REAL ESTATE DEVELOPMENT AND REUSE

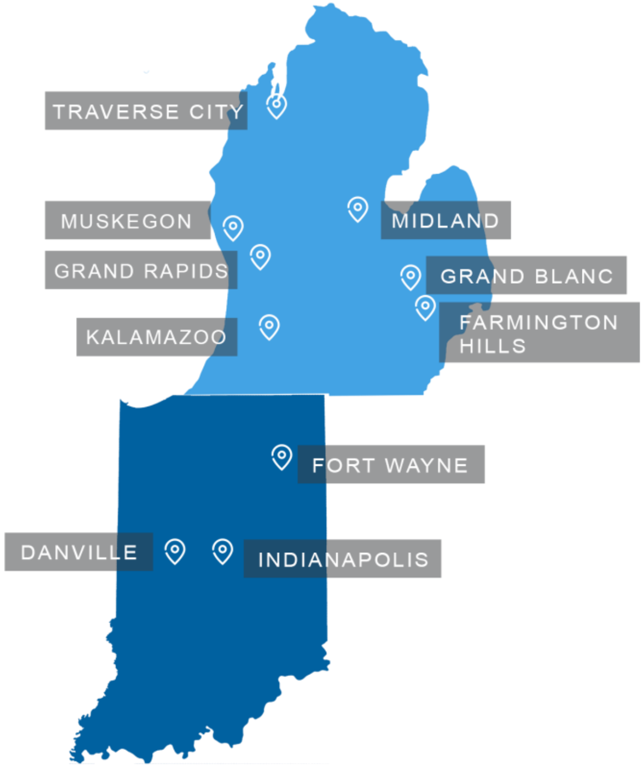
Samantha Mariuz, Economic Development Project Manager, Fleis & VandenBrink

FLEIS&VANDENBRINK
DESIGN. BUILD. OPERATE.

INTRODUCTION

FULL-SERVICE FIRM

- Civil/Municipal Engineering
- Water & Wastewater Engineering
  - » Water Systems Engineering
  - » Water & Wastewater Treatment
- Environmental Engineering
- Site Development & Enhancement
  - » Architectural Design
  - » Landscape Architecture
- Survey/GIS
- Construction Engineering
- Transportation Engineering
- Traffic Engineering
- Structural Engineering
- Specialty Services
  - » Asset Management Services
  - » Underwater Dive Inspection
  - » Project Funding & Financing



INTRODUCTION

- **Education**
  - Oakland University, Bachelor of Arts – Political Science
  - Wayne State University – Master of Public Administration
- **Active Private Development Clients**
  - Trowbridge Development – Elmira, Oxford & Gaylord, Clawson Housing Development, Ferndale Public Private Partnership Development, Oshtemo Township Housing Development
- **Current Communities Served**
  - Northville Township, Zeeland, City of Northville, Shiawassee County, Allegan, Keego Harbor, Village of Peck, Kentwood, Otsego County, Tecumseh, Big Rapids, Village of Baldwin, St. Joseph, Westland, Montrose, Sandusky, Mt. Clemens, Eaton Rapids, Crystal Township DDA, Buchanan, Marlette DDA, Eaton County, Isabella County, Osceola County, Clare County, Lapeer, Imlay City, Lapeer County, Fennville, Kent County

