

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 the State Education Tax millages. PA 46 of 2017 allows the MSF to approve the capture or exemption of certain construction period taxes, income tax revenue and withholding 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 the documents in the checklist below, and pay the application fee in order for the MSF to proceed with the financial and economic impact analysis of the project. In order for a TBP incentive for a project to be considered by the MSF for approval, the analysis must determine that the project will have an overall positive fiscal impact to the state, and the State Treasurer must concur with that finding. After MSF approval, the MSF will enter into a written agreement with the applicant and associated Brownfield Redevelopment Authority. No reimbursement will be processed by the State until the project is verified as complete. Annual TBP Brownfield Reporting will be required through the term of the incentive.

To be considered for assistance, all applicants must undergo a criminal and civil background review of the applicant company(ies) and, if deemed appropriate by the MSF, any key management personnel. Infractions including, but not limited to, felonies, misdemeanors involving financial transactions, Michigan tax liens, and trends of other tax liens or criminal activity may result in loss of eligibility for incentives.

Transformation Brownfield Plan Application Checklist

	Act 381 Combined Transformational Brownfield Plan
	MEDC Proforma
	Treasury Form 5558
	Economic and Fiscal Impact Analysis Packet (pages 4-6 below)
	Financial Underwriting Analysis Packet (pages 7-8 below)
	Non-Disclosure Form/Memo
	Background Check Forms
	Legal Due Diligence Documents
	Before Photos & Aerial Image (Google Map) with Sites Labeled
	Signature Page
	Application Fee

Application 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.

1. For TBP requested awards greater than or equal to \$1.5 million of annual capture, the non-refundable application fee is \$208,000. This application fee includes the estimated costs of statutorily required third-party economic impact analysis and third-party underwriting analysis. In the event that the third-party analysis costs exceed the application fee, the costs of the independent third-party fiscal and economic impact analysis shall be paid by the owner or developer of the eligible property.
2. For TBP requested awards less than \$1.5 million of annual capture, the non-refundable application fee is \$30,000 plus any additional review costs.

Payment of fees can be made by one of the following methods:

Pay by Electronic Funds Transfer:

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

Pay by Check:

1. **Make checks payable to: “State of Michigan”**
2. **Please be sure to write “Transformational Brownfield Program (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 will have an overall positive fiscal impact to the State, 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 Economic and Fiscal Impact Analysis Packet and/or 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 material submitted in accordance with the following requirements:

1. Identify each component and portion of the Packets 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.

Economic and Fiscal Impact Analysis Packet

The applicant must provide the MSF with a packet of information that clearly and concisely addresses each point below.

1. Project Description and Elements

- A. List uses (residential, hotel, office, and retail) be included in the proposed project(s).
- B. Address or addresses of the proposed development

2. Residential

- A. Number of single-family residential housing units proposed as part of the Plan and of each project within the Plan?
- B. Number of multi-family residential housing units proposed as part of the Plan and each project within the Plan?
- C. For each unit type provide the average sales price or beginning rent.
- D. For each unit type provide the square footages.
- E. Is there currently any residential housing on the site(s) of the proposed development? If so, provide an inventory of the number of single-family units and multi-family units with approximate market values.
- F. How much total construction spending, excluding land acquisition costs, is expected as part of the residential component of the Plan?
- G. How much construction spending will go toward single-family development?
- H. How much of this spending will go toward new construction? Provide an approximate monthly or quarterly timeline for this spending.
- I. How much of this spending will go toward renovation or other improvements? Provide an approximate monthly or quarterly timeline for this spending.
- J. How much construction spending will go toward multi-family development?
- K. How much of this spending will go toward new construction? Provide an approximate monthly or quarterly timeline for this spending.
- L. How much of this spending will go toward renovation or other improvements? Provide an approximate monthly or quarterly timeline for this spending.
- M. Describe any ways that the residential housing in the proposed development will differ from standard construction, particularly in ways that will contribute to the broader area.

3. Hotel and Tourism

- A. How much total construction spending, including renovations or improvements but excluding land acquisition costs, will be part of the hotel component of the Plan?
- B. Approximate monthly or quarterly timeline for this spending?
- C. List hotel square footage, including total, guest room, conference space, amenity space (includes restaurant, bar and entertainment).
- D. Number of guest rooms.
- E. Number of hotel employees
- F. Average wage of employees
- G. Is there an operator pro forma that would provide revenues and expenditures based on various assumptions of occupancy including over a timeline of 5 to 7 years?

- H. Describe any ways that the hotel space in the proposed development will differ from the industry standard, particularly in ways that will contribute to the broader area. For instance, please describe any outstanding architectural features of the proposed development which may serve to draw tourists or visitors.

