A Study in Contrasts Chrysler and GM/MLC Bankruptcies

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Background---Setting

- 2007 Genesee Institute Study of 115 communities in NEMW found 39% were losing 5% of their population per year.
- Recent HUD Brownfield/Vacant Property estimate: 5,000,000 acres
- The General Motors and Chrysler Bankruptcies could not have happened at a worse time
Background (cont.)

- To this setting both bankruptcies added a combined 65,000,000 sq feet of excess mfg space and over 8,700 acres of land.

- Under normal bankruptcy schemes this land and the facilities would simply be sold off or liquidated leaving the next owners and communities saddled with all environmental and redevelopment issues.

- Some form of governmental intervention was called for.
Distribution

- A national problem but 80% of all facilities are in MW—over 55% in Michigan alone.

<table>
<thead>
<tr>
<th>Property State</th>
<th>Properties</th>
<th>Acres</th>
<th>(000's)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delaware</td>
<td>1</td>
<td>147</td>
<td>3,194</td>
<td>7%</td>
</tr>
<tr>
<td>Illinois</td>
<td>1</td>
<td>54</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Indiana</td>
<td>54</td>
<td>461</td>
<td>2,157</td>
<td>5%</td>
</tr>
<tr>
<td>Kansas</td>
<td>1</td>
<td>77</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Louisiana</td>
<td>2</td>
<td>467</td>
<td>3,700</td>
<td>8%</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>1</td>
<td>29</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Michigan</td>
<td>48</td>
<td>4,071</td>
<td>24,998</td>
<td>56%</td>
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<tr>
<td>Missouri</td>
<td>2</td>
<td>38</td>
<td>-</td>
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</tr>
<tr>
<td>New Jersey</td>
<td>2</td>
<td>172</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>New York</td>
<td>4</td>
<td>301</td>
<td>1,727</td>
<td>4%</td>
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<td>Ohio</td>
<td>7</td>
<td>1,041</td>
<td>7,415</td>
<td>17%</td>
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<td>Pennsylvania</td>
<td>1</td>
<td>72</td>
<td>1,034</td>
<td>2%</td>
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<tr>
<td>Virginia</td>
<td>1</td>
<td>229</td>
<td>289</td>
<td>1%</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>1</td>
<td>1</td>
<td>8</td>
<td>0%</td>
</tr>
</tbody>
</table>
These plants are 60+ years old and very large...

Approximate Square Footage (in MM sq. ft.)

- GM/Detroit Renaissance Center
- Willow Run P-T
- Moraine Assembly
- Pentagon
- Wilmington Assembly
- Empire State Bldg
- Narita Intl Airport, Japan
- Massena P-T

Scale:
The $1.17B plus $15M Solution

- Most of the excess capacity (45M sq ft) was from the old GM and now part of Motors Liquidation Corp.
- US DoTreas and Canadian Treasury established a $1.17B fund to wind down operations, manage environmental issues and move as many properties back to commerce.
- A smaller $15M would be established for Chrysler facilities at a later date.
EPA’s Roles: Estimating Cleanup Costs and Assisting Community Recovery

- EPA (Primarily R5 RCRA, Superfund Brownfields, Office of Regional Counsel and R2 assisted OECA and OSWER working through various structural and policy issues.
  - Site ownership
  - Allocation of cleanup budget
  - Managing budget short falls
  - Insurance?
  - Structure of end of bankruptcy trust
  - Terms of Governance
Policy Issues

- How to allocate funding if budget does not include sufficient funds to fully address cleanup at all sites
- How to address non-owned sites where GM was sole PRP
- How to allocate revenue from sale of properties
- Assess/manage community expectations
Cost Estimating (GM)

- The Task: Develop Cleanup Costs for 90 sites

- Cost Estimates vs. Remedy Selection

  Initial MLC estimates assembled quickly

  EPA working with states established alternative--had to play catch up.

  DoJ was to work to reconcile both sets of cost information
Challenges—
Information--few facilities had comprehensive assessments

GMC was not in the site restoration business—ongoing work assumed “perpetual presence”

Portfolio budget was fixed and little time to generate new information

Few sites have near-term redevelopment options
Cost Estimating (cont.)

- Outcomes

The world is not perfect, but…

Much reconciliation—differences remain
62% of sites < $1.0M
20% between $1-2M
18% > $2M

> Most un-owned facilities received funding
> Cushion fund established for over runs.
Community Recovery Efforts

- Lead by White House Task Force
- Designed to assess level of community need and required governmental support
- Composed of DoL, HUD, EPA, EDA, DoE, DoTrans
Community Recovery Efforts (cont.)

- Numerous State and Community visits/listening sessions often organized at Governor level
- R5 participated in visits to facilities in Grand Rapids, Flint, Warren, Lansing, Dayton, Toledo, Kenosha, Janesville, Indianapolis and Twinsburg—these would be attended by reps from surrounding cities.
- Top 4 issues consistently—Jobs—Diminished capacity at LGU—No access to capital—Poor property market with limited redevelopment options
- Task Force staff would organize post visit conf calls with Feds and Communities—push follow through.
Ongoing Efforts

- EPA is part of U of Michigan Community Recovery Program funded by EDA—bimonthly meetings
- EPA has met with MLC Property Managers often including a recent demolition planning session regarding timing and materials reuse.
- EPA has worked with Cities, States, MLC and Bankruptcy Team to prioritize facilities with near-term development potential
- Long-term follow up efforts in Toledo, Kenosha, Flint, Wyoming, MI and Dayton
In the End...

- Large Admin pot key to MLC/GM success - buying time to work with communities...

- Lack thereof pushing Old Chrysler Trustees and lien holders to dump properties asap...and probably not towards their highest and best use.

- Environmental budget may or may not be enough—but will provide significant benefit for most facilities...