Public Private Partnerships to Catalyze Brownfield Redevelopment

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Public Private Partnerships

to Catalyze Brownfield Redevelopment

CAPITAL STACK

CAPITAL STACK FOR TRADITIONAL REAL ESTATE DEAL

But debt is generally not available for contaminated property acquisition and cleanup

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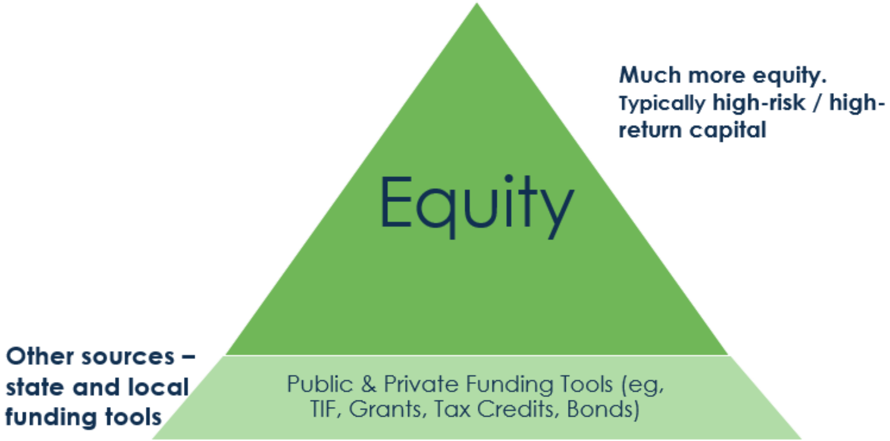
CAPITAL STACK FOR BROWNFIELDS DEALS



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Role of Public Agencies and Non-Profit Developers

- Identifying obstacles, opportunities and community goals
- Determine what role your organization can be play
- Define strategies to address the challenges
- Secure funding resources
- Catalyze development

Role of Public Agencies and Non-Profit Developers

Identifying challenges and defining the best role for your organization

<u>Challenges</u>

- No available sites
- Lack of infrastructure
- Land cost
- Economic obstacles
- Lack of capital or expertise

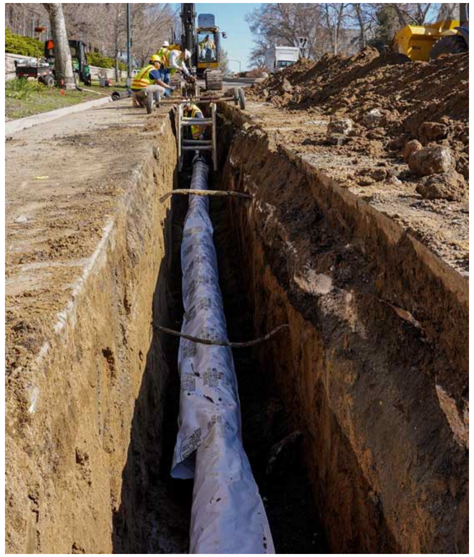
<u>Possible roles for your organization</u>

- Land assembly
- Site development
- Subordinate debt
- Early-stage funding
- Issue developer RFPs

Role of Public Agencies and Non-Profit Developers

Secure funding resources for:

- Acquisition
- Infrastructure
- Renovation
- Construction financing
- Permanent mortgage financing
- Return on investment



Role of Public Agencies and Non-Profit Developers

Catalyze Development

- Community input and consensus building
- Local matching funding commitments
- Clearly stated specific goals
- Strategy for execution
  - Scope of work
  - Role of your organization
  - Budget
  - Schedule
  - Secure funding
  - Solicit development proposals
  - Development agreement defining roles and responsibilities

Addressing Funding Gaps

Early-Stage Risk Capital/Shortening Developer Timeline

- Acquisition
- Site prep and remediation (geotech/environmental)
- Infrastructure
- Entitlement/permitting
- Clean and buildable site