TODAY'S ROADMAP

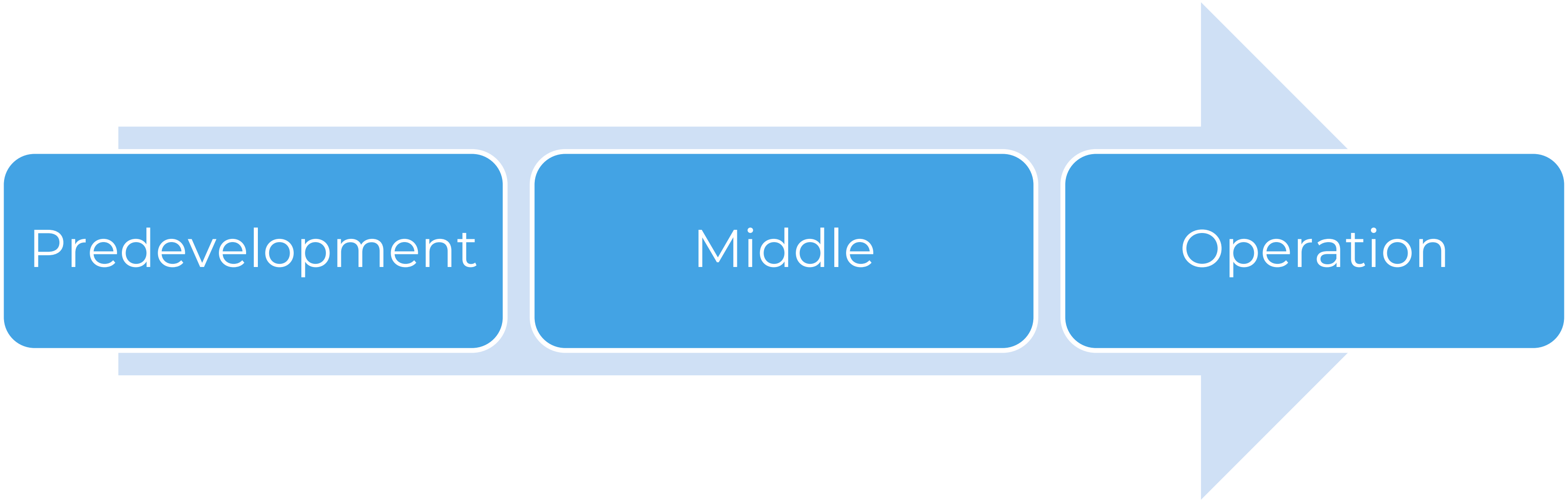
F&V

1	Land Development Process What is a Brownfield Overview of Available Incentives Proforma & Gap Analysis
2	Proforma & Gap Analysis Structuring Incentives & Financing Package
3	Case Studies

LAND DEVELOPMENT PROCESS

Identify Opportunity	• Understanding the market
Evaluate Risks & Benefit	• Environmental Due Diligence • Preliminary financial feasibility analysis
Deal Structuring	• Full financial feasibility analysis • Gap determination • Securing financing & incentives
Construction	• Vertical construction or rehabilitation • Marketing & pre-leasing
Future	• Stabilization • Property management

REDEVELOPMENT STAGES



1. PREDEVELOPMENT

- Market analysis and feasibility studies
- Land/building acquisition/options
- Due Diligence
- Surveys
- Site Plans and building plans
- Permitting
- Obtaining construction financing

2. MIDDLE STAGE

- Vertical construction or rehabilitation
- Project marketing
- Use of construction financing
- Pre-leasing
- Arrangements for property management

3. OPERATIONS

- Continue marketing and leasing
- Finding a buyer or hold strategy
- Property management
- Getting to stabilization – permanent or long-term financing

DUE DILIGENCE – EVALUATING RISKS

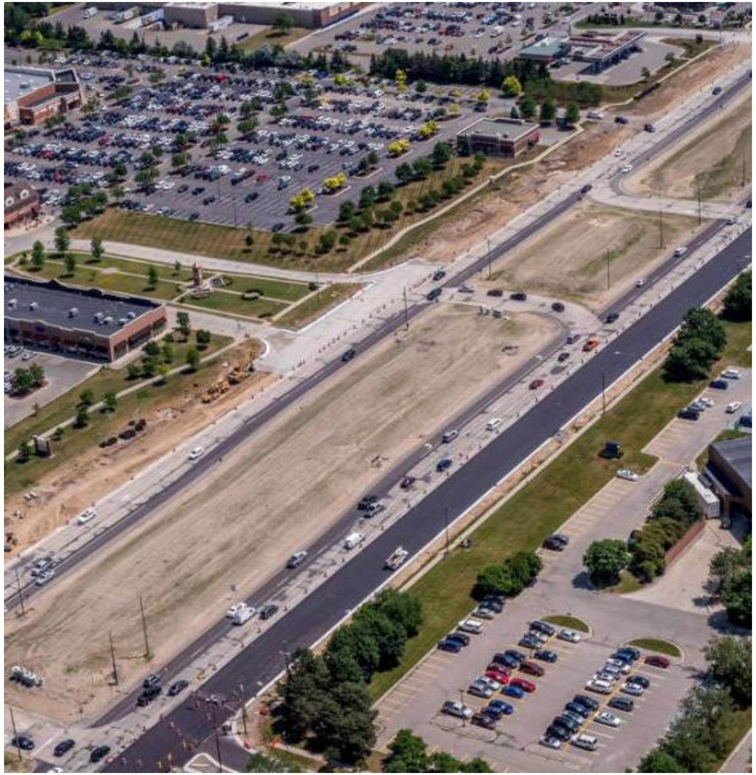
- Environmental Due Diligence
- Geotechnical Evaluation
- Asbestos Survey

ENVIRONMENTAL DUE DILIGENCE

- Phase I Environmental Site Assessment (ESA)
  - Historical review
- Phase II ESA
  - Soil and groundwater investigation
  - Soil gas/vapor intrusion investigation
- Baseline Environmental Assessment (BEA)
  - Liability protection & risk assessment

PHASE I ESA

- **<u>First Step</u>**
- Recognized environmental Conditions (RECs)
  - Yes or no?



