and former chief counsel for the Department of Environmental Resources (the predecessor agency to the DEP), to write this paper about what happened and why. The paper captures the complexity of the issues we confronted and serves as a guide for others interested in creating a consortium to tackle other financing challenges. While Keith was right in the middle of the action as the planning process

advanced, stalled, and resumed, and some might argue he is not a neutral voice, we believe he has fairly and candidly discussed the problems that arose in creating FRE.

For others who are considering a similar vehicle, we would recommend noting the following lessons learned:

- Identifying a financing need can prove difficult. In the case of FRE, we had trouble identifying where the brownfields were, which owners could not obtain financing, or why they could not. We also did not have agreement on whether the financing need was long or short term.
- The continuing consolidation of the banking industry can be disruptive to such collaborative efforts. Several key banks were undergoing consolidation through merger and acquisition during the FRE planning and implementation process, thereby changing the leadership more than once.
- The biggest banks are the lenders most likely to already devote resources to special financing vehicles (such as brownfields financing) and therefore do not necessarily feel a strong need for a collaborative approach. But because of the bifurcation of the financial industry in most states into a relatively small number of large banks and a relatively large number of small banks, the participation of the large banks is often critical to the success of such collaborative efforts. In the case of FRE, at least two of the three largest banks had to commit to the project in order for FRE to raise sufficient capital to have its first closing.
- The planning process for a financing vehicle requires a great deal of participation by the bankers, but the banks do not have officers to spare for a lengthy creative process, especially not officers in key decision-making positions. Although FRE's planning process was initially

conceived to be inclusive, the banks' key decision makers were not participating in creating the entity, only evaluating it at the investor phase.

- Community Reinvestment Act (CRA) eligibility may be the sizzle for any investment, but it is not the steak. In the case of FRE, because CRA credit for an investment could not be ensured prior to FRE's creation and origination of its first transactions, prospective bank investors judged the returns against other market opportunities. The expected returns on investments in FRE were not high enough to offset the uncertainty of CRA credit for banks.
- Developing new financing vehicles is best done during economic expansions, rather than economic downturns.

We hope that you will learn from Keith Welks's description of our efforts.

Dede Myers  
Vice President and Community Affairs Officer  
Federal Reserve Bank of Philadelphia

## Introduction

The project to create Financial Resources for the Environment (FRE) was an ambitious but ultimately unsuccessful attempt to establish a financing intermediary for brownfields in the Commonwealth of Pennsylvania. According to the federal Environmental Protection Agency, brownfields are both previously developed properties with environmental remediation problems and properties suffering from the perception that the existence of such problems would be confirmed once the appropriate investigations were conducted. These sites have been unattractive to potential new owners or their lenders, who fear that the environmental issues will frustrate profitable reuse. FRE was intended to provide brownfield projects with a source of funding, desirable financing products, a unique methodology for evaluating loan applications, and dedicated and knowledgeable staffers, all in the hope of promoting reuse of sites that could not obtain private financing because of risk, return, and regulatory constraints.<sup>1</sup>

FRE was the brainchild of two nonprofit organizations: the San Francisco-based The Development Fund (TDF) and the Phoenix Land Recycling Company (Phoenix), a small Harrisburg entity. Before entering the brownfields area, TDF had spent 35 years creating what it calls “public purpose financing intermediaries.” These were consortia or independent entities, frequently operating for profit, established to provide financing for public-purpose needs that were going unmet by the private sector. Prior to its work on FRE in Pennsylvania, TDF had been responsible for creating 12 such intermediaries in nine different states, from Maine to Hawaii

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<sup>1</sup>“FRE” is the acronym that was used both for the organization that was envisioned to provide financing for brownfield projects and also for the process that was employed in the attempt to create this organization. The context of its usage here will make clear whether the acronym refers to the process, which did occur, or the organization itself, which was eventually created on paper but was never funded or made operational.

and Washington to Florida. These intermediaries had attracted \$1 billion in investment commitments. While the majority of TDF's work had been in creating affordable housing consortia, its efforts included creation of a community development and small business entity and a secondary market fund that allowed insurance companies to invest in community activities and provide greater liquidity for investments initially made by community organizations.

Phoenix, also a Section 501(c)(3) nonprofit, was the creation of a former chief counsel of the Pennsylvania Department of Environmental Resources. Its original mission was to make early speculative investments in difficult brownfield sites. By committing capital to investigate—and in some instances, to clean up—existing environmental problems at brownfields, Phoenix hoped to reduce uncertainty and delay over such sites' potential for reuse and thereby make them more marketable. After several years of site-specific activities, Phoenix became interested in developing programmatic solutions to systemic obstacles to brownfield reuse. Phoenix perceived difficulties in obtaining private-sector financing for brownfields, especially early financing for remediation activities, as one of these obstacles.

By happenstance, TDF staff had interviewed the president of Phoenix in late 1997 to gather information for a national research study TDF was preparing on financing gaps that impeded brownfield redevelopment efforts. This initial contact led to a decision to cooperate in an effort to develop a brownfields financial intermediary in Pennsylvania that could address funding obstacles that both TDF and Phoenix believed limited wider reuse of these sites. TDF's decision to work with Phoenix on a Pennsylvania entity followed shortly after TDF began working with a number of banks and other interested parties to develop a similar intermediary in California.<sup>2</sup> With principal funding from the Pennsylvania Department of Environmental

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<sup>2</sup> That intermediary was eventually created as the California Environmental Restoration Fund (CERF). CERF's early experience was characterized by longer than expected delays in identifying

Protection (successor agency to the Department of Environmental Resources), the William Penn Foundation, and the Vera I. Heinz Endowment, TDF and Phoenix led the effort to create FRE.

