



*Best Bank In Town  
Since 1872*

# A Lender's Perspective: Financing Your Project

# GOAL

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- To have a comprehensive packet provided by the prospective borrower including reports, receptor surveys, contacts, plans, and agreements.
- Simply having a Brownfields application completed is not enough.

# GENERAL APPROACH

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1. Conduct Quality Due Diligence
2. Hire Good Legal Counsel to represent the Bank
3. Negotiate the best available mix of Risk Mitigators

*Environmental Due Diligence Process and Risk Mitigation Tools*

# CONCERNS

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- Liability – direct and third party
- Collateral Stigma – where did the value go?
- Transactional Cost – the cost of legal counsel and environmental due diligence is much higher than normal
- Quality of Engineers – we may need to hire our own to monitor the progress
- Investment – the borrower will have to invest equity into Site Characterization

*Brownfields take a long time*

*Environmental Due Diligence Process and Risk Mitigation Tools*

# REQUIRED DOCUMENTS

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- Reports: Full copies of all past environmental reports, State Correspondence, etc.
- Receptor Surveys: Well water, sensitive receptors and soil vapor surveys.
- Contacts: Borrower, Responsible Party (remediating the site), Seller, Developer, State Case Managers, etc.
- Plans: Development Plans, Site Plans and/or Land Use Plans
- Agreements: Brownfields Agreement

*Environmental Due Diligence Process and Risk Mitigation Tools*

# DOCUMENTS TO BE SENT TO LEGAL COUNSEL

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- Brownfields Application
- Brownfields Agreement
- Insurance Policies
- Purchase/Sales Contracts
- Indemnification Agreements
- Escrow Agreements



*Environmental Due Diligence Process and Risk Mitigation Tools*

# MITIGATION TOOLS/STRATEGIES

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- **Guarantees**
- **Conservative LTV**
- **Indemnifications**
- **Higher rates**
- **Supplemental Collateral**
- **Insurance**
- **Escrows**

**Are the rights to these mitigation tools transferable?**

*Environmental Due Diligence Process and Risk Mitigation Tools*

# Lender's Perspective

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# ***What Banks look for in a Business***

- Bankers look for...
  - Companies who desire to grow business
    - Know their competition
    - Have niche in market
  - Well Run Business
    - Profitable
    - Business Plan and Objectives
    - Goals
  - Business with plans for the future
    - Succession plans
    - Business continuation plans
- Focus: Establish a multi-service relationship.



# What does the Business client value?

1. Quick response to loan requests.
2. Efficient service during branch visits.
3. Access to those who can solve servicing problems.
4. Information on how to obtain information, assistance and guidance on financial issues.
5. A banking partner to help grow the business.



# Your Bank should understand Your Business



- Business owners are flattered by interest in their business.
- Most banks fail to adequately address global business needs - help your banker get to know your business.
- Business owners are proud of their companies.
- Satisfied business owners make great referral sources, share and grow together.

# What a Bank Should Provide the Business...

*Service, Service, Service.*

- Vigorous and **pro-active** presentation of new business products and solutions.
- In depth evaluation to understand the business needs.
- The ability to originate loans timely.
- Financial services to assist the business.
  - Capital Formation
  - Payment Solutions
  - Employee Benefits
  - Risk Management
  - Personal Financial Needs Services

# Typical Businesses Suite of Services

- Deposit accounts
- On-line banking
- Payment Services
- Insurance (Personal and Business)
- Credit Card
- Merchant Services
- Secured Line of Credit
- Vehicle Loan
- Loan for Real Estate
- Loans to Purchase Equipment

Business owners appreciate simplicity and efficiency.

# 5 C's of Credit – Business Style

**The basic 5 C's of credit used to underwrite loans**

1. **Character:** How well has the client managed his personal and business credit? Know your credit score.
2. **Capacity:** Is cash flow sufficient to repay debt?
3. **Capital:** Can the client weather a sudden decline in business?
4. **Conditions:** How long has the business been established? What is the outlook for the industry?
5. **Collateral:** What is the value of collateral offered?

