

TRANSFORMATIONAL BROWNFIELD PLAN

Acts 46-50 of 2017 incorporate 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 is not eligible for a [Michigan Community Revitalization Program](#) incentive.

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 some 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 approach of plans is required, balancing the needs of municipalities of different sizes and geographic areas, with a target that at least 35% of all TBPs be located in cities, villages, and townships with populations under 100,000.

WHO IS ELIGIBLE?

A project may be located on brownfield eligible property 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

The minimum capital investment threshold may be waived by the MSF in certain areas where:

- The population is under 25,000, if the development would not be economically feasible without TBP;
- The Michigan State Housing Development Authority has approved the expenditure of federal blight elimination funds;
- The municipality is subject to a state of emergency for drinking water contamination;
- The eligible property is a historic resource and the development would not be economically feasible without TBP.

TBP INCENTIVE STRUCTURE

A TBP is a type of Brownfield Plan under Act 381 that allows for the capture of three new sources of tax increment 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 income and withholding tax revenue is limited to up to 20 years. Capture of property tax increment revenue is limited to up to 30 years. TBP projects are also eligible for construction period sales and use tax exemption.

TBP's 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.

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 \(CATeam\)](#) specialists should be the first point of contact. CATeam specialists will initially scope projects and issue a letter of interest outlining agency support. An economic and fiscal impact analysis and underwriting analysis will be conducted on all projects. For projects that propose to use greater than \$1.5 million in any one year 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 local 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 any one year in 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.

CONTACT INFORMATION

For more information on the TBP incentive, please contact the [CATeam specialist](#) assigned to your territory.

LINKS TO OTHER RESOURCES

[Transformational Brownfield Plan Program Guidelines](#)

[Act 381 of 1996 as Amended](#)