

Michigan Association of County Treasurers 2015 Summer Conference

Managing Brownfields and the TIF Capture Process

Presented by Jeff Hawkins, President

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26
years


envirollogic

Brownfield Basics

- Legislation created to aid with brownfield issues:
 - The Brownfield Redevelopment Financing Act, 1996 PA 381, as amended (Act 381)
 - Provides municipalities with a method to finance eligible activities at brownfield sites through:
 - Creation of Brownfield Redevelopment Authorities:
 - Municipality
 - County, on behalf of municipalities within a county
 - There are 291 BRAs in Michigan
 - 63 county BRAs
 - Creation of Brownfield Plans – use of Tax Increment Financing to reimburse eligible activities

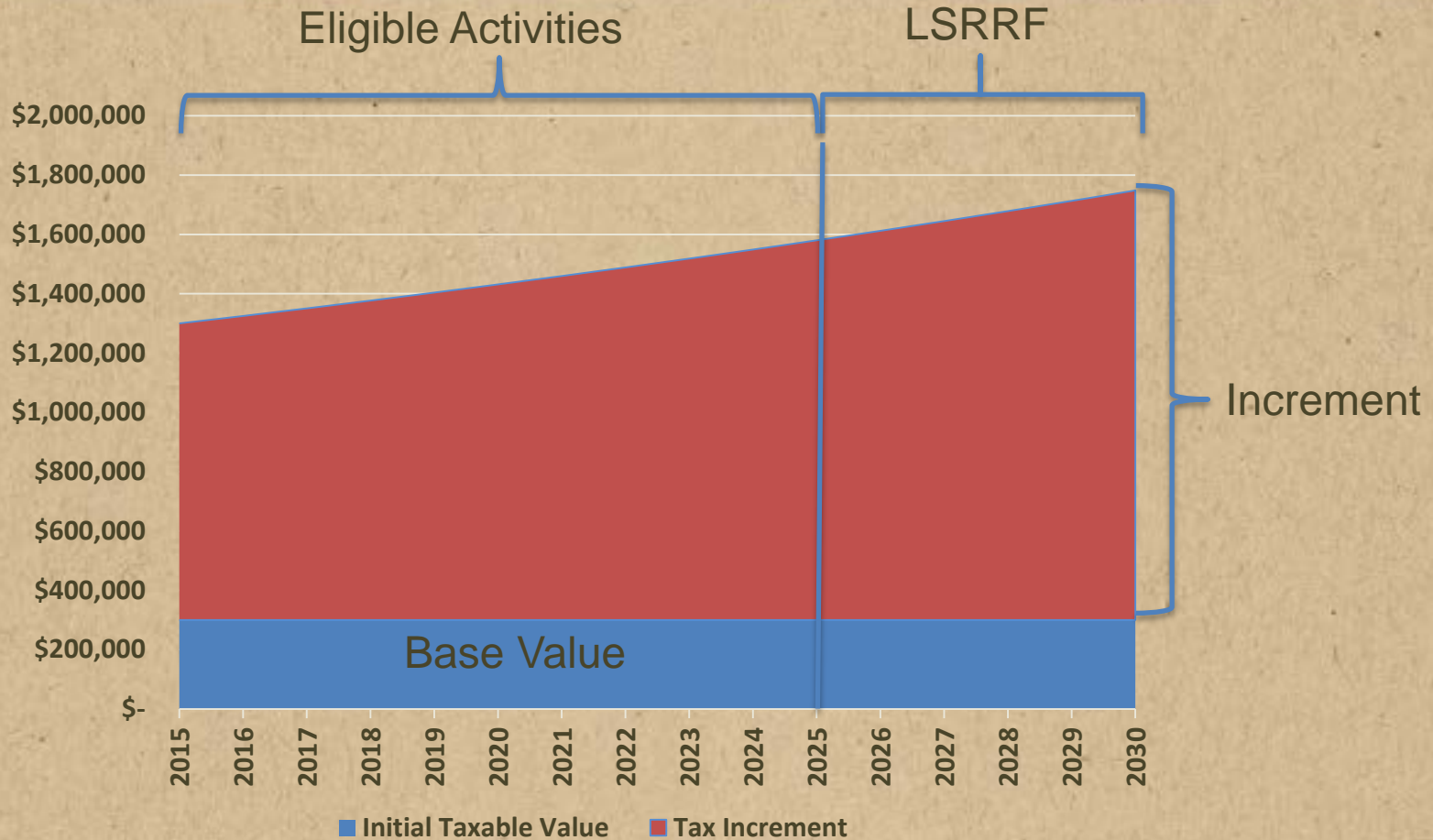
Brownfield Basics

- Brownfield Plans are Adopted for a Specific Project:
 - Plan for Redevelopment
 - Nature and Condition of the Property
 - Itemizes the eligible activities and actual or estimated costs
 - Identifies a base year for the Initial Taxable Value
 - Describes the proposed investment and anticipated Future Taxable Value
 - Identifies affected taxing jurisdictions
 - Describes a schedule for tax increment capture and reimbursement

Brownfield Basics

- The New (Incremental) Taxes are used to Reimburse the Party that Financed (Developer and/or Authority) the Eligible Activities Described in the Brownfield Plan
- ***Tax increment = new taxable value – initial taxable value (based on new investment)***
- ***Plans limit amount of Eligible Activities to be reimbursed and the amount of time for reimbursement***
- ***Once the Plan reaches one of these limits, it is ended and all future tax increment accrues to the individual taxing jurisdictions***

Tax Increment Capture



Not All Brownfield Plans Are Created Equal!

NEZs

local and school taxes

Land Bank - 5/50 Specific Tax

IFEs

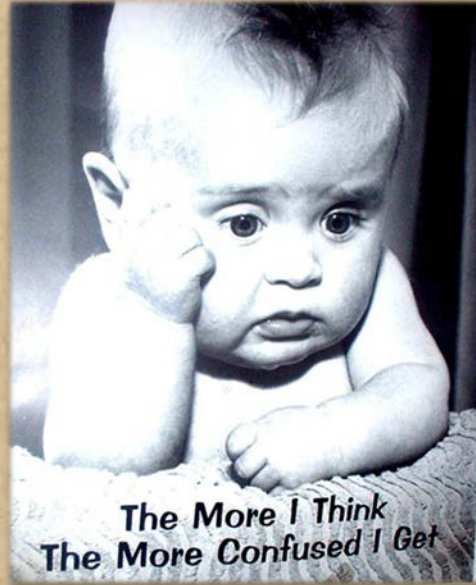
