

An Old Tool With a New Use: Using Brownfield TIF for Workforce Housing

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Michigan Association of Planning

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Fishbeck

Brownfield Tax Increment Financing

Original statute, Act 381, passed in 1996

Amended a few times but was always focused on traditional brownfields

Two state agencies would approve state TIF – EGLE and MEDC

Major amendment in 2023 to address housing shortages statewide

Property is no longer required to be a traditional brownfield if it's going to be used for housing

MSHDA can now approve state TIF for housing for residents earning up to 120% of area median income

Housing TIF is the best deal in town for most projects where there is a local brownfield authority

Acronyms to know

AMI: Area Median Income

BRA: Brownfield Redevelopment Authority

HTIF: Housing Tax Increment Financing

TIF: Tax Increment Financing

EGLE: Michigan Department of Environment, Great Lakes, and Energy

MEDC: Michigan Economic Development Corporation

MSHDA: Michigan State Housing Development Authority



Pole barn

\$244,900

4 bds | 1 ba | 1,724 sqft - House for sale

13103 S Mason Dr, Grant, MI 49327

COLDWELL BANKER SCHMIDT NEWAYGO

The image shows a real estate listing for a house. The main image is a photograph of a two-story house with white siding and a dark roof. A 'Pole barn' label is in the top left corner. A heart icon is in the top right corner. Below the photo is a price tag of '\$244,900'. Below the price tag is the text '4 bds | 1 ba | 1,724 sqft - House for sale'. Below that is the address '13103 S Mason Dr, Grant, MI 49327'. At the bottom of the listing is the text 'COLDWELL BANKER SCHMIDT NEWAYGO'. There are also some small icons and a navigation bar at the bottom of the photo area.

\$142/square foot

Key Phrase of the Day: *Area Median Income*

- Median household income is determined for each county and household size
- HTIF incentives are for people up to 120% of Area Median Income
- Rents and home prices are based on 30% of AMI

04/01/2024 INCOME AND RENT LIMITS

County: **62 Newaygo**

Effective Date: **4/1/2024**

Income	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
70%	39,060	44,590	50,190	55,720	60,200	64,680	69,160	73,570
80%	44,640	50,960	57,360	63,680	68,800	73,920	79,040	84,080
100%	55,800	63,700	71,700	79,600	86,000	92,400	98,800	105,100
120%	66,960	76,440	86,040	95,520	103,200	110,880	118,560	126,120

Rent By Bedroom

	0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom
70%	976	1,045	1,254	1,449	1,617	1,784
80%	1,116	1,195	1,434	1,656	1,848	2,039
100%	1,395	1,493	1,792	2,070	2,310	2,548
120%	1,674	1,792	2,151	2,484	2,772	3,058

Newaygo area jobs and annual pay

Agricultural parts sales / customer support \$31,200 - \$62,400

Legal secretary \$33,904 - \$39,915

Construction worker \$24,960 - \$62,400

Accountant* \$44,928 - \$52,770

Financial analyst** \$65,000 - \$80,000

Resources planner** \$49,500 - \$64,000

Foster care supervisor*** \$60,000

*A two-year degree is required

**A four-year degree is required

***A masters degree is required



\$1,795

10 S North St

White Cloud, MI 49349

4 Beds • 2 Bath

Available Now

*The lowest cost rental available (of two)
for a middle income person in all of
Newaygo County*



Who are we talking about?

People who have good-paying jobs

First-time home buyers and young families with limited equity and savings

People with vocational school or college debt

Parents paying for childcare

Keeping these families in the area is a *public good*

Finding housing in Newaygo

At 120% of Newaygo County's AMI for a family of two - \$76,440 – rent or a house payment should be no more than about \$1,900 a month.

That equates to a home cost of about \$247,000 with a \$10,000 down payment.

There is only one rental available in the whole county as of July 29, 2024

Demand for housing in Newaygo County is estimated at 679 units in 2024, up to 1,600 in five years