### **The Pennsylvania Context**

Phoenix and TDF regarded Pennsylvania as a place that offered a setting particularly conducive to creating a brownfields financial intermediary for a number of reasons. Perhaps most important, in 1994 Pennsylvania's General Assembly had enacted a series of laws designed to encourage brownfield redevelopment. The most significant of these was Act 2, formally called the Land Recycling and Environmental Remediation Standards Act. Act 2 dramatically changed remediation requirements for contaminated sites, authorizing parties to base their responses on the projected future uses of the site and to use remedies that allowed contaminated soil and groundwater to remain in place as long as their effects could be isolated from the public and the environment (by use, for example, of impermeable barriers). The Pennsylvania Legislature also enacted Act 3, the Economic Development Agency, Fiduciary and Lender Environmental Liability Protection Act, which provided protection for banks that foreclosed on brownfield sites or had other interaction with sites in the normal course of protecting security interests. Another new law, the Industrial Sites Assessment Act (Act 4), authorized the creation of a grant and low-interest loan fund within the Department of Community and Economic Development to stimulate cleanup and redevelopment efforts at brownfield sites. Although this package of laws did not eliminate remediation problems at brownfield sites, it did provide important clarity and certainty for those willing to undertake such projects.

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projects suitable for funding. By the time FRE began its capital-raising efforts, CERF had developed a pipeline of projects. In the intervening years, CERF has proven to be a viable model for brownfield financing. It has closed on approximately \$50 million in transactions and is reportedly reviewing another \$75 million in proposals. CERF is examining the potential to offer its services in other states.



Second, the Department of Environmental Protection had made aggressive implementation of these new laws and acceleration of site cleanup and reuse its highest priorities. The agency had trained its staff and done extensive public education across the Commonwealth. These efforts had been enormously successful. By 1998, TDF and Phoenix expected leaders of the Department of Environmental Protection to be looking for additional innovations and initiatives to continue the land-recycling program's momentum. In addition, the deputy secretary for the land-recycling program was a former environmental counsel for one of the Commonwealth's major banks. TDF and Phoenix anticipated that her background would make her particularly interested in exploring new program directions that arose from a banking or financing context. Thus, the nonprofits expected to have strong support for the FRE process from the state agency responsible for the brownfields program.

Finally, Pennsylvania's banking environment at the start of the FRE effort was characterized by a relatively small number of major institutions. This was seen as simplifying the process to create the brownfields financial intermediary because it kept the number of necessary participants down, making the effort more manageable. In a similar way, the existence of a relatively small number of critical potential investors was expected to simplify the final step of the process: raising the actual investment capital needed to support FRE's expected mission. TDF and Phoenix viewed each of these factors as a positive indicator for the eventual success of the FRE effort.

### **The Creative Process**

The particular process that Phoenix and TDF employed to design, establish, and – it was ultimately hoped – raise capital for FRE had been used by TDF in most of its previous attempts to establish intermediaries. The process, in brief, involved forming a large and inclusive task

force of representatives from banks, corporations, and other institutions that were expected eventually to become investors, supplemented by participants from other professions or areas with expertise in the particular field.

For the process to create the brownfield intermediary, TDF and Phoenix recruited representatives from a number of Pennsylvania banks of varying sizes. They also enlisted the participation of lawyers with extensive brownfield experience, representatives from nonprofit economic development agencies, environmental engineers, commercial realtors, and developers. They secured participation by the PPL Corporation, a major Pennsylvania utility with a history of supporting economic and community development efforts. In addition, the FRE task force also included representatives from a number of public agencies, including the Department of Environmental Protection, the Department of Community and Economic Development, and the Department of Banking. In total, the task force enjoyed at least nominal membership of more than 60 representatives from banks, corporations, nonprofits, public agencies, and private firms.

The TDF model for creating an intermediary used a structure that relied on prominent and visible leaders to confer legitimacy on the effort and provide direction. Phoenix and TDF were able to persuade PPL Corporation's chairman and the chairman and CEO of Summit Bank in Pennsylvania to serve as public co-chairs of the creative effort. A senior real estate lender and vice president from Summit served as the functional chairperson of the task force meetings.

Finally, TDF's model relied on visible involvement and at least tacit support from the appropriate Federal Reserve Bank. This would provide not only additional legitimacy to the effort but also a ready source of guidance, advice, and insight regarding potential regulatory issues that might affect the envisioned intermediary. For the FRE effort, Phoenix and TDF received generous and continuing assistance from both the Federal Reserve Bank of Philadelphia

and the Federal Reserve Bank of Cleveland.<sup>3</sup> Each Bank served as a host or co-convenor for FRE meetings, many of which were conducted at Federal Reserve facilities. Representatives from each Bank provided bank contact information, suggestions for methods to improve participation, and general strategic advice.

TDF and Phoenix attempted to lead the task force through a careful process in which the group itself was expected to do most of the creative thinking and work necessary to better define the financing gap in Pennsylvania and design an entity tailored to address that gap. TDF and Phoenix provided staff support for task force meetings and for telephone conference calls of ad hoc committees of task force members that were held between task force meetings to address critical issues in detail. Reports and recommendations from these conference-call discussions on numerous key issues (e.g., whether FRE should be nonprofit or for-profit, types of products FRE should offer, size of loans, identification of key environmental issues, duration and nature of repayment, governance structure, parameters for investment in FRE, and many others) were presented at task force meetings for discussion and decision.

This process was, by all accounts, slow and tedious. It is probably not an exaggeration to suggest that the work of the numerous committee calls and task force meetings, over many months, could have been performed in a matter of a month or two through dedicated effort by TDF and Phoenix staff. This more directed approach would have virtually obviated formation of the task force to design FRE. Nonetheless, TDF and Phoenix pursued the more deliberate and inclusive process for a very specific reason: TDF's consistent experience in prior consortium projects had been that task force members became strongly committed to the eventual successful outcome of the process if they felt they had been intimately involved in the key decisions.

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<sup>3</sup> However, the two Reserve Banks did not participate in the capital-raising efforts for FRE.

Having played an important role in creating the entity that emerged, task force members became its best advocates when the entity went to members' sponsor organizations for capital contributions. This personal connection distinguished these public-purpose intermediaries during the fundraising phase from competing proposals that sought investments without having had any significant preceding dialogue or involvement with the potential investors.

Thus, the process used to design and create FRE quite consciously accepted the far longer development period and higher transactional costs (in terms of human resources devoted to task force activities by interested parties) in exchange for the anticipated return of eventually being able to solicit capital from sympathetic investors. In its application in Pennsylvania, unfortunately, FRE's design process took far longer than was expected or helpful and seemed in many ways to exhaust, rather than energize, its participants. It ultimately did little to create a population of excited investors.

