



Brownfield Redevelopment Bills

A package of bills which would allow developers of “Transformational Brownfield Plans” (TBPs) to capture a portion of sales, use and income taxes passed the House this week. The bills, pushed by a coalition of business and development groups as well as Chambers of Commerce, aim to address sites that are currently blighted and difficult to redevelop due to the “financial gap” between project costs and financing available.

The bills would allow the board of a brownfield redevelopment authority to implement a TBP with the approval of the Michigan Strategic Fund (MSF) and the governing body of the municipality that created the authority. The plans must be for mixed used development, and projects have a minimum capital investment requirement depending on the population of the municipality.

The bills would allow developers to capture up to 50 percent of three types of income tax revenue for up to 20 years:

- Income tax of people living in the building
- Withholding tax for individuals employed in the building
- Income tax levied on wages paid to people working on construction, renovation or other improvement of the property

The captured taxes could be used for demolition, infrastructure, construction, restoration or alteration needed to make the project viable.

The bills would also allow for the exemption from sales and use taxes on certain tangible personal property, to the extent that it will be affixed and made a structural part of the real property or infrastructure improvements.

There are caps on the capture of tax revenue. The total amount of income tax and withholding tax capture revenue that may be reimbursed each calendar year would be capped at \$40 million. The MSF would be prohibited from committing total amount of income tax and withholding tax capture revenue that exceeded \$800 million. The MSF could not approve more than a total of \$200 million in construction period tax capture revenue and in projected sales and use tax exemptions. There is a limit of \$1 billion incentives across all TBPs over the life of the program.

The TBPs are limited to five plans per year, with an additional five allowed under the waiver authority that would allow the MSF to waive investment requirements in areas that had been subjected to a drinking water state of emergency or that had received federal funds under the Housing Finance Innovation Fund for the Hardest Hit Housing Markets.

A TBP could not be approved unless the estimates showed that there would be an overall positive fiscal impact on the state. The TBP could be a single development or a series of developments, but do not have to be contiguous parcels.

The House added an amendment to insure that 35 percent of the total plans approved would be located in communities with fewer than 100,000 people, and to allow the MSF to waive the minimum investment to get the process moving for communities with fewer than 25,000 people. They also added a sunset on the bills of 2022.

Proponents of the bills say that they would give communities much-needed tools to develop blighted properties and could serve as a catalyst to further economic development. But opponents of the bills say they are nothing more than corporate welfare and are an attempt to redistribute tax dollars to help wealthy developers, taking money away from schools and roads.

The bills now head back to the Senate for approval of the amendments added by the House, then head to Governor Snyder's desk for either a signature or a veto.