\$239,000



2 bds | 1 ba | 1,600 sqft - House for sale

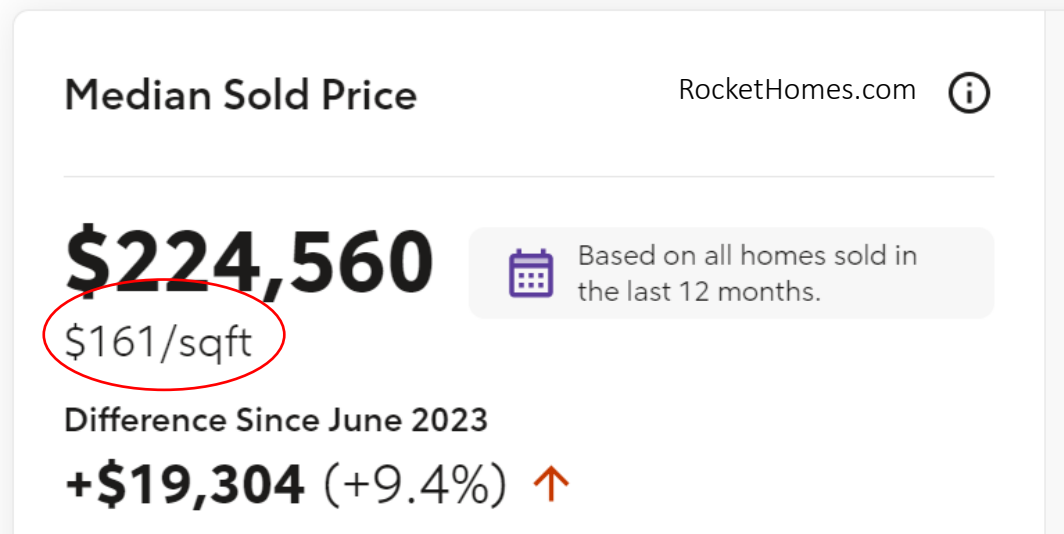
1267 W Channel St, Bitely, MI 49309

MIDWEST PROPERTIES ERA POWERED BELMONT

\$149 / square foot

Why do we need housing incentives?

How much do homes in Newaygo County, MI cost?



There's demand, but no supply. If you are a builder, you can't make money building homes for middle income people. The supply won't increase without incentives.

Homebuilderdigest.com said in 2022 (both builders are in GR):

[Christin Homes](#) shares the cost range of homes in Grand Rapids. Basic construction or value-conscious starts at \$295 per square foot, while middle tier homes are around \$350 per square foot. For luxury and high-end home construction, costs can go above \$450 per square foot.

The Project & Marketing Manager of [Snowden Builders](#), Stephanie Snowden, discusses that new home construction in the area can cost anywhere from \$315 to \$400+ per square foot based on the more recent projects, but could vary depending on the overall design, materials, and finishes selected. Specifically, a more basic or value-conscious project starts at \$315 per square foot, a middle-range home at \$350 per square foot, while a luxury or high-end may start at \$400 per square foot.

Current housing incentives include...

Brownfield Tax Increment Financing (TIF)

Payment in Lieu of Taxes (PILOT)

Residential and Attainable Tax Abatements

Depending on the project:

Obsolete Property Rehabilitation tax abatement

Commercial Rehabilitation tax abatement

The right incentive depends on the project specifics.



\$229,900

ooo

3 bds | 2 ba | 1,302 sqft - House for sale

196 W Exchange St, Grant, MI 49327

KELLER WILLIAMS GR EAST

\$176 / square foot

Brownfield Tax Increment Financing (TIF)

Tax increment financing is taking the difference between the pre-development property taxes and the post-development property taxes on an *eligible property* and reimbursing the developer for *eligible activities*, provided a brownfield plan has been approved.

For example: Pre-development taxes are \$1,000. Post-development taxes are \$4,000. Difference = \$3,000 – that's the tax increment.

Local government still gets \$1,000, developer is reimbursed \$3,000 until their eligible activities under an approved brownfield plan are paid for.

How is the property eligible?

Property that is...

- Contaminated
- Functionally obsolete
- Blighted
- Historic
- At a transit hub
- Owned by a land bank
- Adjacent or contiguous to the above if it's part of the development
- Housing property

A site needs to meet one of these criteria to qualify for brownfield incentives.



Spacious bedrooms

\$235,000

3 bds | 2 ba | 1,945 sqft - House for sale
365 Quarterline St, Newaygo, MI 49337
FIVE STAR REAL ESTATE-SUMMIT

\$121/square foot

The image shows a real estate listing for a house. The main image is a photograph of a single-story house with light green siding and a purple door. There are two large trees in the foreground. A black banner at the top left of the photo says "Spacious bedrooms". A white heart icon is in the top right corner. Below the photo is a price tag of "\$235,000" and a "3 bds | 2 ba | 1,945 sqft - House for sale" description. The address "365 Quarterline St, Newaygo, MI 49337" and the agent "FIVE STAR REAL ESTATE-SUMMIT" are listed below. At the bottom, a green banner displays "\$121/square foot".



The proposed housing project is in alignment with the needs identified by a regional or local housing plan and the Statewide Housing Plan.



Housing plan should be adopted by/affirmed by the local municipality prior to MSHDA's involvement (approval of an Act 381 Work Plan for school TIF).



Master Plans that detail the local housing needs may suffice to demonstrate a housing need. Lack of housing details in a master plan will not satisfy MSHDA.

Demonstrated “Housing Need”

What are the eligible activities?

New housing TIF can be used in a community with an “identified housing need” to reimburse the developer for...



