

Using Land Bank Authorities to Spur Redevelopment Projects

GREAT LAKES ENVIRONMENTAL REMEDIATION &
REDEVELOPMENT CONFERENCE

OCTOBER 16, 2019

Creation of Land Bank Authorities in Michigan

In 2003, the governor signed into law the Land Bank Fast Track Act P.A. 258.

- The legislation established the State Land Bank Authority, which serves counties where the state acts as the foreclosing governmental unit (FGU).
- The legislation also allowed the creation of land banks at the county level.

Under the legislation, land banks were given important tools including:

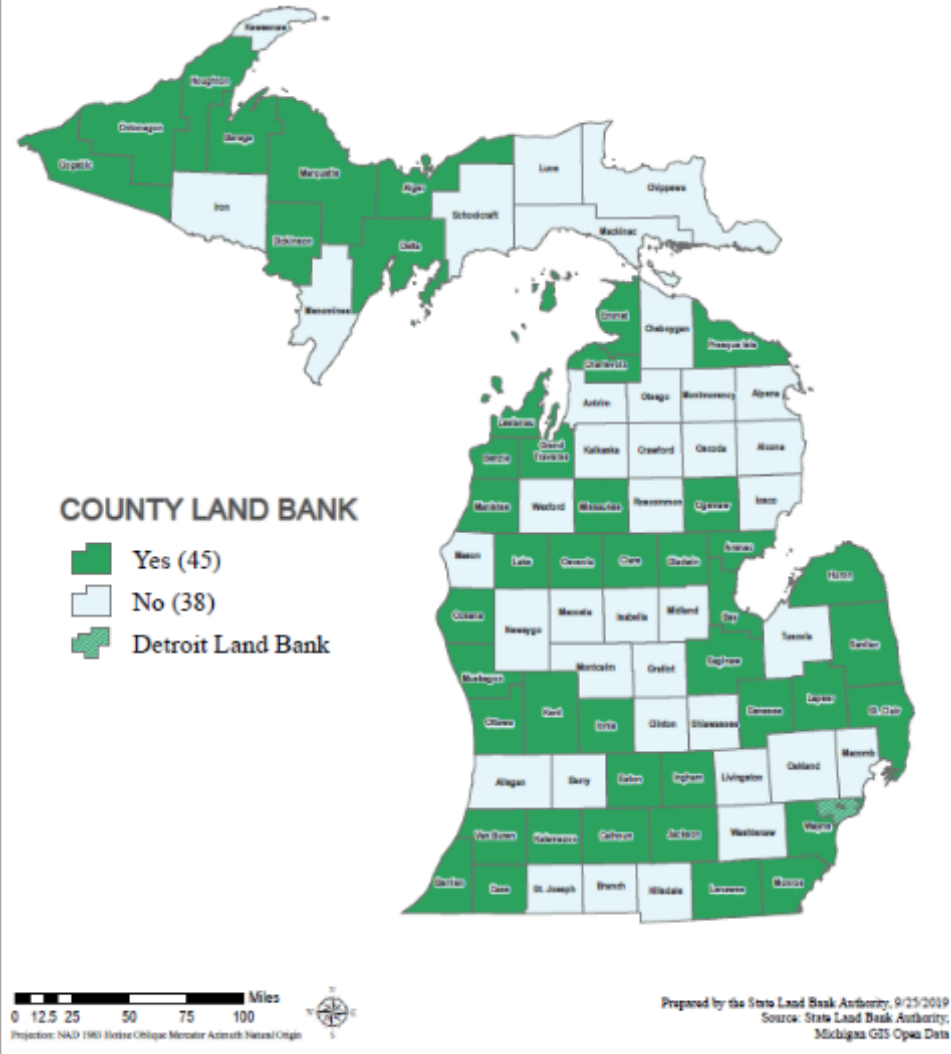
- The ability to acquire, hold and dispose of properties
- The power to pursue expedited quiet title
- The room to be creative in finding new productive uses for once-forgotten property

Land Banks and Legislative Intent

With this legislation, Michigan opened the door for communities to reclaim, reinvest in and rebuild their neighborhoods. Land Banks are designed to:

- Promote economic growth
- Receive, acquire, hold, manage, develop and sell/convey property, including tax-foreclosed property
- Facilitate the re-use of vacant, blighted, obsolete and abandoned properties
- Eliminate loss of local control due to typical property tax auction sales
- Eliminate low-end speculation
- Assemble land for redevelopment
- Support local priorities and land-use plans
- Support local affordable housing initiatives
- Increase land sale proceeds due to higher property values
- Facilitate demolition and blight removal
- Layer with other redevelopment tools, i.e., Brownfield
- Generate future revenue with 5/50 Eligible Tax Reverted Property Specific Tax

COUNTY LAND BANK AUTHORITIES



Land Bank Authorities in Michigan

Michigan has a State Land Bank Authority that “works in a coordinated manner to foster the development of property to promote and support land bank operations at the county and local levels.”

