

# MSHDA Housing Tax Increment Financing Program Statement

September 29, 2023

## I. Overview of the Brownfield Redevelopment Financing Act and Public Act 90 of 2023

The Brownfield Redevelopment Financing Act of 1996, MCL 125.2651 et. seq., as amended (the “Brownfield Act”), authorizes municipalities to create local brownfield redevelopment authorities (each a “BRA”) to facilitate the implementation of brownfield plans to promote the revitalization, redevelopment, and reuse of brownfield properties, which include, but are not limited to, previously developed, tax reverted, blighted, or functionally obsolete properties. The Brownfield Act permits the use of tax increment financing (“TIF”) as a funding tool to help cover the additional costs associated with redeveloping a brownfield property. The taxable value of brownfield property is often very low, and the property taxes generated therefrom may be correspondingly very low. When an improved brownfield redevelopment has increased property value and generates new tax revenue, the increased revenue can be captured by a local BRA and be used to either repay TIF bonds or reimburse the developer for the eligible costs associated with redeveloping the property.

On July 19, 2023, Public Act 90 of 2023 (“PA 90”) became effective and amended the Brownfield Act to include certain housing development activities as eligible activities. Prior to PA 90, TIF was only available to property owners who coordinated with local BRAs and (a) the Department of Environment, Great Lakes, and Energy (“EGLE”) for certain environmental cleanup activities, and (b) the Michigan Strategic Fund (“MSF”) for certain business development and community development activities. Pursuant to PA 90, brownfield work plans and combined brownfield plans that involve the use of taxes levied for school operating purposes and that request reimbursement for housing development activities for affordable and/or subsidized housing must be reviewed by the Michigan State Housing Development Authority (“MSHDA”).

This Housing Tax Increment Financing Program Statement (“Program Statement”) is intended to provide the guidelines for submission to and review by MSHDA of work plans and combined brownfield plans relating to housing development activities. MSHDA will accept on an on-going basis work plans and combined brownfield plans submitted pursuant to this Program Statement and the Brownfield Act requirements and process. However, note that this Program Statement and its timing and requirements apply only to the implementation of PA 90 by MSHDA and that applications for MSHDA loans, grants, or other benefits that a developer may wish to use in connection with housing development activities undertaken pursuant to this Program Statement would need to be applied for separately under applicable MSHDA program specific guidelines.

See Addendum I for additional definitions used by MSHDA in this Program Statement. All statutory references used herein refer to the Brownfield Act, as amended by PA 90, unless otherwise specified.

## **II. Types of Brownfield Plans and Work Plans**

- a. A brownfield plan is the comprehensive description of the brownfield property and the plan for redevelopment. At minimum, a brownfield plan must include maps showing the location and dimensions of each eligible property, statements of the characteristics that qualify each property as eligible property, and a statement of whether personal property is included as part of the eligible property. Pursuant to Section 13(2) of the Brownfield Act, a brownfield plan may apply to 1 or more parcels of eligible property whether or not those parcels of eligible property are contiguous. A brownfield plan may also be amended to apply to additional parcels of eligible property. Pursuant to the requirements of Section 14, a brownfield plan is either approved, rejected, or approved with modification by resolution of the municipality or BRA. MSHDA does not review or approve brownfield plans except “work plans” and “combined brownfield plans” as described below.
- b. Work plans are plans that describe each individual activity to be conducted to complete eligible activities and the associated costs of each individual activity. One brownfield plan or transformational brownfield plan may include more than one work plan (e.g. one work plan for affordable housing and another for environmental cleanup activities). Pursuant to PA 90, MSHDA will review work plans for affordable and/or subsidized housing for projects that request reimbursement for eligible housing development activities. These work plans may be created under either a brownfield plan or a transformational brownfield plan.
- c. Combined brownfield plans are brownfield plans and work plans drafted as one item that is inclusive of all the information necessary to submit the plan to MSHDA pursuant to Section 15(20) of the Brownfield Act and as set forth below in this Program Statement.
- d. Transformational brownfield plans are for large scale projects that will have a transformational impact on local economic development and community revitalization based on the extent of brownfield redevelopment and growth in population, commercial activity, and employment that will result from the plan. To be designated a transformational brownfield plan, a transformational brownfield plan must be for mixed-use development unless waived by the MSF and must be expected to result in certain levels of capital investment. Transformational brownfield plans may include numerous work plans.

