

Legislative Analysis



CLEAN MICHIGAN INITIATIVE LOANS

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Senate Bill 719 (Substitute H-1)

Sponsor: Sen. Darwin L. Booher

(Enacted as Public Act 115 of 2014)

House Committee: Natural Resources

Senate Committee: Natural Resources, Environment and Great Lakes

Complete to 3-19-14

A SUMMARY OF SENATE BILL 719 AS REPORTED FROM HOUSE COMMITTEE

The bill would amend Part 196 (Clean Michigan Initiative Implementation) of the Natural Resources and Environmental Protection Act to allow a municipality or a brownfield redevelopment authority with a CMI Brownfield Redevelopment Loan the option of renegotiating the terms of the loan, if they can demonstrate a financial hardship related to the project financed by the loan. Under current law, communities cannot modify their payment structure for these loans. The loan recipient would have to make the request of the Department of Environmental Quality (DEQ), which decide whether to renegotiate the terms.

The substitute bill adopted by the House Committee on Natural Resources would, however, not allow the reduction or elimination of the amount of the outstanding loan principal.

The Department of Environmental Quality (DEQ) would have to report to the Legislature the number of loans refinanced under the bill, the local unit of government or authority responsible for each refinanced loan, and the change in the terms of the loan.

The information could be included in the department's annual report to the Legislature on the status of brownfield redevelopment authorities' activities.

MCL 324.19612

FISCAL IMPACT:

As noted above, Senate Bill 719 would give a municipality or a brownfield redevelopment authority with a CMI Brownfield Redevelopment Loan the option of renegotiating the terms of the loan, if they can demonstrate a financial hardship. Under current law, communities cannot modify their payment structure for these loans.

Of the CMI Brownfield Redevelopment Loans that have been awarded, there are currently 26 projects totaling approximately \$7.4 million that are in a position to potentially renegotiate these terms. However, the Department does not anticipate a large response for renegotiation at this time. Because the bill does not provide any loan forgiveness, the funding will eventually be returned to the program, although possibly on

a slower timeline. Because of this, the bill is not anticipated to have a significant impact on the DEQ or the loan program. The bill could potentially have a positive fiscal impact on any municipalities or authorities that qualify under the terms of the bill in that the terms of their loan might be renegotiated with either a longer loan length, lower interest rate, or more favorable repayment schedule.

POSITIONS:

The Department of Environmental Quality indicated support for the bill. (3-11-14)

The Michigan Municipal League indicated support for the bill. (3-11-14)

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