

ECONOMIC DEVELOPMENT

BASIC COURSE



SEPT. 10-12 LANSING, MI



Real Estate Development and Reuse

MEDA Economic Development Course
September 12, 2024



Introduction

Tom Wackerman, CHMM, CET, EP

Director and Founder, ASTI Environmental

Member, Bell Tower LLC

Past-Chair, UMWLI Real Estate Forum

Member ULI Urban Redevelopment Product Council

810-599-5463 (c)

twacker@asti-env.com

www.asti-env.com

ASTI Environmental

Established in 1985

Over 85% Repeat/Referral

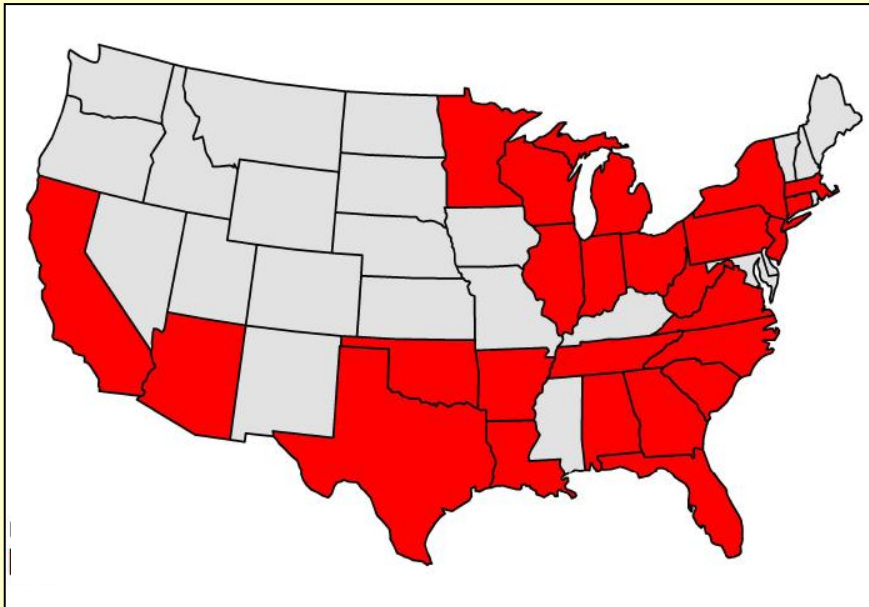
Over 14,000 projects in the United States

Projects in Canada, Mexico, the
Czech Republic, and Kenya

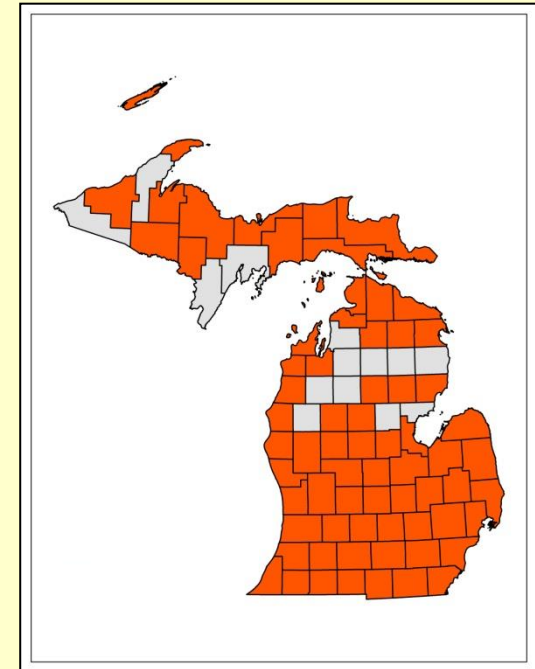
Joined PEA Group 2024

1.800.395.2784 • www.asti-env.com

Investigations • Compliance
Remediation • Restoration • Incentives



Project Locations



*Offices: Detroit, Grand Rapids, Brighton, Lansing, Auburn
Hills, Washington, and Houston, Tx*



Class Objectives

To understand the real estate development process

To understand the role of economic developers in real estate development incentives for brownfield properties

To understand the types and uses of incentives



Outline

Market Factors – Macro View

The Mind of the Developer

Impediments to Redevelopment

The Process

Incentives (One Perspective)

Brownfield TIF (One Option)

Key Points in Attracting Development

Lessons Learned

Q&A



The Macro View

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Michigan Ranking?

US News (2023)

#41 Overall State¹

#29 Health Care

#41 Education

#28 Economy

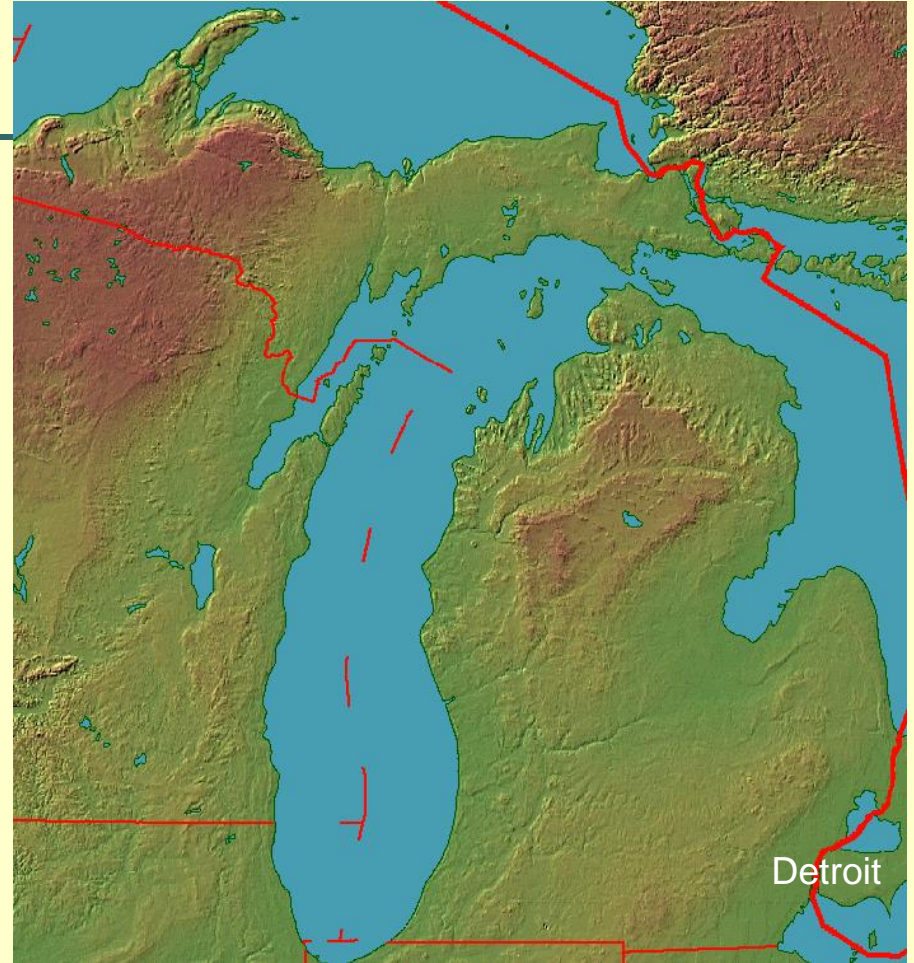
#41 Infrastructure

#27 Opportunity²

#32 Fiscal Stability

#38 Crime

#30 Natural
Environment

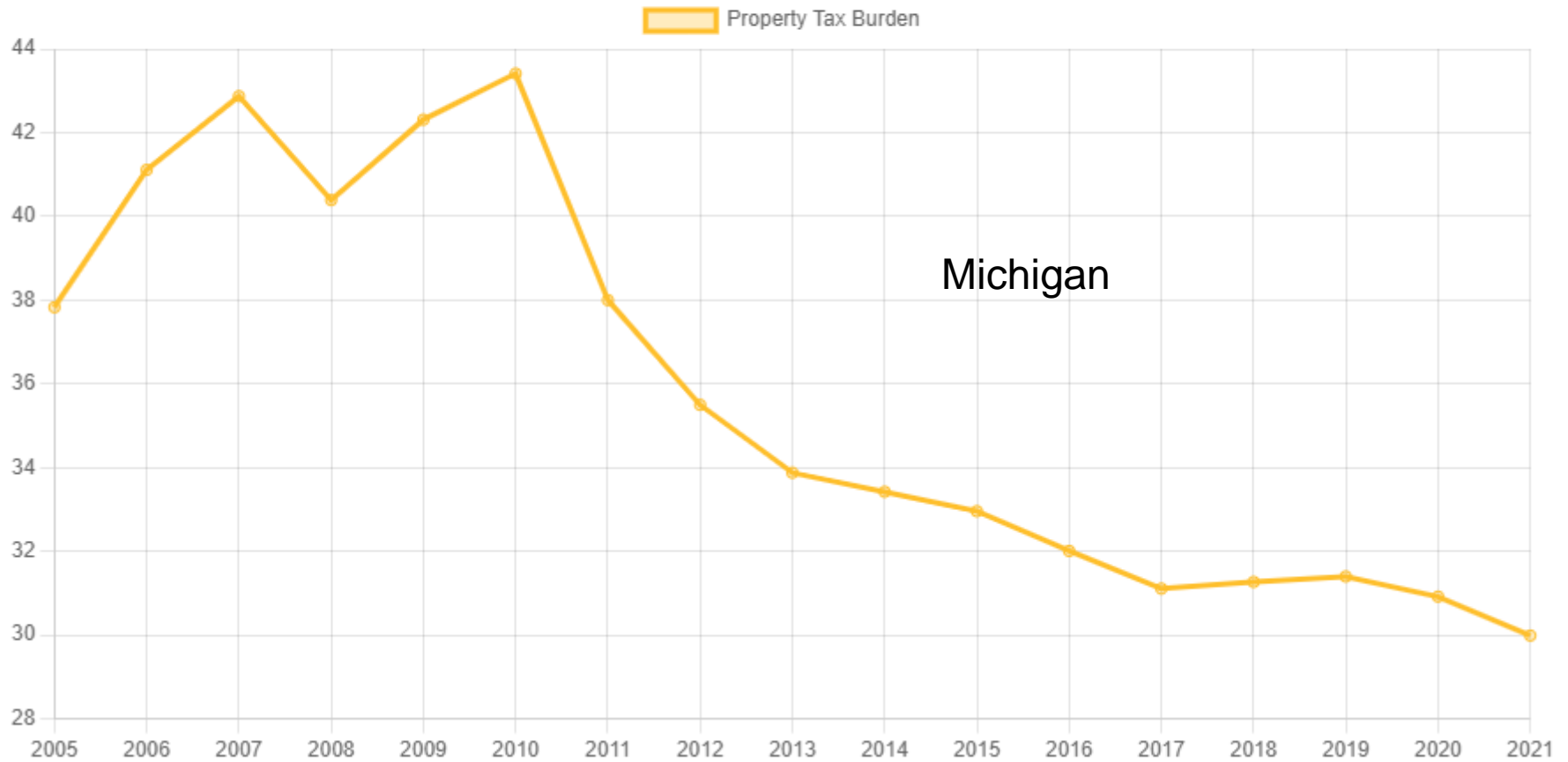


(1) 2017 #33, 2018 #37, 2019 #33, 2021 #38

(2) This ranking measures poverty, housing affordability and equality for women, minorities and people with disabilities.

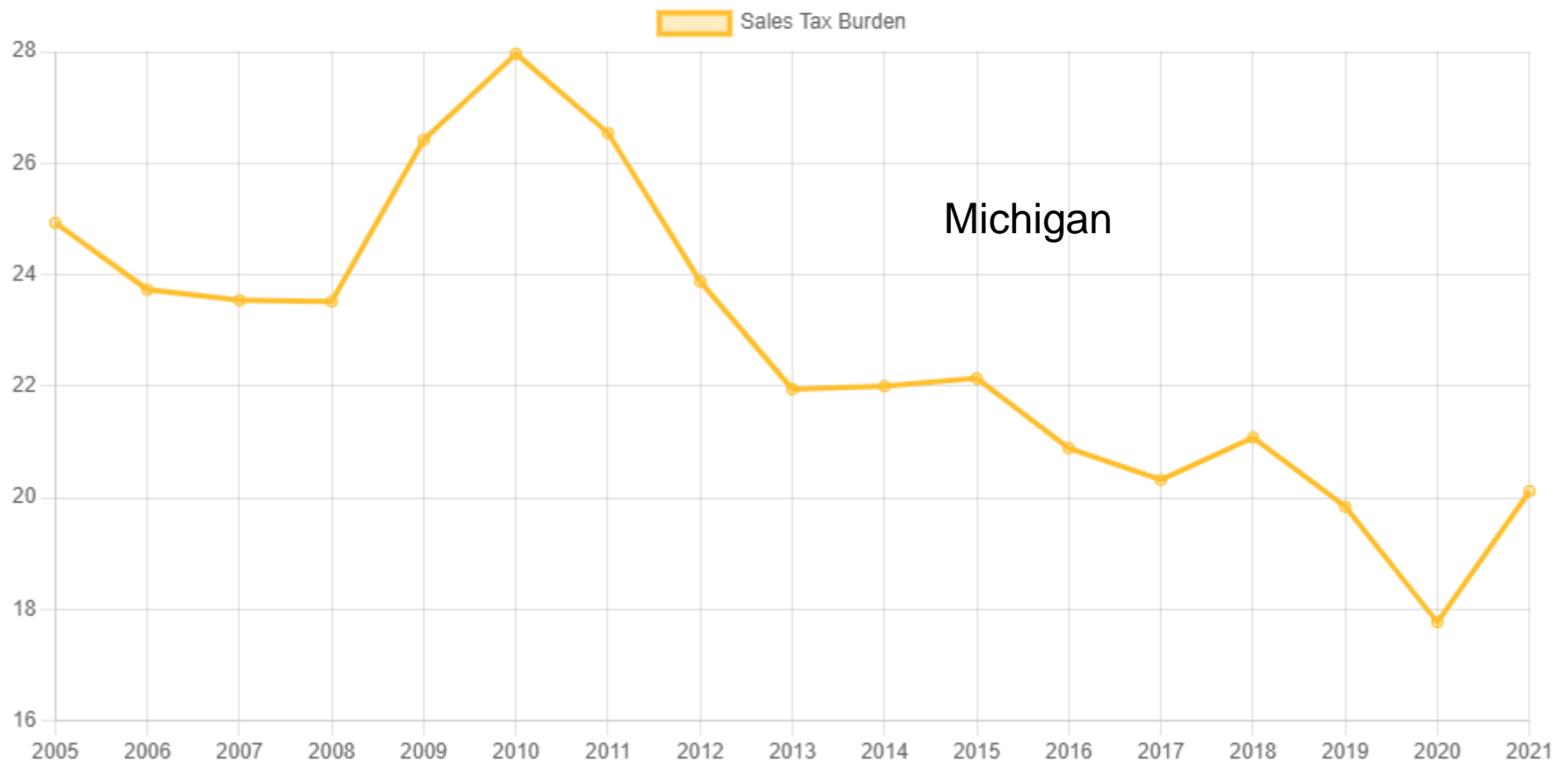
Property Tax Burden (per \$1,000 of personal income)

This variable is calculated by taking tax revenues from state and local property taxes per \$1,000 of personal income. We have used U.S. Census Bureau data, for which the most recent year available is 2021. These data were released in October 2022.



Sales Tax Burden (per \$1,000 of personal income)

This variable is calculated by taking tax revenues from state and local sales taxes per \$1,000 of personal income. Sales taxes taken into consideration include the general sales tax and specific sales taxes. We use U.S. Census Bureau Data, for which the most recent year available is 2021. Where appropriate, gross receipts or business franchise taxes, counted as sales taxes in the Census data, are subtracted from a state's total sales taxes in order to avoid double-counting tax burden in a state. These data were released in October 2022.

