

Portage Brownfield Redevelopment Authority

Brownfield Training

October 2019



Presentation Outline

- What are "Brownfields"?
- Major Benefits of Brownfield Redevelopment
- Statutory Role of PBRA
- Acronyms
- Brownfield Plans
- Eligible Activities
- Project Example
- LBRF
- Purpose of a Brownfield Plan
- Wrap Up/Q & A



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.



What are Brownfields?

- Michigan Definition

Facility:

Contaminated



Blighted:

Public nuisance, dangerous, eyesore



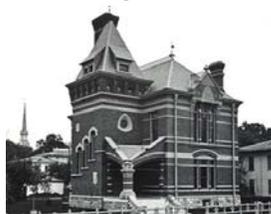
Functionally Obsolete:

Can't be used for its original purpose



Historic Resource:

Historic building or structure



Major Benefits of Brownfield Redevelopment

- Increase investment, jobs, and revenue
- Reuse existing infrastructure
- Encourage redevelopment
- Recovery of tax base
- Improve value of surrounding property
- Preserve historic or cultural community icons
- Environmental clean-up
- Reduce sprawl



Statutory Role of PBRA

- Michigan Act 381 of 1996, as amended (Brownfield Redevelopment Financing Act)
 - Primary law that dictates the makeup and powers of a Brownfield Redevelopment Authority (BRA)
 - Defines:
 - Eligible properties
 - Eligible activities
 - Rules related to tax increment capture through a Brownfield Plan
 - How to interact with the regulatory agencies, i.e. EGLE, MEDC, Department of Treasury
 - Relationships with Local Units of Government
 - How to interact with the local units of government and the general public
 - Local Brownfield Revolving Fund - LBRF

Acronyms

- ACT 381 Brownfield Redevelopment Financing Act
- BEA Baseline Environmental Assessment
- BRA Brownfield Redevelopment Authority
- EGLE Department of Environment, Great Lakes, and Energy
- FTV Future Taxable Value
- ITV Initial Taxable Value
- LBRF Local Brownfield Revolving Fund
- LUG Local Unit of Government
- MEDC Michigan Economic Development Corporation
- MSF Michigan Strategic Fund
- NREPA Natural Resource Environmental Protection Act – Act 451
- Part 201 Part 201 of NREPA Act 451 – Michigan’s Cleanup Program
- PNAs Polynuclear Aromatics
- TIF Tax Increment Financing
- TIR Tax Increment Revenue
- VOCs Volatile Organic Compounds
- QLGU Qualified Local Governmental Unit



What is a Brownfield Plan?

Brownfield Plans are Adopted for a Specific Project that describes:

- Plan for Redevelopment
- Nature and Condition of the Property
- Itemizes the eligible activities and actual or estimated costs
- Identifies a base year for the Initial Taxable Value
- Describes the proposed investment and anticipated Future Taxable Value
- Identifies affected taxing jurisdictions
- Describes a schedule for tax increment capture and reimbursement



Taxable Value

Initial Taxable Value:

The initial taxable value (or "base year") for a property can be set to either the year in which the Brownfield Plan is approved, or the next assessment year following approval of the Brownfield Plan.

Future Taxable Value:

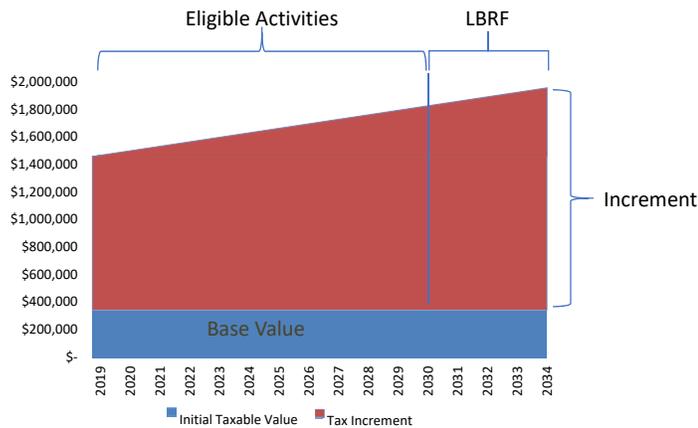
Need assistance from Assessors - how to establish?