Construction Financing

- Interest rate savings
- Early-stage construction risk/mezzanine financing

Subordinate Debt

BOK Financial

Colorado Brownfields Conference 2023

Rhett Nunnally | SVP, Commercial Real Estate

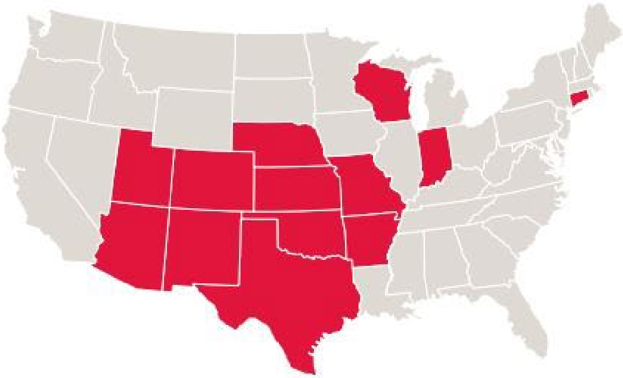
Rhett Nunnally is a commercial real estate finance professional with over three decades of industry experience encompassing debt and equity originations, underwriting, due diligence, and asset management. His experience spans all facets of the capital stack including permanent debt, construction & interim debt, multi-tranche mezzanine facilities and preferred equity investments associated with office, industrial, retail, multi-family, hotel, self-storage and manufactured housing properties.

Currently, Mr. Nunnally is Senior Vice President, Commercial Real Estate for BOK Financial where he is responsible for loan originations and portfolio management in the Western United States. Prior to joining BOKF, Rhett was a Senior Director at Hanover Financial where he was responsible for the firm's commercial real estate equity investment activities in the Southwestern United States. Earlier in his career, Rhett spent 12 years originating a wide range of both structured and permanent debt facilities as a Director with GMAC, Washington Mutual and Heller Financial. Rhett began his commercial real estate career in the development sector with Brookfield Properties where he held various accounting and finance positions. Rhett received his Bachelor of Science degree in Finance and Real Estate from the University of Colorado at Boulder and currently serves on the International Advisory Board for the University of Colorado Real Estate Center.

BOK Financial Overview

BOK FINANCIAL

Company Overview



For more than a century, we've grown alongside our clients. As a financial partner for business, consumer and wealth clients, we approach every relationship with a focus on delivering services and strategies tailored to your needs. Learn more about BOK Financial and how we can fuel your success.

Our breadth of services allows us to compete on a national scale from operations focused in the Midwest and Southwest. But our deep connection to the communities we serve also makes us good neighbors.

ASSETS	$45.5 bn
LOANS	$22.8 bn
DEPOSITS	$32.6 bn
ASSETS UNDER MANAGEMENT & ADMINISTRATION	$102.3 bn

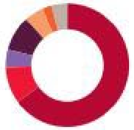
Our purposeful diversification provides resilience and stability, so we can stay focused on taking care of you. It also highlights the breadth of our expertise and underscores our ability to serve all of your financial needs.

Loan Diversity

- Commercial **30.4%**
- Commercial real estate **21.2%**
- Energy **14.9%**
- Healthcare **17.1%**
- Residential mortgage **9.5%**
- Consumer **6.9%**

Deposit Diversity

- Commercial **12.5%**
- Corporate **17.6%**
- Energy **6.8%**
- Native Amer **2.8%**
- CRE **2.2%**
- Misc Comml **0.7%**
- Healthcare **4.4%**
- Res Mort/ Cnsmr **25.3%**
- Institutional **4.7%**
- Private Bkg **10.3%**
- Trust **7.0%**
- All Other **5.7%**



Revenue Diversity

- Net interest **65.5%**
- Brokerage/Trend **9.7%**
- Transaction card **4.8%**
- Fiduciary & asset management **9.4%**
- Service charges **4.8%**
- Mortgage **2.7%**
- Other **3.2%**

We're a partner in good times and moments of volatility, with the discipline and experience to help you take action. We take the long-term approach to growing our business and relationships by making sure we do what's right every day.

A3	A-	A
MOODY'S	S&P	FITCH

BOKF, NA (Bank) Long-term Issuer Credit Ratings

12.2% Tier 1 Capital Ratio

6.0% is well capitalized

★★★★★

Outstanding

CRA RATING

Only 23% of banks rated by the OCC in 2020 received an Outstanding rating.

All data as of March 31, 2023.

CM-6599 04-2023

Brownfield Challenges for Conventional Lenders

In a word…. UNCERTAINTY…. with respect to:

i) Remediation Costs

ii) Timing

Both of which can negatively impact collateral value

Creating Additional Risk in These Areas

- **Exit Risk (**Sale or Refinance)
- **Regulatory Risk**
- **Reputational Risk / Public Safety**
- **Marketability to end-users / tenants → Cash Flow → Value**

……………All of which means, we do not typically finance environmentally impacted assets

- Higher risk profile of Brownfield assets typically dictates higher risk / higher return capital
- While conventional bank financing is typically the lowest risk / lowest return capital in the stack
- Banks Don’t Get Paid to take Equity Risk

Avenues to De-Risk a Brownfield Asset…and Become More Attractive to Conventional Lenders

- Remove Some of the Uncertainty via:
    - NFA
    - VCUP
    - Environmental Insurance
    - Investment Grade Responsible Party / Indemnitor
    - Escrow Accounts
    - Subsidized Subordinate Debt
    - Strong Development Team, including highly qualified and experienced Environmental Consultants

Thank You!