local only taxes

CIA's

REN
Zones

Combinations

LDFAs



*The More I Think
The More Confused I Get*

OPRAs

5 year capture delay

DDAs

TIFAs

Brownfield Plans

- Act 381 clear on statutory contents of Plan
- www.michiganbusiness.org/community/development-assistance/#brownfield
- Important to involve local and/or County Assessor to establish ITV and FTV
- Requires LUG to concur with the terms of a County Brownfield Plan
- School tax increment capture may require an Act 381 Work Plan – limited by ratio of state to local taxes (as percentage)

Brownfield Plan Approved and Adopted!

- Significant effort to-date to get to approval of Plan
- Developer moves on to build his project
- Delay until TIF available, memories begin to fade
- Many local and county treasurers are likely “downstream” of the development of a Brownfield Plan
- Up to BRA to carry Plan forward



Brownfield Plan Hangover!

- Now What!?



We approved a
Brownfield Plan
that does what?
For how long?

Whose job is it
to implement
and track it???

Post Brownfield Plan Approval

- Important for County Treasurer to understand relationship with a BRA
 - Does the BRA operate “**independently**” from County operations?
 - Mature or more active BRA
 - BRA receives and manages TIR
 - BRA maintains separate ledger and checking account
 - BRA provides direction to Treasurer
 - BRA tracks nuances of Brownfield Plan
 - Less reliant on County infrastructure to assist BRA

Post Brownfield Plan Approval

- Important for County Treasurer to understand relationship with a BRA
 - Does the BRA operate “**dependent**” on County operations?
 - Less mature or active BRA
 - BRA receives TIR from taxing jurisdictions/LUG and transfers to County Treasurer
 - BRA relies on County Treasurer and/or finance department for accounting, budgeting, etc.
 - BRA anticipates County is also tracking nuances of Brownfield Plan
 - BRA more reliant on County infrastructure to assist BRA

