

Housing TIF: An Overview and Lessons Learned

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What Is Housing TIF?

Michigan's Brownfield Redevelopment Financing Act • Act 381 of 1996



Traditional brownfields

Properties that are contaminated, blighted, functionally obsolete, or historic.



Housing TIF

Property that will be used for new housing, or where an existing building will be renovated for use as housing. Includes housing in a mixed use project.

HOUSING TIF PROGRAM RESOURCES



Homeownership Rental Homeless Developers Lenders / Realtors About ▾



Housing Tax Increment Financing (TIF) Program



Tools Predevelopment Assistance Small Business Historic Preservation Training & Events



Brownfield Tax Increment Financing (TIF)



Housing TIF: Main Topics

1



Four Essential Elements

Brownfield Authority • Eligible Property • Eligible Activities • TIF

2



Brownfield Plan,
Work Plan & Combined Plan

3



Development
Agreement

4



Municipal Services
Agreement

5



Reporting
Requirements

Eligible Property



Traditional Brownfield Property: Property that's blighted, functionally obsolete, contaminated, historic, or at a transit hub.



Housing Property: Property that will be used for new housing, or where an existing building will be renovated for use as housing. Includes housing in a mixed use project.

Eligible Activities

For housing property located in a community that has identified a specific housing need and has absorption data or job growth data included in the brownfield plan, eligible activities include all of the following:

i.



Traditional eligible activities.

ii.



Infrastructure improvements that are necessary for housing property and support housing development activities.

iii.



Site preparation that is not a response activity and that supports housing development activities.

iv.



Housing development activities.

Eligible Activities (Cont.)

“Housing development activities” means 1 or more of the following:

i.



Reimbursement for qualified housing rehabilitation.

ii.



Costs for infrastructure available for public use and safety improvements necessary for a housing project.

iii.



Demolition and site preparation for income qualified housing.

iv.



Temporary relocation for income qualified households.

v.



Acquisition of blighted or obsolete property for income qualified housing.

vi.

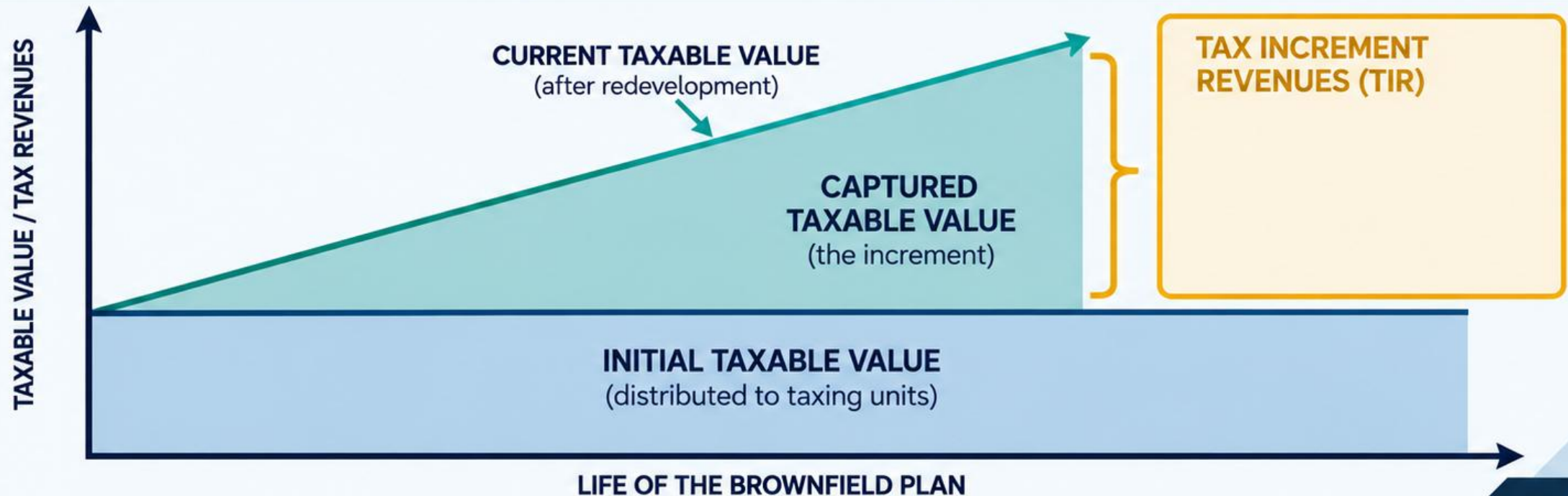


Gap financing for income qualified housing.

Tax Increment Financing

Tax increment financing uses the difference between pre-development property taxes and post-development property taxes on an *eligible property* to *reimburse* the developer for *eligible activities*.