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COLORADO BROWNFIELDS
REVOLVING LOAN FUND

Colorado Brownfields Revolving Loan Fund

- The CBRLF encourages the cleanup of unused or underused contaminated properties by offering financing with reduced interest rates, flexible loan terms and flexibility in acceptable forms of collateral.
- All cleanups financed through the fund must have previous approval under the Voluntary Cleanup Program.
- CHFA serves as financial manager for the Revolving Loan Fund, but does not vote on where to allot the fund.

COLORADOBROWNFIELDS
REVOLVING LOAN FUND

Colorado Brownfields Revolving Loan Fund

eligible uses

- Cleanup actions associated with removing, mitigating or preventing the release or threat of a release of a hazard substance, pollutant, or contaminant.
- Removal activities, including demolition and/or site preparation that are part of site cleanup.
- Loan funds may not be used for pre-cleanup environmental response activities, such as site assessment, identification, and characterization.

COLORADO BROWNFIELDS
REVOLVING LOAN FUND

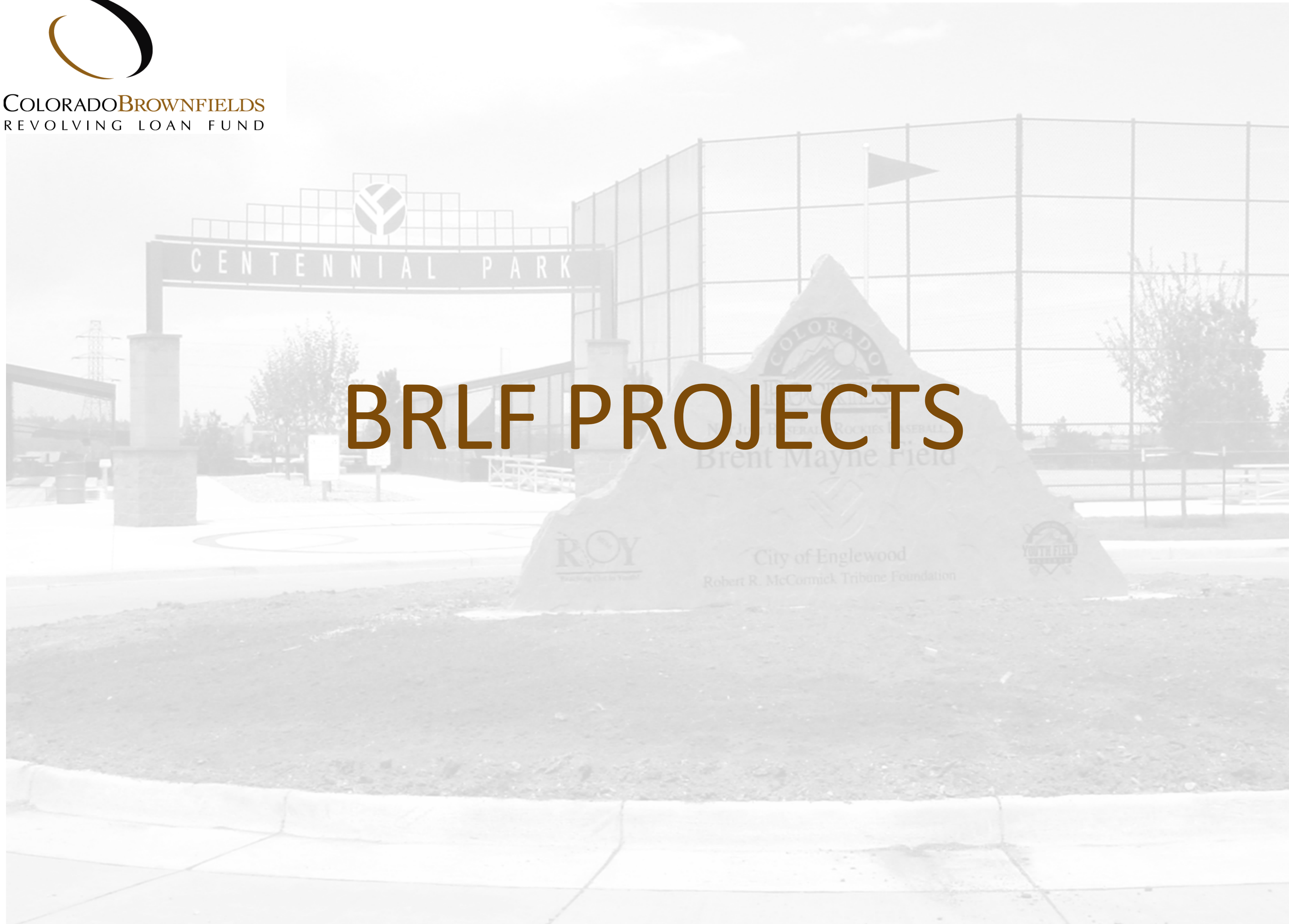
Colorado Brownfields Revolving Loan Fund