Post Brownfield Plan Approval

- Important for County Treasurer to understand relationship with a BRA
 - There is a mutual need and benefit for the BRA and the County Treasurer to cooperate and communicate
 - Provides opportunity for Treasurer to assist BRA with insuring local treasurers and taxing jurisdictions have a Brownfield Plan in their systems
 - Allows for better tracking of TIR

Post Brownfield Plan Approval

- Brownfield Plan should have a Reimbursement Schedule
- Development and Reimbursement Agreement
 - “Rules of Engagement”
 - Who gets what when
 - Tax appeals
 - Default
 - Reimbursement procedures



Brownfield Plan Implementation

- Brownfield Plans are dynamic and can change over time – Plan assumptions/estimates become reality and reality may not fit with the assumptions
- Issues that may affect the Plan include:
 - Changes in TV, i.e. FTV is less than ITV
 - Tax appeals
 - Tax abatements/exemptions
 - Property splits or combinations
 - New or changed tax millages
 - Delinquent taxes – Delinquent Tax Revolving Fund
 - Changes in PRE vs Non-PRE
 - Developer default
 - Plan amendments



Tax Capture Resources

- Proactive approach to prompt and inform local treasurers and LUGs of a Brownfield Plan and Tax Increment Capture
- Developed a letter and Statement of Account for each project
- BRA staff meets in May and October each year to review Brownfield Plan(s) status, update statements, etc.
- BRA emails Statement of Account to LUG in June and November of each year
- LUG updates Statement of Account and returns to BRA
 - Allows for discussion related to changes, questions, issues
- Upon receipt of taxes, LUG transmits the appropriate increment to the BRA

Tax Capture Resources - Example

Good afternoon Township Officials,

Attached, please find the 2015 Summer Tax letter for the approved Brownfield Plan for the Development at 1361 Old McDevitt as well as the Statement of Account for your review and verification. As indicated in the letter, please fill out and/or verify the highlighted sections on the Statement of Account form to verify the Current Taxable Value and millage rates for Summit Township. Please notify us immediately if the listing of local taxing jurisdictions differs from the tax bill. I am sending you this information electronically since the Statement of Account form will compute the tax increment for you.

If you have any questions regarding the form and/or payment process, please contact me by responding to this email. Checks are made payable to the County Brownfield Redevelopment Authority and can be sent to my attention at the address below.

This is email 3 of 3.

Thank you for your attention and cooperation.

Tax Capture Resources

Re: Brownfield Plan for Development, 1361 Old Mcdevitt

Dear Township Officials:

A Brownfield Plan for the above mentioned properties was approved on May 17, 2011 and amended on May 15, 2012 to allow tax increment financing (TIF) capture that will reimburse eligible costs. Each tax bill period, the County Brownfield Redevelopment Authority (BRA) will send a “statement of account” as a notification to provide the TIF capture for the above mentioned property to the County Brownfield Redevelopment Authority. The attached “statement of account” indicates which taxing jurisdictions are captured:

- All local taxing jurisdictions (excluding debt millages, special assessments, School Operating and SET). *Please notify us immediately if the listing of local taxing jurisdictions differs from the tax bill.*
- All local taxing jurisdictions noted above and School Operating and SET

Originally, this property was two parcels of land addressed 1359 and 1361 Old Mcdevitt. These two parcels have been combined with a new tax identification number and retaining the address of 1361 Old Mcdevitt. To implement this Plan on a combined parcel, the initial taxable values for each parcel have been added together to create the “initial taxable value” for the combined parcel. Tax increment revenues were collected in 2013 from the two original parcels and our tracking systems show those revenues from each parcel. 2014 was the first year the increment from the combined parcel was collected.

Please verify/fill out the **yellow highlighted** sections on the “statement of account” with the Current Taxable Value and millage rates. The form will compute the tax increment. Once taxes are paid, return with the tax increment captured for the period to the address below.

