

NEW PLANS *for*



BARREN LANDS

*A brownfield redevelopment guide for Michigan's
northern coastal communities*



SMART GROWTH WORKS

SEPTEMBER 2005



Work began on Traverse City's first brownfield redevelopment project, River's Edge, in 1997.

INTRODUCTION

New Plans For Barren Lands

A brownfield redevelopment guide for northern Michigan's coastal communities

Many well-meaning government programs inadvertently generate unintended consequences. In the early 1980s, few such consequences stirred as much civic reaction in Michigan as the federal Superfund law and its state-level twin, the Michigan Environmental Response Act.

Both statutes, which considered public health, chemistry, risk analysis, and regulation in entirely new ways, compelled manufacturers to greatly improve their waste disposal practices. Both also required companies to clean up their toxic messes, which contaminated an estimated 500,000 sites nationally, according to an analysis by the Northeast Midwest Institute, a research group in Washington. The Michigan Department of Environmental

Quality identified over 10,000 such sites statewide, many of them in cities and towns.

But administrators discovered that the new laws' unrealistic expectations about the cost, public health risks, and legal responsibilities of cleaning up such sites were actually harming the communities they were supposed to help. By the late 1980s, it was clear that the new federal and state environmental laws actually blocked, rather than facilitated, urban development.

The two main problems were liability and chemical exposure standards. The liability provisions, in both Michigan and federal law, put cleanup costs squarely on the current owners of contaminated property, regardless of whether they caused the pollution, while the exposure stan-

dards required landowners to essentially eliminate any trace of chemical pollutants.

Cleanup contractors enjoyed the latter rule because decontamination involved weeks of lucrative work shipping thousands of tons of slightly contaminated soil from one place to another — an activity that industry disparagingly referred to as “suck, muck, and truck.” But developers and city leaders disliked both provisions. With cleanup costing \$20 million an acre or more, nobody wanted anything to do with buying, decontaminating, and redeveloping contaminated sites. So sites just sat there, gathering litter, polluting groundwater, driving down property values, and encouraging blight.

The call for changes in the laws was loud, persistent, and nationwide. It was most urgent in Michigan, where post-industrial, economically troubled big cities and small towns were desperate for revitalization, but hamstrung by the cleanup laws.

A Successful Call To Arms

State leaders listened. From 1994 to 2000, Republican Governor John M. Engler and state legislative leaders of both parties approved a series of trendsetting laws, and Michigan citizens approved a \$675 million bond referendum. Both made cleaning up contaminated sites faster, easier, and less expensive. The result: Michigan’s brownfield redevelopment program is now responsible for 14,000 new jobs since the mid-1990s and \$3.8 billion in private investment since 2000, according to the Michigan Economic Development Corporation. It is the most efficient and successful state urban redevelopment program of the past generation.

All across Michigan, new homes and offices stand on what were once empty lots. In fact, two of Michigan’s great cities, Grand Rapids and Traverse City, owe much of their revival in this century to state help in cleaning up the industrial detritus left from the last.

This report, *New Plans For Barren Lands: A brownfield redevelopment guide for Michigan’s northern coastal communities*, summarizes the statewide achievements in downtown investment resulting from modernized state toxic cleanup laws, now a decade old. It explains that investing millions of taxpayer dollars to transform ugly parcels into centers of commerce is smart because it generates more jobs and economic growth. That spending, the report says, should grow significantly.

In an era of rising joblessness, fading old-line industries, and local and state budget shortfalls, encouraging healthy economic growth is extraordinarily challenging. We believe that Michigan must look hard at its small and large urban centers, which generated real wealth through much of the 20th century and can do so again.

The saga of how the state’s brownfield redevelopment program has efficiently turned hundreds of abandoned parcels into generators of work, housing, and economic

Hey! Fund This Program!

Michigan’s brownfield redevelopment program started in 1988 when voters approved the \$800 million state Environmental Protection Bond. About \$425 million went to identifying and cleaning up contaminated sites, and \$45 million went to brownfield redevelopment.

Ten years later, voters approved the \$675 million Clean Michigan Initiative. Almost half was dedicated to brownfield redevelopment; \$75 million of that provided brownfield grants and loans to communities.

In 2004, Michigan communities garnered a total of \$17.6 million in state and federal grants and loans — \$12.2 million in grants and \$5.4 million in loans. This includes several northern Michigan coastal communities that, in the last three years alone, attracted \$2.5 million in federal brownfield redevelopment incentives. That is up from \$600,000 awarded from 1997 to 2002.

The U.S. Environmental Protection Agency has provided Michigan \$28 million in brownfield redevelopment grants and loans since 1997, an annual average of nearly \$4 million. This year the state received \$6.75 million from the EPA for brownfield redevelopment, and is expected to gain the same amount next year.

But that will be the only money Michigan cities have for brownfield redevelopment, unless the Legislature and Governor Jennifer M. Granholm agree on new funding. The \$20.4 million remaining in the state brownfield grant account is enough for roughly two more years of work, according to state officials.

well-being is one of a well-reasoned government program that works. There are many examples:

- A \$4.5 million state approval for tax capture that leveraged more than \$2 million in local matching dollars is enabling Muskegon to turn a moribund downtown shopping center into a new neighborhood of shops, homes, and restaurants.
- Strategic investments of more than \$27 million in state brownfield grants, loans, and tax capture utterly transformed Traverse City’s downtown (*see Chapter 6*).
- Ludington, Elberta, Frankfort, and East Jordan turned vacant or poorly utilized property into places people flock to. Frankfort even built a handsome City Hall (*see Chapter 7*).

The redevelopment market is astonishingly strong in Michigan, as energy prices soar and demographic trends encourage retirees, professionals, and families with children

to seek the convenience and quality of life that living near workplaces in cities and towns provides.

Still, the most important goal of *New Plans* is not to remake the case for a program that has proven its value — a case so strong that it should prompt the Legislature and Governor Granholm to renew the state's brownfields redevelopment budget. Just \$20.4 million in state brownfield redevelopment grants remain, and the program's management and oversight staff could dissolve. (See sidebar.)

