



COUNTY OF HUMBOLDT

For the meeting of: 4/4/2023

File #: 23-353

To: Board of Supervisors

From: Planning and Building Department

Agenda Section: Departmental

Vote Requirement: Majority

SUBJECT:

Consideration of Humboldt Bay Harbor, Recreation, and Conservation District's (Harbor District) Request to Assume the County's \$2,320,000.00 Environmental Protection Administration Brownfield Cleanup Revolving Loan Fund (BCRLF) Loan to the Samoa Pacific Group.

RECOMMENDATION(S):

That the Board of Supervisors:

1. Receive and consider the staff report and accept public comment; and
2. Adopt the attached Resolution No. _____ (Attachment 1) to take the following actions:
 - a. Approve in concept the Harbor District's assumption of the County's \$2,320,000.00 BCRLF loan to the Samoa Pacific Group (SPG) with the following conditions:
 - i. Samoa Pacific Group remains responsible for the lead abatement in the historic homes in Samoa. This shall be memorialized in a separate agreement. The process of clearing the homes in Samoa for Lead Abatement be continued prior to transfer of the property to the new owner. The current agreement requires this work to be completed by June 2023.
 - ii. The full loan must be repaid, there is no opportunity to convert a portion of the loan to a grant.
 - iii. The Assignment of rents shall apply to the Nordic site, the Redwood Marine Terminal and to all property leased by Crowley.
 - iv. The loan term remains 2024; and
 - b. Authorize the Planning and Building Department Director to execute in the name of the County of Humboldt the Loan Assumption Agreement (Exhibit A) as modified by the Board and after review and editing by the Office of County Counsel, and all other documents required by the Title Company or Environmental Protection Administration (EPA) for transfer of the BCRLF loan to the Harbor District.

SOURCE OF FUNDING:

The BCRLF is funded by the EPA in the amount of \$2,320,000.00. The staff costs to prepare this staff report and to execute the new loan agreement are expected to total approximately \$7,500 which will be paid by the General Fund's contribution to Long Range Planning (#1100-282).

DISCUSSION:

I. Executive Summary

The Harbor District seeks to purchase property known as Assessor's Parcel Number (APN) 401-031-083 for use as a new heavy lift marine terminal to support the emerging offshore wind industry. The County is being asked to allow transfer of an existing \$2,320,000 Brownfield loan from the Samoa Pacific Group to the Harbor District. This item is being brought forward to the Board seeking direction. If the Board supports the loan transfer, the agreement can be modified to support this action.

II. Background

The Brownfield Cleanup Revolving Loan Fund came from a Grant from the EPA. This grant allowed up to 50% of the funds to be granted to other governmental agencies and the remainder needed to be dispersed in the form of repayable loans. Grants were given to several of the tribes in order to clean up Brownfield sites. Samoa Pacific Group had a mitigation measure in the Samoa Town Master Plan EIR requiring lead be abated from the existing Victorian homes in Samoa. SPG received a loan with subsequent amendments to remove the lead from the houses and from the soil around the dripline of the houses.

SPG currently owns a piece of property designated for Coastal Dependent Industrial Uses which is part of the Harbor District's plan to develop the heavy lift facility to support offshore wind development. The Harbor District would like to purchase the property and SPG would like to sell the property.

Transferring the loan from SPG to the Harbor District will reduce the amount of cash the Harbor District pays to SPG to purchase the property. Rather than paying SPG \$3,000,000 in cash for the property, the Harbor District will only have to pay \$680,000 in cash. The remainder of the purchase price will be paid for through the assumption of the \$2,320,000 BCRLF loan SPG is obligated to pay the County.

The \$2,320,000 BCRLF is currently due and payable to the County on May 5, 2024. In the Assumption Agreement (Exhibit A of Attachment 1) the Harbor District proposes to modify the terms of the assumed loan and to extend it to March 1, 2028. This is a 0% interest loan. The Harbor District would ideally like to extend the term for repayment of the Loan out to 2033.

The loan assumption agreement being presented is not in final form. There is currently a proposed draft agreement and an EPA Loan Term Sheet which has components different than as specified in the agreement. This loan would be unique in that the security would not be tied to the property, instead, the loan would be secured through an assignment of the rents from properties owned by the Harbor District, including the property being purchased, the Redwood Marine Terminal and the Nordic Site. The Redwood Marine Terminal and Nordic are on the same parcel, the subject site and another Harbor District property would be leased by Crowley. The Harbor District is also asking that 50% of the loan be converted to a grant once the property is developed and property taxes are being paid.