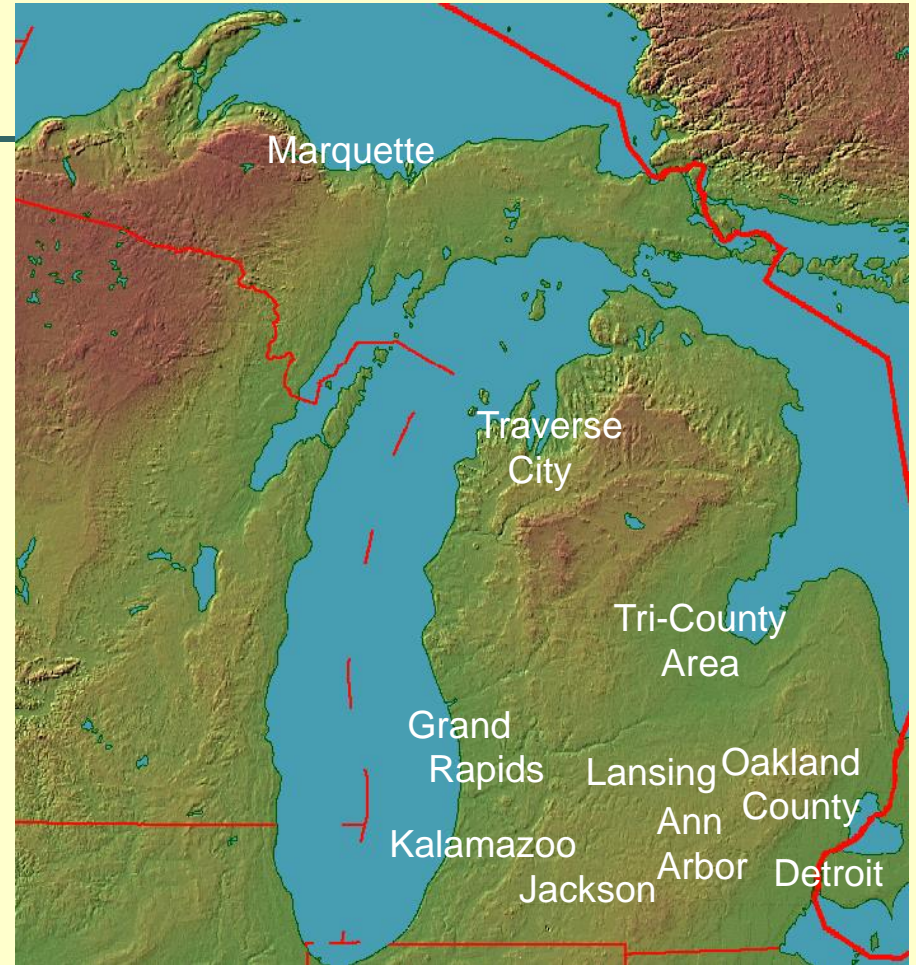


Scope of Influence

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Best Cities?¹

- #1 Okemos
- #2 Troy
- #3 Novi
- #4 Birmingham
- #5 Beverly Hills

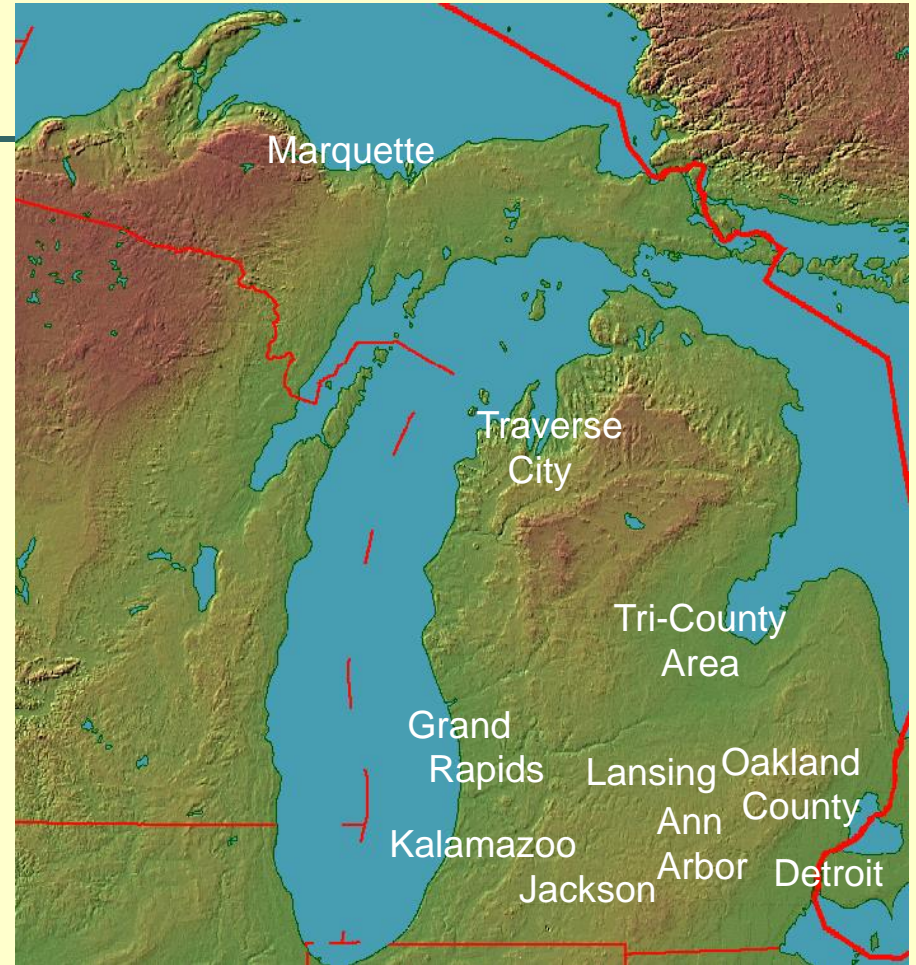


(1) Niche Best Places Awards
2024

But ... Real Estate Is Local

Best Cities?¹

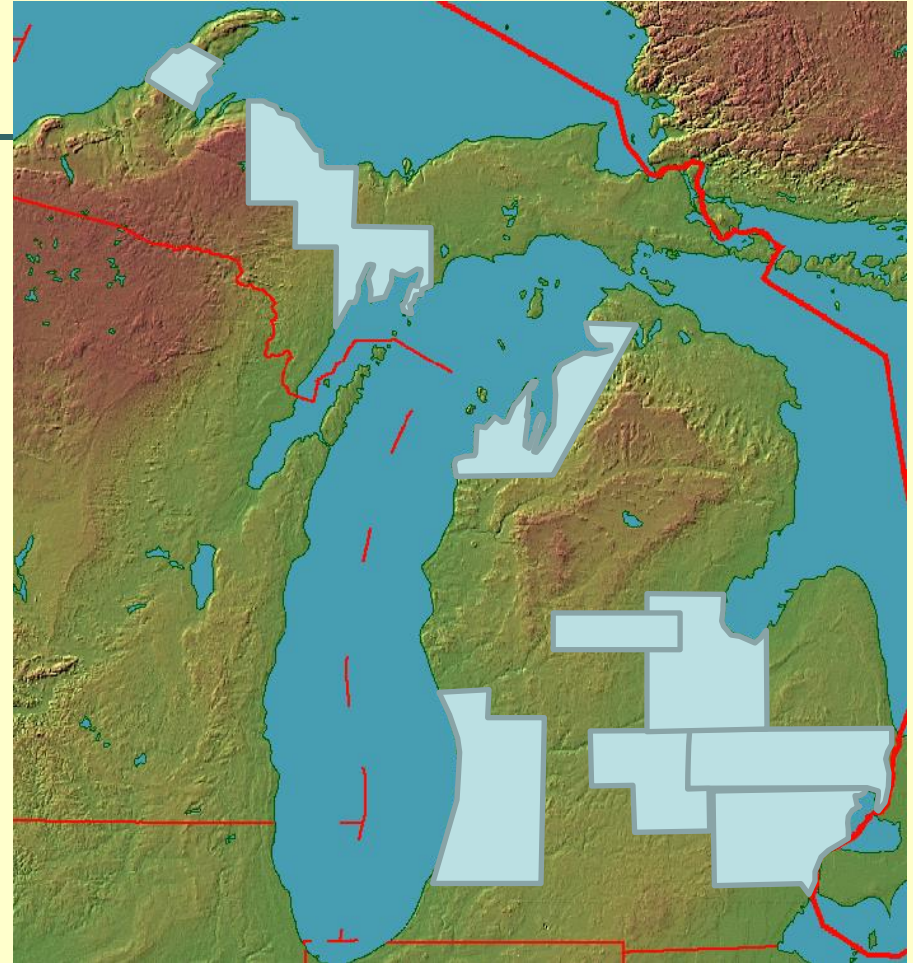
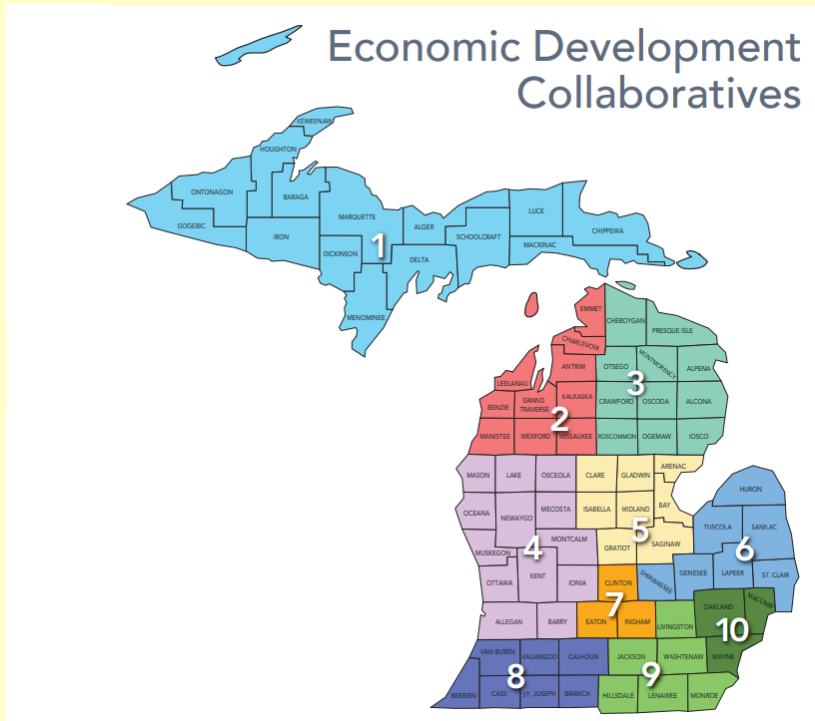
- #1 Ann Arbor
- #2 Grand Rapids
- #3 Kalamazoo
- #4 Lansing
- #5 Marquette



(1) Touropia 2024

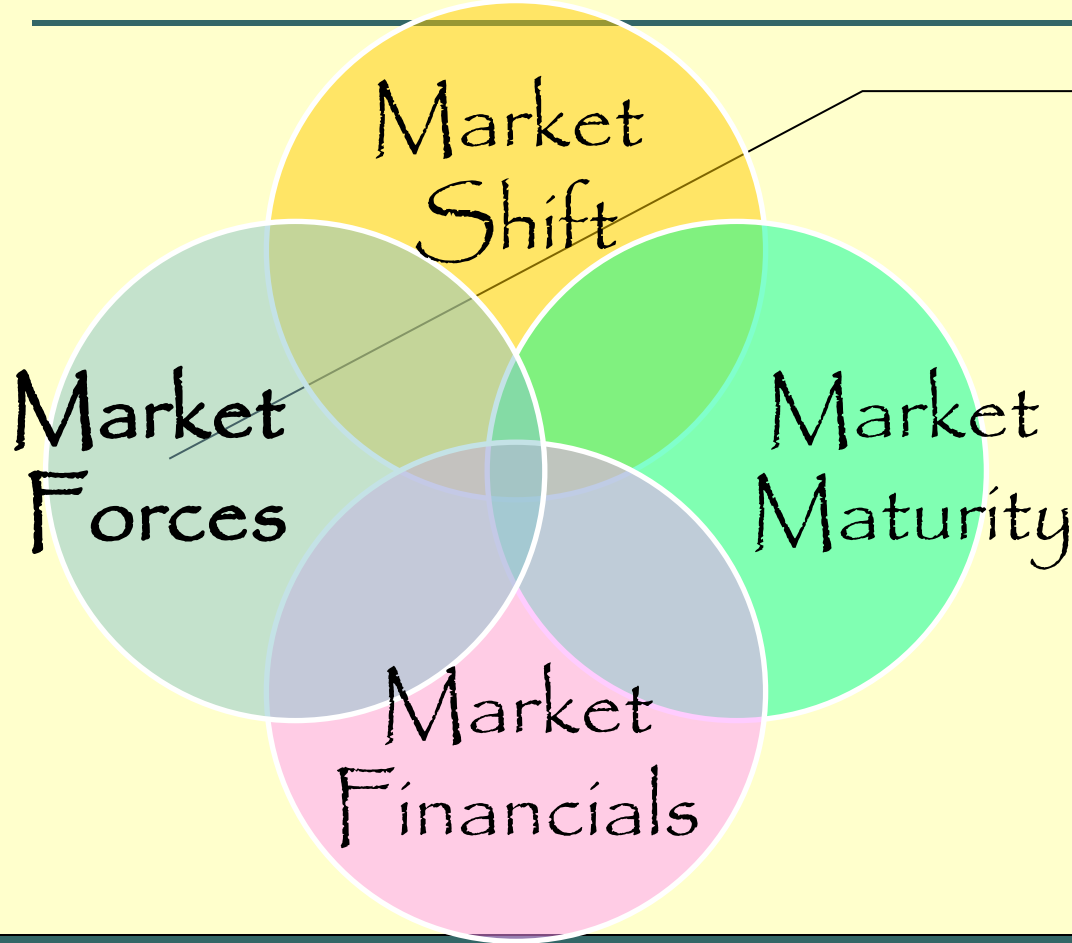
But ... Real Estate Is Local

Best Regions?



But ... Economic Development is Regional

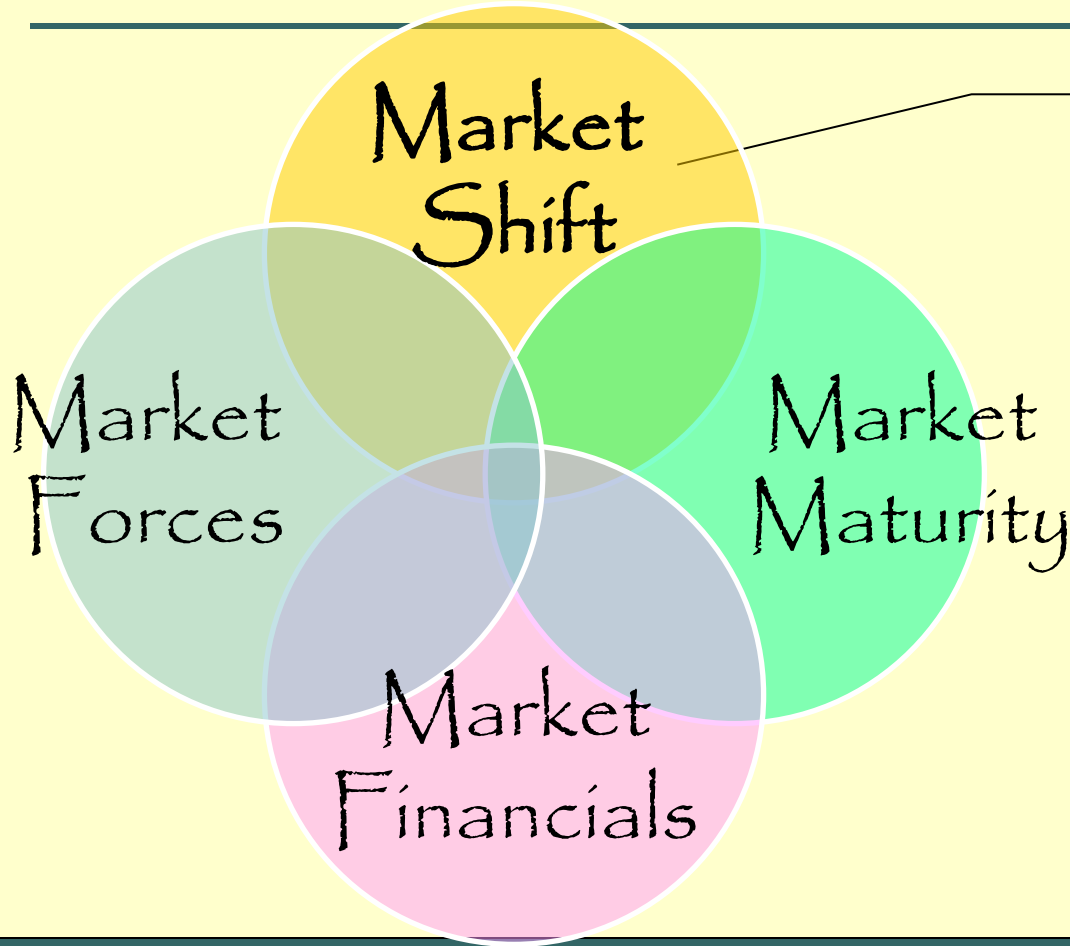
Market Factors



For Example:
Interest Rates
Demographics
Economic Cycles
Market Saturation
Government Policies
Subsidies
Neighborhood Condition
Social Environment
Infrastructure
Pandemics
Taxes

Local is where we all play.

Market Factors



For Example:

Desire for Dense Social Experience, Vibrant Communities and Open Spaces

Desire for Accessible Recreational Options

Reduction in Auto Dependency

Anti-Sprawl Focus

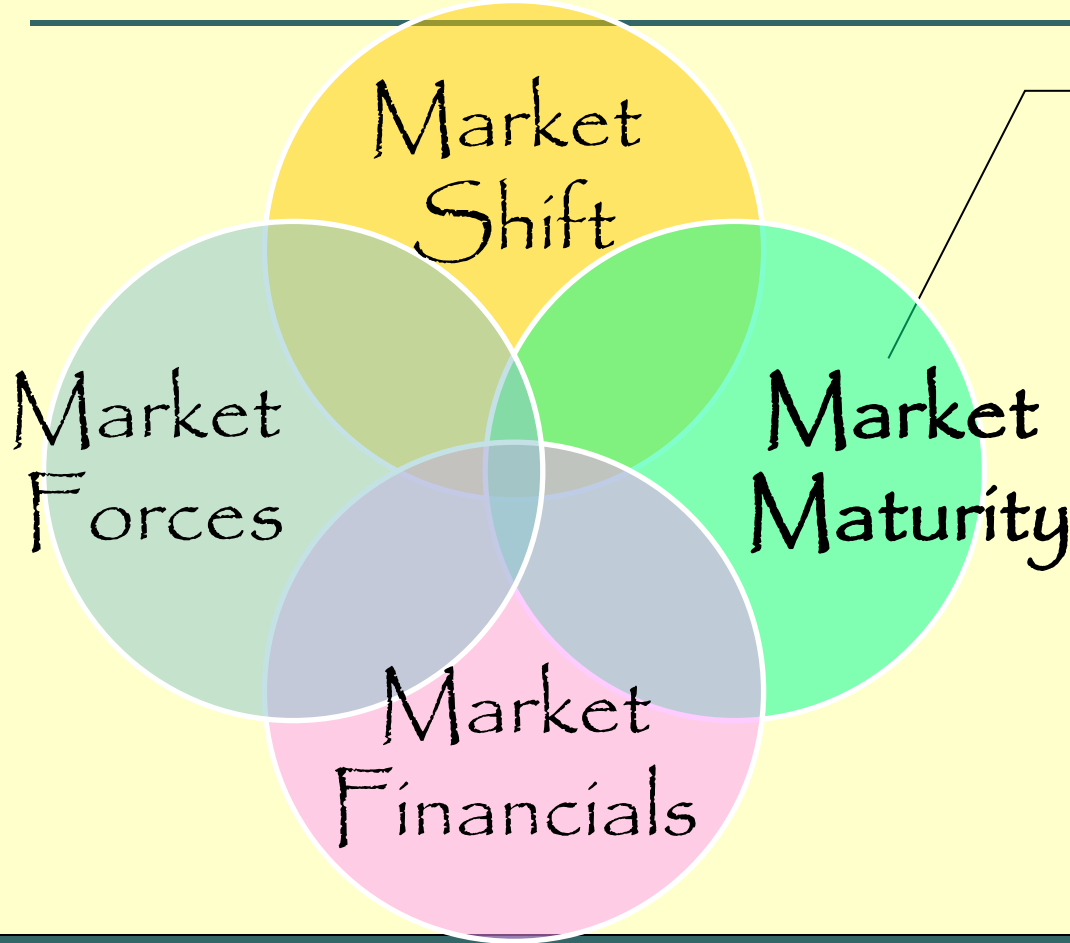
Increased Ecological Awareness

Sustainability

Buy Local Movement

20-Minute Neighborhood

Market Factors



For Example:

Risk Based Closure

Standards vs. Negotiated Settlements

Liability Protection

Urban and Brownfield Markets

Focus on Creating Place

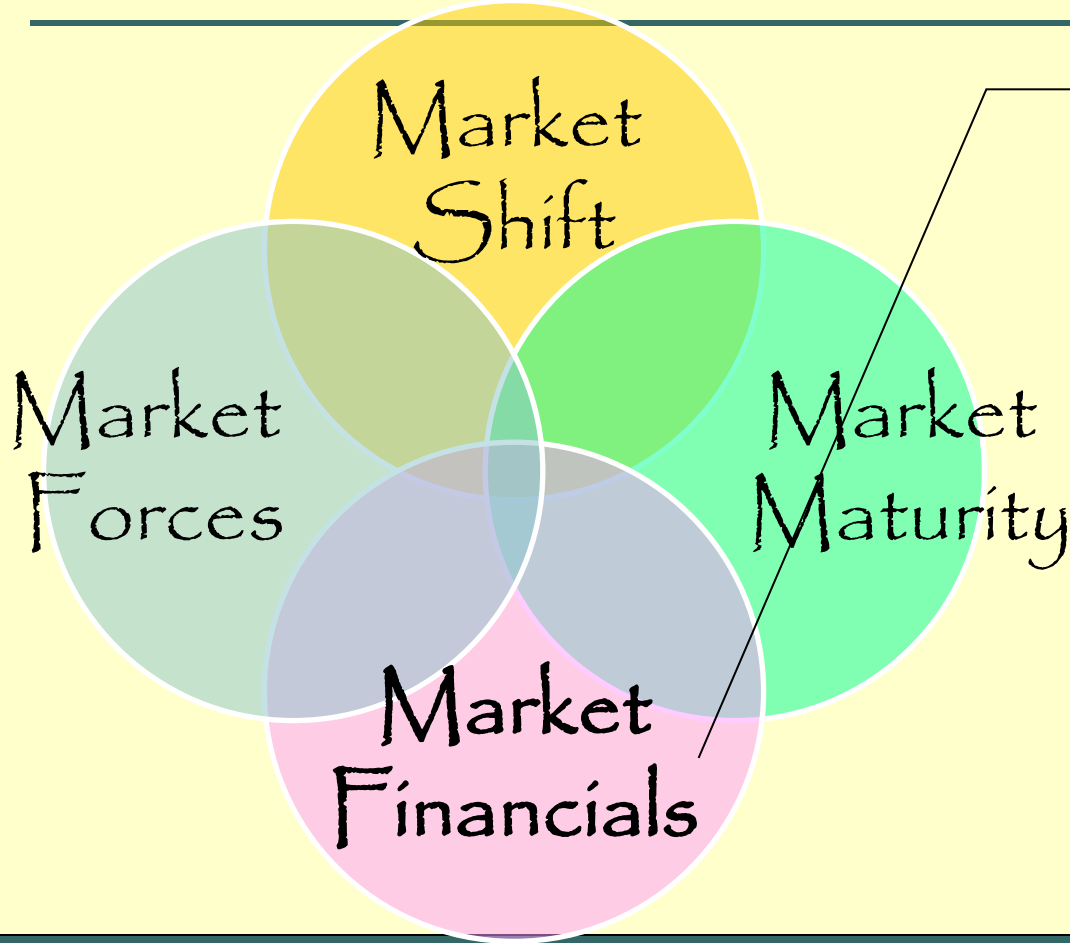
Area Wide Planning and

Incentive Coordination

Creating Authenticity

Saturation of Uses

Market Factors



For Example:
Multiple Incentives
Capital Market Acceptance of Risk
Incentives focused on Place Making and Economic Return
Crowd Funding
Socially Responsible Investing

The Mind of the Developer

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Real Estate Feasibility - Core Objectives

Before Tax and After Tax Cash Returns

Target 8%-10%/yr and Yield 2%+ above Market Cap

Overall IRR

Upvaluing Opportunities for best ROI

Psychic Income

Create A Sense of Place

Create A Legacy

Create a Story

Reducing Risk

From The Real Estate Feasibility Chart by Peter Allen

Real Estate Feasibility – Key Concerns

Unpredictability in Key Risk Factors

Macro and Micro Scale – 13 “Clusters”

Time

Long Lead Times

- 1 to 5 Years for Economic Cycles
- 3 months to 2 years for Environmental Clearance

Short Due Diligence Window

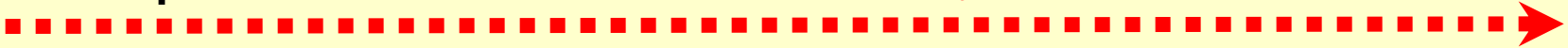
Short Construction Window

Short Contract Time on Subcontractors

- Cost Increases for Lumber/Steel/Trades

Developer Timeline

3 to 5 Years for Full Cycle



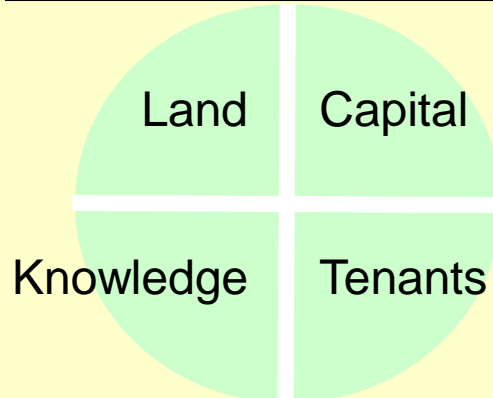
(Dependant on type of development, size of development, municipality, market conditions, etc.)

Stages of Development

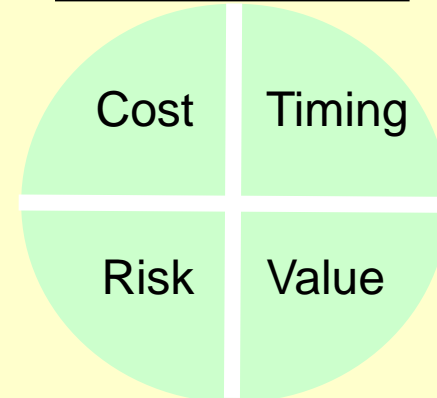


Risk Factors

Must Control at Least One



Must Balance All



The Process

Circle of Risks (Pick 3 Top Issues)

“Clusters”

Economic Cycles

Market Research

Environmental

Arch./Eng.

