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Utilizing TIF with Brownfield Redevelopment Projects



BNY MELLON

Utilizing TIF with Brownfield Redevelopment Projects



Angela Blatt

Director, Research & Technical Assistance
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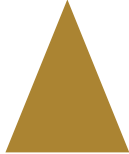
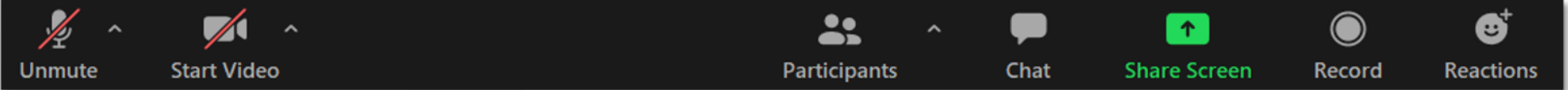
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Utilizing TIF with Brownfield Redevelopment Projects



Troy Pitman

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CDFA/BNY Mellon Development Finance Webcast
April 18, 2023

***Utilizing TIF With Brownfield Development
Projects in Tennessee***

Speakers:

Debbie Clabo, Tennessee Dept. of Economic & Community Development

Evan Spann, Deputy Director, Field Operations, Tennessee Dept. of Environment and Conservation

Bart Kempf, Partner, Bradley Arant Boult Cummings LLP, Nashville

Overview

- Brownfield Redevelopment Incentives in Tennessee
 - Franchise & Excise (F&E) Brownfield Tax Credit
 - Brownfield Tax Increment Financing (TIF)
- Governor Bill Lee's 2023 legislative priorities included brownfield redevelopment, especially rural sites
 - March 31, 2023 - Lee signed into law SB 0271
 - F&E and TIF statutes amended
 - Establishes Brownfield Redevelopment Area Fund
 - Authorizes TDEC to administer Brownfield Redevelopment Area Grant Program
 - Details here:
[Tennessee \(Again\) Expands Brownfield Redevelopment Incentives | Insights & Events | Bradley](#)

Brownfield Tax Credits in Tennessee



- All tax credits are approved by three Departments: Economic and Community Development; Revenue; and Finance and Administration. Credits are administered by the Department of Revenue.
- Tax credits specific to brownfield properties require participation in the Department of Environment and Conservation's Voluntary Oversight and Assistance Program.
- The VOAP is Tennessee's state response program under the Small Business Liability Relief and Brownfields Revitalization Act. As a result, program participants may receive protection from intervention by the EPA at eligible sites.

Voluntary Oversight and Assistance Program

The Voluntary Cleanup Oversight and Assistance Program (VOAP) (authorized by TCA 68-212-224) offers parties the opportunity to work proactively with TDEC to:

- Provide outcome-based evaluation of environmental data allowing for timely decisions and agreement from regulatory experts;
- Resolve potential liability for an innocent landowner or prospective purchaser at a contaminated site;
- Provide technical oversight and concurrence for investigation, clean up (as needed), or mitigation and redevelopment of a contaminated property;
- Negotiate an Agreement that outlines the actions to be taken to make the property safe for its next intended use including enforcement of institutional controls;

Existing Tax Credit Structure (amended in 2019)

- Franchise and Excise Tax Credits
 - The amount of the tax credit varies according to the county where the development will be located and the expected capital investment.
- Tax Increment Financing
 - The definition of “qualified costs” was expanded to include any environmental investigation and remediation costs required under a voluntary agreement or consent order from VOAP.
 - Tax increment financing is available for use in all counties of the state and does not impose a size restriction on the brownfield property.