4. Office

- A. How much total construction spending, including renovations or improvements but excluding land acquisition costs, is expected as part of the office component of the development?
- B. Approximate monthly or quarterly timeline for this spending?
- C. List square footage of office space to be constructed, with total for Plan and subtotal for each project or phase, and also estimate the amount of space that will be class A, class B and class C.
- D. List industries expected to locate in the proposed office space in the development (e.g., medical, legal, computer software, etc.) showing the proportions of each industry by both square footage as well as employment.
- E. Describe any office space that is pre-leased.
- F. Estimate the approximate dollar value of producer durable equipment that will be put in place in the office space in the proposed Plan and list per project or phase.
- G. Please describe any ways that the office space in the proposed development will differ from current industry standards, particularly in ways that will contribute to the broader area.

5. Retail, Entertainment, and Restaurants (not including Hotel and Conference Space)

- A. How much total construction spending, including renovations or improvements but excluding land acquisition costs, is expected as part of the retail component of the development?
- B. Approximate monthly or quarterly timeline for this spending?
- C. List square footage of space will be constructed or added in this component of the Plan and subtotal for each project or phase. Also describe the amount of square feed devoted to retail, entertainment and restaurant.
- D. Is there a pro forma on types of events and frequency?
- E. What types of restaurants and what is the expected annualized sales of each type? Will alcohol be sold?
- F. List number of employees and average wages per occupational breakdown of employees expected to work in the retail, entertainment, and restaurant component of the project?
- G. Describe the types of retail will be included in the development (e.g., groceries, apparel, department stores) and identify any specific retailers who will locate in the project.
- H. Describe any ways that the retail, entertainment, and restaurant space in the proposed development will differ from the industry standard, particularly in ways that will contribute to the broader area.

6. Infrastructure, Ancillary Structures, and Public Spaces

- A. How much construction spending, excluding land and other applicable acquisition costs, will go toward infrastructure and ancillary structures?
- B. List spending by category (e.g., sewer, water, roads, parking, etc.) and provide an approximate monthly or quarterly timeline for this spending.
- C. Describe the new infrastructure, including public and private parking that will be built by this spending, including the geographic areas it will support.

- D. Describe public spaces that will be built or improved as part of the development (e.g., parks, playgrounds, etc.), list square feet and estimate the construction and land acquisition costs.
- E. Provide an approximate monthly or quarterly timeline for the construction spending associated with public spaces as part of the proposed development.
- F. Describe any other contributions to the local community associated with the development (e.g., contributions toward public schools or safety).

7. Soft Costs

- A. Describe projected soft costs and timeline for spending.
- B. Describe how soft and hard costs overlap.

Financial Underwriting Analysis Packet

The applicant must provide the MSF with a packet of information that clearly and concisely addresses each point below.

1. Project Schedule

Provide project timeline(s), including anticipated key dates for each major project event: construction start, occupancy, stabilization and any others as applicable. This information should be by phase, if applicable.

2. Site and Building Plans and Specs

- A. Provide the most recent site and building plans and specifications with summary of level of finish, material, construction type, etc.
- B. Provide a detailed project program including the number and square footage of residential units, commercial square footage (by type), hotel keys, gross and rentable building area (total and for each project component), number of on-site parking spaces (surface, above-ground structure, below-ground structure), etc.
- C. Provide information related to on-site amenities (e.g., pool, lobby, rooftop, park, etc.)

3. Status of Entitlements and Special Designations or Certifications

Provide information on the status of the project's entitlements (e.g., zoning, planned unit development (PUD) applications). 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 Study/Support for Program and Revenue Assumptions

Provide a market study or other detailed documentation regarding the following program and operating assumptions:

- a. Number of supportable square feet, units, or hotel keys
- b. Market rents for residential or Average Daily Rate for hotel projects
- c. Anticipated absorption and stabilized occupancy
- d. Operating expenses and estimate of operating expense recoveries, if applicable
- e. Retail/office/commercial program (size and type)
- f. Retail/office/commercial income/rents (indicate lease type – gross, modified gross, NNN)
- g. Parking assumptions (number of parking spaces per unit and/or per square foot of commercial space; parking rates)
- h. Other revenue, as applicable

5. Property Tax Assumptions

Outline all assumptions and identify data sources used to derive property tax estimates, including tax rate, current and stabilized assessed values, inflation assumptions, etc.

6. Documentation of Level of Tenant Commitments

For commercial projects, 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.

7. Detailed Development Budget

Identify data sources used to inform cost estimates and provide backup documentation for major line items (e.g., contractor estimates, engineer’s opinions, brokerage contract proposals, etc.).

8. Land Value/Acquisition Documentation

Provide an executed copy of your land purchase contract(s), a recent “as is” land appraisal(s), and any other documentation to justify the purchase price of the project parcels, including sales comps. If applicable, include any information regarding Environmental Site Assessment.

9. Sources of Funds and Status

Supply 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 Preservation 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 Note Financing Assumptions

Identify the method by which the requested TIF note 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 backup documentation.

11. TIF Projections

Identify data sources used to inform TIF projection assumptions and provide all available backup documentation (e.g., project comparables, population and employment projections, income assumptions, tax rates, assessed values, inflation assumptions).

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 past 10 years