Michigan Association of Counties Annual Conference

Strategic Use of Brownfield Incentives In Your County

Jeff Hawkins, CEO

September 20, 2022

Presentation Outline

- Overview
- Economic Development = Brownfield Redevelopment
- Brownfield Basics
- Brownfield Redevelopment Authorities and Land Bank Authorities – *A Collaborative Advantage*
- Project Examples
- Wrap up and Q&A

Overview

What do you have to work with?

Overview

- What are your community's plans, needs, wants, desires?
  - Housing, greenspace, ag, manufacturing, etc.
- What are your community's strengths, weaknesses, opportunities and threats?
  - Natural resources, quality of life, lack of infrastructure, land-locked, new manufacturing, blight, aging workforce, etc.
- What is your current economy?
  - Growing, shrinking, stagnant, etc.
  - Pandemic-induced issues

Overview

- Vacant Land – "Spec" buildings, industrial park, etc.
- Reuse vs. Recycle
  - Buildings and property salvageable?
  - Infrastructure and utilities available and adequate?
  - Recycle and start over?
- Communities re-focusing on existing assets
  - Desire to strengthen urban cores – "Placemaking"
  - Minimize sprawl, preserve greenspace and agricultural lands
  - Market for vibrant, creative communities
  - Environmental movement – environmental justice, energy costs, global warming, LEED, sustainable development, green "_____"

Overview

- Economic Development vs.(=) Brownfield Redevelopment
  - Need to include in the discussion
  - How many have an active brownfield redevelopment authority?
  - Is the resource available in your community?
  - "We don't have any brownfields in our community?"
  - How many have an active land bank authority?
    - If no county land bank, can use State Land Bank Authority
  - Brownfield Redevelopment Authorities and Land Bank Authorities are two of the most powerful local economic development tools available in Michigan.

What are Brownfields? - U.S. EPA Definition

Real property, the expansion, redevelopment, or reuse of which **<u>may</u>** be complicated by the presence or **<u>potential</u>** presence of a hazardous substance, pollutant or contaminant.

The State of Michigan Definition

Facility:
Contaminated

Blighted: Public nuisance, dangerous, eyesore, or property owned or under control of a Land Bank

Functionally Obsolete:
Can't be used for its original purpose

Historic Resource:
Historic building or structure

Other potential properties:

- Tax Reverted Property
- Targeted Redevelopment Area
- Adjacent and Contiguous
- Transit-Oriented Property or Development

Examples of Brownfields

- Landfills and dump sites
- Mine-scarred lands
- Industrial sites
- Commercial facilities
- Publicly owned/government buildings and land
- Vacant schools
- Former health care facilities
- Abandoned and vacant buildings
- Dry-cleaning facilities
- Gas stations
- Railroad yard
- Vacant land
- Distressed housing
- "Main Street" buildings

Site (Re)Development Challenges

- Apparent/obvious disinvestment
- Known or perceived environmental contamination (soil, groundwater, unknown)
- Lead and asbestos concerns
- Underground storage tanks
- Need for total or partial demolition
- Lack of infrastructure
- Corporate "moth-balled" sites
- Junk/debris

Benefits of Brownfield Redevelopment

- Increase investment, jobs, and revenue
- Opportunity for focused redevelopment, e.g., workforce housing
- Reuse existing infrastructure
- Encourage redevelopment
- Recovery of tax base
- Improve value of surrounding property
- Preserve historic and cultural community icons
- Conduct environmental cleanup
- Reduce sprawl

Brownfield Redevelopment Authorities

- Established under the Brownfield Redevelopment Financing Act (PA 381 of 1996, as amended)
- Broad range of capabilities
- Primary use:
  - Provide funding/financing of brownfield eligible activities that may create a project financing gap
    - Brownfield Plans – Tax increment financing
    - Secure and Implement Grants/Loans – EPA, EGLE, LBRF

Land Bank Authorities

- Established under the Land Bank Fast Track Act (PA 258 of 2003, as amended)
- Broad range of capabilities
- Primary use:
  - To assist governmental entities in the assembly and clearance of title to property in a coordinated manner that will maximize local policy goals
  - To facilitate the use and development of certain property including tax-delinquent, tax-reverted and abandoned properties
  - To promote economic growth

Land Banks and Brownfield Redevelopment Authorities

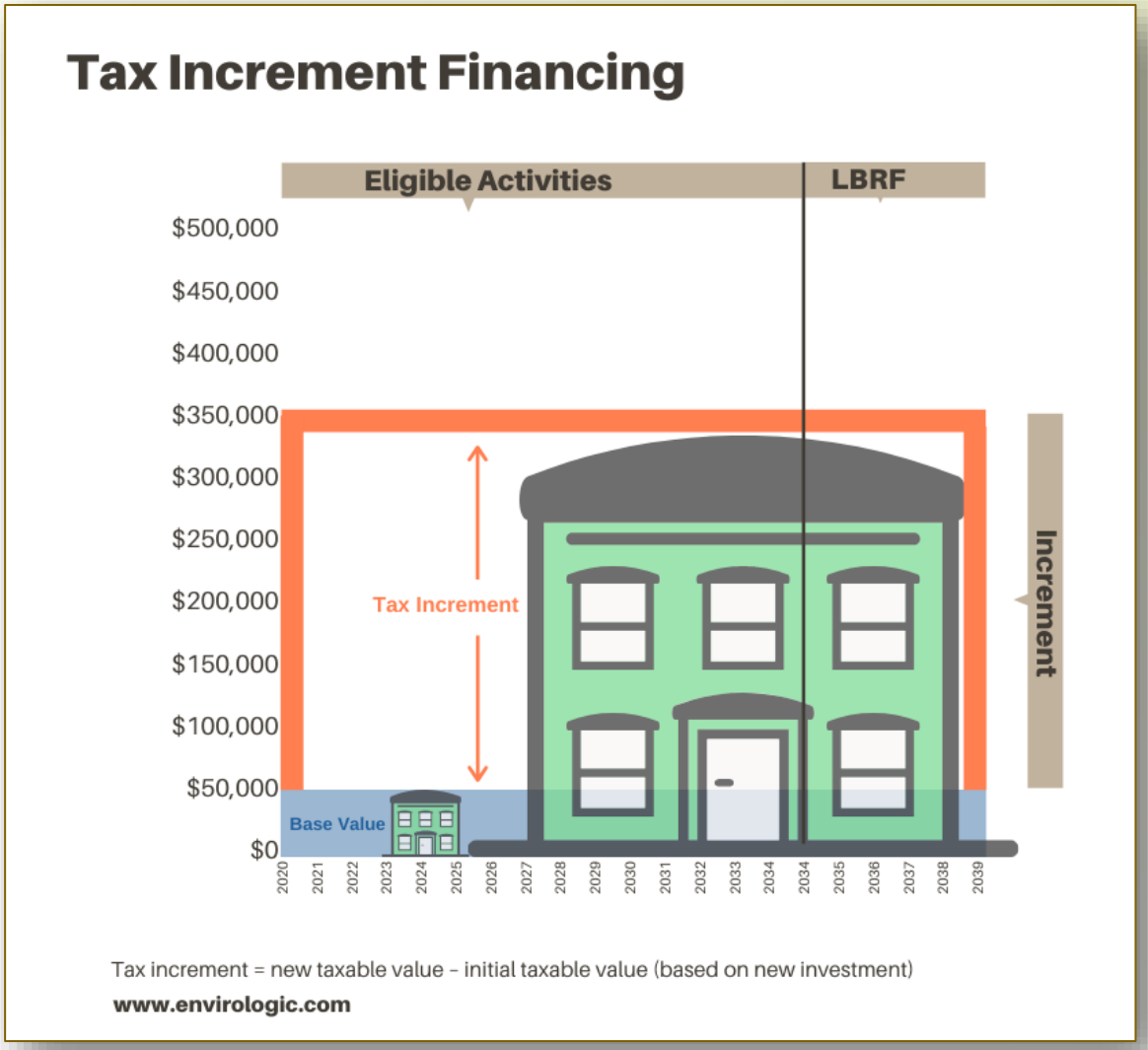
- Powerful and uniquely flexible local economic development resources.
- Can act as a facilitator to economic development/redevelopment.
- Can act as developer/landowner.
- Allows projects to move forward that become stalled due to site conditions and/or financing gaps.
- Requires patience, innovation, stamina and an open mind.
- Strengthens incentives that can attract investment in communities.