The FRE task force held 10 meetings between the inauguration of the project in December 1999 and the final meeting in February 2002, when initiation of fundraising was authorized. Attendance and interest were predictably high at the formal kick-off meeting but declined thereafter. Problems with attendance and interest were only exacerbated as the process stretched well beyond the original timeline, which had lending operations scheduled to start by the end of 2001.

At the meetings, a pattern quickly developed in which only a few, presumably deeply interested, individuals attended regularly. Many of the most regular participants were the industry professionals (lawyers, engineers, developers, realtors), presumably motivated by a combination of civic interest in helping close the financing gap and pecuniary interest in cultivating future business. Regardless of motivation, they were not likely to be sources of future

capital contributions to FRE. After the initial meeting, only a few banks sent representatives at all. Many of these representatives attended intermittently or were replaced over time by different bank staff members, meaning that issues discussed and resolved at previous task force meetings would often need to be revisited and decided anew.

Difficulties caused by this inconsistency in attendance were compounded by the recurring inability of Phoenix and TDF to introduce topics in ways that sparked genuine discussions. As a result, stage-setting introductions by TDF and Phoenix staff often became effectively the entire substance of the discussions on key issues. This dynamic ultimately had corrosive consequences. With few potential institutional investors sending regular attendees and fewer still actively participating in task force discussions, little “ownership” of the kind that the deliberative process contemplated was actually created. Few strong advocates for FRE’s future were born. In addition, the lack of attendance, participation, and feedback meant that TDF and Phoenix gained little sense of how the banks really perceived the brownfield “problem.”

Whatever its previous successes, the careful creative process that TDF and Phoenix employed did not serve FRE well and did not achieve its desired objectives. Indeed, Phoenix and TDF were unable to discern whether the banks thought any financing shortfall actually existed or, if they believed it did, whether the proposed FRE design was responsive to the problem and attractive to potential investors.

### **The FRE Product**

Despite these frustrating and continuing problems with the creative process, in 2000 and 2001 Phoenix and TDF pushed the task force to slowly work its way through a series of meetings, between-meeting work sessions, and decisions on a wide range of issues. Perhaps not

surprisingly, Phoenix and TDF came to the process with preconceived positions on many of the key issues the task force was asked to address. There is little doubt that Phoenix and TDF attempted, in good faith, to stimulate discussion on these issues and to test the validity and appeal of their preconceived answers. In retrospect, however, there is also little doubt that they were unable to generate genuine dialogue with a large enough number of people in the relevant audience. Thus, many decisions reflected a default to the preconceived positions, not the enthusiastic adoption of positions that reflected the results of genuine give-and-take discussions.

This is not to say that no topics provoked the airing of differing views. Several, in fact, resurfaced periodically throughout the process, prompting renewed attention – and resolution – with each reappearance. Most prominently, the very description of FRE’s mission and the scope of its market remained difficult to define. The TDF and Phoenix presumption was (in a simplified view) that FRE would provide financing directly to owners or developers for various site activities associated with addressing environmental concerns prior to construction or redevelopment. This model was challenged at both tactical and strategic levels.

At the operational level, some participants insisted that FRE should not offer specific loans for assessment activities, for the very practical reason that such loans carried unacceptably high risks: a site that required an extensive assessment might ultimately be found to present significant and costly contamination problems. This would mean both that no income-producing project was likely to follow and that the site itself could not serve as meaningful collateral to secure repayment of the loan.<sup>4</sup> In addition, there was uncertainty whether limiting FRE to lending only for pure remediation efforts (i.e., remedial actions consisting solely of removal or

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<sup>4</sup> Pennsylvania’s grant and low-interest loan program (the Industrial Sites Reuse program) was seen as a possible response to the early-money obstacle, which the task force chose not to address by

treatment of wastes or contaminated soil or water) was wise in Pennsylvania. The Commonwealth's endorsement of so-called containment remedies – the interposition of a barrier over contamination by such common measures as laying a foundation or paving a parking area – meant that dollars spent for traditional construction activities could also be said to contribute to a remediation effort. Task force discussions on this subject ultimately led to an expansion of FRE's business model to make these kinds of construction costs eligible for financing when they advanced remedial objectives.

More fundamentally, a small number of participants brought a very different strategic vision of FRE's marketplace. Either because they doubted the existence of a sufficient market of sites that simply needed a new source of private remediation financing or because they simply imagined a far more ambitious new entity, this group argued that originating relatively small loans to individual remediation projects should be only a small portion of the FRE portfolio. They advocated a FRE that would lend to businesses to finance the implementation of green (i.e., energy-saving) technologies and materials, the acquisition of pollution-control devices, and other environmentally friendly activities that did not necessarily involve brownfield sites. Rather than originating loans directly to brownfield projects, FRE should instead attempt to create a secondary market for brownfield loans. This strategy would entail FRE's establishing standards for banks to use in making brownfield loans that FRE could then acquire and assemble into portfolios for securitization in capital markets.

The implicit uncertainty about the need for a new organization to make original loans to site owners and developers reflected by this profoundly different view of FRE was simply one manifestation of a fundamental uncertainty at the core of the entire process. Neither TDF nor

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eliminating assessment financing.

Phoenix nor the task force could confidently define the universe of potential customers for FRE's presumptive, narrowly described services. Task force discussions featured remarks from bankers who would claim, at successive meetings, that they had always been able to make loans at brownfield sites and then say – without acknowledging the apparent contradiction – that they would not make brownfield loans because the underlying properties did not represent solid collateral. Representatives from at least one small bank reliably attended task force meetings (and enthusiastically participated in working-session conference calls), even though they later explained that they had never received an application for a brownfield loan and had no expectations for any in the future. A representative from a large bank repeatedly stated that no banks were making brownfield loans in large sections of Pennsylvania outside metropolitan areas; however, this banker could not identify any specific sites that his bank had rejected or that it expected would need loans.<sup>5</sup>

TDF and Phoenix conducted needs assessment surveys on both the supply and demand sides, canvassing bank and public lending programs on one hand and developers, realtors, and development agencies on the other. They held a focus group for about 15 developers and public-agency representatives to gauge perceptions of need more precisely.<sup>6</sup> None of these efforts produced clear results. In the end, the task force probably did no more than accept the widely

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<sup>5</sup> The relative availability of existing funding sources in Pennsylvania may have, in retrospect, been a significant factor differentiating the FRE context from that which existed in California. The ISR program, even with its budget limitations, and the willingness of a number of Pennsylvania banks to lend against brownfield sites once Act 2 was implemented may have blunted the perception that an entirely new financing entity was really needed to support Pennsylvania brownfield reuse.

