

Act 381 Tax Increment Financing (Brownfields)

Brownfield properties are those in which the redevelopment or reuse of the property may be complicated by the presence or perception of contamination. Revitalizing and redeveloping these properties protects the environment, reuses existing infrastructure, minimizes urban sprawl and creates economic opportunities.

Tax increment financing (TIF) is a powerful funding tool that can help cover the additional costs associated with redeveloping a brownfield property. When a brownfield redevelopment generates new tax revenue, those new taxes can be captured by a local brownfield redevelopment authority (BRA) and given back to the developer to reimburse them for the eligible costs associated with redeveloping the property.

Brownfield TIF is authorized under the Brownfield Redevelopment Financing Act, PA 381 of 1996 (Act 381). It can help:

- Revitalize abandoned properties and return them to tax rolls
- Attract developers to brownfields, creating jobs and investment, and increasing nearby property values
- Provide a source of repayment for EGLE Brownfield Redevelopment Loan
- Reduce sprawl by reusing properties with existing infrastructure

How Brownfield TIF Works

When a challenged property (vacant, blighted, contaminated, etc.) is redeveloped, its property value increases.

This increase in property value results in an increase in the property taxes being paid to the taxing authority for that property.

The additional taxes paid due to the increased property value are referred to as the increment.

The increment is “captured” by the taxing authority and used to reimburse the developer for costs incurred to address the brownfield conditions on the property during construction.

Costs that are eligible to receive this reimbursement (eligible brownfield activities) are defined within the Brownfield Redevelopment Financing Act (Act 381) and require local and sometimes state approval.

Once the developer has been reimbursed for the approved eligible brownfield activities on a project, the taxing authority will begin retaining all taxes collected for the property and fully realize the increase in tax revenue from redevelopment.

TIF Approval Process

LOCAL APPROVAL

All projects seeking to use Act 381 TIF must prepare a Brownfield Plan for the project that identifies the activities to be performed and the estimated taxes to be generated and captured. The Brownfield Plan must be approved by the Local Unit of Government (LUG) and the local Brownfield Redevelopment Authority (BRA). Public hearings and notifications are required as part of this process.

STATE APPROVAL

Projects seeking to capture **state education and school operating taxes** must submit an Act 381 Work Plan to the appropriate state agency for approval. The Act 381 Work Plan must include a copy of the locally approved Brownfield Plan.

Environmental activities, typically associated with known or suspected soil and groundwater contamination require review and approval by the Michigan Department of Environment, Great Lakes, and Energy (EGLE).

Non-environmental brownfield activities including demolition, site work, and infrastructure are reviewed by the Michigan Economic Development Corporation (MEDC).

Eligible Activities

Activities reviewed by EGLE can be divided into two categories.

1. Those activities that require approval to use state taxes BEFORE they take place, including:
 - a. Due Care Activities; Documentation of due care compliance; Activities performed to make the property safe for its intended use, such as removing contaminated soil or installing vapor mitigation systems or exposure barriers; Response Activities; Remediation activities; Demolition, lead, mold, and asbestos abatement under some circumstances; And many more (refer to the Act 381 Work Plan Guidance for additional eligible environmental activities)
2. Those activities that are exempt and can take place prior to/without approval to use state taxes, including:
 - a. Phase I and Phase II Environmental Site Assessments and Baseline Environmental Assessments (BEAs).
 - b. Asbestos, mold, lead, hazardous materials, and pre-demolition surveys.
 - c. Due care investigations, planning, and reporting.