

What's New with Brownfields The Lender's Perspective

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Overview

- What's New
- What's Not
- The Continuing Issues for the Lender
- What Need to be Done



What's New

- Brownfield Developers Emerging
- Brownfield Redevelopment Goes Mainstream
- Lender's Getting more comfortable with Brownfield Redevelopment and SSRA's
- Astute municipalities beginning to view Brownfields as opportunities rather than liabilities



What's Not

- Provincial and Federal Government's failure to deliver
- Liability Regime
- QP process still a mess
- Failure of Provincial Regulators to become facilitators in Brownfield redevelopment
- Demand is still Low



The Continuing Issues for the Lender

Liquidity

If you go under and we can't sell it to someone else to recover our loss, then we don't want it.

Time

The longer a developer takes to get the development up and making money, the longer we have to wait to get paid out.



The Issues for the Lender

Cash Flow

Brownfields require expensive upfront work and time consuming regulatory wrangling. How likely is the borrower going to make the loan payments when the property is just consuming and not producing cash?

Incentives

No incentive for a bank to take on Brownfield redevelopment. Its time consuming, riskier, not eligible for CMBS conduits and AM's and Banks do not get any extra credit for booking one.



Current Capital Status

- No Canadian lender has or likely will set aside funds strictly for Brownfield redevelopment.
- Project has to be financially viable on its own merits regardless of property status.
- The move toward CMBS may free up some funding.



What Needs to Be Done

- Mortgage Guarantees for commercial and residential Brownfield redevelopments.
- Government revolving loan funds for upfront costs.
- Change in tax regime to encourage redevelopment of Brownfields.
- Change in government mindset from barrier creator to facilitator.



What Needs To Be Done

- One stop regulatory shopping.
- Change in liability regime for developers and municipalities.
- A government Brownfield regulatory team to facilitate Brownfield development.
- Federal and provincial governments that “gets it” and get it done.



Thank You



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