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ECONOMIC DEVELOPMENT INCENTIVES TO FUND PROJECTS – UNDERSTANDING TIF

Samantha Mariuz, Economic Development Project Manager,
Fleis & VandenBrink

FULL-SERVICE FIRM



- Civil/Municipal Engineering
- Water & Wastewater Engineering
 - » Water Systems Engineering
 - » Water & Wastewater Treatment
- Environmental Engineering
- Site Development & Enhancement
 - » Architectural Design
 - » Landscape Architecture
- Survey/GIS
- Construction Engineering
- Transportation Engineering
- Traffic Engineering
- Structural Engineering
- Specialty Services
 - » Asset Management Services
 - » Underwater Dive Inspection
 - » Project Funding & Financing



- **Education**

- » Oakland University, Bachelor of Arts – Political Science
- » Wayne State University – Master of Public Administration

- **Current Communities Served**

- » Northville Township, Zeeland, City of Northville, Shiawassee County, Allegan, Keego Harbor, Village of Peck, Kentwood, Lapeer County, Tecumseh, Big Rapids, Village of Baldwin, St. Joseph, Westland, Montrose, Sandusky, Mt. Clemens, Eaton Rapids, Crystal Township DDA, Buchanan, Marlette DDA

- **Active Private Development Clients**

- » Marquette Township Affordable Housing Development, Otter Lake School Conversion, Trowbridge Development – Elmira & Gaylord, Cheboygan Historic Renovation

TODAY'S ROADMAP



- **Economic Development**
 - » What is Economic Development?
 - » Why is Economic Development important?
- **Specific Tax Rolls and Districts**
 - » Community-Based Economic Development
- **Development Incentives**
 - » Project specific incentives
- **Brownfield Redevelopment**
 - » Brownfield Redevelopment
 - » Housing TIF
 - » Project Funding Opportunities
- **Community Impact**
 - » Putting it all together to fund projects and drive community investment



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Economic Development

WHAT IS ECONOMIC DEVELOPMENT



**The creation of wealth
from which community
benefits are realized.**

WHY IS IT IMPORTANT?