PHASE II ESA

- **<u>Second Step (if RECs)</u>**
- Collection of soil, groundwater, soil gas, sub-slab vapor samples, indoor air
- Laboratory analysis of samples
- Geophysical methods for Underground Storage Tanks (UST)
- Report
  - » Documentation and analysis of findings, recommendations

BEA & DUE CARE

- Demonstrates that at the time the property was purchased or occupied, it was contaminated
- Conducted for the owner and occupant of a “facility”
- Must be conducted within 45 days of property purchase, occupancy, or foreclosure
- Required to disclose to EGLE within 6 months

PRELIMINARY FINANCIAL FEASIBILITY ANALYSIS

F&V

HIGH CONSTRUCTION COSTS

LOW RENTS

BROWNFIELD

BROWNFIELD REDEVELOPMENT

PA 381 of 1996

BROWNFIELD REDEVELOPMENT – A COMMUNITY ASSET

BROWNFIELD REDEVELOPMENT AUTHORITY (BRA)

- A Brownfield Redevelopment Authority (BRA) is created and appointed by a county, city, village or township and is responsible for developing Brownfield Plan.

- A BRA can prepare a property for redevelopment by conducting an environmental assessment or initiating other response activities.

VALUE OF BRA

Administrative Capture

- Capture during the duration of a Brownfield Plan for administration of BRA

Local Brownfield Revolving Fund (LBRF)

- Site Assessment
- Grants
- Loans

BROWNFIELD REDEVELOPMENT – AN INCENTIVE TOOL

HOW THE PROPERTY QUALIFIES FOR BROWNFIELD TIF




ELIGIBLE PROPERTY

Contaminated, functionally obsolete, blighted, historic resource, adjacent and contiguous, tax reverted or land bank owned, transit-oriented, **housing property**

WHY BROWNFIELD MATTERS

- Addressing environmental contamination
- Housing shortage + aging building stock
- Infrastructure gaps
- Site readiness challenges
- Cost gap realities

WHY HOUSING?

Initial Shortage: Housing Deficit of approximately 190,000 units

Progress Made: 50,000 units built or renovated, reducing the shortage of around 141,000 units

Goals: Michigan increased its housing goal by 53%, aiming to build or renovate 115,000 units by 2027

Challenges: 30% increase in construction costs over the last ten years 20% since 2020 alone, rising interest rates and stagnant opportunities for Missing Middle Housing

BROWNFIELDS

Facilitate the revitalization, redevelopment, and reuse of contaminated, blighted, functionally obsolete, tax reverted, or historic property.

BROWNFIELD REDEVELOPMENT

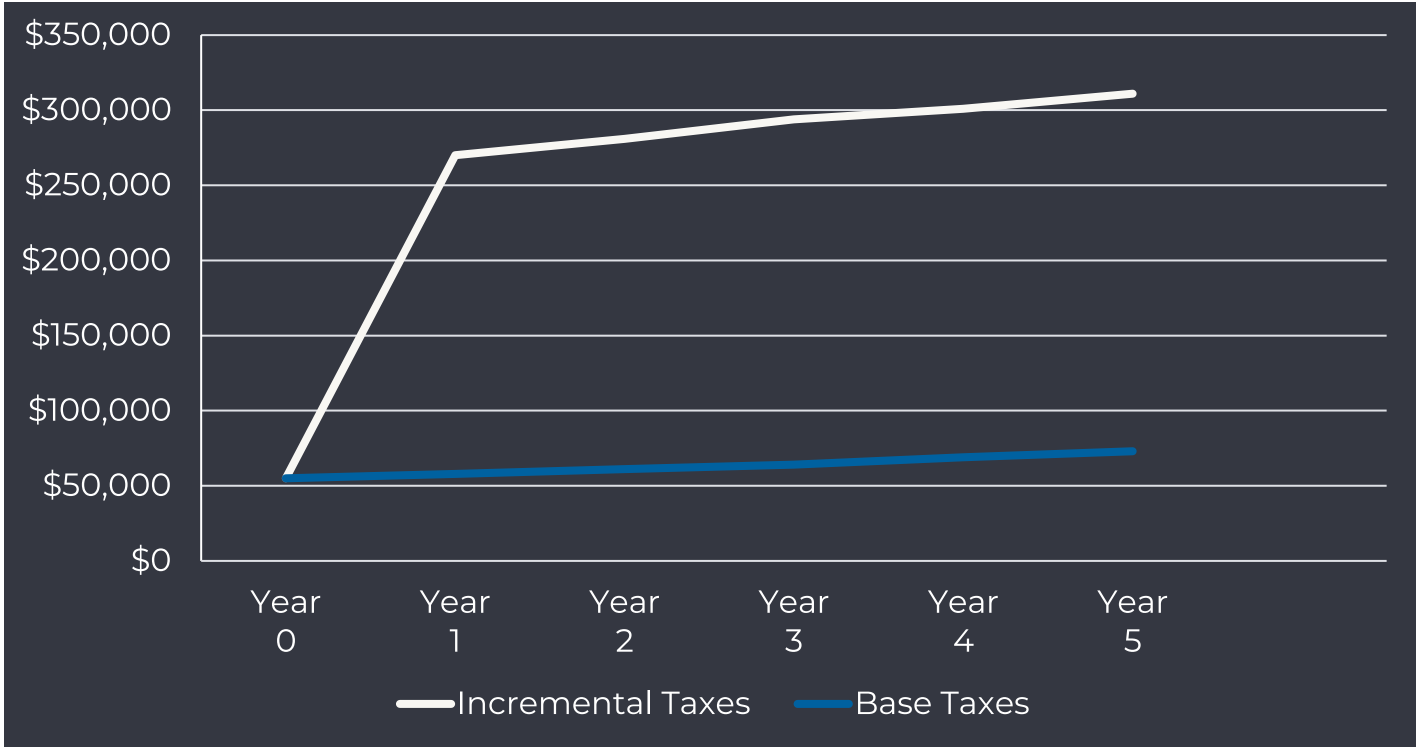
- BRA may use TIF to help redevelop eligible brownfield properties identified in a Brownfield Plan