The MSF is the state agency responsible for overall review of transformational brownfield plans. However, for transformational brownfield plans that include affordable and/or subsidized housing work plans, MSHDA is responsible for reviewing the work plans that relate to housing development activities. Pursuant to Section 13b(4)(b) and Section 15(10)(a), a BRA must submit a transformational brownfield plan when submitting for MSHDA review a work plan created as part of an overall transformational brownfield plan.

## **III. Eligible Property for MSHDA Review**

Under PA 90, Section 13b(4)(b), MSHDA is charged with the responsibility of reviewing work

plans or combined brownfield plans relating to eligible housing development activities for “for sale” or rental housing properties that are reserved to serve households earning not more than 120% of area median income and/or subsidized properties.

Pursuant to Section 2(p)(ii), “eligible property” includes housing property for which eligible activities are identified under a brownfield plan, including personal property located on the property, to the extent included in the brownfield plan.

Pursuant to Section 2(y) “housing property” is further defined to mean 1 or more of the following:

- a. A property on which 1 or more units of residential housing are proposed to be constructed, rehabilitated, or otherwise designed to be used as a dwelling.
- b. One or more units of residential housing proposed to be constructed or rehabilitated and located in a mixed-use project.

#### **IV. Types of Permitted Housing Development Activities**

Pursuant to Section 2(x) of the Brownfield Act, “housing development activities” means 1 or more of the following:

- a. Reimbursement provided to owners of rental housing units for qualified rehabilitation, which under Section 2(vv) is defined as “rehabilitation of existing structures that is necessary to make a housing unit suitable for sale to an income qualified purchaser household or rent to an income qualified renting household. Qualified rehabilitation also includes proposed rehabilitation that will bring the structure into conformance with minimum local building code standards for occupancy or improve the livability of the units while meeting minimum local building code standards. In this subsection, “existing structures” includes any structure designed to be used as a dwelling.”
- b. Costs for infrastructure available for public use and safety improvements necessary for a housing project.
- c. Costs of demolition and renovation of existing buildings and site preparation, to the extent necessary to accommodate an income qualified purchaser household or income qualified renting household.
- d. Temporary household relocation costs for an income qualified household for a period not to exceed 1 year.
- e. Acquisition cost for blighted or obsolete rental units, to the extent the acquisition would promote rehabilitation or adaptive reuse of the blighted or obsolete rental unit to accommodate an income qualified purchaser household or income qualified renting household.

- f. Reimbursement provided to a developer to fill a financing gap associated with the development of housing units priced for income qualified households and to assist with costs related to infrastructure improvements and site preparation that are not a response activity and that are necessary for new housing development for income qualified households on eligible property.

## **V. Additional Eligible Activities**

Pursuant to Section 2(o)(i) of the Brownfield Act, for all eligible properties, including housing properties, eligible activities may include any of the following:

- a. Reasonable costs of environmental insurance.
- b. Reasonable costs incurred to develop and prepare brownfield plans, combined brownfield plans, or work plans for the eligible property, including legal and consulting fees that are not in the ordinary course of acquiring and developing real estate.
- c. Reasonable costs of brownfield plan and work plan implementation, including, but not limited to, tracking and reporting of data and plan compliance, including costs to implement, monitor, and maintain compliance with the income and price monitoring responsibilities associated with housing development activities.
- d. Demolition of structures or site improvements that are not a response activity, including removal of manufactured debris composed of discarded, unused, or unusable manufactured by-products left on the site by a previous owner.
- e. Lead, asbestos, or mold abatement.
- f. Pursuant to Section 2(o)(ii), for housing property located in a community that has identified a specific housing need included in the brownfield plan, eligible activities may include:
  - 1. Infrastructure improvements that are necessary for housing property and supports housing development activities.
  - 2. Site preparation that is not a response activity and that supports housing development activities.