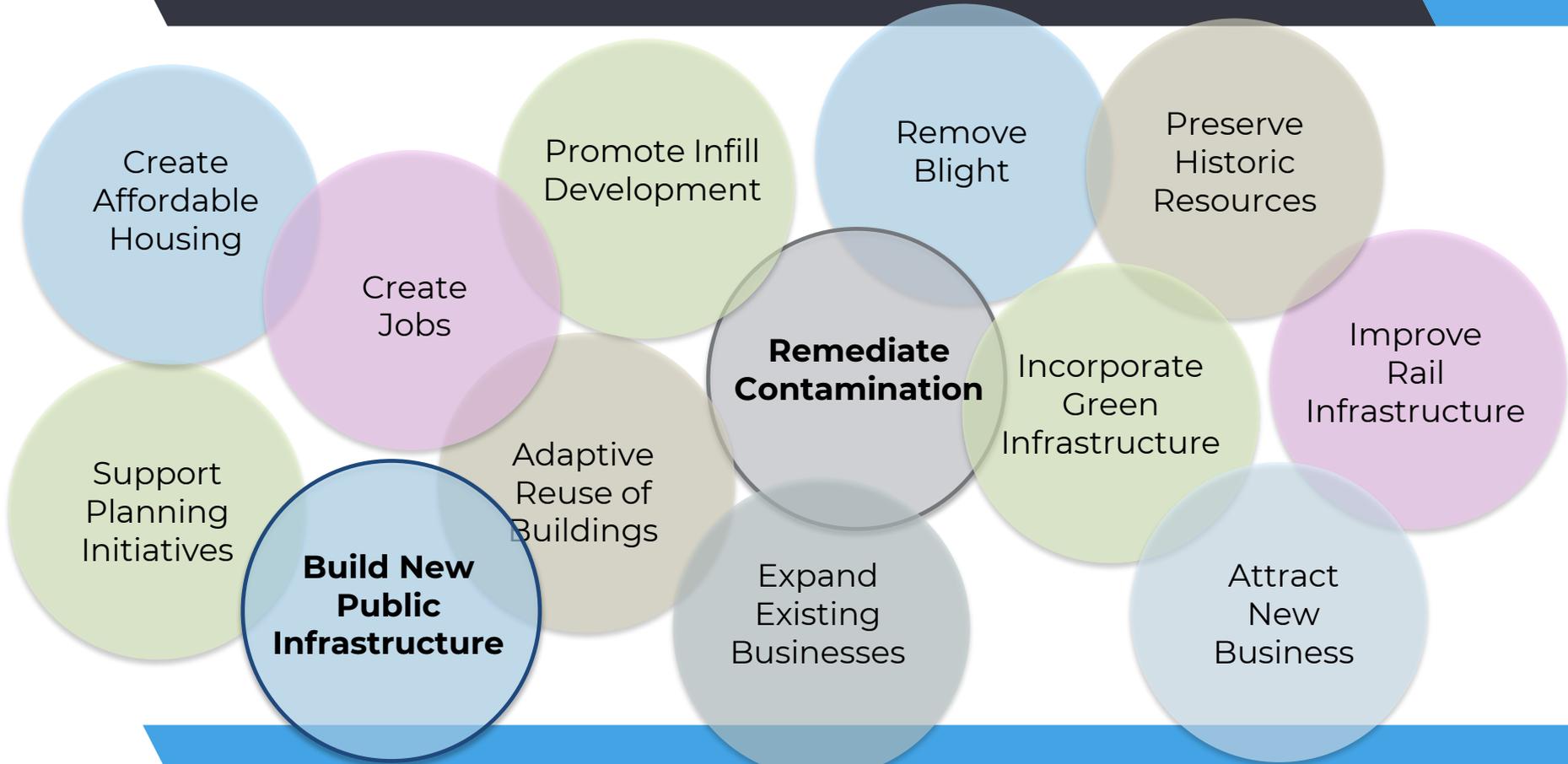


Community Investment



Redevelopment
Opportunities

INCENTIVES FOR REDEVELOPMENT PROJECTS THAT...



Community Economic Development & Incentives

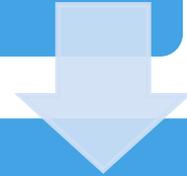


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Downtown Development Authorities (DDA)

Public Act 57 of 2018
Part 2

Designed to be a catalyst in the development of a community's downtown district



The DDA can fund large-scale projects, which can lead to new development opportunities within the downtown