- BRA and local governing body have jurisdiction of the use of taxes for TIF

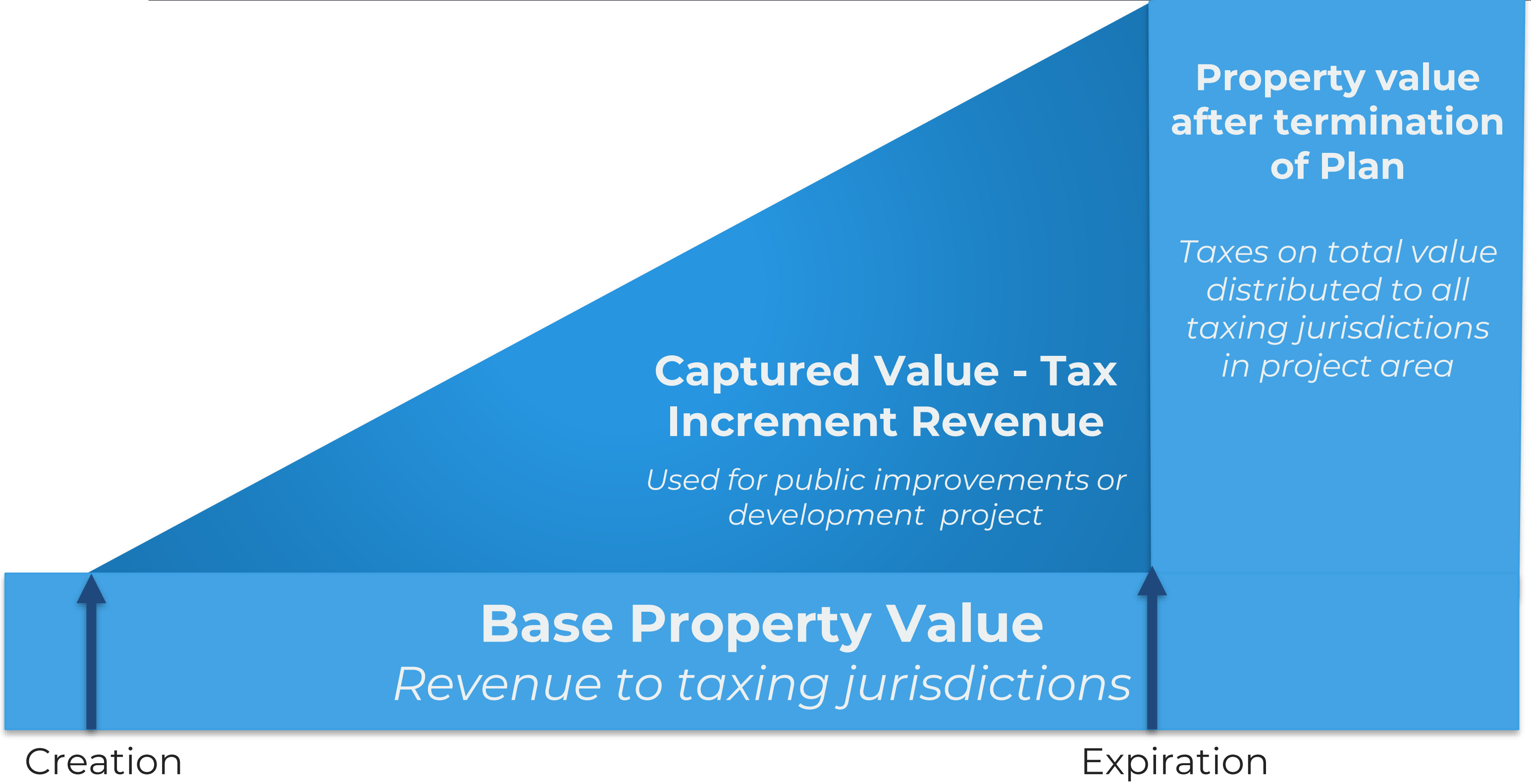
ELIGIBLE ACTIVITIES

Environmental	Department Specific Activities -Baseline Environmental Assessments -Due Care Activities -Response Activities	EGLE
Non-Environmental	Demolition Abatement Site Preparation* Public Infrastructure* Some Private Infrastructure	MEDC
Housing	Infrastructure Site Preparation Demolition and renovation of existing buildings Temporary relocation costs Acquisition costs Gap Financing	MSHDA

TAX INCREMENT FINANCING



THE VALUE OF TIF



BROWNFIELD TIF REIMBURSEMENT

- Brownfield Plan – maximum amount
- Act 381 Work Plan – State and school taxes
- Reimbursement based on actual cost of eligible activity and availability of TIF
- Incentive for the developer to complete the project
- Very limited risk to the community

FEDERAL GRANTS & LOANS

- USEPA Assessment Grants
- USEPA Revolving Loan Fund Grants
- USDA Rural Economic Development Loans and Grants

STATE GRANTS & LOANS

EGLE

MICHIGAN DEPARTMENT OF ENVIRONMENT, GREAT LAKES, AND ENERGY

MEDC

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MSHDA™

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

LOCAL GRANTS AND LOANS

OTHER PROGRAMS

- Historic Tax Credits
- New Market Tax Credits
- Municipal Bonding
- PACE Equity
- Opportunity Zones

DEVELOPMENT INCENTIVES

INCENTIVES FOR REDEVELOPMENT PROJECTS THAT…

- **Create Affordable Housing**
- Create Jobs
- Promote Infill Development
- Remove Blight
- Preserve Historic Resources
- Improve Rail Infrastructure
- **Remediate Contamination**
- Incorporate Green Infrastructure
- Adaptive Reuse of Buildings
- Support Planning Initiatives
- **Build New Public Infrastructure**
- Expand Existing Businesses
- Attract New Business

TAX ABATEMENTS

- Public Act 210 Commercial Rehabilitation Act
- Public Act 198 Industrial Facilities Exemption
- Public Act 146 Obsolete Property Rehabilitation Act
