

CAP CON 2025



An Old Tool with a New Use and a New Tool Never Used—Help for Housing

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Today's Discussion:

Act 381 – Brownfield Redevelopment Financing Act
Brownfield Tax Increment Financing (TIF), Area Median Income (AMI), Why we need housing incentives, Eligibility, Process

Act 236 of 2022 – Attainable Housing Facilities Act
Act 237 of 2022 – Residential Housing Facilities Act
Partnerships & Other Incentives

Acronyms to Know

AMI: Area Median Income

BRA: Brownfield Redevelopment Authority

HTIF: Housing Tax Increment Financing

LBA: Land Bank Authority

LBRF: Local Brownfield Revolving Fund

TIF: Tax Increment Financing

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

MEDC: Michigan Economic Development
Corporation

MSHDA: Michigan State Housing Development
Authority

Brownfield Tax Increment Financing

1996: Act 381 Passed

Two state agencies would approve state TIF
– EGLE and MEDC

2023: Major amendment to address
housing shortages

- Housing now eligible for brownfield TIF
- Incentives Available
- Expanded Eligible activities with MSHDA approval

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

Key Phrase: Area Median Income

Area Median Income

MSHDA has a chart for every county, showing the Income and Rent Limits
(last updated 4/1/2024)

County: 63 Oakland		Effective Date: 4/1/2024							
Income	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person	
20%	13,440	15,360	17,280	19,180	20,720	22,260	23,800	25,320	
25%	16,800	19,200	21,600	23,975	25,900	27,825	29,750	31,650	
30%	20,160	23,040	25,920	28,770	31,080	33,390	35,700	37,980	
35%	23,520	26,880	30,240	33,565	36,260	38,955	41,650	44,310	
40%	26,880	30,720	34,560	38,360	41,440	44,520	47,600	50,640	
45%	30,240	34,560	38,880	43,155	46,620	50,085	53,550	56,970	
50%	33,600	38,400	43,200	47,950	51,800	55,650	59,500	63,300	
55%	36,960	42,240	47,520	52,745	56,980	61,215	65,450	69,630	
60%	40,320	46,080	51,840	57,540	62,160	66,780	71,400	75,960	
70%	47,040	53,760	60,480	67,130	72,520	77,910	83,300	88,620	
80%	53,760	61,440	69,120	76,720	82,880	89,040	95,200	101,280	
100%	67,200	76,800	86,400	95,900	103,600	111,300	119,000	126,600	
120%	80,640	92,160	103,680	115,080	124,320	133,560	142,800	151,920	
125%	84,000	96,000	108,000	119,875	129,500	139,125	148,750	158,250	
140%	94,080	107,520	120,960	134,260	145,040	155,820	166,600	177,240	
150%	100,800	115,200	129,600	143,850	155,400	166,950	178,500	189,900	

Rent By Person	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
20%	336	384	432	479	518	556	595	633
25%	420	480	540	599	647	695	743	791
30%	504	576	648	719	777	834	892	949
35%	588	672	756	839	906	973	1,041	1,107
40%	672	768	864	959	1,036	1,113	1,190	1,266
45%	756	864	972	1,078	1,165	1,252	1,338	1,424
50%	840	960	1,080	1,198	1,295	1,391	1,487	1,582
55%	924	1,056	1,188	1,318	1,424	1,530	1,636	1,740
60%	1,008	1,152	1,296	1,438	1,554	1,669	1,785	1,899
80%	1,344	1,536	1,728	1,918	2,072	2,226	2,380	2,532
100%	1,680	1,920	2,160	2,397	2,590	2,782	2,975	3,165
120%	2,016	2,304	2,592	2,877	3,108	3,339	3,570	3,798
125%	2,100	2,400	2,700	2,996	3,237	3,478	3,718	3,956
140%	2,352	2,688	3,024	3,356	3,626	3,895	4,165	4,431
150%	2,520	2,880	3,240	3,596	3,885	4,173	4,462	4,747

