

Act 381 Transformational Brownfield Plan (TBP) Application Packet

In Michigan, the Brownfield Redevelopment Financing Act, 1996 PA 381, as amended (Act 381) authorizes and permits the use of school and local tax increment financing to help reduce the burden of Brownfield related costs when redeveloping affected properties. Brownfield tax increment financing, specific to reimbursement of non-environmental MSF eligible activities, is recommended to the MSF by the MEDC and authorizes the capture of School Operating and State Education Tax millages. PA 46 of 2017 allows the MSF to approve the capture or exemption of certain construction period taxes and post-construction income tax revenue, withholding tax revenue, and sales and use tax revenue. 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.

All applicants must complete the full application, which includes all documents in the checklist below, and pay the application fee in order for the MSF to proceed with the evaluation of the project. In order for a TBP incentive to be considered by the MSF for approval, the analysis must determine that the project would not occur but for the TBP incentive. After MSF approval, the MSF will enter into a written agreement with the applicant, Department of Treasury and associated Brownfield Redevelopment Authority. No tax capture revenue reimbursement will be processed by the State until the project is verified as complete. Annual TBP Brownfield Reporting will be required throughout the term of the incentive.

To be considered for assistance, all applicants must undergo a background check in accordance with the MSF Background Review Policy.

Transformational Brownfield Plan Application Checklist

	Act 381 Combined Transformational Brownfield Plan
	Application Fee
	Financial Underwriting Analysis Packet (pages 4-7 below)
	Non-Disclosure Form/Memo
	Background Check Forms
	Legal Due Diligence Documents
	Before Photos & Aerial Image (Google Map) with Sites Labeled
	Evidence of Site Control
	Treasury Form 5558 (if applicable)

Application and Other Fees for Transformational Brownfield Plans

The applicant shall be responsible for payment of all third-party costs and expenses incurred by the Michigan Economic Development Corporation (MEDC) and the MSF in connection with the TBP incentive. The MEDC maintains the right, at its sole discretion, to require third-party review and analysis of any TBP application.

Applicants shall pay a non-refundable application fee of \$50,000 prior to the commencement of a formal review of full TBP application materials, plus the actual cost of any necessary third-party analyses.

****Note: The non-refundable application fee is due after the Invitation to Apply is issued and prior to the commencement of a formal review of full TBP Application materials. In addition, 50% of the estimated cost of third-party services are due before third-party reviews begin with the final 50%, or remaining balance, due before the project is brought before the MSF Board for consideration. MEDC staff will issue invoices for these fees when due.***

Payment of fees can be made by one of the following methods (instructions will also be included with the invoice):

Pay by Electronic Funds Transfer:

1. Send payment to:
 - a. Routing #072000326
 - b. Account #878375851
 - c. If a description field is available, please enter “(Project Name) TBP Fee”

Pay by Check:

1. Make checks payable to: “State of Michigan”
2. Please be sure to write “(Project Name) TBP Fee” on the memo line
3. Mail the remittance check to: MEDC Finance Department
Michigan Economic Development Corporation
300 N. Washington Square
Lansing, MI 48913

Formal Invitation

Upon determination that the project preliminarily meets the requirements of the TBP program, the applicant will be invited to formally submit remaining information including the local jurisdiction resolution.

Freedom of Information Act and Confidentiality

Any documents submitted as a part of the Financial Underwriting Analysis Packet may be subject to public disclosure under the Michigan Freedom of Information Act ("FOIA"). Applicants may request that the MSF acknowledge financial or proprietary information contained within their submissions be protected from disclosure under FOIA. "Financial or proprietary information" means information that has not been publicly disseminated or which is unavailable from other sources, the release of which might cause the applicant significant competitive harm (see Section 5(12) of the MSF Act, MCL 125.2005(12)). Such information **MUST** be identified directly within the materials submitted in accordance with the following requirements:

1. Identify each component and portion of the Packet for which you are requesting confidentiality. Text, tables, or graphics **MUST** be bolded and marked with asterisks and brackets (example: ***[bold text]***) within the narrative.
2. Identify the attachment and portion(s) of the document for which you are requesting confidentiality. Text, tables, or graphics **MUST** be bolded and marked with asterisks and brackets (example: ***[bold text]***) on the attachment. If you are requesting confidentiality for portions of a multi-page document, you must also list the page numbers of all pages that contain information marked by asterisks, brackets and bolded text.