Please do not hesitate to contact, Director of the County Brownfield Redevelopment Authority, with any questions. We appreciate your cooperation to help revitalize distressed properties in the community.



Tax Capture Resources

STATEMENT OF ACCOUNT			Combined Parcel
Company Name	K2 Property LLC	K2 Property LLC	K2 Property LLC
Address	1361 Old Mcdevitt	1359 Old Mcdevitt	1361 Old Mcdevitt
Parcel ID	000-13-24-253-027-02	000-13-24-253-027-01	000-13-24-253-027-03
LGU Responsible	Summit Township	Summit Township	Summit Township
Date Approved	05/17/2011; amnd 5/15/2012	5/15/2012	
Base Year	2011	2012	
Initial Taxable Value	\$29,296	\$16,700	\$ 45,996.00
Year Tax Capture Initiated	2013	2013	
Years Plan Anticipated to be in Place	22	22	
Actual Eligible Costs	\$ 75,075.20	\$ 75,075.20	\$ 75,075.20
LSRRF Fund	Once all eligible costs are reimbursed, taxes will continue to be captured for five full years and placed in the LSRRF fund.		
Current Taxable Value (2015)			\$ 487,700.00
Incremental Value			\$ 441,704.00
Taxing Jurisdictions Captured (Winter)	Township	Township	
	Med Care	Med Care	
	Library	Library	
	Jail	Jail	
	Senior Services	Senior Services	
	Police/Fire	Police/Fire	
	ISD	ISD	
Taxing Jurisdictions Captured (Summer)	Community College	Community College	
	ISD	ISD	
	County	County	
		Total	
¹ Principal (Actual Eligible Costs Remaining)			\$ 71,200.58
Interest Expense			
¹ Taxes Captured During Current Tax Bill			\$ 4,701.19
BALANCE			\$ 66,499.39

SUMMER TAXES CAPTURED TO REIMBURSE ELIGIBLE COSTS SUMMARY							
Year	Initial Taxable Value	Current Taxable Value	Incremental Value	Comm College	ISD	County	Total Amount Transferred to County BRA
2014	\$45,996	\$ 200,000.00	\$ 154,004.00	1.1446	4.38	5.1187	
				\$ 176.27	\$ 674.53	\$ 788.30	\$ 1,639.10
2015	\$45,996	\$ 487,700.00	\$ 441,704.00	1.1446	4.38	5.1187	10.6433
				\$ 505.57	\$ 1,934.66	\$ 2,260.95	\$ 4,701.19
2016							
2017							
2018							
2019				\$ -	\$ -	\$ -	\$ -
TOTAL CAPTURED TAXES							\$ 6,340.29

WINTER TAXES CAPTURED TO REIMBURSE ELIGIBLE COSTS SUMMARY											
Year	Initial Taxable Value	Current Taxable Value	Incremental Value	Summit Twsp	Med Care	Library	Jail	Senior Services	Police Fire	ISD	Total Amount Transferred to County BRA
2014	\$45,996	\$ 200,000.00	\$ 154,004.00	0.8168	0.1398	1.2593	0.4851	0.25	1	4.38	
				\$ 125.79	\$ 21.53	\$ 193.94	\$ 74.71	\$ 38.50	\$ 154.00	\$ 674.54	\$ 1,283.01
				0	0						0
				\$ -	\$ -						\$ -
				0	0						0
				\$ -	\$ -						\$ -
				0	0						0
				\$ -	\$ -						\$ -
				0	0						0
				\$ -	\$ -						\$ -
				0	0						0
				\$ -	\$ -						\$ -
TOTAL CAPTURED TAXES											\$ 1,283.01

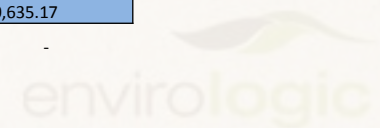
TOTAL TAXES CAPTURED SUMMARY	
Principal (Actual Eligible Costs)	\$ 75,075.20
Interest Expense	\$ -
Total Taxes Captured To Date	\$ 3,874.62
TOTAL REMAINING TO REIMBURSE	\$ 71,200.58