Brownfield Plans and Tax Increment Financing (TIF)

Brownfield Plans and TIF

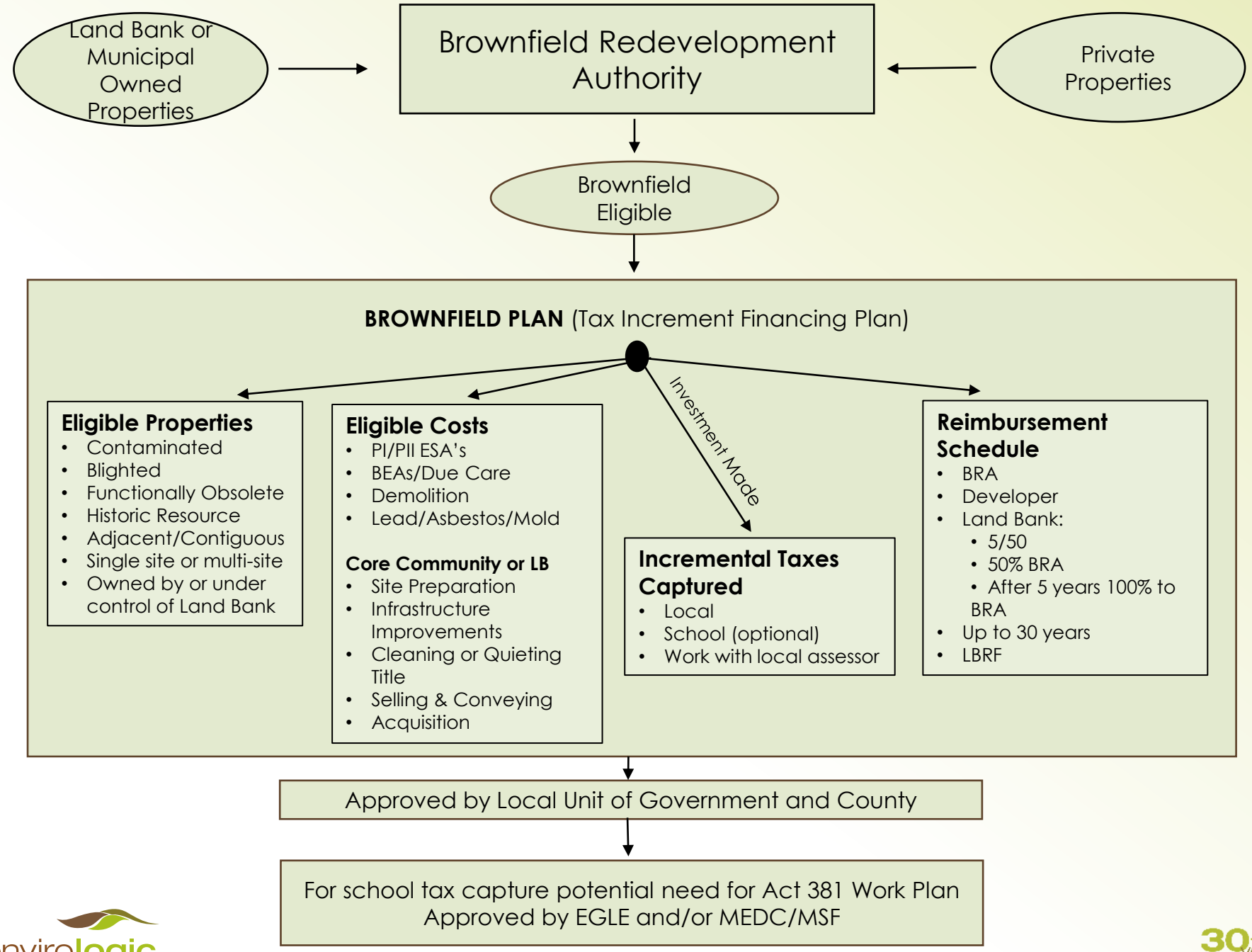
- Method to finance eligible activities by capturing local and state tax increment revenue (TIR)
  - Plan term – maximum 35 years
  - TIR capture – maximum 30 years
  - TIR can be used to reimburse developer (or others) incurred eligible brownfield costs
  - TIR can be used to support attainable housing
  - TIR can be used to reimburse loans from EGLE (Michigan Department of Environment, Great Lakes and Energy)

Brownfield Plans and TIF



Tax Increment Financing

- The New (Incremental) Taxes are used to reimburse the party that financed (Developer and/or Authority) the Eligible Activities Described in the Brownfield Plan.
  - Tax Increment = new taxable value – initial taxable value (based on new investment)
  - Plans limit cost of Eligible Activities to be reimbursed and the amount of time for reimbursement
  - Once the Plan reaches one of these limits, it is ended, and all future tax increment accrues to the individual taxing jurisdictions.


