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House Bill 4698 (Substitute H-2 as passed by the House)

Sponsor: Representative Jason Allen

House Committee: Commerce

Senate Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 5-31-01

CONTENT

The bill would amend the Brownfield Redevelopment Financing Act to revise the responsibilities of the Michigan Economic Growth Authority (MEGA) in regard to work plans for eligible activities involving the use of school operating tax revenue. The bill would do the following:

- Extend the time MEGA has to respond to a request for approval of a work plan.**
- Authorize MEGA to deny a request.**
- Expand the criteria MEGA must consider in its review of a work plan.**
- Provide that MEGA could approve an unlimited number of work plans that proposed to capture less than \$500,000 in school operating taxes over the entire duration of the work plan, but could not approve more than 25 work plans that would capture \$500,000 or more in school operating taxes over the duration of the work plan.**
- Allow a brownfield authority, for eligible activities conducted after September 30, 2000, and before approval of a work plan, to use school operating taxes if the work plan were approved before September 30, 2001.**

Under the Act, a brownfield authority may use funds derived from captured school operating tax revenue for eligible activities that do not involve environmental contamination, but only if MEGA approves a work plan submitted by the brownfield authority (as described below in BACKGROUND).

Currently, upon receiving a request for approval of a work plan, MEGA must provide a written response within 60 days. The bill would extend this period to 90 days. Under the Act, MEGA must provide one of three responses: unconditional approval; conditional approval delineating specific necessary modifications to the work plan; or, if the work plan lacks sufficient information for MEGA to give unconditional or conditional approval, a letter stating with specificity the necessary additions or changes to the work plan to be submitted before MEGA will consider it. Under the bill, the third option would be denial and a letter stating with specificity the reason for the denial. If a work plan were denied, it could be resubmitted.

The Act requires MEGA, in its review of a work plan, to consider all of the following:

- Whether the individual activities included in the work plan are sufficient to complete the eligible activity.
- Whether each individual activity included in the work plan is required to complete the eligible activity.

-- Whether the cost for each individual activity is reasonable.

The bill would require MEGA also to consider the following:

- The overall benefit to the public.
- The extent of reuse of vacant buildings and redevelopment of blighted property.
- Creation of jobs.
- Whether the eligible property was in an area of high unemployment.
- The level and extent of contamination alleviated by or in connection with the eligible activities.
- The level of private sector contribution.
- The cost gap existing between the site and a similar greenfield site as determined by MEGA.
- If the developer or projected occupant of the new development were moving from another location within Michigan, whether the move would create a brownfield.
- Whether the financial statements of the developer, landowner, or corporate entity indicated that the developer, landowner, or corporate entity was financially sound and that the project included in the work plan was economically sound.
- Other State and local incentives available to the developer, landowner, or corporate entity for the project that was included in the work plan.
- Any other criteria that MEGA considered appropriate for the determination of eligibility or for approval of the work plan.

The bill also specifies that MEGA would have to consider the existing and proposed criteria to the extent reasonably applicable to the type of activities proposed as part of the work plan

MCL 125.2665

BACKGROUND

Public Act 145 of 2000 amended the Brownfield Redevelopment Financing Act as part of a package of legislation designed to encourage investment in blighted areas and the reuse of old buildings that are not necessarily contaminated. Typically, brownfields are former industrial or commercial sites that are unused and often abandoned due to the presence or suspicion of contamination. The legislation enacted in 2000 also provides for the redevelopment of blighted and functionally obsolete property. In particular, Public Act 145 includes this type of property in the definition of "eligible property" for purposes of brownfield redevelopment financing (under which a brownfield authority captures tax increment revenue from eligible property). Another measure in the package, Public Act 144, authorizes MEGA to approve the capture of school operating taxes and work plans as provided in the amended Brownfield Redevelopment Financing Act.

As indicated above, a brownfield authority (established by a municipality) may use school operating tax revenue for eligible activities involving uncontaminated property only if a work plan is approved by MEGA. These activities may include infrastructure improvements that directly benefit eligible property, demolition of structures or site preparation that is not response activity under Part 201 of the Natural Resources and Environmental Protection Act, and lead or asbestos abatement. Infrastructure improvements include streets, roads, sidewalks, parking facilities, bridges, sewers, rail lines, utility lines, and property designed to reduce, eliminate, or prevent the spread of identified soil or groundwater contamination; in general, infrastructure improvements must be owned or used by a public agency or designed to be used by or to benefit the public.

Legislative Analyst: S. Lowe

FISCAL IMPACT

The current version of the Brownfield Redevelopment Financing Act has been law for less than a year, and as a result, there is not enough information available to identify the fiscal impact this Act, as amended by Public Act 145 of 2000, will have on State and local governments. Given this lack of actual experience, it is also difficult to estimate the fiscal impact of the changes proposed in this bill; however, it appears these proposed changes would not create any appreciable change in the fiscal impact brownfield redevelopment authorities will have on State or local governments.

Fiscal Analyst: J. Wortley

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.