Construction

Social/Community

Goals

Political Approvals

Equity and Debt

Taxes

Sales and Leasing

Property Management

Legal Relationships

Personal and Family

*Thanks to Peter Allen, University of
Michigan Instructor, Mentor, and
Developer*

Most Critical Risks for Your Development:



Thanks to Peter Allen, University of Michigan Instructor, Mentor, and Developer

Risk Management

Success Factors

Location

Leverage

Timing the Market

Time to Market

Fears

Uncertainty

Time (Delays)

Forecasting

Macro and Micro Cycles

Cost of Capital

Market Demand

Community Development

Political Winds

In The End - Does It "Pencil Out"?

SMART NAPKIN - April 26 2008 '

LAND COST ASSUMPTIONS

	Pessimistic	Realistic	Optimistic
Land Cost	\$1,155,000	\$1,100,000	\$1,045,000
Land Area in sf	10890	10,890.00	10890
Land Area in Acres	0.25	0.25	0.25

CONSTRUCTION (HARD) COST ASSUMPTIONS

	Pessimistic	Realistic	Optimistic
Demolition	\$11,000	\$10,000	\$9,000
Clearing	\$11,000	\$10,000	\$9,000
Utilities	\$44,000	\$40,000	\$36,000
Landscaping	\$11,000	\$10,000	\$9,000
Paving (% of lot cover)	10%	\$4,792	\$4,356
Building cost / sf - units	\$193	\$175	\$158
Total cost - units	\$5,103,175	\$4,639,250	\$4,175,325
Covered parking sf (cars)	24	9,900	8,100
Building cost / sf - covered parking	\$55	\$50	\$45
Total cost - covered parking	\$364,500	\$450,000	\$364,500
Common area (% of total)	18%	7,031	6,392
Building cost / sf - common area	\$165	\$150	\$135
Total cost - common area	\$1,160,112	\$958,770	\$776,604

SOFT COST ASSUMPTIONS

	Pessimistic	Realistic	Optimistic
Survey	\$5,500	\$5,000	\$4,500
Soil Investigation	\$11,000	\$10,000	\$9,000
Site Engineering	\$55,000	\$50,000	\$45,000
Architectural (% of Const)	8.0%	\$532,226	\$483,842
Environmental	\$11,000	\$10,000	\$9,000
Legal	\$27,500	\$25,000	\$22,500
Insurance	\$11,000	\$10,000	\$9,000
Prop taxes/year (mil rate)	15	\$9,075	\$8,250
Permits / fees	\$110,000	\$100,000	\$90,000

PRO FORMA SUMMARY

	Pessimistic	Realistic	Optimistic
Gross sales income	\$8,879,400	\$9,866,000	\$10,852,600
Land cost	\$1,155,000	\$1,100,000	\$1,045,000
Sitework cost	\$81,792	\$74,356	\$66,920
Building cost	\$6,807,787	\$6,048,020	\$5,316,429
Soft cost	\$772,301	\$702,092	\$631,882
Pre const holding costs	\$244,184	\$197,320	\$0
Construction Financing costs	\$537,761	\$352,628	\$212,854
Sales Financing Costs	\$422,348	\$169,488	\$65,458
Sales commission / closing costs	\$654,960	\$365,980	\$224,990
GRASS PROFIT / (LOSS)	(\$1,796,732)	\$856,116	\$3,289,066
(Profit) %	-20%	8.7%	30.3%
(Ave ' / unit)	\$22,647	\$21,569	\$20,490
ion (Hard) costs)	\$8,044,578	\$7,222,376	\$6,428,349
ts)	\$10,676,132	\$9,009,884	\$7,563,534

FINANCIAL ASSUMPTIONS

	Pessimistic	Realistic	Optimistic
Interest Rate	8.80%	8.00%	7.20%
Pre const land holding duration - months	3.8	3	
Construction duration - months	11.3	9.0	6.8
Months to sell after construction	6.0	3.0	1.5

GENERAL SALES DATA

	Pessimistic	Realistic	Optimistic
Sales Commissions (%)	3%		
Closing Costs	\$49,500	\$55,000	\$60,500
Title - Recording	\$13,500	\$15,000	\$16,500

UNIT DATA

Description	SF/unit	# of Units	Total SF
A - Old West Side Café & Bistro	3,270	1	3,270
B - Walkout/Garden live work units	1,770	2	3,540
C - Below grade basement parking	375	24	9,000
D - Smaller 1 bedroom on 2nd & 3rd floor	650	2	1,300
E - Larger 1 bedroom on 2nd & 3rd floor	750	14	10,500
F - 2 bedroom on 4th flr with mezzanine Loft	1,000	7	7,000
G - Small 2 bedroom with loft	900	1	900
TOTALS		51	35,510

	Pessimistic	Realistic	Optimistic
A - Sales Price Per sf	\$315	\$350	\$385
B - Sales Price Per sf	\$315	\$350	\$385
C - Sales Price Per sf	\$108	\$120	\$132
D - Sales Price Per sf	\$293	\$325	\$358
E - Sales Price Per sf	\$293	\$325	\$358
F - Sales Price Per sf	\$293	\$325	\$358
G - Sales Price Per sf	\$293	\$325	\$358

AVE PRICE / SF	Pessimistic	Realistic	Optimistic
	\$273	\$303	\$333

	Pessimistic	Realistic	Optimistic
A - Sales Price Per Unit	\$1,030,050	\$1,144,500	\$1,258,950
B - Sales Price Per Unit	\$557,550	\$619,500	\$681,450
C - Sales Price Per Unit	\$40,500	\$45,000	\$49,500
D - Sales Price Per Unit	\$190,125	\$211,250	\$232,375
E - Sales Price Per Unit	\$219,375	\$243,750	\$268,125
F - Sales Price Per Unit	\$292,500	\$325,000	\$357,500
G - Sales Price Per Unit	\$263,250	\$292,500	\$321,750

AVE PRICE / UNIT	Pessimistic	Realistic	Optimistic
	\$370,479	\$411,643	\$452,807

	Pessimistic	Realistic	Optimistic
Total sales - Unit A	\$1,030,050	\$1,144,500	\$1,258,950
Total sales - Unit B	\$1,115,100	\$1,239,000	\$1,363,500
Total sales - Unit C	\$972,000	\$1,080,000	\$1,188,000
Total sales - Unit D	\$380,250	\$422,500	\$464,750
Total sales - Unit E	\$3,071,250	\$3,412,500	\$3,753,750
Total sales - Unit F	\$2,047,500	\$2,275,000	\$2,502,500
Total sales - Unit G	\$263,250	\$292,500	\$321,750

TOTAL SALES	Pessimistic	Realistic	Optimistic
	\$8,879,400	\$9,866,000	\$10,852,600

See Attached

Email me for Excel Copy

Psychological ROI

Participation in Community

Lasting Value/Legacy

Creation of Place

Create a Story

What Makes a Great Place?



- orange circle: key attributes
- green circle: intangibles
- blue circle: measurements



Creating Place – Community Attachment

Location

Economy

Safety

Basic Services

Strong Social Offerings

Aesthetics

Openness

Authenticity

Sense of Discovery

What Makes Metro Detroit Stick (metromode)

<http://www.metromodemedia.com/features/knightfoundationsurveydetroit0210.aspx>

Knight Foundation “Soul of the Community” Survey

<http://knightfoundation.org/sotc/>

Common Goal, But Different Objectives

Creating Place - Lifelong Communities

Local Focus

Neighborhood Centers

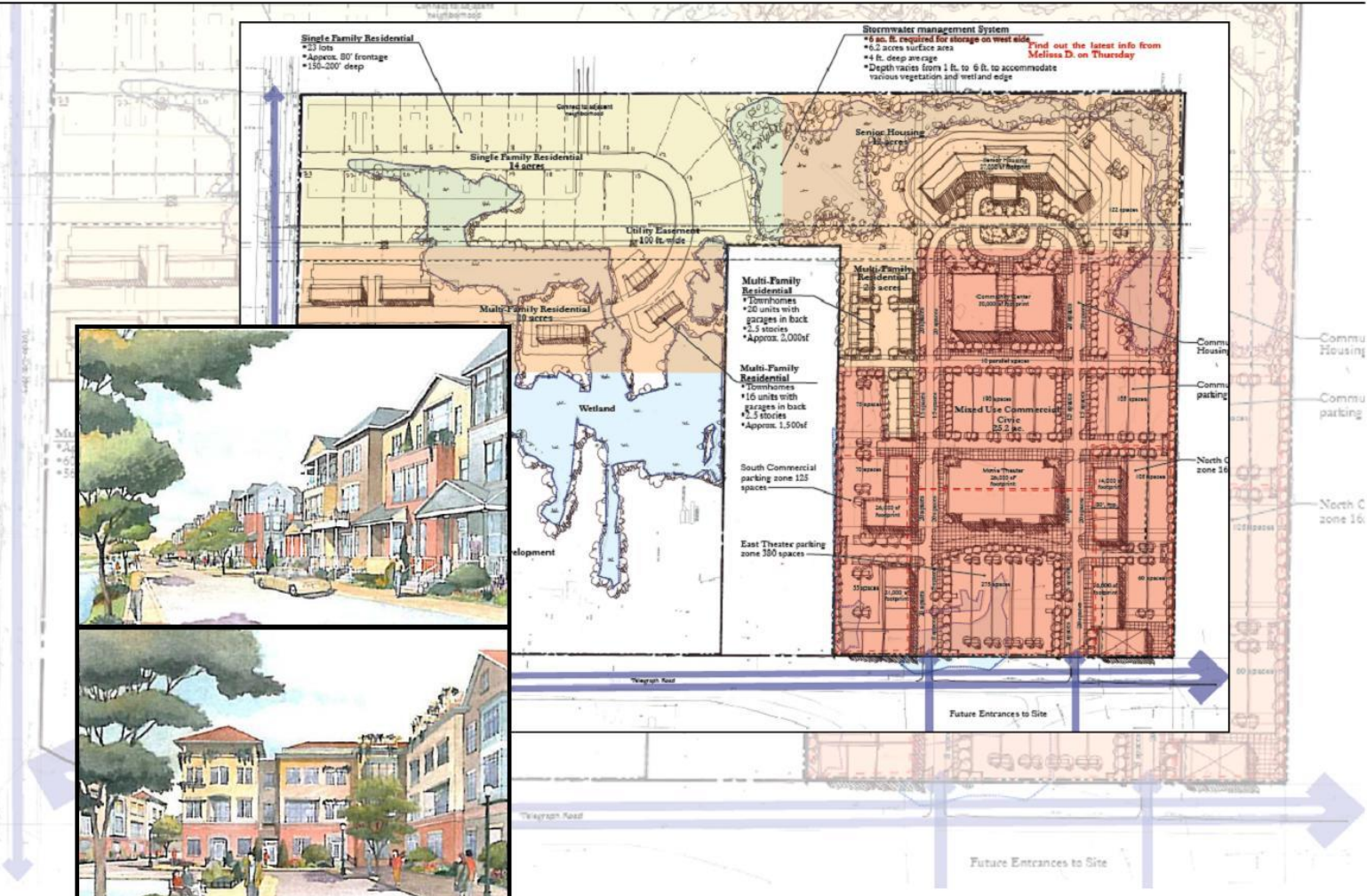
Walkability

Lots of Choices for Entertainment, Work,
Education

A Showstopper vs. The Economic Garden¹

Note 1: Economic Gardening
<https://economicgardening.org/>

BROWNSTOWN CENTER



Does creation of place always work?

Player

Objective

Threat

Opportunity

Outcome

Developer/
End User

Rapid site development
IRR
Psychological ROI

Lack of information
Organized opposition
Physical, environmental problems with sites
Potential liability
High development costs
Fear of env. uncertainty
Increased time

Available land parcels, resources, services
Liability protection
Available capital
Remediated sites
Clear, achievable requirements
Minimum delay
Possible Incentives

Purchase and develop
Invest in the community
Create jobs

Seller

Profit on investment

Fear of env. uncertainty
Affirmative obligations
Price Renegotiations

Available buyer

Sell and Reinvest

Lender

Opportunities for investment
Return on investment
Low risk

Lack of information
Potential liability
Fear of env. uncertainty

Willing buyer/seller

Approve financing

LUG

Economic development
Provide services
Enhance quality of life
Clean environment
Minimum risk
Planned development

Burdensome process
Lack of information
Political challenges
Lack of resources (failure)
Increased time
Lost Tax Revenues

Available land parcels
Willing buyer/seller
Supporting physical infrastructure
Tax Revenues
Controlled incentives

Approve plans, permits, zoning
Attract investment
Create place
Create jobs

Public

Jobs
Property tax relief
Clean environment
Minimum risk
Safety, security
Maintain, improve lifestyle
Quality of life

Lack of information or understanding
Fear of unknown
Lack of participation

Education and training
Active participation
Cleaner Environment

Public acceptance

See Attached

Impediments to Redevelopment

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September 12, 2024

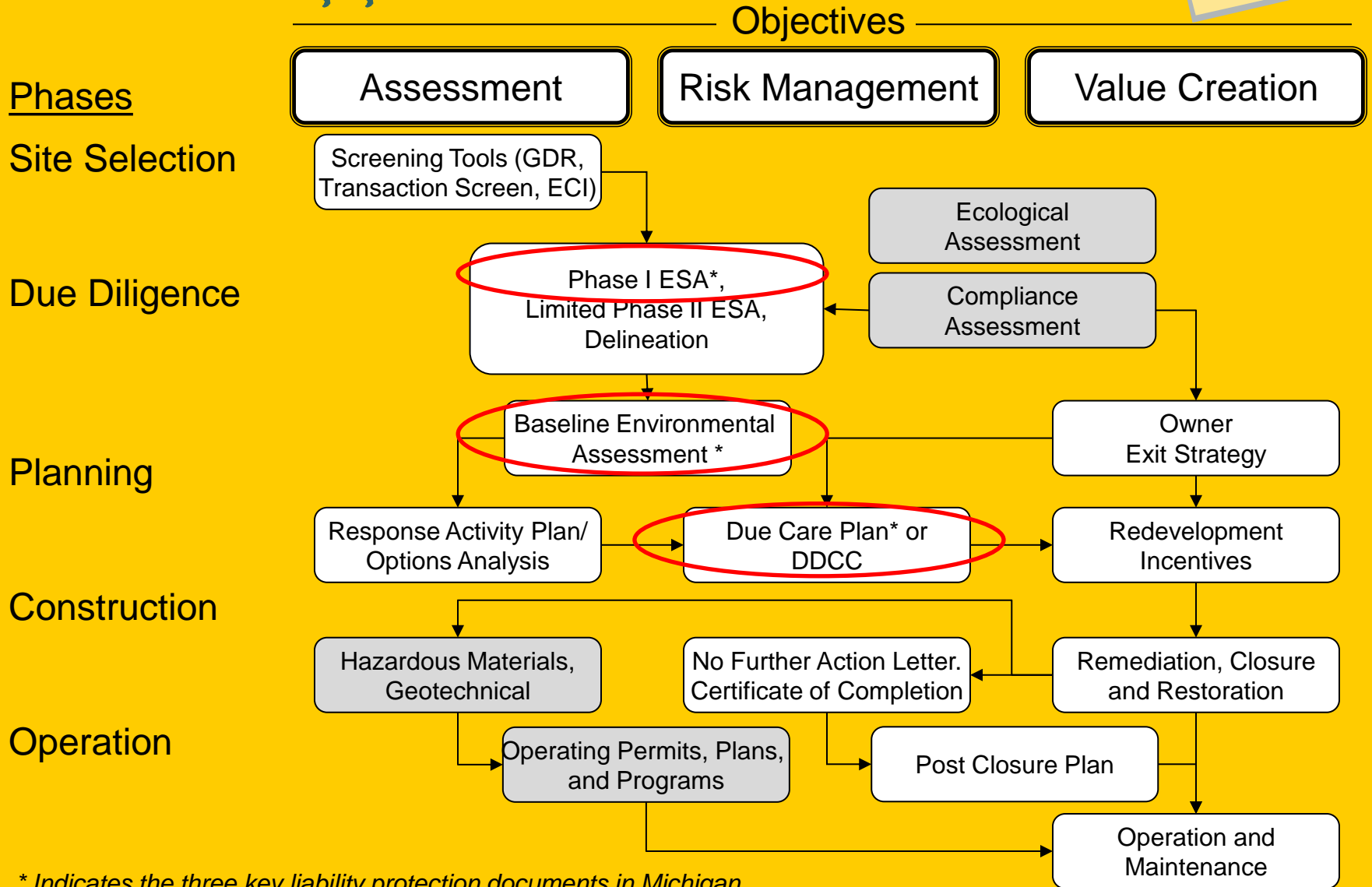


The Process - Environmental Challenge

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Basic Approach - Environmental



EGLE Policies

Restrictions on residential use when methane is present

Requirements for clean fill

Presumption of exceedance of direct contract criteria in urban surface soils

Four quarters of soil gas sampling to prove that a presumptive remedy is not required

The PFAS challenge

Multiple revisions to documents – based on developing new information

Modifications to negotiations

Basic Approach - EGLE Approval

Objectives

Phases

Assessment

Risk Management

Value Creation

Site Selection

Screening Tools (GDR, Transaction Screen, ECI)

Due Diligence

Phase I ESA*, Limited Phase II ESA, Delineation

Ecological Assessment

Compliance Assessment

Planning

EGLE Review

Baseline Environmental Assessment *

Owner Exit Strategy

Construction

Response Activity Plan/ Options Analysis

Due Care Plan* or DDCC

Redevelopment Incentives

Operation

EGLE Approval

No Further Action Letter, Certificate of Completion

Remediation, Closure and Restoration

Operating Permits, Plans, and Programs

Post Closure Plan

Operation and Maintenance

* Indicates the three key liability protection documents in Michigan
Bold are key EGLE approvals

Incentives (One Perspective)

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Incentive Objectives

Attracting New Investment (including jobs and additional investment)

Leveling the Playing Field or Enticing

Seeding a Vision

Creating a Catalyst

Attracting New Investment

Tax Base and Jobs

Stretching Limited Funding

Demanding Performance

Claw Back Provisions

Remaining Competitive

Needs (Yours and Theirs) Based Screening

Leveling the Playing Field

Goal: Soften impediments to (re)development

“It is a game of inches”

How do you make it work?

Creative purchasing and development

Public/private partnerships

- Use of financial incentives

Sequencing Purchase and Redevelopment

Area Wide Planning and Incentives

Seeding a Vision

First In

Making a Vision Tangible

Determining When the Vision is Self-
Sustaining

Creating a Catalyst*

Popcorn Development v. Critical Mass

Area Wide Planning

Catalytic Project v. Market Demand

The Next Twenty Steps

*Not to be confused with the Michigan's "Transformational Project"

Area Wide Planning

Stops “Popcorn” Development

Increases Chances for Synergy

Coordinates All Efforts

Coordinating Incentives Within An Area

Emphasis of Growing Number of Grants

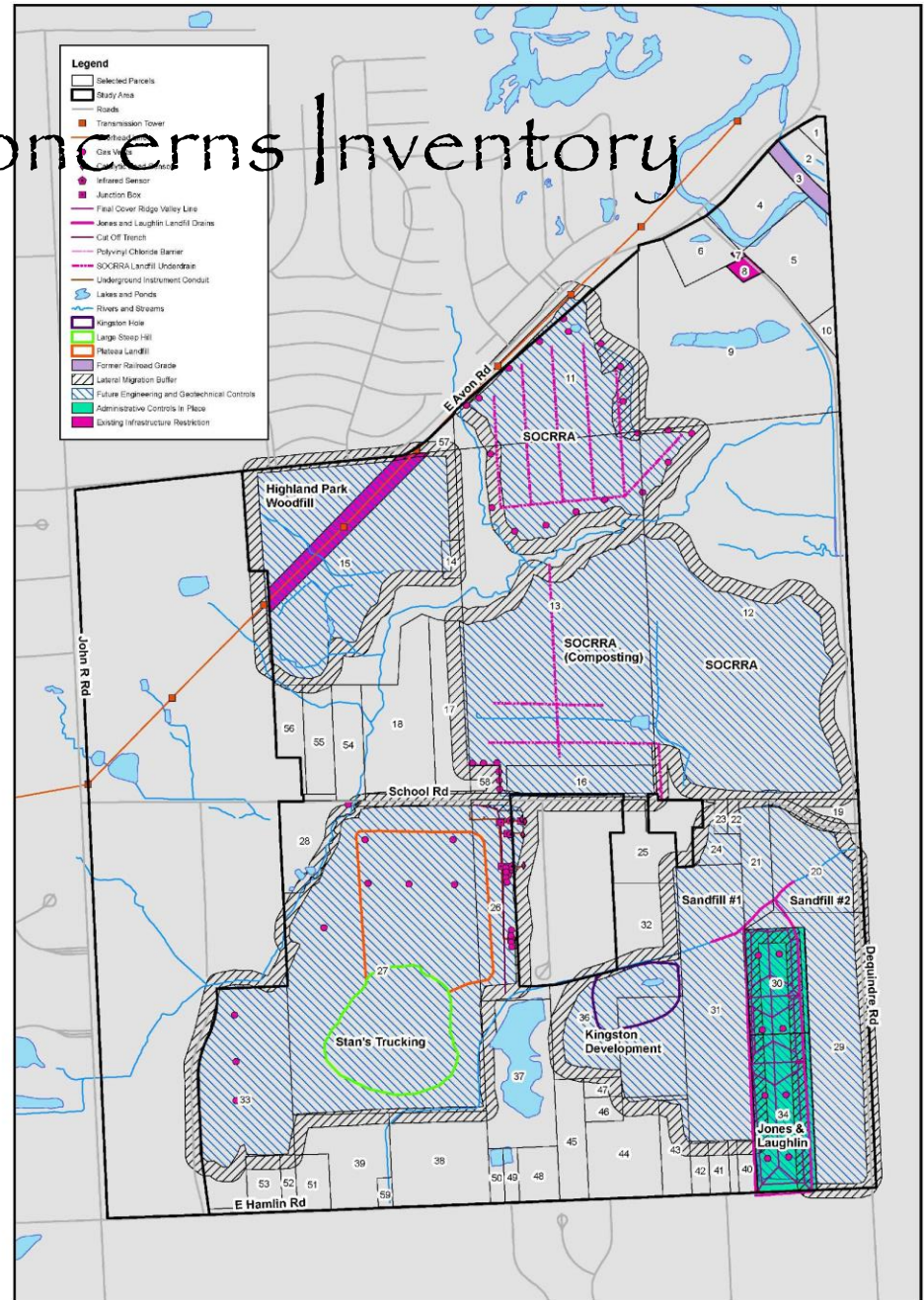
Environmental Concerns Inventory

Identify...

