



MICHIGAN STRATEGIC FUND

DATE: December 20, 2019

TO: Members of the Michigan Legislature

FROM: Jeff Mason, President
Michigan Strategic Fund

Liesl Eichler Clark, Director *YEC*
Michigan Department of Environment, Great Lakes, and Energy

SUBJECT: Brownfield Redevelopment Financing Act – CY 2018 Legislative Report

The Brownfield Redevelopment Financing Act, 1996 PA 381, as amended, requires the Michigan Department of Environment, Great Lakes, and Energy (EGLE) and the Michigan Strategic Fund (MSF) to submit a report annually to each member of the Legislature as provided in Section 16(4). Pursuant to this requirement, attached is the Calendar Year 2018 Legislative Report. Out of 289 Brownfield Redevelopment Authorities, 287 have completed the reporting requirements, 2 did not complete the report requirements for a compliance rate of 99.3 percent.

Please contact the MEDC Office of Government Relations at 517.335.1847 if you have any questions.

Attachment

Brownfield Redevelopment Financing Act Report Calendar Year 2018

The Brownfield Redevelopment Financing Act, 1996 PA 381, as amended (Act 381), requires the Department of Environment, Great Lakes, and Energy (EGLE) and the Michigan Strategic Fund (MSF) to submit an annual report to each member of the Legislature as provided in Section 16(4). There is a total of 289 Brownfield Redevelopment Authorities (BRAs) registered with the Office of the Great Seal in the State of Michigan, 287 have completed the reporting requirement, and 2 BRAs have not completed the reporting requirement, for a compliance rate of 99.3 percent. The City of Jackson BRA and City of Warren BRA did not complete reporting for their 2018 metrics prior to the report deadline. The MSF and EGLE will withhold financial support from these jurisdictions' future projects until reporting is completed.

Act 381 authorizes municipalities to create a BRA. These BRAs develop and approve Brownfield Plans, which promote revitalization of brownfield properties through the use of tax increment financing. A Brownfield Plan will identify properties on which specific eligible activities will be conducted, that will result in the increase and capture of ad valorem and specific taxes. In most cases, properties are identified by the municipality in conjunction with a developer or company interested in redeveloping that property. The developer or company who rehabilitates the property invests funds into the project to mitigate brownfield conditions and is then repaid for their brownfield related investment via capture of the increased taxable value. The jurisdiction continues to receive the predevelopment taxes (determined by the base value when the Brownfield Plan is initially approved) until the Brownfield eligible costs are reimbursed per the approved plan. At the end of the reimbursement period, the jurisdiction will receive tax revenue from the property that includes both the predevelopment taxes, plus the incremental taxes generated by the new investment.

A property eligible for brownfield tax increment financing is either a "facility" [as defined in Part 201, Environmental Remediation, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA)], "blighted," "functionally obsolete," a "historic resource" property, is a "transit-oriented development" or "transit-oriented property", is part of a "targeted redevelopment area" as defined in Act 381, or property that is adjacent or contiguous to eligible property as described in the Act.

Approval from EGLE is required for all Act 381 work plans for projects where taxes levied for state school operating purposes will be captured to pay for environmental eligible activities, such as due care and response activities under the NREPA.

Approval from the MSF is required for all Act 381 work plans for projects where taxes levied for state school operating purposes will be captured to pay for non-environmental eligible activities, such as demolition, lead, asbestos or mold abatement, site preparation, and infrastructure improvements that directly benefit the eligible property.

Local jurisdictions may also approve Brownfield Plans that only utilize local tax capture to reimburse eligible activity costs and forgo state tax capture for reimbursement (local-only plans).

To enable legislators to easily identify projects within their respective districts, the data is being presented by county with the address of each brownfield project detailed in the report. The information is based on approved local-only plans and Act 381 work plans in which tax increment revenues (TIR) were collected in the 2018 tax year.

A total of 149 BRAs reported that they did not collect or reimburse any TIR for the 2018 tax year. A total of 140 BRAs had either local-only plans or Act 381 work plans actively collecting and/or reimbursing TIR across the state. The total amount of TIR collected during 2018 was \$52,822,755 resulting from a cumulative increase in taxable value of \$1,163,236,753 at these designated project sites.

Of the actively collecting Act 381 work plans, 53 plans reported only environmental expenditures (for eligible activities approved by EGLE), 131 plans reported only non-environmental expenditures (for eligible activities approved by the MSF), and 79 plans reported both environmental and non-environmental eligible activity expenditures. There were also 150 local-only plans with expenditures, that were reported as actively collecting.

The data is self-reported by each BRA. A sample of approximately 15 percent of the BRAs reporting tax capture have been validated by EGLE staff.

The State Brownfield Redevelopment Fund (SBRF) was created in accordance with Section 8a of Act 381 and includes capture of 50% of taxes levied for state education tax purposes from each eligible property included in a brownfield plan after January 1, 2013. The 2018 reporting year is the fourth year in which the fund has received payments. Up to 15% of the amounts deposited annually into the SBRF may be used to pay administrative costs to implement the Act. Through November of 2018, these funds were used to reimburse the MSF for the cost associated with the Act 381 reporting portal, which is now fully reimbursed. The remaining 85% of the taxes allocated for the SBRF were distributed to the MSF and EGLE per Section 8a(3)(b-c) of Act 381. State Brownfield Funds collected to date are \$474,687. A program is being developed for use of the funds for a future grant and loan program.

In 2017, Act 381 legislation was amended to include Transformational Brownfield Plans (TBP). In addition to property tax capture, TBPs allow construction period sales and use tax exemptions and capture of construction period income tax revenues, as well as post-construction income and withholding tax capture. Two TBP projects have been approved to date – one project located in the City of Detroit was approved in 2018 and a second project located in the Village of Vicksburg was approved in 2019. For the 2018 tax year, tax capture has not yet begun and there has been no reimbursement for either project.

