

Local Brownfield Revolving Fund

The Brownfield Redevelopment Financing Act, 1996 PA 381, as amended (Act 381) authorizes municipalities (city, village, township, or county) to create a Brownfield Redevelopment Authority (BRA; referred to as *Authority*) to facilitate the revitalization, redevelopment, and reuse of brownfields. Brownfield properties include those that are a “facility” (contaminated above Residential Cleanup Criteria), “blighted,” “functionally obsolete,” a “historic resource,” “*transit oriented property/development*,” or a “*targeted redevelopment area*.” Under the direction of an Authority, a Brownfield Plan can be adopted to establish the boundary of the eligible brownfield property, describe *how* the eligible property qualifies as a brownfield site, and outline the costs associated with activities undertaken to support redevelopment at the site. The cleanup and projected redevelopment/improvement of a brownfield property will increase the taxable value. Taxes on the improvement (the increment in the captured taxable value) are known as *Tax Increment Revenue* (TIR) and can be used to reimburse the Authority and developer for eligible environmental activities (approved by the Michigan Department of Environment, Great Lakes, and Energy or MDEGLE) or non-environmental activities (approved by the Michigan Strategic Fund, or MSF). The Brownfield Plan can capture a maximum of 30 years of TIR to reimburse these expenses.

What happens after all eligible activities have been fully reimbursed?

After the developer and Authority have been fully reimbursed for their eligible expenses, an Authority may deposit excess funds into a Local Brownfield Revolving Fund (LBRF). An Authority may establish the LBRF to capture TIR generated from improvements on the property for 5 full years after all of the eligible activities have been reimbursed. The 5 full years must fall within the total 30 years allowed for tax increment capture in a Brownfield Plan.

The amount of local tax increment that can be captured in the LBRF cannot exceed the total cost of eligible activities approved in the Brownfield Plan. The limitations on the amount of allowable school tax capture for deposit into the LBRF is limited to the actual amount of school TIR used to reimburse the eligible department-specific activities approved in a Brownfield Plan, MDEGLE-approved Act 381 Work Plan, or combined Work Plan. Excess school taxes cannot be captured for deposit into the LBRF for non-environmental activities that are approved through an Act 381 Work Plan approved by the MSF.

Additionally, funding for the LBRF may come from money appropriated or otherwise made available from public or private sources. An Authority may also incur an obligation for the purpose of funding an LBRF.

Eligible uses of the LBRF

An Authority may only use LBRF funds to pay the costs of *eligible activities* (i.e., activities undertaken to redevelop a brownfield property) on eligible property (subject to a Brownfield Plan) that is located within the “municipality.” Municipality is defined by the statute as a city, village, township, or county.

Eligible activities include department-specific activities (BEAs, Due Care activities, response activities, removal and closure of USTs, disposal of solid waste, dust control, removal and disposal of lake or river sediments, industrial cleaning, certain sheeting and shoring, and lead, mold, or asbestos abatement); the relocation of public buildings or operations for economic development; environmental insurance; the preparation of Brownfield Plans and Work Plans; Brownfield Plan and Work Plan implementation; demolition; lead, mold, or asbestos abatement (not a response); and the repayment of principal and interest on any Authority obligations used to pay the costs of eligible activities on eligible property. In Qualified Local Units of Governments (Core Communities), Land Banks, and former mills, eligible activities can also include infrastructure improvements; site preparation that is not an environmental response activity; quieting title, conveying, selling property under control of the local unit of government, Land Bank Fast Track Authority, or Brownfield Authority; or acquisition of property by one of these entities if for economic development purposes.

Local and school funds deposited in the LBRF do not need to be accounted for separately when reimbursing eligible activities. It is also not necessary to secure MDEGLE or MSF approvals when utilizing LBRF funds derived from school tax increment revenues.

Administrative Cost Limitations

The LBRF would not be used to pay for the administrative and operating costs of the Authority. These administrative and operating expenses can be paid for with tax increment revenues from active Brownfield Plans. In each fiscal year, the amount of tax increment revenues attributable to local taxes that an Authority can use for these purposes is determined as follows:

Number of Active Projects*	Amount
5 or fewer	\$100,000
6 to 10	\$125,000
11 to 15	\$150,000
16 to 20	\$175,000
21 to 25	\$200,000
26 to 30	\$300,000
31 or more	\$500,000

* *“Active Project” = a project in which the authority is currently capturing taxes under Act 381*

In the following two situations, these fees may be increased by increments of two percent (2%) up to ten percent (10%) total: 2% for each written agreement entered into by a county BRA to serve as another municipality’s BRA, or 2% if an Authority enters into an agreement with one or more Authorities to administer one or more administrative operations of those authorities.