113th General Assembly Legislation

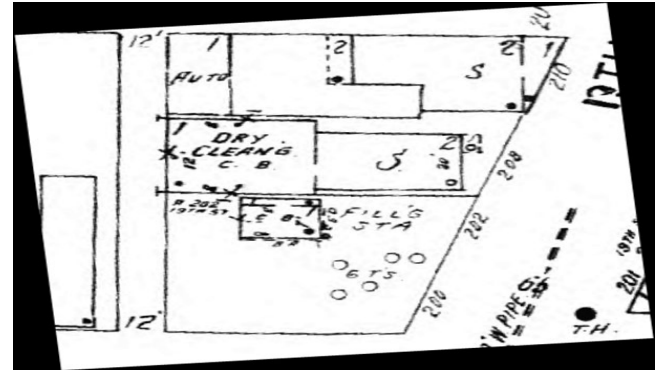
- Created a state-administered brownfield grant program. (Tenn. Code Ann. Title 68, Section 212, Part 2) financed by a budget appropriation.
- Amended the Brownfield Franchise and Excise Tax Credit law to incentivize rural and smaller communities to clean up and remediate property by expanding the credit to include both purchase and remediation costs. (Tenn. Code Ann. section 67-4-2009)
- Amended the Brownfield Tax Increment Financing (TIF) law to remove geographic barriers to use and expand eligible qualified project costs to mirror those authorized under the Uniformity in TIF law. (Tenn. Code Ann. section 7-53-316)

Brownfield Redevelopment Area Grant

- This program will provide communities grant funding and technical assistance to effectively identify, investigate, and redevelop brownfields and other vacant and abandoned sites.
- Grant program will provide resources to assist local governments, development districts, community groups identify and implement solutions and leverage investments.
- Local input and direction of processes
- Strategic site identification
- Site environmental assessments
- Site-specific mitigation/redevelopment plans

Brownfields Grant Program

- The program will fund identification, assessment, and remediation of brownfield properties.
- Eligible grant applicants will include units of local government, economic development agencies, development districts and other development boards created pursuant to state law (e.g., industrial development boards), county land banks.
- Grants are capped at \$500,000 per eligible entity annually



Brownfields Grant Program

- The grant program will complement the existing grant offerings administered by TNECD by providing targeted funding and technical expertise for brownfield investigation, remediation, and redevelopment.
- In order to apply for a grant, the site must meet certain qualifications:
 - Be a clear benefit to the community
 - Applicant must not have contributed to the contamination
 - Must meet the definition of a brownfields site
- TDEC anticipates completing a grant manual in the fall of 2023 and is targeting an initial grant application period in early 2024.

Tax Incentive Changes in Legislation

- Further incentivizes brownfield cleanup in smaller, rural communities (Tier 3 & 4 Enhancement Counties) by expanding the existing Brownfield Franchise and Excise Tax Credit to modify the tax credit for Tier 3 & 4 counties to include up to \$500,000 of remediation costs.
- Amends the Brownfield TIF to remove geographic barriers to use and expand eligible qualified project costs to include costs of acquisition of project site and costs of improvements to the site.

Additional Background and Information on Brownfield F&E and TIF Incentives

Brownfield Franchise and Excise Tax Credit

- Tax credits apply against an entity's **combined franchise and excise tax liability**. The franchise tax is based on the greater of net worth or the book value of real or tangible personal property owned or used in Tennessee.
- Project must be **subject to a voluntary agreement or a consent order**
- Incentive must be **approved by three state agencies**: Revenue, Finance and Administration, and Economic and Community Development
- Approval requires "**best interest of the state determination**" which includes, among other things, that project "**is the result of the tax credit**"

Brownfield Franchise and Excise Tax Credit

- In Tier 3 & 4 counties, credits may equal 75% of the purchase price of a brownfield property. In these areas, minimum capital investment is \$5 million over five years.
- Tier 1 & 2 counties: credit may be up to 50% of the purchase price. In these areas, minimum capital investment is \$25 million over five years.
- In all areas, credit may be carried forward 15 years

Brownfield Franchise and Excise Tax Credit

- **SB0271** expands incentive
- In Tier 3 & 4 counties, developers may base the amount of tax credit **on the cost of remediation (up to \$500K)** instead of the purchase price of the brownfield property.
 - May prefer because purchase price for brownfield properties can be relatively inexpensive in rural areas
- Clarifies existing law to ensure “**mitigation**” of environmental contamination is eligible

TIF Financing for Tennessee Brownfields

- Certain brownfields eligible for cleanup funding through TIF financing under **T.C.A. § 7-53-316**
- Legislation **in 2019 & 2023** expanded eligibility
- Requirements include:
 - Site must be subject to a **voluntary agreement or consent order**
 - Must obtain approval from local Industrial Development Board and local government
 - Process can be challenging
 - Must convince localities to **dedicate new tax revenue**
- Unlike most TIFs in TN, brownfield TIF can utilize **sales tax** increment (most TIFs limited to **property tax**)

TIF Financing for Tennessee Brownfields

- Previously limited to sites an economically disadvantaged area (including Opportunity Zones, US HUD renewal community) – ***limitation removed by SB0271***
- SB 0271 also
 - Broadens definition of “qualified costs” to include costs of acquisition and costs of improvements to the project site
 - Clarifies existing law to ensure “**mitigation**” of environmental contamination is eligible

Questions?

