### MICHIGAN BROWNFIELD REDEVELOPMENT PROGRAM

# Act 381 Brownfield Tax Increment Financing

Tax Increment Financing (TIF) is a powerful funding tool that can help cover additional costs associated with redeveloping a brownfield property. The premise of brownfield TIF is simple:

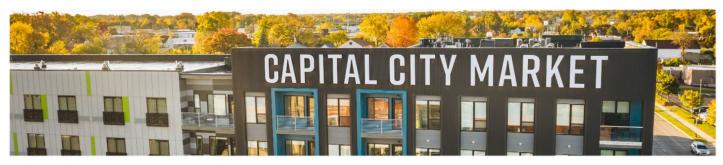
- When a vacant, blighted, contaminated, or otherwise challenged property is redeveloped it becomes more valuable.
- The increase in value results in an increase in property taxes paid to the municipality, school district, or other taxing authorities for that property.
- The additional tax paid due to the increased property value is referred to as the increment.
- The increment is "captured" by the taxing authority and used to reimburse the developer for the cost of addressing brownfield conditions on the property during construction.
- The brownfield activities eligible for reimbursement are defined in the Brownfield Redevelopment Financing Act (Act 381). They require local and sometimes state approval.
- Once the developer has been reimbursed for the approved eligible brownfield activities on a project, the taxing authority begins retaining all taxes collected for the property, fully realizing the increase in tax revenue from the development.

## LOCAL APPROVAL

All projects seeking to use Act 381 TIF must prepare a Brownfield Plan for the project. The plan must identify the brownfield activities to be performed as well as the estimated taxes to be generated and captured. The plan must be approved by the local unit of government and the local Brownfield Redevelopment Authority (BRA). Public hearings and notifications are required as part of this process.

### STATE APPROVAL

Projects seeking to capture state education and school operating taxes must submit an Act 381 Work Plan to the appropriate state agency for approval. The Act 381 Work Plan must include a copy of the locally approved Brownfield Plan. Environmental activities typically associated with known or suspected soil and groundwater contamination require review and approval by the Michigan Department of Environment, Great Lakes, and Energy (EGLE). Non-environmental brownfield activities including demolition, site work, and infrastructure are reviewed by the Michigan Economic Development Corporation (MEDC).





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### **ELIGIBLE ACTIVITIES**

Activities reviewed by EGLE can be divided into two categories:

- 1. Activities that require approval to use state taxes before they take place, including:
  - Due Care Activities
    - o Documentation of due care compliance
    - Activities performed to make the property safe for its intended use, such as removing contaminated soil or installing vapor mitigation systems or exposure barriers
  - Response Activities
    - Remediation Activities
    - $\circ$   $\;$  Demolition; lead, mold, and asbestos abatement under some circumstances
    - And many more (refer to the <u>Act 381 Work Plan Guidance</u> for additional eligible environmental activities)
- 2. Exempt activities that can take place prior to or without approval to use state taxes, including:
  - Phase I and Phase II Environmental Site Assessments and Baseline Environmental Assessments (BEAs)
  - Asbestos, mold, and lead surveys; hazardous materials and pre-demolition surveys
  - Due care investigations, planning, and reporting

Reach out to your local EGLE Brownfield Coordinator to discuss a specific project.

### USING TIF WITH OTHER EGLE BROWNFIELD INCENTIVES

EGLE Brownfield Loans are often used in conjunction with Brownfield TIF. EGLE loans can provide the capital often needed on the front end of development projects. The loans provide a 5-year payment-free and interest-free grace period to help with the back end of a project. The 5-year window is typically sufficient time to complete the development and generate a tax increment large enough to cover the amount of the loan payment.

EGLE Brownfield Grants can be used with Brownfield TIF. However, grant-funded activities must be clearly identified and separated from activities that will utilize Brownfield TIF to ensure the developer is not being reimbursed for costs that were paid for with the EGLE grant.

#### CONTACT US

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