Brownfield Redevelopment Authority Survey Analysis - 2009

This survey was conducted in order to obtain information from Michigan's brownfield redevelopment authorities (BRAs) regarding their utilization of the Brownfield Redevelopment Financing Act, 1996 PA 381, as amended (Act 381), from the beginning of the enacted legislation through December 1, 2009. The survey was designed to assess a range of issues relevant to local BRAs and their use of incentives related to brownfield redevelopment. The Act 381 amendment in December 2007 expanded the range of eligible activities available to all BRAs, including those that are not located in qualified local units of government. A similar survey conducted in 2007 established a baseline of utilization of the incentives and to determine the economic impact of the Act 381 amendments in local communities and the state. This survey is being analyzed to compare and corroborate the responses from the first survey.

As of April 2010, there were 287 BRAs in Michigan: 148 city authorities (51.6%); 56 county authorities (19.5%); 36 charter township authorities (12.5%); 25 township authorities (8.7%); and 19 village authorities (6.6%). Prior to 2000, there were 146 authorities. By 2004, this number had grown by 93, to 239 authorities. An additional 48 authorities have formed since 2005.

Certain eligible activities require approval of a work plan by the Michigan Department of Natural Resources and Environment (DNRE) to use school tax increment revenues for reimbursement. As part of the work plan review process, BRAs are required to submit information about the estimated costs of eligible activities to the DNRE. BRAs are also requested to provide the *estimated* amount of private investment and job creation for the redevelopment projects to the DNRE. BRAs are also required to report annually to the Michigan Department of Treasury 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). These reports from communities can be found at the Department of Treasury's website at: www.michigan.gov/treasury under Local Government Services, Local Unit Audit Reports.

Ascertaining the *actual* amount of private investment or jobs created by the redevelopment of eligible properties is difficult. Some of the difficulty in determining the job creation outcomes include whether construction jobs, part-time employees, or contracted workers count as permanent jobs. Calculating the amount of investment being made at an eligible property may include activities such as tenant improvements to a property or leasing of equipment. These myriad of factors, including the use of other incentives that are combined with tax increment financing (TIF), makes it difficult to accurately measure the economic impacts, benefits, or shortcomings of Act 381 by itself, from either a local or state perspective.

Analysis of Work Plans Approved by the DNRE

From 1998 until December 31, 2009, the DNRE received 180 brownfield plans and 429 work plans associated with 174 individual projects from 81 different BRAs. Of the 429 work plans, 164 were approved and 167 conditionally approved for some amount of school tax capture to be used for eligible environmental activities. There were 98 work plans denied during this period. The costs for approved eligible environmental activities ranged from $300 to $30.224 million, with a mean of $507,045 and a median of $63,002, across all projects (individual work plans). Two of the work plans that were conditionally approved had costs of $28.874 million and $30.224 million. If these are removed from the analysis as outliers (the next closest is a work plan with $7.976 million in costs), the mean work plan activity costs approved drops to $323,814.

Work Plans received by the DNRE	Work Plans approved by the DNRE	Work Plans conditionally approved by the DNRE	Total Approved Activity Costs
429	164	167	$161,747,618

Of the 180 brownfield plans submitted to the DNRE for review, 71 included BEA activities, 82 included Due Care activities, and approximately 115 included additional response activities. For projects receiving approval or conditional approval, the BRAs estimated the amount of private investment that would be made as a result of these efforts at over $3.321 billion, creation of approximately 21,274 jobs, and redevelopment of more than 4,894 acres.

Survey Results

The RRD compiles a comprehensive list of the BRAs established in Michigan from the inception of the program in 1996, along with the contact information for those BRAs. This list was utilized to contact the designated BRA representatives or directors regarding the survey. The survey was also included in the informational packets for the BRA Workshops in Auburn Hills on September 17, 2009 and in Lansing on September 29, 2009. An email was sent on October 2, 2009 to 284 BRAs with a link to an electronic version of the survey on the DNRE's website. The deadline for completion of the survey was December 1, 2009. A total of 56 BRAs responded, a 19.7% response rate. Of the 56 respondents, 28 were city authorities (50%), 18 were county-wide authorities (32%), eight charter township authorities (14.3%), one village authority (1.8%), and one township authority (1.8%). The response rates from each of the governmental units corresponded closely to the overall percentages of BRA's in the state. Fewer township and village authorities responded which may be due to the fact that fewer of them are active. The response was four more than in 2007, and 45 of the BRA respondents were different from 2007.

