

Brownfield Redevelopment Authority Survey - 2007

This survey was conducted in order to measure results of the Brownfield Redevelopment Financing Act, 1996 PA 381, as amended (Act 381), from the beginning of the enacted legislation through December 31, 2007. This survey addresses a range of issues relevant to local brownfield redevelopment authorities (BRAs), their use of specific types of incentives related to tax increment financing of environmental project costs, and the results of their efforts. Act 381 was amended in December 2007, expanding the range of incentives available to all BRAs, including those that are not located in qualified local units of government. The survey was meant to establish a baseline of use of the incentives in order to make comparisons to how these amendments will impact local communities and the state in the future.

Prior to the survey being developed, the Michigan Department of Environmental Quality (DEQ) Remediation and Redevelopment Division (RRD) staff analyzed the 180 individual projects where work plans have been submitted for approval to use school tax capture for reimbursement of specific eligible environmental activities under Act 381. This information is provided for background and to make limited comparisons to the answers received in the survey. BRAs are required to submit to the DEQ information regarding estimated costs of eligible activities and are requested to provide the amount of private investment in the redevelopment projects. BRAs are also required to submit annually to the Michigan Department of Treasury, certain information regarding the amount and source of tax increment revenues received and the amount and purpose of expenditures including the amount of school taxes used for approved eligible activities. However, this information is not usually supplemented with information about the amount of private investment or jobs actually created by the redevelopment of eligible properties; therefore it is difficult to make any judgments regarding the economic impacts, benefits, or shortcomings of Act 381, from either a local or state perspective. Although this survey was not designed to provide the level of information required to make these judgments, some conclusions may be drawn from the answers received from the respondents in order to focus future state efforts on improving information delivery to BRAs and improve reporting of outcomes from the use of Act 381 incentives.

Analysis of Work Plans Approved by the DEQ

From 1998 until December 31, 2007, the DEQ received 369 Act 381 work plans associated with 180 individual projects with approved brownfield plans from 79 different BRAs. Of the 369, 291 were approved, either fully or conditionally, for some amount of school tax capture to be used for eligible environmental activities. The costs for eligible environmental activities ranged from \$300 to \$30 million, with a mean of \$476,640 and a median of \$56,500, across all projects (individual brownfield plans). Two of the work plans that were conditionally approved had costs of \$28 million and \$30 million, respectively. If these are removed from the analysis as outliers (the next closest was a work plan with \$7.8 million in costs), the mean work plan activity costs approved is \$279,601 and a median of \$54,800.

Work Plans received by the DEQ	Work Plans approved by the DEQ	Work Plans conditionally approved by the DEQ	Total Approved Activity Costs	Total Estimated School Tax Capture (Local and State)
369	141	150	\$138,395,224	\$219,765,612

Of the 369 work plans submitted to the DEQ for review, 151 included BEA activities, 302 included Due Care activities, and 203 included additional response activities. For projects receiving approval or conditional approval, BRA estimates of the amount of private investment that would be made as part of these redevelopment efforts were over \$2.6 billion, creation of over 15,600 jobs, and redevelopment of more than 3,400 acres. The amount of school tax increment revenues expected to be generated from these projects is nearly \$220 million. This figure is based on capture generated by environmental activities only and includes additional capture for deposit into local site remediation revolving funds where specified by the brownfield plans.

Survey Results

The RRD developed a comprehensive list of the BRAs established since the inception of the program in 1996, along with the contact information for those BRAs. On December 5, 2007, the survey was sent via email to the 270 BRAs along with a link to an electronic version of the survey on the DEQ-RRD website. The deadline for completion of the survey was January 18, 2008. A total of 52 BRAs responded, a 19.3% response rate. Of the 52 respondents 11 were county-wide authorities, 39 local unit of government authorities, and 2 unidentified authorities. Twelve qualified local governmental units (Core Communities) BRAs responded.

The questions from the survey are listed individually, followed by the responses. The number of answers for each response is given, along with the percentage of the total answers or respondents where applicable. Identifying names of communities have been removed so the answers cannot be attributed to any one BRA. The questions and answers are briefly analyzed in some cases in order to provide the reader with a more thorough understanding of what the answers signify. Questions about the survey can be addressed by Ron Smedley, Brownfield Redevelopment Information Coordinator, at 517-373-4805, or by email at smedleyr@michigan.gov or by Darlene Van Dale, the RRD Act 381 Coordinator, at 989-705-3453, or by email at vandaled@michigan.gov.

