



CITY COUNCIL REPORT

DATE: April 24, 2009

TO: John Szerlag, Acting City Manager

FROM: John M. Lamerato, Assistant City Manager/Finance & Administration
 Brian P. Murphy, Assistant City Manager/Economic Development Services
 Nino Licari, City Assessor
 James A. Nash, Financial Services Director
 Mark F. Miller, Planning Director

SUBJECT: Brownfield Redevelopment Authority - Mid Town Square Brownfield Plan-Local Site
 Remediation Revolving Fund

Background

In preparation of the April 21, 2009 Brownfield Redevelopment Authority meeting City Management developed a proposed 2009/10 budget. Due to attendance issues the meeting was re-scheduled to May 5, 2009. In addition, the Remediation Revolving Fund generated from the Mid Town Brownfield has grown to \$1,903,199. In 2008/09 the amount budgeted was \$856,000 and projected to increase in 2009/2010 to \$1,732,402, due to the capture of special millage according to state law. These captured tax revenues are accumulated after the "eligible expenditures" were reimbursed to Grand/Sakwa. The Mid Town Square brownfield will dedicate captured tax revenues to a Revolving Loan Fund until December 31, 2012. There is very little interest from the development community to utilize this Revolving Loan Fund. It appears that the current Revolving Loan Fund balance will be sufficient for future Revolving Fund demand.

Conclusion

City Management will recommend to the Brownfield Redevelopment Authority the elimination of the tax capture from the Mid Town Square brownfield that provides revenue for the Revolving Loan Fund. It is estimated that \$1.7 million would be distributed to the taxing jurisdictions, whose funds are currently "captured" (city share \$392,000). City Management will proceed with the process of eliminating the future tax capture dedicated for the Revolving Loan Fund. In terms of methodology, the 2009/10 budget and resolution would first have to be endorsed by the Brownfield Redevelopment Authority and then advanced to City Council for final approval/disapproval.

Attachment: Local Site Remediation Revolving Fund Information Sheet

Cc: Lori Grigg Bluhm, City Attorney
 Brownfield Redevelopment Authority

Prepared by MFM

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Local Site Remediation Revolving Fund

The Troy Brownfield Redevelopment Authority established a Site Remediation Revolving Fund to further promote the redevelopment of Brownfield sites located in the City of Troy. The Authority established the following terms and conditions to the Revolving Loan Fund in October 2006:

1. No grants shall be provided to an entity. Moneys in the BRA Local Site Remediation Revolving fund are limited to loans, where there is sufficient funds to insure repayment of the loans.
2. The tax increment financing shall be collected only for a maximum period of five years after the time that the tax increment revenues are equal to the amount of eligible expenses paid, pursuant to an approved brownfield plan.
3. Loan proceeds can only be used for eligible expenses for eligible properties, as defined within the Brownfield Redevelopment Authority Act.
4. An application should be submitted for any request for a loan. The application must detail the site assessment activities completed to date. The application must also describe the overall Brownfield project, and how the loan funding would advance the project goals.
5. Complete applications must either be approved or denied within 90 days of the date of submission to the Authority, unless a longer time is agreed to by the applicant and the BRA.
6. All applicants must have completed Phase I and Phase II site assessment in order to qualify for a revolving loan fund. The fund may not be used to complete a Phase I and Phase II site assessment.
7. A Loan Agreement shall be executed prior to the payment of any loan from the fund.
8. The interest in the loan shall not exceed the interest rate collected by the City in special assessments.
9. The extent of the applicant's contribution to environmental contamination on the property will be considered. A property that is subject to a unilateral administrative order, consent or judicial decree under CERCLA shall not qualify for a revolving loan fund.
10. Each loan shall not exceed \$1,000,000.
11. The repayment term for each loan shall not exceed 7 years absent extraordinary circumstances.
12. The total amount of loans and grants received shall not be more than 100% of the total approved environmental project costs.

13. An amount not exceeding 10% of the total loan can be used for administrative purposes, including but not limited to attorney fees, permit fees, BEA fees.
14. In multi-phase projects, loans should be distributed only on a phase-by-phase basis.
15. Tax increment financing from an approved BRA Plan can be used to repay the revolving loan funds.
16. The BRA shall be afforded flexibility in the approval of collateral for the loan. Acceptable collateral can include security interest in accounts, liens on property, and/or personal guarantees, as long as the BRA is satisfied that the collateral is sufficient to insure payment of the loan.
17. The loan applicants shall be the owners of the property or persons with a substantial interest in the property where a brownfield is located.
18. The loan applicants shall disclose whether they are currently or have in the past, subject to any penalties resulting from environmental non-compliance.
19. In the event of a default, there shall be reasonable efforts to enforce the terms of the loan agreement, as permitted by law. The choice of remedies are at the option of the BRA, and include but are not limited to: charging a penalty; proceeding against the assets pledged as collateral to cover losses to the loan; placing a lien on the property, and also recovering court costs and attorney fees necessarily incurred in enforcing the terms of the loan agreement.
20. The applicant must be compliant with federal, state, and local laws, and shall also be compliant with any court order, consent decree, or similar governing documents.
21. The loan recipients shall retain financial records including federal tax returns for a period of at least 3 years after repayment. These records shall document the use of the loan funds.
22. In accordance with the provisions of the City Charter, any BRA member or City officer or employee shall disclose and recuse themselves if they have any significant financial interest in, or benefit from, brownfield activities associated with the loan.
23. Loan applications must be current with all federal, state, and local tax obligations.
24. The MDEQ must approve a loan application where school tax increments are going to be used to fund eligible activities.
25. The school tax increment should be segregated from all other moneys received.

Attached is a copy of the Site Remediation Revolving Fund Application. Please submit a completed application to the Brownfield Redevelopment Authority at:

Mark Miller, Secretary
Troy Brownfield Redevelopment Authority
500 West Big Beaver
Troy, Michigan 48084