The questions from the survey are listed individually below, 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. Some of the questions and answers are briefly analyzed in order to provide the reader with a more thorough understanding of what the answers may 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.

The amendments to Act 381 in December 2007 provided, in part, the ability to clean up to unrestricted residential criteria under certain circumstances, expanded demolition and abatement of lead and asbestos as eligible activities statewide, and clarified the use of incremental school taxes to reimburse interest costs. Neither the DNRE nor the MEDC have seen enough work plans with the expanded activities in 2008-09 to judge whether these changes are making a substantial difference in brownfield redevelopment, and therefore did not feel that survey questions about the 2007 amendments were necessary at this time. They may be addressed in a future survey.

There has been, however, a significant increase in the use of school taxes for reimbursement of interest costs.

1. Frequency of your board meetings. There were 56 respondents for this question.

Answers	# of respondents	% of respondents	% of 2007 respondents
a. More than once a month	0	0.0%	1.9%
b. Monthly	21	37.5%	26.9%
c. Less than once a month	8	14.3%	17.3%
d. Whenever there is a need to meet	27	48.2%	53.8%

2. Does your Authority have a Brownfield Plan? There were 56 respondents for this question.

Answers	# of respondents	% of respondents	% of 2007 respondents
a. Yes	38	67.86%	80.7%
b. No	18	32.14%	19.2%

If respondents answered yes, they were asked how many brownfield projects or plans were approved. If respondents answered No, they were asked to continue to answer questions 7-16, therefore numbers 3-6 have fewer respondents.

The total of brownfield projects or plans approved as reported by 36 of the 38 respondents was 356, with a median of 4, and a mean of 10. Of those with brownfield plans, the number of projects that have been approved per BRA varies from 1 to 82. The results are broken down below.

# of projects	# of respondents	# of 2007 respondents
1	8	15
2 or 3	7	8
4 or 5	6	7
6 to 9	7	3
10 to 20	5	5
40 to 82	3	1

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

There were 34 respondents for this question.

Number of Projects	2009 Responses	2007 Responses
Completed	12	26
In Progress	48	27
Cancelled	9	3

The overall number of projects reported as approved in brownfield plans (356) is nearly six times the number of projects (60) either completed or in progress that include school tax capture for environmental response activities. In 2007, the overall number of projects approved in brownfield plans (212) was only four times the number of projects either completed or in progress (53) that included school tax capture for environmental response activities. Generally, it appears now that *school tax capture for environmental response activities* is occurring at much less than one-fourth (¼) of the overall projects. In the past two years it appears that authorities have completed fewer projects; however, there are more projects in progress.

3b. What is the status of your brownfield projects that have included school tax capture for non-environmental MEGA eligible activities?

There were 32 respondents for this question. This question was not asked in the 2007 survey.

Number of Projects	Responses
Completed	12
In Progress	26
Cancelled	5

3c. What is the status of your brownfield projects that have received MBT credits?

There were 36 respondents for this question. This question was not asked in the 2007 survey. The responses may indicate that more projects are receiving MBT credits than are utilizing school tax capture for non-environmental MEGA activities. However, there could be some overlap in projects reported in 3b. or that more MBT credit projects were actually completed.

Number of Projects	Responses
Completed	48
In Progress	52
Cancelled	8

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

There were 37 respondents for this question.

Answers	# of respondents	% of respondents	% of 2007respondents
a. Yes (if so, from how many projects?)	26 reported 93 individual projects with local tax increment only	70%	45%
b. No	11	30%	55%

The number of respondents in 2007 was 23 and they reported only 44 individual projects with local tax increment financing, or 1.9 projects per BRA. In 2009, this increased to 3.6 projects per BRA. There simply may be more projects using local tax increment financing (TIF) only or that the projects are occurring in different areas. Further research is necessary to understand the trend.

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

A total of 26 BRAs responded to this question. Multiple responses were allowed. There were 25 BRAs which responded to this question in 2007.