Utilizing TIF with Brownfield Redevelopment Projects



Jennifer Kanalos

Director of Brownfield Redevelopment
Detroit Economic Growth Corporation



Brownfield Redevelopment in Detroit's New Center District

CDFA // BNY Mellon Development Finance Webcast Series

- Utilizing Tax Increment Financing for Brownfield Redevelopment Projects

Tuesday, April 18, 2023



TIF In Michigan & Detroit

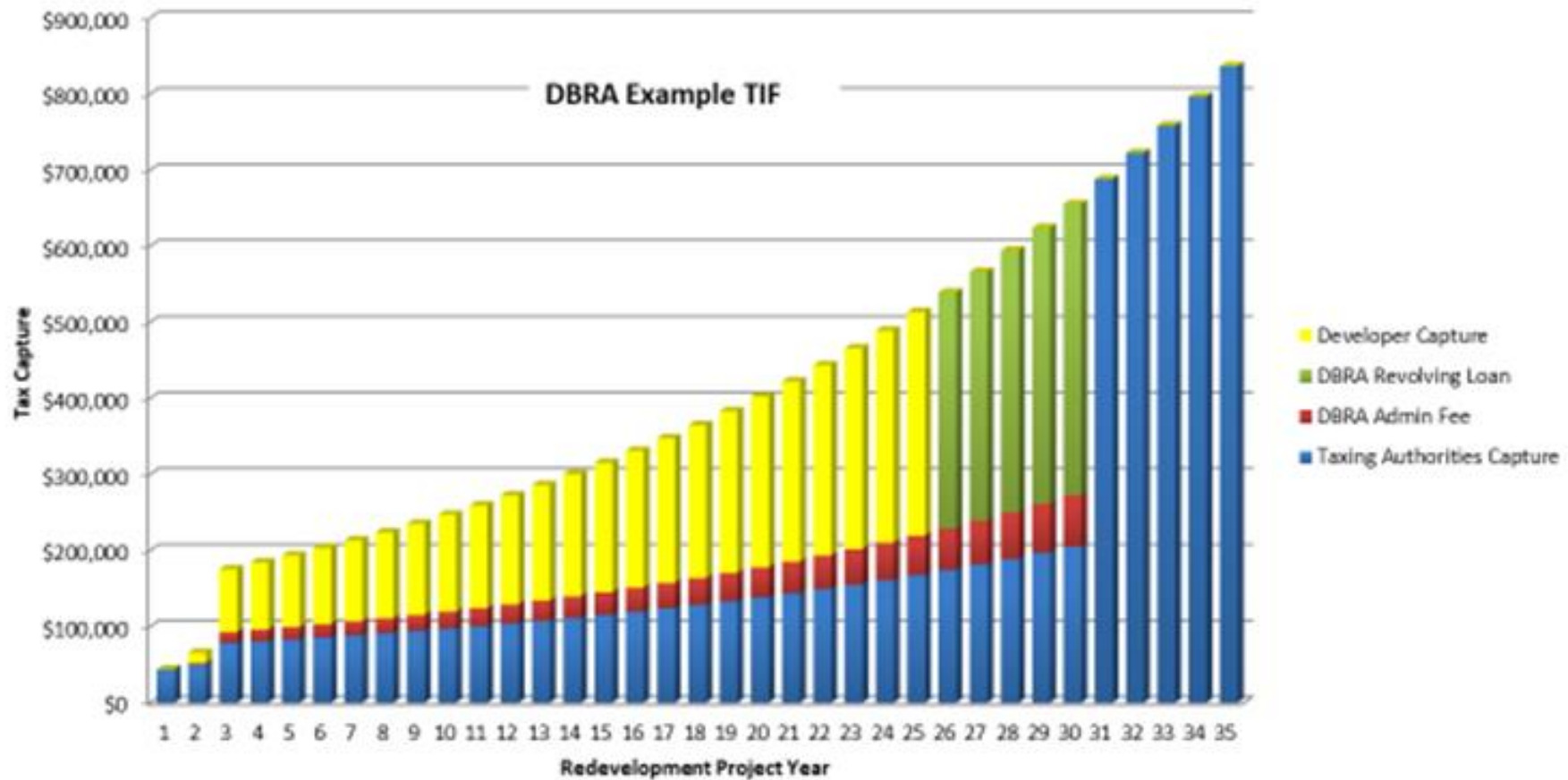




TIF in Michigan & Detroit | AN OVERVIEW

- **State of Michigan enables local governments to offer tax incentives**
 - The use of TIF requires the creation of a local Authority with an appointed Board of Directors
 - Detroit Economic Growth Corporation manages the City's TIF Authorities:
 - Downtown Development Authority
 - Corridor Improvement Authority
 - Brownfield Redevelopment Authority
- **Detroit Brownfield Redevelopment Authority (DBRA) – only TIF authority that is city-wide**
 - Michigan Public Act 381 of 1996, as amended, allows for the creation of a TIF district via Brownfield Plan approval for parcels being redeveloped
 - Reimbursement of budgeted Eligible Activities on Qualified Property
 - Facility, but also Blighted, Functionally Obsolete, or a Historic Resource
 - 30 years max, or full reimbursement, whichever occurs first.

Example TIF Chart





Detroit Brownfield TIF | Brownfield Approvals

- **Detroit Brownfield Redevelopment Authority (DBRA) Board of Directors**
 - 9-member Board
 - Appointed by the Mayor and approved by Detroit City Council
 - Assisted with a 9-member Community Advisory Committee (CAC)
- **Brownfield Plan Approval Process**
 - DBRA Board of Directors reviews the Brownfield Plan
 - Forwards to the CAC for review and authorizes a local public hearing on the Brownfield Plan
 - DBRA Board of Directors reviews the results of CAC support and the local public hearing
 - Brownfield Plan approval and submittal to Detroit City Council
 - Detroit City Council
 - Holds a public hearing on the Brownfield Plan
 - Full Detroit City Council vote to approve the Brownfield Plan
 - Required State Approvals





Third and Grand Redevelopment



Brownfield Plan

- July 2016 approval
- Facility qualification
- Mixed-use including 231 apartment units, retail, commercial and a 343 space parking deck