- Public Act 147 Neighborhood Enterprise Zone
- *Public Act 255 Commercial Redevelopment Act & Public Act 210 Commercial Rehabilitation Act*

PA 146 OF 2002

- Obsolete Property Rehabilitation Act (OPRA)

Eligible Property	Qualifications	Abatement Type
• Contaminated, blighted or functionally obsolete	• Commercial Rehabilitation • Including rental residential	• Freezes local property taxes up to 12 years • 50% School tax abatement up to six years

PA 198 OF 1974

- Industrial Properties Exemption Certificate

Eligible Property	Qualifications	Abatement Type
• Industrial or high-technology operations	• Industrial Plants that primarily manufacture goods or materials by physical or chemical change	• Spec: cuts mill rates in half for up to 12 years, other than SET • Rehab./Replace: freezes local and state taxes for up to 12 years

REDEVELOPMENT ASSISTANCE

- Fill financial gaps associated with redevelopment project
- Provide community benefits
- Incentives used to bring projects to completion
- Overall goal is to level the playing field and not over-incentivize projects

PART 1
Q & A

PROFORMA & GAP ANALYSIS

What We Know

Preliminary environmental

Asbestos & Haz Mat

Geotechnical

General market conditions

Project concept plan

What We Don't Know

Project Partners

Supplemental Environmental

Real Costs

True Financial Feasibility

Possible Incentives

Actual Market Conditions

Final Site Plan

IDENTIFYING PROJECT PARTNERS

F&V

EGLE
MICHIGAN DEPARTMENT OF ENVIRONMENT, GREAT LAKES, AND ENERGY

TUSCOLA ECONOMIC DEVELOPMENT CORP

DEGC

kinexus
ECONOMY • WORKFORCE • COMMUNITY

THE RIGHT PLACE
Advancing the West Michigan Economy

SEDP
Shiawassee Economic Development Partnership

saginaw FUTURE

MIDDLE MICHIGAN DEVELOPMENT CORPORATION

LEAP
stronger together

INVESTUP™

MICHIGAN ASSOCIATION OF LANDBANKS

MEDC
MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

edc
HURON COUNTY

GAP ANALYSIS: FINANCIAL PROFORMA

Inputs

Revenue

Operating Expenses

Sources (capital stack)