Answers	# of responses/ # of projects	% of respondents	% of 2007 respondents
a. Eligible environmental activities How many projects?	20 respondents reported 88 projects utilizing local tax increment revenues	77%	88%
b. Non-environmental activities How many projects?	13 respondents reported 58 projects utilizing local tax increment revenues	50%	36%
c. Administration of the authority	18	69%	56%
d. Deposit to the local site	12	46%	36%

remediation revolving fund			
e. Other development-related activities that would not normally be approved by DNRE or MEGA	6	23%	16%
f. Property acquisition	1	4%	Not included

There was an average of 4.4 projects per BRA utilizing local TIF for environmental activities as reported in this survey, compared to only 2.1 projects in the 2007 survey. There was an average of 4.5 projects per BRA using local TIF for non-environmental activities reported in this survey, compared to only 1 project per BRA in the 2007 survey. It also appears that a larger percentage of BRAs are using their local TIF for administration and for deposit into their local remediation revolving fund. As this trend continues, more communities may become self-sufficient in financing eligible activities at eligible properties, perhaps reducing the necessity for other incentives such as grants or tax credits. Because property acquisition is not yet an eligible activity for school tax capture, this is the lowest percentage. Currently, purchasing properties with TIF is an eligible activity for land banks.

6. What is the total amount of private investment generated by your BRA projects through the BRFA incentives (including TIF and tax credit projects)?
36 BRAs responded to this question. There were 37 BRAs which responded in 2007. The amounts provided were different increments; therefore the percentages in 2007 are not directly applicable to the 2009 survey.

Answers	# of respondents	% of respondents	% of 2007 respondents
a. Under $200,000	2	5.6%	18.9%
b. Between $200,000 and $1 million	2	5.6%	13.5%
c. Between $1 million and $5 million	5	13.9%	12.5% (original increment was $1-$10 million which was divided in half)
d. Between $5 million and $10 million	6	16.7%	12.5%
e. Over $10 million	21	58.3%	23%
f. Other amount if known	7 respondents reported $1,737,235,000 total		9 respondents reported $602,000,000 in total

Actual amounts of private investment are difficult to ascertain as the reporting requirements for individual brownfield authorities may differ; however, the survey results indicate an increase in private investment and a considerably higher percentage of BRAs reporting over $10 million in private investment.

7. Select the response which best describes the usefulness of the BRFA as an economic development tool.
There were 55 respondents for this question. In 2007, there were 57 respondents.

Answers	# of respondents	% of respondents	% of 2007 respondents
a. It is a critical tool that is used to attract	34	61.8%	50%

business and leverage private investment.			
b. It is a useful tool, but has not had a substantial impact on redevelopment in the community.	21	38.2%	28.8%
c. It is not useful for our community because there are not enough brownfields available to make it worth the effort to run an Authority.	0	0%	21.1%
d. The community has other economic development tools that are adequate to support new projects.	0	0%	Not included

The results of this question indicate an increase in the support for the BRFA, but also that some of the BRAs consider it to be a tool that may not be making a considerable difference in their community specifically. It was interesting to note that none of the respondents felt that the BRFA was not a useful tool, or that other tools were adequate to support new projects.

8. If your community keeps track of commercial and industrial properties, estimate the number or percentages of properties with structures. There were only 9 respondents who answered this question. The amount of commercial properties that were vacant in these communities was 15% of the median number of commercial properties. The amount of vacant industrial properties was 9.5% of the median number of industrial properties. The 2007 survey asked if communities had an inventory of brownfield properties. There were 55.7% of respondents which had an inventory.

Answers	Median # of properties
Occupied Commercial	86
Occupied Industrial	9.5
Vacant Commercial	15
Vacant Industrial	1
Abandoned Commercial	0
Abandoned Industrial	0

9. Of the vacant properties, what percentage do you believe are blighted, functionally obsolete, and or contaminated? There were 17 respondents who answered this question. This question was designed to be more precise than what was asked on the 2007 survey. This made it more difficult for the BRAs to provide answers and likely contributed to a very large range of responses. The results generally indicate that communities have a higher percentage of their industrial properties that are contaminated, blighted, and functionally obsolete, or a combination of these, than the percentages for commercial properties. The results also indicate that functional obsolescence may be more of a problem than either blight or contamination. The responses in 2007 regarding the types of brownfields showed 33% were manufacturing facilities, 24% were former or current gas stations, and 25.3% were commercial buildings.