Historical Uses
Environmental Concerns
Extent of Existing Data

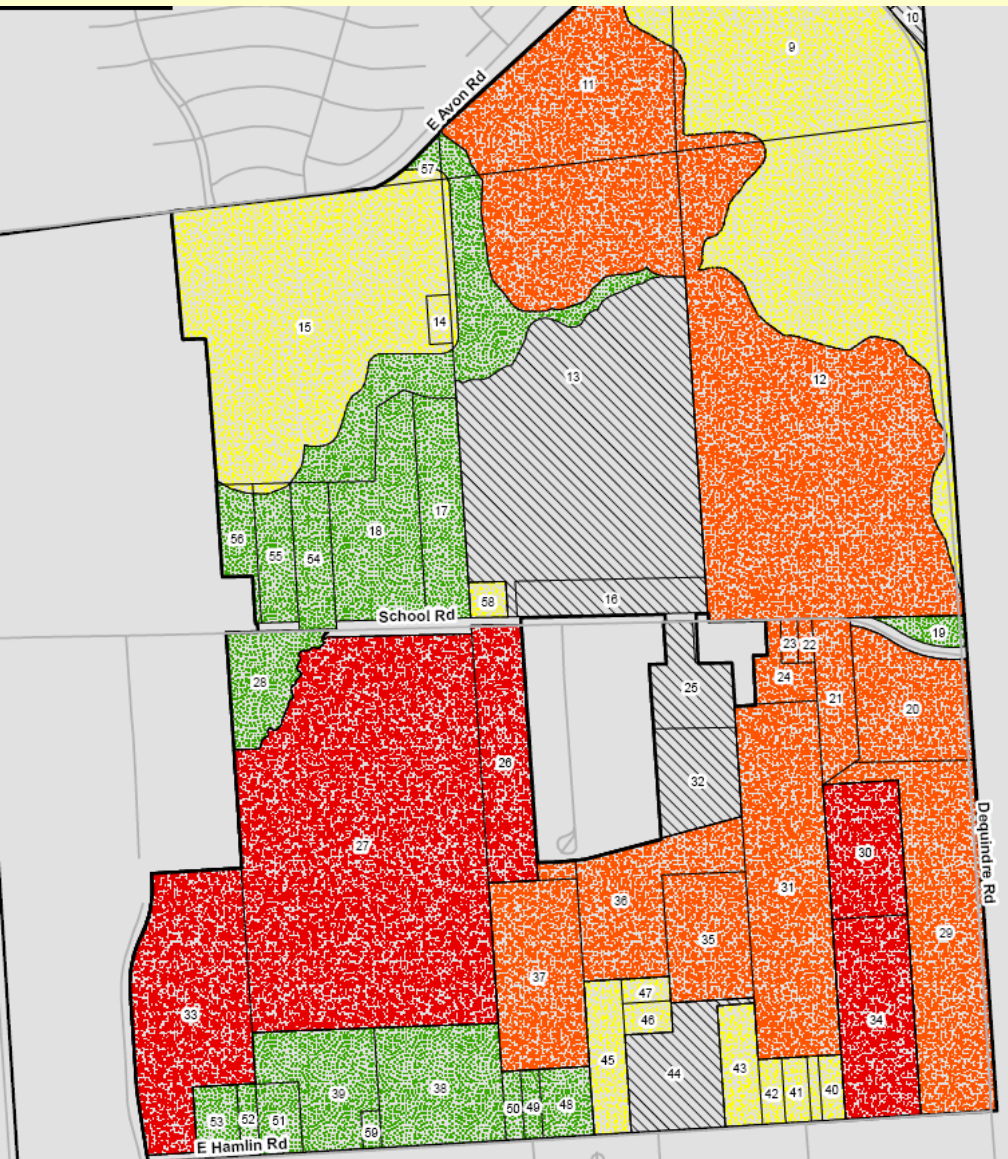
Define...

Limits of Existing Data
Investigation Priorities
Restrictions to Development
Priority of Parcels
Coordinated Incentives Plan

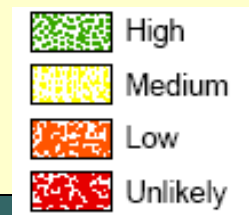


Rochester Hills Planning Area

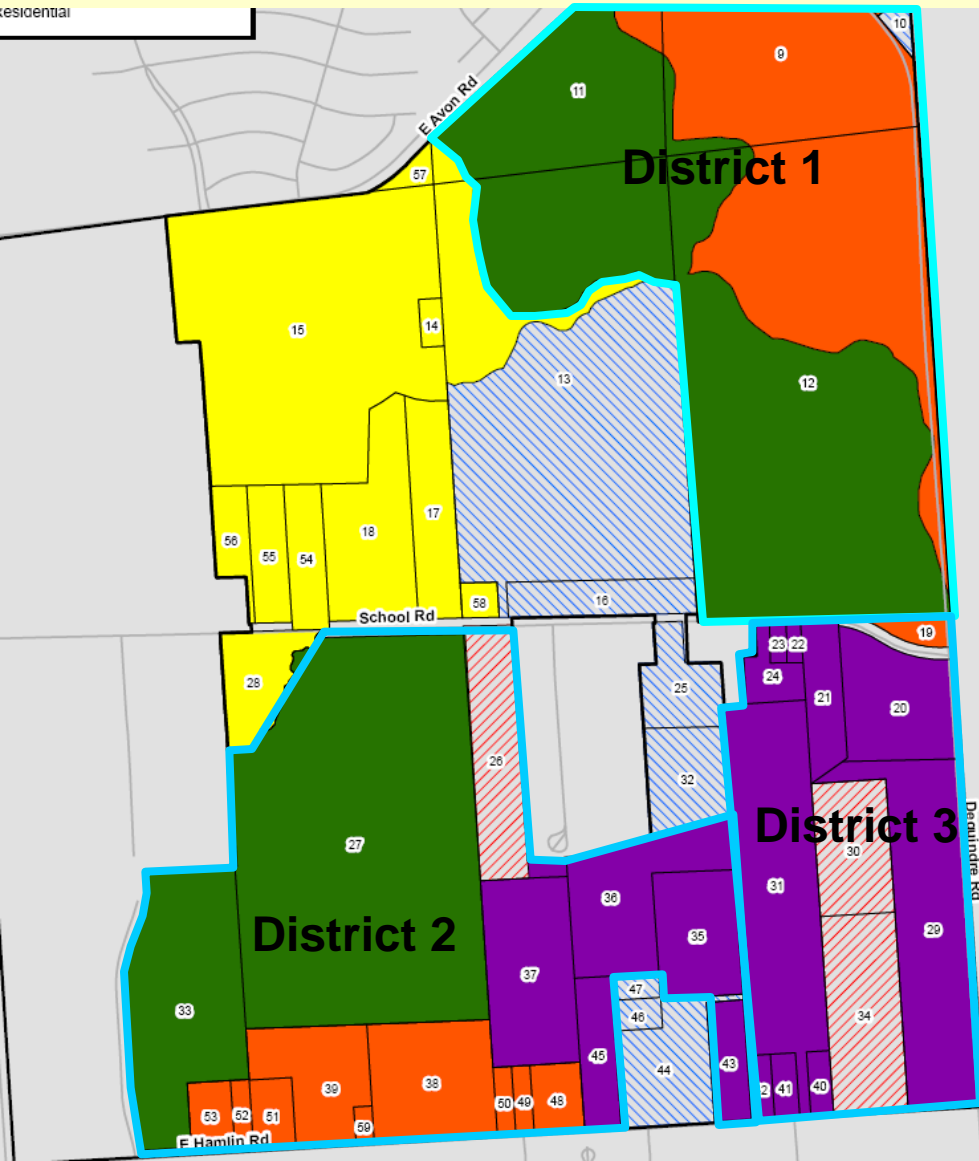
414 Acres
59 Parcels
9 Landfills



Redevelopment Potential



Rochester Hills Planning Area

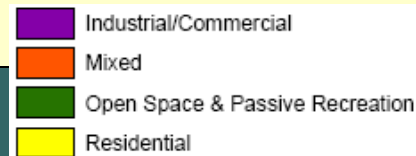


Area-Wide Incentives

Creating districts and/or using Targeted Redevelopment Area (or Land Bank), will permit collateralization of TIF funding

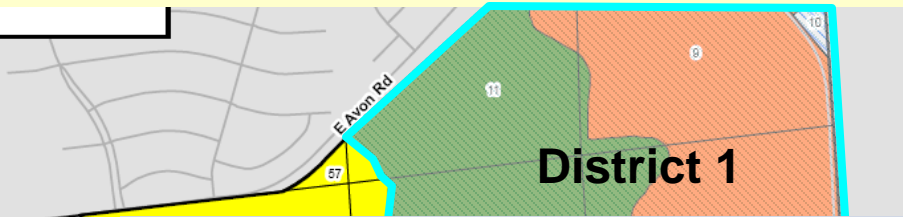
Grant funding

- Surface Water features



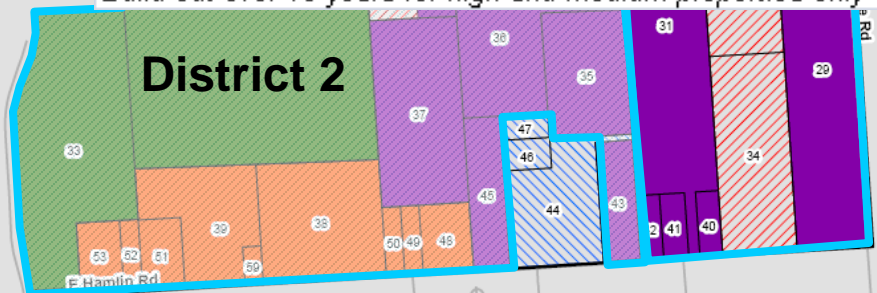
Rochester Hills Planning Area

residential



Millage Category	Total Taxes	Taxes to Jurisdictions	Tax Capture for This Plan		
			Total Capture	Capture for Reimbursement and BRA	Capture for LSRRE
Oakland County Tax	\$10,996,361	\$6,113,614	\$4,882,747	\$2,503,660	\$2,379,087
Oakland Schools	\$7,805,723	\$4,339,724	\$3,465,998	\$1,777,213	\$1,688,785
Oakland Community College	\$3,670,937	\$2,040,920	\$1,630,017	\$835,802	\$794,215
State Education	\$13,901,555	\$7,728,806	\$6,172,749	\$3,165,117	\$3,007,632
City General	\$8,698,898	\$4,836,300	\$3,862,598	\$1,980,572	\$1,882,026
City Debt & Bonds	\$2,672,574	\$2,672,574	\$0	\$0	\$0
City Dedicated Millages	\$11,116,610	\$6,180,468	\$4,936,142	\$2,531,038	\$2,405,103
School Operating	\$29,779,590	\$20,363,492	\$9,416,098	\$4,828,165	\$4,587,933
School SET	\$12,001,675	\$6,672,536	\$5,329,140	\$2,732,551	\$2,596,589
Total Incremental Tax	\$100,643,923	\$60,948,434	\$39,695,489	\$20,354,119	\$19,341,370

Note: Total Taxes are for the full 30 year duration of the Plan
Build-out over 10 years for high and medium properties only



The Challenges of Incentives

Uncertainty

Necessity

Applicability

Accuracy

Timing

Getting Incentives

In general...

Must be Eligible Property or Project

- In some cases applicant can not be responsible for impacts

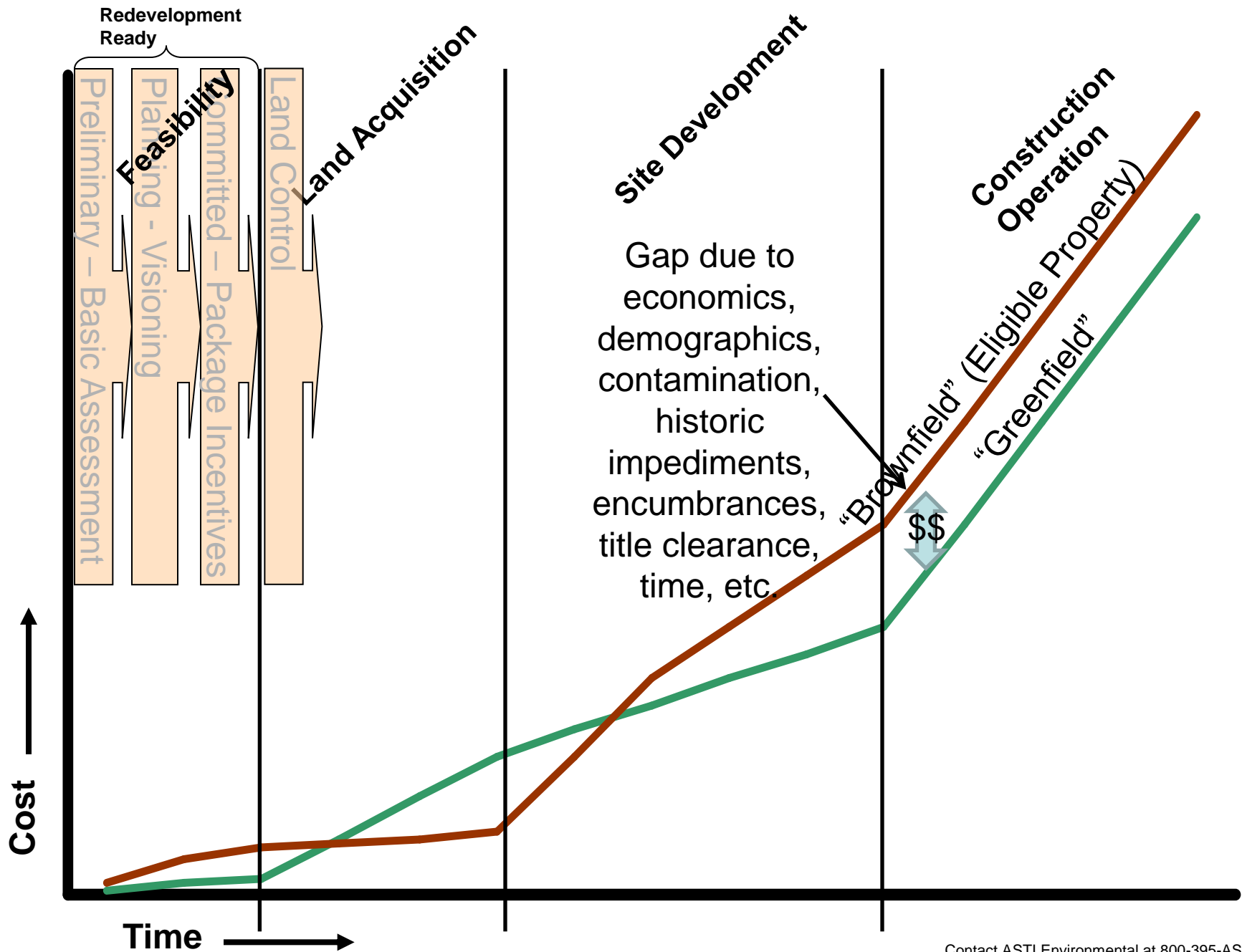
At the Discretion of the Grant or Loan Administrator

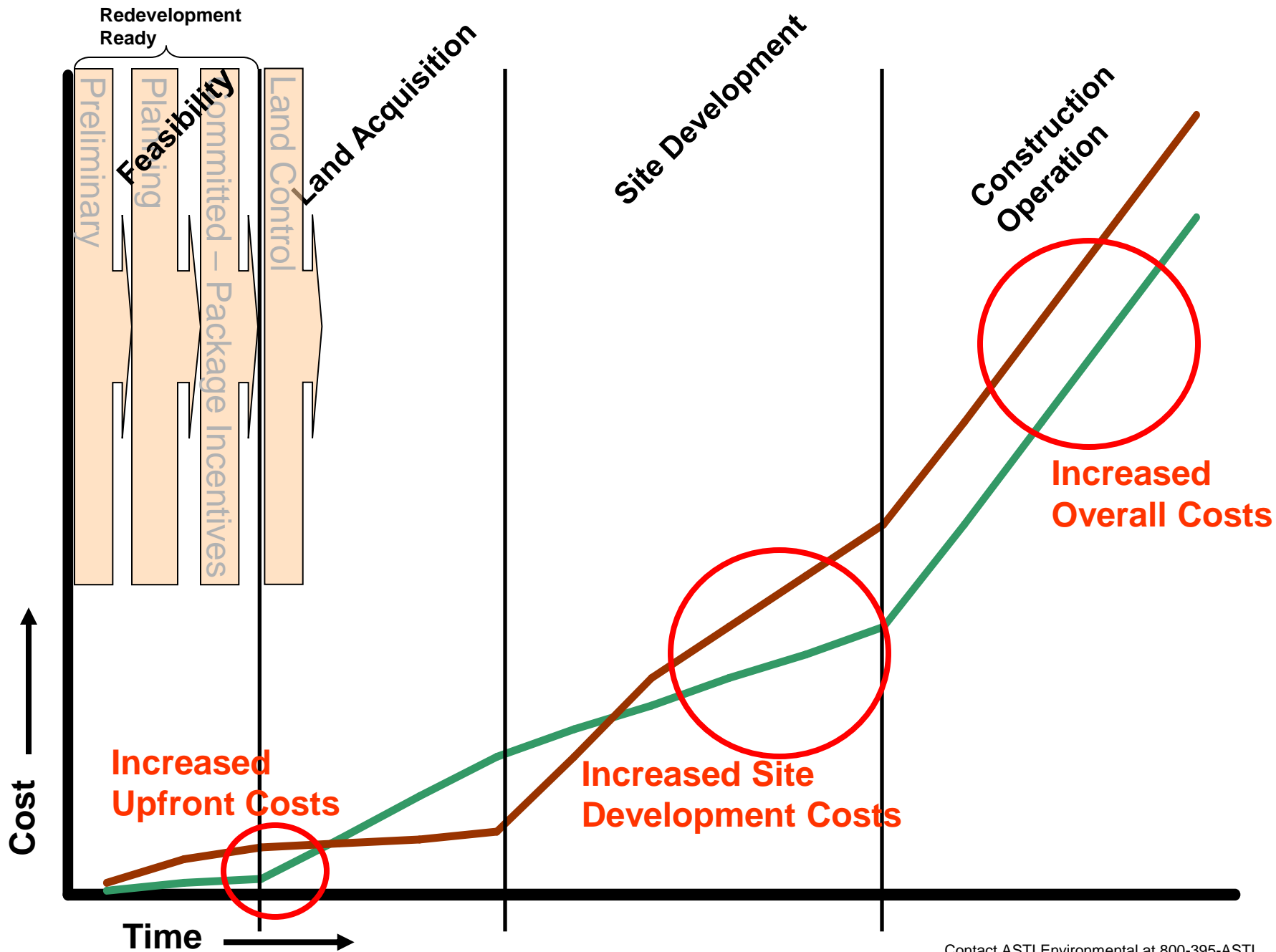
Requires Public/Private Partnership

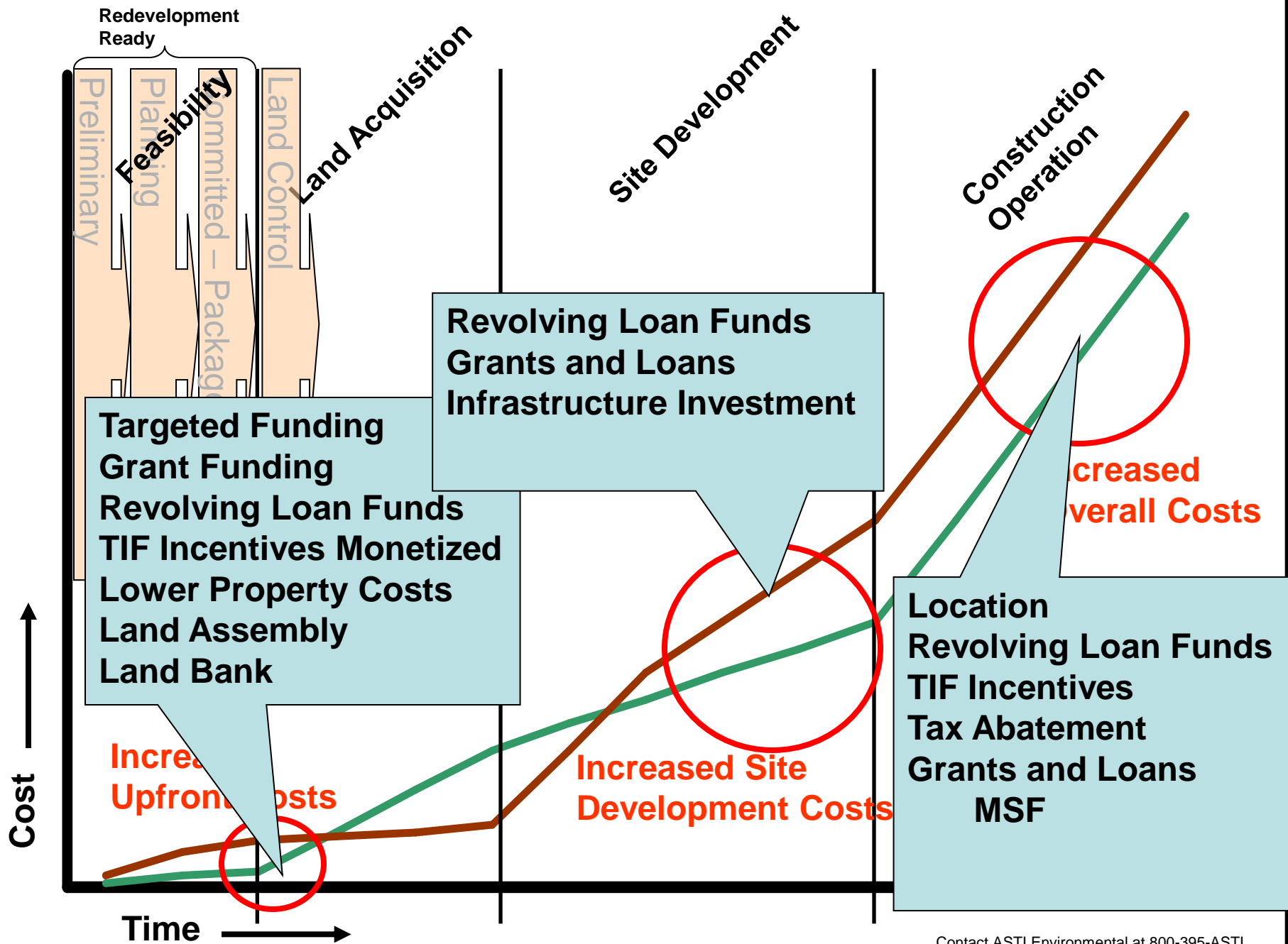
Some Provided for Specific Purpose, Others Flexible

Some Are Incompatible (no Double Dipping)

Takes Time: 3 to 6 (24 for federal grants) months to complete process







The Key Ingredients for Incentives

Must be an...

