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BILL ANALYSIS



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Senate Bill 1210 (Substitute S-1 as reported)  
Sponsor: Senator Mike Kowall  
Committee: Economic Development

### **CONTENT**

The bill would amend the Brownfield Redevelopment Financing Act to do the following:

- Delete a December 31, 2012, deadline for the Michigan Strategic Fund or the Department of Environmental Quality to approve a work plan (required when an authority uses tax increment finance revenue from school operating taxes).
- Create the "State Brownfield Redevelopment Fund" to support a grant and loan program that would fund eligible activities on eligible property, make deposits into the Clean Michigan Initiative Bond Fund, and pay administrative costs.
- Require a brownfield authority to pay to the Department of Treasury an amount equal to three mills of the taxes levied under the State Education Tax that were captured under the brownfield plan, and require that amount to be deposited in the Fund.
- Allow an authority to seek approval of a "combined brownfield plan" instead of a work plan.
- Allow the chairperson of the Michigan Strategic Fund to approve projects totaling \$500,000 or less.
- Allow an authority to use revenue captured from school operating taxes for certain environmental assessment activities before a brownfield plan was approved.
- Make additional exceptions to brownfield plan preapproval requirements for certain unanticipated response activities, and for eligible activities subsequently included in an approved plan.
- Allow an increase in the amount of local tax increment revenue an authority may use for administrative and operating expenses and preliminary environmental activities conducted before approval of a brownfield plan, in situations involving collaborative agreements.
- Discontinue requirements that an authority reimburse the Strategic Fund or the Department of Environmental Quality for the cost of reviewing a work plan.
- Include historic resources in the Act's definitions of "eligible property" and "eligible activities".
- Expand the definition of "infrastructure improvements", allowing the use of tax increment revenue for additional types of projects.
- Delete requirements that notice of certain public hearings be published in a newspaper.
- Delete a requirement that an authority separately account for money deposited into a local site remediation revolving fund that is derived from school operating tax revenue.
- Revise certain reporting and audit requirements for the brownfield redevelopment program.
- Allow a brownfield plan to be abolished or terminated if the project in the plan failed to occur for five years after its approval, and make other changes concerning the abolishment or termination of a brownfield plan.

MCL 125.2652 et al.

Legislative Analyst: Suzanne Lowe

## **FISCAL IMPACT**

The proposed State Brownfield Redevelopment Fund would be authorized to receive revenue from several sources, primarily the revenue equivalent to three mills of captured brownfield tax increment finance revenue from taxes levied for school operating purposes. Currently, this revenue goes to local brownfield development authorities with approval to capture school operating taxes. Uses of the Fund would consist of a program of grants and loans for eligible brownfield activities administered by the Michigan Strategic Fund agency, deposits into the Clean Michigan Initiative Bond Fund for grants and loans, and administrative costs of the Michigan Strategic Fund (MSF) and the Department of Environmental Quality (DEQ) related to the programs. Use of the proposed Fund for administrative costs would be limited to 15.0% of the annual revenue to the Fund. The bill does not specify how the money in the Fund would be allocated between the Clean Michigan Initiative and the Michigan Strategic Fund agency program of grants and loans for brownfield activities.

Annual revenue to the State Brownfield Redevelopment Fund is estimated at \$1.5 million to \$4.0 million per year; however, initial revenue would be lower and is expected to increase over time. The amount of revenue would depend on local authority activity, the pace of development, and the amount of captured taxable value. Local brownfield redevelopment authorities would have less revenue under the bill due to this shift of a portion of the captured school operating taxes to the proposed Fund, potentially delaying repayments to developers or other eligible local projects. The proposed Fund would make revenue available for grants and loans to local governments for brownfield projects selected by the MSF by board action or delegated authority and according to the DEQ procedures for distributing funds from the Clean Michigan Initiative Bond Fund. After December 31, 2012, local authorities would no longer be required to reimburse the DEQ or the MSF for the actual costs of plan review. The administrative portion of revenue to the proposed Fund would be available to pay these costs. It is unknown at this time whether the administrative portion of the Fund would be sufficient to cover these costs. Any costs in excess of available revenue would be borne by existing DEQ or MSF resources.

Under current law, an authority is prohibited from capturing taxes levied for school operating purposes for any work plan that is not approved by December 31, 2012. The bill would remove this sunset provision to allow newly approved work plans or combined brownfield plans to continue to capture taxes levied for school operating purposes.

The expansion of the definition of "infrastructure" under the bill would permit use of captured tax revenue for underground parking, multilevel parking structures, and urban storm water management systems, whether or not those improvements were publicly or privately owned or operated. Under current law, all types of infrastructure improvements are required to be either owned or used by a public agency or demonstrate a public benefit for the protection of health, welfare, or safety. This would permit captured tax revenue to be used for privately owned or operated underground parking, multilevel parking structures, or urban storm water management systems without the demonstration of public benefit that is required currently.

The State Brownfield Redevelopment Fund would be created in the Department of Treasury. Money in the Fund would not lapse to the General Fund, but would carry forward at year end, and the Fund would retain interest earnings on its balance. Repayments of loans made under the program would be deposited into the State Brownfield Redevelopment Fund. Administrative costs of the program would be supported from the Fund.

Date Completed: 9-10-12

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### Floor\sb1210

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.