1. Frequency of your board meetings

Answers	# of respondents	% of respondents
a. More than once a month	1	1.9%
b. Monthly	14	26.9%
c. Less than once a month	9	17.3%
d. Whenever there is a need to meet	28	53.8%

2. Does your Authority have a Brownfield Plan?

Answers	# of respondents	% of respondents
a. Yes	42	80.7%
b. No	10	19.2%

If respondents answered No, they were asked to continue to answer questions 8-18, therefore numbers 3-7 have fewer respondents.

3. How many brownfield projects have been approved in the Brownfield Plan?

Total as reported by all respondents - 212

Of those with brownfield plans, the number of projects that have been approved per BRA varies from 1 to 60. This is the breakdown.

# of projects	# of respondents
1	15
2	7
3 to 4	6
5 to 6	3
7 to 10	2
11 to 20	4
60	1

4. What is the status of your brownfield projects that have included school tax capture for *environmental response activities*?

Number Completed- 26

Number In Progress- 27

Number Cancelled- 3

The overall number of projects approved in brownfield plans (212) is nearly four times the number of projects reported to have included school tax capture for environmental response activities (56).

5. Is the Authority collecting *local tax increment revenues only* from any of the projects?

Answers	# of respondents	% of 51 respondents
a. Yes (if so, from how many projects?)	23 reported 44 individual projects with local tax increment only	45%
b. No	28	55%

6. If the Authority is collecting local tax increment revenues only, what are the funds being used for?

A total of 25 BRAs responded to this question. Multiple responses were allowed.

Answers	# of responses/# of projects	% of respondents
a. Eligible environmental activities How many projects?	22 respondents reported 46 projects utilizing local tax increment revenues	88%
b. Non-environmental activities How many projects?	9 respondents reported 9 projects utilizing local tax increment revenues	36%
c. Administration of the authority	14	56%
d. Deposit to the local site remediation revolving fund	9	36%
e. Other development-related activities that would not normally be approved by MDEQ or MEGA	4	16%

7. How much private investment has been generated by using the Brownfield Redevelopment Financing Act incentives, in the aggregate?

Answers	# of respondents	% of respondents
None/no response	15	28.8%
a. Under \$100,000	7	13.5%
b. Between \$100,000 and \$500,000	3	5.8%
c. Between \$500,000 and \$1 million	2	3.8%
d. Between \$1 million and \$10 million	13	25%
e. Over \$10 million	12	23%
f. Other amount if known \$	9 respondents reported \$602 million total	

8. Select the response which best describes the usefulness of the Brownfield Redevelopment Financing Act (PA 381 of 1996, as amended) as an economic development tool?

Answers	# of respondents	% of respondents
a. It is a critical tool.	25	48%
b. It is used to both attract business and has been successfully implemented by new developers and leveraged private investment dollars.	1	1.9%
c. It is a useful tool, but has not had a substantial impact on redevelopment in the community.	15	28.8%
d. It is not a useful tool for our community.	1	1.9%
e. It is not useful for our community because there are not enough brownfields available to make it worth the effort to run an Authority.	10	19.2%

9. Does your community have an inventory of brownfield properties?

Answers	# of respondents	% of respondents
a. Yes	29	55.7%
b. No	23	44.2%

10. If the answer to #9 is yes, how many of these properties are contaminated, how many are blighted, and how many are functionally obsolete?

Answers	# of properties
a. Contaminated only	240
b. Blighted only	38
c. Functionally Obsolete only	34
d. Contaminated and blighted or functionally obsolete	62
e. Blighted and functionally obsolete	37

11. What types of brownfields are most prevalent in your community? Please estimate the number of properties.

Answers	# of properties	% of total (1784)
a. Former/current gas stations	427	23.9%
b. Manufacturing facilities	589	33%
c. Commercial buildings	452	25.3%
d. Dump sites/other open space with perceived or actual contamination	114	6.4%
e. Other	202	11.3%

12. How many of the properties from #11 are publicly owned?

Answers	# of respondents	% of respondents
a. None	19	38%
b. Less than 25%	24	48%
c. Between 25% and 50%	2	4%
d. Over 50% or other percentage	5	10%
e. Number of properties if known	39 Reported owned by 17 respondents. Only 2 owned more than 3 properties.	