- E⁵** {
- Eligible Property developed by an....
 - Eligible Investor who...
 - Creates an Eligible Project that ...
 - Incurs Eligible Costs after approval (with exceptions)...
 - Can complete the project (Execution) within the defined time, investment or job creation goals

That meets the Threshold Needs of a Community

- T⁴** {
- Targeted Location
 - Targeted End Use
 - Tangible Community Benefit
 - Targeted Financial Need

$$E^5 + T^4 + \text{Developer} = \text{PPP}$$

Eligible Properties Can Include....

Perceived Contamination/Impairment

“Traditional” Brownfields (aka contaminated)

Blighted and Functionally Obsolete Properties

Historic Resources

Housing Resources

Tax Reverted

Owned by a Land Bank

Properties in Targeted/Designated
Areas/Zones/Districts

Adjacent and Contiguous

Always ... Be Creative

Incentives Objectives

Developer

Recover Extraordinary Costs

Obtain Development Incentives to Close Financing Gap and meet Target IRR

Community/Agency

Attracting New Investment and Creating Jobs

Creating a Catalyst for Area Development

Be Part of a Great Project

Do it at a Reasonable Cost

AAA Key Steps

Assessment

- Does it Meet Criteria?
- Is There Sufficient Time?
- Is Incentive Worth the Cost?

Application

- Site Plan and Financials
- Tenant or Project Plan
- Complete Application

Approval

- Financial Review
- Community Participation
- Background Check
- Document and Report Performance

Incentives Balance

Time Required to Obtain vs. Construction Schedule

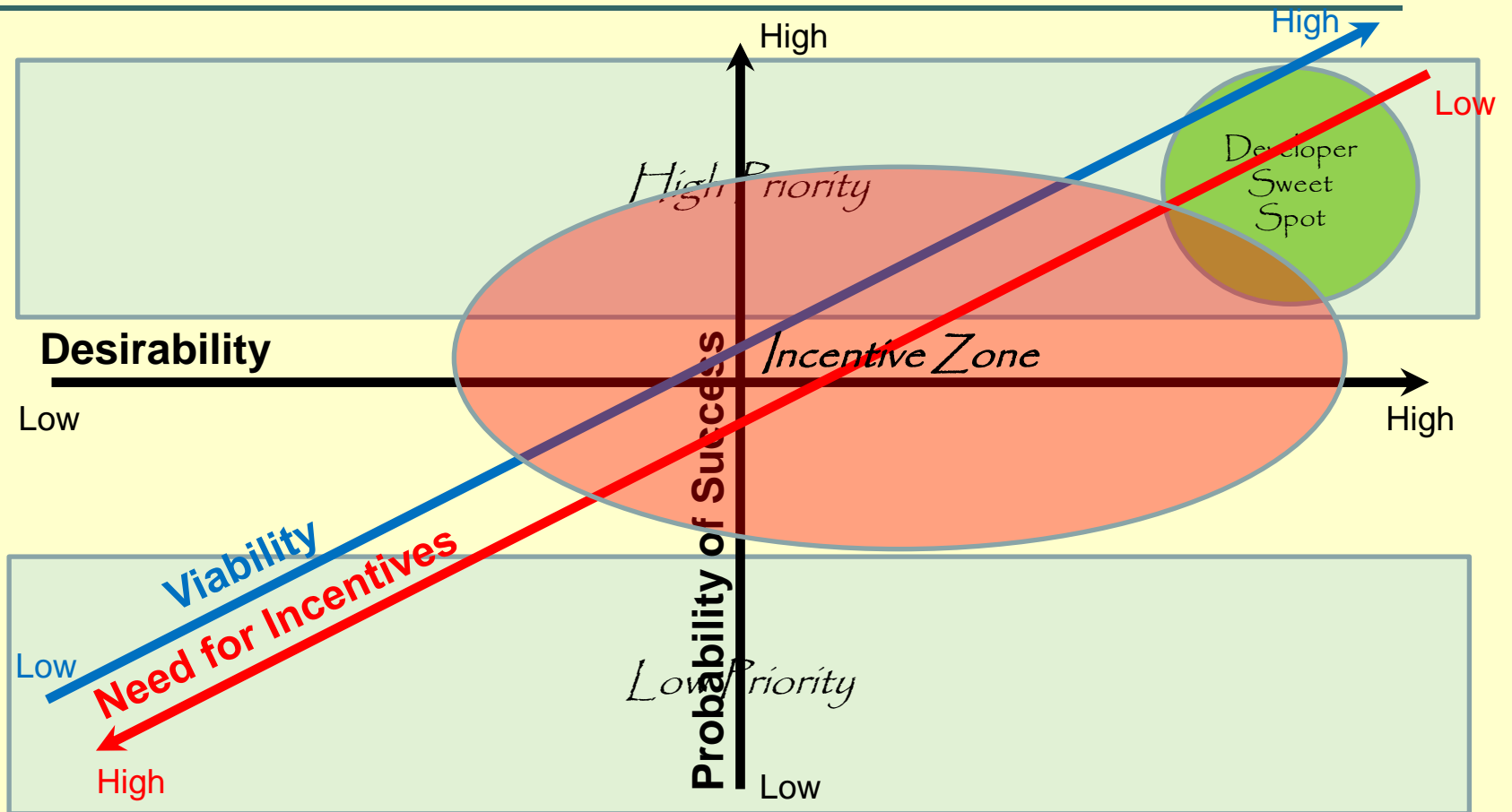
Effort (Brain Damage) vs. Value of Incentives

Value of Incentives vs. Uncertainty and Risk of the Project (The Conundrum)

Value of Incentives vs. Repayment Timing

Extraordinary Costs vs. On-Book Costs
("True" Benefits v. Off-Set Benefits)

The Conundrum



Feasibility

Land Acquisition

Site Development

Construction
Operation

Value of Incentives vs. Repayment Timing
Cost of Money
Repayment Period vs. Exit Strategy
Gap vs. Total Reimbursement

