

## Brownfiled tax credit backers fight to preserve key elements of Michigan program

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By **The Associated Press**

DETROIT — Urban development experts and local officials are quietly trying to preserve key elements of what they consider the most important economic program for rebuilding Michigan's struggling cities, a tax credit for redeveloping areas that at one time contained shuttered factories or old industrial sites.

There's a lot of nervousness as the developers of projects such as Presbyterian Villages of Michigan wait to see what lawmakers will do. Those backing Presbyterian Villages are trying to put the finishing touches on the financial pieces needed to create the \$38 million redevelopment project in a Detroit neighborhood that would provide housing, health care and other community services for the elderly.



AP Photo

A vacant warehouse is shown in Detroit on Thursday, April 21, 2011. Presbyterian Villages of Michigan soon hopes to put all the financial pieces together on the building and the lot in a large redevelopment project that would provide housing, health care and other community services for the elderly.

As the closing date approaches for putting the 17 financial layers together, Gov. Rick Snyder's proposals to scuttle business tax credits for brownfield redevelopment, historic renovation and other improvements are causing concern.

"Everyone's kind of standing and waiting," said Brian Carnaghi, Presbyterian Villages' senior vice president of finance and business development. "This one is a little bit out of our control."

Snyder's proposed changes are still being debated in the budget process. He says businesses will be better served if the state switches to a 6 percent corporate income tax on corporations with shareholders rather than having so many costly incentive programs that don't always yield jobs. He has said some tax credits

might be allowed, but hasn't indicated that he backs tax credits for completed projects that have redeveloped blighted, obsolete or contaminated sites.

State officials say current commitments will be honored, and they plan to work with applicants during the transition phase.

But some urban development experts say the brownfield credit must be kept if economically hard-hit cities are to rebuild.

"If you want to see . . . revitalization of some of our core urban areas, where you have existing infrastructure and old, unused buildings, you have to continue to use tools like this," said John Byl, chair of the Michigan chapter of National Brownfield Association and a Grand Rapids lawyer. "If they simply eliminated the program or minimized it so drastically . . . we would see downtown urban development come to a screeching halt."

Byl, who is working with the Snyder administration on developing a new brownfield program, said he's "cautiously optimistic" that the state can "continue some of the great achievements with the current program."

He said brownfield credits have been crucial to the success of several statewide projects, including restoring the glamorous Book-Cadillac hotel in Detroit, rehabilitating a vacant, 100-year-old high school as Union Square Condominiums in Grand Rapids and redeveloping the former Traverse City State Hospital into a vast residential and retail development called The Village at Grand Traverse Commons.

One issue now being worked out is how much money should be set aside for such credits for brownfield and historic redevelopment. Snyder originally proposed a \$50 million appropriation that would also include Michigan Economic Growth Authority incentives, but he has indicated the amount could be increased to as much as \$100 million.

"He understands the feedback" from local and county economic development leaders, said Michael Finney, president and CEO of the Michigan Economic Development Corp. "It's unclear whether we'll be able to do as many projects as we did in the past, but we're willing to make some movement in the amount of money available."

One imperative, Finney said, is moving away from unlimited credits in a cash-strapped state and dedicating a set amount of money so Michigan is "paying our way."

"There are projects that have been incentivized as high as 80 percent," Finney said. "When it takes that level and there's very little private investment, there's something that's fundamentally wrong."

Finney said Snyder's proposed 6 percent corporate income tax also would benefit many would-be

developers. If lawmakers approve replacing the Michigan Business Tax with the new tax, an estimated 95,000 businesses wouldn't have to file a state business tax return.

"We now have a lower starting point for companies so the need to incentivize them at a really high level is reduced," Finney said.

But Art Papapanos, vice president of board administration for the Detroit Economic Growth Corp., is concerned that many projects on the drawing board in Detroit won't receive state approval for brownfield credits, hurting efforts to redevelop the state's largest city. He can't recall a project during the past decade in the city that hasn't included them.

"You cannot expect (developers) to spend money to on a what-if basis," he said. "I don't know where we'll be in line."

Presbyterian Villages' Detroit project, which this month was among eight to receive approval from the Detroit Brownfield Redevelopment Authority, now is waiting for state economic development officials to give the go-ahead. The project includes \$2.7 million in credits worth about 10 percent of the first phase's cost.

Carnaghi said he hopes the governor and legislators look at how many people are teaming up on the revitalization project in the city's East Jefferson Neighborhood, including Henry Ford Health System and the United Methodist Retirement Communities.

"All the other funders made commitments based on everybody else's commitment," he said. "Everyone is kind of waiting for the brownfield tax credits to arrive."