

# **2010 MEDC BROWNFIELD PROGRAM GUIDELINES**

## **PROGRAM OBJECTIVES**

The intent of the Michigan Economic Development Corporation's (MEDC) Brownfield Redevelopment Program is to promote the redevelopment of brownfield property through the reuse of contaminated, blighted and functionally obsolete property. The Program is designed to address existing brownfield conditions on sites in order to make them competitive with comparable greenfield sites. In addition, the Program is designed to address weak market conditions, high risk and other negative business factors that prevent the redevelopment of brownfield property in order to spur private development activity and investment on brownfield sites, particularly in urban areas.

The Michigan Economic Growth Authority (MEGA) will evaluate brownfield redevelopment projects for both Michigan Business Tax (MBT) Credits and Act 381 Work Plan requests following two principles:

- State and local Tax Increment Financing (TIF) will be utilized to capture and reimburse the costs of addressing the brownfield conditions on a brownfield site as compared to a greenfield site, and;
- Brownfield MBT Credits will also be considered in addressing cost differences, development risks, and/or other relevant local market conditions. Additionally, the Brownfield MBT Credits will be based upon an analysis of market conditions, expected return on investment (ROI), justification of the ROI versus a non-incented project, and other relevant factors. The host community must demonstrate strong support for the project in order to receive consideration for MBT Credits. Examples of local support include, but are not limited to, tax increment financing, tax abatements, land cost write-downs, Neighborhood Enterprise Zones, Obsolete Property Rehabilitation, local revolving loan funds, and façade grants.

The Program Guidelines reflect current policies of the Brownfield Program and replace any information previously issued. This document is intended to be a guide for local Brownfield Redevelopment Authorities (BRA), developers and practitioners. Local communities should utilize this document when making decisions on redevelopment projects that are seeking state incentives; however, note that there are local only TIF options under Act 381 that this document does not address.

## **PROJECT FOCUS**

The Brownfield Program's primary project focus includes the following types of redevelopment projects:

- Projects that are multi-story, mixed-use and located in urban areas, particularly those in traditional downtowns, a Qualified Local Governmental Unit (QLGU) or within immediate walking distance of the downtown area;
- Projects that alleviate significant contamination and brownfield conditions, or;
- Projects that have a strong economic development rationale by furthering the statewide industry diversification goals and areas of focus including access to capital, entrepreneurship, and diversification of the manufacturing base.

**SUSTAINABILITY PRIORITY**

Projects that recycle and/or reuse materials on site and also incorporate sustainable features into the design will be favorably considered, including projects that incorporate the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) Certification (or another comparable program approved by the MEDC).

**URBAN DEVELOPMENT AREA PROJECTS (UDAP) PRIORITIES**

Projects that are seeking a 20% MBT Credit must be located in the downtown or traditional commercial corridor of a Qualified Local Governmental Unit (QLGU). The following criteria will be considered by MEGA when determining an UDAP designation:

- Increases density by promoting multi-story development, with preference for three floors or greater;
- Promotes mixed-use development and walkable communities;
- Promotes sustainable development, with preference for LEED certification (or another comparable program approved by the MEDC);
- Addresses area wide redevelopment and includes multiple properties;
- Addresses underserved markets of commerce; and
- Any other criteria determined by the Michigan economic growth authority or the chairperson of the MEGA.

**OTHER PROJECT CONSIDERATIONS**

- Retail projects, unless part of a larger mixed-use redevelopment in a historically underserved market, must have a particularly compelling reason for consideration of MBT Credits. In most circumstances, the MEGA will not consider MBT Credits for "big box" retail operations or single-story strip malls.
- The MEGA will generally not support the use of state school TIF for reimbursement of public infrastructure or site preparation if the project is not in a Qualified Local Governmental Unit, regardless of the qualifying status of the property. In addition, the MEGA strongly discourages an artificial adjustment in the base taxable value on a project, such as resetting the base taxable value to zero through inclusion of a non-tax reverted property into a county land bank program. In such instances, the MEGA may require projects to include a measure to adjust capture in order to maintain payment to the state school taxes based on the base taxable value prior to the resetting to zero.
- Projects that have a single tenant being the State of Michigan or the federal government may be supported by TIF if that assists in eliminating the brownfield conditions on the property and will not be supported with brownfield MBT Credits unless there is a strong economic development rationale.
- Housing projects located within distressed, high density urban areas and that act as a catalyst to significantly improve a neighborhood will be considered on a case-by-case basis. Low-income housing projects may be considered, but preference will be given to market rate or projects with a mix of low-income and market rate housing.

## PROJECTS SEEKING INTEREST

The MEDC will be guided by the MEGA Resolution 2008-187 for MEGA TIF projects seeking interest reimbursement. Projects seeking interest will be considered when clearly supported by the local Brownfield Redevelopment Authority and municipality and also where the interest estimate is clearly outlined in the Brownfield Plan and Act 381 Work Plan.

- Interest will generally be reimbursed at an amount not to exceed 5%, unless the interest for reimbursement is tied to a bond note issued by a local unit of government, Brownfield Redevelopment Authority, or similar public agency to support the cost of public infrastructure.
- Interest will be reimbursed based on a simple interest calculation that is based on the Eligible Activities being supported by the MEGA. Actual interest costs may be higher due to compounding interest; however, the MEGA's approval for reimbursement of interest will be limited to simple interest calculation.
- For projects supported with interest, the MEGA will, in most cases, not limit the Eligible Activities on which interest is calculated.

## ACT 381 WORK PLAN MEGA ELIGIBLE ACTIVITIES

The Brownfield Redevelopment Act (Public Act 381 of 1996) provides municipalities with Brownfield redevelopment tools by allowing for the capture of incremental local and school property taxes to reimburse for non-environmental MEGA Eligible Activities on Eligible Property, including demolition, lead and asbestos abatement, site preparation and infrastructure improvements. Reimbursement for the cost of demolition and lead and asbestos abatement may be approved for Eligible Property located in any municipality in Michigan. In addition, Eligible Property located in municipalities that also qualify as a Qualified Local Governmental Unit (QLGU) (see list [here](#) adopted by the State Tax Commission on August 25, 2009) may also seek reimbursement for the costs of site preparation and infrastructure improvements. Eligible Properties include those that are a facility, blighted or functionally obsolete.

It is recommended that applicants provide as much detail as possible for each proposed activity, including existing conditions which make the activity necessary. Separate from this document, additional detailed guidance for MEGA Eligible Activities under Act 381 Work Plan requests is available and can be found at [www.themedc.org/brownfields](http://www.themedc.org/brownfields).

## MEDC BROWNFIELD PROGRAM [WEBSITE](http://www.themedc.org/brownfields) - NEW!

The new Program website is meant to be a resource and should be the first place to check for information including fact sheets, policies, the most up-to-date application forms, and program updates. The list below is available now and can be found at [www.themedc.org/brownfields](http://www.themedc.org/brownfields).

- Program Fact Sheet
- MBT Part I Application
- MBT Amendment Application
- Updated Act 381 Work Plan Instructions
- Updated Act 381 Work Plan Template
- Eligible MEGA Non-Environmental Activities Guidance
- MEGA Brownfield Interest Policy

Feel free to contact the Brownfield Redevelopment Program Staff for more information.

- Eric P. Helzer - [helzere@michigan.org](mailto:helzere@michigan.org) or 517-241-5230
- Sarah Latta Rainero - [raineros@michigan.org](mailto:raineros@michigan.org) or 517-241-4801