Cost ↑

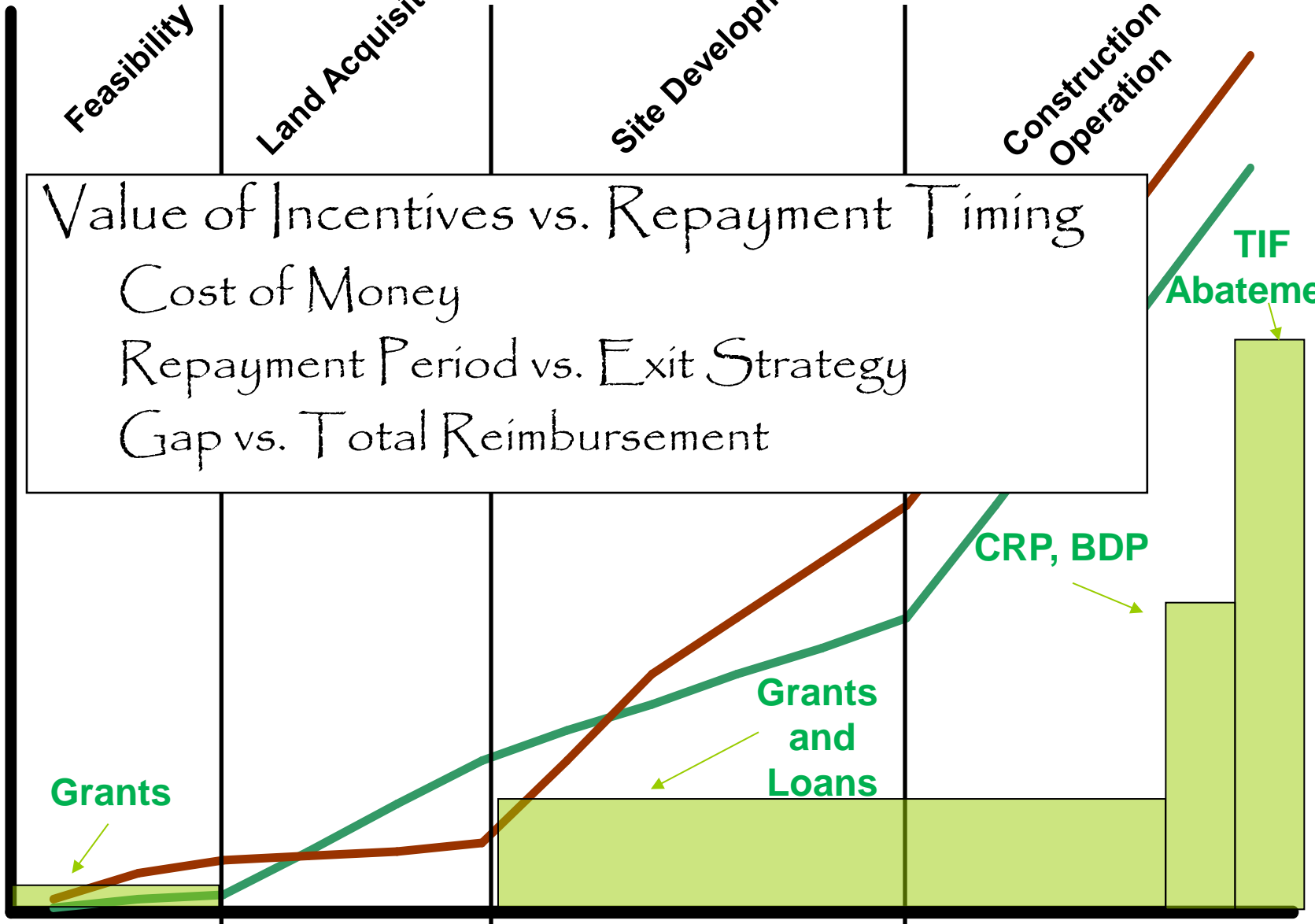
Time →

Grants

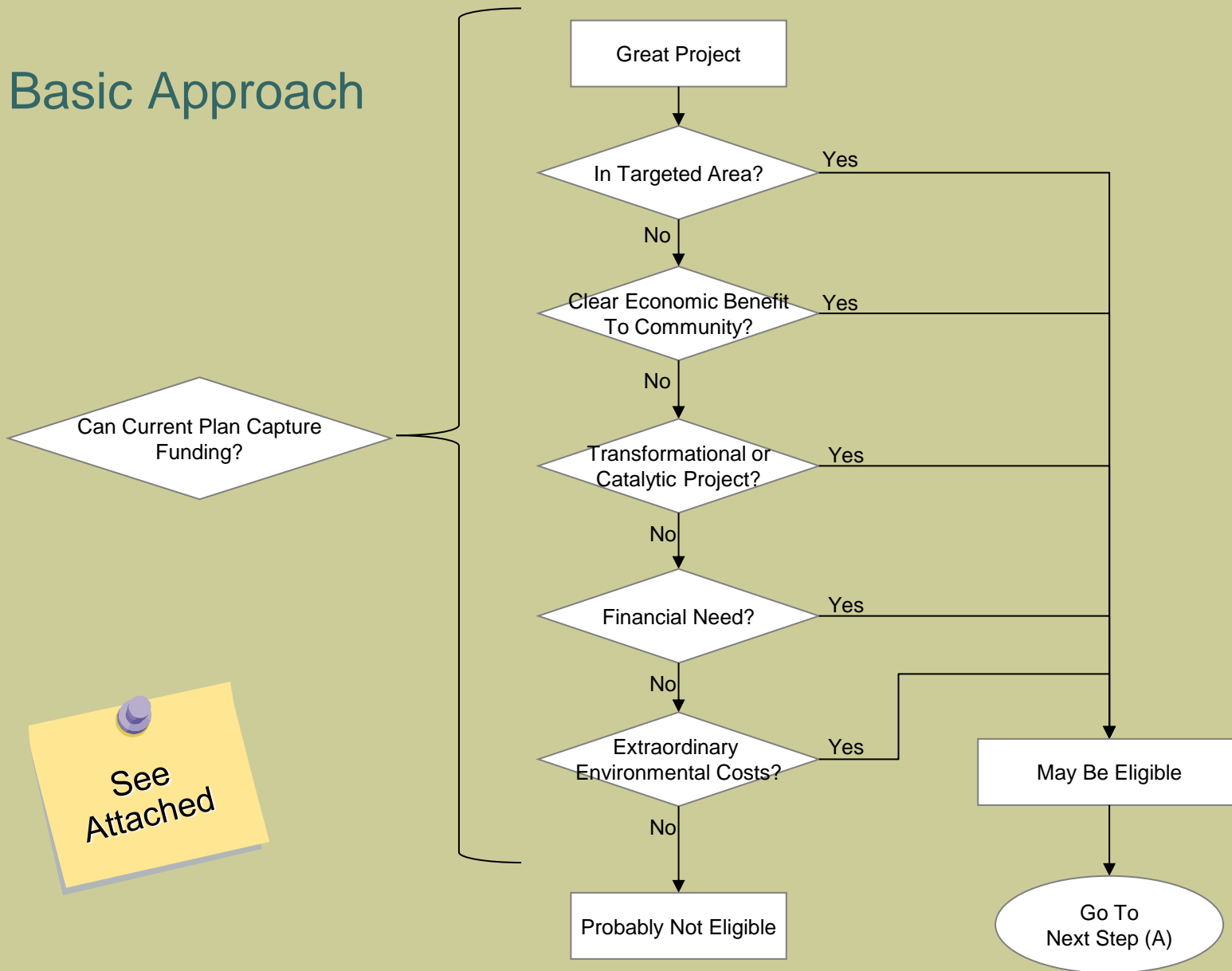
Grants
and
Loans

CRP, BDP

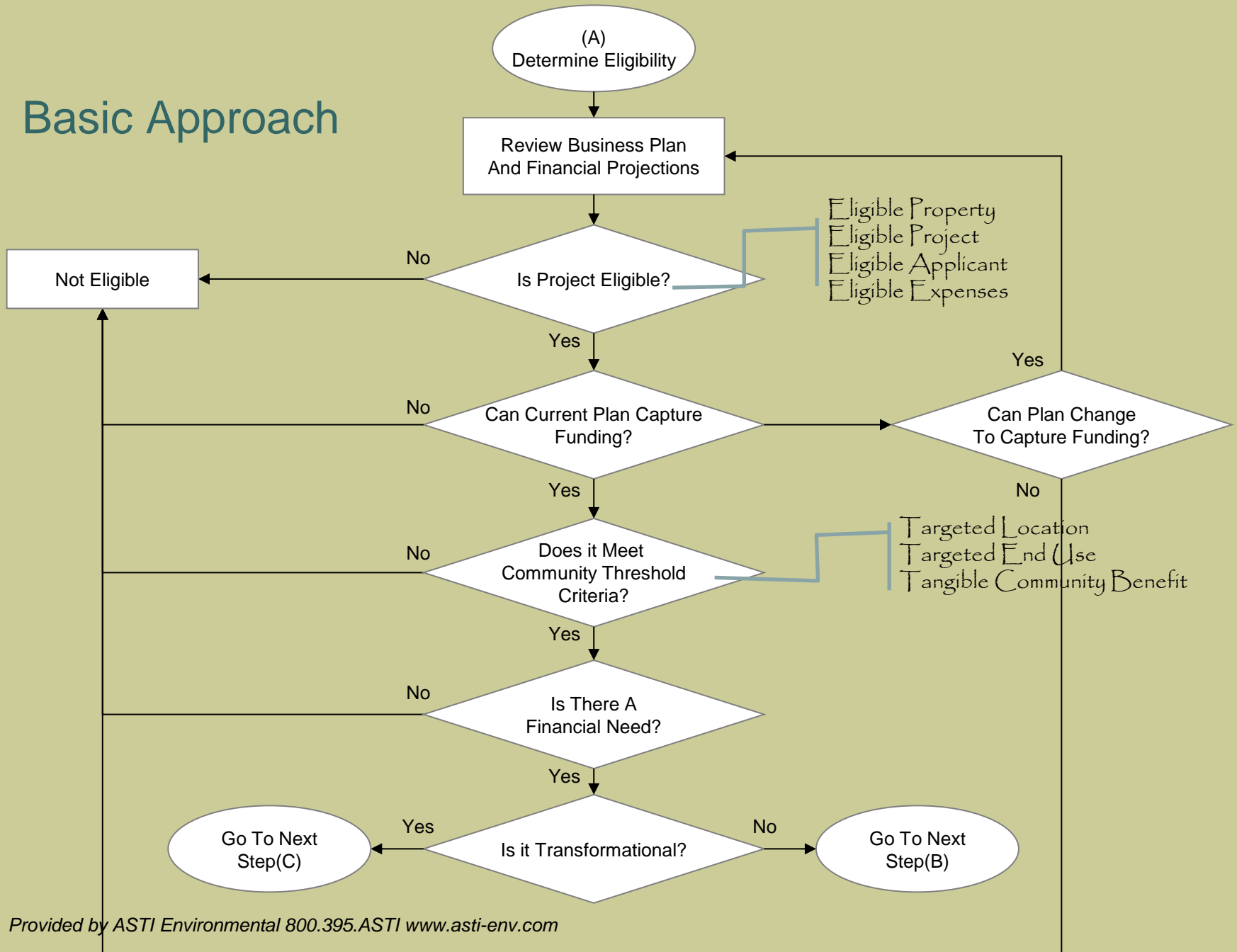
TIF
Abatement



Basic Approach

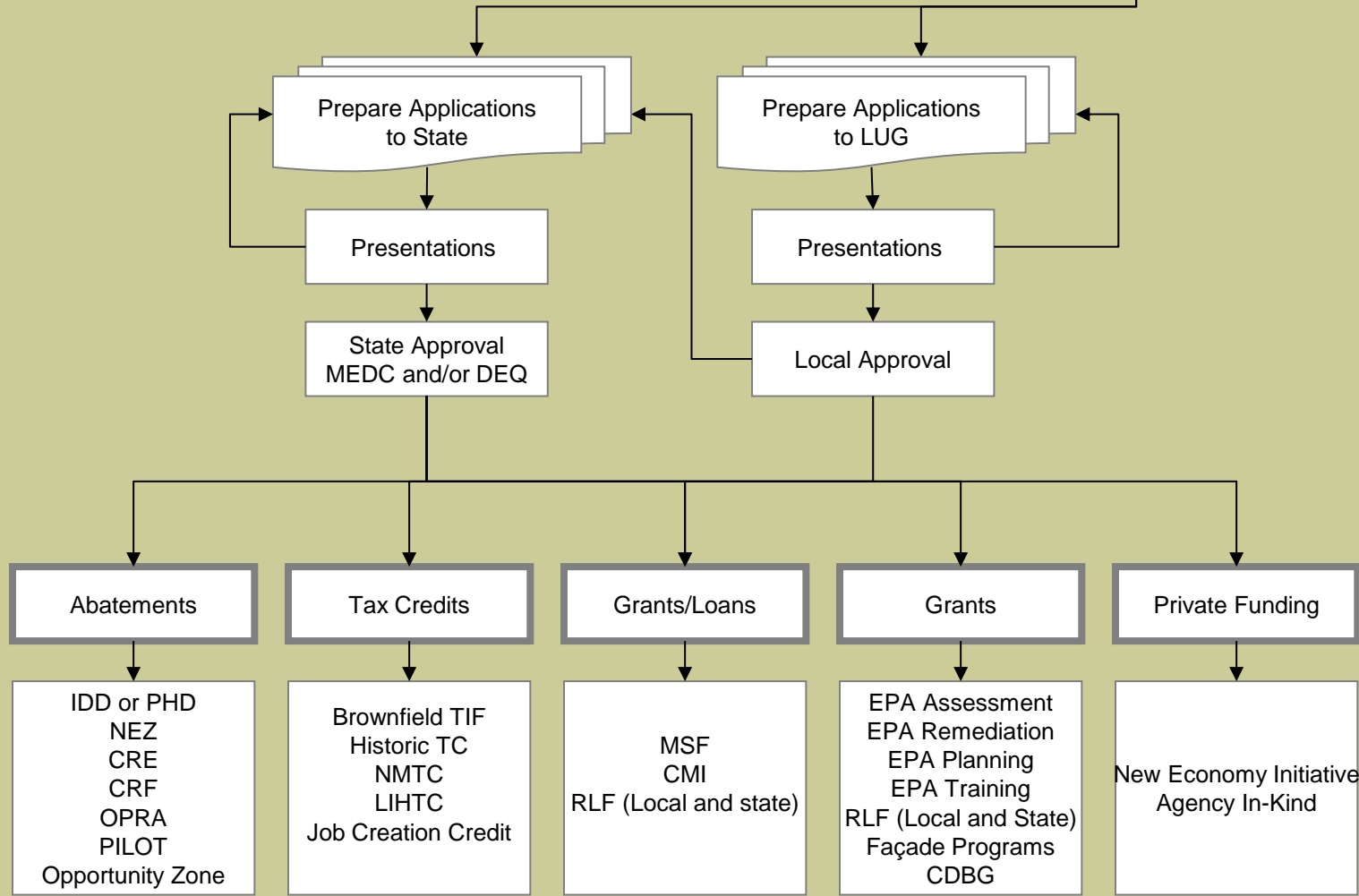


Basic Approach



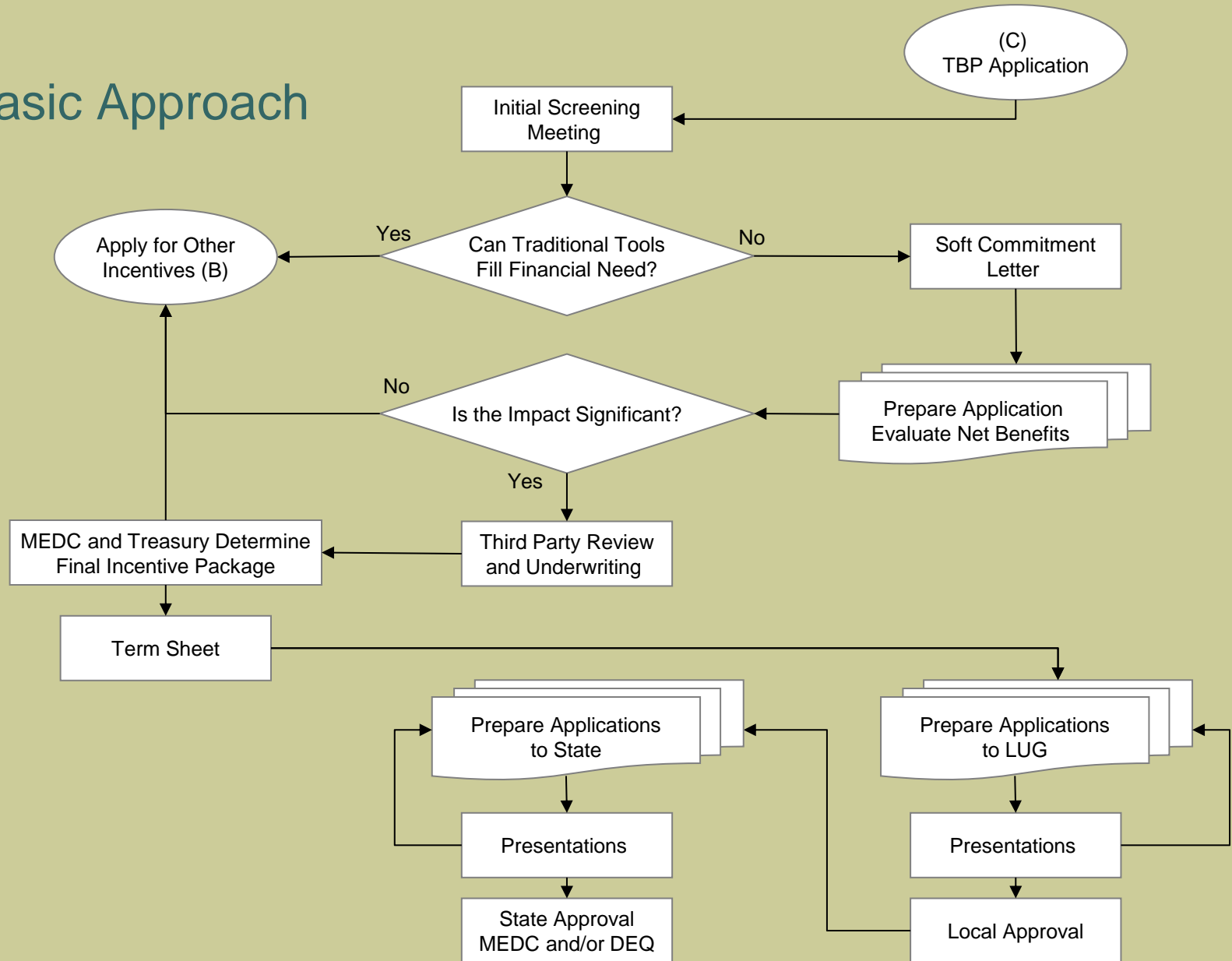
Basic Approach

(B)
Submit Applications



In Michigan

Basic Approach



“True” Benefits

When incentives are applied to non-extraordinary costs

When it can be used to secure or enhance a funding source

Offset Benefits

When incentives are applied to extraordinary costs

Project Funding

Offset Benefits "True" Benefits

Summary of Funding Sources

Investments	Total Cost	Grant Funded	Environmental TIF Funded	Redevelopment TIF Funded	CRP Grant MBT Credit	Developer Investment
Site Acquisition	\$3,402,500	\$0	\$0	\$0	\$0	\$3,402,500
Environmental Investigation Remediation	\$121,900	\$15,300	\$103,500	\$0	\$0	\$3,100
Site Preparation	\$55,000	\$0	\$0	\$0	\$0	\$55,000
Public Infrastructure	\$500,000	\$0	\$0	\$500,000	\$0	\$0
Demolition	\$183,000	\$0	\$0	\$183,000	\$0	\$0
Construction Costs	\$4,825,000	\$0	\$0	\$0	\$603,125	\$4,221,875
Other Construction Costs	\$1,594,600	\$0	\$0	\$0	\$2,500	\$1,592,100
Total Above	\$10,682,000	\$15,300	\$103,500	\$683,000	\$605,625	\$9,274,575
Contingency	15%	15%	15%	15%	15%	15%
	\$1,602,300	\$2,295	\$15,525	\$102,450	\$90,844	\$1,391,186
Total With Contingency	\$12,284,300	\$17,595	\$119,025	\$785,450	\$696,469	\$10,665,761

No "Double Dipping"

Example Small Project 1
2024



Project Funding

Developer Eligible Expenses \$404,475

Developer Tax Credit \$696,469

Public Infrastructure Costs \$500,000

BRA Administrative Costs \$21,000

Local RLF Funding \$1,304,206

Increased Taxes to

Jurisdictions \$9,259,461

Developer
Benefits

LUG
Benefits

Incentive Options

Grants

Loans

Loan Guarantees and Enhancement

Tax Increment Financing

Tax Abatement

Tax Credits

In Kind Contributions

Insurance

WOW Factor



STEELCASE CAMPUS



STEELCASE CAMPUS

203 Acres

4,700,000 sq ft - 18 heavy industrial buildings

Mixed Use Development

\$162million investment

1,800,000 sq ft renovated industrial

500,000 sq ft new industrial

365,000 sq ft of commercial/80,000 R&D

400 housing units



STEELCASE CAMPUS

\$32 million in Brownfield costs

\$13 million in TIF with 15 year payback

\$9.9 million in SBT Credit -Phased Purchase

MDOT Grant

Public Participation in Infrastructure

PRP Involvement

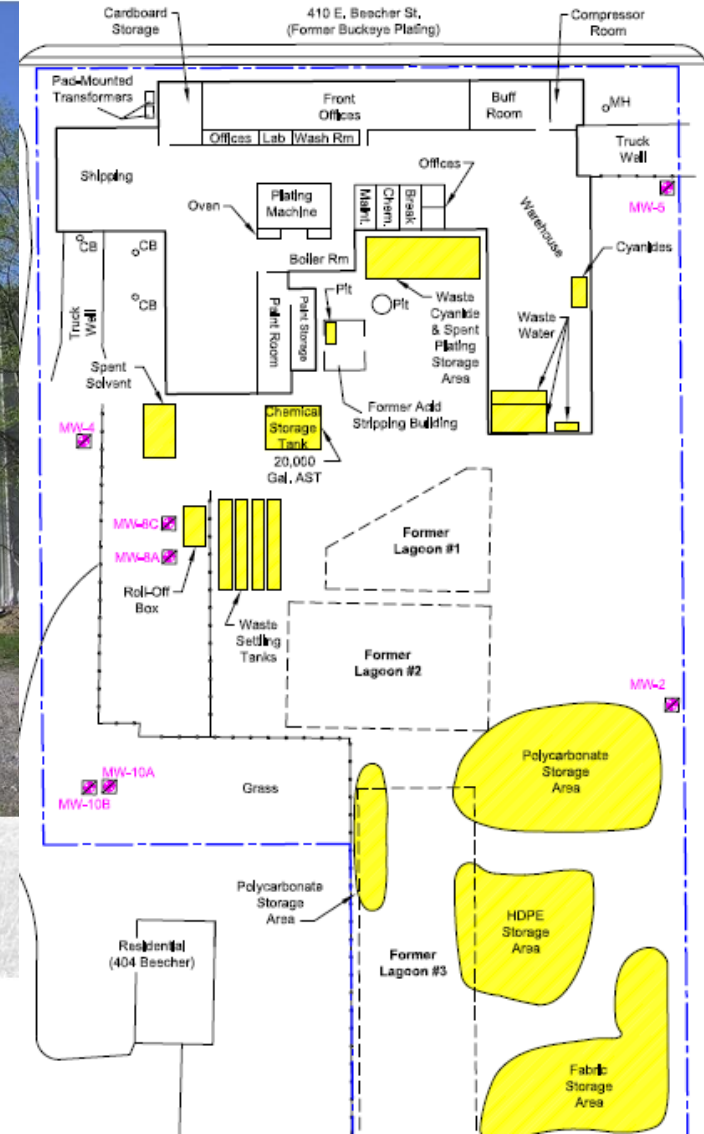
Green Objective



Bread and Butter



BUCKEYE PRODUCTS



BUCKEYE PRODUCTS

3.3 Acre Site

25,600 sq ft light industrial platting operation

RCRA Site

Soils and groundwater impacts

Corporate Office

\$5-10 million investment



BUCKEYE PRODUCTS

\$208,000 Site Assessment Grant

\$200,000 EPA RCRA Investigation

\$300,000 EPA CERCLA Investigation

\$200,000 EPA CERCLA Remediation

\$100,000 Assessment Grant for Demo

\$200,000 Site Remediation Grant

Will Apply for TIF, CRP and CMI

Trends

Limiting Incentives to Financial Need

High Density, Mixed Use, Walk-able, Transportation Oriented Development Target

Job Creation and Investment Targets Must Be Met

Increased Competition for Less Incentives

TIF Backlash

Preference for Loans over Grants

Collaborative and Area-Wide Focus

Modifications to the Application (Be Ready to Do It Many Times)

Assistance

MEDDC Community Assistance Team

EGLER Brownfield Redevelopment Team

MSHDA Brownfield Redevelopment Team

Regional Economic Development Organizations

Other Communities

Private Companies

Professional Organizations (MEDA)

Consultants

5 Minute Break

Tom Wackerman

810-599-5763 (c)

twacker@asti-env.com

www.asti-env.com



Brownfield TIF (One Option)

MEDA Economic Development Course



Definitions

General

Greenfield: Undeveloped, un-impacted land

Greyfield: Previously developed land, not requiring special controls or procedures

Brownfield: Previously developed land requiring controls or special considerations

Orangefield: Where you can make money (green) on a Brownfield

Brownfield Definition

Federal (EPA)

“A brownfield is a property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant.”

www.epa.gov/brownfields



Brownfield Definition

Michigan

Contamination greater than the applicable
Residential Clean-up Criteria under Part 201, or
Is in a Land Bank Fast Track Authority
Blighted or
Functionally Obsolete
Historic Resource
Adjacent and Contiguous Properties
TOD Related Development



Adrian	Coldwater	Hart	Mount Clemens	Saint Louis
Albion	Coleman	Hartford	Mount Morris	Sault Sainte Marie
Alma	Crystal Falls	Hazel Park	Mt. Morris Twp. (in Genesee Co.)	Southfield
Alpena	Dearborn	Highland Park	Mount Pleasant	Sturgis
Ann Arbor	Dearborn Heights	Holland	Muskegon	Taylor
Baldwin	Detroit	Inkster	Muskegon Heights	Three Rivers
Bangor	Dowagiac	Ionia	Norton Shores	Trenton
Battle Creek	East Lansing	Iron Mountain	Norway	Traverse City
Bay City	Eastpointe	Iron River	Oak Park	Vassar
Benton Harbor	Ecorse	Ironwood	Omer	Wakefield
Benton Twp. (in Berrien Co.)	Escanaba	Ishpeming	Onaway	Warren
Bessemer	Ferndale	Jackson	Owosso	Wayne
Big Rapids	Flint	Kalamazoo	Pinconning	Wyandotte
Bronson	Gaastra	Lansing	Pontiac	Wyoming
Buena Vista Twp. (in Saginaw Co.)	Genesee Twp. (in Genesee Co.)	Lincoln Park	Portage	Ypsilanti
Burton	Gibraltar	Livonia	Port Huron	
Cadillac	Gladstone	Ludington	Redford Twp. (in Wayne Co.)	
Carson City	Grand Haven	Manistee	River Rouge	
Caspian	Grand Rapids	Manistique	Royal Oak Twp. (in Oakland Co.)	
Center Line	Grayling	Marquette	Saginaw	
Cheboygan	Hamtramck	Melvindale		
	Harbor Beach	Menominee		
	Harper Woods	Midland		
		Monroe		

Core Communities

BFTIF Can Be Applied To...

All Brownfields for...

Environmental Investigations

Preparation of Due Diligence Documents

Remedial Activities

- Including Exposure Barriers
- Other Environmental Response Activities

Demolition and asbestos/lead abatement

Brownfield Plan preparation (max \$30,000, no contingency)

Brownfield Plan implementation (max \$30,000, no contingency)

Reasonable costs of environmental liability insurance

Interest

What?

2024

Eligible Expenses

BRTIF Can Be Applied To...

Core Community Brownfields, or Property Currently Owned or Under Control of a Land Bank, for...

Infrastructure

- Parking Structures, Urban Storm Water Management

Site Preparation Not a Response Activity

Planning and Economic Strategies

Building Rehabilitation

Relocation of public buildings or operations for economic development purposes.

What?

2024

Eligible Expenses

BFTIF Can Be Applied To...

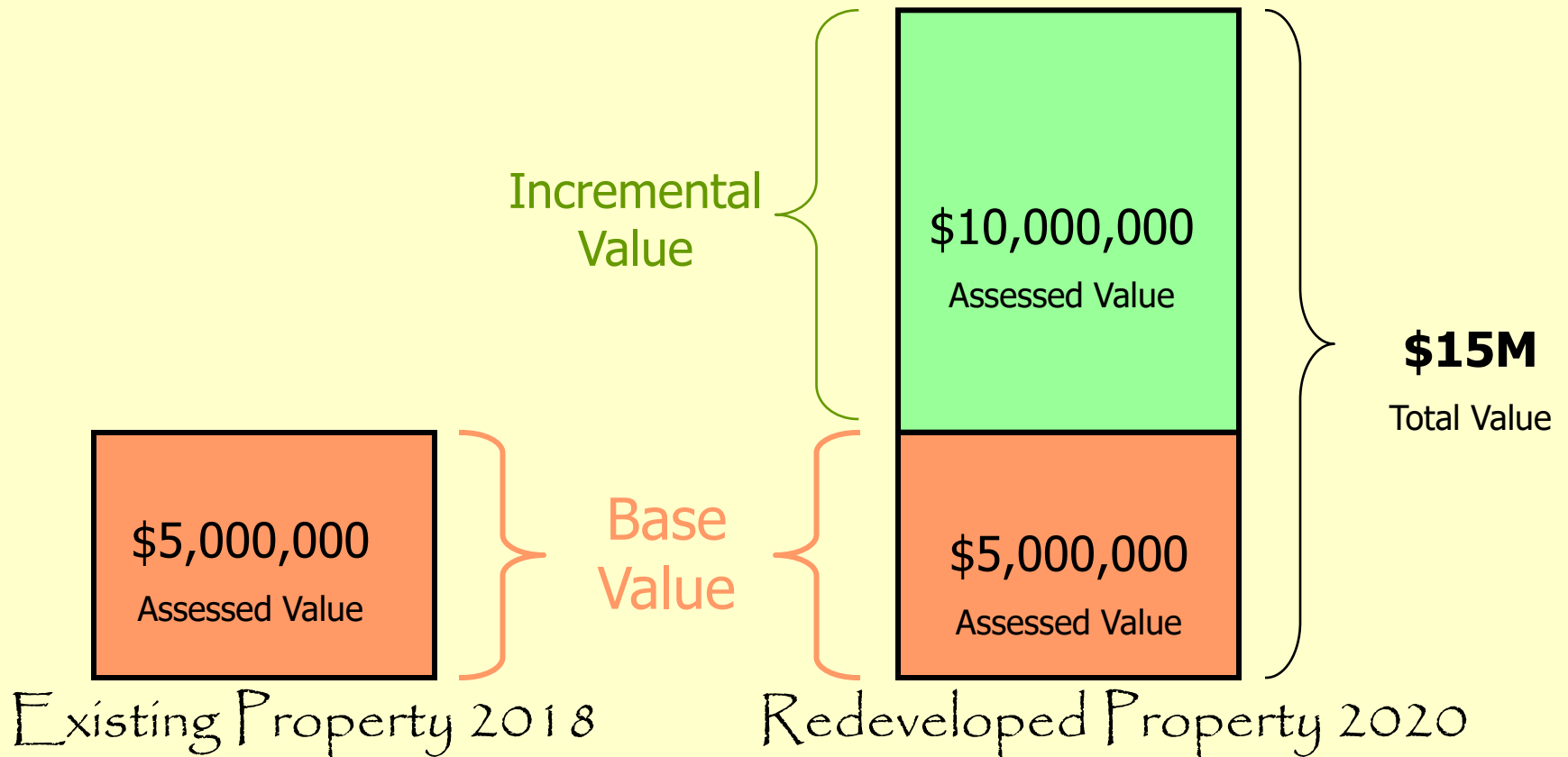
Property Currently Owned or Under Control of a Land Bank, for...

