

Brownfield TIF Project Update & Refresher

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JULY 11TH , 2023

**EXECUTIVE CONFERENCE ROOM
MADISON HEIGHTS CITY HALL
300 W 13 MILE RD.**

8:00AM- 9:00AM

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Citizens Academy-Community & Economic Development (CED)

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BROWNFIELD BASICS & BROWNFIELD TIF PROJECT PROCESS

Brownfield Basics: What is a Brownfield?

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“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” (USEPA).



Outdoor Adventure Center, Detroit Riverfront

Contaminated

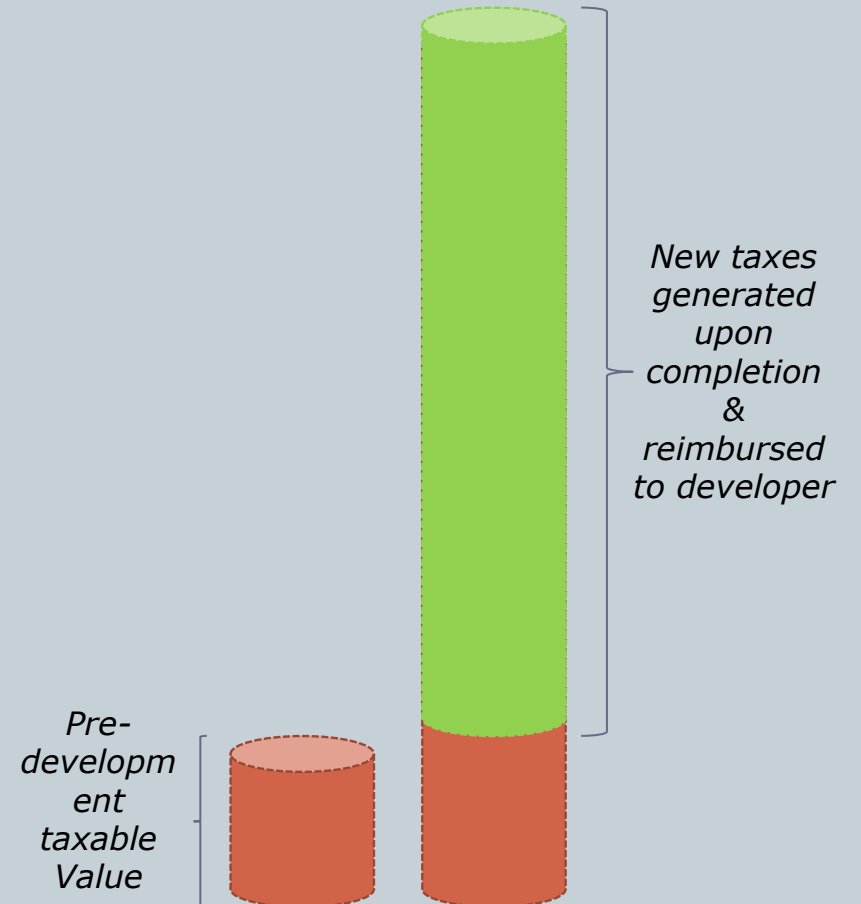
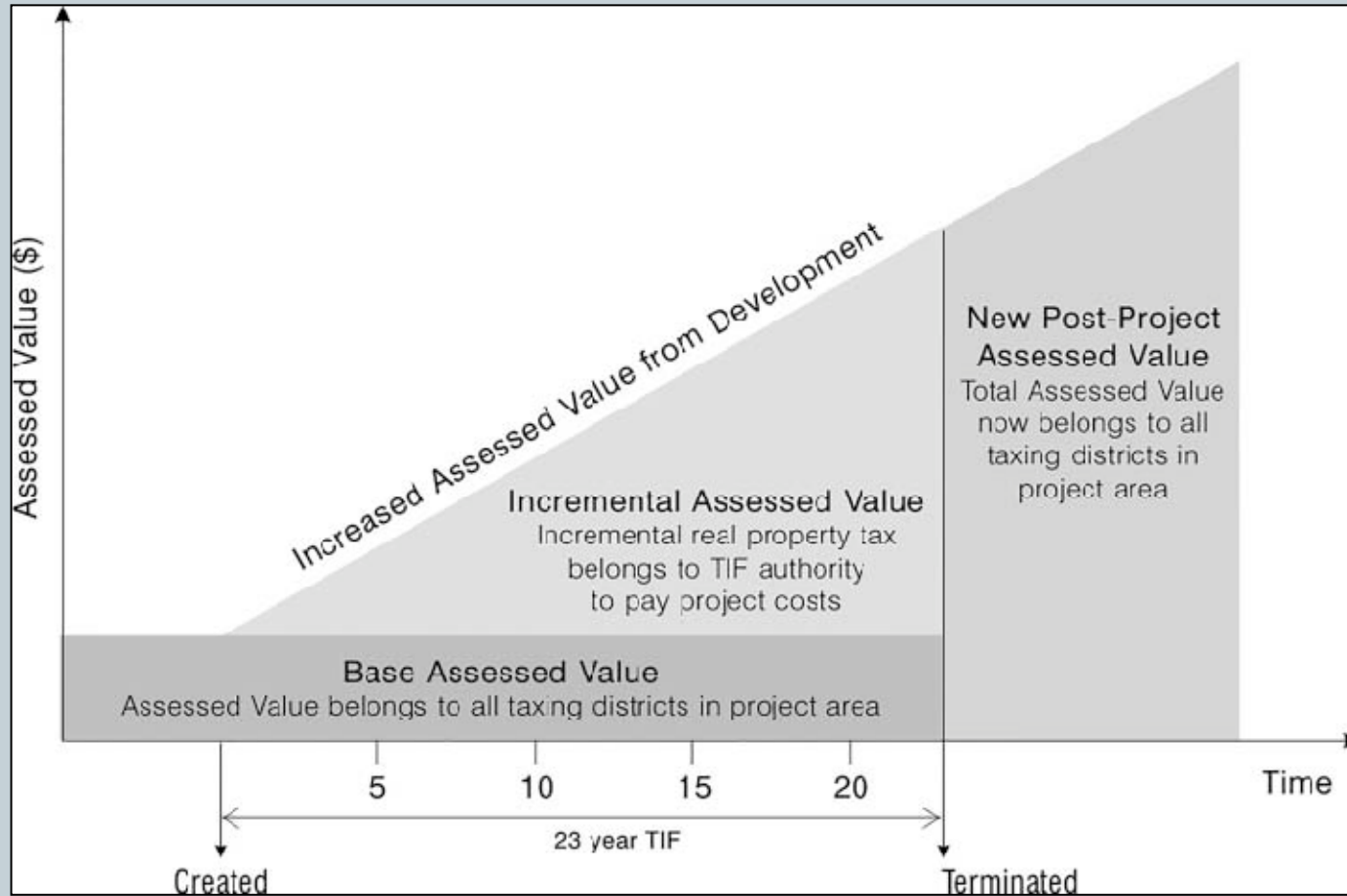
Facility, Site or Property; Defined by Part 201, as a site or property under Part 213.