- Estimated \$54M capital investment
- \$15.95M TIF approval for:
 - Environmental assessments
 - Remediation
 - Site demolition
 - Site preparation
 - Infrastructure improvements



Brownfield Plan

- Substantial completion in March 2020
- \$62.6M capital investment
- Mixed-use including 231 apartment units, retail and a parking deck
- \$11.6M in TIF certified costs
 - Environmental assessments
 - Remediation
 - Site demolition
 - Site preparation
 - Infrastructure improvements





Albert Kahn Building Redevelopment



Albert Kahn Building Redevelopment

Brownfield Plan

- March 2019 approval
- Functionally obsolete qualification & historic resource
- Mixed-use including 190 apartment units, retail and commercial
- Estimated \$48M capital investment
- \$2.97M TIF approval for:
 - Environmental assessments
 - Interior demolition
 - Lead and asbestos abatement
 - Infrastructure improvements



Brownfield Plan

- Substantial completion in July 2021
- \$59.9M capital investment
- Mixed-use including 210 apartment units, retail and commercial
- \$2.9M in TIF certified costs
 - Environmental assessments
 - Demolition
 - Lead and asbestos abatement
 - Infrastructure improvements





Detroit Pistons Corporate HQ and Practice Facility Campus Redevelopment



Brownfield Plan

- June 2017 approval
- Facility qualification
- 128,000 square feet of office space, practice facility with ground floor retail, a 25,000 square foot sports medicine and medical office facility and a 400-space parking deck
- Estimated \$83M capital investment
- \$20.5M TIF approval for:
 - Environmental assessments
 - Remediation
 - Site demolition
 - Lead and asbestos survey and abatement
 - Site preparation
 - Infrastructure improvements



Brownfield Plan

- Substantial completion in December 2020
- \$92M capital investment
- 164,000 square feet of office space, practice facility with ground floor retail, a 53,000 square foot sports medicine and medical office facility and a 363-space parking deck
- \$16.9M in TIF certified costs:
 - Environmental assessments
 - Remediation
 - Site demolition
 - Lead and asbestos survey and abatement
 - Site preparation
 - Infrastructure improvements



QUESTIONS?