Housing TIF Under Michigan Act 381



What is Required: Brownfield Plan, Work Plan, and Combined Plan



Brownfield Plan (Locally adopted)

The Brownfield Plan is adopted by the Brownfield Redevelopment Authority (BRA) and describes the eligible property, eligible activities, estimated costs, capture and use of tax increment revenues, implementation schedule, and other relevant information.



Work Plan (Submitted to MSHDA)

The Work Plan is submitted to MSHDA for review and includes a detailed description of the eligible activities to be undertaken, a breakdown of estimated costs and other funding sources, project and developer eligibility information, and evidence of site control and timing.



Combined Plan (Submitted to MSHDA)

A Combined Brownfield Plan includes all required content of a Brownfield Plan and a Work Plan in a single document and is submitted to MSHDA for review and approval.

Brownfield Plans

Require approval by the brownfield authority and the governing body, with required public notice and evaluation.

1

LOCAL APPROVAL



- Brownfield Plan approval is **required by both the Brownfield Redevelopment Authority (BRA) and the governing body.**
- The governing body may, by resolution, **delegate the public-hearing process to the BRA**, subject to final governing-body approval.

2

PUBLIC HEARING NOTICE



Notice must contain the following:

- The hearing's time and place.
- A description of the property in relation to existing or proposed highways, streets, streams, or other landmarks.
- Where maps, plats, and the plan description are available for public inspection.
- A statement that all aspects of the plan are open for discussion at the hearing.
- Any other information that the governing body considers appropriate.

3

NOTICE TO TAXING JURISDICTIONS AND MSHDA



10 days

Before the hearing, provide notice to taxing jurisdictions that levy taxes subject to capture.



10 days

Also provide notice to MSHDA at least 10 days before the hearing when the plan proposes using school operating taxes for eligible housing development activities subject to MSHDA approval.

4

GOVERNING-BODY DETERMINATION



At least **10 days** after notice of the proposed plan is provided to taxing jurisdictions, the governing body determines whether the plan serves a public purpose. If so, it may **approve, reject, or approve with modifications** by resolution, considering:

- 1 Compliance with Act 381.
- 2 Feasibility of the financing method and the authority's ability to arrange financing.
- 3 Whether eligible-activity costs are reasonable and necessary.
- 4 Whether estimated captured taxable value is reasonable.

Development and Reimbursement Agreements



STATUTORY REQUIREMENTS

Act 381



Description of the eligible property ownership interests.



Monetary considerations.



Fees.



Revenue and cost sharing.



Charges.



Other financial arrangements or consideration between the parties.



If there is an affordability requirement, the agreement must also stipulate price and income restrictions and monitoring requirements for residential units.



MSHDA'S ROLE



MSHDA will only check for a development and reimbursement agreement when reviewing a workplan or combined plan.



MSHDA will check to see if an agreement is present when required, but they are not a party to the agreement and are not involved in the negotiation.



MSHDA will not require a deed restriction or affordability agreement to be recorded. However, MSHDA will record a public notice referencing the required development and reimbursement agreement when applicable.



PRACTICAL CONSIDERATIONS

Key terms to address in the agreement



Term of Capture and Reimbursement



Reimbursement Cap



Submission and Review of Reimbursement Requests



Order of Reimbursement



Assignment



Reporting

Municipal Services Agreements



Small communities in particular are concerned with the **cost of providing additional public services** for new residents / new development without new revenues.



Municipal Services Agreements can be negotiated to **return revenue to the local government.**



Newaygo and Bellaire.



Annual Reporting Requirements

For housing development activities, the local unit of government (or Brownfield Redevelopment Authority) must submit an annual report to MSHDA for the life of the plan.



Who Reports

- The local unit of government (or the Brownfield Redevelopment Authority) that approved the Brownfield Plan.
- Reporting is required for ALL Brownfield Plans, regardless of whether housing is included.



What to Include

- Status of each housing development activity.
- Amount of tax increment revenues captured and used.
- Summary of eligible expenditures incurred and reimbursement amounts.
- Progress toward completion of the project.
- Information on residential units, including price and income monitoring compliance (as applicable).
- Any other information required by MSHDA.



When to Report

- Submit annually to MSHDA in August for the preceding calendar year.
- Required for the life of the Brownfield Plan (or until all tax increment revenues have been captured and expended).
- Development agreements should establish a date for the developer to report information to the BRA, set by the BRA and typically around May 1.

**DUE IN
AUGUST
ANNUALLY**



Purpose

- ✓ Allows MSHDA to monitor implementation of the Housing TIF program.
- ✓ Tracks the use of tax increment revenues and compliance with statutory requirements.
- ✓ Provides transparency and accountability.
- ✓ Helps ensure that housing development goals are being achieved.



Lessons Learned and Hot Topics

Questions?



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