Clean

For “CORE Communities” other properties may qualify for brownfield incentives including those that are:

- Functionally Obsolete
- Blighted
- Historic Resource
- Adjacent & Contiguous

Brownfield Basics: What is a Brownfield TIF Project?



Brownfield TIF Project Process

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**Pre-Approval &
Board Engagement
(1-4 months)**

1. Pre-Development Meeting w/staff giving an overview of the project.
2. Submitted application reviewed by staff.
3. Resolve any compliance issues if necessary
4. Staff develops materials for study session (optional) with MHBRA/CC.
5. Revisions of application materials as necessary.

Brownfield TIF Project Process

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**MHBRA & CC
Consideration
(3-4 months)**

- Economic Development Team develops Brownfield Plan, Development Agreement and Reimbursement ready for consideration.
- MHBRA meeting held to provide a recommendation to City Council.
- A Public Hearing is scheduled & held at the City Council meeting for the Brownfield Plan.
- At a following City Council Meeting the Brownfield Plan is considered for approval.
- If approved, a Development & Reimbursement Agreement must also be approved by City Council.

Brownfield TIF Project Process

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- Developer proceeds with necessary permitting and begins construction activities.
- Staff monitors progress and ensures that all site amenities etc. from approved site plan and development agreement.

Brownfield TIF Project Process

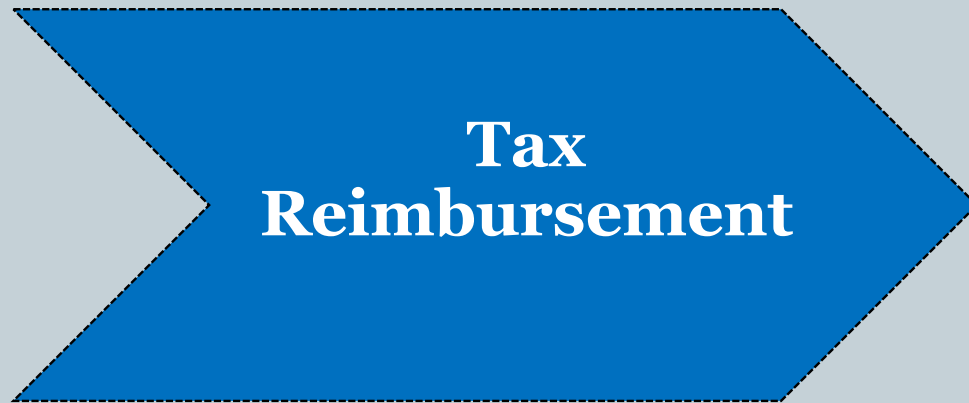
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- Developer is demonstrating that they have completed “eligible activities” and paid contractors that completed these tasks.
- The reimbursement request cannot exceed the maximum reimbursement set at the approval of the Brownfield Plan.

Brownfield TIF Project Process

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- After tax capture has begun, and reimbursement requests have been approved, staff will prepare tax reimbursement to the developer.
- The developer is reimbursed after Summer Tax has been paid and again after Oakland County Tax Settlement.
- Reimbursement will continue until the maximum reimbursement amount in the plan is reached, a set end term if stated in the plan, or 30 years (PA 381), whichever happens first.
- If contained in the reimbursement plan, reimbursement funds are diverted into MHBRA fund for future remediation activities the last 5 years of plan.

Brownfield TIF Project Process

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- A letter and final reimbursement payments are made to the developer.
- CED staff alerts Finance Director and Oakland County Assessors, and Treasurer's Offices that the property is to return to "non- tax capture"

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THE BROWNFIELD PLAN

The Brownfield Plan: What's in it?

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- Project Name
- Project Location
- Eligibility Type
- Basis for Eligibility
- Eligible Activities
- Developer Reimbursable Costs (Max)
- Years to Complete Reimbursement
- Estimated Capital Investment
- Project Overview
- Appendices
 - Legal Description
 - Property Location Boundary
 - Preliminary Site Plans Renderings
 - Documentation of Eligibility
- Tables
 - Estimated Costs of Eligible Activities
 - Tax Increment Revenue Capture Estimates
 - Tax Increment Reimbursement Estimates

The Brownfield Plan: Expectations & Realities

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Subject to Change

- Preliminary Site Plans & Renderings (see Dev. Agreement).
- Tax Increment Revenue Capture Estimates.
- Tax Increments Reimbursement Estimates.
- Duration of the Brownfield Plan*.
- Actual amounts of eligible activity costs*.
- Estimated FTE jobs created.
- Proposed tenants

Not Subject to Change

- Property/project location.
- Basis of eligibility under Act 381.
- Maximum amount of reimbursement.
- All activities reimbursed will be “eligible activities” as defined in Act 381.
- Duration cannot exceed 30 years from start of tax capture, no more than 35 years in total (Act 381).

