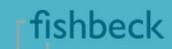


# An Old Tool With a New Use: Using Brownfield TIF for Workforce Housing

October 21, 2024  
City of East Grand Rapids

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Fishbeck



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## A short history of Brownfield TIF in Michigan

Tax increment financing used for brownfield redevelopment in Michigan since 1996

Statute historically focused on traditional brownfields – contaminated, blighted, functionally obsolete property

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

TIF can now be used to build housing for residents earning up to 120% of the county area median income

Housing TIF is usually the most beneficial incentive for projects where there is a local brownfield authority

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# 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.

TIF can be approved by local and state governments for a project that is a "public good" which may include workforce housing.



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## 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



**\$1,500**

2006 Wealthy St SE

Grand Rapids, MI 49506

1 Bed • 1 Bath • 650 Sqft



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## Key Phrase of the Day: *Area Median Income*

- Median household income is determined for each county and household size
- HTIF incentives are for homes for people earning up to 120% of county Area Median Income
- Limits on rents and home prices are based on 30% of AMI
- Per the US Census, EGR's AMI is \$160,417 (family size not provided) – **the county's AMI is about half of the city's AMI for a two-person household**
- Average family size per City of East Grand Rapids website is 2.84

### 04/01/2024 INCOME AND RENT LIMITS

| County: 41 Kent |          | Effective Date: |          |          |          |          |  |
|-----------------|----------|-----------------|----------|----------|----------|----------|--|
| Income          | 1 Person | 2 Person        | 3 Person | 4 Person | 5 Person | 6 Person |  |
| 60%             | 42,300   | 48,360          | 54,420   | 60,420   | 65,280   | 70,140   |  |
| 70%             | 49,350   | 56,420          | 63,490   | 70,490   | 76,160   | 81,830   |  |
| 80%             | 56,400   | 64,480          | 72,560   | 80,560   | 87,040   | 93,520   |  |
| 100%            | 70,500   | 80,600          | 90,700   | 100,700  | 108,800  | 116,900  |  |
| 120%            | 84,600   | 96,720          | 108,840  | 120,840  | 130,560  | 140,280  |  |

| Rent By Person | 1 Person | 2 Person | 3 Person | 4 Person | 5 Person | 6 Person |
|----------------|----------|----------|----------|----------|----------|----------|
| 60%            | 1,057    | 1,209    | 1,360    | 1,510    | 1,632    | 1,753    |
| 80%            | 1,410    | 1,612    | 1,814    | 2,014    | 2,176    | 2,338    |
| 100%           | 1,762    | 2,015    | 2,267    | 2,517    | 2,720    | 2,922    |
| 120%           | 2,115    | 2,418    | 2,721    | 3,021    | 3,264    | 3,507    |



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## Kent County jobs and annual pay

First year teacher\*\* in EGRPS (Bachelors only) \$42,054

EGRPS teacher\*\*\* with a masters and 29+ years of experience \$83,759

Marketing team manager\*\* at Micro Kickboard \$60,000-67,000

Simulation analyst\*\* at Dematic Corp \$72,000+

Foster care caseworker\*\* at Catholic Charities West Michigan \$45,000-53,000

Registrar\*\* at John Ball Zoo \$51,700-60,800

Executive Assistant to Development VP at GVSU \$65,811

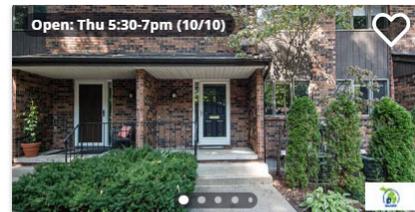
RN\* at Great Lakes Neurosurgical Associates \$67,454+

\*A two-year degree and license is required

\*\*A four-year degree is required

\*\*\* An advanced degree is required

Jobs available online as of 10/8/24 except teachers; salaries are taken from EGRPS contract



**\$400,000**

2 bds | 4 ba | 2,040 sqft - Condo for sale

537 Greenwood Ave SE APT C, East Grand Rapid...

616 REALTY LLC

This was the lowest priced home in EGR on 10/8/24

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## 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*



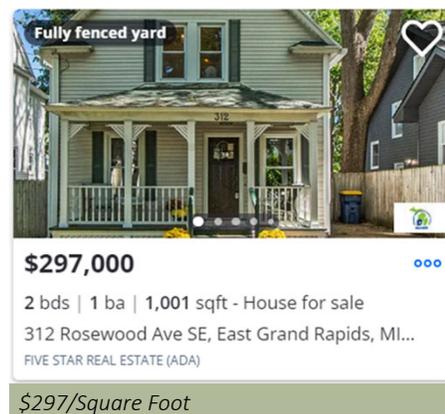
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## Finding housing in/near East Grand Rapids

A two-person household in Kent County at 120% AMI (\$96,720) looking to buy a home with a \$30,000 downpayment and \$1,000/month debt qualifies for a house at \$248,000 or rent of \$2,418

- On 10/14/24 there was one house for sale in EGR for under \$300,000 →
- There were five homes for sale between \$200,000-\$250,000 within a mile of EGR
- There were two rentals available in EGR

Demand for housing in Kent County for households at \$71,601-\$107,400 income is estimated by Housing Next at 899 rental units and 2,697 homes for sale between 2022-2027



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## Why do we need housing incentives?

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

Christin Homes “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.”

Snowden Builders “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.”

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

Houzeo.com says homeowners spend an average of \$366,780 to build a home in Michigan, which is \$109,380 more than the median sale price.

