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Senate Bill 562 (as enacted)  
Sponsor: Senator Roger Victory  
Senate Committee: Economic and Small Business Development  
House Committee: Local Government and Municipal Finance

**PUBLIC ACT 178 of 2022**

Date Completed: 11-10-22

**RATIONALE**

Brownfield properties are properties that are blighted or contaminated and that are eligible for redevelopment with the use of certain funding mechanisms, such as tax increment financing (see **BACKGROUND**). The Brownfield Redevelopment Financing Act specifies which of these properties are eligible for redevelopment. In 2016, Public Act 471 amended the Brownfield Redevelopment Financing Act to modify the scope of properties eligible for redevelopment, specifically removing from eligibility a landfill facility area of 140 or more contiguous acres that contained a landfill, a material recycling facility, and an asphalt plant that were no longer in operation. Some people believe that sites fitting the above description will benefit from brownfield redevelopment. Accordingly, it was suggested that the Act be amended to include as an eligible property a landfill facility similar to the one described above.

**CONTENT**

**The bill amended the Brownfield Redevelopment Financing Act to modify the definition of "eligible activities" and to define "qualified facility".**

Generally, "eligible activities" include activities for which a brownfield redevelopment authority can expend tax increment revenues to acquire or prepare eligible property. The Act specifies eligible activities for all eligible properties and for eligible properties that meet certain requirements. For example, for all eligible properties, eligible activities include Department of Environment, Great Lakes, and Energy specific activities, relocation of public buildings or operations for economic development purposes, and reasonable costs of environmental insurance, among other things.

Under the bill, "eligible activities" also includes the following for eligible property that is a qualified facility that is not located in a qualified local governmental unit and that is a facility, functionally obsolete, or blighted:

- Activities considered eligible activities for all eligible properties.
- Infrastructure improvements that directly benefit eligible property.
- Site preparation that is not a response activity.

The bill defines "qualified facility" as a landfill facility area of 15 or more contiguous acres that is located in a city and that contains, contained, or is adjacent to a landfill, a material recycling facility, or an asphalt plant that is no longer in operation.

MCL 125.2652

**BACKGROUND**

Tax Increment Financing

The Act allows a municipality to establish a brownfield redevelopment authority and provides the

authority the power to determine how the captured taxable value of each parcel of eligible property is spent. Captured taxable value is the incremental increase of an eligible property's initial taxable value determined when that eligible property became part of a brownfield redevelopment plan. An authority can "capture" property tax revenue from incremental increases in the eligible property's value and spend the captured revenue for the development of that eligible property. Authorities regularly spend these tax increment funds to retire debt issued for the finance of a project or to directly improve the eligible property.

#### Qualified Local Governmental Unit

The Obsolete Property Rehabilitation Act provides the qualifications that a local governmental unit must meet to be a qualified local governmental unit. For a city or township to qualify, they must have a median family income of 150% or less of the statewide median family income as reported in the 1990 Federal census and they must meet certain populations requirements or have an eligible distressed area in their borders. For a village to qualify, it must have a population of 500 or more as reported in the 1990 Federal census and it must be located in an area designated as a rural enterprise community. According to the Michigan Economic Development Corporation, there were 148 total qualified local governmental units in the State as of October 2020.

### **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

#### **Supporting Argument**

Blight or contamination can make the redevelopment of some properties difficult or even economically infeasible. For example, property that previously held an asphalt plant or landfill may have contaminated soil or groundwater because of those previous uses. Potential developers may not have the capital or wherewithal to test for and remedy this contamination, in addition to redeveloping the property for its intended use. Brownfield redevelopment plans can assist local governments or private entities in the redevelopment of properties with significant blight or contamination. However, only specified properties under the Brownfield Financing Redevelopment Act are eligible for brownfield redevelopment. Most eligible properties must reside in a qualified local governmental unit (see **BACKGROUND**). The Act provides some exceptions to the location requirement, but the exception for asphalt plants, landfills, and material recycling facilities was eliminated in 2016.

Asphalt plants, landfills, and material recycling facilities were purposefully constructed outside of qualified local governmental units' jurisdictions because of their significant potential for contamination, among other reasons. Since the construction of many of these facilities, urban areas have expanded. These now unused properties have become attractive for development, but some interested developers do not have the capital or wherewithal to test for and remedy the properties' contamination. Brownfield redevelopment can assist in these properties becoming developed, which will reduce environmental contamination and expand economic development in areas with these properties. Allowing a landfill facility that meets the bill's requirements to be an eligible property under the Act will assist in the redevelopment of these properties.

Legislative Analyst: Tyler P. VanHuyse

### **FISCAL IMPACT**

The bill will reduce revenue to the School Aid Fund and local unit revenue by an unknown amount, depending upon the specific characteristics of the projects affected by the bill. By expanding the definition of "eligible activities", the bill increases the amount of taxes subject to capture. The total cost will depend on the characteristics of the projects approved under the bill's provisions.

Fiscal Analyst: Ryan Bergan

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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.