DDA FINANCING OPTIONS

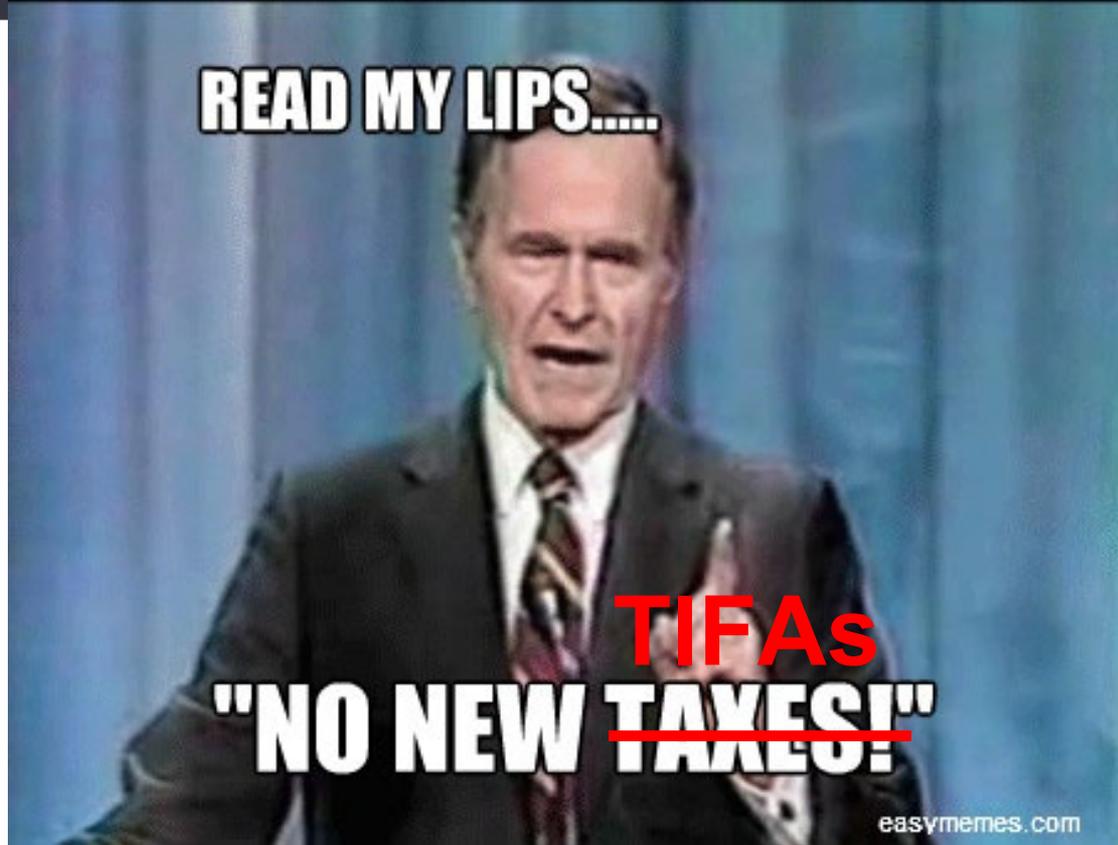


- TIF
- Millage – Up to 2 Mills
- Special Assessment
- Revenue Bonds
- Revenues from DDA owned or leased property
- Donations
- Contributions from the local unit of government



Tax Increment Finance Authority (TIFA)

Public Act 57 of 2018
Part 3



- Mechanism which allows a municipality to create districts in development areas showing evidence of deteriorating property values.
- Capture taxes generated from new capital investment within those districts.

TIFA FINANCING OPTIONS



- TIF
- Contributions to the Authority
- Proceeds of tax increment bonds
- Proceeds of revenue bonds
- Contributions from the local unit of government
- Revenues from TIFA owned or leased property

Local Development Finance Authority (LDFA)

Public Act 57 of 2018
Part 4

Designed to promote economic growth and job creation

Support companies in manufacturing, agricultural processing, and high technology operations

LDFA FINANCING OPTIONS



- TIF
- Proceeds of tax increment bonds
- Proceeds of revenue bonds
- Contributions
- Revenue from LDFA owned or leased properties
- Legislative appropriations
- Loans



Corridor Improvement Authority (CIA)

Public Act 57 of 2018
Part 6

- Assist communities with funding improvements in commercial corridors outside of the Downtown.
- Like a DDA but cannot levy an ad valorem tax.

CIA FINANCING OPTIONS



- TIF
- Special Assessment
- Revenue Bonds
- Revenues from CIA owned or leased property
- Donations
- Contributions from the local unit of government

Neighborhood Improvement Authority (NIA)

Public Act 57 of 2018
Part 8

Enhance residential
and economic
growth in residential
neighborhoods

Fund improvements
to public facilities
such as housing, a
street, plaza, or
pedestrian mall

NIA FINANCING OPTIONS



- TIF
- Donations & Grants
- Revenue Bonds
- Revenues from properties owned or leased by the NIA
- Special Assessments



Other Tax Increment Financing Authorities

Public Act 57 of 2018 - Parts 5 & 7
Public Act 120 of 1961

BUT WAIT, THERE'S MORE



- PA 57 of 2018 Parts 5 & 7
 - » Nonprofit Street Railways
 - » Water Resource Improvement Authorities
- PA 120 of 1961
 - » Principal Shopping District
 - » Business Improvement District



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Land Banks

MICHIGAN LAND BANKS



Powers

Acquire and maintain problem properties within its jurisdiction

Responsibility

Market and transfer the property back to responsible ownership in accordance with local land use goals and priorities

Outcome

More efficient and effective system to eliminate blight. Empower homeownership within underserved populations.



