

# ***2009 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.

## **SUSTAINABILITY PRIORITY**

Projects that 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, and;
- Addresses underserved markets of commerce.

### 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.

#### RECENT STATUTORY CHANGES

- Projects with a Brownfield MBT Credit Pre-Approval Letter issued after April 8, 2008 are eligible for tax credits up to 12.5% of the Eligible Investment for the project. Eligible Investment includes project hard costs, with the exception of architectural fees, engineering fees, and surveying costs (MCL 208.1437 (32)(D)). Projects with a Pre-Approval Letter issued prior to April 8, 2008, will continue to receive a 10% Brownfield Tax Credit and will follow the former guidelines where Eligible Investment includes hard costs and certain soft costs.
- Communities that are not designated as a Qualified Local Governmental Unit (QLUG), are now allowed to include demolition and lead and asbestos abatement as an Eligible Activity on an Eligible Property qualifying as contaminated, blighted or functionally obsolete under amendments approved for Act 381 Work Plans.

#### ADDITIONAL GUIDANCE

- An Interest Policy is available upon request for projects that aim to seek interest, as well as a sample Loan Amortization Schedule.
- Separate of this document, additional detailed guidance will be established for Eligible Activities under Act 381 Work Plan requests.

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

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