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# Brownfields

An Overview

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# What Types of Properties are Brownfields?

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- Property that is determined to be a “facility”
  - Facility: contamination exceeding a certain level must be found in soils, groundwater, or surface water
  
- OR property that is determined to “functionally obsolete” or “blighted”



Abandoned  
Manufacturing Plants  
May be Brownfields





Abandoned Gas Stations, Commercial Buildings, Vacant Land and Houses May All Be Brownfields



# Significance of a Property Being Designated a Brownfield

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- Potential sources of funding exist to assist redevelopment of brownfields
  - Local and county incentives may be available to developers
  - State and federal incentives may be available to local governments
- Most brownfield redevelopment authorities (BRAs) are able to offer tax increment financing to assist the project

# Tax Increment

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- A “tax increment” is the amount of new property tax revenue created after the redevelopment

## EXAMPLE

- Property A has a Taxable Value of \$100,000 and it generates \$10,000 per year in property taxes before redevelopment
- After redevelopment, the Taxable Value of the property increases to \$150,000 and it then generates \$15,000 per year in property taxes
- **New Tax Increment** = \$15,000 - \$10,000 = \$5,000 more in taxes

# Tax Increment Financing (TIF)

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- The new tax increment can be used to reimburse for specific “eligible activities”
- Examples of eligible activities:
  - Environmental investigation and clean-up, preparing brownfield plans and work plans, asbestos and lead paint removal, and demolition

# TIF Capture to Fund Brownfield Redevelopment Reimbursement

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- ❑ Can not capture taxes that service debt
- ❑ Project must generate new tax revenue and pay the increased tax before reimbursement
- ❑ Only available for eligible activities completed after the Brownfield Plan is approved
- ❑ Amount available for reimbursement limited to amount of new tax revenue collected

# How Does a Developer Obtain TIF?

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- ❑ Must prepare a “Brownfield Plan”
- ❑ The Plan must be approved by the appropriate BRA
- ❑ If no local BRA, then approval by the local government and the regional/county BRA
- ❑ Northville Township has established its own BRA

# Contents of a Brownfield Plan

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- Identify the nature and extent of necessary eligible activities
- Provide a breakdown of TIF requested to finance eligible activities

# Brownfield Plan Approval – Public Hearing Requirements

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- Local government must hold a public hearing before approving a Brownfield Plan
- Notice of Hearing: published twice between 40 and 10 days before the hearing date
- Purpose of Hearing:
  - Interested persons are heard
  - Written communications are considered
- At least 10 days before the hearing, each taxing jurisdiction is given notice of the hearing and an opportunity to comment on the Brownfield Plan

# Act 381 Work Plan

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- ❑ To use the tax increment generated by increased school taxes, the developer must also prepare an "Act 381 Work Plan"
- ❑ The Act 381 Work Plan must be submitted for approval by either the Michigan Department of Environmental (MDEQ) or the Michigan Economic Growth Authority (MEGA)
- ❑ Brownfield Plan must be approved before submitting Act 381 Work Plan

# Why Approve a Brownfield Plan

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- ❑ Redevelopment results in increased revenues for the local government through additional taxes, job creation, and related economic stimulus
- ❑ Stimulates redevelopment of property that would otherwise be left vacant and/or contaminated
- ❑ Reduces sprawl and eliminates environmental and safety hazards

# Successful Brownfield Example

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Midtown Square, Troy, Michigan

(formerly Ford tractor testing grounds,  
now condominiums and retail)

# Other Brownfield Incentives

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- ❑ Michigan Business Tax (MBT) Credit
- ❑ Brownfield Redevelopment Grants and Loans (local governments)

# MBT Credits

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- Available to developers or anyone who incurs eligible investment costs (ex: tenants on Brownfield projects)
- Credits are up to 12.5% of eligible investments (20% for certain urban projects)
  - Eligible Investment includes: demolition, construction, restoration, alteration, renovation, or improvement of buildings or site improvements, and the addition of machinery, equipment, and fixtures to eligible property
- Credits awarded based on similar considerations for approving Act 381 Work Plans
  - e.g., overall public benefit, job creation, project finances, building reuse.

# Wayne County Land Bank (WCLB)

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- Manages abandoned, underutilized or blighted properties
- Land must be tax-reverted or voluntarily given to WCLB
- TURBO (Transforming Underdeveloped Residential and Business Opportunities)
  - Brownfield program provides incentives to encourage development

# Grants and Loans

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- ❑ State and Federal (only 1 state grant given in 2008)
- ❑ Available to local governments (counties, cities, townships, villages, and BRAs)
- ❑ State: up to \$1 million
- ❑ Federal varies based on the scope of the work

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# Questions and Answers

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