- Cost Approach
- Sales Comparison
- Income Approach



Brownfield Plans and Tax Increment Financing

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



Brownfield Plans

- Per pupil school funding is not affected when school tax millages are captured in a Brownfield Plan;
- Interaction with other LUG, County, Library taxes and other debt/millages;
- 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 City;



Core Communities

- Obsolete Property Rehabilitation Act (OPRA) PA 146 of 2000, as amended)
- The City of Portage is a Qualified Local Governmental Unit (QLGU) or "Core Community"
- Brownfield Incentives with Core Community status:
 - Allows for the reimbursement of additional non-environmental activities, e.g. public infrastructure and site preparation, that are not available statewide



Brownfield Eligible Activities - EGLE

EGLE Eligible Activities:

- “Department Specific Activities”
 - Baseline Environmental Assessment Activities (Phase I/II ESA, BEA), Due Care Planning Activities, Response Activities
 - Response activities more protective than required
 - Removal and closure of USTs
 - Disposal of solid waste from the eligible property not generated or accumulated by the Authority or Developer
 - Dust control related to construction activities
 - Removal and disposal of contaminated lake or river sediments



Brownfield Eligible Activities - EGLE

EGLE Eligible Activities:

- “Department Specific Activities” *continued*

- Industrial cleaning – cleaning or removal of contaminants from within a structure
- Sheeting and shoring necessary for removal of contaminated materials
- Lead, mold or asbestos abatement when they are a threat to human health



Brownfield Eligible Activities - MSF

MSF Non-environmental Eligible Activities:

- Demolition (building and site), lead and asbestos abatement-available Statewide
- **Infrastructure improvements** only available in Core Communities (i.e. City of Portage)

Public Right-of-Way Only:

- Bike paths/walking trails
- Boardwalks
- Bridges
- Curbs & gutters
- Landscaping
- Lighting
- Marinas
- Park/seating areas
- Public rail lines
- Publicly owned utilities
- Roads
- Sanitary sewer mains
- Storm water systems
- Transit oriented development/property
- Water mains



Brownfield Eligible/Ineligible Activities - MSF

Infrastructure improvements only available in Core Communities (*continued*)

Public Right-of-Way OR Private:

- Vertical, underground or integrated parking
- Urban storm water management system – Traditional
- Urban storm water management system – Low Impact Design (LID)

Ineligible infrastructure activities:

- Sanitary sewer leads or taps
- Water leads or taps
- Private utilities/services



Brownfield Eligible Activities - MSF

Site preparation improvements only available in Core Communities:

- Clearing and Grubbing
- Compaction and Sub-base Preparation
- Cut and Fill Operations
- Dewatering
- Dredging in Waterways
- Excavation for Unstable Material
- Fill
- Foundation Work to Address Special Soil Concerns
- Geotechnical Engineering
- Grading
- Land Balancing
- Relocation of Active Utilities
- Retaining Walls Solid Waste Disposal
- Staking
- Temporary Construction Access
- Temporary Erosion Control
- Temporary Facility
- Temporary Sheet piling/Shoring
- Temporary Site Control
- Temporary Traffic Control
- Specific and Unique Activities



Brownfield Eligible/Ineligible Activities - MSF

Ineligible Site preparation activities:

- Topsoil and seeding
- Landscaping
- Underground sprinkler system
- Site lighting
- Engineered fill
- Backfill around foundations and private/site utilities

Miscellaneous activity available Statewide:

- Soft costs
- Administrative Costs
- Contingency
- Interest
- Work plan and/or Brownfield Plan preparation
- Work plan and/or Brownfield Plan implementation



Brownfield Ineligible Activities - MSF

Ineligible activities include:

- Legal fees
- Permitting fees
- Site Improvements
- Administration by staff of the LUG
- Land acquisition
- Costs incurred for environmental response and all non-environmental activities outside of a DEQ or MSF approved work plan
- Registration fees
- Taxes (except sales tax)
- Solid waste disposal (except as contaminated wastes or for structural support issues)
- Equipment purchase, maintenance, repairs
- Third party damages
- Insurance (except environmental)



Project Example Inn on Water Street

- Marine City, Michigan
- Project Investment: ~\$1,400,000
- Project area: 0.62 acres (four parcels)
- Site contaminants: Volatile Organic Compounds in soil and groundwater, lead in soil
- Years of the Plan: 23 years



Project Example

- Funding Sources:
 - EPA Assessment Grant
 - Locally supported assessment activities
 - Commercial Redevelopment exemption (1978 PA 255)
 - MDEQ Grant & Loan
 - TIR
 - CRP grant program
 - Inn on Water Street, LLC
- Partnerships:
 - City of Marine City
 - St. Clair Community Foundation
 - Marine City TIFA
 - St. Clair County BRA
 - St. Clair County
 - MEDC/MSF and MDEQ (EGLE)
- Total Reimbursement to developer: approx. \$315,000
- DEQ (EGLE) Grant: \$249,000
- LBRF (LSRRF): \$198,000



Table 1
Summary of Eligible Costs
Inn on Water Street
Marine City, MI

Eligible Activities		Estimated Cost
BEA Activities		
BEA Activities	school and local	\$ 21,000.00
Due Care Activities		
DDCC	school and local	\$ 25,000.00
Soil Management		\$ 100,000.00
Removal of Hydraulic Lift		\$ 4,000.00
Removal of Hazardous Material		\$ 5,000.00
UST Removal, Contaminated Soil, Sampling; Local Only for UST Removal		\$ 38,500.00
Additional Response Activities		
MSF Non Environmental Activities		
Public Infrastructure	Sidewalk, landscaping, etc.	\$ 10,000.00
Lead and Asbestos Abatement	inspection and abatement	\$ 75,000.00
Building and Site Demolition		\$ 110,000.00
Site Preparation		\$ 30,000.00
TOTAL COSTS OF ELIGIBLE ACTIVITIES		\$ 418,500.00
Financing Costs (Estimated)		\$ 14,500.00
Contingencies (15%)		\$ 62,775.00
Administrative Costs of the Authority (estimated)		\$ 7,500.00
Brownfield Plan and Act 381 Work Plan		\$ 15,000.00
TOTAL REIMBURSEMENTS		\$ 518,275.00
MDEQ Grant		\$ (249,000.00)
ADJUSTED BROWNFIELD REIMBURSEMENTS (See Table 5)		\$ 269,275.00
Captured and Disbursed to State Brownfield Redevelopment Fund		\$ 44,323.78
Additional Capture for LSRRF		\$ 197,937.97
Total		\$ 760,536.74

Local Brownfield Revolving Fund

- After all eligible expenses have been reimbursed:
 - Excess TIR can be deposited into a LBRF
 - Limited to five (5) full years
 - Must fall within the total 30 years of tax capture allowed



Local Brownfield Revolving Fund

- LBRF limitations/requirements:
 - **Local TIR** for LBRF cannot exceed total cost of eligible activities approved in the Brownfield Plan
 - **School TIR** for LBRF cannot exceed total cost of eligible department specific activities approved in a Brownfield Plan or 381 Work Plan



Purpose of a Brownfield Plan

- Help developers overcome challenges to redevelopment they didn't cause
 - Developable shovel ready property



Wrap-up Q & A

- Bring Brownfield discussion to the potential development early
- Ability to finance eligible environmental and non-environmental activities
- Ability to layer incentives on a project (EGLE, MEDC, MSHDA):
 - Grants, loans, CIA, TIF, tax abatements, etc.
- Ability to close the “gap” on a project
- Be creative and innovative when applying these tools – flexibility is possible.

Contact Us



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