

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

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City of East Grand Rapids

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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

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 with a “public purpose” which may include workforce housing.

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

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
- Rents and home prices are based on 30% of AMI
- Per the US Census, EGR's AMI is \$160,417 – the county's AMI is about half of the city's AMI for a one-person household

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 Bedroom

	0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
60%	1,057	1,133	1,360	1,571	1,753
70%	1,233	1,322	1,587	1,833	2,045
80%	1,410	1,511	1,814	2,095	2,338
100%	1,762	1,888	2,267	2,618	2,922
120%	2,115	2,266	2,721	3,142	3,507

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

Finding housing in/near East Grand Rapids



Demand for housing in Kent County (excluding the City of Grand Rapids) for households at \$71,601-\$107,400 income is estimated by Housing Next at 899 rental units and 4,623 homes for sale between 2022-2027

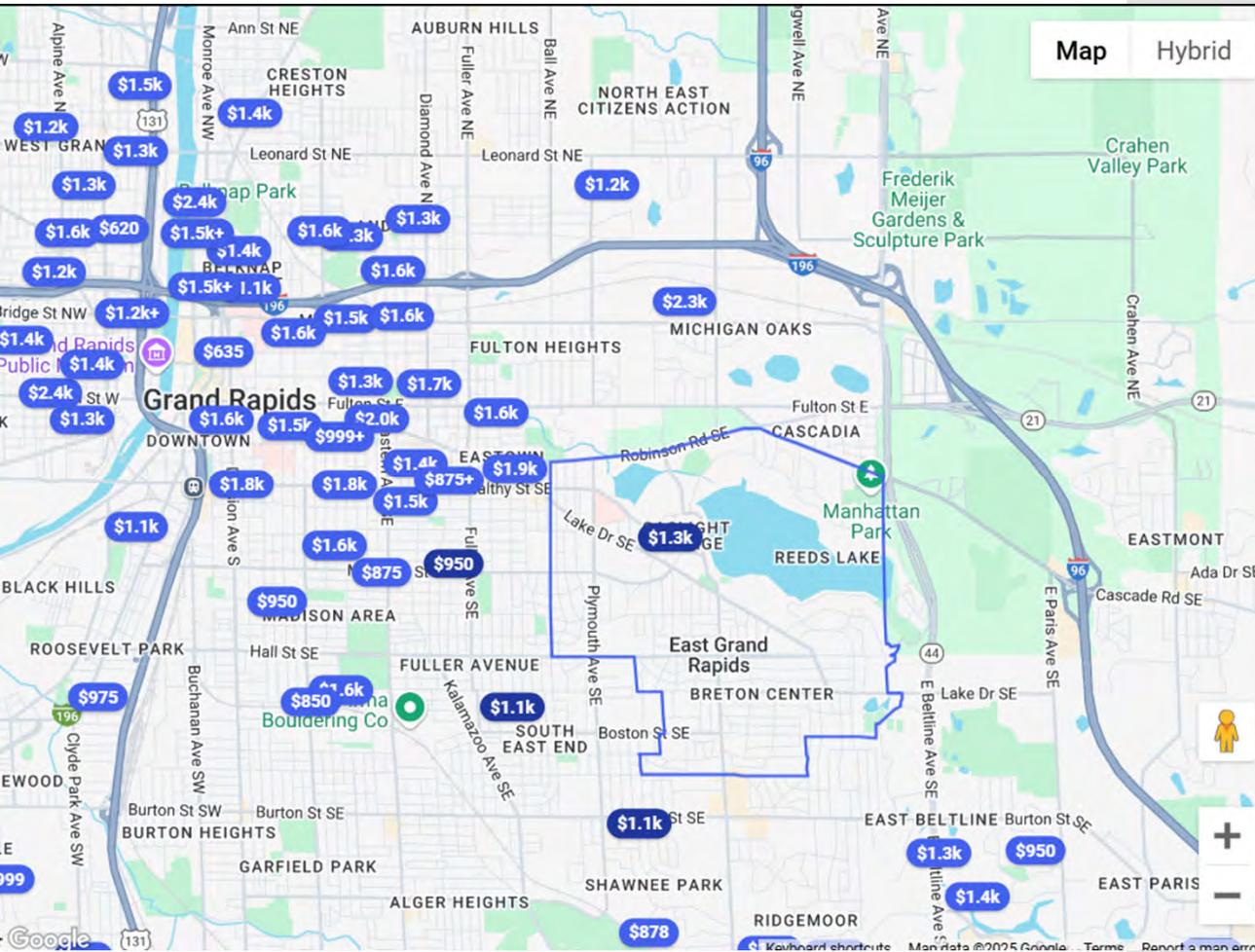


A two-person household in Kent County at 120% AMI (\$96,720) should be able to afford \$2,418 a month for housing



