

BROWNFIELD REDEVELOPMENT

OVERVIEW

Brownfield is a term describing the obstacle to industrial or commercial property redevelopment caused by the threat of liability for existing contamination. In Michigan, that obstacle has been removed. Buyers and lenders are now reliably protected from liability under Michigan law.

LIABILITY PROTECTION

Title may be taken to environmentally impaired property without assuming liability for existing contamination, provided the buyer conducts a baseline environmental assessment (BEA) and discloses it to the state.

REDUCED REMEDIATION COSTS

Cleanup costs are now 50% lower for industrial and commercial properties with sites requiring restoration to the appropriate standard based on property reuse.

TIMELY GOVERNMENT RESPONSE

The Michigan Economic Development CorporationSM (MEDC) and the Michigan Department of Environmental Quality (MDEQ) are working together to make brownfield redevelopment a high priority and to help expedite redevelopment projects.

BROWNFIELD MICHIGAN BUSINESS TAX INCENTIVES

In order to promote the redevelopment of brownfield sites, the state of Michigan provides Michigan Business Tax (MBT) credits, on a case-by-case basis, for projects that redevelop a contaminated, blighted or functionally obsolete property.

Credits are available for up to 10% of eligible investments, but not to exceed \$30 million. Projects with total credits greater than \$1 million require approval by the Michigan Economic Growth Authority (MEGA) Board, with concurrence of the state treasurer. Projects with total credits of \$1 million or less require approval by the chairperson of the MEGA. Applications for credits are authorized by MEDC.

Tax credits are available in three categories: “Large” credits, with investment greater than \$10 million; “small” credits, with investment between \$2 million and \$10 million; and “mini” credits, with investment of \$2 million or less.

ELIGIBILITY

STATUTORY REQUIREMENTS

Eligible property must be designated in a locally approved brownfield plan created under the Brownfield Redevelopment Financing Act (Act 381 of 1996). If the property is located in a Qualified Local Governmental Unit (pursuant to PA 146 of 2000—see attached list) it can qualify as contaminated, blighted or functionally obsolete. If not located in a **Qualified Local Governmental Unit**, then the property must be contaminated.

Projects that are seeking a “mini” brownfield credit (credit of \$200,000 or less) also may qualify as contaminated, blighted or functionally obsolete, if the property is located within the boundaries of a Downtown Development Authority, even if not located in a Qualified Local Governmental Unit.

Projects that qualify as functionally obsolete are required to submit an affidavit signed by a level III or level IV assessor stating that the property is functionally obsolete and the underlying statutory basis for that opinion.

A qualified taxpayer must own or lease the eligible property, and must certify that the MDEQ has not sued or issued a unilateral order to the taxpayer to compel response activity on the eligible property.

Eligible investment includes demolition, construction, restoration, alteration, renovation or improvement of buildings or site improvements on eligible property and the addition of machinery, equipment and fixtures. These investments must occur pursuant to a brownfield plan and after a pre-approval letter has been issued.

SELECTION PRIORITIES

Credits will be awarded to projects that best meet the following criteria:

- The host community is a willing participant in the project and is making a substantial local financial/fiscal contribution to the project through programs such as Tax Increment Financing (TIF), property tax abatements, Neighborhood Enterprise Zones, local revolving funds or other programs.
- The project is a mixed-use project that is located in the traditional downtown or within immediate walking distance of the downtown area, including development “nodes” or walkable neighborhoods.

- Projects that, even after the Brownfield Redevelopment Authority TIF has mitigated the excess costs of the site related to brownfield conditions, still need an incentive to reuse the site due to market conditions, risk or other factors.
- Project plans that reasonably improve the condition that qualifies the project as a brownfield.
- Projects that assist our state's manufacturers in meeting the pressures of national or international competition by reusing existing facilities and preserving or creating new jobs.

PROCESS

All Brownfield MBT credits are applied for through MEGA. There is a four-step process to become eligible for a credit.

1. A Brownfield Redevelopment MBT Credit Application—Part I must be filed with MEGA that outlines the project and allows MEGA staff to make a determination whether the project has a reasonable chance of being approved by the chair of the MEGA or by the MEGA Board.
2. An invitation to complete and submit a full application (Part I and Part II) is given if the project meets both the statutory requirements and selection priorities outlined above. If the application is complete, it is forwarded to the MEGA for approval or denial.
3. Approved projects then receive a pre-approval letter from the MEGA which establishes the date eligible investments may be initiated on an eligible property.
4. When the project is completed, the qualified taxpayer must submit a Certificate of Completion Request for the eligible investment and identify each taxpayer entitled to a credit for the project. If all requirements are met, the state will then issue a Certificate of Completion, after which the taxpayers may claim an MBT credit.

