

# Brownfield Redevelopment

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# Brownfield Redevelopment

- Background
- Research
- Preliminary Findings



# Background

- Developers and investors seek risk/reward balance.
- Developers perceive older built-up cities to be higher cost and higher risk than greenfields.
- The presence of contaminants increases risk and perception of risk.



## Background (cont.)

- Michigan pioneered innovative approach.
  - Baseline to limit new owner liability (BEA).
  - Clean-to-future-use concept (mitigate & cap).
  - Due care plan to control future adverse effect.
  - Grants and loans to help make brownfield competitive with greenfields.
  - Tax credits to promote development.
  - TIF with school millage to mollify public and private costs of brownfield redevelopment.



# Preliminary Findings

- **State-wide Program Success?**  
(community perspective)
- Program Changes? (community perspective)
- Why Some Community are More Active ?  
(research findings)



# Program Success

- Most communities see the Michigan brownfield program as **good for local communities**, but have many suggestions for small changes.
- Individual communities define and implement the program and define success in very different ways.



# Most Important Reasons for (Components of) State-wide Program Success

(from community perspective)

- Limited landowner/developer **liability**. (BEA Process and Due Care Plans)
- Financing mechanisms to “**level playing field** with greenfields”
- ‘Message’ sent to development community that old industrial cities are in play and offer **opportunities**.



# Program Success

- Most communities see the Michigan brownfield program as good for local communities, but have many suggestions for small changes.
- Individual communities define and implement the program and define success in very **different** ways.



# Differences?

- **Public Health vs. Economic Development?**
- Varied use of incentives & other components by community.
- Differing goals of the local program



# Is the program an **Economic Development** or **Public Health Program**?

- > 90 % **Economic development** program that results in some clean-up and mitigation of public health risks.
- < 10 % A public health program that is a prerequisite for economic development in older communities.



# Differences?

- Public health vs. economic development?
- **Community use of incentives & other components.**
- Goals of the local program



# Use of Incentive and other Components

## The Tool Box

- Communities view the Michigan brownfield program, not as a coherent program, but as a variety of economic development tools ready to be used when appropriate.
- Which tools do they use.



# Use of Incentive and other Components

## The Tool Box

Which tools do they use:

- Clean Michigan Grant
- SBT/MBT Credit
- State Funded Sites
- US-EPA Assessment Grants
  
- State Approved Brownfield TIF
- Clean Michigan Loan
- EPA-OPA and other Clean-UP



# Use of Incentive and other Components

## The Tool Box

Which non-brownfield tools do they use in brownfield projects:

- DDA TIF
- Private Foundation Funding
- Cool Cities Grant
- Property Tax Abatements
- Tax-Exempt Bonds
- Renaissance Zone
- CDBG



# Use of Incentive and other Components The Tool Box (cont.)

Which non-brownfield tools do they use in brownfield projects:

- Historic Tax Credits
- LIHTC
- Local Revolving Loan Funds
- US-EDA Grants
- MSHDA (non-LIHTC)
- LDFA
  
- New Market Credits
- General Funds (cash, non-personnel)
- MDOT
- USDOT



# Differences?

- Public Health vs. Economic Development?
- Community use of incentives & other components.
- **Goals** of the local program



## Local Goals

# Primary Focus of Activities

- 100% Old and/or Historic **Downtowns**
- In addition,
  - Nearly all had some activity in outlying **industrial** areas.
  - Nearly all had engaged in some **housing** efforts, generally focused on repopulating downtown.

(above based on # of projects and emphasis, not necessarily \$ amounts.)



## Local Goals

# Environmental Future

- Communities expressed little emphasis on monitoring **due care plans**, leaving that responsibility to DEQ.
- Exception-
  - One community does due care plans for the developers and attempts to “education them of their importance.”
  - One community finances 10 and 20 year reassessments indirectly with TIF funds.



# Preliminary Conclusions

- State-wide Program Success? (community perspective)
- **Program Changes?** (community perspective)
- Why Some Community are More Active ?



# Changes?

(community perspective)

- Other than wanting more grant money:
- Most communities suggested more flexibility in the use of administrative funds.
  - \$75,000 limit funds
  - LSRRF
  - Ability to use funds to **acquire sites.**



# Why More Flex to Acquire Sites?

- **Site Quality** -->
- **Site Location** -->



# Site Quality

- Most BRAs only get control of property through
  - A) public gift (abandoned prison, mental health ward, military base)
  - B) tax reversion.
- “You cannot succeed if all you ever get is the dregs.”



# Why More Flex to Acquire Sites?

- Site Quality -->
- Site Location -->



## Site Location

- “Need ability to concentrate energy and investment. Establish a critical mass in one location (such as all the property in a two block area). This is critical to establishing momentum and reach a tipping point.”
- Without property acquisition funds, the redeveloped streetscape is “always full of holes.”



# Preliminary Findings

- State-wide Program Success? (community perspective)
- Program Changes? (community perspective)
- **Why Some Community Are More Active?**



# Community Success

- Why are some communities very active?
  - **Champion.**
  - Community political culture.
  - Community administrative culture.
  - Land values.



# Community Success Champion

- Very active communities typically have one persons in charge of the brownfield program who are intense, persistent, creative multi-tasker who enjoys doing deals and watching improvements built as a result of the efforts made.
- AN ENTREPRENEURIAL PUBLIC DEVELOPER



# Community Success Champion

- These characteristics are important because these project deals are **complicated**, require a great deal of multi-stakeholder **trust**, take a long **time** to put together and will quickly fall apart if someone is not always **riding herd**.
- And, the public developer must manage several projects at once and keep everyone's perception of the **risk/reward ratio in balance**.



# Community Success

- Why are some communities very active?
  - Champion.
  - **Community political culture.**
  - Community administrative culture.
  - Land values.



## Community Success

# Political Environment

- In active communities the general public accepts that the community will be actively involved in promoting its own destiny, including buying property and giving incentives to private businesses.
- Aside:
  - All but one of the interviewed communities said that the political climate for the brownfield program is **changing for the worse**.



# Community Success

- Why are some communities very active?
  - Champion.
  - Community political culture.
  - **Community administrative culture.**
  - Land values.



## Community Success

# Administrative Environment

- In communities that have active brownfield programs:
  - Relevant agencies and organizations cooperate.
  - Political leaders, particularly the mayor or city manager will give political cover to the PUBLIC ENTREPRENEUR, the BRA director.



# Community Success

- Why are some communities very active?
  - Champion.
  - Community political culture.
  - Community administrative culture.
  - **Land values.**



# Community Success

## Land Values

- Brownfield redevelopment projects are happening most often in places with higher land values such as:
  - Waterfronts (rivers and lakes)
  - Next to universities
  - In and around a reviving or thriving downtowns



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