Strategic Statute Collaboration with Land Banks

Brownfield Redevelopment Financing Act (P.A. 381 – 1996)

Statutorily includes Land Bank properties.

Authorizes units of government to establish brownfield redevelopment authorities.

Provides funding/financing of brownfield eligible activities through a Brownfield Plan.

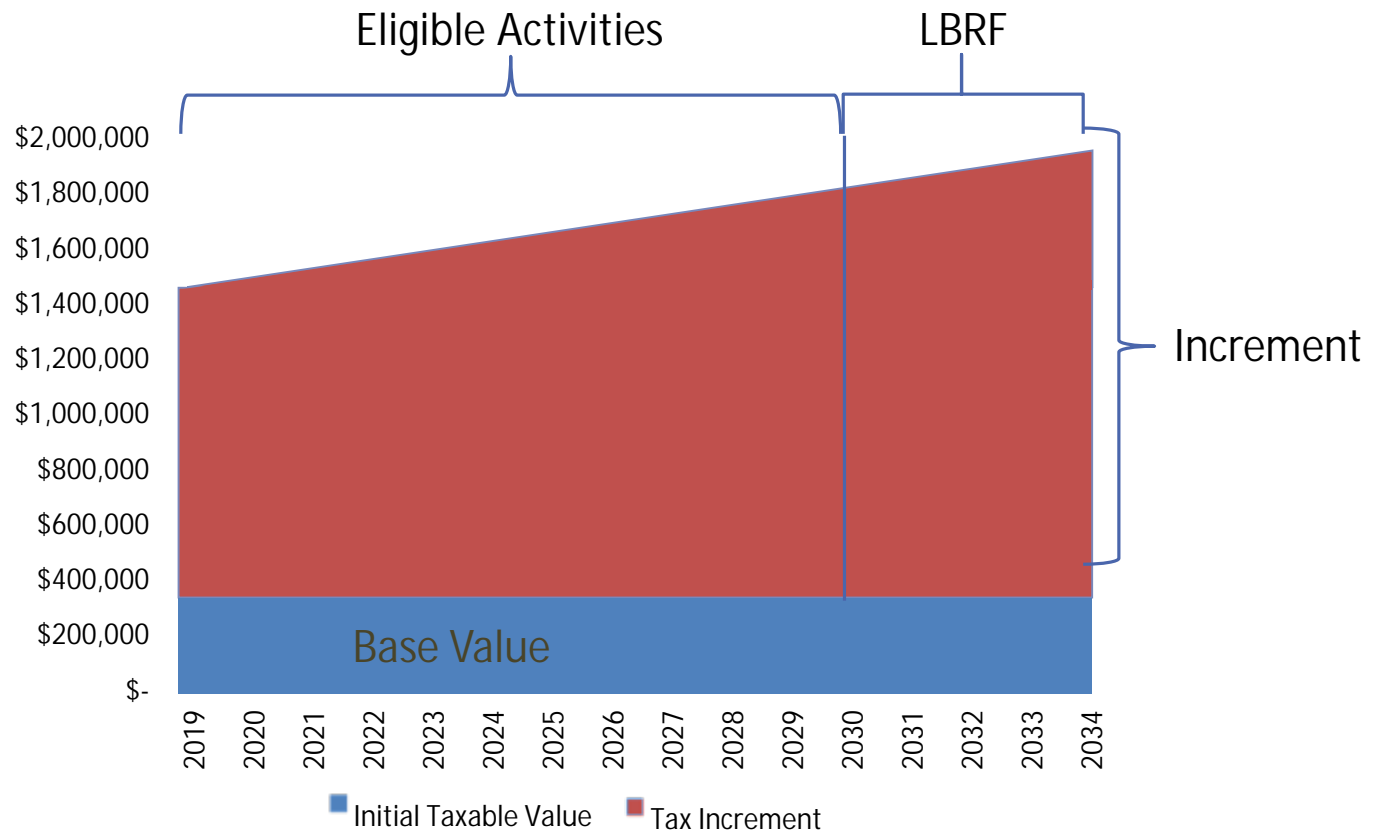
Brownfield Plans

- Capture local and state tax increment
- Plan term – max. 35 years
- Tax capture – max. 30 years
- Tax increment = new taxable value – initial taxable value (based on new investment)
- Transformational Brownfield Plans – additional revenue