Rent By Bedroom	0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom
20%	336	360	432	498	556	614
25%	420	450	540	623	695	767
30%	504	540	648	748	834	921
35%	588	630	756	872	973	1,074
40%	672	720	864	997	1,113	1,228
45%	756	810	972	1,122	1,252	1,381
50%	840	900	1,080	1,246	1,391	1,535
55%	924	990	1,188	1,371	1,530	1,688
60%	1,008	1,080	1,296	1,496	1,669	1,842
70%	1,176	1,260	1,512	1,745	1,947	2,149
80%	1,344	1,440	1,728	1,995	2,226	2,456
100%	1,680	1,800	2,160	2,493	2,782	3,070
120%	2,016	2,160	2,592	2,992	3,339	3,684
125%	2,100	2,250	2,700	3,117	3,478	3,837
140%	2,352	2,520	3,024	3,491	3,895	4,298
150%	2,520	2,700	3,240	3,740	4,173	4,605

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
80%		1,116	1,195	1,434	1,656	1,848
100%		1,395	1,493	1,792	2,070	2,310
120%		1,674	1,792	2,151	2,484	2,772



Why We Need Housing Incentives

Job opportunities have grown but housing stock has not



2014-2023: one house built for every 6 new jobs nationally



2014-2023: one house built for every 14 new jobs in Michigan

(Bureau of Labor Statistics)

Newaygo County For Rent Listings



\$1,100

3 bd | 1 ba | 1,440 sqft

127 Gibson Ave



BIRCH
200/01

2 - BEDROOM
1 - BATH



\$1,150

2 bd | 1 ba | 800 sqft

139 W Pine Lake Dr #131



\$1,525

2 bd | 1 ba | 800 sqft

1326 E Hess Lake Dr

March 2025 online search



● House for sale

\$249,900

2 bed 1 bath 1,014 sqft 6,970 sqft lot

1630 E Gardner Ave
Newaygo, MI 49337

Email Agent

\$246/Sq Ft



● Pending

\$329,900

3 bed 2 bath 1,456 sqft 5 acre lot

6460 Barberr Ave
Newaygo, MI 49337

Email Agent

\$227/Sq Ft



● Pending

\$274,900

4 bed 2 bath 1,344 sqft 2.69 acre lot

479 W Basseta St
Newaygo, MI 49337

Email Agent

\$205/Sq Ft

March 2025 online search.

Developers say that “value conscious” **home construction costs \$300-\$315 a square foot.**

Newaygo County - median cost to buy an existing home (Jan. 2025) - \$269,000.
Median sale price per square foot - \$148, up 8.8% since last year.

Kent County - median cost to buy an existing home - \$225-250 per square foot.

Houszeo.com says homeowners spend an average of \$366,780 to build a home in Michigan, which is \$132,560 more than the median sale price.

If you are a builder, you will lose money building homes for middle income people. There is plenty of demand, but the supply won't increase without incentives.

Why we need housing incentives: Small residential project, Traverse City

Annual costs / revenues for 14 apartments renting from \$1,000 for a studio to \$1,575 for a two bedroom; \$4,879,440 construction cost for rental units and share of site improvements (\$530/sf)



\$271,339

Annual operating costs: land and construction loans, management, utilities for residents, insurance, taxes

\$169,800

Annual revenues from rents

\$101,539

Annual revenues from TIF

Revenues are \$101,539 less than operating costs every year. The developers either need to raise rents or use an incentive to keep rents affordable. TIF makes up the difference so rents can stay low.

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.

What are the eligible activities?

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

Environmental costs,
infrastructure, site
preparation, demolition

Construction financing
gap for homes for income
qualified households
(income qualified = max
120% of AMI)

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



The brownfield redevelopment authority can be reimbursed for administrative and implementation costs

What is Identified Housing Need?



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. *A Master Plan that provides no detail or documentation for housing needs will not be sufficient.*

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).