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DEVELOPMENT AGREEMENT & REIMBURSEMENT AGREEMENT

Development Agreement: What's in it?

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The Development Agreement is intended to ensure that the project is completed in a timely manner, in accordance with city ordinances and any other conditions imposed within the Development Agreement.

It includes provisions such as:

- Definitions
- Development Criteria
- Default by Developer

Reimbursement Agreement: What's in it?

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The Reimbursement Agreement is intended to clearly state what funds will be used to reimburse the developer, what activities are eligible for reimbursement, and what are the obligations of the BRA for reviewing requests and responding to the developer.

Some important provisions include:

- Sources and Uses of Tax Increment Revenue
- Determination of Eligible Activities Qualified for Reimbursement
- BRA Reimbursement Payments to Owner
- BRA Admin Fees

Citizens Academy-Community & Economic Development (CED)

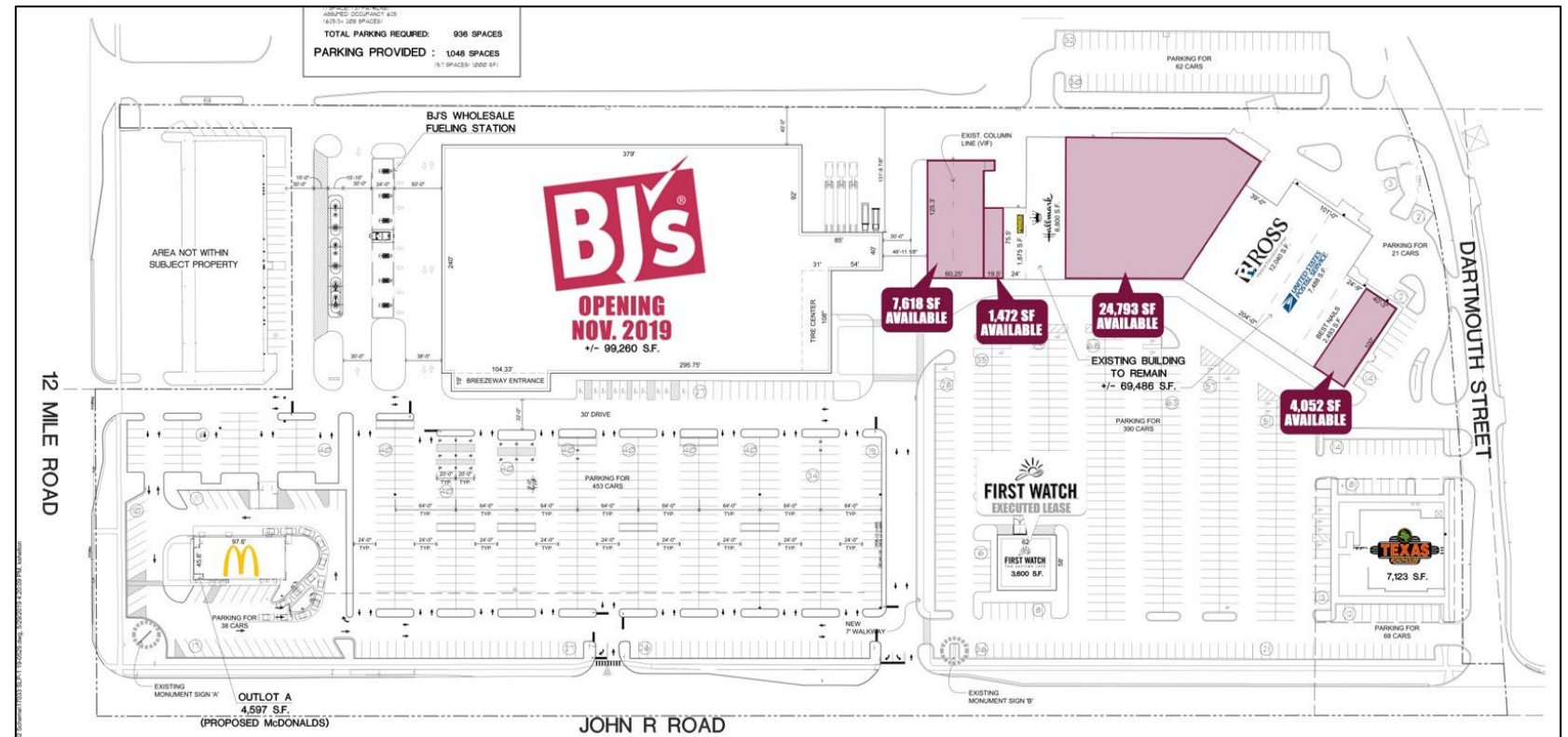
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UPDATE ON ACTIVE PROJECTS

