

Brownfield Plan for 3874 Research Park Drive, Ann Arbor

City of Ann Arbor Brownfield Review Committee

Meeting Date: January 31, 2022

Brownfield Plan Version 9/16/21

Proposed Project:

The petitioner seeks to demolish the existing 27,250 square foot building and construct a 131,300 square foot single-story research and two-story office building in one phase. The new building contains 60,000 square feet of office space and 70,300 square feet of research space.

The project site plan proposes 299 vehicle parking spaces with 150 of these spaces EV-Installed, EV-Capable and EV-Ready. There will be 6 enclosed Class A bicycle parking spaces, 12 Class B and 14 Class C bicycle hoop spaces near the south and east building entrances. A loading dock area and truck well for deliveries will be located at the northeastern corner of the building. The petitioner proposes a solar system providing a 125kw array with approximately 8,350 s.f. of roof mounted panels.

A total of three curb cuts are proposed off Research Park Drive with one off western drive and two off the eastern drive. New five-foot wide public sidewalks will be installed along both Research Park Drive frontages. There are no existing storm water treatment facilities on the site. Based on the total impervious surface proposed for the site, the petitioner is required to provide detention for a 100-year storm. The storm water facilities will consist of an infiltration basin and rain garden.

Proposed Brownfield Plan

The proposed Brownfield Plan seeks both Environmental and Non-Environmental Activity support by tax increment financing reimbursement, totaling \$6,010,626. Under separate action, the petitioner will also be requesting a tax abatement of 12 years, which is presumed as granted in the projections of this draft Brownfield Plan.

The site meets the definition of a “facility” due to the presence of Chromium, mercury, and polychlorinated biphenyls (PCBs) in the soil beyond non-residential use criteria established by the Michigan Department of Environment, Great Lakes, and Energy (EGLE).

In 2019, the City Council adopted the City of Ann Arbor Brownfield Policy, and the proposed Brownfield Plan is reviewed per this policy as follows:

Brownfield Plan Review Criteria

1. Developer-reimbursable Brownfield TIF shall not exceed 20% of overall project investment. This limit does not apply to projects with \$3 million or less in private investment, not including property acquisition costs.

Plan meets this standard. Proposed developer-reimbursable Brownfield TIF is \$6,010,626 (11%) of a total project investment of \$52,586,359. Staff recommends further reductions.

2. Brownfield TIF incentives shall not be reimbursed to (benefit) a Liable Party, nor used to finance brownfield activities that are otherwise the legal responsibility of a Viable Liable Party. Primary Responsible Parties are identified and pursued by the MDEQ.

Plan meets standard. To staff's knowledge, no Liabile party has been established by the Department of Environment, Great Lakes, and Energy (EGLE).

3. If a project includes residential land use, and Non-Environmental Eligible Activities are requested, and is not already paying a Fee in Lieu of providing affordable housing as part of a Planned Unit Development, affordable housing must be included. In those cases at least 15% of the total number of units must be provided to households that earn a maximum of 60% of the Area Median Income, with rents established using MSHDA rents and MSHDA PHA Utility Allowances, for at least 99 years.
 - a. If for-sale residential units are proposed, AMI limits still apply and sales price will be limited to maintain affordability over the required affordability period.

Plan meets standard. The project does not include residential land use.

4. If a project does not include residential land use, and is not already paying a Fee in Lieu as part of a Planned Unit Development, and Non-Environmental Eligible Activities are requested, a payment in lieu of providing the required affordable housing is required. The payment in lieu amount shall be \$50,000 + 2% of the overall private investment, to be reserved by the Brownfield Authority and remitted to the City from first Tax Increment capture available for reimbursement to developer for Eligible Activities.

Plan meets standard. The project is requesting Non-Environmental Activities, and is therefore proposing a payment in lieu of affordable housing of \$1,101,727, based on \$50,000 plus 2% of the \$52,586,359 overall private investment. This is proposed to be paid through Tax Increment Financing Capture, and will be captured by the Washtenaw County Brownfield Redevelopment Authority and remitted to the City prior to any developer reimbursement.