A How-to Guide

Rather, *New Plans* can help state lawmakers, government officials, local leaders, and developers in northern Michigan's coastal communities understand and use the state's brownfield redevelopment program.

New Plans explains how to access the many economic incentives provided by the state's brownfield program. The report also describes how several northern Michigan communities brought public and private resources together to spur investment in their downtowns. It emphasizes that success stemmed from:

- Planning — knowing what the community wanted and establishing a master plan and zoning ordinances that encourage downtown redevelopment.
- Partnerships — bringing together developers, the state, and local officials to thoughtfully packaged projects.
- Perseverance — devoting plenty of time to seeking the best solutions and financial incentives for downtown redevelopment.

In short, *New Plans* is a convenient guide that helps the region's lawmakers, local officials, and developers use Michigan's incentive programs effectively to redevelop brownfields in northern coastal communities. *New Plans* can help build a new era of downtown excitement in northern Michigan, one distinguished by cleaner, greener, more inviting and vital places to make a home and a life. ■

CHAPTER 1

Reviving Michigan's Brownfields

New economic chemistry dissolves old pollution problem

Much of Michigan's success with growing jobs and homes on land once occupied by lifeless factories comes from two



Former Mayor John Logie



Former Governor John Engler

strong-willed men joined by a common purpose.

The first was Independent Grand Rapids Mayor John Logie, a lawyer and land use expert faced with a maddening obstacle to redeveloping the state's second-largest city: It simply cost too much to clean up abandoned industrial sites. The other was Republican Governor John M. Engler, a lower-tax, less-government, anti-regulatory, movement conservative dedicated to helping business.

Mayor Logie and Governor Engler began their terms in 1991; each won election by touting the power of government to encourage economic development. Both were able to sort through complexity and find simple and effective solutions. Both also described the state's brownfields problem as one of "burdensome" regulation hurting business and job growth. Their three-fold solution:

First, change the cleanup health standards by allowing trace levels of contamination to remain on redeveloping property. The allowable levels would vary depending on property use; a site destined to be a schoolyard faced stricter cleanup standards than, say, one hosting a manufacturing plant.

Second, change liability provisions and "polluter pays" principles so that entrepreneurs gutsy enough to buy and redevelop brownfield sites would not pay for problems they did not cause. That enabled developers to renovate contaminated property while regulatory and legal processes unfolded, rather than waiting while lengthy and contentious legal battles ensued.

Third, grant developers access to state funds, tax breaks, and other publicly managed incentives to help finance brownfield redevelopments.

The state Legislature changed the cleanup law in 1994 and passed the brownfield redevelopment financing act in 1996. The changes triggered furious debate over releasing industrial companies from liability and the health risks of higher contamination levels.

Up-North Successes and Opportunities

But even as the controversy continued, an unmistakable result emerged: The changes to cleanup laws and the addi-

tion of financial incentives provided a crucial economic boost to the state's cities. Today, brownfield incentives are responsible for \$3.8 billion in new investment, primarily in Michigan cities, according to the state Department of Environmental Quality. The state counts 13,700 new jobs established as a result of such investments. According to the Northeast Midwest Institute, developers have built more than 1,500 homes, apartments, and condominiums on former Michigan brownfield sites since 1997.

Traverse City and Mason County have led the way in brownfield redevelopment in northern Michigan. As of 2004, Traverse City had netted more than \$27 million in state brownfield redevelopment grants, loans, and tax incentives, more than any other city in Michigan. A handful of other Up North communities, including East Jordan and Frankfort, have also staged successful downtown revitalizations by using brownfield incentives.

But, those exceptions aside, northwestern Michigan has not been as involved in the brownfield resurgence sweeping the state as it could or should be. Granted, the primary target of the program is large urban centers with extensive contamination and abandoned buildings. However, the brownfield program's incentives are available for *any* contaminated property that goes through an approval process. ■

CHAPTER 2

Getting Started

Seven steps to brownfield success

Tapping the public treasury for economic redevelopment incentives requires full understanding of the process. Here are the basic steps to obtaining brownfield redevelopment incentives:

1. Establish a brownfield redevelopment authority.

The Michigan Brownfield Redevelopment Financing Act allows a local government to form a brownfield redevelopment authority and access brownfield incentives. A village council, city council, township board, or county commission appoints the authority's members and reviews and approves all brownfield redevelopment plans under its jurisdiction.

2. Identify eligible property.

To qualify for redevelopment incentives, the site must be declared contaminated or qualify as a "facility" by having unsafe pollution levels. However, in towns that the state has designated as "core communities," a site that is blighted or functionally obsolete but non-toxic can also qualify. In 2003, the state added properties owned by a land bank. In northern Michigan, designated coastal core communities

include Alpena, Cadillac, Cheboygan, Grayling, Ludington, Manistee, Pinconning, Sault Ste. Marie, and Traverse City.

3. Determine eligible activities.

Under the Brownfield Redevelopment Financing Act, brownfield authorities can recoup the costs of certain eligible activities through tax increment financing. There are three types of eligible activities: environmental, non-environmental, and public facility or service relocation. Environmental eligible activities include:

- "Baseline environmental assessment activities," including Phase I and Phase II Environmental Site Assessments (ESAs) and Baseline Environmental Assessments (BEAs).
- "Due-care activities," including plans and activities to prevent direct exposure to or exacerbation of existing contamination.
- "Additional response activities," including remediation and/or removal of existing contamination.

Additional eligible activities in core communities or on land bank property include:

- Improvements to infrastructure such as sidewalks, curbs, gutters, asphalt paving, utility mains for sanitary and storm sewers, water, natural gas, electricity, telecommunications, high-speed Internet, and public roads.
- Building demolition.