## **VI. Local Brownfield Plan Approval Process**

Prior to submitting a work plan or combined brownfield plan to MSHDA, the local governing body or BRA is required to (i) hold a public hearing on the brownfield plan and (ii) determine that the plan constitutes a public purpose.

The hearing criteria include the following:

- a. Notice of the time and place of the hearing, including:
  1. A description of the property to which the plan applies in relation to existing or proposed highways, streets, streams, or otherwise; and
  2. A statement that maps, plats, and a description of the brownfield plan are available for public inspection at a place designated in the notice and that all aspects of the brownfield plan are open for discussion at the public hearing; and
  3. Any other information that the governing body considers appropriate.
- b. Preservation of a record of the public hearing, including all data presented at the hearing.
- c. Not less than 10 days before the hearing on the brownfield plan, the governing body shall provide notice of the hearing to the taxing jurisdictions and to MSHDA, or its designee, if the brownfield plan involves the use of taxes levied for school operating purposes to pay for eligible housing development activities subject to 13b(4)(b).
- d. Not less than 10 days after notice of the proposed brownfield plan is provided to the taxing jurisdictions, the governing body shall determine whether the plan constitutes a public purpose. If the governing body determines that the plan does not constitute a public purpose, the governing body shall reject the plan. If the governing body determines that the plan constitutes a public purpose, the governing body may then approve or reject the plan, or approve it with modification, by resolution.

Per Section 15(20), instead of seeking approval of a work plan under section 13b(4)(b), a BRA may seek approval of a combined brownfield plan. If the combined brownfield plan involves the use of taxes levied for school operating purposes to pay for eligible housing development activities that require approval by MSHDA under section 13b(4)(b), not less than 30-days before the BRA holds a public hearing on the combined brownfield plan, the BRA must provide MSHDA written notice that the BRA will be seeking approval of a combined brownfield plan instead of a work plan.

## **VII. Combined Brownfield Plan or Work Plan Submittal Process**

Submissions to MSHDA of work plans under Section 13b(4)(b) or combined brownfield plans under Section 15(20) are required to, at a minimum, include the following:

- a. A written letter from the submitting BRA requesting formal approval and indicating that (i) the notices and formal hearing have been completed per the Brownfield Act, (ii) the BRA has approved the brownfield plan and determined that the plan constitutes a public purpose, and (iii) only for transformational brownfield plans, the required financial review has been completed.

- b. For each required submission item under Section 15(10), the BRA must provide a separate tab labeled according to the enumeration below in subsection VIII(d)(1)-(8) of this Program Statement.

### **VIII. Threshold Submission Requirements for Work Plans and Combined Brownfield Plans**

Prior to evaluation of a submitted work plan or combined brownfield plan, MSHDA staff must confirm the following threshold requirements have been met:

- a. Does the brownfield plan include the use of taxes levied for school operating purposes? If so, is the work plan or combined brownfield plan requesting reimbursement for housing development activities? Will the housing property for which housing development activities are identified under the work plan or combined brownfield plan be sold or rented at other than a market rate or be subsidized?
  - 1. If no to any of these questions, MSHDA has no statutory authority to review the work plan and it must be returned to the submitting BRA.
  - 2. If yes to all these questions, continue the review of threshold questions.
- b. Who submitted the plan?
  - 1. A work plan submitted under Section 15(10), or a combined brownfield plan submitted under Section 15(20)(b), must be submitted to MSHDA by the BRA.
  - 2. Any work plan or combined brownfield plan not submitted by the BRA, or another duly authorized municipal designee, will be automatically denied and returned to the submitting party.
- c. Per Section 15(11), the BRA must complete all required financial analyses prior to submitting to MSHDA a work plan completed as part of a transformational brownfield plan. Any work plan or combined brownfield plan completed as part of a transformational brownfield plan submitted without a BRA completed financial analysis will be denied.
- d. Per Section 15(10), the BRA must submit all the following for each eligible property:
  - 1. A copy of the brownfield plan or the transformational brownfield plan.
  - 2. Current ownership information for each eligible property and a summary of available information on proposed future ownership, including the amount of any delinquent taxes, interest, and penalties that may be due.
  - 3. A summary of available information on the historical and current use of each eligible

property.

