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Opinion

Opinion: With economic development at a crossroads, this program is a model for the future

By Jared Fleisher



Credit: Larry Peplin/Crain's Detroit Business

The Hudson's tower project was built using Transformational Brownfield Program incentives. The Renaissance Center revamp is seeking a similar incentive.

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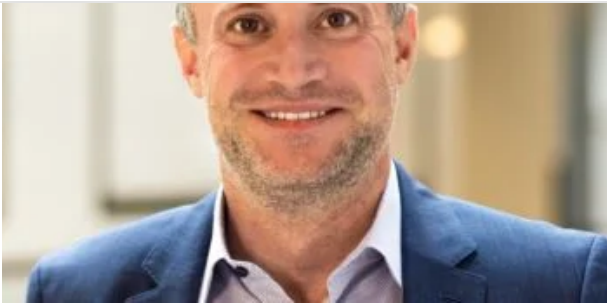
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Michigan is once again at a crossroads on economic development policy. Only three years after its creation, the SOAR program — intended to provide large cash grants to attract major factories — has made a hard landing. The question before policymakers is what comes next.

As House Speaker Matt Hall has outlined, Michigan needs to be out of the game of providing upfront cash grants. The first major economic development program to move away from this model — and from the old tax credit model — was the Transformational Brownfield Program (TBP). Enacted in 2017 with overwhelming bipartisan support, TBP was reauthorized six years later with even more support.

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Jared Fleisher is president of Bedrock.

support for this program, when virtually every other program has come and gone, holds broader lessons for policymakers.

First, reimbursement-based programs are the key to protecting taxpayers and ensuring accountability. The TBP starts with the recognition that a vacant brownfield site generates no benefits. On the other hand, a thriving new development generates all manner of new taxes. By

rebating a portion of the new taxes to make the redevelopment financially possible, TBP involves no upfront risk to the state and ensures that the partial reimbursement comes from new activity actually happening on the site.

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Second, economic development programs should insist on real analysis to ensure the deal is in the public interest. TBP requires every project to undergo a rigorous financial analysis to determine whether the brownfield reimbursement is needed for the project to be economically viable. The amount of reimbursement is also neither arbitrary nor political; rather, it is strictly limited to the level necessary to make the project possible.

Third, the most sustainable programs are those that start with, and empower, local communities. TBP has resonated with lawmakers from all corners of the state because virtually every community has a notorious brownfield site. TBP starts on the ground: only after the local government identifies the project as transformational, and approves the plan, does the state process begin.

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The thesis behind TBP is different: The way Michigan wins in the long run is by building attractive communities that make people and companies want to come here. TBP rests on the belief that building thriving communities with places to live, shop, eat, and play is the key to attraction and retention — and therefore, the most powerful and sustainable economic development strategy. This is not to say that targeted job creation incentives are unnecessary. It is to say that TBP shows the appeal of something more foundational.

To date, 14 TBPs have been approved — or are in the final approval process — statewide. Nowhere is the success of this program more visible than along the Grand Rapids riverfront, where two approved TBPs are already reimagining old industrial sites into new housing, a state-of-the-art amphitheater, and a new professional soccer stadium — and where a third TBP awaits final approval. Because of this success, the legislative cap on the program has again been hit, requiring policymakers to extend the program. From Macomb to Muskegon, from Traverse City to Bay City, and of course here in Detroit, tangible, transformational projects hang in the balance.

At this critical time for economic development policy in Michigan, we hope these lessons hold value for the state's new approach. Along with our statewide partners, we also hope our leaders recognize that TBP is not only a model, but a workhorse with more to do — and that lawmakers enable the good work to continue.

Jared Fleisher is President of the Detroit-based Bedrock real estate company.

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