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Development Incentives

Tax Abatements

Offered by communities for
developers

TAX ABATEMENT OPTIONS



- Currently Available
 - » Obsolete Property Rehabilitation Act
 - » Industrial Property Tax Abatement
 - » Neighborhood Enterprise Zone

- Recent Legislation Sunsets
 - » Commercial Redevelopment Act
 - » Commercial Rehabilitation Act

Obsolete Property Rehabilitation Act (OPRA)

Public Act 146 of 2000

Eligible Property

- Contaminated, blighted or functionally obsolete

Qualifications

- Commercial Rehabilitation
- Including rental residential

Abatement Type

- Freezes local property taxes up to 12 years
- 50% School tax abatement up to six years

Industrial Property Tax Abatement (IFT/IFEC)

Public Act 198 of 1974

PA 198 – INDUSTRIAL FACILITIES



Eligible Property

- Industrial or high-technology operations

Qualifications

- Industrial Plants that primarily manufacture goods or materials by physical or chemical change

Abatement Type

- Spec: cuts mill rates in half for up to 12 years, other than SET
- Rehab./Replace: freezes local and state taxes for up to 12 years

Neighborhood Enterprise Zone (NEZ)

Public Act 147 of 1992

Eligible Property

- Located in Core Community (QLUG)
- Contiguous Parcels

Qualifications

- **New:** 1 or 2 units, one of which must be owner occupied.
- Apartments have specific requirements
- **Rehab:** TCV <\$80,000 per unit, rehab costs >\$5,000 per owner-occupied unit or \$7,500 per leased unit

Abatement Type

- **New:** ½ of previous years state average for non-PRE, 15 year sliding scale of tax adjustments.
- **Rehab:** Apply current total millage rate to previous years TV for 15 years

Commercial Rehabilitation Act

Public Act 210 of 2005



PA 210 – COMMERCIAL REHAB.



Eligible Property

- Commercial property
- Vacant if commercial use within the last 15 years

Qualifications

- Improvements more than 10% of TCV prior to rehab
- New construction on vacant property

Abatement Type

- Freezes local property taxes up to 10 years
- SET and School operating still levied

Commercial Redevelopment Act

Public Act 255 of 1978



PA 255 – COMMERCIAL REDEVELOPMENT



Eligible Property

- Obsolete commercial property cleared/vacant
- Land cleared because of fire damage
- Vacant land included in redevelopment plan (DDA, BID, PSD)

Qualifications

- Replacement: mixed-use high density
- Within the DDA, PSD, or BID
- Expedited local permitting process
- No housing

Abatement Type

- Restored: Freezes TV for 12 years on Local and State
- New or Replacement: Mills reduced by 50% for up to 12 years, SET up to 6 years as approved by State Treasurer



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Environmental Economic Incentives

Brownfield Redevelopment

Public Act 381 of 1996

BROWNFIELD REDEVELOPMENT – A COMMUNITY ASSET



- A Brownfield Redevelopment Authority (BRA) is created and appointed by a county, city, village or township and is responsible for developing Brownfield Plan.
 - » Municipal BRA Process
 - » County BRA Process
- A BRA can prepare a property for redevelopment by conducting an environmental assessment or initiating other response activities.
- Community engagement in the redevelopment process

VALUE OF A BROWNFIELD REDEVELOPMENT AUTHORITY



Administrative Capture

- Capture during the duration of a Brownfield Plan for administration of BRA

Local Brownfield Revolving Fund (LBRF)

- Site Assessment
- Grants
- Loans

POWERS OF A BRA



Revitalize and redevelop eligible properties to create economic opportunities

- Review and approve Brownfield Plans, recommend approval by municipality
- Administrative and LBRF Capture
- Make and enter contracts related to the Authority's powers
- Own, mortgage, convey, lease land and property
- Accept grants and donations
- Invest money and borrow money, issue bonds
- Study, develop and prepare reports