Michigan Brownfield Redevelopment

Programs, Legislation, Funding

Following is a list of state brownfield redevelopment program aid categories, their enabling legislation, and their funding sources:

- **Brownfield Redevelopment Grants** — Part 196 of the Natural Resources and Environmental Protection Act (NREPA) and Public Act (PA) 252 of 2003; 1998 Clean Michigan Initiative Bond.
- **Brownfield Redevelopment Loans** — Part 196 of the NREPA, PA 252 and PA 253 of 2003; 1998 Clean Michigan Initiative Bond and \$1 million USEPA Grant.
- **Brownfield Redevelopment Financing Act** — PA 381 of 1996, as amended.
- **Brownfield Single Business Tax Credit** — PA 382 of 1996, as amended.

- Lead and asbestos abatement.
- Site preparation, which includes clearing, asphalt removal, grading, brush removal, and land balancing.
- Relocation of public buildings or operations for economic development purposes.

4. Prepare and approve the brownfield plan.

The brownfield plan outlines the eligibility, costs, effects, and incentives for the project. It must be approved by the Brownfield Redevelopment Authority *and* by the governing body of the redevelopment authority's municipality. If a county board oversees the redevelopment authority, the municipality where the project is located must also concur. The review process includes requirements for notification and public hearings.

5. Negotiate a development agreement.

The agreement outlines the relationship between the private developer and the local brownfield authority for schedule, reimbursement of approved costs, shared project expenditures such as public infrastructure investments, and liability waivers.

6. Prepare and approve a work plan.

The plan outlines the eligible activities and costs. If state tax capture is sought, an Act 381 work plan must be submitted to the DEQ for environmental eligible activities and to the Michigan Economic Growth Authority (MEGA) for non-environmental eligible activities.

The work plan must include information on:

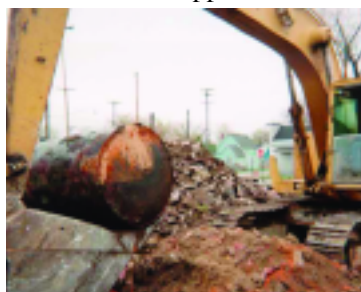
- The eligibility of the property for brownfield incentives.
- Current and proposed ownership and use.
- A detailed scope-of-work statement, with schedule and cost for each eligible activity.

The DEQ has 60 days to approve the environmental activities of the work plan; MEGA has 65 days to approve the non-environmental activities.

See: <http://www.deq.state.mi.us/documents/deq-rrd-act381-wpinstr.doc>

7. Capture taxes and reimburse eligible costs.

Once the state approves the work plan, activity can begin.



Tax increment financing can help pay for assessment and remediation.

Only costs for activities begun after the approval date qualify for tax increment financing. The increased taxes generated by the redevelopment flow to the developer in accordance with the development agreement. ■

CHAPTER 3

Showing You The Money

State and federal grants and loans for brownfield redevelopment

Brownfield redevelopment incentives come in three forms: Tax credits, tax increment financing, and direct financing through grants and loans. This chapter focuses on state and federal loan programs. Chapters four and five cover tax credits and tax increment financing.

Michigan Brownfield Grant and Loan Program

The Michigan Department of Environmental Quality offers grants and loans for environmental assessments and cleanups at properties with known or suspected contamination. Funds target projects that promote economic development and brownfield reuse. Grants are required to have a developer; loans are not.

Applicants may be Michigan local units of government or brownfield redevelopment authorities. Funding for other, formerly eligible entities, including state-funded schools and universities, is currently unavailable.

The loan terms are very attractive. The interest rate is 50% of the prime. Payback is 15 years and begins with a five-year grace period with no interest or payments. Loans may be repaid using tax increment financing through a brownfield redevelopment authority.

Contact for projects in Mason, Manistee, Benzie, Leelanau, and Grand Traverse Counties:

Susan Sandell

Michigan Department of Environmental Quality

Cadillac Office

Phone: 231-775-3960, ext. 6312

Email: sandells@michigan.gov

Contact for projects in Antrim, Charlevoix, and Emmet Counties and the Upper Peninsula:

Jeff Hukill

Michigan Department of Environmental Quality

Phone: 517-335-2960

Email: hukillj@michigan.gov

Brownfield Assessments Grants

The DEQ Site Assessment Group has obtained a grant from the EPA Superfund Program to perform free environmental investigations and redevelopment evaluations for up to 12 Michigan brownfield sites per year for local units of government and developers. The assessments provide information for making remedial and due-care decisions before a party commits to purchase and/or redevelop a property.

Contact: Sunny Krajcovic
Michigan Department of Environmental Quality
Phone: 517-241-8857
Email: krajcovj@michigan.gov

Coastal Management Program

The Coastal Management Program, administered by the DEQ's Environmental Science and Services Division, provides about 40 grants per year to coastal communities. The grants range up to \$50,000 for planning and construction projects that better protect sensitive shorelines, identify coastal areas appropriate for development, designate areas hazardous for development, or improve public access to the coastline.



Coastal communities can apply for specialized grants.

Contact: Cathie Cunningham Ballard
Michigan Department of Environmental Quality
Phone: 517-335-3168
Email: cunninggc@michigan.gov

EPA Brownfield Program

EPA provides four different brownfield grant programs for public entities, which generally include state, local, and tribal governments; general-purpose units of local government; land clearance authorities or other quasi-governmental entities; and regional councils or redevelopment agencies.

1. *Assessment Grants* provide up to \$200,000 to public entities for brownfield inventories, environmental assessments, planning, and community outreach for either petroleum or hazardous substance sites. Ranking criteria includes budget, community need, site-selection process, sustainable reuse of brownfields, creation of public spaces, community involvement, reduction of health and environmental threats, leveraging, and management ability.

2. *Revolving Loan Fund Grants* capitalize revolving loan funds for low-interest loans and subgrants to carry out brownfield cleanup activities. Criteria are similar to assessment grants and include a description of target markets and business plans for loans and subgrants. The state DEQ recently received \$1 million from the EPA to establish the state Brownfield Cleanup Revolving Loan Fund.