13. Does your community have a comprehensive strategy for brownfield redevelopment?

Answers	# of respondents	% of respondents
a. Yes	17	32.6%
b. No	16	30.7%
c. Working on developing a strategy	18	34.6%
d. Not likely to develop a strategy	1	1.9%

This question was designed to determine if communities had either a written policy or formalized strategy regarding redevelopment of contaminated or other eligible properties. Two thirds of respondents indicated that they either had developed a comprehensive strategy for brownfield redevelopment or they were working on developing such a strategy. Having such a policy or strategy seems to be advantageous to the authorities, as 12 of the 17 BRAs that have one reported over \$1 million in private investment with only 2 reporting no investment. This result is compared to the 17 BRAs which did not have a strategy, of which only 6 reported having more than \$1 million in private investment, and 7 reporting no private investment. Of the 18 BRAs which reported developing a strategy, 7 reported having more than a \$1 million in private investment, and 8 reported no private investment.

14. If the answer to #13 is yes or that the community is developing a strategy, what tools are your community using to implement the strategy?

A total of 34 respondents provided answers. Multiple responses were allowed.

Answers	# of responses	% of 35 respondents using
a. Business tax credits	19	54.3%
b. Local tax capture for eligible activities	24	68.6%
c. School tax capture for eligible activities	17	48.6%
d. Obsolete Property Rehabilitation Act	9	25.7%

e. Downtown Development Authority	21	60%
f. State grant/loan (DEQ, Cool Cities, etc.)	18	51.4%
g. Federal grant/loan (EPA, HUD, EDA, etc.)	20	57.1%
h. Acquisition of property by community in order to promote redevelopment	16	45.7%

15. What are the largest impediments to redeveloping brownfields in your community?

A total of 47 respondents provided answers. Multiple responses were allowed.

Answers	# of responses	% of 47 respondents
a. Poor site location	5	10.6%
b. Poor infrastructure to the site(s)	8	17%
c. Property owners not willing to sell	9	19.1%
d. Availability of other developed properties that are not brownfields	14	29.8%
e. Availability of Greenfield property	12	25.5%
f. Lack of market demand	30	53.8%
g. Unfamiliarity of real estate professionals in dealing with contaminated properties	18	38.3%
h. Property size limitations	7	14.9%
i. Zoning restrictions	3	6.4%
j. Cost of property acquisition is too high, given the need for financial return of investment	19	40.4%
k. Other	11	23.4%

16. What other incentives or programs would be helpful in improving the redevelopment prospects of your brownfield sites?

There were 50 respondents to this question. Multiple responses were allowed.

Answers	# of respondents	% of 50 respondents
a. State management and oversight of cleanups	9	18%
b. State grant funds to communities for cleanups	33	66%
c. Marketing of site availability	23	46%
d. Coordinated planning assistance to determine end uses of brownfield sites	15	30%
e. Tax credits to new developers	37	74%
f. Assistance to small business owners in purchasing and redeveloping brownfield sites	38	76%
g. Other	9	18%

17. As a core community, what incentives are of the most importance in attracting development? Rank from 1-4, 1 being the most important, 4 being the least important.

Answers	Average of ranking
Infrastructure and other eligible MEGA activities (demolition, site preparation, lead and asbestos abatement that are not response activities)	2.2
Site cleanup and other eligible environmental response activities	2.2
Single Business Tax Credits	2.4
Obsolete Property Rehabilitation Act	3.1

Comments were allowed for questions 15 and 16. The answers are listed below. There were 13 respondents that included comments for #15.

- Educational needs of community and decision makers regarding brownfield opportunities for economic development
- Until the overall economy improves things will remain stagnant. Also, the State has tightened BRA incentives due to their financial tribulations.
- Economy
- Brownfield regulations do not allow the usage of funds for road/infrastructure improvements.
- Not being a core city does not allow us to use all the tools available to other cities which puts us on a non-level playing field.
- Time involved in resolving environmental issues
- State is the owner
- No major impediments.
- Perceived/real liability issues
- Greenfield competition is the most difficult impediment to redeveloping brownfields in the city. Economically though, making a brownfield project work financially is also challenging in the urban core of the city because sites are small.
- Current economic environment
- The city does not qualify for many grants because of low household income guidelines.
- Having local elected officials understand the need for this program and to look at the future

There were 11 respondents that included comments for #16.

