

Legislative Analysis



CHANGE “DEMOLITION” FOR BROWNFIELD TAX INCREMENT FINANCING

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House Bill 5283 reported from committee w/o amendment

Sponsor: Rep. Ben Frederick

Committee: Tax Policy

Complete to 2-26-18

Analysis available at
<http://www.legislature.mi.gov>

(Enacted as Public Act 203 of 2018)

BRIEF SUMMARY: House Bill 5283 would amend the Brownfield Redevelopment Financing Act to change the definition of “demolition” that applies throughout the act.

FISCAL IMPACT: House Bill 5283 could increase Brownfield Redevelopment Authority tax capture to accommodate activities authorized under the expanded definition of eligible activities. (See *Fiscal Information*, below, for further discussion.)

THE CONTENT OF THE BILL:

Currently, the Brownfield Redevelopment Financing Act enumerates eligible activities that a brownfield redevelopment authority may expend funds to pay for or reimburse a person for. One eligible activity is “demolition of structures that is not a response activity.”

[A “response activity” is defined in three sections of the Natural Resources and Environmental Protection Act and includes, generally speaking, environmental assessments and actions necessary to protect the public health, as well as the assessment and treatment of underground storage tank systems, water supply systems, and solid waste disposal systems. See MCL 324.11102, 324.20102, and 324.21302.]

The bill would amend this definition to specify that demolition includes “removal of manufactured debris comprised of discarded, unused, or unusable manufactured by-products left on the site by a previous owner.”

The act also currently allows a brownfield redevelopment authority to expend funds for the repayment of the principal of and interest on any obligation issued by the authority to pay the costs of eligible activities. The new activity proposed in House Bill 5283—removal of manufactured by-products left on a site—would not be eligible for interest reimbursement under the bill.

MCL 125.2652

BACKGROUND INFORMATION:

According to testimony before the House Committee on Tax Policy on January 31, 2018, the bill is understood to address a situation in Shiawassee County. A series of related companies bought a parcel of land as headquarters for their businesses and as space available for lease to tenants. Evidently, a brownfield plan for the redevelopment was

prepared and approved. One aspect of the redevelopment plan was that existing concrete left on site from the prior owner would be crushed and resold by the current owner.

The on-site concrete, however, was found to be concrete pipe and not normal concrete. Concrete pipe is made with woven mesh, which is notoriously difficult to crush and remove. Because of this, the redevelopment of the property could be in question, even though the property is in an attractive location with much-needed industrial space. Reportedly, the Michigan Economic Development Corporation indicated to the stakeholders involved that the brownfield act's current definition of "demolition" (as related to an allowable activity that a brownfield authority can reimburse) would not encompass the removal of this debris. As such, a legislative change is being sought, presumably, in order to incorporate removal of the debris in the brownfield financing plan.

FISCAL INFORMATION:

To the extent that a brownfield redevelopment authority increases its tax capture to pay for the newly authorized activities under the provisions of the bill, an affected local unit of government would realize reduced revenues. If the brownfield redevelopment authority captured a portion of the State Education Tax (SET), the School Aid Fund would realize reduced revenues. In addition, any expanded use of tax increment financing to pay for the additional activities authorized under the provisions of the bill could lead to increased expenditures from the School Aid Fund due to the capture of additional 18-mill non-homestead local school operating millages. The extent to which these newly expanded activities would be included in brownfield plans cannot be estimated.

ARGUMENTS:

For:

The bill is a needed change for the redevelopment project in Shiawassee County to move forward. The project is important to the local community and economy, as the site is in a desirable location with freeway access and in-demand industrial zoning. The group of businesses leading the project has been a community success story, growing from a start-up company in 1998 to one with 65 employees and multiple related companies today.

Without the change, the finances of the project simply do not work: the cost of crushing and removing the concrete pipe is too high. This is a simple legislative change to allow an important economic development project to continue.

Against:

The purchase of the land and the left-behind concrete is simply a bad business decision and should be left at that. If the land is desirable and industrial space is needed, the private market will eventually find a solution to the current problem.

Response:

The intent of the brownfield law is to assist with important redevelopment projects that would not happen without the program. This is the case in the situation at hand. The

proposed change is in keeping with the brownfield program's overall mission of redeveloping the most challenging sites in the state.

POSITIONS:

Representatives of Great Lakes Fusion testified in support of the bill. (1-31-18)

A representative of the Michigan Association of Counties indicated support for the bill. (1-31-18)

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