FEES

- Applications considered by MEGA for MBT credits exceeding \$1 million require a \$10,000 application fee. In addition to the application fee, there is an administrative fee of seven-tenths of 1% (0.7%) of the pre-approved credit amount, not to exceed \$100,000. One-half is to be paid prior to the issuance of the pre-approval letter, and the remainder is due one year from the date of the letter.

- Applications approved for credits between \$200,000 and \$1,000,000 require a \$5,000 application fee. In addition, an administrative fee based on 1.4% of the pre-approved credit amount is due at the time the Certificate of Completion is requested. The application fee will be applied to the administrative fee, and will reduce the amount due.
- Applications approved for credits of \$200,000 and less require a \$2,500 application fee. There is no administrative fee due for credits of this size.

TAX INCREMENT FINANCING

In addition to Michigan Business Tax credits, contaminated properties may be eligible for tax increment financing (TIF) through the MDEQ for eligible environmental activities, including BEAs, due care and additional response activities. Tax increment financing allows projects to capture state and local property taxes (including school taxes) to pay for costs related to brownfield sites.

In addition to environmental activities, projects locating in a Qualified Local Governmental Unit (PA 146 of 2000) may also be eligible for TIF to perform non-environmental activities, including demolition, lead and asbestos abatement, infrastructure improvements and site preparation. These projects must occur on eligible property (contaminated, blighted or functionally obsolete) that is included in a locally approved brownfield plan. Projects seeking the use of state school tax capture must receive approval from the MEGA Board. In addition, a development or reimbursement agreement between the community and the developer must be included along with a work plan detailing the eligible activities to be completed for the project.

Recent changes to the Brownfield Redevelopment Financing Act (Act 381 of 1996) allow projects to seek TIF reimbursement for demolition and lead and asbestos abatement on eligible property (contaminated, blighted or functionally obsolete) included in a locally approved brownfield plan that is **not** located in a Qualified Local Governmental Unit.

An additional change includes the ability to qualify a property as blighted if that property has substantial subsurface demolition debris which prohibits that site from being used as originally intended.

FEES

There is no application fee for work plan submittals; however MEDC will bill the Brownfield Redevelopment Authority that submitted the plan for actual costs incurred for the review.

For more information, contact the MEDC Customer Assistance Center at 517.373.9808.

QUALIFIED LOCAL GOVERNMENTAL UNITS

CITIES

Adrian	Ferndale	Manistique	Traverse City
Albion	Flint	Marquette	Trenton
Alma	Gaastra	Melvindale	Vassar
Alpna	Gibraltar	Menominee	Wakefield
Ann Arbor	Gladstone	Midland	Warren
Bangor	Grand Haven	Monroe	Wayne
Battle Creek	Grand Rapids	Mt. Clemens	Wyandotte
Bay City	Grayling	Mt. Morris	Wyoming
Benton Harbor	Hamtramck	Mt. Pleasant	Ypsilanti
Bessemer	Harbor Beach	Muskegon	
Big Rapids	Harper Woods	Muskegon Heights	
Bronson	Hart	Norton Shores	
Burton	Hartford	Norway	
Cadillac	Hazel Park	Oak Park	
Carson City	Highland Park	Omer	
Caspian	Holland	Onaway	
Center Line	Inkster	Owosso	
Cheboygan	Ionia	Pinconning	
Coldwater	Iron Mountain	Pontiac	
Coleman	Iron River	Portage	
Crystal Falls	Ironwood	Port Huron	
Dearborn	Ishpeming	River Rouge	
Dearborn Heights	Jackson	Saginaw	
Detroit	Kalamazoo	Saint Louis	
Dowagiac	Lansing	Sault St. Marie	
East Lansing	Lincoln Park	Southfield	
Eastpointe	Livonia	Sturgis	
Ecorse	Ludington	Taylor	
Escanaba	Manistee	Three Rivers	

TOWNSHIPS

Benton Charter Township
Buena Vista Charter Township
Genesee Township
Mt. Morris Charter Township
Redford Charter Township
Royal Oak Charter Township

VILLAGES

Baldwin Village

* Public Act 146 of 2000