3. *Job Training Grants* provide environmental training for residents in communities impacted by brownfields. Job training pilot programs award up to \$200,000 over a two-year period. Colleges, universities, community job training

organizations, and nonprofit training centers are also eligible.

4. *Cleanup grants* provide funding for cleanup activities at brownfield sites. A public entity may apply for up to \$200,000 per site. Cleanup grants require a 20 percent cost share, which may be waived based on hardship. An applicant must own or demonstrate the ability to acquire title to the site at the time of application. Grant applications are typically due in November or late fall, with award announcement the next spring. ■

Contact: EPA Region 5 Brownfields Team
Phone: 312-886-7576
Website: <http://www.epa.gov/region5/>

Ron Smedley
Michigan Department of Environmental Quality
Phone: 517-373-4805
Email: smedleyr@michigan.gov

More Resources and Contact Information

For a DEQ fact sheet on brownfield grants and loans see: <http://www.deq.state.mi.us/documents/deq-ess-bgl-fact-sheet.pdf>

For DEQ information on the Brownfield Cleanup Revolving Loan Fund see: <http://www.deq.state.mi.us/documents/deq-rrd-BCRLF-suppl-app.doc>

For DEQ information on the Coastal Management Program grants see: http://www.michigan.gov/deq/0,1607,7-135-3313_3677_3696-11188--,00.html

The Michigan Economic Development Corporation summarizes available state brownfield redevelopment assistance and community economic development incentives, including links to program descriptions and opportunities: <http://medc.michigan.org/services/general/cat/products/>

The Michigan Department of Treasury has fact sheets and answers to frequent questions on brownfield single business tax credits: <http://www.michigan.gov/treasury/0,1607,7-121-24326---F,00.html#10>

The U.S. Environmental Protection Agency's brownfields grants and loans page is here: <http://www.epa.gov/swerosps/bf/index.html>

The U.S. Environmental Protection Agency's brownfields program home page is here: <http://www.epa.gov/brownfields/>

EPA Region 5 Brownfields Team
Phone: 312-886-7576
<http://www.epa.gov/R5Brownfields/>

Brownfield Tax Increment Financing

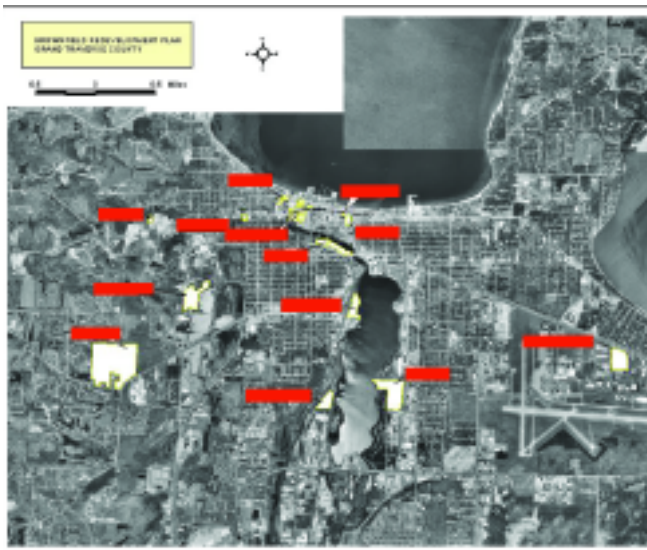
How it works

State law allows for the increased taxes generated by brownfield redevelopment to be captured each year to repay the costs of eligible environmental activities on contaminated sites. The state also has designated “core communities” where tax increment financing can be used for lead and asbestos abatement, demolition, site preparation, and infrastructure construction on blighted, functionally obsolete, or contaminated property.

To capture school taxes, a brownfield plan needs local approval and a state-approved work plan.

Here’s how it works. Tax increment financing, or TIF, uses the increased taxes generated from new projects to repay certain expenses associated with the investment, something downtown development authorities have long done to fund streetscapes, sidewalk improvements, and other infrastructure that enhances downtown investment. More investment generates more tax revenue to make more improvements.

Since the enactment of the Brownfield Redevelopment Financing Act in 1996, local governments have used TIF to level the playing field between greenfield site development, which has no environmental costs, and brownfield site development, which can have high environmental and other special costs.



Traverse City’s brownfield redevelopment sites attracted more state support than any other Michigan city.

There are, however, a few differences between a traditional downtown development TIF and a brownfield TIF:

- Brownfield TIF is for a specific period of time that is related to the cost of the eligible activities. Taxes are captured until those costs are paid off and, in some cases, for up to five more years for a local site remediation revolving fund. A downtown development TIF generally spans a longer, specified period, like 30 years.
- In a brownfield TIF, tax capture is limited to the specific eligible property that is redeveloped; DDAs typically capture the increased taxes from all properties in a larger downtown area.

Useful Example

A vacant factory sits along a harbor that is part of a waterfront redevelopment plan. The property’s market value is \$200,000; its taxable value is \$100,000. The total millage rate for both local and state school taxes is 50 mills. The property generates \$4,950 in annual property taxes.

The plan is to demolish some of the building and renovate the rest into offices and second-home condominiums. The estimated investment is \$2 million.

The contamination problem results from the old boiler’s leaking underground fuel oil storage tanks, which taint groundwater seeping toward the harbor. The cost to demolish the boiler house, remove the contaminated soil, and install a groundwater cleanup system is \$185,000. The cost for preparing the work plan and funding the administrative and operating costs for the brownfield authority is \$15,000, bringing the total eligible activities to \$200,000.

When finished, the property is put on the tax rolls and generates \$80,150 in annual property taxes, roughly 20 times more than before the work started. The tax increment, the difference between the base-year taxes and the new-year taxes, is \$75,200. That sum becomes a payment to the developer for a portion of the \$200,000 spent on eligible activities that were approved by the brownfield authority and the state.

In three years the TIF has fully repaid the eligible activities costs. After that, the additional state taxes, in an amount equivalent to the original state tax capture, along with up to five years of local taxes, can go into a local revolving fund to help finance cleanup costs for other brownfields, or can be returned to the local and state taxing authorities.