LSRRF CAPTURE SUMMARY	
LSRRF Year 1 Total	
LSRRF Year 2 Total	
LSRRF Year 3 Total	
LSRRF Year 4 Total	
LSRRF Year 5 Total	
TOTAL	-



Brownfield Plan Summary Information		
Company Name	Wholesale Corp.	XYZ, LLC
Developer Name	XYZ, LLC	XYZ, LLC
Address		
Parcel ID	3905-25-240-001	3905-25-240-009
Parcel Name	Costco Parcel aka Parcel A	Developer Parcel aka Remainder Parcel
Local Government Unit	Township	Township
Date Brownfield Plan Approved	11/18/2014	11/18/2014
Base Year	2014	2014
Initial Taxable Value	\$ 427,874.87	\$ 1,256,507.76
Year Tax Capture Initiated	2015	2015
Years Plan Anticipated	10	10
Eligible Costs (estimated includes Developer and Authority Costs)		\$ 487,848
LSRRF Fund (estimated)		\$ 849,615
Current Taxable Value (2015)	\$ 4,317,700.00	\$ 772,558.00
Incremental Value	\$ 3,889,825.13	\$ (483,949.76)
Taxing Jurisdictions Captured (Winter)	KRESA KVCC Library County Public Safety County Transit	KRESA KVCC Library County Public Safety County Transit
Taxing Jurisdictions Captured (Summer)	County Operating	County Operating

Current Tax Bill Information			Total
Authority Expenses			\$ 16,750.01
Developer Expenses			
Interest			
Payments to Date			
Taxes Captured During Summer 2015	\$ 10,635.17	\$ -	\$ 10,635.17
			\$ -
Eligible Expenses Remaining KCBRA			
Eligible Expenses Remaining Devel.			



Parcel Brownfield Tax Capture

Summer
3905-25-
240-001

Year	Initial Taxable Value	Current Taxable Value	Incremental Value	County Operating					Total Amount to BRA
				2.7341					2.7341
2015	\$ 427,874.87	\$ 4,317,700.00	\$ 3,889,825.13	\$ 10,635.17					\$ 10,635.17

Winter
3905-25-
240-001

Year	Initial Taxable Value	Current Taxable Value	Incremental Value	KRESA	KVCC	Library	County Public Safety	County Transit	Total Amount to BRA
				4.5416	2.8135	3.9583	1.4491	0.40000	13.1625
2015	\$ 427,874.87	\$ 4,317,700.00	\$ 3,889,825.13	\$ 17,666.03	\$ 10,944.02	\$ 15,397.09	\$ 5,636.75	\$ 1,555.93	\$ 51,199.82

Brownfield Eligible Expenses

AUTHORITY EXPENSES

<u>Activity</u>	<u>State Capture Eligible</u>	<u>Local Capture</u>	<u>Total</u>
BRA Eligible costs 2013-2014	\$ 1,471.25		\$ 1,471.25
BRA Admin. Expenses 2013-2014	\$ 1,653.75		\$ 1,653.75
	\$ 1,165.00		\$ 1,165.00
	\$ 875.00		\$ 875.00
	\$ 605.00		\$ 605.00
	\$ 202.50		\$ 202.50
Legal expenses		\$ 3,719.25	\$ 3,719.25
2014 BRA Administrative Expenses		\$ 7,058.26	\$ 7,058.26
			\$ -
Total	\$ 5,972.50	\$ 10,777.51	\$ 16,750.01

DEVELOPER EXPENSES

<u>Activity</u>	<u>State Capture Eligible</u>	<u>Local Capture</u>	<u>Total</u>
Total			

Total Eligible Expenses (Authority + Developer)	\$ 5,972.50	\$ 10,777.51	\$ 16,750.01
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PAYMENTS	State Tax	Local Tax	Total
TOTAL PAYMENTS	0	0	\$ -

Wrap-Up

- Brownfield tools are powerful economic development resources
- Significant effort to put a Plan together – make sure it is doing what it should be doing
- TIF continues to be scrutinized - more robust reporting requirements
- Communication with all stakeholders key to successful project

Q and A

- Thank you for your attention!
- Contact Information:
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