MEMO

ASTI Environmental

Date: May 20, 2021
To: Sara Roediger; City of Rochester Hills
From: Tom Wackerman; ASTI Environmental
Subject: *Local Revolving Loan Fund (ASTI Project No. 11482-20)*

As requested by the City of Rochester Hills (the City), the following is a review of the local brownfield revolving fund (LBRF) program in Michigan.

The objective of these funds is to inventory, assess, clean up and reuse brownfield sites in your community. Monies are deposited into the LBRF and then used to fund eligible expenses on any eligible property located in the City as either a loan or a grant to a developer ("developer" can include the City). Therefore, monies deposited from one property can be used to fund eligible expenses on other properties. The City is a non-core community, so LBRF funding is limited to the following eligible expenses:

- Preparation of Brownfield Plans and Work Plans
- Implementation of Brownfield Plans and Work Plans
- Environmental Investigations and Associated Documents
- Demolition
- Removal and Closure of Underground Storge Tanks
- Disposal of Solid Waste and Sediments
- Dust Control
- Asbestos, Lead, and Mold Abatement
- Industrial Cleaning
- Environmental Remediation
- Due Care Activities
- Response Activities
- Engineered, Administrative and Institutional Controls
- Relocation of Public Buildings or Operations for Economic Development Purposes
- Interest
- Environmental Insurance

The LBRF establishes a fund that can not only assist developers by providing a funding source in addition to a Brownfield TIF under a traditional Brownfield Plan, but it has also been used to assess

ASTI ENVIRONMENTAL
10448 Citation Drive, #100
P.O. Box 2160
Brighton, Michigan 48116
Phone: 810.225.2800 Fax: 810.225.3800

sites as part of preparing them for redevelopment, assess or clean-up orphan sites, and fund operation and maintenance costs for engineering controls. The most common use of LBRF funds may be to provide the developer with a loan for eligible costs on a property that is repaid to the LBRF from the Brownfield TIF for that property, including interest. Up front funding as a loan is seen by developers as a preferable option to waiting for reimbursement for a number of years under a Brownfield Plan.

The advantage of this tool is that it provides an additional source of funding to incentivize redevelopment or address brownfield issues throughout the City at the discretion of the RHBRA. For example, funding from a successful brownfield redevelopment can be used to prepare or remediate more challenging properties where redevelopment has stalled.

The main disadvantage is that tax capture continues for longer than required for developer reimbursement, delaying the benefits of incremental taxes to the local taxing jurisdictions. In addition, if used as a loan to the developer, or to prepare or remediate challenging properties, the RHBRA will have to wait for reimbursement, and although interest can be captured, the funds may be at risk if the development does not happen, or does not generate the anticipated tax increment.

The LBRF is established under Act 381, Section 8 (MCL 125.2658) by the Authority (in this case the RHBRA). Once established, funds can be deposited into the LBRF from local and school operating tax increment revenue, or from public and private sources. If deposited from incremental taxes, it must be captured and dispersed as part of an approved Brownfield Plan (for local capture) and 381 Work Plan (for school tax capture), and cannot exceed the amount approved in these plans for capture for reimbursement to the developer (different requirements apply to local and school tax capture). It can be captured during developer reimbursement under these plans, or for not more than 5 years after that reimbursement is completed. In either case, the LBRF funding is in addition to any developer reimbursement.

An example of the utility of the LBRF is the Legacy Project at Hamlin and Adams Road. The approved Brownfield Plan and 381 Work Plan include capture for a LBRF, if established, at 3% per year during the developer reimbursement for an estimated total of $2,158,823 over 24 years. As indicated in my review of the proposed modifications to the project's 381 Work Plan (memo dated April 16, 2021), "one of the assumptions of the incentives program is that since Parcel B will not generate meaningful incremental taxes, reimbursement for eligible activities on Parcel B must be funded from incremental taxes on Parcel A". However, reimbursement to the developer for eligible expenses will end after 24 years, and, although the developer will maintain responsibility for operation and maintenance on Parcel B, in the absence of an LBRF there is no mechanism to fund operation and maintenance, should that be necessary. With the establishment of an LBRF, the captured incremental taxes could fund operation and maintenance on Parcel B for 89 years (at the assumed amount of $24,000 per year).

If you have any further questions regarding the information provided in this memo please do not hesitate to contact me at 810.599.5463 or twacker@asti-env.com.