On January 2, 2025, there was one rental available in EGR

Available rentals in East Grand Rapids January 2, 2025



\$1,300

2143 Wealthy St SE unit 2143 1/2 Wealthy

Grand Rapids, MI 49506

2 Beds • 1 Bath

Available Now

[Email](#)

[Request Tour](#)

Finding Housing in East Grand Rapids



\$245,000

3 bds | 1 ba | 1,334 sqft - House for sale
1141 McKinley Ct SE, Grand Rapids, MI 49506
BROOKSTONE, REALTORS LLC

This is the home closest to EGR at the cost affordable for a two-person household. \$183/SF



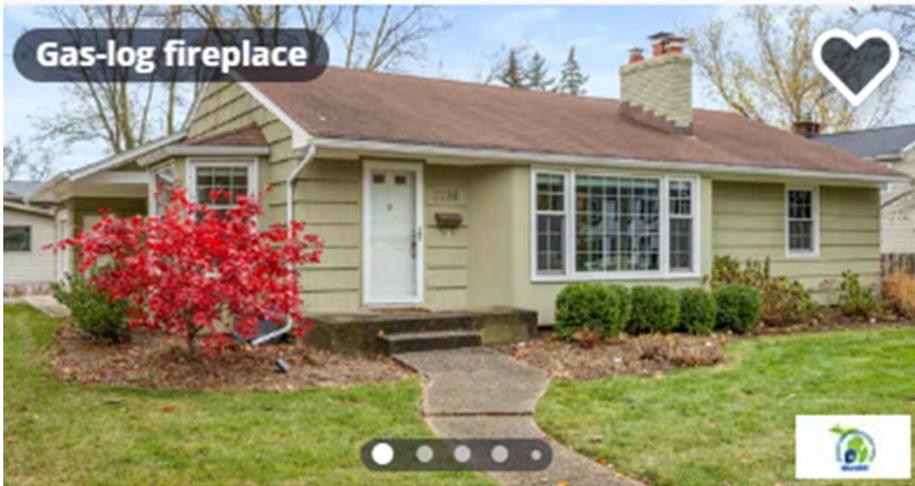
\$425,000

2 bds | 4 ba | 2,040 sqft - Condo for sale
537 Greenwood Ave SE APT D, East Grand Rapid...
BELLABAY REALTY (SW)

This was the lowest priced home in EGR on 10/8/24 at \$400,00. It still is, but by 1/2/25 it had *increased* to \$425,000. Now \$208/SF.

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 priced at **\$248,000**

On 1/2/25, there were no homes for sale in EGR below \$425,000



\$465,000



3 bds | 1 ba | 1,304 sqft - House for sale

2238 Wilshire Dr SE, East Grand Rapids, MI 49506

GREENRIDGE REALTY (EGR)

\$365/square foot

Why we need housing incentives

Local developers say that “value conscious” construction costs \$300-\$315 a square foot.

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

Houszeo.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.

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 (\$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.



Why we need housing incentives: 1303 Post Drive, Plainfield Township

18 rental apartments for up 120% AMI

1 BR rent is \$1,500

2 BR rent is \$1,850

Two retail units

\$6,076,000 investment – about \$227/sf

Commercial and residential rent annual revenue = \$608,155

Annual costs for debt, utilities, management, taxes, etc. = \$673,706

Operating deficit (covered by TIF) = \$65,551

What are TIF eligible activities?

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



\$178/SF



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

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
City of East Grand Rapids total	62.5069 mills (non PRE) 44.5069 mills (PRE)

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.

Creating your BRA

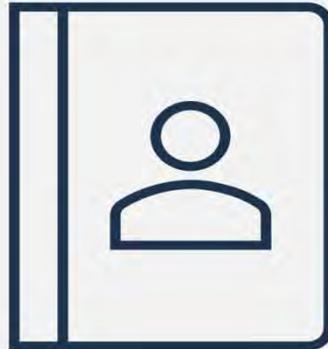
- ✓ City Commission passes a resolution of intent to create a BRA and schedule a public hearing
- ✓ City publishes a notice of public hearing on intent to create a BRA
- City Commission holds a public hearing (scheduled for January 6, 2025)
- City Commission passes a resolution creating the BRA no more than 30 days after the public hearing
- City files a copy of the resolution creating the BRA with the State
- City Commission names BRA members
- BRA holds an organizational meeting where it passes bylaws and elects officers
- BRA bylaws are approved by the City Commission

Choosing BRA Members

If the East Grand Rapids City Commission decides to create a BRA, the next step is choosing members.

- Act 381 requires a BRA to have 5 to 9 members
- Members serve 1, 2, or 3-year terms at the start, then all terms are 3 years
- Members can be anyone. Other BRAs' members include
 - Bankers
 - Educators and school administrators
 - Union leaders
 - Business owners and representatives
 - Builders
 - Nonprofit leaders
 - Public transit administrators

Questions? Please get in touch!



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