4. Existing and proposed future zoning for each eligible property.
5. A summary of the proposed redevelopment and future use for each eligible property.
6. A separate work plan, or part of a work plan, for each eligible activity described in section 13b(4) to be undertaken.
7. A copy of the development agreement or reimbursement agreement between the municipality or BRA and an owner or developer of eligible property required under section 13b(4), which must per Section 13b(4)(b) stipulate price and monitoring for residential units, and in addition must include but is not limited to a detailed summary of any and all ownership interests, monetary considerations, fees, revenue and cost sharing, charges, or other financial arrangements or other consideration between the parties.
8. For work plans that include housing development activities, a summary of proposed income and price monitoring responsibilities and related expenses.

If the BRA fails to submit any of the foregoing items, MSHDA will deny the work plan or combined brownfield plan for incompleteness.

- e. The eligible activities to be conducted and described in Section 13b(4) must be consistent with the combined brownfield plan or work plan submitted by the BRA to MSHDA.

If the eligible activities to be conducted and described in the combined brownfield plan or work plan submitted by the BRA to MSHDA are not consistent with Section 13b(4)(b) eligible housing development activities, MSHDA will deny the work plan or combined work plan for inconsistency.

## **IX. Work Plan and Combined Brownfield Plan Review Criteria**

If a work plan or combined brownfield plan satisfies the threshold requirements described above, MSHDA will review the plan using the statutory criteria listed below and the related programmatic parameters included in Addendum II, "Work Plan or Combined Brownfield Plan Review Criteria: Programmatic Parameters." If a plan seeks a waiver from a parameter included in Addendum II, MSHDA staff will present the waiver request to the MSHDA Board for consideration.

- a. Per Sections 15(12) and 15(20)(g), MSHDA must consider the following criteria to the extent reasonably applicable to the type of activities proposed in a work plan or combined brownfield plan when approving or denying the plan:
  1. Whether the individual activities included in the work plan are sufficient to complete

- the eligible activity.
2. Whether each individual activity included in the work plan is required to complete the eligible activity.
  3. Whether the cost for each individual activity is reasonable.
  4. The overall benefit to the public.
  5. The extent of reuse of vacant buildings and redevelopment of blighted property.
  6. Creation of jobs.
  7. Whether the eligible property is in an area of high unemployment.
  8. The level and extent of contamination alleviated by or in connection with the eligible activities.
  9. The level of private sector contribution.
  10. If the developer or projected occupant of the new development is moving from another location in this state, whether the move will create a brownfield.
  11. Whether the project of the developer, landowner, or corporate entity that is included in the work plan is financially and economically sound.
  12. Other state and local incentives available to the developer, landowner, or corporate entity for the project of the developer, landowner, or corporate entity that is included in the work plan.
  13. MSHDA will also consider all of the following for proposed housing development activities:
    - i. Alignment with the statewide housing plan developed.
    - ii. The capacity of the entity or agency that is monitoring price and income, and the duration of the monitoring.
    - iii. Whether the project will support housing at price points that align with the local workforce.
    - iv. If the property will be deed restricted to regulate short-term rentals or otherwise ensure long-term local housing needs.
    - v. As determined by MSHDA utilizing the formula found in Schedule A, Potential Rent Loss (PRL) Gap Cap & Total Housing Subsidy (THS) Calculations will be used to establish the reasonableness of certain housing activities for which tax capture is planned.



## **X. Written Response to Work Plan or Combined Brownfield Plan Submission**

### **a. Work Plan Response:**

1. Within 60 days following receipt of a BRA written request for approval of a work plan, per Section 15(11), MSHDA must provide one of the following written responses to the requesting BRA:
  - i. An unconditional approval that includes an enumeration of eligible activities and a maximum allowable capture amount.
  - ii. A conditional approval that delineates specific necessary modifications to the work plan, including, but not limited to, individual activities to be added to or deleted from the work plan and revision of costs.
  - iii. A denial and a letter stating with specificity the reason for the denial. If MSHDA denies a work plan under this subsection, the BRA may subsequently resubmit the work plan.
2. Per Section 15(13), if MSHDA fails to provide a written response within 60 days following receipt of a request for approval of a work plan under Section 13b(4)(b) or 90 days for a work plan under a transformation brownfield plan, then the eligible activities are considered approved, and the BRA may proceed with the eligible activities as outlined in the work plan as submitted.
3. Per Section 15(14), MSHDA's approval of a work plan is final and is not subject to reconsideration or appeal.