JENNIFER KANALOS

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Utilizing TIF with Brownfield Redevelopment Projects



David Misky

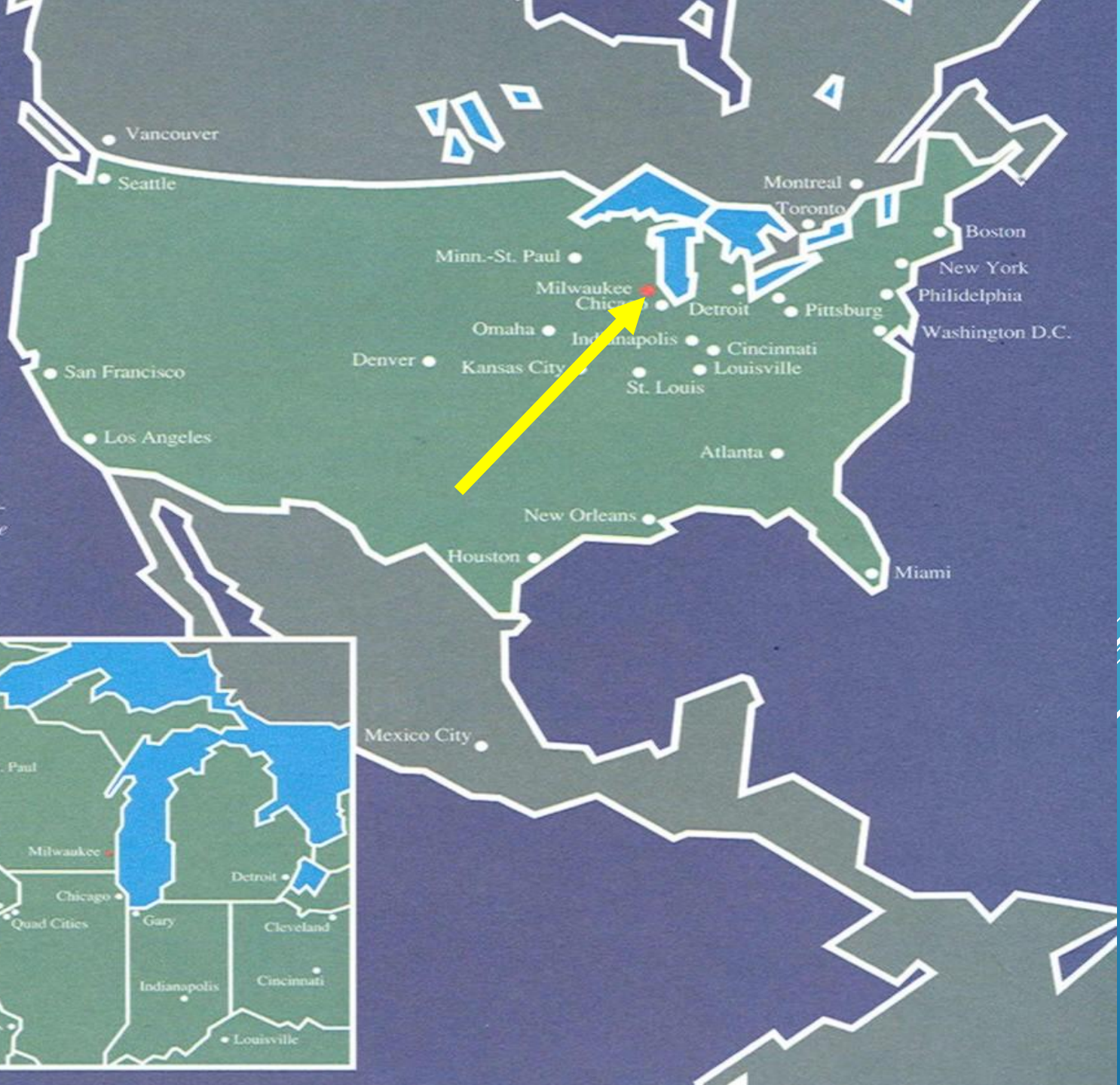
Assistant Executive Director
City of Milwaukee