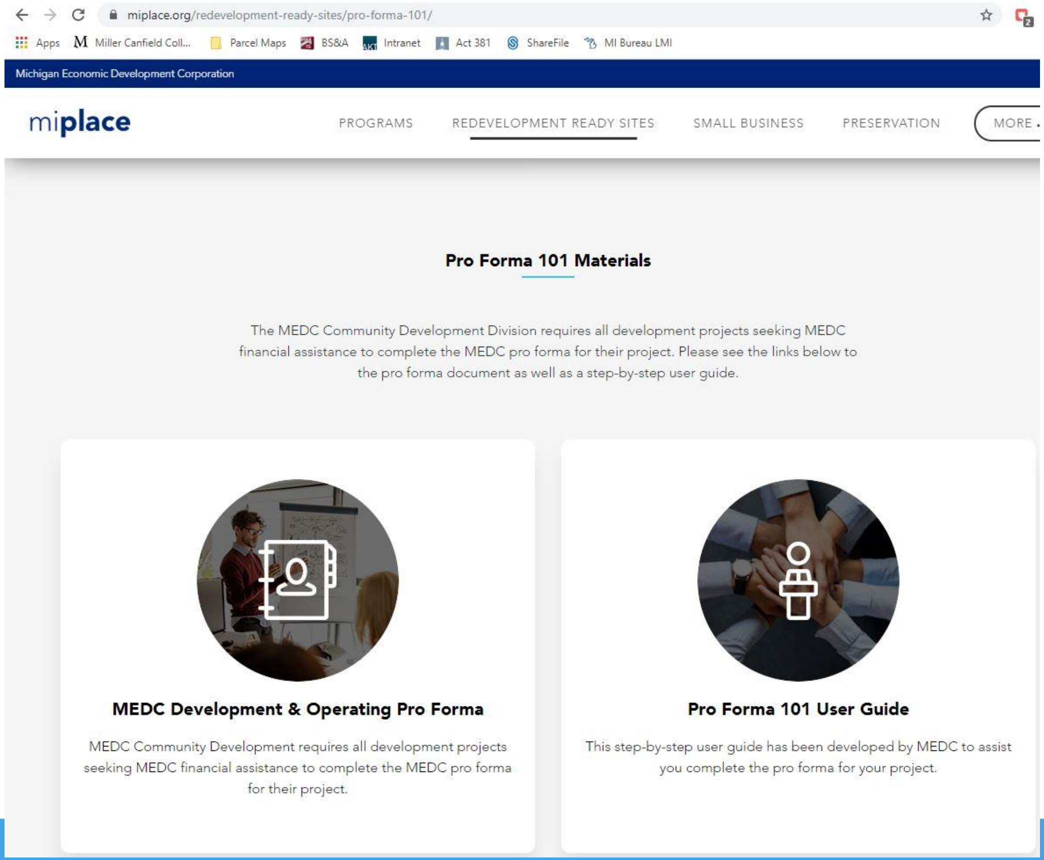
Uses (costs)

Metrics

DSCR

IRR

THE MEDC TEMPLATE



COMMUNITY IMPACT

LOCAL IMPACT

Support	Enhance	Capture	Attract	Grow
Support community goals and programs	Enhance economic vitality	Capture external taxes for public purposes	Attract new redevelopment projects	Grow and diversity the tax base

CASE STUDY #1

Uptown Bay City

UPTOWN BAY CITY

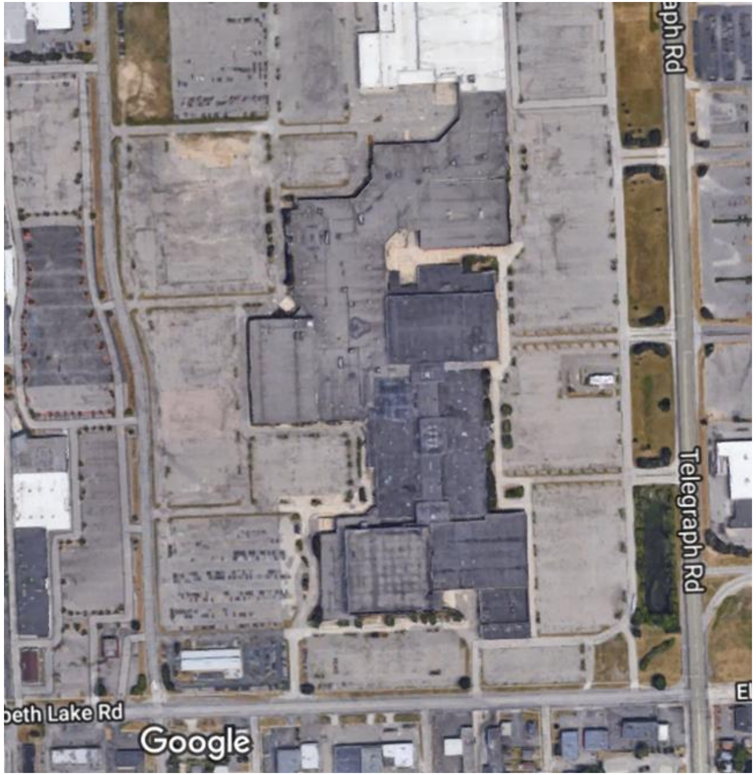
https://www.youtube.com/watch?v=ezv05-Jway8

CASE STUDY #2

Summit Place Mall

FORMER SUMMIT PLACE MALL

- Waterford Township
- 96 Acres
- 5 Parcels



EVALUATING RISKS

- Obsolete, 1.3 million square foot mall
- Abandoned for 10+ years
- Mold & Asbestos
- Soil Contamination
- Little Jennie the Elephant

yourself.