<sup>6</sup> Many of the developers who attended this session were less interested in discussing the size of the problem than in describing their perception of a solution: flexible financing, including *forgivable* debt for all funding dedicated to early assessment and remediation efforts that did not lead to a viable commercial project. Unsurprisingly, FRE's bankers were not especially motivated to grant this request.



held perception that only prime real estate brownfield projects undertaken by financially strong and experienced developers could reliably obtain financing and that no one had a good command of the magnitude, location, or economic viability of the other brownfield sites.

In the absence of a clear consensus that there was unmet need, the task force moved forward to resolve other questions. It was relatively easy to decide that assessment loans were unacceptably risky and would not be offered. It was significantly harder, however, to decide how FRE and its activities would relate to the business activities of its investors.

The few banks attending task force meetings consistently expressed the view that they would not invest in a new entity that might then compete with them for loan business. There was a clear consensus that FRE should not book loans that could be obtained from a conventional lender but far less certainty about how to ensure that result. Differential pricing was considered, but there was a fear that FRE's risky business model might intrinsically require it to charge high interest rates. Thus, adding an additional increment intended to encourage some borrowers to go elsewhere might have had the additional and perverse effect of pricing FRE's loans beyond the reach of the very customers it was designed to serve. Requiring a potential borrower to prove he had been declined previously also seemed unhelpful; it only added to a borrower's transactional costs, and it was impossible to decide how extensive the previous declination needed to be (e.g., rejection by one bank? by all banks participating in FRE?) to authorize FRE to consider the application.

The sensitive question of FRE's financial return to its investors was inextricably linked to the discussion of FRE's pricing to its borrowers. Presentations to the task force and others carefully promised that investors would realize a "reasonable" rate of return. During the task

force discussions, the magnitude of the return to potential investors was ostensibly bolstered by the strong expectation that institutions would receive CRA credit for their investments in FRE. Most bank representatives at task force meetings consistently said that obtaining CRA credit was a valuable motivator for their ultimate financial participation and could help to make up for below-market rates of return on their investments. A small minority of task force bankers and others presciently expressed the view that CRA credits would ultimately offer little inducement to banks in their eventual decision-making and predicted that bank decisions to participate would be driven primarily by the projected return on their investment.

TDF and Phoenix prepared an interim report in December 2000 that was intended to present the key decisions the task force had reached by that point and to serve as the springboard for the completion of necessary incorporation documents and initiation of the fundraising effort. The report summarized the task force's market research efforts and concluded (perhaps with too much certainty) that the research "identified significant financing gaps...includ[ing] viable projects that cannot obtain private financing..." The report articulated FRE's intended mission to close this gap by serving a broad array of financing needs related to environmental cleanup, with priority given to sites that promoted community and economic development, sustainable growth, public health and environmental protection, and economic and environmental stewardship. The overall objective would be "to serve private- and public-sector borrowers in transactions that are economically viable but cannot obtain bank and investor financing because of environmental contamination issues."

FRE's customers were predicted to be real estate developers (encompassing private development companies, public agencies, and community development corporations, and other

nonprofits), one-time purchasers of contaminated sites, and existing businesses or site owners who needed to address environmental problems to allow expansion or resolve other issues. These projected future borrowers would be able to obtain financing from FRE for pure remediation activities and for construction financing that was inextricably linked with cleanup or could not otherwise be obtained from conventional sources. FRE's products were designed to be interest-only during the remediation (and construction) carrying period and then to be retired by conventional long-term bank financing, once the environmental problems were resolved. Recognizing that some FRE remediation loans might encounter difficulty in finding takeout financing, the report also noted that FRE might provide permanent financing for some of its projects where warranted.

FRE was to be created and operated as a for-profit, public-purpose limited partnership, managed by a limited liability company.<sup>7</sup> The governing board would consist of representatives from large, medium, and small investors and from nonprofits, the last included to help FRE qualify as a community development financial institution certified by the United States Treasury Department's CDFI Fund. FRE staff would evaluate loan applications using an innovative process that would integrate the review of financial data and environmental criteria. The interim report explained that this approach would give FRE the flexibility to take and manage risks, allowing it to engage in transactions that would otherwise be declined by conventional lenders. An investment committee composed of only investor representatives would recommend actual loan decisions. Banks and corporations were to be offered the opportunity to participate in FRE

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<sup>7</sup> For brevity, the structure described here is actually the more complex form that emerged in the final private placement memorandum. This was a refinement of a somewhat simpler structure described in the interim report.

as debt investors, equity investors, or a combination of both.<sup>8</sup>

Presentation of the interim report to the task force for final approval (and authorization to start the capital campaign) was delayed substantially by disagreements about its contents among a small number of key individuals. Representatives of the Department of Environmental Protection and several industry professionals felt that FRE's business model was too narrowly cast. They again suggested that loan origination should be only a small part of FRE's activities, making the argument that FRE could avoid competing with its investors and eliminate discouraging high interest rates for original loans by structuring itself as a purchaser of brownfield-site loans made initially by conventional banks. In this approach, FRE would offer another exit option for banks making brownfield loans, rather than a source of original loans that banks would retain. FRE would help banks improve their own underwriting practices by developing standardized practices for decision-making and by offering technical services to traditional lenders. FRE would then become a secondary market for individual loans that followed these practices. FRE might also assemble purchased loans for securitized sale to capital markets.

This significant variation in approach had never, however, been formally examined by the task force or been the subject of the more intensive between-session working conference calls that preceded preparation of the interim report. TDF and Phoenix believed that the interest level and stamina of the task force members at this point would not support a fundamental reevaluation of the basic FRE model by the task force. Some participants continued to be highly skeptical of the fundamental business validity of casting FRE in the role of creator of a

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<sup>8</sup>Again, this description simplifies the capital structure, which was somewhat more complicated

secondary market for brownfield loans. After much discussion, the key participants agreed to include a cover memorandum with the interim report that called for the task force and a relevant subcommittee to consider these new ideas in conjunction with the review of the report itself. The interim report and the cover memorandum were finally distributed in late April 2001, some four months after original preparation of the report.

