MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

TRANSFORMATIONAL BROWNFIELD PLANS

WHAT IS IT

The recently adopted Act 46 of 2017 incorporates Transformational Brownfield Plans (TBP) into the Brownfield Redevelopment Financing Act, 1996 Public Act (PA) 381, as amended (Act 381). This allows developers the opportunity to capture a portion of specific incremental taxes generated from large-scale projects for a specified time period.

Projects that are requesting consideration for a TBP will not be eligible if other MSF program assistance is available to fill the financing gap. If the MSF supports a TBP, that project(s) is not eligible for funding under any other MSF program.

A TBP is defined as a brownfield plan that, among other requirements, will have a transformational impact on local economic development and community revitalization based on the extent of brownfield redevelopment, growth in population, commercial activity, and employment that will result from the plan. The plan must be a mixed-use development project containing a combination of retail, office, residential, or hotel uses. Minimum capital investment thresholds are required depending on the population of the municipality in which the development is proposed.

The Michigan Strategic Fund (MSF) is the project-authorizing entity, and can approve no more than five TBPs in a calendar year statewide and no more than five TBPs in any individual local unit of government for the duration of the program, which ends December 31, 2022. An equitable geographic distribution of plans is required, balancing the needs of municipalities of different sizes and geographic areas, with a target that at least 35 percent of all TBPs be located in cities, villages, and townships with populations under 100,000.

WHO IS ELIGIBLE

A project may be located in any community but must involve a minimum level of capital investment based on the size of the community, as follows:

Population	Investment
Greater than or equal to 600,000	$500,000,000
150,000–599,999	$100,000,000
100,000–149,999	$75,000,000
50,000–99,999	$50,000,000
25,000–49,999	$25,000,000
Less than 25,000	$15,000,000

HOW DOES IT WORK

A TBP is a type of brownfield plan under Act 381 that allows for the capture of three new sources of tax revenues associated with a project, in addition to incremental revenue from property taxes. The three kinds of revenues from tax capture are as follows: (1) Construction Period Tax Capture Revenues; (2) Income Tax Capture Revenues; and (3) Withholding Tax Capture Revenues. These tax increment revenues can be used in financing a wide array of eligible activities, including "any demolition, construction, restoration, alteration, renovation, or improvement of buildings or site improvements on eligible property, including infrastructure improvements that directly benefit eligible property." Capture of the three new sources of revenue is limited to up to 20 years. Capture of incremental property tax revenue is limited to the cost of approved eligible activities up to 30 years, as Act 381 currently allows.

TBPs proposing to use property tax increment, construction period tax capture, withholding tax capture, and income tax capture revenues may be approved for an amount only up to that necessary to fill a demonstrated financing gap and be economically viable. The MSF will use standardized underwriting criteria for determining economic viability. MSF may not approve any plan, regardless of size of capture, unless it determines that the plan will result in an overall positive fiscal impact to the state.

TBP CONSIDERATION PROCESS

TBP projects require the approval of the Brownfield Redevelopment Authority (BRA), the local unit of government, and the MSF. The governing body of the local municipality that created the BRA must make an initial determination as to whether a TBP constitutes a public purpose. If it finds a public purpose, the governing body can approve, reject, or modify the plan; however, prior to the BRA's adoption of a TBP, it is required that a draft be provided to the Michigan Economic Development Corporation (MEDC) for comment.

It is expected that the BRA will engage early with representatives of the MEDC. MEDC's Community Assistance Team (CAT) staff should be the first point of contact. CAT will initially scope the project and issue a letter of interest outlining agency support. An economic and fiscal impact analysis and underwriting analysis will be conducted of all projects. For projects that propose to use greater than $1.5 million in withholding tax capture and income tax capture revenues, the analysis will be completed by an independent, third party and will be paid for by the development team.

Once there has been an evaluation and determination of support by the MEDC, and if the governing body approves the TBP, the final plan is sent to the MSF. The MSF must approve or reject the TBP using the same criteria as above within 90 days of receipt of an administratively complete TBP which includes a third-party economic and underwriting analysis. If a project proposes to use at least $1.5 million in construction period, withholding or income tax capture revenues, the state treasurer must concur with the MSF that a project will have a positive fiscal impact on the state.