Elephant Buried At Pontiac Mall

PONTIAC, Mich. (AP) -- Little Jenny, an 8,000-pound elephant which costarred with Elizabeth Taylor in the movie "Elephant Walk," now lies buried outside the Pontiac Mall shopping center.

The 60-year-old beast quietly slumped to the ground and died Friday. The death left circus and mall officials in a quandary over what to do with the carcass.

Finally, after threats from the police and consultations with the mall owners, it was agreed to bury Jenny on the spot.

THE OPPORTUNITY

ARI·EL JLL

POTENTIAL PROPERTY USAGE

DISTRIBUTION CENTER

ENGINEERING FLEX SPACE

IDENTIFYING PROJECT PARTNERS

- Township of Waterford
- Oakland County
- Michigan Economic Development Corporation (MEDC)
- Ari-El Enterprises

DEAL STRUCTURING

F&V

$63 million total project investment

- Oakland County EPA Assessment Grant
- Commercial Rehab. Tax Abatement
- Brownfield TIF

THE OAKLAND PRESS

FEATURED

Ground breaks on new business park as Summit Place Mall meets wrecking ball

By Natalie Broda nbroda@medianewsgroup.com; @NatalieBroda on Twitter May 7, 2019
Comments

WIN – WIN – WIN SCENARIO

CASE STUDY #3

Detroit Food Commons

DETROIT FOOD COMMONS

- PA 210 Abatement
- Brownfield TIF
- EPA RLF Grant
- MEDC Community Revitalization Program Grant

PROJECT NOTES

- Current Taxable Value: $9,482
- Capital Investment: $19 Million
- Estimated New Taxable Value: $2,775,775
- Incremental Difference: $2,746,293
- Base Value for Abatement: $115,500
  - » Estimated at 35% of property acquisition cost

PA 210 ABATEMENT

- Freezes local property taxes up to ten years. Taxes still levied on School Operating and State Education Tax (SET)
- Incremental Difference – Abatement Value * Local Millage Rate = Abatement Value
- Year 1 Abatement Value: $167,372
- Abatement Value over 10 years: <u>$1,754,752</u>

BROWNFIELD TIF

- Taxes available from School Operating and State Education Tax in years 1 – 10 to repay Brownfield eligible expenses
- Average Annual TIF Repaid to Developer: $78,588

US EPA RLF GRANT

- Detroit Wayne County Port Authority US EPA RLF Grant of up to $300,000 to support Due Care Related Activities

STATE SUPPORT

- MSF/MEDC Act 381 Work Plan support with State Tax Capture
- EGLE Eligible Expenses and support with State Tax Capture for Environmental Activities
- MEDC Community Revitalization Program Grant

ADDITIONAL PROJECT CONSIDERATIONS

- New Market Tax Credits
- Detroit Land Bank Owner Properties
- Private Donations and Partnership with Not-for-profit entity

THE ROLE OF THE ECONOMIC DEVELOPER

- Interpreter
- Advocate
- Project Manager

Create opportunities for successful redevelopment by knowing the players in your community

CASE STUDY #4

Northville Township

LEGACY PARK

- Former Northville State Psychiatric Hospital
  - » Approximately 350 acres
  - » vacant for roughly 20 years.
- Proactively address those conditions rather than wait for conventional private development to solve the problem.
- The Township authorized a $12 million bond to advance demolition and site restoration.
  - » Created the foundation for long-term redevelopment, recreation, and reuse.