If the additional taxes are put into the revolving fund, the fund would have \$324,000 after five years. After 30 years, the taxing jurisdictions would realize over \$2.9 million in additional taxes, and continue to accrue about \$180,000 every year thereafter. ■

Brownfield Single Business Tax Credits

An incentive that encourages companies to redevelop brownfields

Public Act 382 of 1996 amended the Single Business Tax Act to provide qualified taxpayers a credit against that tax for “eligible investment” they make at an “eligible” brownfield property. Unlike the grants, loans, and tax increment financing assistance that help cover the extraordinary cost of brownfield redevelopment, the single business tax credit provides an actual financial enticement for developers to invest in brownfields.

Eligible property must currently be a state-defined “facility” under Part 201 of the state’s Natural Resources and Environmental Protection Act. Or, in the case of designated core communities and property owned or controlled by a land bank, the property can be blighted or functionally obsolete.



The Traverse City Downtown Development Authority financed a new parking deck to complement brownfield redevelopment.

Eligible property must be in a brownfield plan developed under 1996 Brownfield Redevelopment Financing Act criteria. The state must approve the application for the credit before construction begins, as well as the final accounting, before the single business tax can be claimed.

Eligible investments include demolition, construction, restoration, and alteration; improvement of buildings or sites on eligible property; and the addition of machinery, equipment, and fixtures to eligible property. “Soft” costs such as legal, engineering, and architectural expenses are considered eligible investment if they are directly related. In order to qualify, these investments must be made after a pre-approval letter has been issued.

Environmental response activities (baseline environmental assessment activities, due-care plans, remediation costs, and land acquisition costs) are not eligible investments.

A Notice of Intent must be filed with the Michigan Economic Development Corporation to begin discussions of the project and its eligibility for a Brownfield Single Business Tax Credit. ■

How To Apply for Brownfield Single Business Tax Credits

Information on brownfield Single Business Tax Credits and the Brownfield Redevelopment Credit Project Pre-approval Application, Form 3660, are at the Michigan Treasury Department Web site:

<http://www.michigan.gov/treasury/0,1607,7-121--6600--00.html> or 1-800-367-6263.

Information on the brownfield single business tax credit can also be found on the Michigan Economic Development Corporation Web site:

<http://medc.michigan.org/services/general/cat/brown-field/>

A summary of brownfield redevelopment assistance and community economic development incentives from the Michigan Economic Development Corporation, with links to program descriptions and opportunities, is at:

<http://medc.michigan.org/services/general/cat/products/>

The first contact for many of the MEDC programs, including brownfield redevelopment, is the MEDC Community Assistance Team. For northern Michigan and the Upper Peninsula, the contact is:

Laura Bower
Community Specialist
Michigan Economic Development Corporation
Phone: 517-241-2331
Email: bowerl@michigan.org

Traverse City’s New Economy Rises on Old Brownfields

Grants, loans, and expertise propel a coastal community

Even before 1995, when local leaders first dived into Michigan’s new brownfield law and came up with millions to clean up and redevelop Traverse City, it was already one of the Midwest’s most inviting places.

Editors from national lifestyle and business magazines swam at the public beaches, kayaked the Boardman River,



Traverse City's Radio Centre

shopped family-owned stores on Front Street, visited quiet neighborhoods with handsome historic homes, and then returned to faraway offices and proclaimed Traverse City terrific.

What those visitors missed, though, was Traverse City's 20th-century toxic legacy as a center of lumbering, shipping, food processing, and manufacturing: Large, empty spaces existed where the old economy's factories, fuel stations, and depots once stood and where industrial contaminants too expensive to remove still lurked. Like most other Michigan towns, Traverse City's brownfields limited its ability to recruit new businesses, workers, and residents that would help the community thrive in a new economy.

A City Transformed

Now, ten years after local leaders started their first brownfield projects, those magazine editors would see a city of 15,000 residents rebuilding its downtown, modernizing its parks and public spaces, and achieving new civic dynamism. Construction is yielding five-story, mixed-use buildings along the Boardman, new downtown office buildings, architecturally distinguished parking decks, midtown residences, and one of America's most ambitious historic rehabilitation projects.

Almost all of this renewal flows from the \$27 million that public officials and developers gathered from Michigan's brownfield redevelopment program. In fact, through 2004, Traverse City secured more brownfield incentives than the next two cities, Detroit and Lansing, combined.

What made Traverse City a hub of brownfield activity? Public officials learned the requirements of brownfield redevelopment programs and formed business and political partnerships to tap the Lansing-administered accounts. "Planning, partnerships, and perseverance make brownfield redevelopment possible," said Bryan Crough, director of the City's Downtown Development Authority and an architect of the city's brownfield redevelopment success.

Of course, Traverse City is an attractive place for state investments: It is the economic and cultural center for a five-county region of 165,000 people, and is intent on getting better.

Planning and Leadership

In 1997 the city rewrote its master plan to reflect a popular desire to be a clean, green capital of the active lifestyle that was becoming a new engine of civic dynamism. The plan called for replacing many of the downtown parking lots with homes, businesses, shops, and offices. The city wanted to embrace the human-scaled, pedestrian-friendly, auto-independent design that Traverse City's original planners used around

the community's founding, in 1881.

In 1995, Mr. Crough and the Traverse City Area Chamber of Commerce organized a seminar at the city's historic opera house to explain what the brownfield redevelopment program could mean for downtown. The event primed the audience of civic leaders.

Among the best candidates for redevelopment was the former Traverse City Iron Works, which had long produced iron castings for industry. The 12-acre site, along the Boardman River a few blocks from Front Street, was abandoned in 1984. Grand Traverse County, which had used a state Coastal Management Program grant in 1992 to assess the property's environmental condition, knew the location and extent of the contamination from mold sand, iron slag, leaking fuel, and chemical seeps at the old foundry, but did not have the millions needed to clean it up.