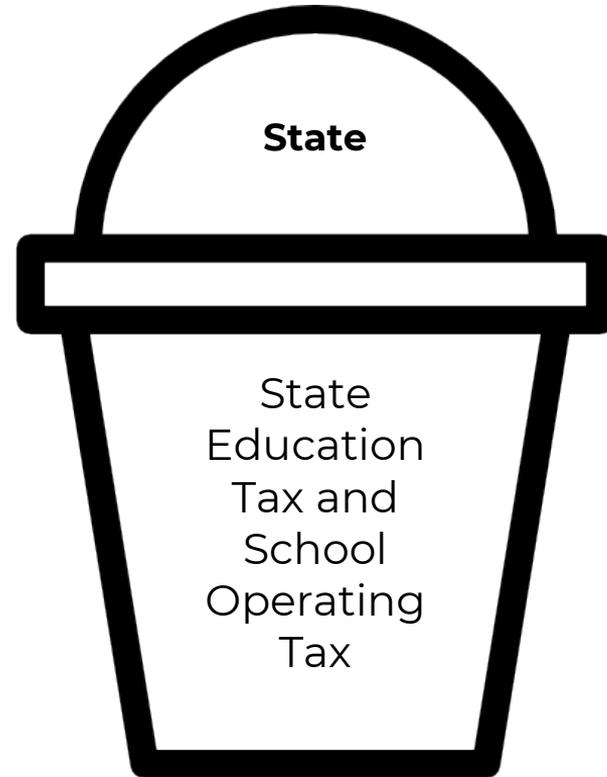
BROWNFIELD REDEVELOPMENT – A DEVELOPMENT INCENTIVE



Property that is...

Contaminated, functionally obsolete, blighted, historic resource, adjacent and contiguous, tax reverted or land bank owned, transit-oriented, **housing property**

BUCKETS OF FUNDING



ELIGIBLE ACTIVITIES



Environmental

Department Specific Activities
-Baseline Environmental Assessments
-Due Care Activities
-Response Activities

EGLE

Non-Environmental

Demolition
Abatement
Site Preparation*
Public Infrastructure*
Some Private Infrastructure

MEDDC

Housing

Infrastructure
Site Preparation
Demolition and renovation of existing buildings
Temporary relocation costs
Acquisition costs
Gap Financing

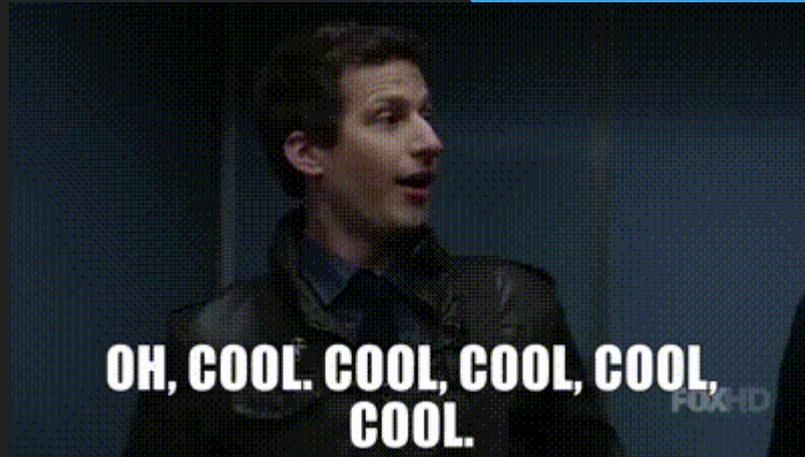
MSHDA

BROWNFIELD REIMBURSEMENT



- Brownfield Plan – maximum amount
- Act 381 Work Plan – State and school taxes
- Reimbursement based on actual cost of eligible activity and availability of TIF
- Incentive for the developer to complete the project
- Very limited risk to the community

Your Plan is approved...now what?



REIMBURSEMENT AGREEMENT



...is a legally binding contract between a Brownfield Redevelopment Authority (BRA) and a developer or property owner that outlines the terms and conditions under which eligible costs incurred during the redevelopment of a brownfield site will be reimbursed using tax increment revenues, as authorized under Michigan Public Act 381 of 1996

KEY ELEMENTS



1. • Parties Involved
2. • Eligible Activities
3. • Reimbursement Process
4. • Tax Increment Financing Provisions
5. • Term & Termination
6. • Reporting & Oversight
7. • Assignment & Transfer
8. • Miscellaneous Legal Provisions



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State Approval Process

STATE APPROVAL PROCESS



Environmental

Department Specific Activities
-Baseline Environmental Assessments
-Due Care Activities
-Response Activities

