

New Brownfield and Historic Legislation

7/19/2011 [John V. Byl](#)

New brownfield and historic legislation was introduced on July 13 to replace the existing brownfield and historic state credits. The three bills (Senate Bills 566-568) that make up the new legislation can be found here: [SB 566](#), [567](#), [568](#). The background and summary of the bills are included below.

Background

When the Administration and the legislature repealed the Michigan Business Tax earlier this year and replaced it with the Corporate Income Tax, the brownfield and state historic tax credit programs were eliminated. Following elimination of those programs, the Administration and the legislature supported replacing the programs with a new program that did not involve tax credits. The Lieutenant Governor appointed a work group to formulate a replacement program.

The work group developed a legislative proposal that provided for grants and loans that would be a substitute for the existing brownfield and historic credits. A copy of the legislative proposal that was submitted to the Administration can be found [here](#). After presentation of the legislative proposal to the Administration, legislation was drafted to implement the proposal.

Summary of Legislation

The key parts of the new program include the following:

- The Michigan Strategic Fund (MSF) Board can award grants (vouchers) of up to \$1 million to community revitalization projects. The amount of the grant is limited to no more than 25% of the “eligible investment” which consists of demolition, construction, renovation, site improvements, equipment, and architecture and engineering costs.
- The MSF Board can approve loans of up to \$10 million for community revitalization projects. Like the grants, the amount of the loan cannot exceed 25% of the “eligible investment” of the project. The loans will be forgivable if certain returns are not achieved by the project. The terms under which a loan will be forgiven will likely vary among projects. The MEDC has convened a work group to develop criteria for the loans.
- If a project receives both a grant and loan, the combined amount cannot exceed 25% of the “eligible investment” of the project.

- The criteria that will be considered by the MSF Board for approval of grants and loans include, among other things: the importance of the project to the community, the applicant's financial need for the incentive (applicants will be required to submit a pro forma), the extent of reuse of historic structures, creation of jobs, amount of local community support, sustainability and other factors. Most of these criteria match the criteria currently utilized for brownfield and historic credits.
- The MSF Board will develop guidelines, forms, and processes for implementation of the program. The MEDC has formed a work group of stakeholders that is developing recommendations for the implementation of the program.

Appropriation

In an earlier bill, the legislature and Administration approved an appropriation of \$100 million for the next fiscal year for both the brownfield/historic program and the replacement for the MEGA jobs credit program. If approximately half of that appropriation is used for the brownfield/historic program (\$50 million), that amount will be far below the amounts approved for brownfield and historic credits in recent years. As noted on the legislative proposal, the amount approved in recent years has been approximately \$185 million per year for the brownfield and historic credit programs combined. In short, there will be significant competition for the incentives under the new program.

Please contact John Byl, who has been a member of these work groups, or any other member of the Economic Incentives Group if you have any questions about these bills.