\$1,845

764 Pine Hill St

White Cloud, MI 49349

4 Beds • 2 Bath

*The second of two rentals
available in Newaygo County*

- Environmental costs, infrastructure, site preparation, demolition
- Construction financing gap for homes for income qualified households (income qualified = max 120% of AMI or \$76,400 for a two-person household in Newaygo Co.)
- Rehab of buildings for income qualified rental
- Temporary household relocation for income qualified households
- Acquiring blighted or obsolete rental units to rehab for income qualified renters
- Interest on loans for eligible activities

What money is used for a brownfield plan?

Property taxes.

Local property taxes include the county and local government operating millages, and may include millages for parks, library, public safety, community college, ISD	In the City of Newaygo, this is 34.48085 mills
State education tax (paid by every property owner)	6 mills
State school tax (paid on non-homestead residential, commercial, industrial property)	18 mills
City of Newaygo total	58.48085 mills

Important note: most school districts in the state are under a formula based on number of students for a share of state taxes. Capturing school taxes does not change the amount your local schools get annually. No one gets less under a brownfield plan – your local property taxes revenues will stay the same during TIF and increase after developer reimbursement.

You are developing vacant property in the City of Newaygo for income qualified multifamily residential.



You own 5 acres of vacant land with a taxable value of \$50,000 and your current taxes are \$2,908



You will build 100 income qualified rental townhouses for residents up to 120% of AMI per year



The taxable value will increase to \$5,000,000 after development, with post-development taxes of \$268,296



Your eligible brownfield costs are \$3,000,000 for infrastructure, site prep, and a financing gap



What's the right incentive?

Incentives comparison

Assumes taxable value of \$5,000,000, annual property taxes of \$268,296, \$3,000,000* in eligible activities

Incentive	Estimated annual incentive	Estimated or maximum duration	Estimated total value
Brownfield Tax Increment Financing (state plus local)	\$250,388	12 years	\$3,000,000*
Residential Neighborhood Abatement	\$73,454	12 years	\$881,448
Payment in Lieu of Taxes (PILOT)	\$124,296**	12 years	\$1,491,555

*Estimated total value may change based on actual eligible activities

**The minimum PILOT is 10% of rent revenues. The example is calculated on 102 apartments at an average rent of \$1,200/month times 12 months times 10%. Example incentive of \$124,296 = taxes of \$268,296-\$144,000 annual PILOT payment. Actual PILOT amount will vary based on units, rents, and local approval.

Brownfield Tax Increment Financing

TIF must be approved by a local brownfield authority and sometimes the State of Michigan

If approved only by the local government and not the state, the developer gets reimbursed with local taxes only

If approved by the local government AND MSHDA, the developer gets reimbursed by local AND state school and education taxes – net increase of 21 mills toward reimbursement for non-Principal Residence Exempted, or three mills for Principal Residence Exempted (PRE)

Brownfield TIF process

- Must have a Brownfield Redevelopment Authority (BRA). If not, look at PILOT or abatement.
- Developer proposes project to BRA. If supported, developer drafts a brownfield plan.
- The plan must be approved by the BRA's governing body, either a county or a township/village/city, or sometimes both.
- The Brownfield Redevelopment Authority recommends adoption of the brownfield plan.
- If the developer is asking for state taxes as well as local, the developer must create another plan (an Act 381 work plan) for approval of up to three state agencies.
- The benefit of state approval is that the developer can then be repaid with the local AND the state portions of property taxes.
- The developer / property manager must verify residents' incomes and maintain rents in compliance with MSHDA levels for the duration of TIF.

Is this a good TIF project?

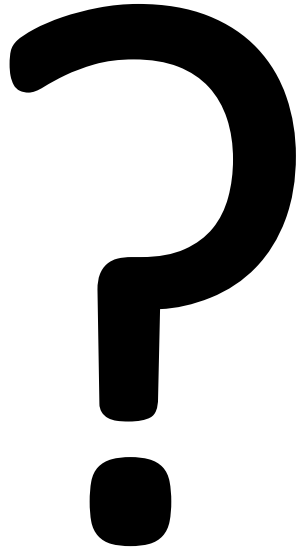
If you're the developer:

- Limited TIF on PRE property
- Will the project generate enough TIF to pay for eligible activities?
- Is there a benefit to layering incentives? TIF plus PILOT or TIF plus residential housing tax abatement?
- Will the timing work?
- Is the developer able to keep the project at up to 120% AMI rents for the duration of TIF? - Could be up to 30 years
- Does the scale work?

If you're the BRA:

- Is the project consistent with BRA policy?
- Is the project in the public good?
- Is the local unit willing to support the project?
- Is the ask reasonable?
- Will the local government incur costs from the development?
- Can the local government leverage other benefits by approving incentives?

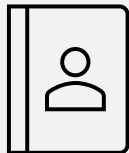
Questions? Please get in touch!



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Upcoming Event

10th Annual Housing North
Northwest Michigan Housing
Summit
October 24-25 at the Hagerty Center,
Traverse City