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 Grand Rapids, this is 27.3459 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 Grand Rapids total	51.3459 mills (non PRE) 33.3459 mills (PRE)

Tax increment financing (TIF) 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.

Example:

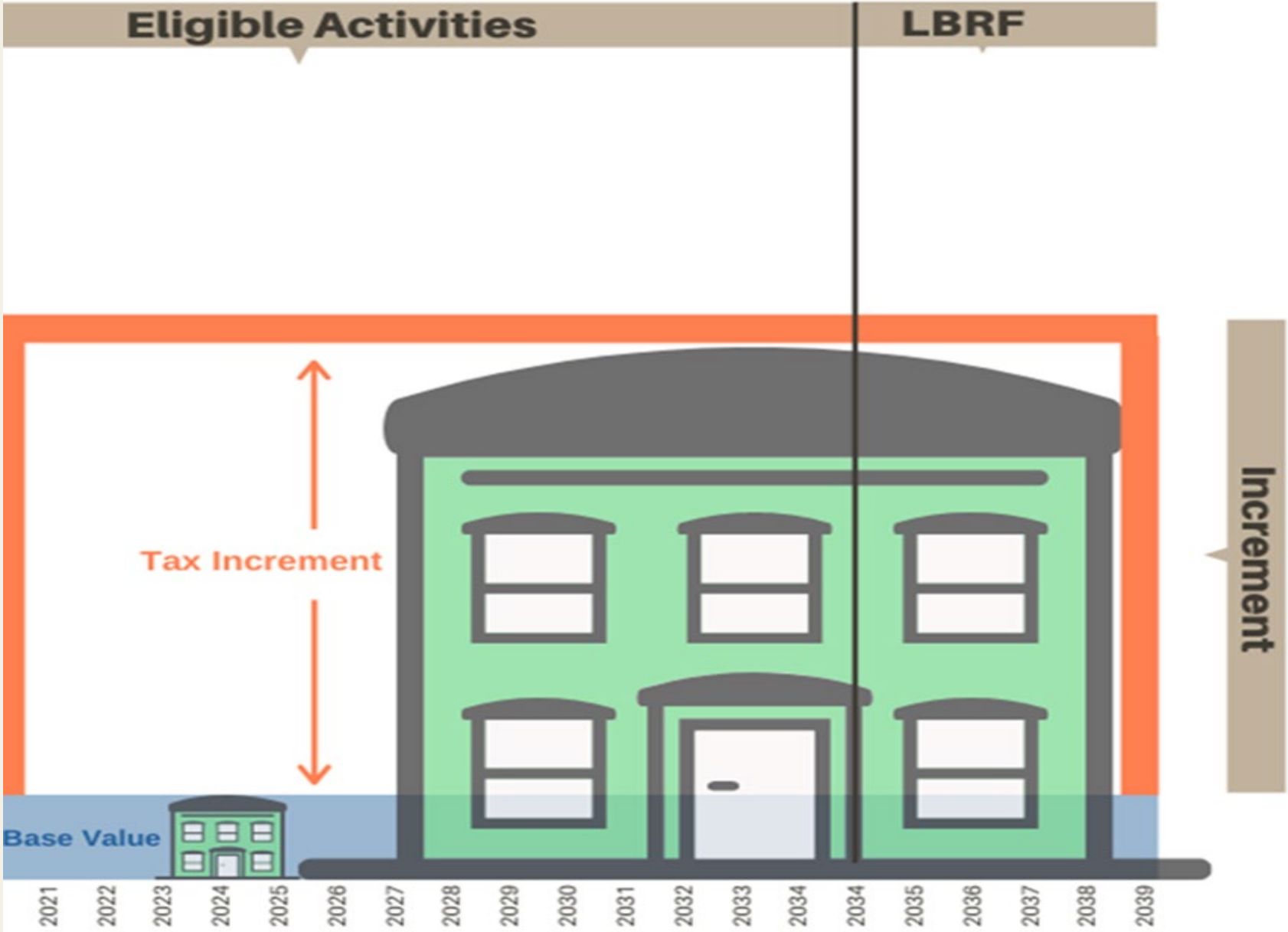
Pre-development taxes are \$1,000.