Cost of clearing or quieting title to, or selling or otherwise conveying, property owned or under the control of a land bank fast track authority

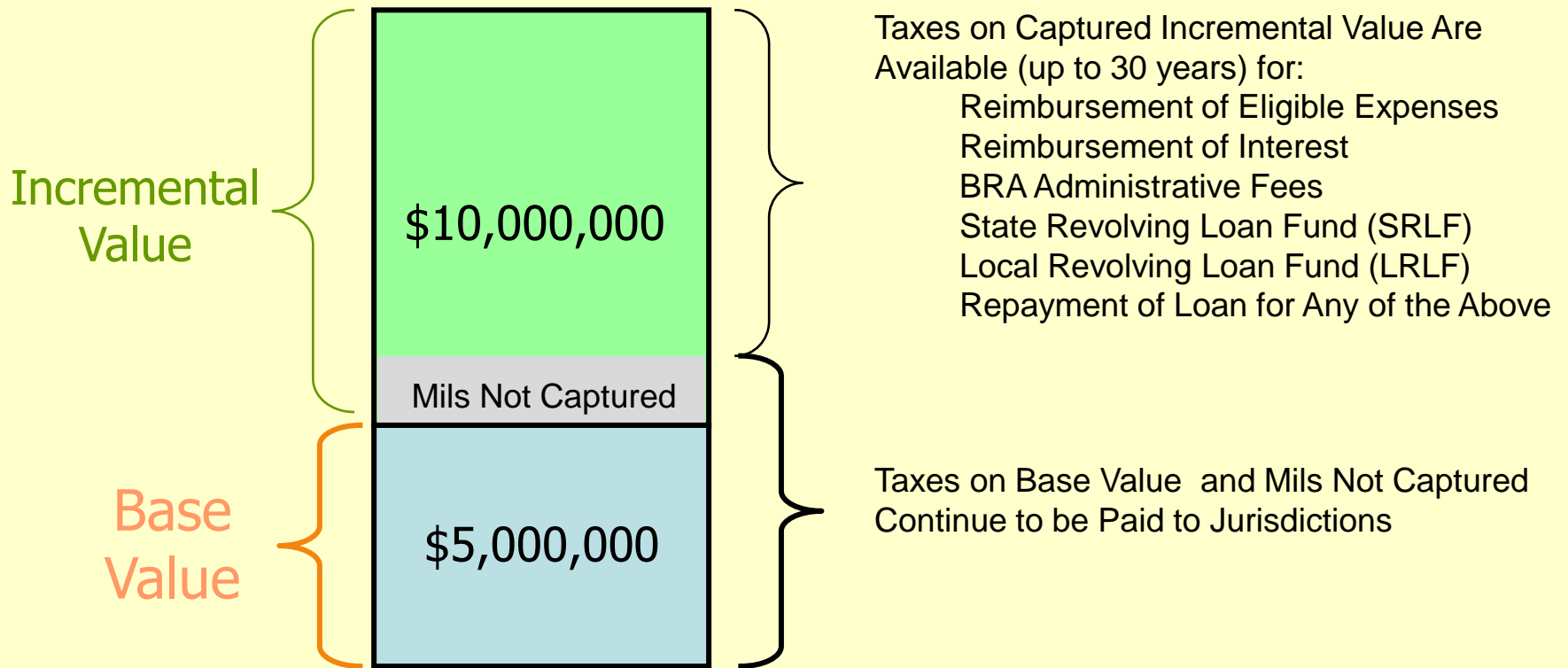
Acquisition of property by the land bank fast track authority if the acquisition of the property is for economic development purposes

Note: 5/50 Rule Applies

TIF Programs - The Increment

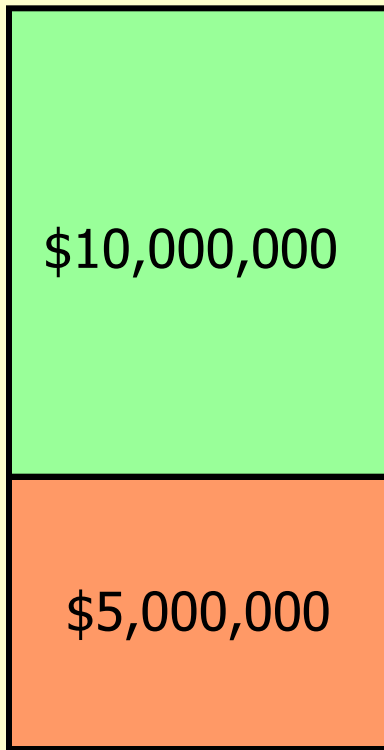


TIF Programs - The Increment



Tax capture can be from local taxes only, or local and school taxes. School tax capture requires state approval, either EGLE and/or MSF. Eligible expenses are limited in a non-core community.

TIF Programs - The Increment



**\$10M Value
= \$5M TV**

**\$232,276
Annual
Incremental
Tax**

Captured Taxable Value
Personal Property
Total Taxable Value

	2021	2022
Captured Taxable Value	\$ 5,000,000	5,125,000
Personal Property	\$ -	-
Total Taxable Value	\$ 5,000,000	\$ 5,125,000

Millage Category

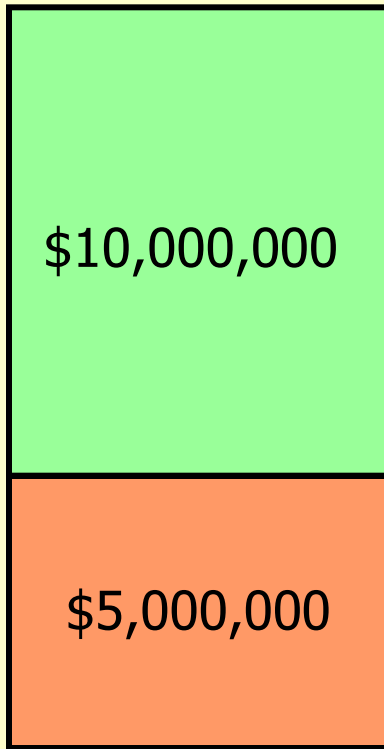
COUNTY
VILLAGE OPERATING
VILLAGE REFUSE
LIBRARY
FIRE
POLICE
TOWNSHIP OPERATING
COMMUNITY COLLEGE
MILFORD DDA
OAKLAND COUNTY ISD
SCHOOL OPERATING
SCHOOL SET
Total Incremental Tax

	Captured Mills/\$1000		Tax Capture
COUNTY	4.5626	\$ 22,813	\$ 23,383
VILLAGE OPERATING	3.6711	\$ 18,356	\$ 18,814
VILLAGE REFUSE	2.1051	\$ 10,526	\$ 10,789
LIBRARY	1.1465	\$ 5,733	\$ 5,876
FIRE	0.9411	\$ 4,705	\$ 4,823
POLICE	3.0463	\$ 15,232	\$ 15,612
TOWNSHIP OPERATING	1.0752	\$ 5,376	\$ 5,510
COMMUNITY COLLEGE	1.5809	\$ 7,904	\$ 8,102
MILFORD DDA	1.8879	\$ 9,440	\$ 9,675
OAKLAND COUNTY ISD	3.3626	\$ 16,813	\$ 17,233
SCHOOL OPERATING	17.4808	\$ 87,404	\$ 89,589
SCHOOL SET	5.5951	\$ 27,976	\$ 28,675
Total Incremental Tax	46.4551	\$ 232,276	\$ 238,083

Taxes for 2021 (one year delay in assessment)



TIF Programs -in a DDA



**\$10M Value
=\$5M TV**

**\$50,387
Incremental
Capture**

**\$181,889
Incremental
For DDA**

Captured Taxable Value
Personal Property
Total Taxable Value

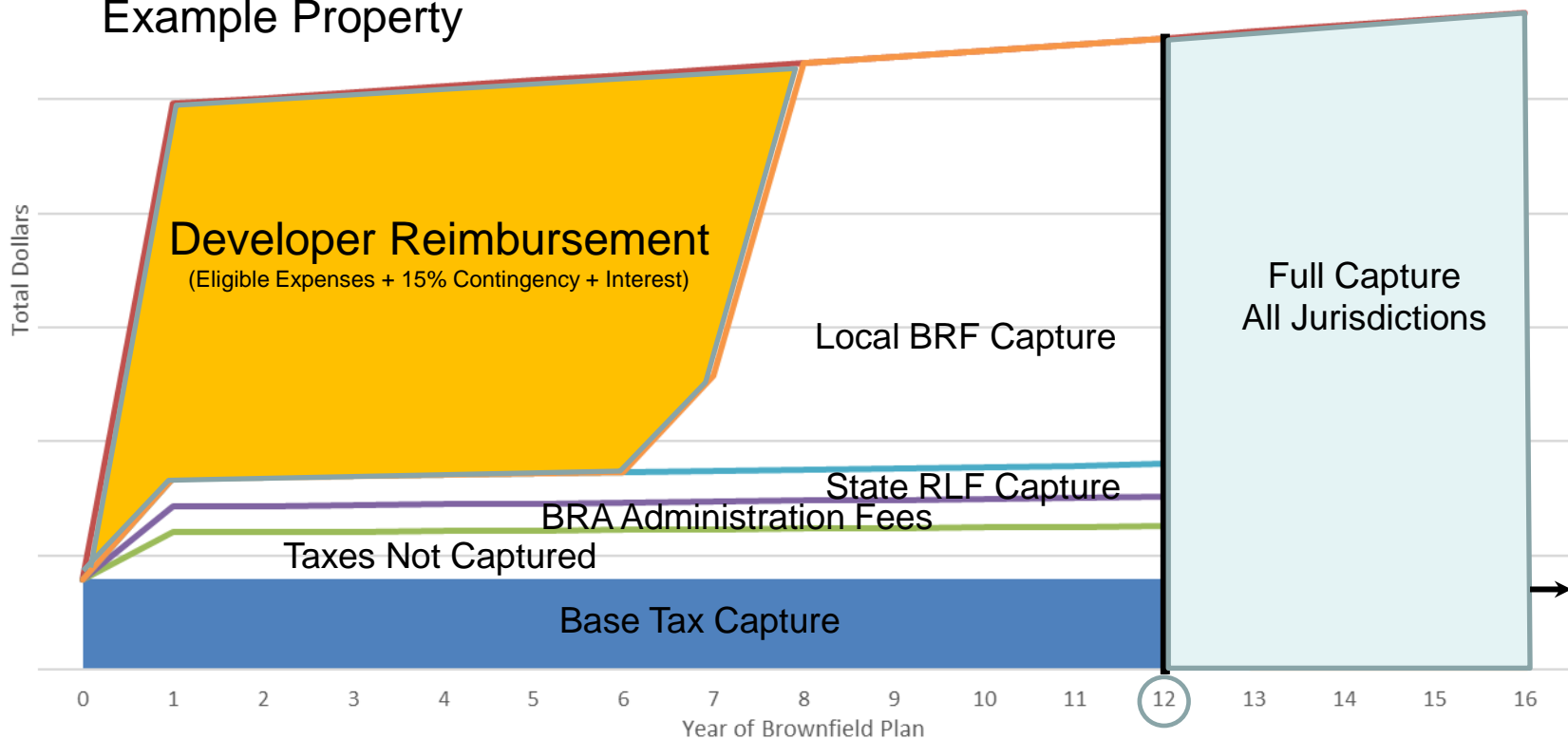
	2021	2022
Captured Taxable Value	\$ 5,000,000	5,125,000
Personal Property	\$ -	-
Total Taxable Value	\$ 5,000,000	\$ 5,125,000

<u>Millage Category</u>	<u>Captured Mills/\$1000</u>	<u>Tax Capture</u>	
COUNTY	0.0000	\$ -	\$ -
VILLAGE OPERATING	0.0000	\$ -	\$ -
VILLAGE REFUSE	0.0000	\$ -	\$ -
LIBRARY	1.1465	\$ 5,733	\$ 5,876
FIRE	0.9411	\$ 4,705	\$ 4,823
POLICE	3.0463	\$ 15,232	\$ 15,612
TOWNSHIP OPERATING	0.0000	\$ -	\$ -
COMMUNITY COLLEGE	1.5809	\$ 7,904	\$ 8,102
MILFORD DDA	0.0000	\$ -	\$ -
OAKLAND COUNTY ISD	3.3626	\$ 16,813	\$ 17,233
SCHOOL OPERATING	0.0000	\$ -	\$ -
SCHOOL SET	0.0000	\$ -	\$ -
Total Incremental Tax	10.0773	\$ 50,387	\$ 51,646

Tax Payments

Base Tax Total Tax Taxes Not Captured BRA Capture State RLF Capture Local RLF Capture

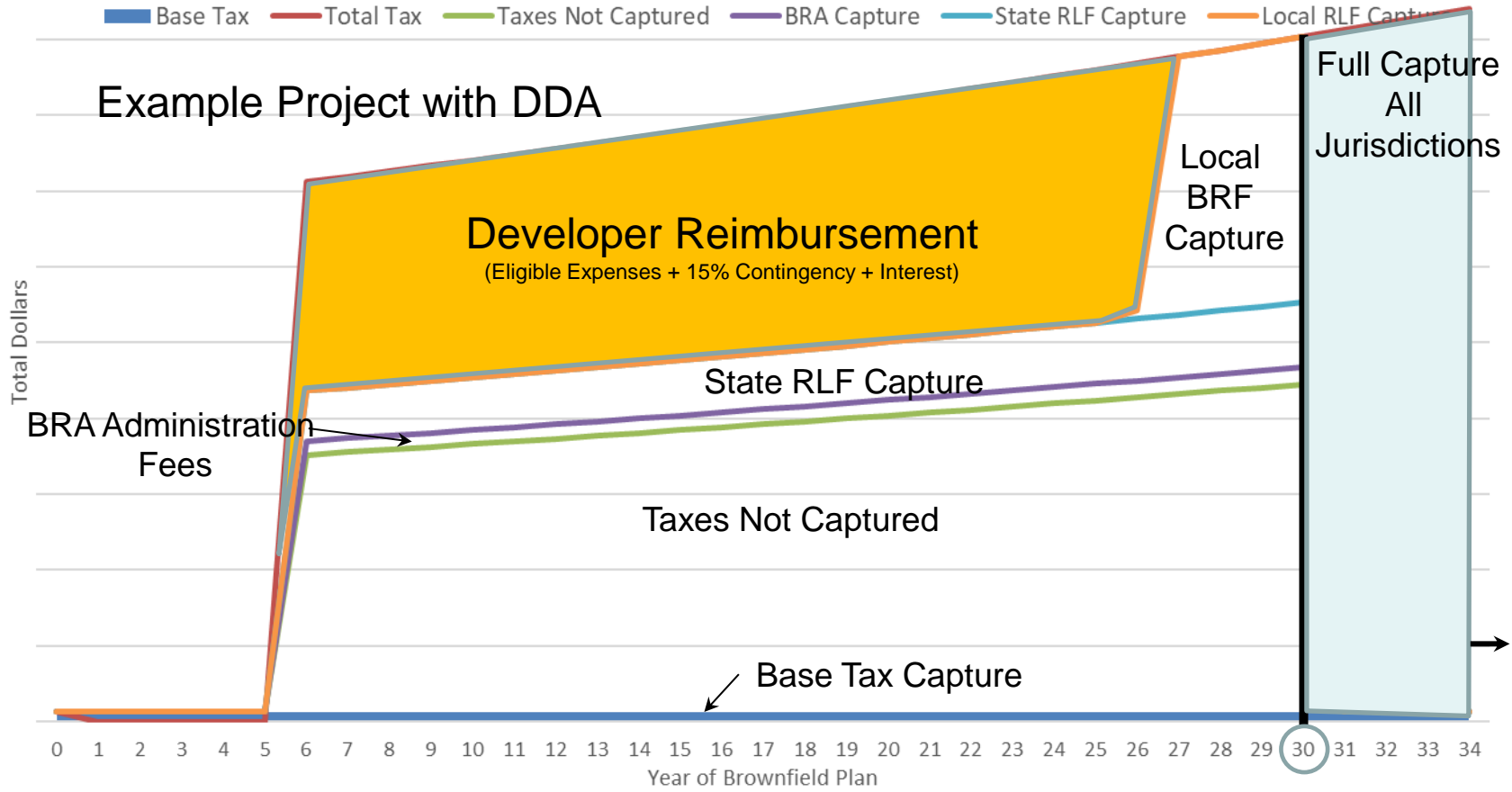
Example Property



Tax Payments

Base Tax Total Tax Taxes Not Captured BRA Capture State RLF Capture Local RLF Capture

Example Project with DDA



Key Points in Attracting * Development

MEDA Economic Development Course

*Don't Forget Retaining

A 12 Step Recovery Program

MEDA Economic Development Course



12 Step Program Summary

1. Focus Efforts to Leverage Local Assets
2. Consider Area-Based Planning
3. Communicate Performance Expectations
4. Economic Considerations First
5. Have a Plan and Communicate It
6. See Who Has Skin in the Game
7. Look at Tax Impact with and without Project
8. Balance Incentives and Need
9. Leverage Local Commitment
10. Look at Tax Impact to All Jurisdictions
11. Consider Other Relevant Financial Contributions
12. Demand Performance

Thanks to the Subsidies Anonymous Recovery Program

Community Specific Objectives

City of Flint

- A. Promote Economic Development and Job Creation Through the Reuse of Underutilized Properties
- B. Position Brownfield Redevelopment Projects to be Competitive with Traditional Development Projects
- C. Maximize the Impact of Incentives by Encouraging Brownfield Redevelopment that Complements Other Redevelopment Efforts
- D. Protect Human Health and the Environment Through the Use of Appropriate Remediation and Due Care Activities, and
- E. Maintain Transparency During the Approval Process”

City of Rochester Hills

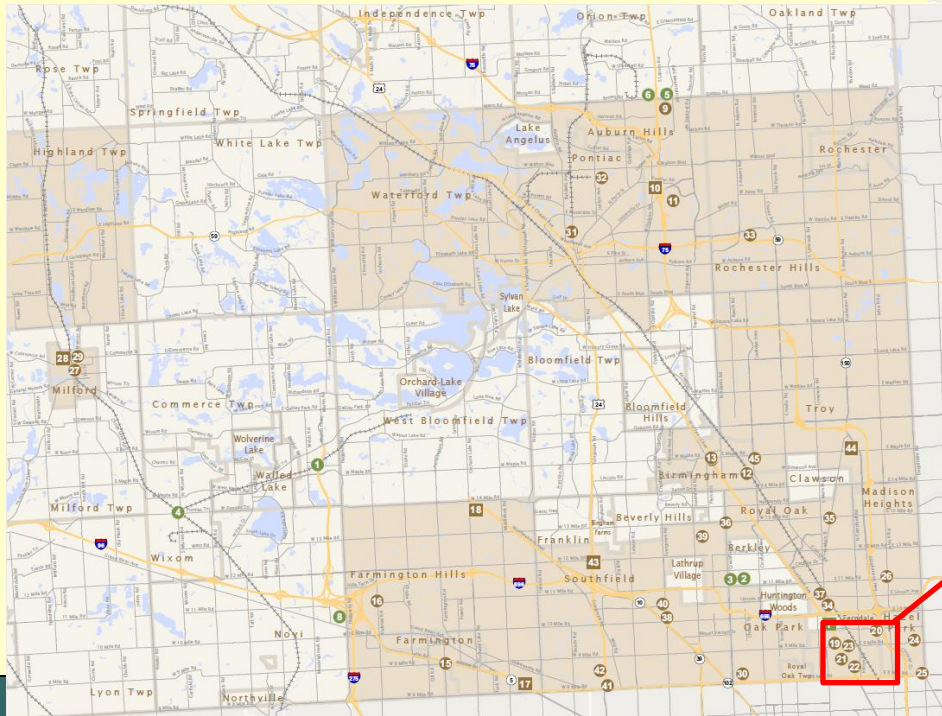
- 1. Incorporate a preference for source control, active remediation, or mitigation;
- 2. Create full time jobs;
- 3. Provide an increase in taxable value to the property and a potential beneficial effect in the area that would not have occurred without the incentives; and
- 4. Use these incentives only after all other sources of funding for eligible activities have been exhausted.”

1

Focus Efforts to Leverage Local Assets

Community Specific Objectives

Popcorn Incentives v. Catalytic Projects v. Area Planning



2

Consider Area-Based Impacts and Incentives

Return on Investment for Incentive

Threshold Criteria and Performance Criteria

“An eligible project **can be considered** for Brownfield incentives in the City if it meets all of the following criteria:

- The project Internal Rate of Return indicates that it requires incentives to be successful and would not occur without the incentives, and
- The development will ameliorate threats to public health or the environment that were caused by site conditions through remediation, mitigation or control or redevelopment of an historic resource.”

“Projects **will be evaluated** based on, but not limited to, the following criteria:

- Amount of property tax generated
- Amount of investment on a square foot basis
- Job retention, creation and quality
- Location
- Existence of abandoned, blighted or functionally obsolete buildings
- Amelioration of threats to public health or the environment
- Whether the project will provide additional beneficial effects on the surrounding area and the community as a whole.”

The Basic E⁺ Equation

Eligible Property + Eligible Activities +
Eligible Taxpayer = Eligible Project

(Brownfield+ Investment Listed as Eligible+
Innocent Landowner= Eligible Project)

The Basic E⁺ Equation Problem

Eligible Project (Brownfield):

Contaminated Above Residential
Functionally Obsolete
Blighted
Historic Resource
In a Land Bank
Adjacent and Contiguous

Desirable Project (Incentive Target Threshold Criteria):

Create Jobs
Sufficient Investment for Incentive
Defined Need (Financing Gap)
Contribute to Density and Area Wide Redevelopment
~~Can~~ Will be Successfully Completed

4

Economic Considerations First

The Role of Policies and Procedures

Setting Expectations for Applicants

Collecting Review Fees

Setting BRF Administrative Capture

Funding a Revolving Loan Fund

5

Have a Plan and Communicate it

Anatomy of a Deal

\$73M Investment

30 New Jobs

\$8.2M TIF

12 Years

\$10M MBT



3750 and 3800 Woodward, Detroit

But For Test

What is the Financing Gap?

Equity vs. Debt

Debt to Equity Ratio

Are Extraordinary Costs the Cause?

What are the Other Incentives and are They
“First In”?