BROWNFIELDS AND TAX INCREMENTAL FINANCING DISTRICTS CITY OF MILWAUKEE, WISCONSIN

**David Misky, Assistant Executive Director
Redevelopment Authority of the City of Milwaukee**

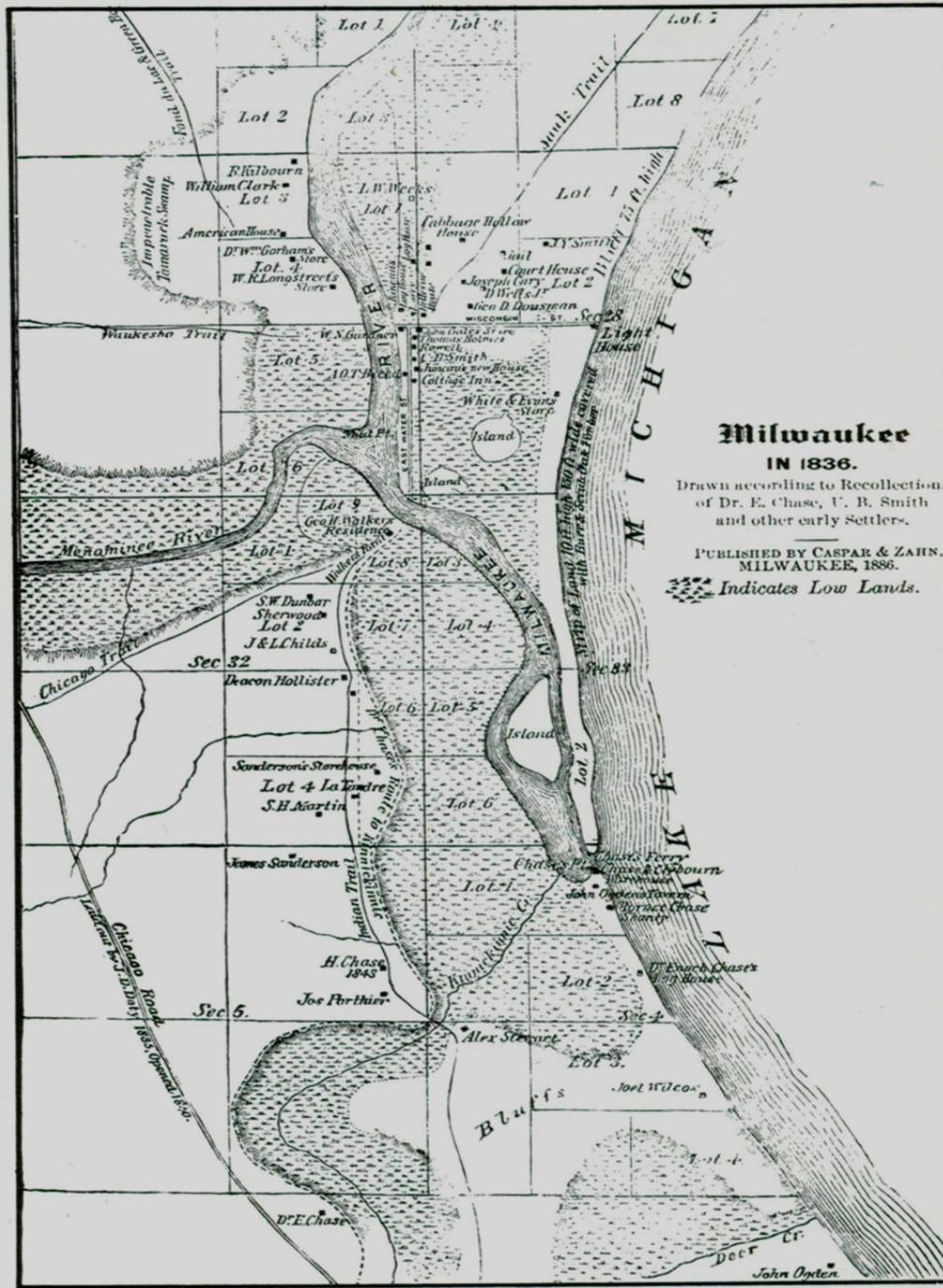
A central demographic location positions Milwaukee businesses within 600 miles of 25% of the U.S. population, 33% of total manufacturing volume, and 27% of the country's total income.



