

# Strategic Use of Brownfield Incentives In Your Community

Michigan Municipal Executives Winter Summit

February 2, 2023



# 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

- 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 may be complicated by the presence or potential 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)**



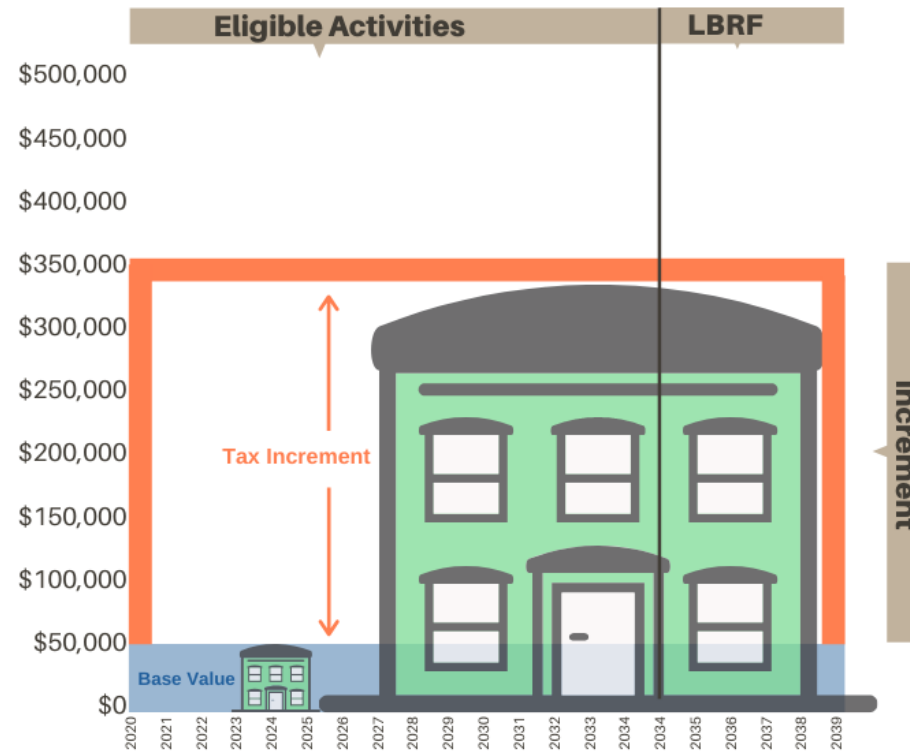
# Brownfield Plans and TIF

- **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



Tax increment = new taxable value - initial taxable value (based on new investment)

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# 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.



# 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 municipality.





# 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**
- **Application round in fall**



## ONCE IN A LIFETIME INVESTMENT IN BROWNFIELDS

The Bipartisan Infrastructure Law is investing \$1.5 billion in brownfield revitalization to scale up community-led redevelopment.



### WHAT TYPE OF FUNDING WILL BE AVAILABLE FOR COMMUNITIES?

Direct grants and technical assistance from the U.S. EPA Brownfields Program.

- Brownfield Assessment Grants (\$600 million)
- Cleanup Grants (\$160 million)
- Multipurpose Grants (\$150 million)
- Revolving Loan Fund Grants (\$150 million)



### WHEN WILL THE FUNDS BE AVAILABLE?

It is anticipated the proposal guidelines will be released in September.\* If so,

- Proposals will be due in November of 2022.
- Grants will be awarded in the summer of 2023.



### HOW TO ACCESS GRANT GUIDELINES

Funding guidelines will be released through the U.S. EPA Brownfields Program.

- [www.epa.gov/brownfields/brownfields-assessment-grants](http://www.epa.gov/brownfields/brownfields-assessment-grants)
- Envirologic’s team of brownfield specialists will also notify you of the release.



### HOW TO PREPARE FOR THE REQUEST FOR APPLICATION

Refer to our “how-to” guide on page two of this document for suggestions.

\*Funding amounts and deadlines are tentative and subject to change per the U.S. EPA.