- The city is not a core community although 95% built out. Core of industrial uses, most projects move too quickly due to platform launch time requirements, therefore companies don't have time to go through brownfield process. Otherwise these sites are skipped over for greenfields in northern townships. Need up front funds.
- There continues to be a need to communicate with the local real estate brokers the availability of Brownfield programs and incentives. This includes some sales people representing the larger firms with a multi-state presence.
- Site assessment funds from MDEQ have been vital to our program
- Reform regulations to ease restrictions on the utilization of tax captured funds
- Core Cities tools to all Michigan Cities

- The State being consistent in how much financial help they will participate in from the beginning of the process.
- Remove the requirement for the City's full faith and credit on DEQ grants/loans. Offer direct loans to developers. Provide incentives to developers to complete a higher level of clean-up on sites. DEQ approval of eligible activities on projects is important and timely decisions are needed to facilitate projects on specific timelines.
- Infrastructure financing and grants for entitlement cities that need CDBG for housing rehab, crime, and fire programs.
- More resources to go after the person/business responsible for the actual contamination
- Change regulations regarding low income designation to qualify for loans/grants. Make all cities eligible.
- To ease restrictions on commercial redevelopment to access state tax breaks

In addition to the comments in the previous two questions, a comment section was added at the end of the survey. Twenty of the respondents added comments.

- State owns one site, its taking a long time with the state budget in Michigan.
- The city is a major job zone for southeastern Michigan. It's age and past uses of industrial automotive are providing development challenges with greener sites available in Shelby, Macomb, and Clinton Township. Without Core Community status, the city will be doomed because redevelopment is too costly.
- Community planning is a factor in assisting communities with redevelopment of their blighted properties. In small populated counties funding is limited, resources of economic development are limited, knowledge of redevelopment tools is a factor, participating in the Brownfield Authority is limited. Assistance has been received in the last 12 months and some communities are taking a more active role in redevelopment of their properties. Education of opportunities is needed for authorities as well as communities. This will prepare for redevelopment more actively. Michigan DEQ and their staff have been of great assistance during 2007 in the county. With their assistance together with interested developers new projects are being established in the county.
- We are not a core community. We support expansion of eligible activities to all communities. As indicated above, I would like to see the activities now available only in core communities available state wide. The same applies to OPRA. I also believe the State and your local partners should continue to educate the real estate community in the use of Brownfield programs.
- We are currently working with a developer on a pending project. Can give you more complete info. after the 1st of the year (2008).
- All Michigan Cities are in the same boat with the current State Budget and Local Budgets. There should not be a two-tier Brownfield Redevelopment Act.
- Our answers are minimal as our brownfield authority is less than a year old. We are just beginning to prepare plan and develop inventory. Significant activity will occur in 2008.
- Extension of core community incentives to all communities would be extremely helpful
- My comments are already included in the Brownfields recommendations of the Part 201 Task Force report.
- The one brownfield project we did the county ended up purchasing for future expansion of the county court house. No taxes have been captured.
- We just started the BRA and could use some help to maximize the benefits of the Authority for our community.

- We have two condo projects which have stalled due to the economy and the inability of the developer to sell any of the initial units. They are not willing to continue to invest and finish these projects until they see some initial return on their money.
- We are not a core community.
- Grant funding and low or no interest financing for infrastructure would greatly accelerate the reuse of urban sites and ease sprawl tremendously. I would include demolition and cleanup activity in the list of activities to be eligible for these funds.
- Our city does not have an inventory of sites, per se; though the City takes a very liberal and generous approach to brownfield redevelopment through the use of blight and functionally obsolete definitions and local tax only reimbursement. As all properties in the City are privately owned, first contract with any interested party includes introduction to/explanation of brownfield incentives. The State's decision to fund only specific types of projects (mixed use, downtown) impinges on inner-ring communities' efforts to revitalize their industrial and commercial properties.
- We would like to see urbanized townships have the same or similar benefits under Brownfield Redevelopment Law as are provided to core cities.
- Our DEQ project manager is fantastic to work with and provides expertise to our community and guidance to help facilitate projects.
- Core Community financing should be available to all communities.
- The credits are devalued by third-party syndicators. It would be better to have the state buy the credits back at higher value rather than lose money on legal fees, etc.
- I believe that this program is vital for the redevelopment of the "older" cities. I think that there will be great strides to helping non-manufacturing businesses to access tax credits not normally allowed.