Madison Center Owner LLC: Project Summary

In the Winter of 2018, the developer acquired the recently vacant 147,259 SF former K-Mart with the intent to demolish the existing building to make way for a new 99,260 SF BJ's Wholesale Club. After learning that the development would require new underground detention, the developer sought a Brownfield TIF application to mitigate these costs.

The developer has completed the BJ's store and fueling station, a McDonald's, and renovated the adjacent commercial "strip". While the developer had a commitment from First Watch restaurant initially, after Covid-19 the tenant pulled out and currently there is not a tenant committed to this second outlot.



Approx. Capital Investment: \$36 Million

Max Approved Reimbursement: \$2.388 Million

Madison Center Owner LLC- Project Timeline



**December
2018**

Pre-Dev
Activities

**August
2019**

Study
Session

**October
2019**

MHBRA
Approval

**November
2019**

BJ's Grand
Opening

**December
2019**

CC Approves
Plan &
Agreements

**July
2021**

McDonald's
Outlot
Issued CO

**December
2021**

Dev.
Agreement
Amendment #1

**May-July
2022**

Reimburseme
nt Req. &
Determinatio
n

**November
2022**

Tax
Disbursement
#1

**January
2023**

Reimbursement Req.
#2 & Determination

**June
2023**

Tax Disbursement #2
& Dev. Agreement
Amendment #2

Madison Center Owner LLC: Reimbursement



Plan Year			
Calendar Year			2022
Parcel ID	New Taxable Value (2020)	Base Taxable Value	Incremental Difference (New TV - Base TV)
44-25-11-476-018	\$ 3,715,560.00	\$ 2,873,180.00	\$ 842,380
44-25-11-476-019	\$ 936,660.00	\$ 118,810.00	\$ 817,850
44-25-11-476-021	\$ 118,610.00	\$ 111,136.00	\$ 7,474
44-25-11-476-022	\$ 2,617,630.00	\$ 2,452,434.00	\$ 165,196
44-25-11-476-023	\$ 233,740.00	\$ 74,420.00	\$ 159,320
Totals	\$ 7,622,200.00	\$ 5,629,980.00	\$ 1,992,220.00

Fiscal Year	Capture Amount	10% of Capture	Admin Fee	City Portion of Capture	Developer Portion	Reimbursement	Remaining Reimbursement
2021	\$ 15,528.27	\$ 1,552.83	\$ 2,500.00	\$ 4,052.83	\$ 11,475.44	\$ 11,475.44	\$ 2,377,073.56
2022	\$ 18,159.19	\$ 1,815.92	\$ 2,500.00	\$ 4,315.92	\$ 13,843.27	\$ 25,318.71	\$ 2,363,230.29
2023	\$ 57,705.90	\$ 5,770.59	\$ 2,500.00	\$ 8,270.59	\$ 49,435.31	\$ 74,754.02	\$ 2,313,794.98

The Reserve at Red Run: Project Summary

This development along Dequindre Rd required the acquisition and combination of three residential properties. After initially considering using a Payment in Lieu of Taxes program (PILOT), the developer elected to apply for a local brownfield TIF plan. The result is a new 144,000 SF independent senior living facility