An attractive location close to Lake Michigan with many support activities makes Milwaukee a desirable location.



Milwaukee in 1836.



Milwaukee IN 1836.

Drawn according to Recollections
of Dr. E. Chase, U. B. Smith
and other early Settlers.

PUBLISHED BY CASPAR & ZAHN,
MILWAUKEE, 1886.

Indicates Low Lands.

WHERE THREE
RIVERS CAME
TOGETHER
AND FLOWED
INTO LAKE
MICHIGAN





Looking west from Water Street, photograph c.
1950.

HISTORY OF MILWAUKEE



REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE (RACM)

- Independent public corporate body created by state statute in 1958
- Governed by 7-member board
 - Appointed by Mayor; Approved by Council
- Mission
 - “...eliminate blighting conditions that inhibit neighborhood reinvestment, to foster and promote business expansion and job creation, and to facilitate new business and housing development.”

REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE (RACM)

- Tools for Economic Development
 - Acquisition and disposition of property
 - Preparation and implementation of redevelopment plans
 - Issuance of Bonds
 - Approval of Tax Incremental Financing Districts
 - Assistance with other financial tools

CITY OF MILWAUKEE TIF DISTRICT FACTS

- TIF District No. 1, Menomonee River Valley created May 1976
- TIF District No. 115, NM North created in 2023
- In 2022, Milwaukee had 57 active districts with \$2.2 billion of total incremental property value in all the districts
- This represents 6.33% of the City's 2022 total equalized value of \$31 billion
- Milwaukee's average payback is 18 years with a statutory limit of 27 years

BROWNFIELD TIF DISTRICT EXAMPLES: MENOMONEE VALLEY INDUSTRIAL CENTER AND COMMUNITY PARK – TID #53



MENOMONEE VALLEY INDUSTRIAL CENTER AND COMMUNITY PARK – TID #53



MENOMONEE VALLEY INDUSTRIAL CENTER AND COMMUNITY PARK – TID #53

▶ TIF, Grants, Loans, and Tax Credits/Incentives...

