

Legislative Analysis



BROWNFIELD AUTHORITIES: MAJOR REDEVELOPMENT PROJECTS

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Senate Bill 323 as passed by the Senate
Sponsor: Sen. John Pappageorge
House Committee: Commerce
Senate Committee: Economic Development and Regulatory Reform

Complete to 9-22-09

A SUMMARY OF SENATE BILL 323 AS REPORTED FROM HOUSE COMMITTEE

The bill would allow Brownfield Authority tax increment finance revenues to be used for cleanup and redevelopment activities at the site of a "major redevelopment project", even though that project was not located in a qualified local governmental unit (known as a "core community").

The state's Brownfield Redevelopment Program provides funding and tax incentives for the cleanup and redevelopment of contaminated, blighted, and functionally obsolete properties with the aim of making them economically viable. As part of the program, the Brownfield Redevelopment Financing Act allows brownfield authorities created by local units of government to use tax increment financing to pay for certain "eligible activities" on eligible property, such as baseline environmental assessments, due care activities, and additional response activities. In certain qualified local governmental units, or "core communities," captured incremental tax revenues can also be used for demolition of structures, infrastructure improvements, site preparation, and lead and asbestos abatement, among other things.

However, exceptions in the law also allow this second layer of activities to be carried out at projects in areas that are not "core communities" in certain specified cases. Senate Bill 323 would add another exception, in this case for "major redevelopment projects." The bill is an amendment to the Brownfield Redevelopment Financing Act (MCL 125.2652).

Under Senate Bill 323, Michigan Economic Growth Association (MEGA) could annually designate not more than two projects as major redevelopment projects. A "major redevelopment project" would be a project to which all of the following apply:

- The amount of new construction investment in the project is at least \$50 million.
- The project includes at least one multilevel parking facility.
- The project leads to the creation of at least 300 permanent jobs.
- The state and region will benefit from the project.

Eligible activities at these redevelopment projects would include: baseline environmental assessment activities; due care activities; environmental response activities; infrastructure

improvements that directly benefit eligible property; demolition of structures; lead and asbestos abatement; site preparation; and assistance to a land bank fast track authority.

FISCAL IMPACT:

The bill would reduce revenue that might otherwise go to those local units of government whose incremental tax revenue is captured by a Brownfield tax increment finance authority. It would also reduce State Education Tax revenue in cases where MEGA allows the SET to be captured. Further, the bill would increase the state's School Aid Fund expenditures. The cost to the School Aid Fund (SAF) arises because the SAF makes up the difference between the amount raised by a school district from local school operating taxes and the guaranteed per pupil foundation allowance established by the Legislature. If the local contribution goes down due to the capture of local school taxes by a TIFA, the state contribution must increase.

The actual fiscal impact is indeterminate at this time and would depend on the nature of the projects.

BACKGROUND INFORMATION:

According to testimony before the House Committee on Commerce, this expansion of the Brownfield Redevelopment Financing Act could be used in the demolition and proposed redevelopment of the former Kmart headquarters property in Troy. Reportedly, developers plan a mixed-use project comprising condominiums, restaurants, retailers, office space, and a hotel. The testimony emphasized the beneficial economic impact on the entire southeastern Michigan region from any redevelopment of the now-vacant property. Proponents say the benefits include both immediate construction jobs and eventual permanent jobs. The bill requires there be at least 300 permanent jobs. The bill allows up to two such "major redevelopment projects" each year.

POSITIONS:

The Michigan Economic Development Corporation testified in support of the bill before the House Commerce Committee. (9-16-09)

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