Although adding the cover memorandum was an effort to amicably resolve a contentious issue that would have been far better off addressed much earlier, it is likely that it only introduced significant confusion to the process in its final stages. The memorandum, despite being brief and neutral in tone, effectively called into question the basic purpose and structure of FRE, as well as its relationship to banks (both those investing and those who remained distinct from FRE). Moreover, resolution of the fundamental questions it implicitly raised would have required commitment of substantial new resources — in terms of time and money — by the task force at a very late stage of its existence.

### **The Fundraising Phase**

In the end, the task force lacked the energy or interest necessary to effectively grapple with these lingering issues. TDF and Phoenix assembled the task force following circulation and discussion of the interim report and cover memorandum to obtain authorization for moving to the final phase. This phase would comprise a) creation of the entity's legal documents describing organizational structure and participation opportunities and b) the interrelated searches for a leader for FRE and for investors willing to capitalize the entity. The task force acknowledged the

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in the actual offering to address start-up and early costs and governance details.

apparent conflict between the focused vision of FRE laid out in the report and the ambitious version suggested in the memorandum, but the task force exhibited little enthusiasm for choosing between these inconsistent models. Instead, it finessed the problem by endorsing the recommendations of the report in February 2002 and charging FRE's staff, once FRE was operational, to consider the ideas presented in the memorandum for future expansion possibilities.

With this qualified blessing, TDF and Phoenix began their efforts to fund and inaugurate FRE. Phoenix and TDF worked with Pepper Hamilton, L.L.P., legal counsel during the creation stage, to finalize a private placement memorandum (PPM) that refined and explicated FRE's purpose, practices, and structure. At the same time, TDF developed detailed financial projections for FRE's first decade of activities. The assumptions and conclusions embodied in the financials were then vetted by a finance subcommittee of the task force, populated by bankers and nonprofit lenders with extensive experience in analyzing similar projections. Economic analysts from PPL, who volunteered significant time to review and refine the projections, also subjected the financials to extremely close review. The projections were modified over the spring and summer of 2002 to reflect these comments.

As part of the financial calculations, TDF also made available for the first time specific projections about the returns investors might see on their investments. Debt investors were projected to receive a 4.1 percent 10-year internal rate of return; equity investors were projected to receive an 8.7 percent return, with the potential to receive as high as 23.9 percent if a high proportion of the original investors opted to become debt participants rather than equity players.<sup>9</sup>

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<sup>9</sup> Although FRE hoped to earn above-average returns on successful projects, this recovery was

As these materials were being finalized, TDF and Phoenix conducted a national search to select a chief executive for FRE. Designation of FRE's leader was seen as an important component of the capital campaign, since banks were expected to demand to know the identity of the person responsible for overseeing their investment before agreeing to a definitive commitment.

The search for a candidate took place over a period of months in the second half of 2002 and early 2003. TDF and Phoenix engaged in a national solicitation for candidates and provided preliminary evaluations of applicants. A selection committee of the task force identified a finalist from a number of candidates who were interviewed, and he was offered the position. To TDF's and Phoenix's consternation, the candidate unexpectedly withdrew his name from consideration after several weeks, despite having aggressively sought the post and without making any demands about the position or his compensation. The committee then offered the position to the next highly rated candidate, also a skilled and qualified leader. She, too, then declined the FRE presidency (for personal reasons). The committee ultimately selected a senior real estate lender with community development experience.

This candidate accepted the position and threw herself into fundraising activities with great enthusiasm. Nevertheless, the leadership selection process was bogged down for several months, sapping momentum from the parallel capitalization effort in its critical early stages. Recognizing the already-too-long gestation period for FRE, Phoenix and TDF had begun their outreach efforts to many banks coincident with the start of the executive search process. As the search process continued to fail to produce a final selection, meetings needed to be postponed, or, in some instances, meetings that had been held needed to be held again once FRE's leader

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too speculative and unpredictable to be factored into the calculation of projections.

was finally chosen. Unavoidably, a sense of confusion or lack of direction was communicated to potential investors by early 2003.

Ultimately, the fundraising efforts were unsuccessful. The PPM established a minimum of \$25 million in start-up capital, based on the financial projections, for FRE to be economically viable. FRE was able to obtain a \$2 million pledge from the Department of Community and Economic Development (from the Industrial Sites Reuse program) but was unable to leverage this money into any additional firm commitments. After more than nine months of attempting to attract investors, TDF and Phoenix formally curtailed their efforts in late summer of 2003.

### **Evaluation of Shortcomings**

Although it may sometimes be true that success has a thousand fathers while failure remains an orphan, there is no shortage of potential parents of FRE's ultimate inability to conclude its lengthy process with a successful capital campaign. Indeed, there are so many candidates that it may be difficult to determine which factors genuinely contributed to the unsuccessful outcome and which were merely unhelpful background noise. Still, any list of suspects must surely include the following.

#### **Failure to Confirm or Define a Need**

FRE's premise was simple to state: there was an abundance of economically viable Pennsylvania brownfield sites that could thrive with access to remediation loans made by a lender sophisticated enough to recognize their true environmental costs. Confirming that these sites actually existed, however, and quantifying their number adequately to support a compelling



business plan resolutely remained beyond the grasp of TDF, Phoenix, and the task force.<sup>10</sup> Many task force members spoke with conviction about anecdotal perceptions of an ample supply of sites. Nonetheless, efforts to have banks or regional economic development agencies generate hard numbers consistently produced results that encouraged little confidence. Bankers who stated in task force meetings that they were making few brownfield loans frequently followed up that declaration with the caveat that neither were they turning down many requests. This left the task force pondering whether there was a giant untapped market of customers for FRE or none at all.