Financial Underwriting/Economic Impact Analysis Packet

The applicant must provide the MSF with information that clearly and concisely addresses each of the following points.

1. Project Schedule

Provide comprehensive project timeline(s), including anticipated key dates for each major project event: local approvals, financing commitments, construction start, construction completion, occupancy, absorption and stabilization, and any others as applicable. This information should be by phase and/or site, if applicable.

2. Project Overview and Programming

- a. Provide the most recent site plan and building plans and specifications with summary of level of finish, material, construction type, etc.
- b. Provide detailed project programming including land square footage and gross and rentable building areas (total and for each project component), the number and square footage of residential units, commercial square footage (by type/use), hotel keys, number of on-site parking spaces (surface, integrated, above-ground structure, below-ground structure), etc.
- c. Provide detailed information related to on-site amenities (e.g., pool, lobby, rooftop, park, etc.) and public space improvements.
- d. Provide a description of major program elements, infrastructure improvements or other extraordinary costs that impact the feasibility of the project.

3. Status of Entitlements and Special Designations or Certifications

Provide information on the status of the project's entitlements (e.g., re-zoning, planned unit development (PUD) applications, tax abatements). If the project is pursuing any special designations or certifications (e.g., National Register of Historic Places, LEED certification), please indicate the status of those applications and provide relevant supporting documentation.

4. Market Studies and Support for Program and Operating Assumptions

Provide independent, third-party data, such as market study or other detailed documentation regarding the following program and operating assumptions:

- a. Amount of supportable square feet, number of units, or hotel keys
- b. Market rents for residential and commercial space or Average Daily Rate (ADR) for hotel projects.
 - i. Retail/Office/Commercial rents – indicate lease type/terms (i.e. gross, modified gross, NNN).
 - ii. If proposed rents differ from third-party analysis, provide a detailed rationale as to how/why the project would achieve the proposed rents.
- c. Anticipated absorption and stabilized occupancy/vacancy rates
- d. Operating expenses and estimate of operating expense recoveries, if applicable
- e. Retail/office/commercial program (size and type)
- f. Parking assumptions (number of parking spaces per unit and/or per square foot of commercial space; parking rates)
- g. Other revenue, as applicable

5. Documentation of Level of Tenant Commitments

For commercial space, provide a matrix of targeted tenants, including the status of discussions (preliminary, Letter of Intent (LOI), draft lease, etc.) and the anticipated required tenant improvement allowance for each tenant.

6. Detailed Development Budget

Identify data sources used to inform development budget and cost estimates, describe projected soft costs and how hard and soft costs overlap. Provide third-party supported documentation for major line items (e.g., contractor estimates, engineer's opinions, brokerage contract proposals, etc.) for each project site and the combined project.

7. Detailed Project Proforma(s)

Provide detailed project proformas for each project site or component and a consolidated proforma for the combined project. The proforma(s) should include a detailed 30-year cash flow projection, including all revenue assumptions, (i.e., residential rents and occupancy levels, commercial rents and occupancy levels, hotel rates and occupancy levels, and assumptions for other income generated), operating expense assumptions and financing/debt service assumptions. Proformas should also include return calculations using unleveraged IRR and yield on cost, if financing is preliminary, and leveraged IRR if financing term sheets are provided. Returns are calculated over a 20-year time horizon.

8. Land Value/Acquisition Documentation

Provide an executed copy of purchase contract(s), a recent "as is" appraisal(s), and any other documentation to justify the acquisition cost of the project parcels, including sales comps. If applicable, include any information regarding Environmental Site Assessments.