Land Bank or Municipal Owned Properties
Brownfield Redevelopment Authority
Private Properties
Brownfield Eligible
BROWNFIELD PLAN (Tax Increment Financing Plan)
Eligible Properties
• Contaminated
• Blighted
• Functionally Obsolete
• Historic Resource
• Adjacent/Contiguous
• Single site or multi-site
• Owned by or under control of Land Bank
Eligible Costs
• PI/PII ESA's
• BEAs/Due Care
• Demolition
• Lead/Asbestos/Mold
Core Community or LB
• Site Preparation
• Infrastructure Improvements
• Cleaning or Quieting Title
• Selling & Conveying
• Acquisition
Investment Made
Incremental Taxes Captured
• Local
• School (optional)
• Work with local assessor
Reimbursement Schedule
• BRA
• Developer
• Land Bank:
• 5/50
• 50% BRA
• After 5 years 100% to BRA
• Up to 30 years
• LBRF
Approved by Local Unit of Government and County
For school tax capture potential need for Act 381 Work Plan Approved by EGLE and/or MEDC/MSF

What are "Eligible Activities"? *(Redevelopment Expenses)*

Brownfield Plan

- EGLE Department Specific Activities (Environmental):
  - Phase I and II ESAs, BEAs, Due Care activities, response activities, removal and closure of USTs, disposal of solid waste, dust control, specialized foundations, removal and disposal of lake or river sediments, industrial cleaning, certain sheeting or shoring, lead, mold or asbestos abatement
  - Demolition that is required to address environmental site issues
  - Infrastructure improvements and site preparation for *landfill facilities that meet certain criteria
- MSF Non-Environmental Activities
  - Demolition, lead and asbestos abatement
  - Site preparation (**Core Communities, Land Bank)
  - Public infrastructure (**Core Communities, Land Bank)
- Preparation of Brownfield Plans and Work Plans
- Brownfield Plan and Work Plan implementation
- Administrative costs of the BRA

**15 or more contiguous acres, location not economically distressed*
***The CORE Communities list currently has 148 qualifying communities*

Brownfield Plans and Land Banks

Land Bank expands eligible activities (Non-core communities)

- Site Preparation
- Infrastructure Improvements
- Quieting title
- Selling and Conveying
  - Marketing the property
  - Closing costs
  - Seller's concession = difference between cost of construction and home appraisal or qualified purchaser's mortgage or rent.
  - Legal costs associated with title work, secondary agreements, lending agreements, or other legal agreements associated with home affordability
- Multi-site plans – tax increment shared across sites in plan
  - Higher value properties (market rate) can be leveraged to support affordable/attainable housing
- Covering these costs allow rents/sale prices to be lower

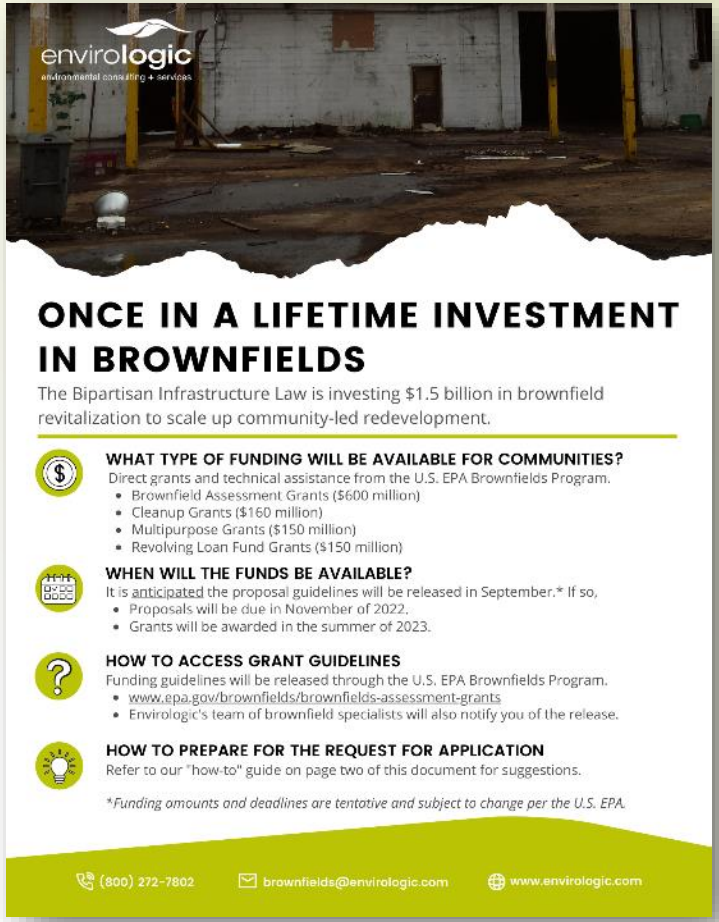
Brownfield Plan Implementation

- Per pupil school funding is not affected when school tax millages are captured in a Brownfield Plan;
- Reimburses eligible brownfield costs only if project creates tax increment from new investment and the taxes are paid;
- Reimburses Authority expenses and funds LBRF for future projects throughout the county.