Post-development taxes are \$10,000.

Difference = \$9,000 – that's the tax increment.

Local government still gets \$1,000.

Developer and the BRA are reimbursed with the \$9,000 until eligible activities are paid for under an approved brownfield plan. After the plan is completed, local government gets all the property taxes.





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*
Attainable Housing Exemption (PA 236)	\$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 number shown is the maximum incentive for this hypothetical; it could be less.

PROCESS:



- If no BRA, set up is 2-3 months
- Initial developer contact, creating a plan, getting local approval is 3-6 months or more
- State plan approval is 1-2 months
- Plan duration is up to 30 years

- Developer proposes project to BRA. If supported, a brownfield plan is drafted.
- BRA recommends adoption of the brownfield plan.
- Plan is approved by the BRA's governing body, either a county or a township/village/city, or sometimes both.
- If the developer asks for state taxes as well as local, an Act 381 Work Plan must also be created for approval of up to 3 state agencies (MSHDA, MEDC, EGLE).
- 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. For sale of homes, the eligibility must be confirmed at initial sale, only.



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 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 policies?
- 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?

Things to remember:



- Brownfield Plans help leverage other funding programs and incentives.
 - No taxing jurisdiction will get less money under a brownfield plan than it does prior to approval of the brownfield plan.
 - Per pupil school funding is not affected when school tax millages are captured in a Brownfield Plan.
 - Only the taxes from the new development are captured for TIF reimbursement.
 - Reimbursement of eligible brownfield costs is only done if the project creates tax increment from the new investment **and** taxes are paid.
 - A Developer Reimbursement Agreement is negotiated between the developer and the BRA after approval. Outlines terms and conditions for reimbursement of TIF, defaults and remedies, termination of agreement, etc.

Things to remember:

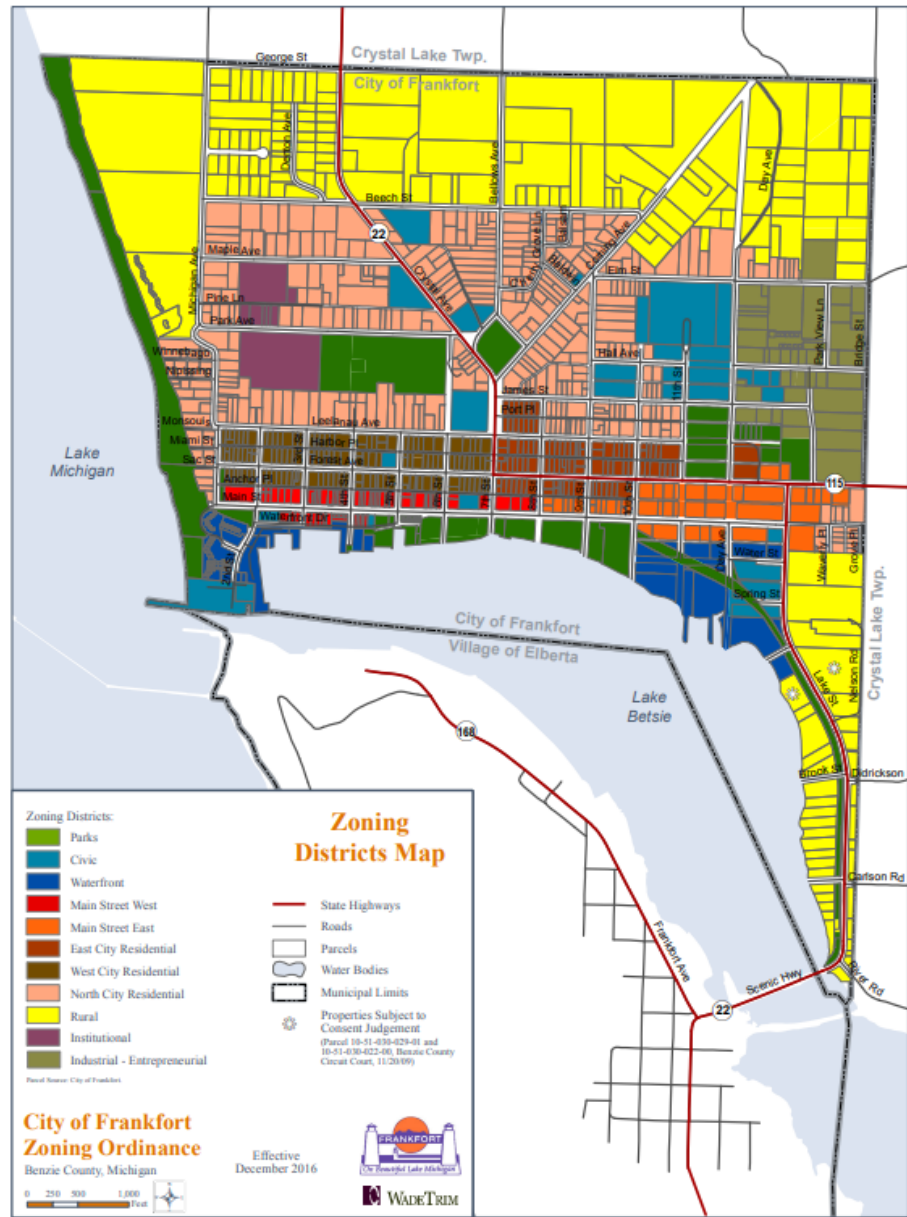