# 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



MICHIGAN DEPARTMENT OF  
ENVIRONMENT, GREAT LAKES, AND ENERGY

# 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

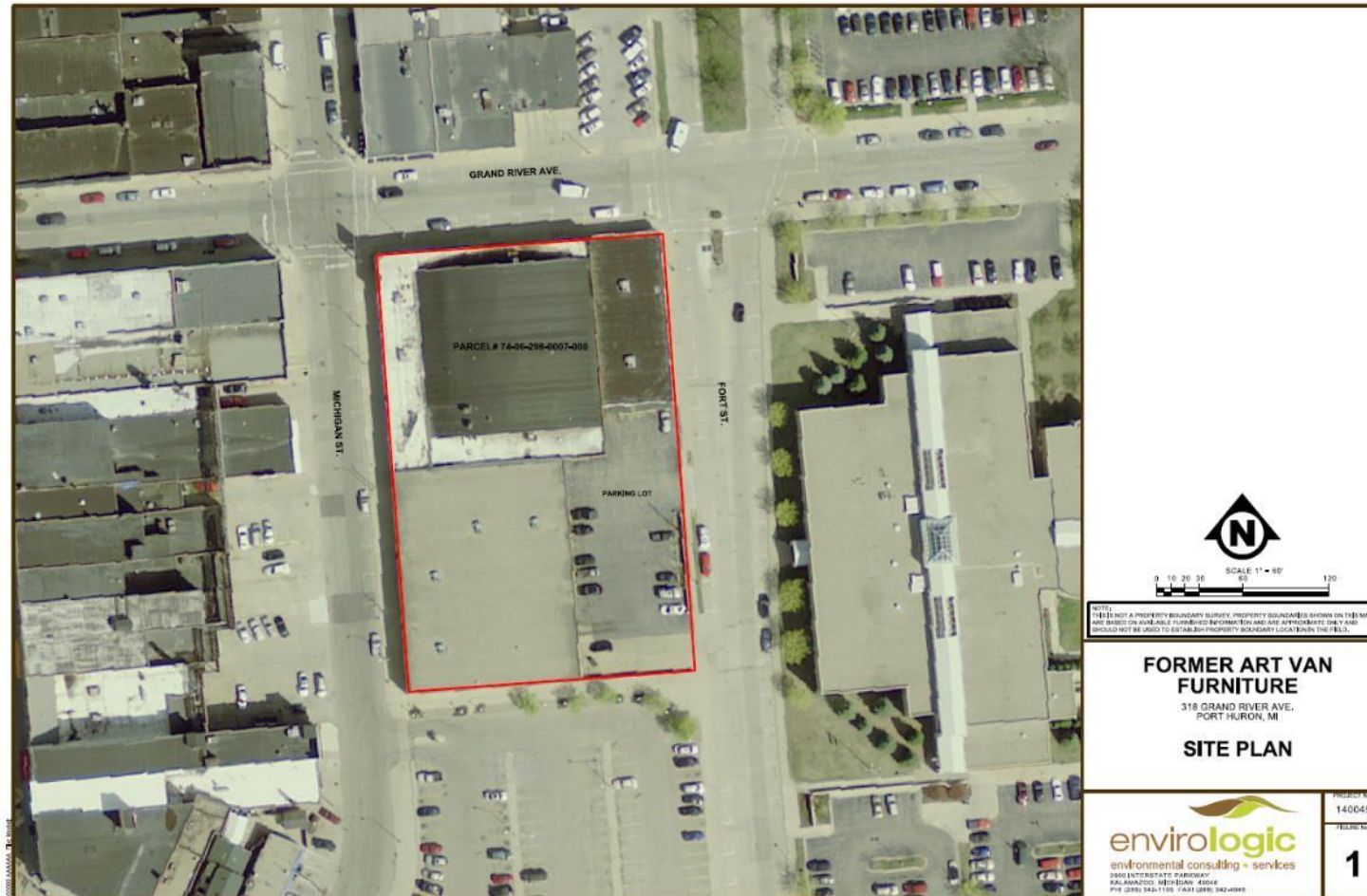


# Wrigley Center

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



# 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

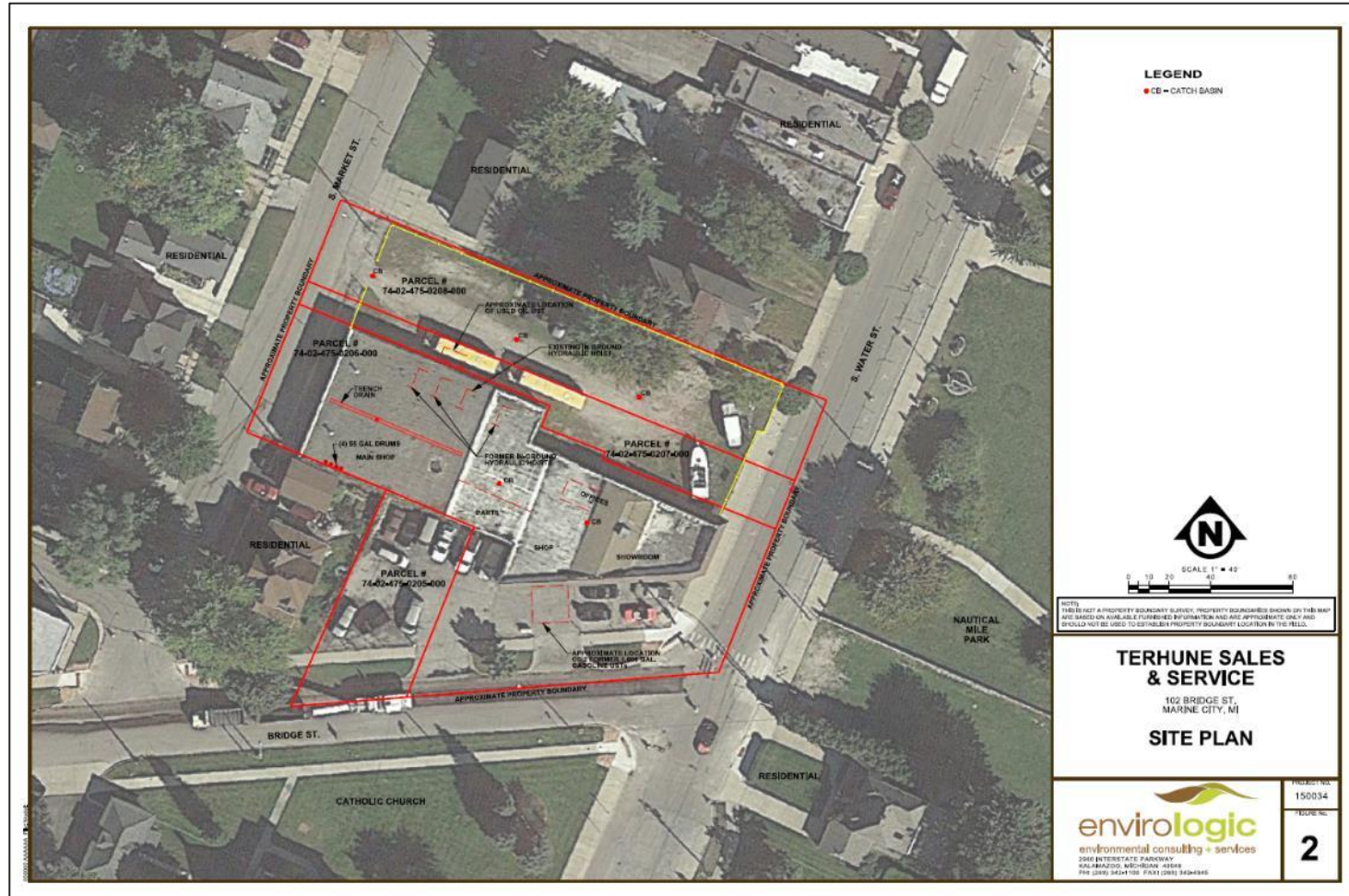
- EPA Brownfield Assessment Grant - \$42,238
- Brownfield Act 381 Work Plan Tax Capture – up to \$689,143
- MCRP Performance-Based Grant – up to \$1,500,000
- OPRA Exemption
- Private investment - \$14,450,770

# 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

## 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

## Project Statistics

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

# Teal Lake Senior Living Community

Negaunee, Michigan

Population 4,537



NOTE: THIS IS NOT A PROPERTY BOUNDARY SURVEY. PROPERTY BOUNDARIES SHOWN ON THIS MAP ARE BASED ON AVAILABLE PUBLIC RECORDS. PROPERTY BOUNDARIES SHOULD BE VERIFIED BY A SURVEYOR'S ONLY AND SHOULD NOT BE USED TO ESTABLISH PROPERTY BOUNDARIES LOCATED IN THE FIELD.