Other Brownfield Redevelopment Funding Tools

Federal Funding Tools - *Infrastructure Law*

- Bipartisan Infrastructure Law – Includes a historic investment in brownfields
  - $1.5 billion investment in the EPA's Brownfields Program over five years (Approximately $300 million/yr.)
  - Brownfield Assessment Grants ($600 million) over 5 years
  - Cleanup Grants ($160 million)
  - Multipurpose Grants ($150 million)
  - Revolving Loan Fund Grants ($150 million)
- Targeted Brownfield Assessments
- TAB – Technical Assistance to Brownfield Communities
- Applications due November 22, 2022



Federal Funding Tools - *U.S. EPA Grants*

- Competitive
- Allocated annually
- Eligible Recipients include
  - Local Units of Government
  - Land Clearance Authority
  - Regional Council or Group of General Purpose Units of Governments
  - Redevelopment Agency
  - States and Tribes
  - 501(c)(3) Non Profits (including LLCs and LPs made up of 501(c)(3) members
  - Qualified Community Development Entities

State Funding Tools – *Michigan Department of Environment, Great Lakes and Energy (EGLE)*

- Brownfield Redevelopment Assessments, Section 128(a) – federal funding
- Brownfield Redevelopment Grants and Loans
  - Renewing Michigan's Environment Program
    - $10 million – Grants and Brownfield Site Assessments
  - Refined Petroleum Fund - $5 million – Grants and BSA (*no funding for 2023*)
  - Brownfield Loans approximately $3.5 million
  - For FY22 – more requests than funds available
  - Start planning for FY23 projects
  - Applications from LUGs, BRA's, EDC's, etc., accepted year-round

State Funding Tools – *Michigan Economic Development Corporation & the Michigan Strategic Fund (MEDC/MSF)*

- Revitalization and Placemaking (RAP)
  - $100 million ARPA funds
- New State Historic Tax Credit – application period closed for 2022
  - $5 million annual cap
- Missing Middle Housing Program – MSHDA
  - Workforce housing and "missing middle" housing
  - $50 million
  - First round opens September 19, 2022
- Other MEDC programs
- Other local programs
- Layering with Brownfield Incentives

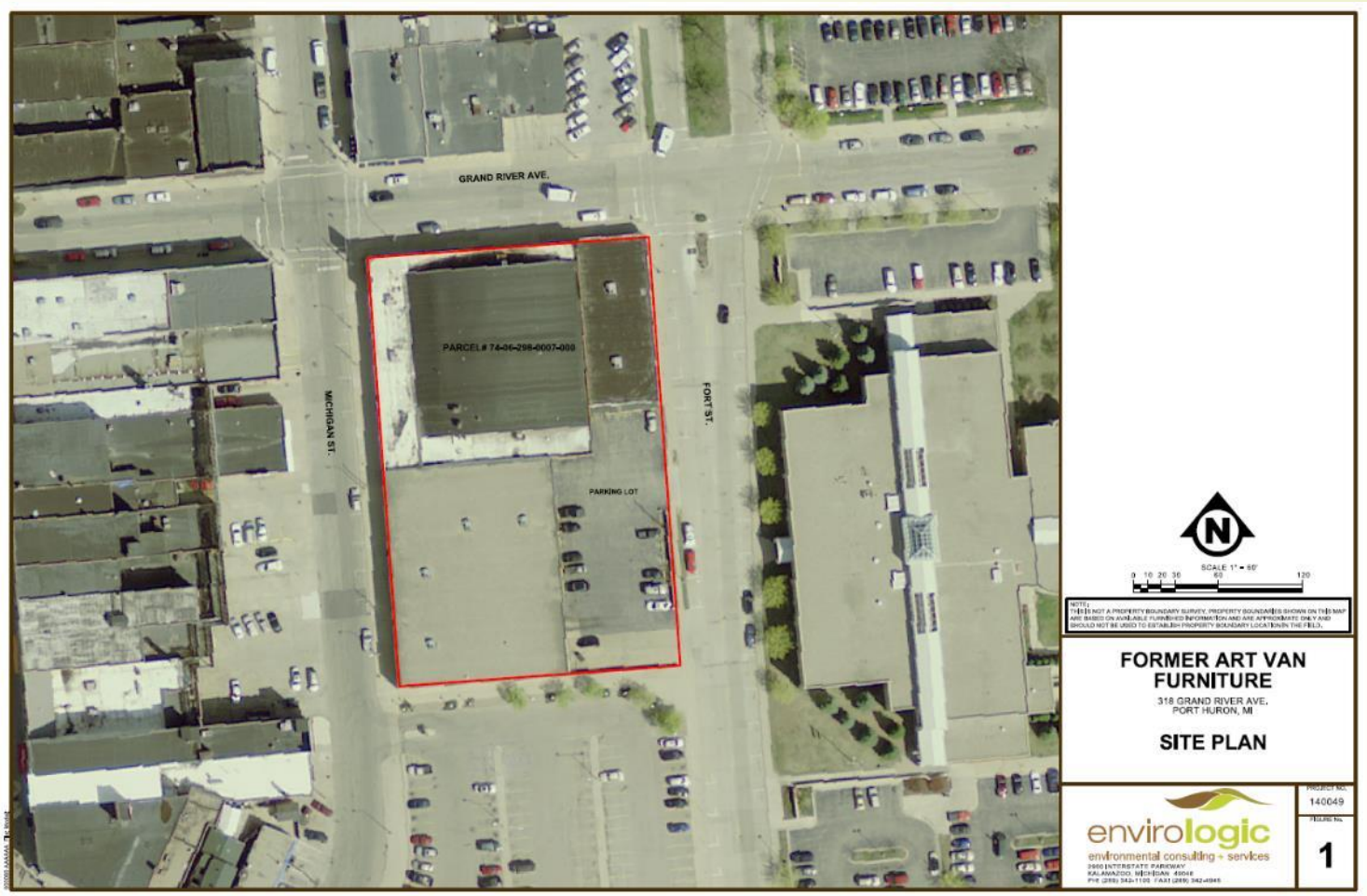
Brownfield Project Examples

Wrigley Center

Port Huron, Michigan

Population 28,743

Wrigley Center



Wrigley Center

- Former Art Van Furniture store, declared "functionally obsolete."
- Historical records show the 1.4-acre parcel was used for junkyard operations, automotive, residential, and commercial purposes since the early 1900s.
- Heavy metals were identified in the soil and groundwater in excess of cleanup criteria.
- The existing building was partially demolished.
- A four-story mixed-use building is under construction (which includes an event center with stages, a public market, restaurant, bars, commercial lease space and 36 loft apartments).
- A Brownfield Plan was developed to reimburse existing and anticipated costs incurred by the developer and the St. Clair County Brownfield Redevelopment Authority.
- "Non-environmental costs" are eligible for reimbursement through the Plan.