But Michigan's brownfield redevelopment laws had altered the cleanup standards and could provide tax increment financing for brownfield redevelopment. With the new availability of grants and loans to clean up contaminated sites, and the city's new master plan supporting the sort of dense development that could be built on the ironworks site, the project seemed like a solid opportunity.

River's Edge

All that was needed was a developer willing to take the



Traverse City's River's Edge

chance. Filling that role was Tim Burden, a Traverse City native and entrepreneur. Mr. Burden's vision was River's Edge, an urban setting for homes, restaurants, and offices with views of Grand Traverse Bay. The pro-

ject's downtown location would attract wealthy retirees and young professionals who were looking for upscale retail businesses and restaurants, and homes that didn't require yard work.

In 1997, Grand Traverse County established a Brownfield Redevelopment Authority, the state's second countywide authority. The authority wrote and approved a brownfield plan for the site and applied to the state for brownfield incentives. The city won a \$1.5 million state brownfield grant to install a barrier between the river and the core-mold sand and slag on the property.

Those investments, combined with changes in Michigan's toxic cleanup law, allowed Mr. Burden to complete River's Edge, a five-story, \$12 million brick and glass building, in 1999, on a site left vacant for 15 years.

River's Edge spurred 10 more brownfield projects, each approved by the county brownfield redevelopment authority and now completed or under construction in Traverse City. The community has realized \$90 million in additional private investment, spurred by \$5.5 million in approved brownfield redevelopment incentives. Another \$165 million in proposed investment is on the way, thanks to an additional \$22 million in approved incentives. The result has been 470 new jobs and 180 homes in the Traverse City area.

More Successes

Here are some other important brownfield redevelopment projects in Traverse City:

■ **Harbour View Centre**, a mixed-use, four-story building across the street from Grand Traverse Bay, is on a former coal gasification site. Developed by local oil businessman Bernie Stover, the \$6 million project was the first to combine a Brownfield Revitalization Loan (for



Traverse City's Harbour View Centre

\$269,000) and brownfield tax increment financing to pay that loan off. The loan program was an excellent fit for tax increment financing because there is no principal or interest due for five years, allowing the investment to build enough tax capture to pay off the loan. (See chapter 5.)

■ **Radio Centre**, a retail and office complex, was developed by businessman Ross Biederman, who completed the first phase, a \$4 million, four-story retail and office building, in 2001, the same year the city's downtown development authority built an \$8 million parking deck. He completed the second phase, a \$5 million office building, in 2003; a third phase is planned. The development is built on a site that included an abandoned gas station and a car dealership. The

county secured a \$661,000 state brownfield grant to clean up the two-acre parcel and almost \$3 million in tax increment financing, including \$1.5 million for the parking deck.

■ **The Village at Grand Traverse Commons** is the largest brownfield project in northern Michigan and one of the largest in the state. The \$100 million-plus project is redeveloping the Italianate former Traverse City State Hospital, which has more than 1 million square feet of historic buildings on a 61-acre wooded campus. The centerpiece is Building 50, a half-mile-long building with two-foot-thick walls, 20-foot-wide hallways, and hundreds of closet-sized rooms.

The project will transform Traverse City's west side into a new business and entertainment center and is attracting almost every state-financed business incentive available. As a Renaissance Zone, it enjoys state tax benefits. As a brownfield, it receives tax increment financing, single business tax credits, and \$2 million in state brownfield cleanup grants. Some new homes are finished, two restaurants have opened, and a number of regional businesses have offices there, including the Michigan Land Use Institute.

"The grants really helped launch the project," said Ray Minervini, the builder and inspiration behind the grand plan. "Just at the time when the banks were a bit reluctant to back us, the grants came through and provided the foundation for the project financing." ■

CHAPTER 7

Four Up-North Success Stories

Brownfield revivals yield mushrooms, main street center, new city hall, and a park

Mason County: Hi-Tech Mushrooms

Just as he's mastered fast-moving advances in the biotechnology that underpins his company's success, Gary Mills has likewise figured out how to make Michigan's brownfield redevelopment program work for his company and county.

In October 2003, Mr. Mills established Diversified Natural Products Inc., a biotechnology company, in an abandoned Chiquita bean processing plant in Scottville, a Mason County farm town east of Ludington. His proposal to invest \$9 million in growing gourmet mushrooms was enthusiastically embraced by the county, which lost more than 400 manufacturing jobs in the last decade.

That initial investment, he said, would eventually lead bio-based fuel and chemical production, as well as other natural food products. Part one of the ambitious plan, grow-



East Jordan's downtown revival.

ing mushrooms, would generate 51 new jobs.

Much of Mr. Mills' proposal hinged on attracting a \$750,000 brownfield single business tax credit to defray the cost of demolishing the old plant and cleaning up fuel leaking from tanks there. In April 2004, the state awarded the tax credit, lauding the company as a prime example of the entrepreneurial spirit that the brownfield program encouraged. The company also benefits from capturing roughly \$350,000 in local taxes for environmental cleanup.

Diversified Natural Products is now establishing itself as a bona fide player in the industrial biotechnology economy and is planning to expand one facility to make "bio-based polymers" for plastics, a project it is undertaking with a French company.

The fast start is due in part to Mason County officials,

who have led local government efforts in northern Michigan to build a modern economy by attracting redevelopment funds and tax credits for cleaning up toxic messes. The demolition and cleanup at Mr. Mills' site is one of nine projects approved by the county's Brownfield Redevelopment Authority. In all, \$5.5 million in brownfield redevelopment incentives leveraged \$85 million in private investment, mostly in Ludington, and established 135 new jobs, according to the authority.

"Brownfield redevelopment has become a cornerstone of our community economic development strategy," said Bill Kratz, the director of the Mason County Economic Development Corporation.

East Jordan: A Main Street Revival

When East Jordan's early 21st-century history is written, Floyd Wright may well have earned himself a video fountain or a laser statue. Mr. Wright, a Boyne City builder, is turning two century-old landmarks in downtown East Jordan — the Porter Lumber Company and the Vortuba Hardware Store — into a modern retail and office center. The three-story project, a lynchpin of East Jordan's redevelopment plan, has gained recognition from the State Historic Preservation Office.

