



Michigan Thrive Initiative: Why It's Needed and How it Works

The Need and the Opportunity

- Every community across Michigan has challenging brownfield sites -- contaminated land, empty factories, or vacant malls -- that sit empty because they are too costly to redevelop. We need a way to close the financial gap on these large and complicated brownfield projects so that communities can bring these areas back to life as thriving new developments.
- Enacting this legislation is critical to our economic future. Talented young people, more than ever, are moving to vibrant cities – and businesses are following to attract the talent they depend on. Michigan today is ranked 46th in the nation in the percent of millennials in our population. Revitalizing our downtowns, waterfronts, and main streets is at the heart of how we keep our best and brightest in Michigan, attract talent and business to our state, and grow our economy.
- Given pent-up demand, we anticipate this legislation will unlock \$5 billion in new investment that will transform empty brownfield sites across the state into vibrant new developments that bring jobs and growth.

The Approach

- This legislation is different from other tools that spend current tax dollars. It recognizes that these challenging redevelopment projects have financial gaps that make it impossible to move forward, and simply allows a project to keep part of the new tax revenue it generates in order to close that gap. This approach is known as Tax Increment Financing (TIF).
- At the beginning, there is a vacant site producing no benefit and no revenue. This legislation allows the project to keep a portion of the new tax revenue generated from bringing the site back to life – just enough to make the project feasible.
- At the end, the state and community get revenue they were not getting before, *because there was nothing before*. And an eyesore is transformed into a major development that has a positive impact on the community and the economy.
- This approach is entirely performance-based and puts all of the risk on the private sector. The investor gets nothing on the front end: they have to put up the capital, build the project, and fill it with people and jobs that generate new revenue. If the project does not generate the expected tax revenues, that risk is entirely on the investor.

The Legislation: How it Works

- The legislation builds on the current Brownfield TIF Act (PA381) to create a new category specifically for major projects that will transform challenging brownfield sites into vibrant new developments. To close the financial gap on these projects, the legislation allows the project to capture:
 - State sales and income taxes generated from the construction activities on-site;
 - Up to 50% of the state income taxes generated from new jobs and residents within the completed development, for a period not to exceed 20 years.
- The minimum investment to qualify as a “transformational” project ranges from \$15 million in Michigan’s smallest communities to \$500 million in Detroit.

Caps and Protections

- This legislation includes some of the most rigorous caps and protections ever put in place in economic development legislation in Michigan. Both local and state approvals are required. The local government has to designate the plan as transformational, and then the state has to approve it based on the criteria below.
 - First, the state has to conduct a financial analysis to validate the financial need or “gap” to make the project economically viable. The state can then only approve as much tax capture as needed to close that gap – *not a dollar more or a year longer*.
 - Second, the state has to conduct a fiscal impact analysis, and can only approve a project if it determines the TIF will result in a net fiscal benefit to the state.
 - Third, for the largest projects, the legislation requires an independent, third party to conduct these analyses; and requires the State Treasurer to review and sign off.
- In addition to these project-specific caps and controls, there are strict overall caps:
 - Annual income tax capture from jobs and residents is subject to a hard cap of \$40 million per year. \$40 million is the most that can be reimbursed each year.
 - In addition, there is a separate cap of \$200 million total on the amount of construction period tax captures that can be approved over the life of the bill.
 - The legislation also limits each city to one approved plan per year, guaranteeing that the program’s benefits will be spread evenly across Michigan.

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Mlthrive is a coalition of leading economic development organizations, cities and chambers of commerce working in support of legislation to revitalize and redevelop contaminated sites into thriving economic development engines in communities across Michigan. In addition, statewide and regional organizations including the Michigan Municipal League (MML), Michigan Association of Realtors, Michigan Regional Council of Carpenters, and the Associated Builders and Contractors of Michigan (ABC) support the legislation.