Wrigley Center

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environmental consulting + services

30+ years

Wrigley Center - Outcomes

Partnerships

- Landmark Port Huron, LLC
- St. Clair County Brownfield Redevelopment Authority
- St. Clair County & Port Huron City Leadership

Project Statistics

- Private Investment: $14,450,770
- Public Investment: $0
- Jobs Created: 20
- Length of BF Plan: ~21 years

Funding Sources

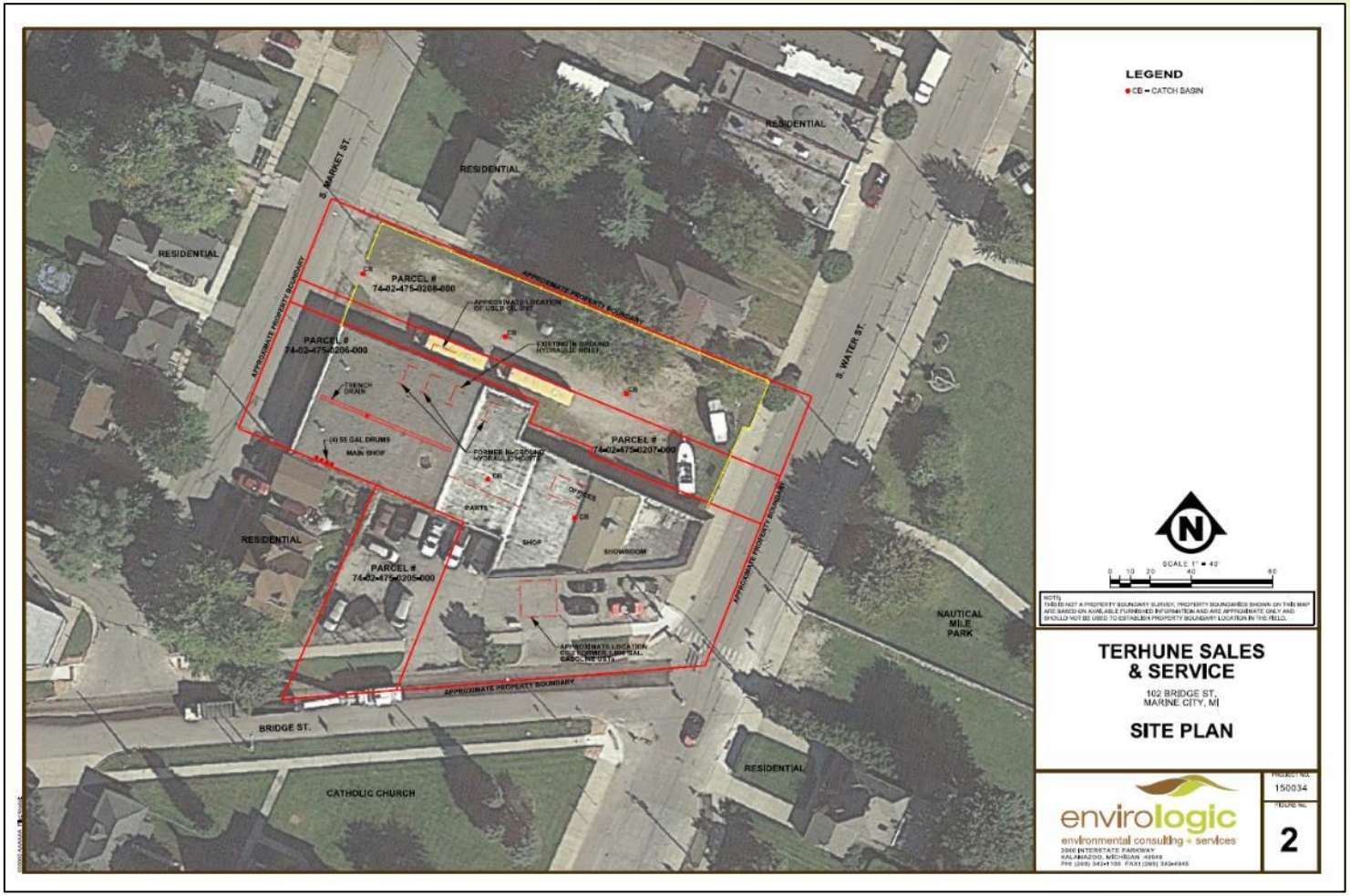
- EPA Brownfield Assessment Grant - $42,238
- Brownfield Act 381 Work Plan Tax Capture – up to $689,143
- MCRP Performance-Based Grant – up to $1,500,000
- OPRA Exemption
- Private investment - $14,450,770

Inn on Water Street

Marine City, Michigan

Population 4,083

Inn on Water Street



Inn on Water Street

- Formerly a car dealership, service center and gas station.
- On the St. Clair River.
- Contamination concerns included underground storage tanks, waste oil tanks, drains and hydraulic lifts, and contaminated soil.
- Original building demolished.
- New development supports the existing traditional downtown.
- Infrastructure improvements.

Inn on Water Street

Before

After

Inn on Water Street - Outcomes

Partnerships

- Marine City
- St. Clair County Brownfield Redevelopment Authority
- St. Clair County Economic Development Alliance
- St. Clair County EDA
- EGLE, EPA

Project Statistics

- Private Investment - $4,200,000
- Public Investment - $30,000
- Jobs Created ~15
- Length of BF Plan - 22 years
- LBRF ~$197,000

Funding Sources

- EPA Brownfield Assessment Grant - $18,000
- Brownfield TIF Reimbursement - $512,000
- MEDC Grant & Loan - $642,00
  EGLE Grant & Loan - $529,000
- Community Foundation of St. Clair County
- Marine City Tax Increment Finance Authority
- Commercial Redevelopment Exemption - $150,000
- Marine City Tax Increment Finance Authority

Teal Lake Senior Living Community

Negaunee, Michigan

Population 4,537

PARCEL #1 - TEAL LAKE SENIOR LIVING COMMUNITY
PARCEL #3 - REMAINDER PARCEL
PARCEL #2 - W. WATER ST. EXTENSION
PARCEL #3 - REMAINDER PARCEL
LEGEND
PARCEL #1 - TEAL LAKE SENIOR LIVING COMMUNITY
PARCEL #2 - W. WATER ST. EXTENSION
PARCEL #3 - REMAINDER PARCEL
N
SCALE 1" = 200'
envirologic
environmental consulting + services
TEAL LAKE SENIOR LIVING COMMUNITY
200 US-41 WEST
NEGAUNEE, MI
SITE PLAN w/ PARCEL SPLITS
3

Teal Lake Senior Living Community

- The Teal Lake Senior Living Community project served as the catalyst for the revitalization of a 32-acre vacant brownfield site that had been idle since historic mining operations ceased.
- Project involved the redevelopment of a former mining operations area with waste rock piles, contaminated soil and other debris.
- Included an extension of a road and utilities.
- Construction of a 32,000-square-foot, 40-unit assisted living facility.
- A Brownfield Plan, in conjunction with the Marquette County Land Bank, was utilized to off-set eligible environmental and non-environmental costs.