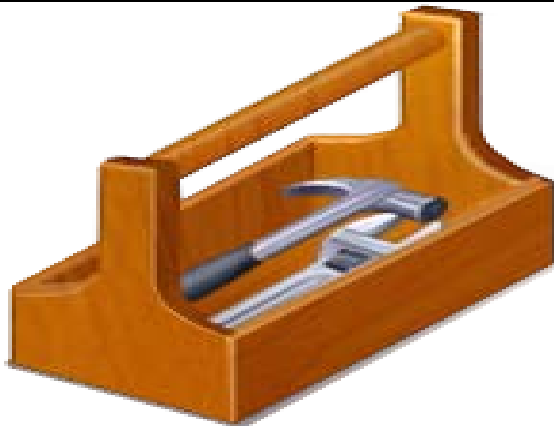
# Banker's Tools of the Trade

Commercial banks are underwriter's of historical cash flow and evaluators of risk

## Risk vs Return

### Credit Evaluation

- Accurate and current financial information
- Budgets - Projections
- Credit reports
- Appraisals
- Industry Reports



### Commercial Real Estate Business Loan Policy

- Loan to Value
- Debt Service Coverage
- Financial Covenants
- Maturity
- Amortization
- Presales – Preleasing
- Cash out
- Guarantors

# Branch Banking and Trust Company

***Still Strong Still Lending***





Urban Revitalization

Waste Management

Energy

Environmental

## A Borrower's Perspective

Evaluating Environmental Risks  
of Brownfields Development in  
Financial Terms

Presented

At

2010 West Virginia  
Brownfields Conference

Charleston, West Virginia

Hull  
& associates, inc.

# Brownfields Redevelopment Strategy

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- Purchaser of a Brownfield needs to:
  - Know that environmental risks are understood and manageable
  - Include the cost of managing environmental liabilities in financial planning
- So the redevelopment strategy Includes:
  - Careful analysis of environmental risks in financial terms
  - Plans and actions to manage those liabilities