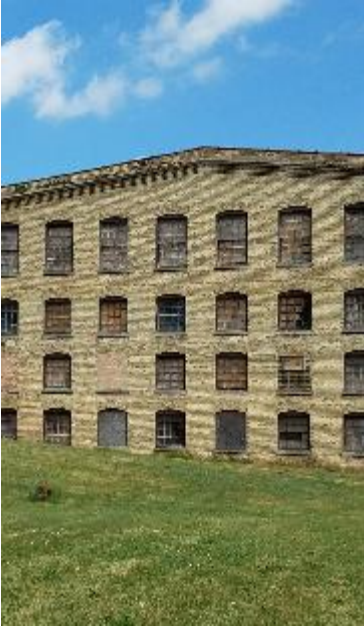


Brownfield Plans and Tax Increment Financing

Tax increment = new taxable value – initial taxable value (based on new investment)



Definition of a Brownfield in Michigan



- **Facility** – contaminated site
- **Blighted** – public nuisance, dangerous, eyesore or property owned or under control of a Land Bank Authority
- **Functionally Obsolete** – can't be used for its original purpose
- **Historical Resource** – historic building or structure
- **Tax Reverted Property** – owned or under the control of a Land Bank Authority
- **Targeted Redevelopment Area** – located in a Qualified Local Unit of Government and designated by resolution of the governing body and approved by Michigan Strategic Fund (MSF) (>40 units and <500 contiguous parcels)
- **Transit-Oriented Property or Development**

Includes property that is adjacent or contiguous to property within the project and is estimated to increase the captured taxable value of that property.

Land Bank Ownership

Owned or under the control of means that a Land Bank Authority has:

- An ownership interest in the property
- The ability to exercise its authority over the property



Eligible Brownfield Activities

EGLE Department Specific Activities (Environmental):

- Phase I and II ESAs; BEAs; Due Care activities; response activities; removal and closure of USTs; disposal of solid waste; dust control; removal and disposal of lake or river sediments; industrial cleaning; certain sheeting or shoring; lead, mold or asbestos abatement
- Demolition that is a response activity
- Preparation of Brownfield Plans and Work Plans
- Brownfield Plan and Work Plan implementation

Eligible Brownfield Activities

Non-Environmental:

- Demolition that is not a response activity (MSF)
- Asbestos/lead abatement (MSF)
- Site preparation that is not a response activity (MSF – Core Community or **Land Bank**)
- Infrastructure improvements (MSF – Core Community or **Land Bank**)
- Relocation of public buildings or operations (MSF – Core Community or **Land Bank**)
- Develop/prepare Brownfield Plans and Act 381 Work Plans

Administrative and Eligible Activities of BRA

Eligible Brownfield Activities

Properties owned or under the control of a Land Bank

- All activities as described in previous two slides in addition to:
 - Clearing or quieting title
 - Selling or otherwise conveying property
 - Acquiring property (for economic development purposes)



Land Bank Authority Advantages



- Brownfield Plans can be layered with the **Eligible Tax Reverted Property Specific Tax (5/50)**.
- Land Banks can use Tax Increment Revenue for eligible activities on any eligible properties owned or under control of Land Bank (**multi-site BF Plan**).
- Can participate in privately funded redevelopment projects
- Expanded eligible activities
- Michigan officials are exploring the potential for **solar energy projects** on tax-forfeited properties where there is no interest from developers for other uses.
- Potential opportunity to subsidize affordable housing
 - Concession between cost of construction and mortgage value as TIF eligible activity

*Teal Lake Senior Living Community
Negaunee, Michigan*



Project Profiles

Teal Lake Senior Living Community, Negaunee

The Teal Lake Senior Living Community project served as the catalyst for the revitalization of a 32-acre vacant brownfield site that had been idle since historic mining operations ceased.

- Project involved the redevelopment of a former mining operations area with waste rock piles, contaminated soil and other debris.
- Included an extension of a road and utilities.
- Construction of a 32,000-square-foot, 40-unit assisted living facility.
- A Brownfield Plan, in conjunction with the Marquette County Land Bank, was utilized to off-set eligible environmental and non-environmental costs.





NOTES:
 1. ALL NOT A PROPERTY BOUNDARY. SUPPLY PROPERTY DIMENSIONS DOWN ON THE MAP
 2. ALL BASED ON PUBLICLY AVAILABLE INFORMATION AND NOT APPROVED BY ANY AGENCY. YOU SHOULD VERIFY ALL INFO TO MATCH PROPERTY BOUNDARY LOCATED BY THE FIELD.