Teal Lake Senior Living Community

Teal Lake Senior Living Community - Outcomes

Partnerships

- City of Negaunee
- Hinkson Negaunee Properties LLC
- Marquette County Brownfield Redevelopment Authority
- Marquette County Land Bank

Project Statistics

- Project Investment - ~$5,572,000
- Developer Reimbursement - ~$1,500,000
- New Jobs – 26
- Property Area - 6.4 acres

Funding Sources

- EPA Brownfield Assessment Grant - $44,000
- City of Negaunee - $172,000
- Hinkson Negaunee Properties LLC - $942,000
- Marquette County Land Bank - $184,000
- Brownfield TIF Reimbursement - $2,514,000

Eddy School

City of St. Clair

Population 5,354

Eddy School

VINE ST
N. CARNEY DR
GEARING ELEMENTARY SCHOOL
PARCEL #74-07-053-0026-000
PARCEL #74-07-053-0026-000
JORDAN CREEK
PARCEL #74-07-053-0026-000
EDDY ELEMENTARY SCHOOL
PARCEL #
74-07-053-0026-000
N 9th ST
ADAM ST
PORT HURON AND DETROIT RAILROAD COMPANY
envirologic
environmental consulting + services
EDDY DEVELOPMENT LLC -
EAST CHINA SCHOOLS
200 N CARNEY DR. &
301 N 9TH ST.
ST CLAIR, MI 48079
SITE PLAN
210023
2

Eddy School

Eddy School

- Collaborative effort between land bank and school system.
- Land bank acquired property, lease back on one of the schools for three years.
- Adaptive reuse plan for two excess elementary school buildings on a single parcel of land.
- The Eddy School building has been redeveloped for an assortment of community, non-profit, and commercial office spaces.
- Vacant land between these two schools will be used for senior housing development, including assisted living and independent living.
- The second school property specific end uses are not defined.

Eddy School - Outcomes

Partnerships

- Eddy Development LLC
- St. Clair County Brownfield Redevelopment Authority
- St. Clair County Land Bank
- City of St. Clair

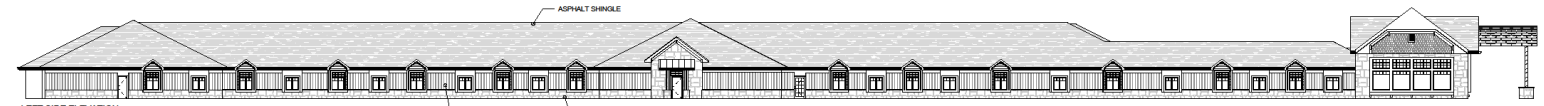
Project Statistics

- Private Investment - $25,000,000
- Public Investment - $0
- Jobs Created – 35
- 6-year Brownfield Plan
- Two schools redeveloped
- 56,000 sq.ft. senior housing
- Senior Independent living

Funding Sources

- EPA Brownfield Assessment Grant - $34,262
- Private investment - $25,00,000 ($7M for the two schools & $18M for the senior housing project.)
- Land Bank 5/50 Specific Tax
- 50/50 Split in new taxes to taxing jurisdictions and BRA
- $300,000 to developer
- $287,000 to LBRF

② FRONT ELEVATION
1/8" 1'-0"



① LEFT SIDE ELEVATION
1/16" 1'-0"

③ RIGHT SIDE ELEVATION
1/16" 1'-0"

④ REAR ELEVATION
1/8" 1'-0"

REVIEW SET NOT FOR CONSTRUCTION

ARTEC Integrated Solutions

ARTEC INTEGRATED LLC
4100 SPRING VALLEY RD.
SUITE 645
DALLAS, TEXAS 75244
TBA FIRM - 7707
TBPE ENGINEERING FIRM F-16272

PROJECT

HAMPTON MANOR OF ST. CLAIR

Enter address here

DATE:	DATE
PROJECT NO.	NO.
	DATE
REVISION	
1	
2	
3	
4	
5	
6	

Project Number

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EXTERIOR ELEVATIONS

A102

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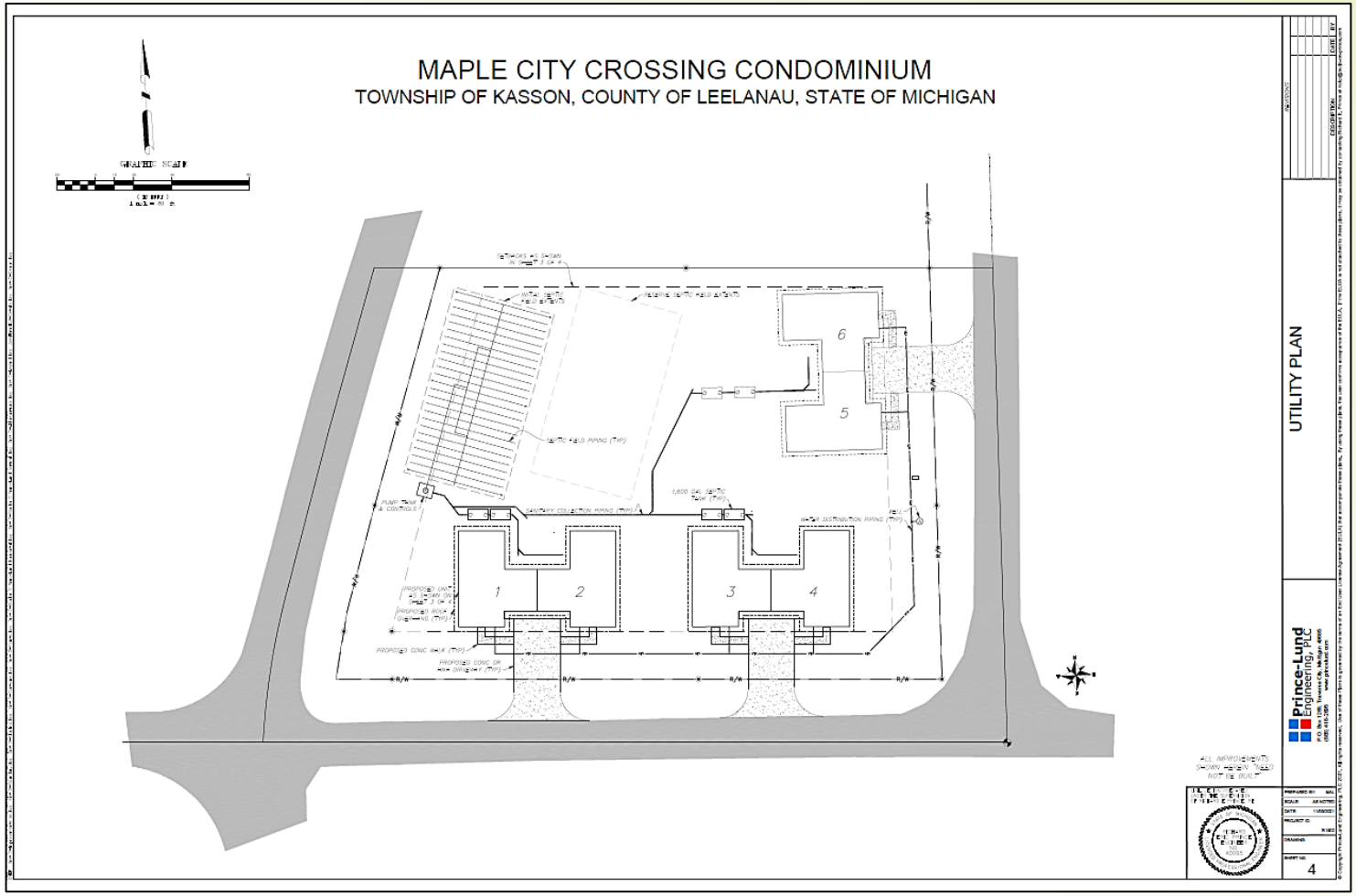
30+ years