flexible features

- mitigating risks
- terms
- rates
- collateral
    - lien position

COLORADO BROWNFIELDS
REVOLVING LOAN FUND

BRLF PROJECTS



COLORADOBROWNFIELDS
REVOLVING LOAN FUND

Stanley Marketplace
Aurora, CO

- Former Stanley Aviation building.
  - Mid-century Ejection Seat Factory
- Redevelopment as a Community Market
- Site Conditions:
  - Chemically Contaminated Soils
  - Landfill Debris
  - Asbestos Contaminated Soils
  - Contaminated Ground Water

- Capital Stack - $32 million total project cost
  - Conventional lender, Aurora RLF, CBRLF

COLORADO BROWNFIELDS
REVOLVING LOAN FUND

Stanley Marketplace
Aurora, CO

COLORADO BROWNFIELDS
REVOLVING LOAN FUND

Stanley Marketplace
Aurora, CO

COLORADO BROWNFIELDS
REVOLVING LOAN FUND

Stanley Marketplace
Aurora, CO

COLORADO BROWNFIELDS REVOLVING LOAN FUND

Ruby Hill Residences

Denver, CO

- Vacant 14.8 Acre Parcel
- Affordable Housing Development
  - Low to moderate incomes, homeless veterans
- Site Conditions:
  - Illegally disposed construction/household waste
  - Asbestos Contaminated Soils

- Capital Stack - $18.6 million total project cost
  - Conventional lender, City and County of Denver, HUD, CBRLF

Ruby Hill Residences

Denver, CO

COLORADO BROWNFIELDS
REVOLVING LOAN FUND

Ruby Hill Residences

Denver, CO

Other Tools

Other Tools from CHFA

- Land Banking Prop 123
- Industrial Development Bonds
- New Markets Tax Credits

Land Banking

- Prop 123
- Forgivable loans to experienced non-profit developers
- Grants to local governments
- Affordablity requirements:
  - 60% AMI on rental projects
  - 100% AMI on for-sale projects

Industrial Development Bonds

- Ability for manufacturing companies to receive below market rate financing
- Economic Development Tool
  - Business attraction & retention
  - Job creation/retention tool for primary employers
  - Capital investment into community
  - Increased tax base (state & local)

Targeted Projects

- Manufacturers or producers of tangible personal property (including processors of a product resulting from a change in the conditions of such property) for resale
- Eligible tax exempt bond proceed uses:
  - Acquisition of land (less than 25%)
  - New construction of <u>core manufacturing facilities</u>
    - Buildings, depreciable machinery & equipment – OK
    - “Ancillary” facilities <u>may</u> be eligible – limited
  - Acquisition/rehab projects – subject to 15% test
  - Acquisition of new machinery & equipment
  - Soft costs (up to 2%), bad costs, etc.

New Markets Tax Credits

- First federal tax credit program to stimulate commercial investment in “low-income communities”
- **Recipient Benefits**
  - Capital to fund projects, business expansion or debt refinancing
    - Tax credits are monetized to fund a portion of the capital stack
  - Low cost of capital and “permanent equity”
- **Community Benefits**
  - Create additional economic development for the local community
  - Attract and retain skilled workforce
  - Bring new goods or services to underserved communities
  - Capital investment to underserved, qualified LICs
  - Catalytic impact

COLORADOBROWNFIELDS
REVOLVING LOAN FUND

Thank You!

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