EGLE

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MSHDA

Environmental

Department Specific Activities

- Baseline Environmental Assessments
- Due Care Activities
- Response Activities

EGLE

- Transmittal of Act 381 Work Plan by BRA
- EGLE Acknowledgement Letter
- 60-day statutory review period
- EGLE Reply Letter with maximum capture amounts

EGLE REPLY LETTER EXAMPLE



Proposed Eligible Activity	Approved Cost
EGLE Approved Activities	
Due Care Activities: refer to the letter for a breakdown of activities	\$458,942
Response Activities: refer to the letter for a breakdown of activities	\$12,500
<i>Total EGLE Approved Eligible Activities</i>	\$471,442
15% Contingency*	\$70,716
Activities Exempt from EGLE Approval:	
Baseline Environmental Assessment (BEA)	\$3,000
Phase I ESA	\$2,200
Phase II ESA	\$15,180
Phase II Supplemental	\$44,094
Pre-demo/asbestos/lead/mold surveys	\$8,100
Demo-Universal Waste Abatement Activities	\$161,038
Demo-Universal Waste	\$88,962
Preparation of Due Care Compliance Plan	\$40,500
Due Care Plan - Pre Development - prior to construction	\$3,500
Brownfield Plan / Work Plan Preparation	\$30,000
Brownfield Plan / Work Plan Implementation	\$30,000
<i>Total Exempt Activities</i>	\$426,574
Total EGLE & Exempt Activities	\$968,732
School Tax Capture Amount	48.3134% \$468,027
Local Tax Capture Amount	51.6866% \$500,705

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION (MEDC)



Non-Environmental

Demolition
Abatement
Site Preparation*
Public Infrastructure*
Some Private Infrastructure

MEDC

- Transmittal of Act 381 Work Plan by BRA
- Incentives over \$1,000,000 require approval by the Michigan Strategic Fund
- MEDC Specialist, Local Officials and Development Team present the project and request support
- Resolution of Support for the project

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY (MSHDA)



Housing

Infrastructure
Site Preparation
Demolition and renovation of existing buildings
Temporary relocation costs
Acquisition costs
Gap Financing

MSHDA

- Transmittal of Act 381 Work Plan by BRA
- 60-day statutory review period
- Conditional Approval Letter



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Reimbursement Requests

REIMBURSEMENT PACKAGE



- Documentation Required - Written Statement Detailing Costs
 - » Written explanation as to why reimbursement is appropriate under the Plan and Agreement
 - » Copies of invoices
 - » Consultants, contractors, subcontractors, engineers, attorneys, etc.
 - » Backup information: load tickets, waste manifests, equipment rental, etc.
 - » Copies of Lein Waivers, Cancelled Checks, or other Proof of Payment
 - » Copies of Contracts
 - » Statement from Engineer/PM recommending payment

PROCESS



- Reimbursement Package submitted to the BRA.
 - » May be one full submittal, may be multiple
 - » For housing projects with financial gap eligible activity, there will be an annual request.
- Review package and make recommendation for reimbursement to the BRA.
 - » If portions are disputed, or require additional information, the developer must address deficiencies in the package and submit additional information
- Once approved, developer paid available Tax Increment Revenue.

PAYMENT



- Based on the terms and conditions of the reimbursement agreement
- Administrative capture taken first, remaining repaid to the developer.
- Requires coordination with local officials to set up captures within BS&A

SUMMARY – THE PLAN(S)



Brownfield Plan

- Authorizes use of local millages
- Final approval resides with the County Board of Commissioners following a Public Hearing after Concurrence from the Local Unit of Government

Act 381 Work Plan

- After Brownfield Plan approval and execution of the Reimbursement Agreement
- Authorizes the use of state millages (State Education Tax and School Operating Tax)