PUBLIC-PRIVATE PARTNERSHIP (PPP)

- **Northville Township**
  - Acquired and controlled the property
  - Established the Brownfield TIF structure
  - Issued municipal bonds for demolition and environmental work
- **REI Investment Group**
  - Retained and developed 82 acres at Seven Mile and Haggerty.
  - **Taxes generated from private investment provide Brownfield TIF Revenue to repay Township bonds.**

PRIVATE INVESTMENT TO FUND PUBLIC REDEVELOPMENT

F&V

Private Development → Increased Taxable Value → Brownfield TIF → Bond Repayment → Cleanup & Redevelopment

MAXIMIZING THE INVESTMENT

- Initial plan anticipated demolition of only 5 remaining buildings.
- Competitive bids allowed the Township to demolish 12 buildings and preserve one for reuse.
- More than 9,000 cubic yards of materials were recycled or reused.
- Approximately 2,000 cubic yards were retained for future trail construction.
- Building 14 was preserved for adaptive reuse

PPP REDEVELOPMENT LESSON

Legacy Park demonstrates how public-private partnerships can unlock challenging real estate

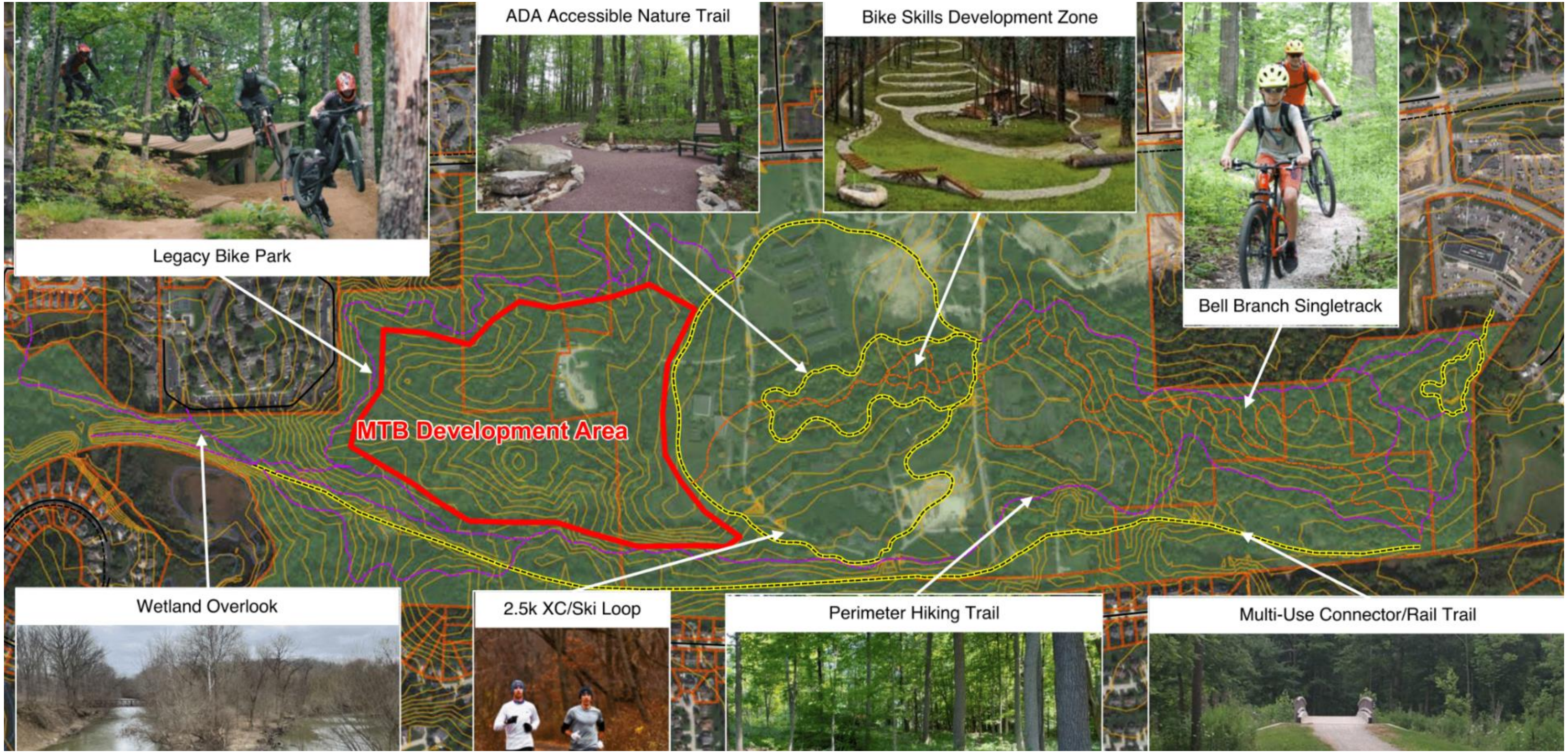
- Private development generates economic value
- TIF captures a portion of that value
- Public investment removes redevelopment barriers
- Strategic reuse preserves existing assets

7 MILE AND HAGGERTY PRIVATE INVESTMENT

- University of Michigan Health Center
- Granite City Brewery
- Red Olive
- Trader Joes
- Cooper Standard
- University of Michigan Credit Union
- ...among many others

PARK MASTER PLAN

PARK TRAIL SYSTEM



EMERGENCY SERVICES COMPLEX

F&V

Q & A

Thank you!

Contact Information:
smariuz@fveng.com
248.224.0305