5. If only Environmental Eligible Activities are requested, affordable housing is not required, and the project will generally be supported with the assumption of the inherent benefits of a cleaner environment and protection of public health. The City strongly favors additional remediation beyond minimum required for Due Care and compliance with applicable environmental standards. Examples include remediation beyond property boundaries within adjacent street rights-of-way and properties where such actions will result in meaningful current and/or future protection of public health.

Staff has not performed this review. The scope of environmental activities is minimal, conventional, and will be conducted according to State-established standards.

6. Additionally, Non-Environmental Eligible Activities will only be considered if:
 - i. Total of non-environmental activities does not exceed environmental, unless the project provides affordable housing, or Fee in Lieu, in accordance with #4, above; AND

Plan meets standard. While non-environmental activities are larger than environmental, the Plan proposes Fee-in-Lieu for affordable housing.

- ii. Projects that can demonstrate the project meets MEDC requirements, and the MEDC has given verbal conceptual support for the project. However, projects may be supported that do not qualify for MEDC support, if determined to be a local priority;

Plan meets standard.

AND

iii. A real financial gap in project feasibility can be demonstrated.

The petitioner has demonstrated the costs associated with development in the City of Ann Arbor compared with another site in adjacent community, but has not established a clear gap in financial feasibility due to brownfield conditions.

7. Public Infrastructure Non-Environmental Eligible Activities must demonstrate an area-wide benefit, and not only serve the proposed development. The proposed infrastructure upgrade shall not be an improvement that would otherwise be required to support the development. The City also encourages infrastructure that result in exemplary improvements in energy efficiency.

The Plan does not meet this standard. While some of the proposed Non-Environmental Eligible Activities do have wider benefits, they are not proposed beyond the standards that are required by City Ordinance. The following activities do not provide significant area-wide benefit that would not otherwise be required for the development, and are not recommended for support:

- Public Infrastructure Improvements – Curbs & Gutters, Sidewalks - \$308,903
- Municipal Water Main – Water Main, Hydrants, TS & V; New 12” Water Main Work and Testing; MDOT Road Replacement associated with Water Main - \$658,125
- Stormwater Improvements – Limestone at infiltration basin; infiltration basin live plugs; permeable soil for infiltration basin - \$275,877
- Construction Preparation Activities – Clearing and grubbing, Export Topsoil and excess off site; site grading and land balancing - \$985,300
- Temporary Site Costs - \$402,200
- The Plan should clarify calculations of project soft costs to clarify what proportion is applicable to the supported brownfield activities.

This would result in a reduction of supported non-environmental activities by \$2,630,405. Staff recommends that up to \$1,101,727 be approved in Tax Increment Financing for the **highlighted activities above** as offset for the Affordable Housing contribution, to be captured by the WCBRA. This would also result in the removal of the interest line item.

8. The environmental conditions and/or extraordinary costs associated with urban, infill development prevent a reasonable Return on Investment for the developer.

The support of environmental activities through reimbursement will equalize this brownfield site to a comparable greenfield site. After this, no extraordinary costs would be associated.

9. Interest, permit review fees, building review fees, sewer disconnect fees, as an additional brownfield eligible expense, will not be considered eligible expenses.

The Plan meets this standard. Interest included in the Plan reflects the affordable housing fee in lieu calculation.

10. Total TIF capture period for developer reimbursement may be limited to below the maximum 30 years allowed by statute, as negotiated with the City. Any such capture period shall explicitly identify duration and eligible activities, inclusive of administrative and local brownfield revolving fund activities.

The Plan projects an 18 year period of capture. While subject to review of a revised Plan, a maximum period of capture of 12 years would be appropriate to consider.

Recommendation:

Staff Recommends the Following Amendments to the Brownfield Plan prior to presentation and consideration by the City Council:

- Reduction in developer reimbursed non-environmental activities by \$2,630,405. (Note some of these activities are proposed to remain as eligible activities to offset the affordable housing contribution being proposed by the project, which will be reimbursed to the City.)
- A cap added to the Brownfield Plan with a maximum capture period up to the approved eligible activities, or 12 years, whichever comes first.