III. Analysis

SPG would remain responsible to clean up the houses in Samoa, an additional agreement would need to be completed to memorialize this. A process would need to be worked out to ensure that the lead is abated prior to title changing hands. Currently since those homes are part of the surety for the loan, the County signs off on the title transfer once a clearance is received from the Regional Water Quality Control Board. The transfer of the loan would remove these homes from being subject to the requirements of the existing agreement, which removes the County's authority to ensure the lead is abated prior to releasing the liens on the property. This EPA loan process implements the mitigation measures in the EIR for the lead abatement. If the Board is to accept this loan transfer, a separate agreement is needed to ensure the lead is abated prior to the property transferring to a new owner. The existing agreement calls for this work to be completed by June 20, 2023.

SPG finishing the abatement work for which the funds were granted means the purposes of the loan are being fulfilled. The EPA Terms Sheet prepared by the Harbor District also indicates that the parcel being transferred will be cleaned up but the exact work to be completed is not specified, so this cannot be considered as a factor in the transfer of this loan.

The use of rent income as the surety for the loan is different than other loans the County has issued. In this case the Harbor District is a governmental agency which cannot bind property. The use of assigned rents as surety is something the Harbor District has done previously. The concern is that if the Harbor District were to have trouble paying back this loan, it would likely be due to the loss of income from these rents. On the positive side the surety includes the rents from Crowley, Nordic, and the existing Redwood Terminal Building. The rents from these three sources would exceed 1.5 million dollars per year.

The EPA has indicated that it is unlikely that the term of the loan can be extended. Therefore, the extension of the loan out to 2033 cannot be supported.

The request to convert 50% of the loan to a grant cannot be supported. The County's cooperative agreement (CA) with EPA allowed the County to grant up to 40% of the funds to qualified sub-recipients to conduct environmental cleanups. The County made subgrants equal to 40% of the money received from the EPA and the remainder was in loans equal to 60% of the total allocation. The CA does allow County to forgive up to 50% of loaned funds. Further, the CA requires that for the CA

budget (the amount of loan funds forgiven plus the amount sub-granted) must not exceed a total of 40% of the funds awarded. Given that the County has already sub-granted 40% of the total EPA award there is not the ability to discount the loan to SPG or discount the loan to another party that assumes the debt. This cannot be a component of the loan transfer.

IV.Recommendation

This has been brought forward as a request for direction. The assumption agreement still needs significant work and there are several components of the proposal that cannot be supported. Rather than spending significant staff time trying to fix something that may not be acceptable to the Board, the recommendation is for the Board to provide direction. If the Board is not comfortable with the proposed loan transfer, then no further action is necessary. If the Board is inclined to allow the loan transfer, then staff would recommend direction to have the agreements to be finalized by County Counsel's office and authorize the Director of Planning and Building to sign the agreement.

Staff recommends the Board Support the loan transfer subject to the following provisions:

- A. Samoa Pacific Group remains responsible for the lead abatement in the historic homes in Samoa. This shall be memorialized in a separate agreement. The process of clearing the homes in Samoa for Lead Abatement be continued prior to transfer of the property to the new owner. The current agreement requires this work to be completed by June 2023.
- B. The full loan must be repaid, there is no opportunity to convert a portion of the loan to a grant.
- C. The Assignment of rents shall apply to the Nordic site, the Redwood Marine Terminal and to all property leased by Crowley.
- D. The loan term remains 2024.

FINANCIAL IMPACT:

Narrative Explanation of Financial Impact:

The work to evaluate the transfer of this loan is not a reimbursable expense. The loan is due to be repaid next year, which will provide program income for cleanup of other sites.

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STAFFING IMPACT:

Narrative Explanation of Staffing Impact:

No staffing impacts are expected. Future administration of the BCRLF will require staffing whether the funds are provided to the Harbor District or other entities.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework priority of engaging in discussions of our regional economic future and providing for and maintaining infrastructure.

OTHER AGENCY INVOLVEMENT:

Harbor District

ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board can choose to not accept the Harbor District's request or modify the proposed terms of the agreement at its discretion.

ATTACHMENTS:

1. Resolution Approving the Harbor District's assumption of the County's \$2,320,000.00 BCRLF Agreement with the Samoa Pacific Group (SPG) with conditions.
2. Harbor District EPA Loan Sheet.
3. Rough Order of Magnitude of Probable Costs: Humboldt Wind Terminal
4. Priority of Rents

PREVIOUS ACTION/REFERRAL:

Board Order No.: N/A

Meeting of: N/A

File No.: N/A