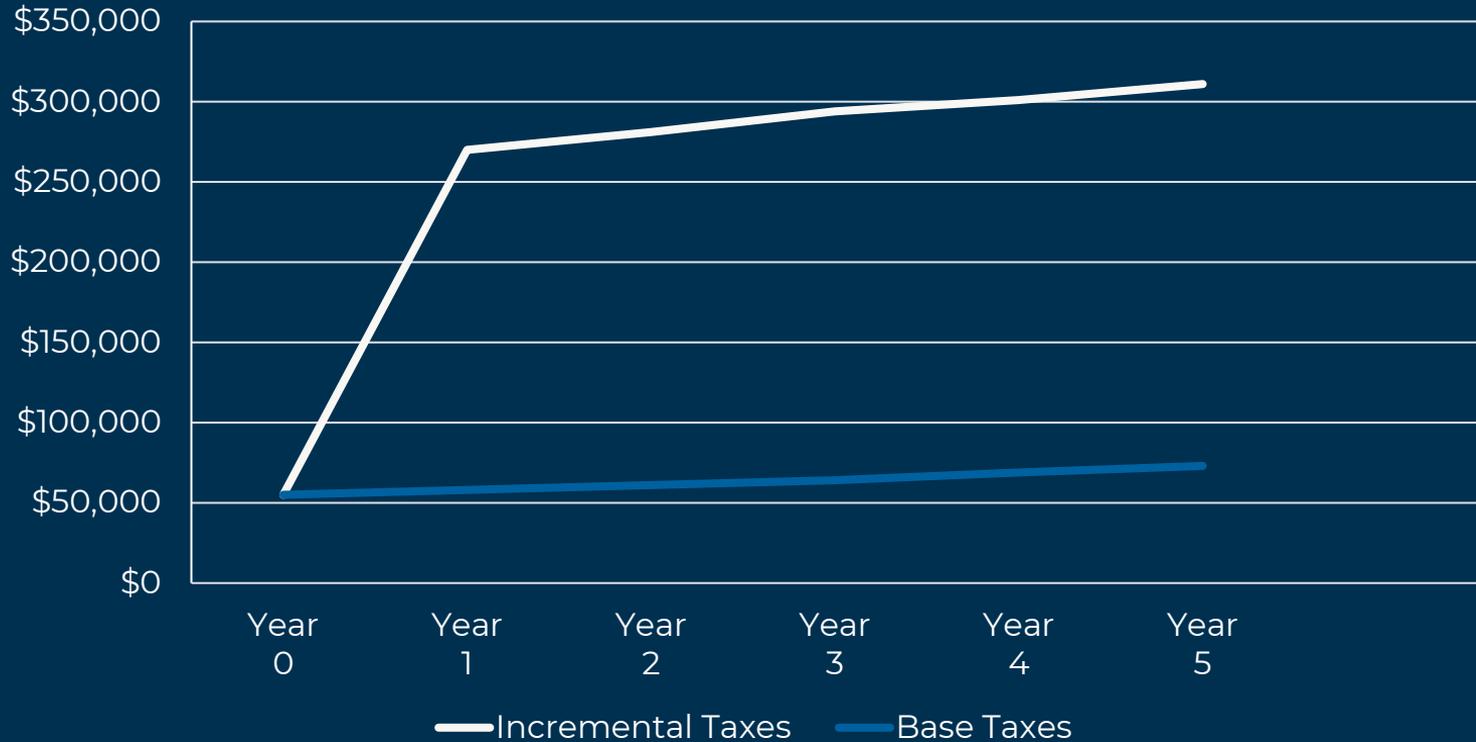
Reimbursement Request

- Trust but verify
- Brownfield Plan is the total not-to-exceed amount of reimbursement.
- Only the tax increment that is available will be reimbursed
 - » Incentive for the development to be completed as proposed

Compliance

- Annual tax capture projections to compare the Plan to reality
- MEDC Portal Reporting and MSHDA Income verification on attainable housing developments

TAX INCREMENT FINANCING



PROJECT PARTNERS



INVESTUP™

EGLE

MICHIGAN DEPARTMENT OF
ENVIRONMENT, GREAT LAKES, AND ENERGY



MSHDA™

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY



economic development corporation
HURON COUNTY MICHIGAN



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Impact

LOCAL IMPACT



Support

Support community goals and programs

Enhance

Enhance economic vitality

Capture

Capture external taxes for public purposes

Attract

Attract new projects

Grow

Grow and diversify the tax base

REDEVELOPMENT ASSISTANCE



- Fill financial gaps associated with project
- Provide community benefits and control your own fate
- Incentives used to bring projects to completion and improve infrastructure
- Level the playing field and not over-incentivize projects