Additionally, it was clear that bigger banks were more apt to already be doing brownfield lending than smaller ones, creating a divide in perceptions about whether the marketplace was being adequately served. Ultimately, this also meant that the concentrated nature of the banking industry in Pennsylvania, initially seen as a highly attractive component of the local context for launching a brownfield financing intermediary, was, in fact, extremely problematic. FRE's internal financing structure effectively required it to secure participation commitments of almost \$10 million each from at least two of the state's three remaining major banks in order to move forward.<sup>11</sup> Without participation of this magnitude from these critical banks, it was virtually impossible for FRE to raise sufficient capital from the remainder of the industry. Unfortunately, these turned out to be the very same few large banks that were among the most skeptical of the need for a brownfield financing intermediary. Moreover, at least two of the three major

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<sup>10</sup> TDF's earlier national research report describing financing problems was regarded, probably accurately, as becoming outdated as the process progressed and reflecting too broad a view to helpfully depict the Pennsylvania situation. DEP's existing data sets did not allow it to respond in detail when the Federal Reserve Bank of Philadelphia requested information about numbers and locations of brownfield sites for purposes of evaluating the likelihood that bank investments in FRE would be CRA-eligible.

<sup>11</sup> FRE expected to obtain the remainder of the minimum \$25 million start-up commitment through more modest investments from a significant number of smaller institutions.

Pennsylvania banks had institutional reasons, unrelated to the specific nature of FRE's proposal, that strongly discouraged them from agreeing to participate.

Paradoxically, the success of Pennsylvania's regulatory land-recycling program and the ISR program also represented confounding factors. The regulatory climate made the state a potentially attractive place for an entity like FRE, dedicated to promoting brownfield reuse. At the same time, it soon became clear that at least some task force members believed that reforms to the remediation requirements had so reduced risks for lenders and borrowers that a specialized lending entity was no longer needed. In the same manner, some perceived the support provided by ISR as a complete solution to the purported funding gap, even though the state program in reality focused the majority of its limited funds on public projects.

Task force meetings all too often devolved into repetitive, circular discussions about the magnitude of need and possible shortcomings in current bank practices to meet it. These discussions rarely produced clear answers to questions, and in the unusual instances when clarity was momentarily achieved, it could not be easily revived the next time the same topic surfaced.

The inability to reach consensus about the question of need engendered a number of troubling consequential problems. The task force's failure to strongly agree that there was a large unserved market made it much harder to marshal enthusiasm for either the effort or the risk involved in establishing an entity to serve that market. Uncertainty about the scope of the need inexorably led to the fragmentation of ideas proposed for the products FRE should offer its customers. Those believing that basic loan needs were going unmet at brownfield sites understandably continued to believe that FRE should primarily be constituted as a loan originator, dealing directly with borrowers. Again, those regarding the banking sector as largely

meeting brownfield needs or poised to meet them with just a bit of assistance saw FRE's value in being an indirect player, providing technical assistance to banks in their existing loan business, and perhaps buying and securitizing brownfield loans made by those banks.

These fundamental differences played themselves out, as well, in ultimately fruitless efforts to define FRE's relationship with its investors. Although the task force leadership did not recognize their significance at the time, debates about whether FRE's activities would present an unwelcome competitive threat to other banks were simply another manifestation of the schism about the adequacy of present bank practices. If most banks were, in fact, turning away brownfield loan applications of the sort that FRE initially envisioned making, competition for these borrowers was not a realistic fear and coordination between banks as sources of customer referrals and FRE as a source of funding for these referrals could easily be imagined. If, however, banks were already serving this market aggressively, it would be valid to presume that FRE could survive only by taking business from its own investors. The specter of this dysfunctional relationship supported moving FRE from the direct banking business into a range of essentially support services for the banks.

Sadly, the issue of FRE's role was never truly resolved. The task force simply legitimized its many months of genuine, if inconclusive, efforts by approving a model for FRE that looked much like the original version. A final decision regarding the more ambitious business scheme was deferred to further consideration by the FRE staff, once FRE was up and running. That precondition for extended analysis, of course, was never brought into existence.

### **Shortcomings in the Process to Develop FRE**

The consensus-building process used by TDF and Phoenix for developing FRE was not

new. It had been successfully employed on many occasions in many places to create a variety of financing and funding entities of differing sizes and functions. Thus, this deliberative and inclusive approach, with its preference for involving many participants over an extended period to arrive at conclusions that a dedicated few could reach in a fraction of the same time, might be viewed as artificial, but it arrived in Pennsylvania with strong precedents.<sup>12</sup> Nevertheless, it is very clear that the process was ineffective in this particular context and may, in fact, have impeded the overall project. Certainly the creative process, which stretched 27 months — from December 1999 to February 2002 — just to reach the capitalization phase, took far longer than anyone desired.

There are a number of possible explanations for the ineffectiveness of the process here. A process that seeks to resolve a large number of complex issues through informal consensus building about key decisions ordinarily relies to a large extent on continuity of its participants and commonality in their vision. The FRE task force could boast of neither of those attributes. In their absence, it might well have been better to introduce a measure of formality by taking and recording votes on key questions. Records of these votes could have been helpful in abbreviating the repetitive and circular discussions that occurred at subsequent meetings, when different participants sought to revisit issues already addressed.

Also, some perceive that the nature and expectations of the banking industry have evolved over the last several years, making the patient, inclusive approach no longer viable. In this view, banks previously had not just allowed their senior people more time and freedom to

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<sup>12</sup> As noted, TDF contemporaneously used the same process to create a very similar intermediary for California, a state with far more complex regulatory and political challenges than Pennsylvania. That effort culminated in a completed intermediary that has been making brownfield loans statewide.

involve themselves in the details of proposed investments; they implicitly demanded that kind of inside developmental knowledge before passing favorably upon new proposals for their investment capital. As the industry consolidated, became more competitive, and focused more on reducing costs at every opportunity, this tolerance for long hours of ostensibly unproductive employee effort in these undertakings appears to have declined dramatically. External projects that consumed substantial staff resources for development no longer carried any special cachet when presented for investment review.

Perhaps for this reason, or perhaps because the initial recruitment efforts of TDF and Phoenix were misdirected, the task force lacked active and consistent involvement by a sufficient number of senior real estate lenders from Pennsylvania banks. Certainly there were some, and just as certainly, there were a few lenders who reliably participated. In general, however, the banking industry was represented on the FRE task force mostly by bank community affairs staff, who lacked sufficient decision-making influence within their institutions for what was ultimately seen as a real estate investment decision. Too often, even these few bankers were a minority at meetings dominated, numerically at least, by service professionals who were not likely to be ultimate investors in the entity itself.