- LEGEND**
- PARCEL #1 - TEAL LAKE SENIOR LIVING COMMUNITY
  - PARCEL #2 - W. WATER ST. EXTENSION
  - PARCEL #3 - REMAINDER PARCEL



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**TEAL LAKE SENIOR LIVING COMMUNITY**  
 200 US-41 WEST  
 NE GAUNELT, MI  
**SITE PLAN w/  
 PARCEL SPLITS**

NO. OF SHEETS: 140176  
 SHEET NO.: **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

## **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

## **Project Statistics**

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

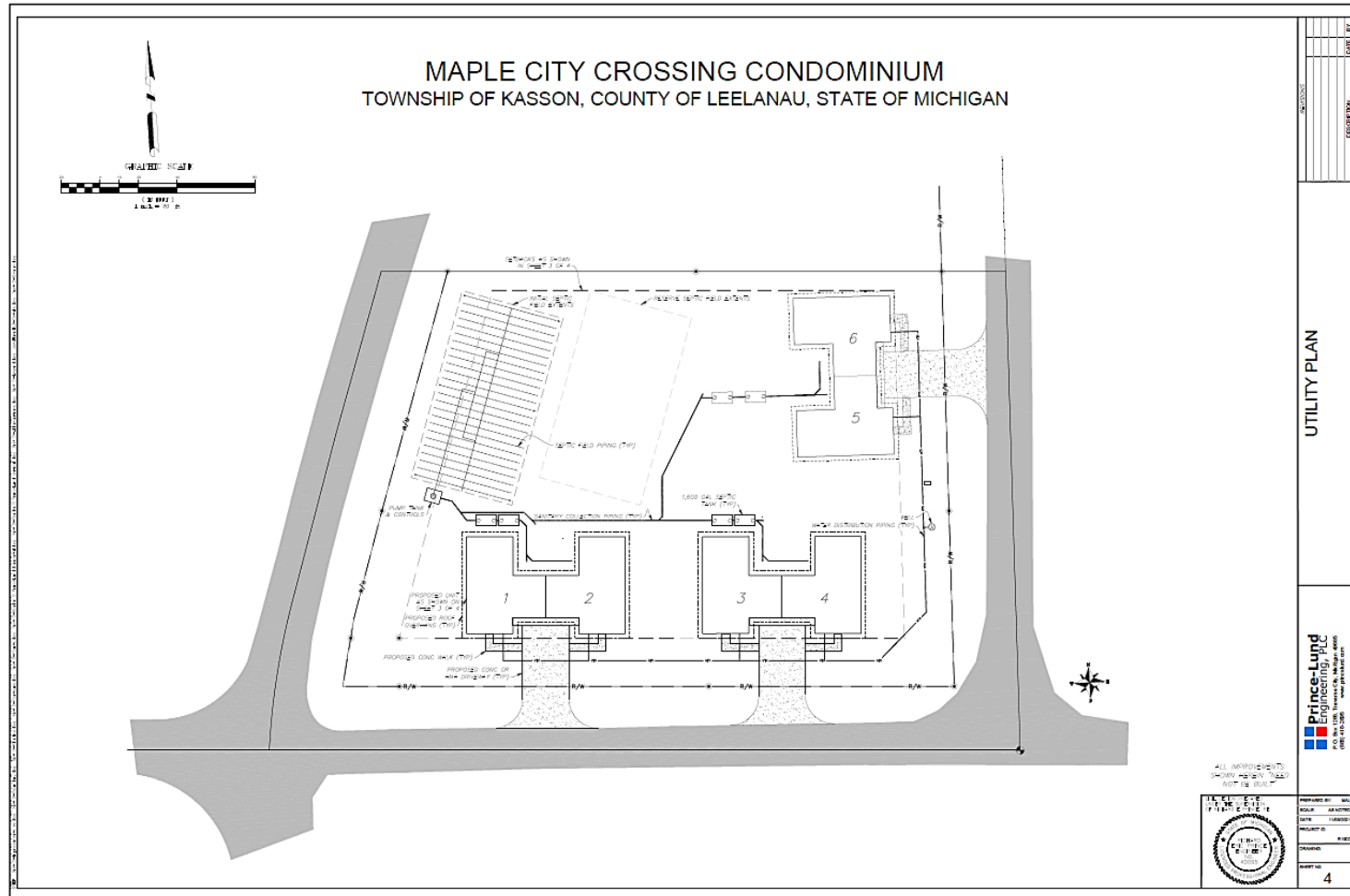


# Maple City Crossings Condominium Project

Maple City, Leelanau County, MI

Population 207 (est. 2010 US Census)