▶ \$28.6 million

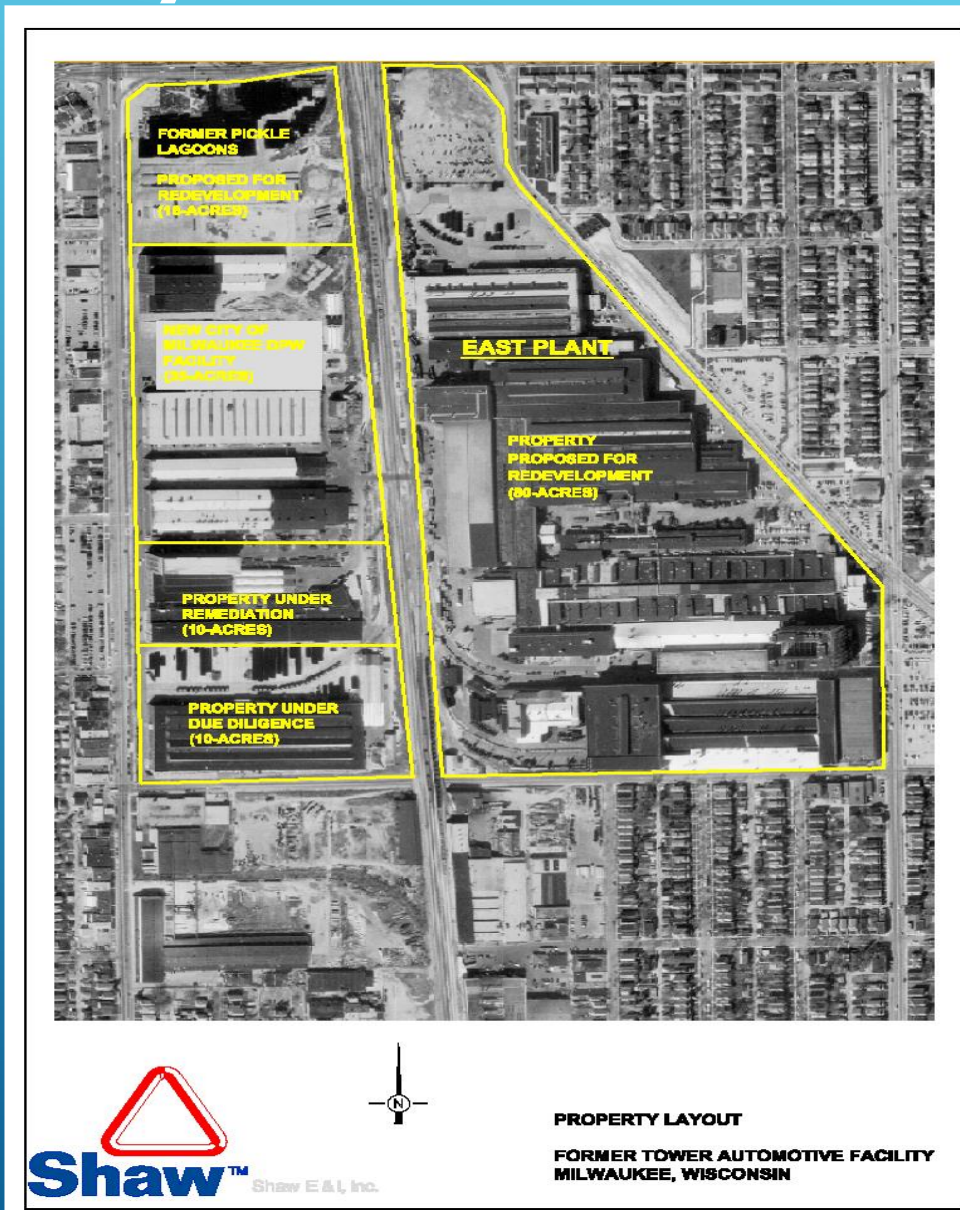
▶ \$16.2 million Tax Incremental Financing District with three amendments

▶ Grants - Nineteen grants

▶ Loans – Two loans

▶ Tax Credits and Incentives

Century City in Milwaukee – TID #74



AO Smith/Tower Automotive - 2009



Century City -2018



CENTURY CITY IN MILWAUKEE – TID #74

TIF, Grants, Loans, and Tax Credits/Incentives...

\$40.2 million

- \$15.6 million Tax Incremental Financing
- \$10.2 million Federal and State Grants
- \$10.0 million City Capital Funds
- \$4.4 million New Market Tax Credits

Former Solvay Coke Site - 1960s



Former Solvay Coke Site - 1990s




Komatsu Manufacturing - 2022



KOMATSU MANUFACTURING COMPANY

TIF, Grants, Loans, and Tax Credits/Incentives...

Project Overview

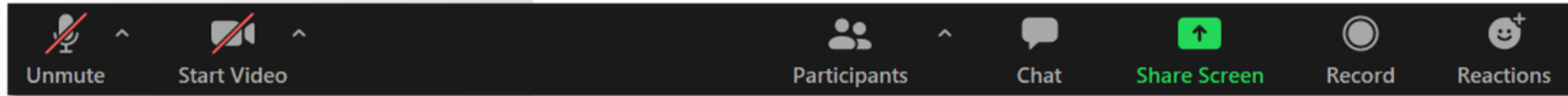
- \$300 million Project
 - \$40 million Tax Incremental Financing
 - \$60 million State Grants and Tax Credits
- 



BROWNFIELDS AND TAX INCREMENTAL FINANCING DISTRICTS CITY OF MILWAUKEE, WISCONSIN

**David Misky, Assistant Executive Director
Redevelopment Authority of the City of Milwaukee**

Audience Questions



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CDFA Food Systems Finance Webinar Series: Access to Capital Tools & Food Systems

Tuesday, April 25, 2023 // 2:00 – 3:30 PM Eastern

Intro Revolving Loan Fund Course

May 1-2, 2023 // 12:00 - 5:00 PM Eastern

Advanced Revolving Loan Fund Course

May 3-4, 2023 // 12:00 - 5:00 PM Eastern

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