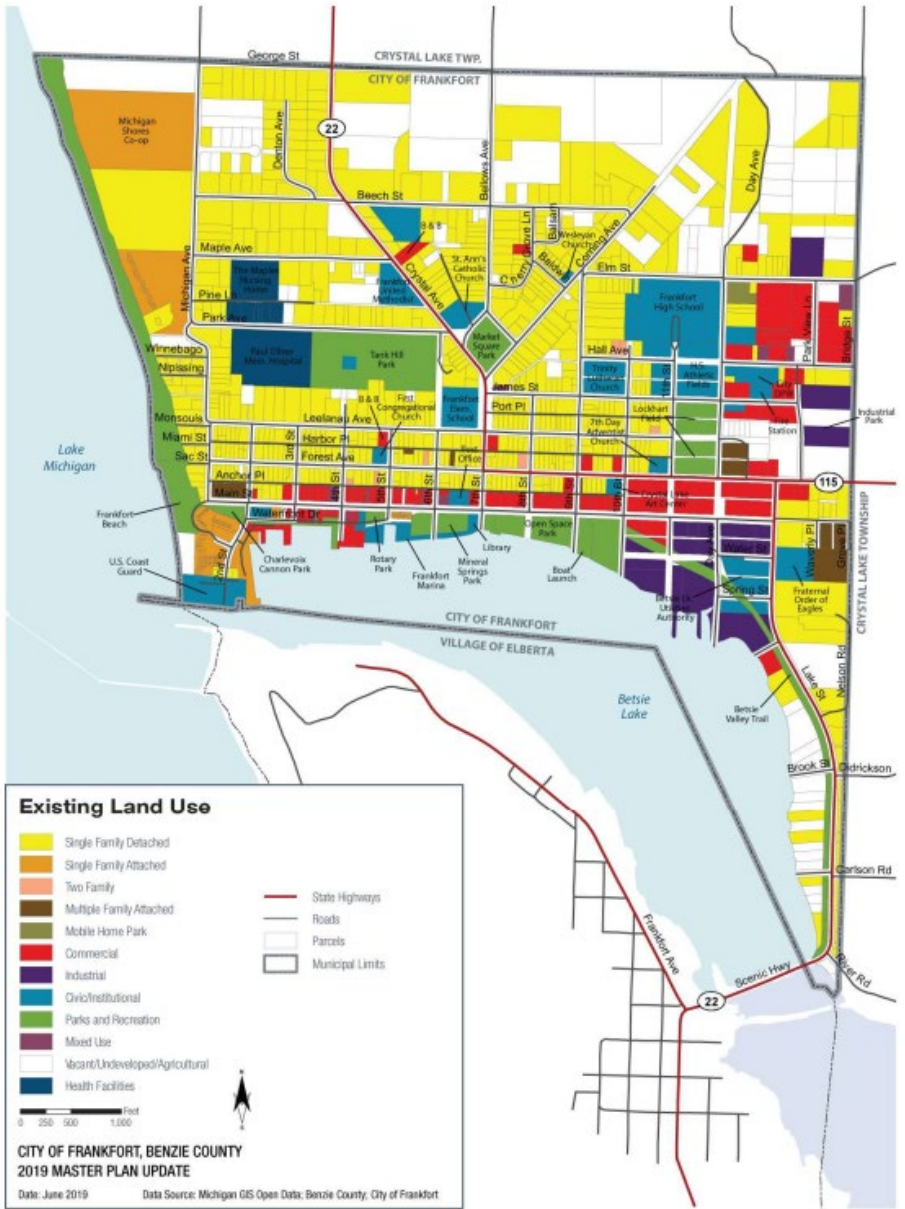