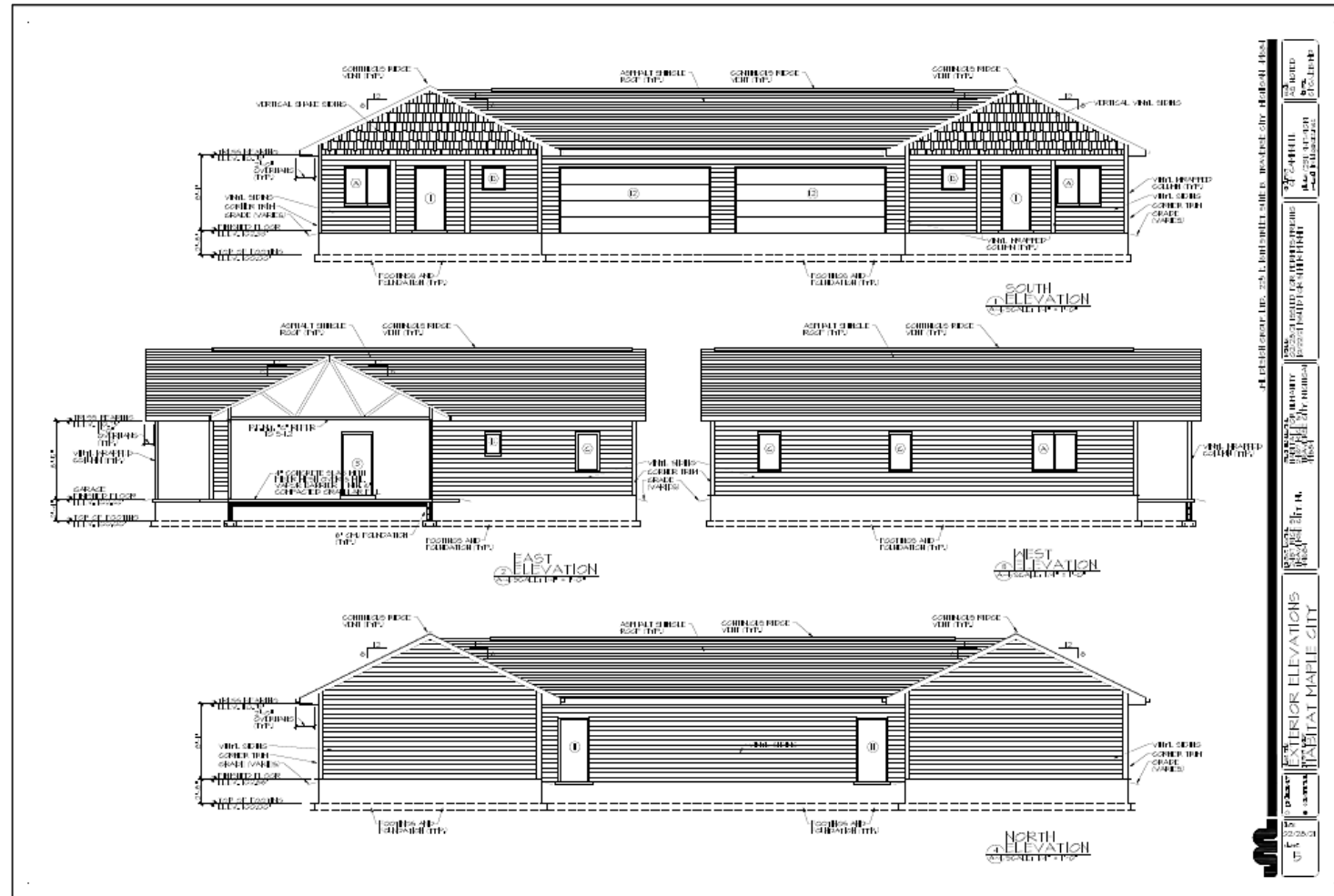
# Maple City Crossings Condominium



# 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

- 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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