




MICHIGAN STRATEGIC FUND

DATE: December 16, 2016

TO: Members of the Michigan Legislature

FROM: Steve Arwood, President
Michigan Strategic Fund

C. Heidi Grether, Director 
Michigan Department of Environmental Quality

SUBJECT: Brownfield Redevelopment Financing Act – CY 2015 Legislative Report

The Brownfield Redevelopment Financing Act, 1996 PA 381, as amended, requires the Michigan Department of Environmental Quality (MDEQ) 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 2015 Legislative Report. Out of 295 Brownfield Redevelopment Authorities, 295 have completed reporting, for a compliance rate of 100 percent.

Please contact the MEDC Office of Legislative Affairs at 517.335.1847 if you have any questions.

Attachment

Brownfield Redevelopment Financing Act Report Calendar Year 2015

The Brownfield Redevelopment Financing Act, 1996 PA 381, as amended (Act 381), requires the Michigan Department of Environmental Quality (MDEQ) and the Michigan Strategic Fund (MSF) to submit an annual report to each member of the Legislature as provided in Section 16(4). There are a total of 295 Brownfield Redevelopment Authorities (BRAs) registered with the Office of the Great Seal in the State of Michigan, and 295 have completed the reporting requirement, for a compliance rate of 100 percent.

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 was initially approved) until the Brownfield eligible costs are paid off.

A property eligible for brownfield development 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)]; is "blighted," "functionally obsolete," or "historic" property; or is "contiguous or adjacent" property, as defined in Act 381.

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

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

Local jurisdictions may also approve Brownfield Plans that only utilize local taxes 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 2015 tax year.

A total of 170 BRAs were compliant with reporting requirements, but did not collect or reimburse any TIR for the 2015 tax year. A total of 125 BRAs had 467 Local-only Plans and Act 381 work plans, actively collecting and/or reimbursing TIR across the state. The total amount of TIR collected during 2015 was \$48,879,233 resulting from a cumulative taxable value increase of \$1,988,655,180 at these designated project sites.

Of the actively collecting Act 381 work plans, 37 reported only environmental expenditures (for eligible activities approved by MDEQ), 84 reported only non-environmental expenditures (for eligible activities approved by MSF), and 46 plans reported both environmental and non-environmental eligible activity expenditures. Of the actively collecting there were 192 Local-only Plans with expenditures.

The data is self-reported by each BRA. A sample of up to 15 percent of the Act 381 work plans reporting tax capture has been validated by MDEQ staff.

Please see the attached spreadsheet for detailed reporting information.