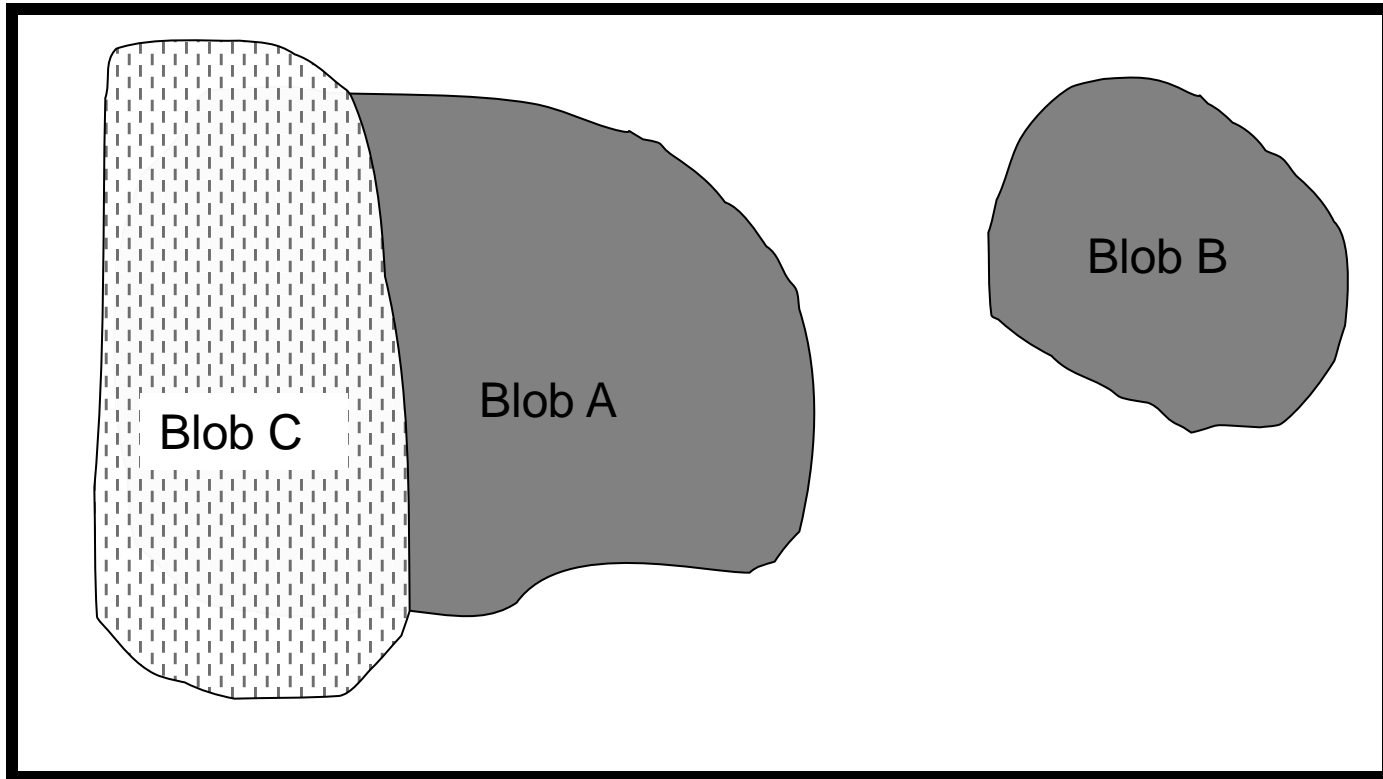



# How does Brownfield purchaser evaluate environmental liabilities?


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1. Develop information about environmental condition of property
  - Phase I and II ESA
  - Human and ecological risk assessment based on end use
  - “Blob” maps

# Example of a “Blob Map”



 Exceeds standard for direct contact with soil

 Exceeds standard for vapor intrusion into buildings



# How does Brownfield purchaser evaluate environmental liabilities?

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## 2. Understand regulatory obligations and develop regulatory closure strategy

- Legal assistance
- Meet with regulators to get “agreements”
- Understand timing



# How does Brownfield purchaser evaluate environmental liabilities?

3. Use understanding of environmental conditions, regulatory obligations and development features to analyze environmental risks in financial terms