The underlying theory that members of a strong and committed task force would be the best advocates for investments from their own sponsors was undermined for other reasons. For the entire period during which Phoenix and TDF attempted to create and capitalize FRE, and especially in the critical span of some 15 months in 2002 and 2003 when the interim report was approved, the financial projections and the PPM were prepared, and fundraising efforts were conducted, the Pennsylvania banking industry went through a period of significant consolidation

and transformation. Effects of these rolling changes were quite visible at the task force. Banks that had been strong participants disappeared into other institutions. A major statewide bank that was expected to become a large investor in FRE left the real estate market entirely. A leader of the FRE process went through two changes in employers in very short order. Other players changed roles or employers.

In addition, many task force participants and potential bank investors were reporting a pronounced sense of “consortia burnout,” reflecting a perception that too many special-purpose consortia were already competing for contributions. At least one large bank stated that its current investment policy was to decline invitations from all new consortia, regardless of how well intentioned or designed. As a consequence, any benefit gained by including individual bank representatives in the creative process was substantially devalued by this far more significant disinclination at the institutional level to support yet another funding consortium. This represented yet another external obstacle that FRE was unable to overcome.

As a result of these many shifts, FRE found itself with few of the expected benefits from the lengthy task force process. Some individuals and institutions who were expected to be sympathetic to the eventual fundraising request based on their prior exposure to the process were no longer in positions to advocate for FRE at all. Even where task force members or leaders were still in relevant positions, it was often with new superiors or at new institutions where they were understandably far more cautious about pushing forward a new and risky investment vehicle. Thus, TDF and Phoenix found that they often needed to draw FRE on a blank slate for potential investors who were totally unfamiliar with the project.

The process itself could not, of course, escape being adversely influenced by the

difficulties that TDF, Phoenix, and the task force encountered in trying to clearly define FRE's unique market niche and products. The image of a cohesive and energized task force is grounded on the expectation that it will settle upon a shared vision that unites its members for action. Unfortunately, the FRE task force never coalesced around a common vision. Thus, task force meetings intended (at least in part) to serve as pep rallies to build camaraderie and support before the final fundraising push instead revealed lack of interest or became incubators for disagreement and frustration.

TDF and Phoenix certainly bear their share of responsibility for process shortcomings. The nonprofit sponsors were ultimately unable to effectively respond to complaints that the task force meetings seemed redundant and inconclusive and relied too heavily on presentations from TDF and Phoenix rather than the bankers themselves. Despite a variety of efforts, they were unable to organize the task force meetings in ways that promoted extended discussions by task force members themselves or actually produced clear resolution of issues. TDF and Phoenix were slow to recognize the change in the dynamics of the banking business that greatly devalued the use of inclusive, deliberative processes to develop investment vehicles. As a result, TDF and Phoenix resisted suggestions that they short-circuit the lengthy timeline and simply provide the task force with a finished vision of FRE's business model for review and ratification by the group.

Finally, TDF and Phoenix were probably guilty of thinking like Pollyanna: They underestimated the true significance of the failure of the process to reach a substantive common vision for FRE, convincing themselves instead that these difficulties could be addressed during or after fundraising. That belief turned out to be wrong. Even if it were reasonable to think that

the substantive divide could have been bridged at a later point, that approach failed to appreciate that the absence of a shared purpose might suppress task force members' ability to wholeheartedly support the capital campaign.

### **Unattractive Investment Vehicle**

Financial institutions and corporations were unwilling to support FRE with capital contributions. Put plainly, this meant that the investment product FRE offered to them – in contrast to the lending products FRE proposed to offer its own borrowers – was not attractive.

Although few potential investors provided formal, definitive reasons for their negative decisions, comments and questions from investor representatives suggested several consistent reservations. First, it is clear that TDF, Phoenix, and the task force overestimated the importance to bank investors of CRA credit for participation in FRE. Although comments at task force meetings routinely suggested that banks were always looking for CRA-eligible activities and that FRE's ability to offer that benefit would be a strong selling point, that prediction turned out to be quite wrong in practice. Investor spokespersons repeatedly stated that their institutions were doing more than sufficient CRA-qualifying activities and that the potential for FRE to augment that portfolio was of very little benefit to them.

Additionally, some banks sought more definitive assurance that their investments in FRE would qualify under CRA. Unfortunately, it was impossible to secure formal CRA approval of investments in FRE prior to its capitalization and commencement of activities.<sup>13</sup> Ultimately, it is

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<sup>13</sup> One bank member of the task force formally requested that the Federal Reserve Bank of Philadelphia confirm in writing that FRE would qualify as a CRA investment. Consistent with Federal Reserve policy, the Federal Reserve Bank of Philadelphia does not respond in writing to individual letters seeking advance determinations of CRA eligibility. A specific investment is evaluated as CRA eligible only at the time of a CRA examination by on-site examiners. Each of the four regulatory entities – the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the



difficult to know whether this uncertainty about the availability of CRA credit was of greater significance in some banks' decisions to participate than the lack of excitement about CRA credit itself. Banks were aware of the strong and reasonable possibility that FRE would qualify. TDF and Phoenix were never able to get bankers to discuss contingent commitments that would have required FRE to demonstrate its CRA eligibility before significant investment would become obligated. For these reasons, TDF and Phoenix concluded that banks' reduced motivation to obtain CRA credit, not doubt about its availability, was the predominant motivating factor against investment.

Stripped of the expected noneconomic bonus of valuable CRA benefits, the FRE investment needed to stand exclusively on the rates of return – identified in the financial projections as 4.1 percent for debt investors and 8.7 percent for equity investors – it projected for its investors. Unfortunately, TDF and Phoenix had repeatedly predicted in meetings that these rates would only be “reasonable” (i.e., not competitive with conventional market returns) and were not designed to be attractive without the additional CRA or public-purpose component. This characterization, offered facilely at the time that CRA credits were assumed to be a significant positive factor for investor decisions, turned chillingly prophetic when that assumption turned out to be unfounded.<sup>14</sup> Investors simply rejected the anticipated returns as unappealing in light of the general economic climate in 2002 and the risky nature of FRE's

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Currency, and the Office of Thrift Supervision – addresses questions of this sort prospectively only through periodic agency question-and-answer documents that avoid specific determinations.

<sup>14</sup> It is frequently difficult to draw sharp delineations between process problems and investment problems. In retrospect, it is easy to see that the process was flawed by its inability to draw the correct conclusion about the value of CRA credit to potential investors. Although development of FRE's financial projections occurred reasonably late in the process, it is plausible to suspect that task force participants might have examined the value of the CRA component of FRE more closely if the rates of

proposed business activities.

