



MICHIGAN STRATEGIC FUND

MEMORANDUM

DATE: February 6, 2025

TO: Members of the Michigan Legislature

FROM: Quentin L. Messer, Jr., President
Michigan Strategic Fund

Phillip D. Roos, Director 
Michigan Department of Environment, Great Lakes, and Energy

Amy Hovey, Executive Director 
Michigan State Housing Development Authority

SUBJECT: Brownfield Redevelopment Financing Act – Calendar Year 2023 Legislative Report

The Brownfield Redevelopment Financing Act, 1996 PA 381, as amended, requires the Michigan Department of Environment, Great Lakes, and Energy (EGLE), the Michigan Strategic Fund (MSF), and the Michigan State Housing Development Authority (MSHDA) to submit a report annually to each member of the Michigan Legislature as provided in Section 16(4). Pursuant to this requirement, attached is the Calendar Year 2023 Legislative Report.

Out of 290 Brownfield Redevelopment Authorities (BRAs), 198 have completed the reporting requirement, for a compliance rate of 69.23 percent. Ninety-two (92) did not complete reporting for all their metrics prior to the report deadline. The MSF and EGLE will withhold financial support from these jurisdictions' future projects until reporting is completed.

Please contact the Michigan Economic Development Corporation's Office of Legislative Affairs at medcgovrelations@michigan.org if you have any questions.

Attachment

Brownfield Redevelopment Financing Act Report Calendar Year 2023

The Brownfield Redevelopment Financing Act, 1996 PA 381, as amended (Act 381), requires the Michigan Department of Environment, Great Lakes, and Energy (EGLE), the Michigan Strategic Fund (MSF), and the Michigan State Housing Development Authority (MSHDA) to submit an annual report to each member of the Legislature as provided in Section 16(4). There is a total of 290 Brownfield Redevelopment Authorities (BRAs) registered with the Office of the Great Seal in the State of Michigan, and 198 have completed the reporting requirement, for a compliance rate of 69.23 percent. Ninety-two (92) did not complete reporting for all their metrics prior to the report deadline. The MSF and EGLE will withhold financial support from these jurisdictions' future projects until reporting is completed.

Act 381 authorizes municipalities to create a BRA. These BRAs develop and approve brownfield plans, which promote revitalization of brownfield properties through the use of tax increment financing. A brownfield plan will identify properties on which specific eligible activities will be conducted, that will result in the increase and capture of ad valorem and specific taxes. In most cases, properties are identified by the municipality in conjunction with a developer or company interested in redeveloping that property.

The developer or company who rehabilitates the property invests funds into the project to mitigate brownfield conditions and is then repaid for their brownfield-related investment via capture of the increased taxable value. The taxing jurisdiction continues to receive the predevelopment taxes (determined by the base value when the brownfield plan is initially approved) until the brownfield eligible costs are reimbursed per the approved plan. At the end of the reimbursement period, the taxing jurisdictions will receive tax revenue from the property that includes both the predevelopment taxes and the incremental taxes generated by the new investment.

A property eligible for brownfield tax increment financing is either a "facility" [as defined in Part 201, Environmental Remediation, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA)], "blighted," "functionally obsolete," a "historic resource" property, a "transit-oriented development" or "transit-oriented property," part of a "targeted redevelopment area" as defined in Act 381, or property that is adjacent or contiguous to eligible property as described in the Act.

Approval from EGLE is required for all Act 381 work plans for projects where taxes levied for state school operating purposes will be captured to pay for environmental eligible activities, such as due care and response activities under the NREPA.

Approval from the MSF is required for all Act 381 work plans for projects where taxes levied for state school operating purposes will be captured to pay for non-environmental eligible activities, such as demolition, lead, asbestos or mold abatement, site preparation, and infrastructure improvements that directly benefit the eligible property.

Local jurisdictions may also approve brownfield plans that only utilize local tax capture to reimburse eligible activity costs and forgo incremental state tax revenue during the reimbursement period (local-only plans).

To enable legislators to easily identify projects within their respective districts, the data is being presented by county with the address of each brownfield project detailed in the report. The information is based on approved local-only plans and Act 381 work plans in which tax increment revenues (TIR) were collected in the 2023 tax year.

A total of 89 BRAs reported that they did not collect or reimburse any TIR for the 2023 tax year. A total of 109 BRAs had either local-only plans or Act 381 work plans actively collecting and/or reimbursing TIRs across the state. The total amount of TIR collected during 2023 was \$127,677,783, resulting from a cumulative increase in taxable value of \$3,090,060,785 at these designated project sites.

Of the actively collecting Act 381 work plans, 86 plans reported only environmental expenditures (for eligible activities approved by EGLE), 151 plans reported only non-environmental expenditures (for eligible activities approved by the MSF), and 159 plans reported both environmental and non-environmental eligible activity expenditures. There were also 162 local-only plans with expenditures that were reported as actively collecting.

The data is self-reported by each BRA. Sample projects from approximately 15 percent of the BRAs reporting tax capture are being reviewed by EGLE staff.

The State Brownfield Redevelopment Fund (SBRF) was created in accordance with Section 8a of Act 381 and includes capture of 50 percent of taxes levied for state education tax purposes from each eligible property included in a brownfield plan after January 1, 2013. The 2023 reporting year is the tenth year in which the SBRF has received payments. Up to 15 percent of the amounts deposited annually into the SBRF may be used to pay administrative costs to implement the Act. Through November of 2018, these funds were used to reimburse the MSF for the cost associated with the Act 381 reporting portal, which is now fully reimbursed. Currently, the 15 percent administrative portion and the remaining 85 percent of the funds for projects are collected for the SBRF and are distributed to the MSF and EGLE per Section 8a(3)(b-c) of Act 381. SBRFs collected to date are \$8,360,905.11. EGLE has an existing program for the use of these funds, and the MSF Board approved program guidelines for the MSF Site Investment Program in March 2022, which will utilize these funds.

In 2017, Act 381 legislation was amended to include Transformational Brownfield Plans (TBP). In addition to property tax capture, TBPs allow construction period sales and use tax exemptions and capture of construction period income tax revenues, as well as post-construction income and withholding tax capture. The legislation was amended in December of 2021, modifying requirements and extending the sunset on TBPs to December of 2027. The legislation was amended again in 2023 to add Sales and Use Tax capture as a revenue stream. Two TBP projects have been approved prior to December of 2022 – one project located in the City of Detroit was approved in 2018 and a second project located in the Village of Vicksburg was approved in 2019.