Maple City Crossings Condominium Project

Maple City, Leelanau County, MI

Population 207 (est. 2010 US Census)

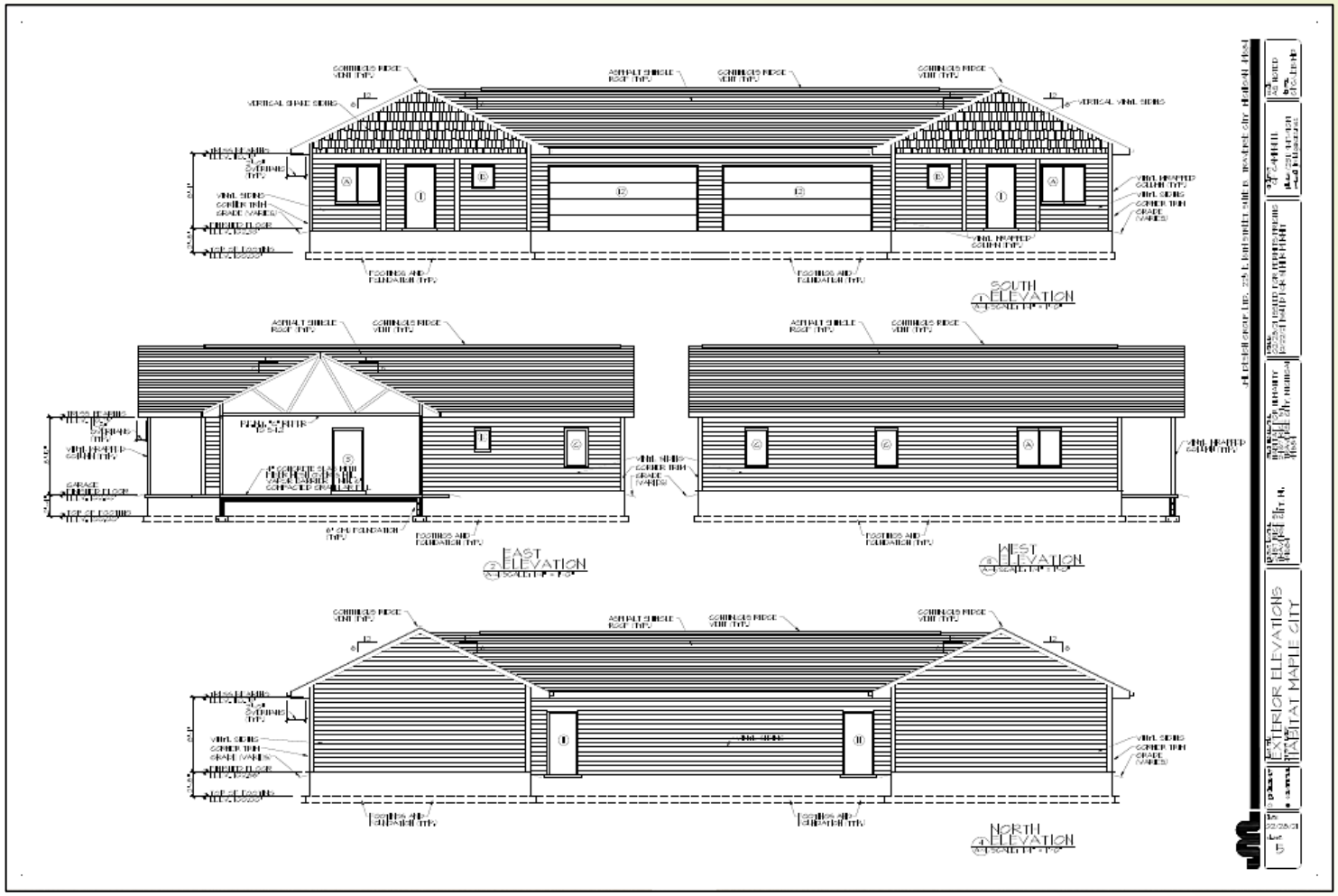
Maple City Crossings Condominium



Maple City Crossings Condominiums

- Habitat for Humanity project - property includes 3 vacant parcels.
- Construction of affordable housing including three new duplexes – total of 6 units.
- The primary "eligible activity" will help offset the cost gap associated with the affordable housing mortgage rate and the appraised market value (approx. $120,000/unit).
- The project will serve a public purpose to the community by:
  - expanding the tax base
  - adding jobs
  - investing significant capital into the community
  - creating affordable housing