Although undoubtedly a lesser consideration, it became clear that at least some banks were also troubled by the exit strategy that the FRE investment agreement would allow them. To provide stability and predictability for operations, FRE would have required investors to honor their pledges for a minimum of five years before being able to withdraw from further participation. Coupled with the modest rate of return and the projected timetable for receiving these returns, the length of this commitment made investment in FRE quite unattractive for a number of investors. As before, this exit strategy had been subjected to express discussion and presumed ratification by the task force prior to finalization. Nonetheless, the task force members were unable or unwilling to convince their respective decision-makers that this was a reasonable limitation for FRE to impose.

### **Downturn in the National Economy and Other Considerations**

A number of other factors played parts in investors' uniformly negative decisions. FRE's initial kick-off meeting occurred in December 1999; formal fundraising efforts began in mid 2002 and were finally suspended in the summer of 2003. Indisputably, the national and regional economies worsened significantly during the lengthy arc of FRE's development. Banks saw their business levels decline, stock values droop, and profits diminish. They became predictably less enchanted with new and unproven ventures. There was a substantial downturn in the volume of real estate lending by banks, and a commensurate waning of their appetite for investments based upon real estate activities. FRE presented itself for financial support in the midst of this storm.

Finally, it must be acknowledged that critical comments were expressed on occasion about the value or effectiveness of TDF, a "West Coast" organization, in developing a response

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projected economic return had been presented to them at an earlier point.

to a Pennsylvania problem. Professionals participating in the FRE process became frustrated by TDF's perceived inexperience with Pennsylvania remediation practices and rules. Moreover, TDF's nearly contemporaneous work to create and fund CERF in California paradoxically turned out to be detrimental to the Pennsylvania process. TDF and Phoenix expected that insights from the California experiences, which were approximately six months ahead of the work of the FRE task force, would enlighten the discussion of similar issues and allow the task force to realize valuable economies in time and effort. Unfortunately, comments intended by TDF and Phoenix to introduce California developments simply as the starting point for task force discussions were frequently perceived as attempts to direct FRE to reflexively mimic the California project.

These reservations most likely interacted with another salient characteristic of the FRE process: The project was originated by the nonprofits that led the effort, not by any of the private-sector players that would ultimately be needed to provide the capital and the brownfield projects that FRE would support. As a result, the project had no visible local leadership from business or banking interests that were identified with the underlying notion or strongly committed to its success. The absence of such leadership only magnified concerns that FRE was being directed by outsiders who really sought only to replicate a design imported from elsewhere, not develop an indigenous and relevant Pennsylvania model.

TDF and Phoenix were not successful in demonstrating that these concerns selectively overlooked TDF's long, national, varied, and relevant experience. In the end, TDF and Phoenix were not successful in convincing the task force that it should seize the real decision-making authority that was offered to it or in inspiring it to energetically commit to the effort. Thus, these reservations also contributed to the inability to develop the level of enthusiasm and commitment

necessary to sustain the participants throughout the long process.

### **Conclusion**

FRE was promoted by established nonprofit organizations and attracted significant high-level sponsorship and procedural support. Nonetheless, its promoters were ultimately unable to develop cohesion among necessary investing participants and failed to recognize that critical decisions either remained unmade or had been accepted at best with limited enthusiasm. These oversights from the developmental phase of the project, combined with significant negative factors in the business environment at the time FRE sought capital, finally rendered the FRE offering unattractive to most investors and doomed FRE's fundraising efforts.

## **Pennsylvania Postscript**

Governor Edward G. Rendell has made the revitalization of existing urban areas a high priority for his administration. To promote this rebirth, he has introduced or revised a number of programs designed to provide public funding for projects that will advance this objective. Since many brownfield sites are located in previously developed urban areas or their immediate surroundings, it is natural that many of these programs should include specific provisions to encourage brownfield reuse. According to information available on a Commonwealth website, “The Governor’s proposed budget will provide \$40 million over four years to clean up brownfields and rebuild towns and cities across the [sic] Pennsylvania.”

The administration has formed a Brownfield Action Team (BAT) to enhance interaction between DEP’s land recycling program staff and local community proponents of projects on distressed sites. The team appears to be designed to coordinate the preparation of application materials and pre-screen potential applicants, promising that projects accepted into the BAT program will gain increased access to financial assistance available from the Commonwealth.

The Industrial Sites Reuse program is still a potential source of funds and is specifically referenced in the Brownfield Action Team program materials. In addition, the administration has created a \$300 million loan and grant pool, capitalized by the issuance of state bonds, called Business In Our Sites. This program makes funding available to communities statewide to help them develop “shovel-ready sites to accommodate expanding businesses, thus building the local and regional economy and ultimately creating jobs.” Business In Our Sites will provide funding in the form of either grants or low-interest loans for environmental site assessment and remediation of qualifying projects. Grant and loan sizes are substantially larger than those

previously available through the ISR program. Assessment funding, however, appears to be available only to public and quasi-public entities. Remediation funding is available to the same applicants. Construction financing, which does not appear to encompass remediation funding, is available to private developers.

This program has a short history and is still developing its funding practices. It certainly puts a far greater amount of money into play for use at brownfield sites. As under previous programs, however, its scope appears limited to public participants. A similar guideline in the ISR program attempted to limit its reach to public projects. Private developers learned that they could sometimes gain entree to ISR funds for a desired project simply by persuading the responsible public entity to serve as the formal applicant for support. It is too early to know whether a similar practice will be allowed to develop within the parameters of the Business In Our Sites program.

It is difficult to gauge at this point how significantly these enhanced public programs will affect the marketplace for brownfield borrowing in Pennsylvania. There is no doubt that the magnitude of dollars that these programs make available is far greater than was previously offered. It is a significant amount for a public funding program, but it still represents only a small fraction of the total real estate activity in the Commonwealth each year that seeks debt financing. Additionally, the focus remains on public projects. It may be difficult for private developers to gain access to the funding, even with a supportive public partner. Thus, time and experience with the administration's new efforts is needed before a judgment can be made whether a brownfield financing gap remains an impediment to redevelopment in Pennsylvania.