- LEGEND**
- █ PARCEL #1 - TEAL LAKE SENIOR LIVING COMMUNITY
 - █ PARCEL #2 - W. WATER ST. EXTENSION
 - █ PARCEL #3 - REMAINDER PARCEL
 - █ PARCEL #4 - REMAINDER PARCEL



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TEAL LAKE SENIOR LIVING COMMUNITY
 200 US-41 WEST
 NILES, MI 49751
**SITE PLAN w/
 PARCEL SPLITS**

PROJECT NO.
 140172
 SHEET NO.
3



Teal Lake Senior Living Community – Results

Project Investment: ~\$5,572,000

Developer Reimbursement: ~\$1,500,000

Property Area: 6.4 acres

New Jobs: 26

Funding Sources:

- EPA Brownfield Assessment Grant/Brownfield Plan
- City of Negaunee
- Hinkson Negaunee Properties LLC
- *Marquette County Land Bank Authority*

Project Partners:

- City of Negaunee
- City of Negaunee Electric Utility
- Hinkson Negaunee Properties LLC
- Marquette County Brownfield Redevelopment Authority
- *Marquette County Land Bank Authority*



Teal Lake Senior Living Community

- Site was a “facility” and thus an eligible property to be enrolled in a Brownfield Plan
- Not in a Qualified Local Unit of Government, so Brownfield Plan benefits were limited without the use of the Land Bank Authority
- Site redevelopment required significant public infrastructure, an eligible activity for a Brownfield Plan (Core Community or Land Bank)
- Land Bank Authority acquired property and maintained ownership through the Brownfield Plan adoption process, which expanded the eligible activities available for reimbursement
- Land Bank conveyed the property back to a new property owner. Land Bank ownership ended prior to December 31 of that year. Property still subject to the Eligible Tax Reverted Property Specific Tax. Brownfield Plan can capture the remaining 50% of the specific tax.

Borough Ish, Ishpeming

Borough Ish was formerly a gasoline service station and auto repair shop on a main thoroughfare leading into downtown Ishpeming.

- The building was constructed around 1940.
- It was determined to be a facility; redeveloping the existing structure was not viable.
- The owner was unwilling to negotiate acceptable terms of sale to private parties.
- County Land Bank Authority strategically negotiated acquisition, preparation and sale of property.
- The structure was ultimately demolished.





Borough Ish – Results

Project Investment: ~\$250,000 – \$350,000

Property Area: 0.167 acres

New Jobs: 4

Funding Sources:

- EPA Brownfield Assessment Grant/Brownfield Plan
- EGLE “Refined Petroleum” Grant (\$200,000)
- Gauthier Enterprises, LLC
- *Marquette County Land Bank Authority*

Project Partners:

- Gauthier Enterprises, LLC
- Marquette County Brownfield Redevelopment Authority
- *Marquette County Land Bank Authority*

Borough Ish

- The property was acquired by the Marquette County Land Bank.
- Environmental investigation and testing were completed to determine the extent of contamination.
- The building was demolished.
- EGLE Refined Petroleum Grant was used to remove three underground storage tanks and associated contaminated soil.
- Significant investment by State DOT and local government to improve the thoroughfare.
- When the cleanup activities were complete, the Authority conveyed the property to the private developer who intends to construct a commercial building.
- Upon conveyance, the property is subject to the Eligible Tax Reverted Property Specific Tax for five years.

Stone Reflections Inc., Negaunee

The Marquette County Land Bank Authority acquired a parcel in 2014 through tax reversion. An adjoining granite and solid surface countertop company expressed interest in the property for an expansion.

- At the time of the acquisition, a 1,008-square-foot, vacant, blighted house was on the property.
- An asbestos survey was conducted on the house with the intent to demolish the building and remove other debris and garbage throughout the property.
- The Land Bank Authority funded the demolition.
- After the property was ready for redevelopment, Stone Reflections, Inc. purchased the property and constructed a 10,000-square-foot addition that connected to their building.



Stone Reflections, Inc. – Results

Project Investment: ~\$509,000

Developer Reimbursement: ~\$27,000

Property Area: 0.67 acres

New Jobs: 6

Funding Sources:

- EPA Brownfield Assessment Grant/Brownfield Plan
- Stone Reflections, Inc.
- Marquette County Brownfield Redevelopment Authority
- *Marquette County Land Bank Authority*

Project Partners:

- Marquette County Brownfield Redevelopment Authority
- *Marquette County Land Bank Authority*
- Negaunee Township



Stone Reflections, Inc.