9. Capital Stack/Sources of Funds and Status

Supply third-party documentation (e.g., preliminary LOI, Term Sheet) on the status of debt, equity, and any other financing sources. Documentation should include any financing requirements of lenders or equity partners, such as a minimum debt coverage ratio. If the project includes Historic Tax Credits, New Markets Tax Credits, and/or Low-Income Housing Tax Credits, please include any available documentation related to tax credit assumptions (e.g., term sheets indicating interest and pricing from investors).

10. TIF Financing Assumptions

Identify the method by which the requested TIF revenue will be monetized (e.g., upsized permanent financing, mezzanine financing, third-party investment, self-financing, etc.). Please outline monetization assumptions (e.g., debt coverage requirements, interest/return expectations, net proceeds) and provide all available supporting documentation.

11. TIF/TBP Capture Projections

Identify TBP/TIF projection assumptions described below and provide all available backup documentation for each assumption. This may include information from comparable developments, independent research, independent third-party studies, information provided by tenants, or data from previous development experience.

- a. **Construction Period Commercial Withholding Tax Assumptions**
 - i. Income tax rate
 - ii. Construction labor costs as a percentage of hard costs and/or construction worker wages. Indicate whether state personal income tax exemptions have been accounted for.
- b. **Construction Period Sales Tax Assumptions**
 - i. Sales tax rate
 - ii. Construction material costs
- c. **Post-Construction Commercial Withholding Tax Assumptions**
 - i. Income tax rate
 - ii. Committed, proposed, or estimated number of employees by job and/or industry (NAICS code). This may include employees per square foot or employment counts.
 - iii. Wage assumptions by job type, including whether state personal income tax exemptions have been factored into annual wage assumptions
 - iv. Annual wage escalation factor
- d. **Post-Construction Sales/Use Tax Assumptions**
 - i. Sales/use tax rates
 - ii. Program elements that generate sales/use tax (i.e., retail SF anticipated to generate sales) by type of sales (e.g., restaurants, soft retail, services, hotel keys)
 - iii. Anticipated retail sales (e.g., gross annual sales or sales per square foot) by retail type (e.g. restaurants, soft retail, services)
 - iv. Anticipated hotel sales, including ADR, occupancy, and a breakdown of hotel room, event, restaurant/bar and any other revenue types
- e. **Post-Construction Incremental Property Tax Assumptions**
 - i. Millage rates
 - ii. Assessed values on a normalized basis (per SF, per unit, per key, per parking space) for all land uses
 - iii. Base assessed values for project parcels
 - iv. Information on any proposed local agreements that impact TBP property tax capture (e.g., Neighborhood Enterprise Zone agreements, affordable housing agreements)
 - v. Annual assessed value escalation factor
- f. **Post-Construction Residential Income Tax Assumptions**
 - i. Income tax rate
 - ii. For rental units: Rents and estimated utilities by unit type. Indicate which utilities are included in rent, if any, and which utilities are the responsibility of the tenant.
 - iii. For condo units: Expected sales prices by unit type, applicable HOA fees, utility detail (which utilities are included in HOA fees or are separately paid by the owner), and any other expected monthly owner costs
 - iv. Resident incomes by unit type, including whether state personal income tax exemptions have been accounted for
 - v. Annual household income escalation factors
 - vi. Expected share of income spent on housing costs
 - vii. Household size per unit

- viii. Indicate whether there is an affordable housing agreement with the local government that would allow up to 100% reimbursement of income taxes generated by individuals domiciled within the Project. Indicate any payments-in-lieu, if applicable, that would reduce total income tax capture.

12. Developer Qualification Information

- a. Describe developer's ability and financial capacity to complete the project.
- b. Provide an organizational chart or clear description regarding the key members of the development team and organizational capacity/staffing to undertake the project
- c. Describe prior experience, including development program and status of comparable projects
- d. Provide an outline of financial commitments and demonstration of financial capacity to complete the project
- e. Provide at least three references, including a financial reference and municipal/governmental reference for previous public-private partnership
- f. Describe and provide information on the status of any legal actions in the past 10 years
- g. Affiliate participation summary, indicating any line items in the development budget that are costs to be paid to affiliates of the Developer (e.g. development, construction management, brokerage and equity placement fees)