Maple City Crossings Condominiums



Maple City Crossings Condominiums – Estimated Outcomes

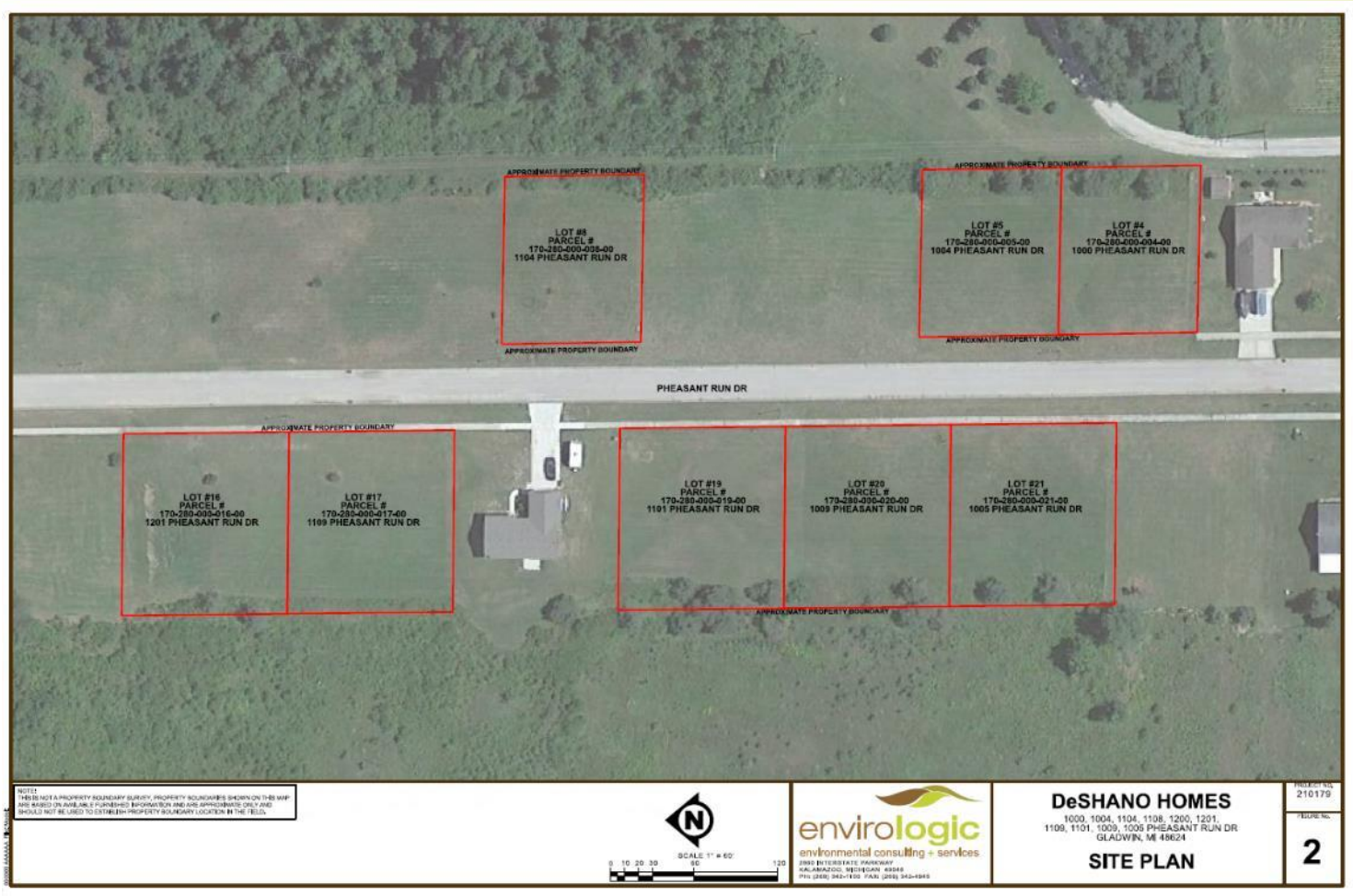
- 6,600 square feet of affordable housing
- $1,560,000 total investment
- 1 job created, 3 jobs retained
- $0 Initial Taxable Value
- $858,000 Future Taxable Value
- 30 years of Brownfield Plan capture
- $7,500 Authority administration Fees
- $3,000 amount of eligible activities to be reimbursed to Authority
- $726,000 maximum amount of Developer eligible activities
    - $292,700 estimated to be reimbursed to Developer
- $0 amount to be deposited in Local Brownfield Revolving Fund
- $37,367 capture to the Leelanau County Land Bank Authority (5/50)
- $6,565 amount to be deposited in State Revolving Fund
- challenges with local unit of government

DeShano Homes

Gladwin, MI

Population 2,888

DeShano Homes



DeShano Homes

- Vacant land owned by DeShano Homes – 8 parcels.
- Need for available, attainable housing in Gladwin.
- Increase availability of attainable housing and be conveyed to buyers making no more than 100% of the Area Median Income (AMI).
- Public-private partnership between the Gladwin County Land Bank Authority, Gladwin County Brownfield Redevelopment Authority and DeShano Homes.
- Will allow developer to convey the homes at a discounted price based on the financing abilities of the prospective purchaser.
  - Discount will be reimbursed through future property taxes.
  - This "cost of conveying the property" is an eligible activity under the Act and allows the local unit of government to assist in the construction of sorely needed attainable housing stock.

DeShano Homes

DeShano Homes – Estimated Outcomes

- 8 single-story homes approximately 1,267 square feet with an attached garage
- $1.2 million total investment
- $13,955 initial taxable value
- $606,000 future taxable value, provided by the City Assessor
- 16 years until the developer is fully reimbursed, 5 full years of LBRF capture
- $17,051 Authority administration fees
- $240,590 maximum amount of Developer eligible activities to be reimbursed (approx. $30,000/home)
- $105,436 amount to be deposited in Local Brownfield Revolving Fund
- $53,088 5/50 capture to the Gladwin County Land Bank Fast Track Authority
- $7,762 amount to be deposited in State Revolving Fund

Wrap Up

- Brownfield Redevelopment and Land Bank Authorities are very powerful economic development tools.
- Be creative and innovative when applying these tools – flexibility is possible.
- Bring Brownfield discussion to the potential development early.
- Become aware of the tools and their potential applicability to your community and/or project.
- Understand what your community/residents/elected officials will embrace.
- Not everyone is supportive of "government subsidization" or "developer enrichment."
- Recognize that one tool/incentive will likely not be the "silver solution" to help realize your goals or objectives.
- Layering tools, incentives and funding is usually necessary.
- Brownfield redevelopment is economic development.
- Have your tools and resources ready!

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