But For Test

8% Equity
73% Debt
19% Incentives

Summary of Funding Sources					
Source	Total Cost	Equity	Debt	Reimbursement	
Developer Equity	\$ 5,940,844	\$ 5,940,844	\$ -	\$ -	\$ -
Senior Debt	\$ 52,978,320	\$ -	\$ 52,978,320	\$ -	\$ -
MBT Credit (w/o Contingency, Resale Value)	\$ 7,944,371	\$ 7,944,371	\$ -	\$ -	\$ -
TIF Reimbursement (w/o Contingency)	\$ 5,938,450	\$ -	\$ -	\$ 5,938,450	\$ -
Total Above	\$ 72,801,985	\$ 13,885,215	\$ 52,978,320	\$ 5,938,450	\$ -

8.9:1 Debt to Equity

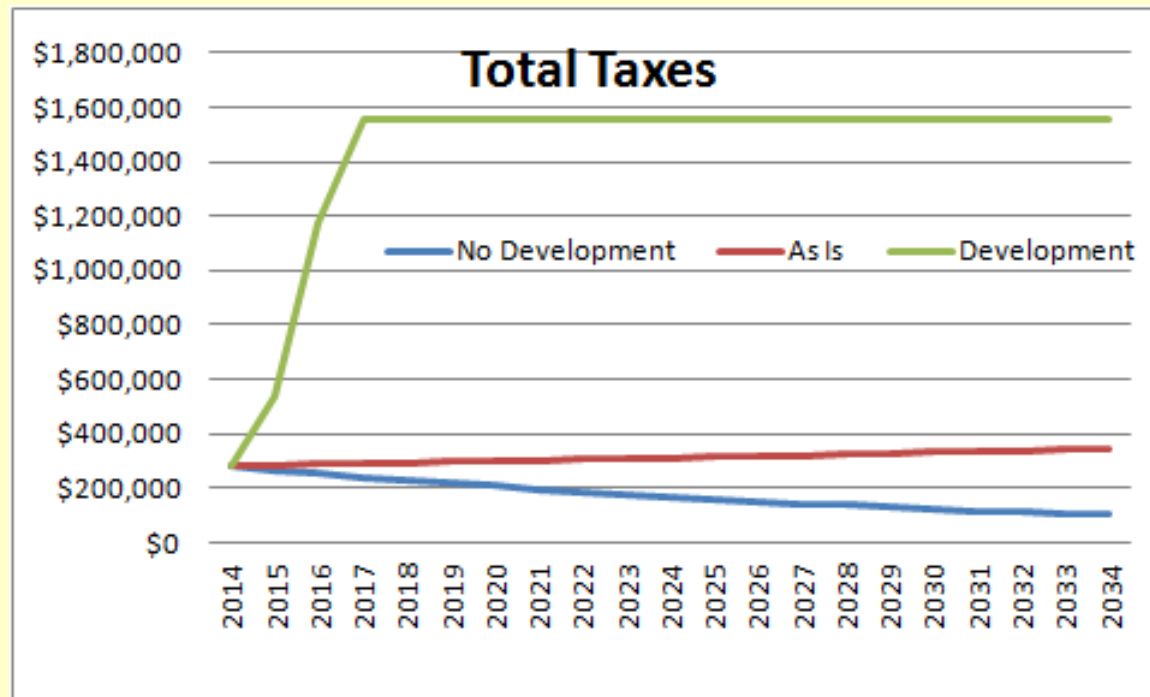
Summary of Funding Uses			
Uses	Total Cost	Expended	Remaining
Site Acquisition	\$ 6,750,000		
Assessment and Brownfield Plan Costs	\$ 202,350		
Site Preparation Costs	\$ 636,600		
Site Improvements	\$ 2,146,475		
Infrastructure	\$ 7,920,600		
Demolition	\$ 1,174,500		
Construction/Renovation/Improvement	\$ 38,933,918		
Soft Costs and Fees	\$ 15,145,292		
Total Above	\$ 72,909,735	\$ -	\$ -
Contingency	15%		
	\$ 10,936,460		
Subtotal With Contingency	\$ 83,846,195	\$ -	\$ -
Financing Gap	\$ (107,750)		

6

See Who Has Skin in the Game

See Attached

What If Not Test (the But Not Test)



7

Look at Tax Impact with and without Project

Evaluate Need v. Incentive

Assess Need Based on long term IRR not just
Financing Gap

Determine a “Base Incentive” on Need

Adjust “Base Incentive” For Other Criteria
Be Consistent with Policy and Objectives

Developer Return Analysis

Year	Cash	Net			Net Cash	Land/Building	Net
	Investment	Developer Fees Rec'd	Cash flow	Sale Proceeds	Investment	Investment	Developer Investment
0	\$3,459,795	\$2,300,000	\$0	\$0	(\$1,159,795)	\$7,762,500	(\$8,922,295)
1		\$0	\$0	\$0	\$0	\$0	\$0
2		\$0	\$1,601,469	\$0	\$1,601,469	\$0	\$1,601,469
3		\$0	\$1,708,728	\$0	\$1,708,728	\$0	\$1,708,728
4		\$0	\$1,818,409	\$0	\$1,818,409	\$0	\$1,818,409
5		\$0	\$1,930,570	\$0	\$1,930,570	\$0	\$1,930,570
6		\$0	\$1,405,090	\$0	\$1,405,090	\$0	\$1,405,090
7		\$0	\$1,522,385	\$0	\$1,522,385	\$0	\$1,522,385
8		\$0	\$1,642,338	\$0	\$1,642,338	\$0	\$1,642,338
9		\$0	\$1,604,524	\$0	\$1,604,524	\$0	\$1,604,524
10		\$0	\$1,272,997	\$0	\$1,272,997	\$0	\$1,272,997
11		\$0	\$692,893	\$0	\$692,893	\$0	\$692,893
12		\$0	\$453,468	\$0	\$453,468	\$0	\$453,468
13		\$0	\$546,533	\$0	\$546,533	\$0	\$546,533
14		\$0	\$641,419	\$0	\$641,419	\$0	\$641,419
15		\$0	\$738,164	\$0	\$738,164	\$0	\$738,164
16		\$0	\$836,802	\$0	\$836,802	\$0	\$836,802
17		\$0	\$937,370	\$0	\$937,370	\$0	\$937,370
18		\$0	\$1,039,906	\$0	\$1,039,906	\$0	\$1,039,906
19		\$0	\$1,144,447	\$0	\$1,144,447	\$0	\$1,144,447
20		\$0	\$1,251,033	\$0	\$1,251,033	\$0	\$1,251,033
	\$3,459,795	\$2,300,000	\$22,788,544	\$0	\$22,788,544	\$7,762,500	\$22,788,544

MEDC IRR Worksheet

IRR = 12.47%

See Attached

Eligible Costs Included

Threshold IRR v. Extraordinary Costs Using Interest

Total Eligible Activities		Total Cost	Eligible Cost
1	Environmental Investigation and BEA/Due Care	\$ 107,350	\$ 107,350
2	Brownfield Plans (Brownfield Plan and 381 Work Plan)	\$ 95,000	\$ 20,000
3	Demolition	\$ 1,174,500	\$ 1,174,500
4	Site Work	\$ 636,600	\$ 636,600
5	Infrastructure	\$ 7,920,600	\$ 4,000,000
6	Contingency 15% (Excluding Task 2))	\$ 1,475,858	\$ 887,768
<i>Total Eligible Activities</i>		\$ 11,409,908	\$ 6,826,218
7	Interest	\$ 1,367,957	\$ 1,367,957
8	Capture for Authority	\$ 1,245,524	\$ 1,245,524
9	Capture for State BRF	\$ -	\$ -
10	Capture for Local LSSRF	\$ 3,015,537	\$ 3,015,537
<i>Total Additional Capture</i>		\$ 5,629,018	\$ 5,629,018
Total Above		\$ 17,038,925	\$ 12,455,235

All Eligible

} Extraordinary Costs

} Limited by Threshold IRR

} Interest Included Based On MEDC Calculation

Local Share

Coordinating with State Programs

Millage Category	Total Mills/\$1000	Total Capture
Wayne County Operating	0.9897	\$ 234,207
Wayne County Jail	0.9381	\$ 221,995
Wayne County Parks	0.2459	\$ 58,177
Wayne County HCMA	0.2146	\$ 50,783
Wayne County RESA (ISD)	0.0965	\$ 22,832
WCCC	3.2408	\$ 766,952
Wayne County Zoo	0.1000	\$ -
General City Operating	19.9520	\$ 4,721,775
Debt Service (City)	8.9952	\$ -
Library	4.6307	\$ 1,095,875
School Debt	13.0000	\$ -
Wayne County Tax (Winter)	5.6483	\$ 1,336,696
Wayne County RESA Sp Ed	3.3678	\$ 797,003
Wayne County DIA	0.2000	\$ -
School Judgment	0.1423	\$ -
School Operating	18.0000	\$ 2,361,716
School SET	6.0000	\$ 787,224
Total Incremental Tax	85.7619	\$ 12,455,236
Brownfield Tax Capture		Total
Tax Capture for Reimbursement		\$ 6,826,218
Interest Payment to Developer		\$ 1,367,957
Capture for Brownfield Authority		\$ 1,245,524
Capture for State BRF		\$ -
Capture for LSRRF		\$ 3,015,537
Total Capture:		\$ 12,455,236
Total Tax Capture		
Local Tax Capture		\$ 9,306,295
School Tax Capture		\$ 3,148,941
Total		\$ 12,455,236

Additional Local Capture

Proportional Local Share

See Attached

9

Leverage Local Commitment

State Share

Consider Entire Incentive Package

Millage Category	Total Mills/\$1000	Total Capture
Wayne County Operating	0.9897	\$ 234,207
Wayne County Jail	0.9381	\$ 221,995
Wayne County Parks	0.2459	\$ 58,177
Wayne County HCMA	0.2146	\$ 50,783
Wayne County RESA (ISD)	0.0965	\$ 22,832
WCCC	3.2408	\$ 766,952
Wayne County Zoo	0.1000	\$ -
General City Operating	19.9520	\$ 4,721,775
Debt Service (City)	8.9952	\$ -
Library	4.6307	\$ 1,095,875
School Debt	13.0000	\$ -
Wayne County Tax (Winter)	5.6483	\$ 1,336,696
Wayne County RESA Sp Ed	3.3678	\$ 797,003
Wayne County DIA	0.2000	\$ -
School Judgment	0.1423	\$ -
School Operating	18.0000	\$ 2,361,716
School SET	6.0000	\$ 787,224
Total Incremental Tax	85.7619	\$ 12,455,236
Brownfield Tax Capture		Total
Tax Capture for Reimbursement		\$ 6,826,218
Interest Payment to Developer		\$ 1,367,957
Capture for Brownfield Authority:		\$ 1,245,524
Capture for State BRF		\$ -
Capture for LSRRF		\$ 3,015,537
Total Capture:		\$ 12,455,236
Total Tax Capture		
Local Tax Capture		\$ 9,306,295
School Tax Capture		\$ 3,148,941
Total		\$ 12,455,236

Additional State Capture

Proportional State Share



Match Payment Period to Prediction

See Attached

										Assumptions			
										Estimated True Cash Value:	\$	45,433,918	
										Projected Taxable Value:	\$	18,173,567	
										Initial Taxable Value:	\$	3,289,468	
										Incremental Taxable Value:	\$	14,884,099	
										Eligible Activity			
										Environmental Activities:	\$	133,453	
										Redevelopment Activities:	\$	6,692,765	
										Total Eligible Expense:	\$	6,826,218	
										Assumed Future Taxable Value			
										Assumed Total Costs to Capture			
										Assumed Annual Appreciation			
										Assumed Completion Schedule			
Year	2014	2015	2016	2017	#	#	#	#	#	#	2025	2026	2027
Percent Complete	20%	70%	100%	100%	#	#	#	#	#	#	100%	100%	100%
Incremental Taxable Value	\$ -	\$ 2,976,820	\$ 10,418,869	\$ 14,884,099							\$ 14,884,099	\$ 14,884,099	\$ 14,884,099
New Personal Property	\$ -	\$ -	\$ -	\$ -							\$ -	\$ -	\$ -
Total Incremental Taxable Value	\$ -	\$ 2,976,820	\$ 10,418,869	\$ 14,884,099							\$ 14,884,099	\$ 14,884,099	\$ 14,884,099
	Total				#								
Millage Category	Capture	Total Tax Capture for All Eligible Activities											
Wayne County Operating	\$ 234,207	\$ -	\$ 2,946	\$ 10,311	\$ 14,730	\$ 14,730	\$ 14,730	\$ 14,730	\$ 14,730	\$ 14,730	\$ 14,730	\$ 14,730	\$ 14,730
Wayne County Jail	\$ 221,995	\$ -	\$ 2,792	\$ 9,773	\$ 13,962	\$ 13,962	\$ 13,962	\$ 13,962	\$ 13,962	\$ 13,962	\$ 13,962	\$ 13,962	\$ 13,962
Wayne County Parks	\$ 58,177	\$ -	\$ 731	\$ 2,561	\$ 3,659	\$ 3,659	\$ 3,659	\$ 3,659	\$ 3,659	\$ 3,659	\$ 3,659	\$ 3,659	\$ 3,659
Wayne County HCMA	\$ 50,783	\$ -	\$ 638	\$ 2,235	\$ 3,194	\$ 3,194	\$ 3,194	\$ 3,194	\$ 3,194	\$ 3,194	\$ 3,194	\$ 3,194	\$ 3,194
Wayne County RESA (ISD)	\$ 22,832	\$ -	\$ 287	\$ 1,005	\$ 1,436	\$ 1,436	\$ 1,436	\$ 1,436	\$ 1,436	\$ 1,436	\$ 1,436	\$ 1,436	\$ 1,436
WCCC	\$ 766,952	\$ -	\$ 9,647	\$ 33,765	\$ 48,236	\$ 48,236	\$ 48,236	\$ 48,236	\$ 48,236	\$ 48,236	\$ 48,236	\$ 48,236	\$ 48,236
Wayne County Zoo	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General City Operating	\$ 4,721,775	\$ -	\$ 59,393	\$ 207,877	\$ 296,967	\$ 296,967	\$ 296,967	\$ 296,967	\$ 296,967	\$ 296,967	\$ 296,967	\$ 296,967	\$ 296,967
Debt Service (City)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Library	\$ 1,095,875	\$ -	\$ 13,784	\$ 48,246	\$ 68,923	\$ 68,923	\$ 68,923	\$ 68,923	\$ 68,923	\$ 68,923	\$ 68,923	\$ 68,923	\$ 68,923
School Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wayne County Tax (Winter)	\$ 1,336,696	\$ -	\$ 16,813	\$ 58,848	\$ 84,069	\$ 84,069	\$ 84,069	\$ 84,069	\$ 84,069	\$ 84,069	\$ 84,069	\$ 84,069	\$ 84,069
Wayne County RESA Sp Ed	\$ 797,003	\$ -	\$ 10,025	\$ 35,088	\$ 50,126	\$ 50,126	\$ 50,126	\$ 50,126	\$ 50,126	\$ 50,126	\$ 50,126	\$ 50,126	\$ 50,126
Wayne County DIA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School Judgment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School Operating	\$ 2,361,716	\$ -	\$ 53,582	\$ 187,539	\$ 267,913	\$ 16,208	\$ 10,804	\$ 5,237	\$ 16,208	\$ 10,804	\$ 5,237	\$ 16,208	\$ 10,804
School SET	\$ 787,224	\$ -	\$ 17,860	\$ 62,513	\$ 89,303	\$ 5,402	\$ 3,601	\$ 1,745	\$ 5,402	\$ 3,601	\$ 1,745	\$ 5,402	\$ 3,601
Total Incremental Tax	\$ 12,455,236	\$ -	\$ 188,498	\$ 659,761	\$ 942,518	\$ 606,912	\$ 599,706	\$ 592,284	\$ 606,912	\$ 599,706	\$ 592,284	\$ 606,912	\$ 599,706
	Total												
Brownfield Tax Capture	Total	Results in Final Payment Date											
Tax Capture for Reimbursement	\$ 6,826,218	\$ -	\$ (0)	\$ 403,428	\$ 672,772	\$ 500,164	\$ 165,351	\$ -	\$ 500,164	\$ 165,351	\$ -	\$ 500,164	\$ 165,351
Interest Payment to Developer	\$ 1,367,967	\$ -	\$ 169,649	\$ 190,357	\$ 175,494	\$ 39,366	\$ 19,974	\$ (0)	\$ 39,366	\$ 19,974	\$ (0)	\$ 39,366	\$ 19,974
Capture for Brownfield Authority:	\$ 1,245,524	\$ -	\$ 18,850	\$ 65,976	\$ 94,252	\$ 60,691	\$ 59,971	\$ 59,228	\$ 60,691	\$ 59,971	\$ 59,228	\$ 60,691	\$ 59,228
Capture for State BRF	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capture for LSRRF	\$ 3,015,537	\$ -	\$ -	\$ -	\$ -	\$ 6,690	\$ 354,411	\$ 533,056	\$ 6,690	\$ 354,411	\$ 533,056	\$ 6,690	\$ 354,411
Total Capture:	\$ 12,455,236	\$ -	\$ 188,498	\$ 659,761	\$ 942,518	\$ 606,912	\$ 599,706	\$ 592,284	\$ 606,912	\$ 599,706	\$ 592,284	\$ 606,912	\$ 599,706

\$8.4M In Base Taxes Means \$23.2M in Additional Tax Revenue (176% Increase)

Evaluate Revenues v. Incentive

Look at 30-yr Tax Revenues

Not Captured

Millage Category	Total Taxes	Taxes to Jurisdictions	Tax Capture for This Plan		
			Total Capture	Capture for Reimbursement and BRA	Capture for LSRRF
Wayne County Operating	\$508,657	\$274,450	\$234,207	\$159,025	\$75,182
Wayne County Jail	\$482,137	\$260,142	\$221,995	\$150,733	\$71,262
Wayne County Parks	\$126,380	\$68,203	\$58,177	\$39,501	\$18,676
Wayne County HCMA	\$110,294	\$59,511	\$50,783	\$34,481	\$16,302
Wayne County RESA (SD)	\$49,596	\$26,764	\$22,832	\$15,503	\$7,329
WCCC	\$1,665,610	\$898,658	\$766,952	\$520,755	\$246,197
Wayne County Zoo	\$51,395	\$51,395	\$0	\$0	\$0
General City Operating	\$10,244,339	\$5,532,564	\$4,721,775	\$3,206,051	\$1,515,724
Debt Service (City)	\$4,623,087	\$4,623,087	\$0	\$0	\$0
Library	\$2,379,950	\$1,284,075	\$1,095,875	\$744,091	\$351,784
School Debt	\$6,681,355	\$6,681,355	\$0	\$0	\$0
Wayne County Tax (Winter)	\$2,902,946	\$1,566,250	\$1,336,696	\$907,607	\$429,089
Wayne County RESA Sp Ed	\$1,730,882	\$933,879	\$797,003	\$541,159	\$255,844
Wayne County DIA	\$102,790	\$102,790	\$0	\$0	\$0
School Judgment	\$73,111	\$73,111	\$0	\$0	\$0
School Operating	\$9,251,107	\$6,889,391	\$2,361,716	\$2,340,605	\$21,112
School SET	\$3,083,702	\$2,296,478	\$787,224	\$780,189	\$7,035
Total Incremental Tax	\$44,077,339	\$31,622,104	\$12,455,236	\$9,439,699	\$3,015,537

Future Incentive

\$31.6M to Jurisdictions (71%)

\$8.2M to Applicant (19%)

See Attached

Evaluate Total Impact

Look at Impact Beyond Property Taxes (Net Benefits Analysis)

	<u>No.</u>	<u>20-Yr Impact</u>		<u>20-Yr Impact</u>
Income Tax Direct Jobs	190	\$ 3,350,400	Brownfield TIF	\$ 6,826,218
Income Tax Indirect Jobs	285	\$ 6,700,800	Interest	\$ 1,367,957
Income Tax Construction Jobs	300	\$ 225,000	MBT Credit	\$ 10,000,000
Real Net Property Tax		\$ 20,297,176		
Personal Property Tax		\$ 4,200,000		
Corporate Income Tax		\$ 907,863		

\$35.7M Impact

\$18.2M Incentive
\$9.3M Local Taxes

Timing

“Unless otherwise agreed to in writing by the BRA, this Plan will expire and no longer be valid if the applicant does not execute a Reimbursement Agreement within **one hundred and eighty days** of the date the Plan is approved by City Council. To remain eligible for the approved incentives, eligible activities must start within **eighteen months** of Plan approval, construction must start within **five years** of the executed Reimbursement Agreement, and construction must be completed within **three years** of the estimated completion date.”

Clawback Provisions

How much investment is substantially compliant?

Rigorous review of content and date of reimbursement requests

Lessons Learned

MEDA Economic Development Course

Focus on Process

Single Point of Contract for Entire Process

Transparent, Predictable and Timely Process

Early Screening of Incentives

Build Incentives Team with State

Communicate Advantages

Listen to Advantages

Be Developer Ready

Reduce Uncertainty

Publish and Implement Policies and Procedures

Manage Timelines

Coordinate Meetings

Only Real Incentives Count

Control the Incentives = Control the Conversation

The Real Estate Essentials Have Not
Changed

Keep in Mind the Final Outcome

Create Sense of Place and Great Design

Drive Appropriate Clean-Up

Drive Appropriate Site Design

Leverage Incentives

Catalytic Projects v. Consistent Development

Focus on Area-Wide Planning

Single Sited-ness Is Out

Coordinate Efforts Around Redevelopment Hubs

Economic Gardening on Local Clusters

Coordinate Efforts Between Communities

Lessons Learned

For urban redevelopment, it's a question of **how much uncertainty**

The full financial benefits are **rarely available**

A bad deal is still a bad deal

Additional Reading

Building Small by Jim Heid (ULI Bookstore)

ULI Emerging Trends in Real Estate

The Option of Urbanism by Christopher
Leinberger

The Brookings Institute: Turning Around
Downtown: Twelve Steps to Revitalization
by Christopher Leinberger

Additional Reading

Last Harvest by Witold Rybczynski

Real Estate Development, Principles and Process, Edited by Mike Miles et al

Northeast Midwest Institute: The Environmental and Economic Impacts of Brownfields Redevelopment

Energy Benefits of Urban Infill, Brownfields, and Sustainable Urban Redevelopment

Additional Resources

- MEDA - www.medaweb.org/
- Michigan Laws - www.legislature.mi.gov
- MEDC - www.michiganbusiness.org
- EGLE Grants and Loans - www.michigan.gov/egle/regulatory-assistance/grants-and-financing
- EPA Brownfields - www.epa.gov/brownfields

Additional Resources

- Urban Land Institute at www.uli.org/
- International Council of Shopping Centers at www.icsc.org/
- National Brownfield Conference at <https://gobrownfields.org/>
- Brookings Institute Metropolitan Policy Program at www.brookings.edu/programs/brookings-metro/

Q&A

Tom Wackerman
810-599-5763 (c)
twacker@asti-env.com
www.asti-env.com