Approx. Capital Investment: \$12 Million

Max Approved Reimbursement: \$1.733 Million

The Reserve at Red Run- Project Timeline



March
2020

MHBRA Approval

May
2020

CC Approves Plan &
Agreements

May-July
2022

Reimbursement Request &
Written Determination

November
2022

Tax Disbursement #1

March
2023

Issued CO for
Project

April
2023

Ribbon Cutting

May
2023

Tax Disbursement #2

The Reserve at Red Run: Reimbursement



TIR Available for Reimbursement			1
Calendar Year			2022
Parcel ID	New Taxable Value (2021)	Base Taxable Value	Incremental Difference (New TV - Base TV)
44-25-12-280-030	\$ -	\$ -	\$ -
44-25-12-280-031	\$ -	\$ -	\$ -
44-25-12-280-035	\$ 2,909,580.00	\$ 164,460.00	\$ 2,745,120
Totals	\$ 2,909,580.00	\$ 164,460.00	\$ 2,745,120.00

Fiscal Year	Capture Amount	Admin Fee	City Portion of Capture	Developer Portion	Cummulative Reimbursement	Remaining Reimbursement
2022	\$ 5,714.19	\$ 2,500.00	\$ 2,500.00	\$ 3,214.19	\$ 3,214.19	\$ 1,729,193.49
2023	\$ 84,445.65	\$ 2,500.00	\$ 5,000.00	\$ 79,445.65	\$ 82,659.84	\$ 1,649,747.84

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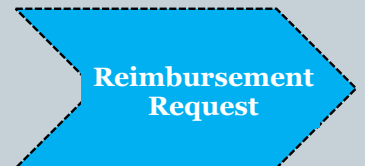
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ANTICIPATED BROWNFIELD PROJECTS/ACTIVITIES

The Reserve at Red Run: Reimbursement Request #2



- The approved Brownfield Plan for this project approved a total of \$1,733,789 in tax increment revenue to be reimbursed to the developer.
- On July 19th, 2022 the MHBRA reviewed and approved the reimbursement of tax increment revenue in the amount of \$1,306,859.98.
- Staff anticipates a second request on the behalf of the developer for the remaining \$426,929.02 eligible for reimbursement this calendar year.



Former Active Adult Center: Project Summary

In May 2022, the City of Madison Heights and MMD Acquisitions LLC entered into a purchase agreement for the sale of the Active Adult Center at 29448 John R Rd.

City Council held a workshop meeting on April 13th 2023, where the developer provided a concept design that included a fast casual restaurant use and a car wash.

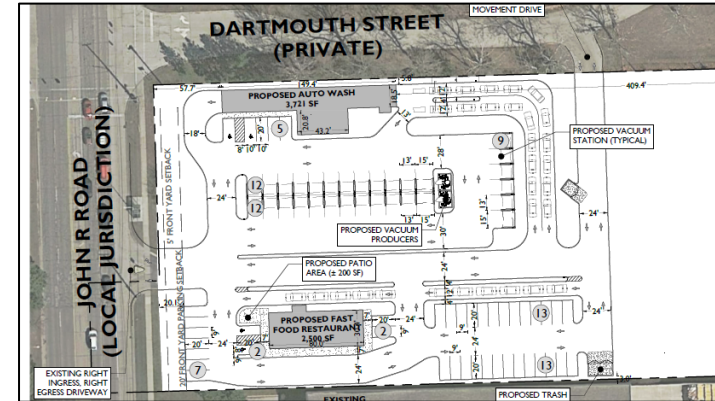
The car wash use requires a special use approval from City Council. This is set to be considered at the July 10, 2023, City Council Meeting.

Receiving approval of a Brownfield Plan for the site is a condition of purchase agreement because the site is known as a former landfill. Staff has yet to receive details of the costs of necessary remediation and the amount of reimbursement the developer is requesting.

Current Active Adult Center



Concept Proposed



Pre-Approval
& Board
Engagement
(1-4 months)

Madison Heights Brownfield Redevelopment Authority

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QUESTIONS? THANK YOU!

Contact Information:

Giles Tucker
CED Director

Community & Economic Development Dept.

Direct: (248) 837-2650

Email: gilestucker@madison-heights.org