

## Brownfield Redevelopment Authority of City of Madison Heights

### Memorandum

**Date:** January 5, 2024  
**To:** Brownfield Redevelopment Authority Board Members  
**From:** Giles Tucker, Director of Community & Economic Development  
**Subject:** 29448 John R Rd Brownfield TIF Plan

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The City of Madison Heights and MMD Acquisitions LLC entered into an agreement for the sale of the property located at 29448 John R Rd on May 10<sup>th</sup>, 2022. This agreement included a due diligence period, which was extended, and the property was closed upon in November 2023. A condition of the sale of the property was the approval of an approved Brownfield Plan that included the reimbursement of eligible activities as defined in the Michigan Brownfield Redevelopment Financing Act (Public Act 381). The proceeds of the sale of this property were a significant part of the funding for the much-needed renovation of City Hall, Adult Active Center, and Library.

### Basis for Brownfield Eligibility

This site was formerly used as a landfill for the Royal Oak dump and as a part of the Southeastern Oakland County Resource Recovery Authority's (SOCCRA) transfer station and incinerator. A Phase II ESA found heavy metals and naphthalene in soil samples and arsenic in the groundwater samples above Michigan Department of Environment, Great Lakes, and Energy (EGLE) Part 201 generic residential cleanup criteria (GRCC). For this reason, the property qualifies as a "facility" as defined by 1994 P.A. 451, Part 201, as amended. Phase II ESA also detected Mercury, ethylbenzene, naphthalene, and 1,2,4-trimethylbenzene were detected above EGLE Residential Volatilization to Indoor Pathway (VIAP) Screening Levels, dated September 4, 2020. The complete Phase II report conducted by NTH Consultants can be found under Appendix E of the included proposed Brownfield Plan.

### Summary of Eligible Activities & Total Reimbursement

Tax Increment Financing revenues will be used to reimburse costs of eligible activities as permitted by the Brownfield Redevelopment Financing Act. It is important to note that cost estimates may increase or decrease depending on unknown conditions as the project is under development. The total "not to exceed" cost discussed later is the maximum amount of reimbursement allowed for this plan unless the Plan is amended by the MHBRA & City Council. The following are estimates for each of these eligible activity areas:

- Work Plan Exempt Activities	\$50,700
- Department Specific Activities	\$810,230
- Demolition	\$117,500
- Asbestos Abatement	\$30,000
- Infrastructure Improvements	\$500,000
- Site Preparation	\$247,475
- Preparation and Implementation of a Brownfield Plan	\$30,000
<i>Est. Eligible Activities Subtotal</i>	<b>\$1,785,905</b>

It is anticipated that most of these activities will be performed after the adoption of this Brownfield Plan. However, the Brownfield Plan allows for eligible activities to be included for reimbursement if they are performed up to 180 days prior to the adoption to the Brownfield Plan's approval by the City Council.

The developer is requesting a "not to exceed" total reimbursement of **\$2,041,686 for eligible activities**. This total includes \$1,785,905 in estimated eligible activities and a 15% contingency of \$255,781. This contingency excludes Baseline Environmental Assessment Activities and preparation and implementation of the Brownfield Plan. However, Table 2 within the Brownfield Plan shows a projected reimbursement of **\$1,497,551** over 30 years of capture, assuming a new taxable value of \$1.2M increasing 2% per year for the duration of the plan.

### **Implications for the MHBRA**

Public Act 381 allows the MHBRA to capture administrative fees to cover the costs of administering the plan over the course of its duration. The plan includes the capture of \$2,500 for admin fees for the duration of the plan for a total of \$75,000.

The MHBRA is also able to capture millages for 5 years following developer reimbursement to be used in accordance with the requirements of Act 381. However, Act 381 limits the duration of a Brownfield TIF plan to 35 years from the date of the adoption of the plan, and no more than 30 years of actual tax capture. Table 2 projects that the plan will reimburse the developer less than the eligible activities of the project over the maximum duration of the plan (30 years). Therefore, it is not likely that the MHBRA will capture any millages at the end of the plan.

### **Staff Recommendation**

Public Act 381 requires that a proposed Brownfield Plan must be approved by the Governing Body of the municipality. It has been the practice of Madison Heights to include a recommendation from the MHBRA within the agenda item for council consideration. The Brownfield Plan approval was a condition of the sale of this property, and staff believes it is important to the viability of remediation and redevelopment of this site. If the MHBRA chooses to recommend approval of this Brownfield Plan, staff suggest motion language as follows:

*The Madison Heights Brownfield Redevelopment Authority (MHBRA) recommends that Madison Heights City Council adopt the proposed Brownfield Plan for property located at 29448 John R Rd and to authorize the Mayor and City Clerk to sign the Development Agreement and Reimbursement Agreement after review and minor modifications are made from the City Attorney.*

### **Attachments**

1. 29448 John R Rd Draft Brownfield Plan
2. 29448 John R Rd Draft Development Agreement
3. 29448 John R Rd Draft Reimbursement Agreement