**Perceived Value =  
Perceived Asset – Perceived Liability – (Perceived Costs x Perceived Time)**

**Goal = Perceptions of Borrower = Perceptions of Lender**

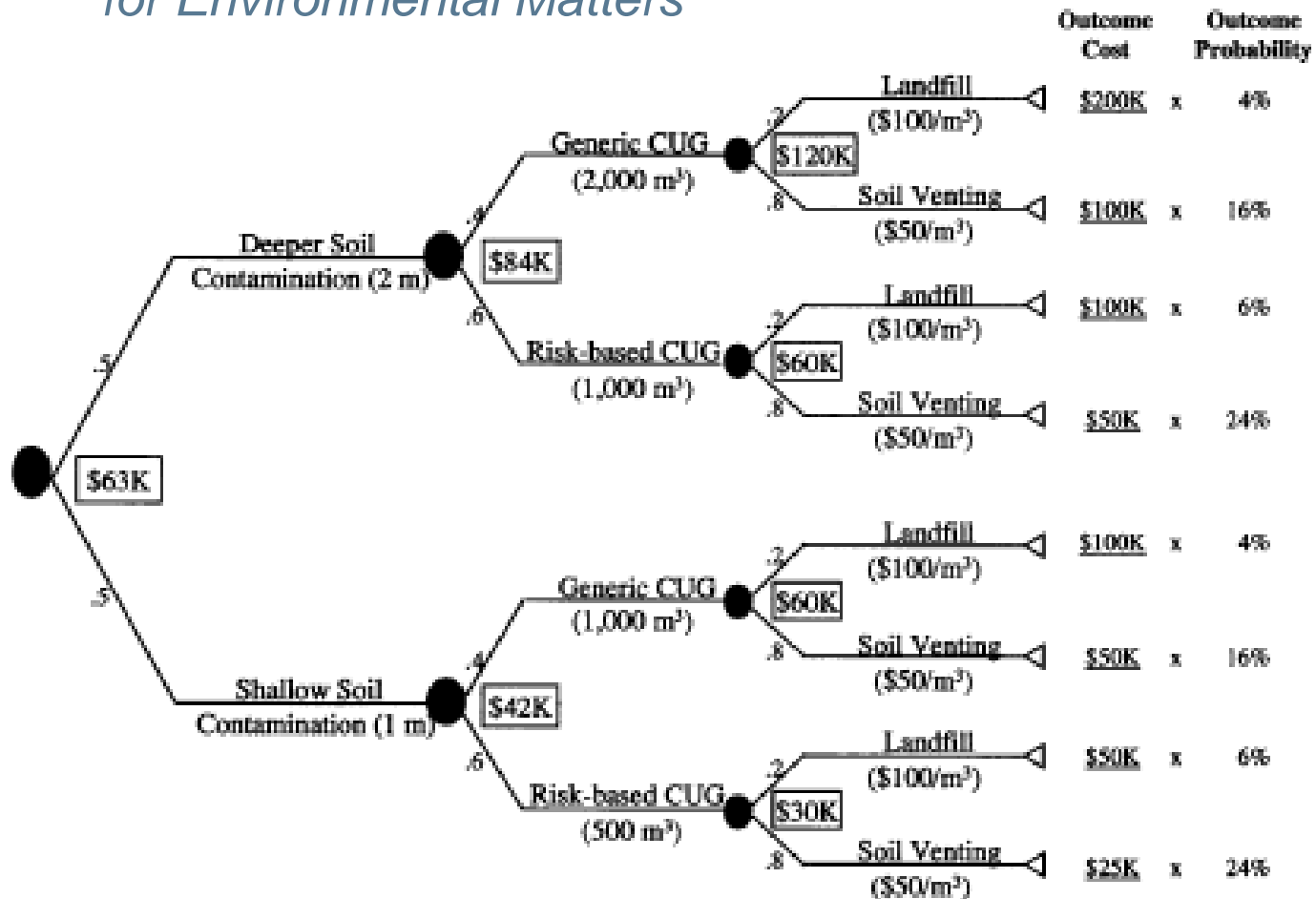
**Uncertainty blurs perceptions**

**Information reduces uncertainty**

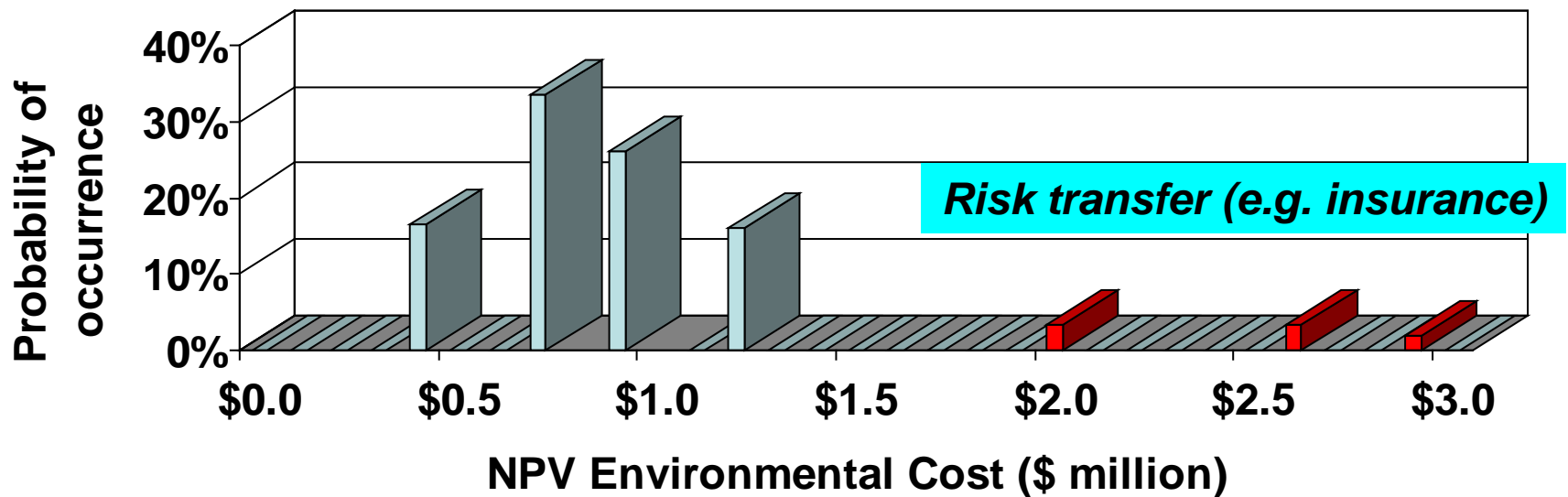
# How does Brownfield purchaser evaluate environmental liabilities?

ASTM 2137-06

*Standard Guide for Estimating Monetary **Costs** and **Liabilities** for Environmental Matters*



# How does Brownfield purchaser evaluate environmental liabilities?



# Achieving the Goal

- Confident demonstration that environmental liabilities are understood and quantified
- Uncertainty about environmental costs explicitly identified and analyzed
- Clear strategy to manage environmental risks with a financial perspective

$$\text{Value} = \text{Asset} - \text{Liability} - (\text{Costs} \times \text{Time})$$

**Understanding of Borrower = Understanding of Lender**