Answers	Median % of total	Mean % of total	Range of Percentages
Blighted Commercial	5%	15%	0-50%
Blighted Industrial	11%	27%	0-75%
Functionally Obsolete Commercial	18%	29%	0-80%

Functionally Obsolete Industrial	40%	44%	0-90%
Contaminated Commercial	5%	14%	0-50%
Contaminated Industrial	35%	44%	0-100%
Combination of the above Commercial	14%	28%	2-100%
Combination of the above Industrial	20%	35%	0-100%

BRAs were requested in the 2007 survey to provide the number of contaminated, blighted, and functionally obsolete properties without specifying the property uses. The seventeen respondents reported 240 sites that were contaminated (four respondents reported "all" which could not be enumerated), 38 that were blighted, 34 that were functionally obsolete, 62 that were both contaminated and blighted or functionally obsolete, and 37 that were both blighted and functionally obsolete.

10. Does your community have a comprehensive strategy for brownfield redevelopment?
There were 55 respondents for this question, the same as for the 2007 survey. A higher percentage of the respondents to this survey had a comprehensive strategy. Those BRAs with a comprehensive strategy or which are developing a strategy outnumbered those who did not have a strategy by almost two to one. Of those with a strategy, fourteen (14) reported at least $1 million in private investment. Of those without a strategy, ten (10) reported at least $1 million in private investment, along with five (5) BRAs that are developing plans.

Answers	# of respondents	% of respondents	% of 2007 respondents
a. Yes	21	38.2%	32.6%
b. No	19	34.6%	32.6%
c. Working on developing a strategy	15	27.3%	34.6%

11. If the answer to #10 is yes or that the community is developing a strategy, what tools will be (are being) used to promote the strategy?
A total of 34 respondents provided answers. Multiple responses were allowed. There were 35 respondents for the 2007 survey.

Answers	# of responses	% of respondents	% of 2007 respondents
a. Michigan Business Tax credits	28	82.4%	54.3%
b. Local tax capture for eligible activities	29	85.3%	68.6%
c. School tax capture for eligible activities	22	64.7%	48.6%
d. Obsolete Property Rehabilitation Act	15	44.1%	25.7%
e. Downtown Development Authority	26	76.5%	60%
f. State grant/loan (DNRE, Cool Cities, etc.)	21	61.8%	51.4%
g. Federal grant/loan (EPA, HUD, EDA, etc.)	25	73.5%	57.1%
h. Acquisition of property by community in order to promote redevelopment	16	47.1%	45.7%
i. Land Bank acquisitions	8	23.5%	not included
j. Other	6	17.6%	not included

The highest percentage of BRAs (85.3%) utilize local tax capture for eligible activities. This corroborates the results in question 4., where 70% of the BRAs were using local TIF for their projects. Michigan Business Tax credits were the second most utilized incentive.

12. What are the largest impediments to redeveloping brownfields in your community?
A total of 52 respondents provided answers. Multiple responses were allowed. There were 47 respondents from the 2007 survey.

Answers	# of responses	% of respondents	% of 2007 respondents
a. Poor site location	3	5.8%	10.6%
b. Poor infrastructure to the site(s)	5	9.6%	17%
c. Property owners not willing to sell	11	21.2%	19.1%
d. Availability of other developed properties that are not brownfields	12	23%	29.8%
e. Availability of greenfield property	15	28.8%	25.5%
f. Lack of market demand	36	69.2%	53.8%
g. Unfamiliarity of real estate professionals in dealing with contaminated properties	14	26.9%	38.3%
h. Property size limitations	6	11.5%	14.9%
i. Zoning restrictions	1	2%	6.4%
j. Cost of property acquisition is too high, given the need for financial return of investment	11	21.2%	40.4%
k. Difficulty financing development projects	27	52%	not included
l. Other	12	23%	23.4%

The largest percentage increase regarding impediments to redeveloping brownfields was the lack of market demand, which is 16.6% higher than the 2007 results. The largest decrease was reported for the cost of property acquisition being too high, which was 19.2% less than the 2007 results. Asking prices for brownfield properties have likely declined with the rest of the market, and owners of brownfield sites may be feeling the pinch even more because of lower overall prices and lease rates for industrial and commercial properties.

13. What other incentives or programs would be helpful in improving the redevelopment prospects of your brownfield sites?
There were 54 respondents to this question. Multiple responses were allowed. There were 50 respondents to this question from the 2007 survey.