The Porter Lumber Company building, once a stately office building, had fallen into disrepair in this town of 2,500. Most thought the building should just be torn down. But Mr. Wright, city manager Dave White, and economic development director Rod Benson thought that the building could catalyze downtown revitalization.



Under reconstruction: Ludington's Harbor Terrace condominiums.

In 1999, Mr. White helped establish the East Jordan Brownfield Redevelopment Authority to guide brownfield redevelopment grants, loans, and credits to Mr. Wright and other East Jordan historic preservationists.

“We knew there were opportunities and Floyd came in with just the right project,” he said.

The \$2.55 million effort, which generated 30 new jobs, was helped by persistent historic preservationists and a \$255,000 state brownfield single business tax credit. “The availability of the tax credit was a critical factor,” said Mr. Wright. “It helped attract our partner, Charlevoix State Bank, which was looking for a presence here, to the project.”

Frankfort and Elberta: Reviving Betsie Bay

With its 1,500 mostly satisfied residents, Frankfort is on a roll. Home values in the Benzie County town are rising quickly. The school district just built an airy gymnasium for its winning high school girls’ basketball team. And Frankfort recently opened one of small-town Michigan’s most architecturally distinguished new city halls.

What most accounts for this growing civic wealth and hard-earned stability are Frankfort’s business and political leaders, who understand that their Lake Michigan town days as a lumber, shipping, and agricultural center are over. They see the town’s scenic waterfront and small-town charm as the basis of Frankfort’s new economy, but the old economy left behind some brownfields and blighted properties that needed cleaning up.

So Frankfort decided to enhance and redevelop the properties, improve city parks, and attract new businesses. The city established a brownfields redevelopment authority in 2000 with tax increment financing jurisdiction to implement assessment, cleanup, and redevelopment. The authority garnered what may be the greatest amount of discretionary federal dollars per capita of any northern Michigan community.

In 2000, Frankfort received a \$200,000 EPA brownfield redevelopment pilot grant to help city officials assess and prepare five brownfield parcels for redevelopment along Betsie Bay, the city’s harbor. Two years later, the EPA provided another \$150,000 brownfield grant to continue the work. In 2003, the federal Department of Agriculture awarded Frankfort a \$1.3 million rural development loan to develop a new city hall. Lastly, the state awarded Frankfort \$680,000 for new parks, street beautification, and a new bicycle trail that runs along Betsie Bay. Today the town attracts all kinds of new home and business investment.

Meanwhile, across Betsie Bay, tiny Elberta is also rebooting its economy. The village of 450 people, left with an Ann Arbor Railroad terminal yard that served as its waterfront, recognized the value of brownfield redevelopment and established one of northern Michigan’s first brownfield authorities in 1997. The authority approved a brownfield plan for the railroad yard and bought that land from the state Department of Transportation.

After Elberta received waterfront redevelopment grants from state, federal, and private sources for a marina and waterfront park, it began its transformation into a maritime magnet for new housing, businesses, shops, and restaurants. The park now hosts a two-week Shakespeare festival each summer; the rest of the transformation is well under way.

CHAPTER 8

Brownfields’ Big Pay-Off

10-year record shows few other strategies are as good at generating jobs, economic vitality

Michigan’s brownfield redevelopment program is an immensely cost-effective, well managed, and productive economic development program, particularly for Traverse City and a few other northern coastal communities.

Along with the \$4 billion of new investments in land that previously had generated no activity at all comes 14,000 jobs, 1,500 new housing units, and great promise for down-towns across northern Michigan.

This payoff was built on the following taxpayer-supported investments:

- Michigan’s Brownfield Redevelopment Grant and Loan Program awarded \$122.9 million to 300 successful, now-completed projects.
- The state DEQ approved more than \$65 million for brownfield redevelopment tax increment financing from 1996 through 2004.
- The Michigan Economic Growth Authority approved over \$77 million in economic development expenses from 2000 to 2003.
- The Michigan Department of Treasury approved \$122 million in Single Business Tax Credits for brownfield redevelopment projects since 1996.
- The Environmental Protection Agency pumped \$28 million in grants and loans into Michigan since 2000.

The total state investment, \$386.9 million, produced jobs that cost an average of \$27,635 each, a bargain when compared to other economic development programs.

Need More Influence

But only a few northern Michigan communities have tapped into state brownfield redevelopment funds. For the region to thrive, more towns must do so.

That would give more political clout to the region’s



Frankfort's new city hall.

state lawmakers seeking to enlarge the pool of available funds in an era of persistent budget deficits, when leaders must thoroughly evaluate the cost effectiveness of state economic development strategies.

Based on its successful 10-year record, the state brownfields redevelopment program is at the top of the list of economic development strategies yielding big results at modest cost. The program is far more effective at promoting new jobs and business investment than almost any other economic development strategy, and more effective than the billions the state continues to spend on expanding highways and subsidizing sprawl in the face of rocketing gas prices.

If highways, cars, and sprawl were the key ingredients to a successful state economy, then Michigan's current development strategy would have transformed this state into an economic Eden. But the state is sliding to the bottom of the heap nationally as high unemployment, sinking housing prices, a nation-leading brain drain of young workers, an aging and slow-growing population, and a lack of leadership put Michigan on a path to the economic backwaters.

Five Recommendations

For those reasons and others, we provide this guide to help northern Michigan communities better understand the brownfield redevelopment program. And we urge northern Michigan's lawmakers, other state representatives and senators, and Governor Jennifer M. Granholm to act on the following recommendations:

1. Legislate consistent and objective priority criteria for the approval of brownfield projects. Different divisions of state government with different criteria approve brownfield

grants, tax increment financing, and single business tax requests. While the programs work well together, criteria for funding priorities across programs would provide consistency and certainty for developers, more objective discretion, and funding for the most significant projects. The MEDC criteria for the Single Business Tax Credit provide a good basis: Requirements for local funding contribution, supporting downtown redevelopment, environmental improvement, supporting manufacturing, and a genuine need for incentives. Other criteria could include mixed-use/mixed-income projects and access to transportation. In fact, such criteria could inform many state economic development incentives.

