

## Brownfield Redevelopment

### Program Description

Brownfield is a term used to describe the obstacle to industrial or commercial property redevelopment caused by the threat of liability for existing contamination. In Michigan, that obstacle has been removed. Buyers and lenders are now reliably protected from liability under Michigan law.

**Liability Protection** – Title may be taken to environmentally impaired property without assuming liability for existing contamination, provided the buyer conducts a baseline environmental assessment (BEA) and discloses it to the state. Lenders may also conduct a BEA to avoid potential liability upon taking title in lieu of foreclosure.

**Reduced Remediation Costs** – Cleanup costs are now 50% lower for industrial and commercial properties with sites requiring restoration to the appropriate standard based on property reuse.

**Timely Government Response** – The Michigan Economic Development Corporation (MEDC) and the Department of Environmental Quality are working together to make brownfield redevelopment a high priority and to help expedite redevelopment projects.

### Brownfield Single Business Tax Incentives

In order to promote the redevelopment of brownfield sites, the state of Michigan provides Single Business Tax (SBT) credits on a case-by-case basis for projects that redevelop a contaminated, blighted or functionally obsolete property.

Credits are available for up to 10% of eligible investments, but no more than \$30 million. Projects with total credits greater than \$1 million need approval from the Michigan Economic Growth Authority (MEGA) with concurrence of the State Treasurer. Applications for credits are authorized by MEDC.

### Statutory Requirements

Eligible property must be designated in a locally approved brownfield plan created under the Brownfield Redevelopment Financing Act. If the property is located in a core community (qualified local governmental unit, pursuant to PA 146 of 2000), it can qualify as contaminated, blighted or functionally obsolete. If not located in a core community, then the property must be contaminated.

Recent changes to the SBT (PA 726 of 2002) require a functionally obsolete project to submit an affidavit signed by a level 3 or level 4 assessor stating that the property is functionally obsolete and the underlying basis for that opinion.

**Eligible investment** includes demolition, construction, restoration, alteration, renovation or improvement of buildings or site improvements on eligible property and the addition of machinery, equipment and fixtures. These investments must occur pursuant to a brownfield plan and after a pre-approval letter has been issued.

A qualified taxpayer must own or lease the eligible property and must certify that the Department of Environmental Quality has not sued or issued a unilateral order to the taxpayer to compel response activity on the eligible property.

### **Selection Priorities**

Credits will be awarded to projects that best meet the following criteria:

- The host community is a willing participant in the project and is making a reasonable local contribution to the project through programs such as tax increment financing (TIF), property tax abatements, Neighborhood Enterprise Zones, local revolving funds or other programs.
- The project supports development of "Cool Cities," redevelopment in core communities and downtown areas and near-downtown areas.
- Projects that, even after the Brownfield Redevelopment Authority TIF has mitigated the excess costs of the site related to brownfield conditions, still need an incentive to reuse the site due to market conditions, risk or other factors.
- Project plans that reasonably improve the condition that qualifies the project as a brownfield.
- Projects that assist our state's manufacturers in meeting the pressures of international competition by reusing existing facilities and preserving or creating new jobs.

### **Process**

All Brownfield SBT credits must be approved by the MEGA board. There is a four-step process to becoming eligible for a credit:

1. A Notice of Intent must be filed with MEGA that outlines the project and allows MEGA staff to make a determination whether the project has a reasonable chance of being approved by the chair of MEGA or MEGA board of directors.
2. An invitation to file a full application is given if the project meets both the statutory requirements and selection priorities outlined above. If the application is complete, it is forwarded to MEGA for approval or denial.
3. Approved projects receive a pre-approval letter from MEGA before eligible investments are initiated.
4. When the project is completed, the qualified taxpayer must submit a Certificate of Completion Request for the eligible investment and identify each taxpayer entitled to a credit for the project. If all requirements are met, the state will then issue a Certificate of Completion, after which the taxpayers may claim an SBT credit.

### **Fees**

- Applicants considered by MEGA for SBT credits exceeding \$1 million require a \$5,000 application fee. In addition to the application fee, there is an administrative fee of one-half of 1% of the value of the pre-approved credit. One half is to be paid prior to the issuance of the pre-approval letter, and the remainder is due one year from the date of the letter.
- Applications approved for credits of less than \$1 million will be assessed an administrative fee based on 1% of the face value of the credit to be paid at the time the Certificate of Completion is requested.

**Tax Increment Financing**

In addition to Single Business Tax credits, contaminated properties may be eligible for tax increment financing (TIF) through the Department of Environmental Quality for eligible environmental activities, including BEAs, due care and additional response activities. Tax increment financing allows projects to capture state and local property taxes to pay for costs related to brownfield sites.

Projects locating in a core community may also be eligible for TIF for non-environmental activities, including demolition, infrastructure improvements, site preparation and lead and asbestos abatement. These projects must occur on eligible property that is included in a local brownfield plan and located in a core community. Projects seeking the use of school tax capture must receive approval from the MEGA board. In addition, a development agreement between the community and the developer must be included along with a work plan detailing the eligible activities to be completed for the project.

**Fees**

There is no application fee for work plan submittals; however MEDC will bill the Brownfield Redevelopment Authority submitting the plan for actual costs incurred for the review.

For more information about this program, contact Southwest Michigan First at 269.553.9588.