- Planning / zoning approvals need to be completed.
- Work with a consultant or a firm that is familiar with brownfield plans.
- Know the parcel and the restrictions: Is there a Downtown Development Authority (DDA) in place on the subject property? If so, taxes may already be captured by the DDA. An Agreement needs to be put in place between the DDA and BRA.
- Time frame – typically 3-6 months to get through everything. This is **not** a 30-60 day process.
- Developers should notify the community early on that a brownfield plan will be requested – before or during planning and zoning approvals.
- This is a multiple jurisdictional approval process and publicly vetted.
- Every site is different – every plan is different.



ATTAINABLE HOUSING DISTRICT

RESIDENTIAL HOUSING DISTRICT



What is an Attainable Housing Exemption?

The Attainable Housing Facilities Act (known as the Attainable Housing Exemption), 2022 PA 236, provides a tax incentive to owners of rental housing property of not more than four units to enable renovation and expansion of aging facilities and assist in the building of new facilities.

An Attainable Housing Exemption Certificate (AHEC) entitles the facility to exemption from ad valorem real property taxes for a term of **1-12 years** as determined by the local governmental unit. Applications are filed, reviewed, and approved by the local governmental unit.

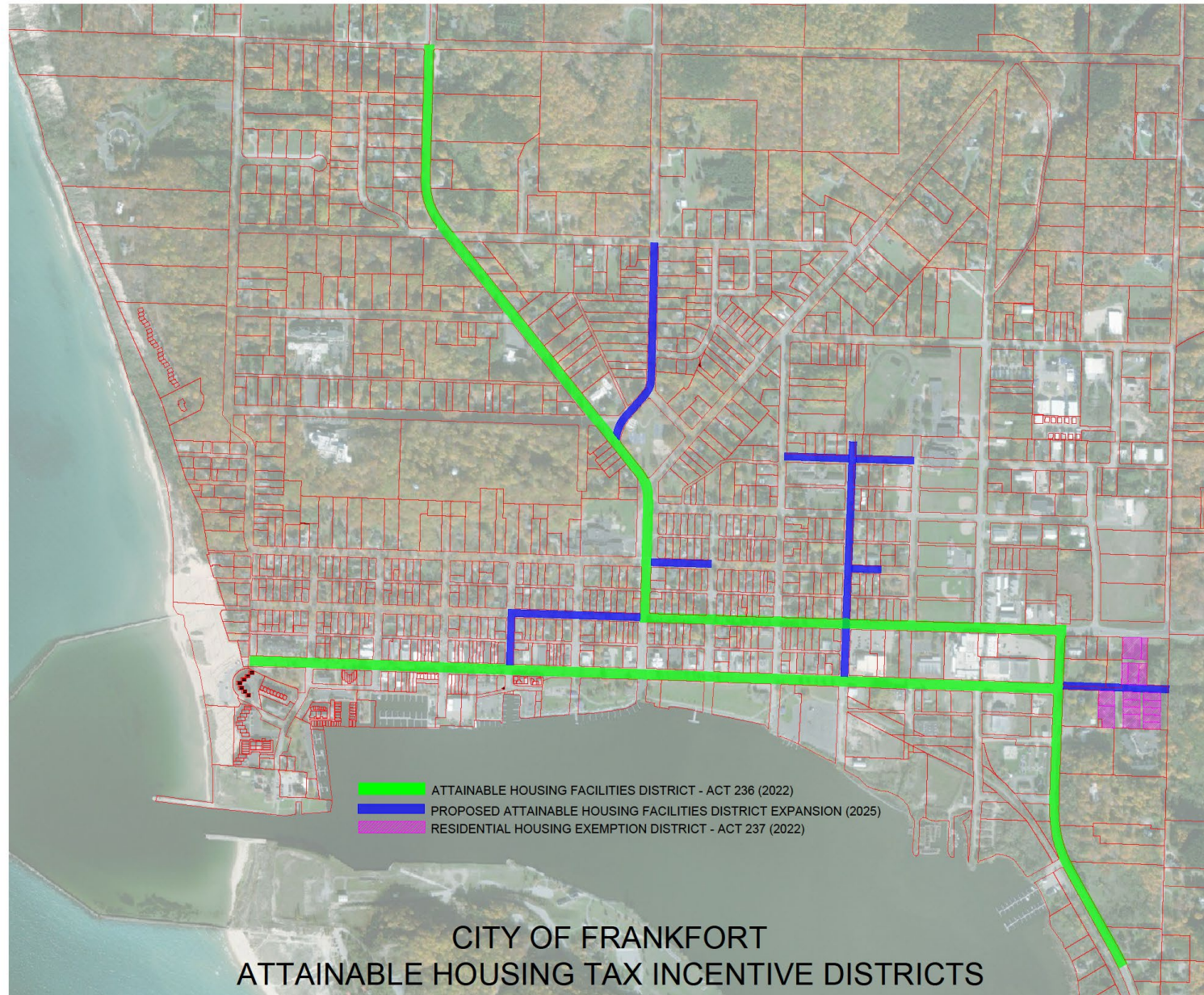
The State Tax Commission (STC) must also approve the application and issue the exemption certificate.

What is a Residential Housing Exemption?

The Residential Housing Facilities Act (known as the Residential Housing Exemption), 2022 PA 237, provides a tax incentive to owners of rental housing property of more than four units to enable renovation and expansion of aging facilities and assist in the building of new facilities.

A Residential Housing Exemption Certificate (RHEC) entitles the facility to exemption from ad valorem real property taxes for a term of **1-12 years** as determined by the local governmental unit. Applications are filed, reviewed, and approved by the local governmental unit.

The State Tax Commission (STC) must also approve the application and issue the exemption certificate.



CITY OF FRANKFORT
ATTAINABLE HOUSING TAX INCENTIVE DISTRICTS

Partnerships & Other Incentives



MSHDA Statewide Housing Plan:

<https://www.michigan.gov/mshda/developers/statewide-housing-plan>

MSHDA Housing Tax Increment Financing (TIF) Program:

<https://www.michigan.gov/mshda/developers/tax-increment-financing-tif>

Income Limits by County:

[04-01-2024 Income Limits](#)

Michigan Property Tax Exemptions:

[Property Tax Exemptionhttps://www.michigan.gov/taxes/property/exemptions](https://www.michigan.gov/taxes/property/exemptions)

Frankfort – Information on Housing Districts, FAQ's:

https://www.frankfortmich.com/how_do_i/workforce_housing.php