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

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## Current housing incentives include...

Depending on the project:

- Obsolete Property Rehabilitation tax abatement

- Commercial Rehabilitation tax abatement

- Payment in Lieu of Taxes (PILOT)

- Residential and Attainable Tax Abatements

- Brownfield Tax Increment Financing (TIF)

*The right incentive depends on the project specifics.*



Price cut: \$5,000 (Oct 03)

**\$230,000**

3 bds | 2 ba | 968 sqft - House for sale

2719 Madison Ave SE, Grand Rapids, MI 49507

LIGHTHOUSE PROPERTY MANAGEMENT

\$237/square foot

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## What are the TIF eligible activities?

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



**\$2,295**  
**3339 Lake Dr SE**  
 East Grand Rapids, MI 49506  
 4 Beds • 1 Bath • 1,600 Sqft



- Environmental costs, infrastructure, site preparation, demolition
- Construction financing gap for homes for income qualified households (income qualified = max 120% of AMI or \$96,720 for a two-person household in Kent 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

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## 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 East Grand Rapids, this is 38.5069 mills      |
| State education tax (paid by every property owner)  | 6 mills  |
| State school tax (paid on non-homestead residential, commercial, industrial property)   | 18 mills   |
| <b>City of East Grand Rapids total</b>  | <b>62.5069 mills (non PRE)</b><br><b>44.5069 mills (PRE)</b> |

Important note: most school districts in the state (including EGRPS) 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 – local property tax revenues will stay the same during TIF and increase after developer is fully reimbursed for eligible activities.

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You are developing vacant property in the City of East Grand Rapids for income qualified multifamily residential.



YOU OWN 1 ACRE OF VACANT LAND WITH A TAXABLE VALUE OF \$100,000 AND YOUR CURRENT TAXES ARE \$6,251



YOU WILL BUILD 10 INCOME QUALIFIED RENTAL TOWNHOUSES FOR RESIDENTS UP TO 120% OF AMI PER YEAR, WITH AN AVERAGE RENT OF \$1,800/MONTH

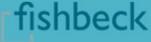


THE TAXABLE VALUE WILL INCREASE TO \$4,000,000 AFTER DEVELOPMENT, WITH POST-DEVELOPMENT TAXES OF \$235,139



YOUR ELIGIBLE BROWNFIELD COSTS ARE \$3,000,000 FOR INFRASTRUCTURE, SITE PREP, AND A FINANCING GAP

WHAT'S THE RIGHT INCENTIVE?



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## Incentives comparison

Assumes taxable value of \$4,000,000, annual property taxes of \$250,028, \$3,000,000\* in eligible activities

| Incentive   | Estimated annual incentive | Estimated or maximum duration | Estimated total value |
|---|----------------------------|-------------------------------|-----------------------|
| Brownfield Tax Increment Financing (state plus local) | \$243,777                  | 13 years                      | \$3,000,000*          |
| Residential Neighborhood Abatement                    | \$58,500                   | 12 years                      | \$702,000             |
| Payment in Lieu of Taxes (PILOT)                      | \$228,428**                | 12 years                      | \$2,741,131           |

\*Estimated total value may change based on actual eligible activities – numbers are all project-specific  
 \*\*The minimum PILOT is 10% of rent revenues. The example is calculated on 10 apartments at an average rent of \$1,800/month times 12 months times 10%. Example incentive of \$228,428 = taxes of \$250,028-\$21,600 annual PILOT payment. Actual PILOT amount will vary based on units, rents, and local approval.



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## Housing TIF Approval for an EGR Project

*TIF must be approved by a local brownfield authority, city commission, and sometimes the State of Michigan*

Option 1: Kent County has a new Brownfield Redevelopment Authority that could approve TIF in East Grand Rapids if the city joins the BRA, and city commission and county commission approve the project.

Option 2: The City could create its own BRA. This keeps control in the city. BRA would need to create bylaws, policy, and members would be appointed by city commission. The BRA and city commission approve projects but the county does not.

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Is this a good TIF project?

### If you're the city and BRA:

Is the project consistent with BRA policy and legal requirements?

Is the project in the public good?

Is the city willing to support the project?

Is the ask reasonable?

Will the city incur costs from the development?

Can the city leverage other benefits by approving incentives?

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Questions? Please get in touch!



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BROWNFIELD REDEVELOPMENT AUTHORITY ESTABLISHMENT TIMELINE

Draft 4/19/22

| Steps | What   | When   |
|-------|--|--|
| 1     | Governing body passes a resolution of intent to create a Brownfield Redevelopment Authority (BRA), schedules a public hearing            |  |
| 2     | Governing body publishes notice of public hearing on intent to create a BRA  | Statute does not specify how many days before the public hearing.  |
| 3     | Governing body holds public hearing  |  |
| 4     | Governing body passes a resolution creating the BRA  | No more than 30 days after the public hearing  |
| 5     | Governing body files a copy of the resolution creating the BRA with the Michigan Department of State (Office of the Great Seal)          |  |
| 6     | Governing body or its administrator names BRA members  | Can be done in the resolution creating the BRA. If the administrator names members, they are subject to governing body approval. |
| 7     | BRA holds an organizational meeting where it passes bylaws and elects officers. The bylaws must be approved by the local governing body. |  |
| 8     | At the BRA's direction, Fishbeck may draft BRA guidance  |  |

Susan will do:

- Presentation 1: We have a BRA, now what?
- Presentation 2: We have a brownfield plan, now what?
- Bylaws
- Guidance