Answers	# of responses	% of responses	% of 2007 responses
a. State funding for cleanups (grants/loans or state funded cleanup)	39	72.2%	18% state funded cleanups, 66% grant funds
b. EPA brownfield grants	33	61.1%	not included
c. Simpler environmental regulations	19	35.2%	not included
d. Marketing of site availability	17	31.5%	46%

e. Coordinated planning assistance to determine end uses of brownfield sites	13	24.07%	30%
f. Tax credits to new developers	37	68.5%	74%
g. Assistance to small business owners in purchasing and redeveloping brownfield sites	41	75.9%	76%
h. Other	9	16.7%	18%

The comments for Other are listed below:

- Improved coordination with other financing and project incentives available to developers and businesses.
- Grants to BRAs or municipalities to acquire and assemble properties for redevelopment (with minimal strings and red tape).
- Ability to use BRA TIF for acquisition.
- Remove full faith credit of City required by DEQ for loans. Direct loans to developer. DEQ approval of eligible activities in timely manner. More incentive to do higher level of clean-up.
- Cut down on "red tape" as well, site assessment funds, site clean-up funds.
- Equity pool or a clearing house for securing private equity participants.
- Infrastructure financing as well.
- Tax credits by far are most useful. There should be an unlimited supply for brownfield sites. And the credit should be worth much more for closed automotive facilities.
- Funds/assistance to develop regional site inventories.

14. When looking at ways to fund a brownfield project, what local incentives do you turn to most often? There were 45 respondents to this question.

Answers	# of respondents	% of respondents
TIF (local and school)	35	77.8%
Tax abatements	23	51.1%

15. By what methods would you like to learn about new legislation or changes to brownfield programs and incentives, and to find out what other BRAs are doing? There were 55 respondents for this question.

Answers	# of respondents	% of respondents
Email listserve	43	78.2%
Workshops for BRAs	30	54.6%
Presentations at other organizational conferences	23	41.8%
Join a formal BRA organization	18	32.7%
Webpage with information and posting of questions from BRAs	30	54.6%

16. Comments were requested for question 16, regarding brownfield redevelopment needs in the respondent's community. The comments are listed below.

- It's very important and appears to be one, if not the only, economic development tool that is working in the state right now.
- A statewide group for BRA administrators and staff to share expertise and education could be beneficial. This could be more effective as peer-to-peer learning rather than just calling

meetings to present the state's latest funding or policy. It may be well housed with some statewide professional's organization such as MEDA or MAP.

- We have a consultant assigned to the BRA with background in cleanup activities that meets with us and shares updated opportunities that might arise that could be used.
- I know there's an active BRA community, but since there's little real estate activity in our community at this time, I haven't taken the time to investigate. The property owners aren't approaching us at all for assistance, and are reluctant to talk about their issues if we call them.
- We are contemplating holding a SW Michigan BRA workshop in the late winter or early spring. Further we have worked intensely with the BRA of the City of Kalamazoo, and we have reapplied for additional EPA funds. We see a statewide organization of local BRA's as having immense potential for learning, sharing and collaboration.
- We could really benefit with the ability to acquire property through BRA TIF. Properties may never be cleaned-up or redeveloped without a public entity stepping up and acquiring. It does not make sense that Land Banks have this ability but not other BRAs.
- Concerning how would I like to learn more, a web-based seminar would be nice.
- I think our State's brownfield redevelopment programs are generally very effective. I would like to see program simplification through elimination of distinction between core communities and non-core communities. It would help eliminate confusion for developers and improve the incentives available from those of us who are in the non-core community status if this change could be made.
- Delta County BRA is relatively new. We have received an EPA site assessment grant and are in the process of completing site assessments under that program. So far we have not developed any brownfield redevelopment plans but may when the assessments are done and have developers that want to purchase/develop the properties.
- The BRA has been in a reactive mode. The City Community Development Department has been in a proactive economic development mode for six months. Interest in redevelopment has been experienced in recent this past fall. Hopefully, projects result.
- We haven't used our Authority yet but hope to!
- The ability to do small projects seems to have gone away as the cost to process a project plan has gone up dramatically.
- We recently received an EPA assessment grant in conjunction with the City of Hastings. We'll see if anything comes from that.
- The brownfield program is great. PA 381 should include additional incentives for closed automotive facilities, such as a 50% MBT Credit, this could be used to off-set costs. Also, if sold, the community should be able to be a recipient of proceeds to fund other projects, like revolving loan funds for local manufacturers and property owners to make energy efficient upgrades to buildings.