2. Fund the Brownfield Grant and Loan Program. There is approximately \$20.4 million left in the Brownfield Grant program, which is expected to last only two more years.

3. Amend legislation so brownfield grants can position property for redevelopment. Sometimes, brownfield grants present a classic conundrum: Developers want to know the environmental remediation costs of a property *before* they invest, but grant dollars can't be used to assess those costs until *after* a developer invests. Grants for investigations that remove such unknowns would attract developers. Some of the best projects of the old Site Assessment fund did just that.

4. Provide seed money for communities seeking brownfield technical assistance. One of the main barriers for smaller communities in northern Michigan and elsewhere seeking brownfield incentives is their lack of funding, expertise, and capacity for establishing and operating brownfield authorities or seeking outside state and federal grants to support such redevelopment. Small, capacity-building grants would set the stage for private investment.

5. Expand brownfield incentives to more communities. Adding eligible activities for brownfield tax capture, including lead and asbestos abatement, demolition, site preparation, and infrastructure are huge bonuses for designated core communities. But only five coastal communities and five inland communities in northern Lower Michigan qualify. That leaves out towns like Rogers City, Grayling, and Gaylord, which are struggling to improve their downtowns. One option would be to share a percentage of tax-capture allocation for these additional eligible activities with all incorporated cities in Michigan that are not, under current rules, core communities. ■

Resources and Further Information

ENABLING LEGISLATION:

The 1994 Natural Resources and Environmental Protection Act (Act 451, P.A. 1994) consolidates Michigan environmental law. See: <http://www.legislature.mi.gov/documents/mcl/pdf/mcl-act-451-of-1994.pdf>

The Brownfield Redevelopment Financing Act (Act 381, P.A. 1996) describes the process for establishing a brownfield authority, approving brownfield plans, and financing brownfield eligible activities. See: <http://www.legislature.mi.gov/documents/mcl/pdf/mcl-act-381-of-1996.pdf>

The Single Business Tax Act, Brownfield (Act 228, P.A. 1975, as amended, MCL 208.38(g)) establishes tax incentives for brownfield redevelopment. See: <http://www.legislature.mi.gov/documents/mcl/pdf/mcl-208-38g.pdf>

MICHIGAN AND LOCAL GOVERNMENT PUBLICATIONS:

Instructions for Preparing and Submitting Work Plans Under the Authority of the Brownfield Redevelopment Financing Act, 1996 PA 381, as Amended, to the Michigan Department of Environmental Quality
<http://www.deq.state.mi.us/documents/deq-rrd-act381-wpinstr.doc>

Brownfield Redevelopment Financing Act Annual Report — 2004, Michigan Department of Environmental Quality
<http://www.deq.state.mi.us/documents/deq-rrd-Act381Report2004.pdf>

Consolidated Report on the Environmental Protection Bond Fund, Cleanup and Redevelopment Fund, and the Clean Michigan Initiative Bond Fund, Fiscal Year 2000, Michigan Department of Environmental Quality
<http://www.deq.state.mi.us/documents/deq-rrd-FY04ConsolidatedReport.pdf>

Brownfield Projects Summary
Grand Traverse County Brownfield Redevelopment Authority
<http://www.co.grand-traverse.mi.us>

Core communities in northern Michigan and the eastern Upper Peninsula include: Alpena, Baldwin, Cadillac, Cheboygan, Grayling, Ludington, Manistee, Manistique, Onaway, Pinconning, Sault Ste. Marie, and Traverse City. For a complete list of Qualified Local Government Units, go to: <http://www.deq.state.mi.us/documents/deq-rrd-Qualified-LUGs.doc>

OTHER INFORMATION:

An Assessment of Brownfield Redevelopment Policies: The Michigan Experience
PricewaterhouseCoopers Endowment for the Business of Government, November 1999
www.businessofgovernment.org/pdfs/Hula.pdf

Proposal Guidelines for Brownfields Assessment, Revolving Loan Fund, and Cleanup Grants, U.S. Environmental Protection Agency, September 2004.
http://www.epa.gov/swerosps/bf/pg/fy05guide_lines_final.pdf
http://www.epa.gov/swerosps/bf/pg/guide-lines_2005_toc_fy05.htm

Grant Announcement: Listing of Past Awards by Fiscal Year
U.S. Environmental Protection Agency
Brownfield Cleanup and Redevelopment
http://www.epa.gov/swerosps/bf/archive/pilot_arch.htm

“Urban Revitalization”
Michigan in Brief: 1998-99
<http://www.michiganinbrief.org/edition06/text/issues/issue-63.htm>

“Recycling Land”
From the Ground Up
Ecology Center, June/July 2000
<http://www.ecocenter.org/200004/land.shtml>

Citizen Assessment of the Michigan Brownfield Initiative
Michigan State University
<http://www.ippsr.msu.edu/Documents/SOSSRelated/Hula.pdf>

Brownfields State of the States
Charles Bartsch and Rachel Deane
Northeast-Midwest Institute, December 2002.
http://www.nemw.org/brown_stateof.pdf

CONTACTS:

For more information on Act 381 environmental work plans:
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Email: vandaled@michigan.gov

For more information on Act 381 non-environmental work plan and the Brownfield Single Business Tax:
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For more information on Michigan Brownfield Grants in northern Michigan:
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New Plans for Barren Lands helps state lawmakers, government officials, local leaders, and developers in Michigan's northern coastal communities understand and use the state's brownfield redevelopment program. The report explains exactly how to access the program's many incentives and recounts northern Michigan brownfield redevelopment success stories that demonstrate just how effective and efficient the program is in building more prosperous, cleaner, and greener communities.

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