- This redevelopment project supported the expansion of a successful small business.
- It created investment in the community, an expanded tax base and new employment opportunities.
- The Land Bank Authority played a critical role in the community by eliminating a blighted property within the township that detracted from the value of adjacent properties.
- Brownfield Redevelopment Authority provided tax increment financing through a Brownfield Plan to reimburse eligible activities of the developer and the Land Bank's demolition costs.

West Ishpeming School Project

The Marquette County Treasurer foreclosed on the vacant West Ishpeming School in 2010. The school was a hazard to the health and safety of the surrounding neighborhood.

- Brownfield Plan was adopted 9/21/10
- School was demolished in 2010
- It was projected the Land Bank would be fully reimbursed for the demolition through the Brownfield Plan in 23 years (2033).

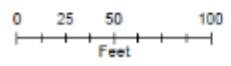
Assumptions:

- 10 homes would be built on 75' x 100' lots
- Lots would be sold for \$5,000
- Taxable Value of new homes would be \$40,000





 Potential Green Space





West Ishpeming School Project – Results

Project Investment: ~\$500,000 (to date)

Land Bank Authority Reimbursement (over 23 years): ~\$193,000

Property Area: 2 acres

New Jobs: N/A

Funding Sources:

- Marquette County Brownfield Redevelopment Authority
- *Marquette County Land Bank Authority (County Treasurer Foreclosure Fund)*

Project Partners:

- Marquette County Brownfield Redevelopment Authority
- *Marquette County Land Bank Authority*
- Ishpeming Township

West Ishpeming School Project

- Since the Brownfield Plan was adopted in 2010, some assumptions have changed.
 - Side lots have been sold to neighboring property owners
 - Lots have been sold for \$7,000 to \$10,000
 - Taxable Value of the new homes is over \$80,000
- Ishpeming Township split the cost of sewer line extension with the land bank; installed in 2011
- Habitat for Humanity built four homes in the first three years at the site
- NICE Community Schools Construction Program – built one home that recently sold
- Three lots remain available

Hematites Building Better Neighborhoods, Ishpeming

In 2013, Ishpeming High School instituted a unique course, Geometry in Construction. Students are taught the required concepts of geometry and then apply those concepts in a hands-on construction activity.

- Nationally recognized program improves student math scores by introducing real-world applications.
- Acquaints students with skilled trade opportunities.
- Students benefit by renovating a blighted house near the school.
- Students have a direct impact on improving the neighborhood.



Hematites Building Better Neighborhoods – Results



Project Investment: ~\$36,000 MCLB, \$3,400 MCBRA, ~\$75,000 Grant
Funding = ~\$114,400

Property Area: 0.16 acres

New Jobs: N/A

Funding Sources:

- EPA Brownfield Assessment Grant
- EGLE Site Specific Brownfield Assessments
- Cliffs Natural Resources/Eagle Mine Marquette County Community Fund
- Michigan State Land Bank
- Lowe's Home Improvement
- *Marquette County Land Bank Authority* (purchased the property)

Project Partners:

- Ishpeming Public School District
- In-kind Support – various local community contractors & companies
- In-kind Support – Envirologic
- Marquette County Brownfield Redevelopment Authority
- *Marquette County Land Bank Authority*



Hematites Building Better Neighborhoods

- The Marquette County Land Bank acquired a house and adjoining property across the street from the high school to use for the program.
- The vacant parcel had been used for various commercial operations including auto repair and auto painting. At one time, a gasoline underground storage tank was on the property.
- EGLE Brownfield Assessment was completed which identified contaminated soil.
- The Marquette County Land Bank removed and disposed of impacted soil.
- Lead-based paint and asbestos were identified in the home, the contaminants were abated, and the Geometry in Construction students renovated the blighted structure.
- The goal of this project, once renovations were complete, was to sell the property to an owner occupant.
- The Land Bank sold the home for \$90,000. The profit on the sale provided the school district funds for the next acquisition/renovation of a property, thus creating a sustainable program going forward.

Review and Q&A

- Land Banks and Brownfield Redevelopment Authorities are very powerful economic development tools
- Be creative and innovative when applying these tools – flexibility is possible
- Bring Land Bank/Brownfield discussion to the potential development **early**
- Ability to layer incentives on a project:
 - Grants, loans, TIF, tax abatements, etc.
- Ability to help close the “unfunded gap” on a project
- Leverage other grant/loan programs – potential funds to overcome site conditions

Thank you!

Thank you for attending this presentation. If you have questions, please reach out to either us via email or phone.



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*Anne will become the Marquette County
Finance Director on November 1st.*



Jeff Hawkins, CEO - Hydrogeologist
Envirologic
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