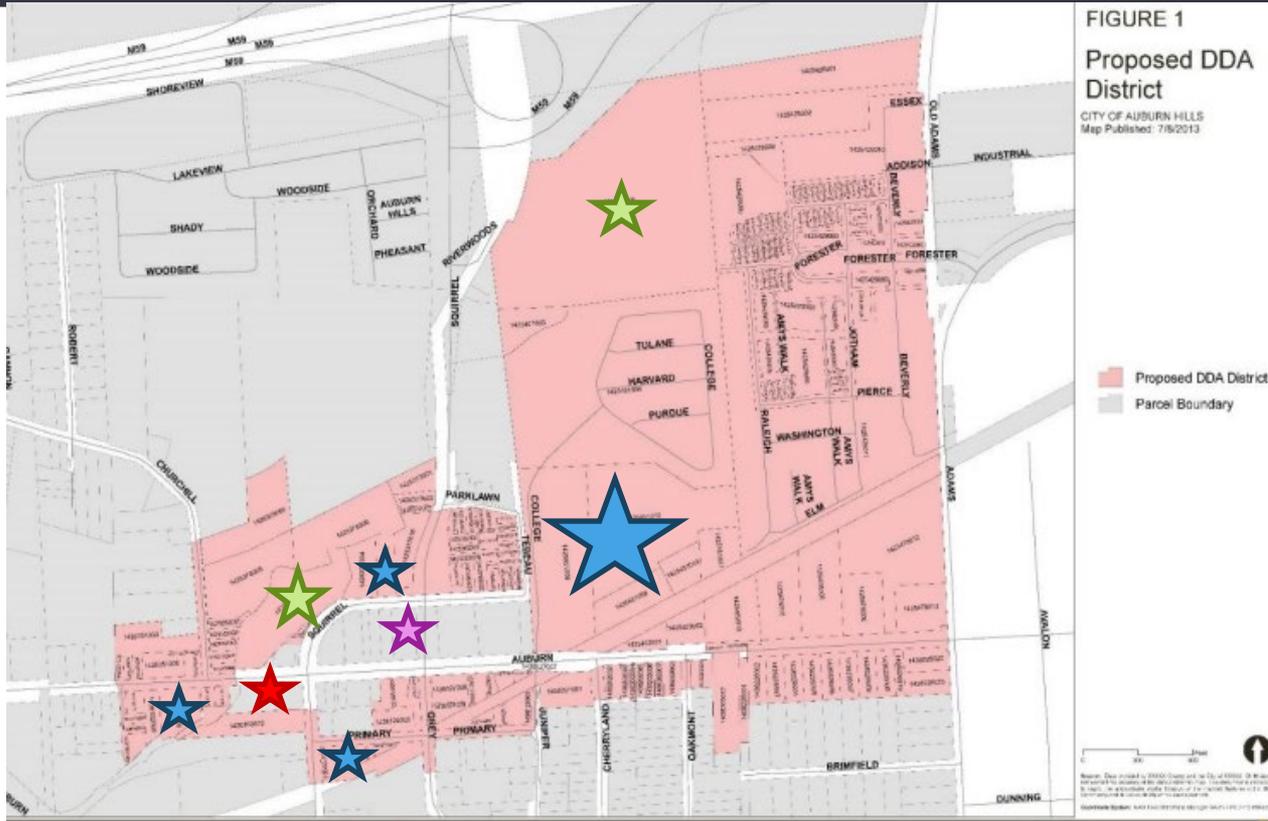


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Case Study

BUILDING A DOWNTOWN



THE JORDAN



- TIFA
 - » Purchased the Property
- Brownfield
 - » LBRF Funds for Environmental Site Assessments
- Municipal Engineers
 - » Renderings of the vision
- EGLE
 - » \$572,000 Loan
- LBRF
 - » \$384,000 Loan

THE SITE



THE SITE



THE PLAN



FIRST VISION



GROUNDBREAKING



UNDER CONSTRUCTION



PROJECT COMPLETION





QUESTIONS?

CONTACT INFORMATION:

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