### **b. Combined Brownfield Plan Response:**

1. Within 60 days following receipt of a BRA written request for approval of a combined brownfield plan, MSHDA must, per Section 15(20)(d), provide one of the following written responses to the requesting BRA:
  - i. An unconditional approval that includes an enumeration of eligible activities and a maximum allowable capture amount.
  - ii. A conditional approval that delineates specific necessary modifications to the combined brownfield plan, including, but not limited to, individual activities to be added to or deleted from the combined brownfield plan and revision of costs.
  - iii. A denial and a letter stating with specificity the reason for the denial. If

MSHDA denies a combined brownfield plan under this subsection, the BRA may subsequently resubmit the combined brownfield plan for review.

2. Per Section 15(20)(i), if MSHDA fails to provide a written response under Section 15(20)(d) within 60 days after receipt of a complete combined brownfield plan or 90 days for a combined plan submitted as part of a transformational plan, then the eligible activities are considered approved as submitted.
  3. Per Section 15(20)(j), MSHDA's approval of a combined brownfield plan is final and is not subject to reconsideration nor appeal.
- c. MSHDA staff will provide a comprehensive review of each submitted work plan and combined brownfield plan and make staff recommendations for approval, conditional approval, or denial. Pursuant to MSHDA Board authority under Section 125.1421(6) of the State Housing Development Authority Act of 1966, Act 346 (the "MSHDA Act"), the MSHDA Board may delegate to one or more executive-level staff the power to provide administrative approvals, conditional approvals, or denials of work plans and combined brownfield plans based on the statutory and programmatic criteria set forth herein and based on the Brownfield Act, as amended.
- d. If MSHDA issues a written conditional approval of a combined brownfield plan to a requesting BRA, pursuant to Section 15(20)(h), the BRA may administratively approve any modifications required by the written response without following the notice and approval process required by Section 14(6) unless the modifications add one or more parcels of eligible property or increase the maximum amount of tax increment revenue in the case of a transformational brownfield plan, construction period tax capture revenues, withholding tax capture revenues, income tax capture revenues, and sales and use tax capture revenues approved for the project.

## **XI. Reporting Requirements**

### **a. Quarterly Reporting**

1. MSHDA staff will report to the MSHDA Board on a quarterly basis all work plans and combined brownfield plans approved by MSHDA. That report will include, at a minimum, the following:
  - i. Total number of projects approved.
  - ii. Types of projects approved (rental or for sale).
  - iii. Total number of units approved and units by reserved AMI.
  - iv. Number of projects with subsidies, such as project-based vouchers.
  - v. Number of projects designated to serve elderly or special needs populations.
  - vi. Number of units designated to serve the elderly or special needs populations.

2. Pursuant to Section 16(5)(c), MSHDA will on a quarterly basis post on its website the name, location, and amount of tax increment revenues, including taxes levied for school operating purposes, for each project approved by MSHDA under the Brownfield Act during the immediately preceding quarter.

b. Annual Reporting to MSHDA from Brownfield Authorities

1. Section 16 requires the local BRA to submit annually to MSHDA a financial report on the status of the activities of the BRA for each calendar year. The report must include all of the following:

- i. The total amount of local taxes that are approved for capture and the total amount of taxes levied for school operating purposes that are approved for capture for each parcel included in a brownfield plan.

- ii. The amount and purpose of expenditures of tax increment revenues.

The amount and source of tax increment revenues received for each active brownfield plan, including the amount of tax increment revenues captured in the most recent tax year and the cumulative amount of tax increment revenues captured for each brownfield plan.

- iii. The initial taxable value of all eligible property subject to each brownfield plan.

- iv. The captured taxable value realized by the BRA for each eligible property subject to the brownfield plan.

- v. The amount of actual capital investment made for each project.

- vi. The amount of tax increment revenues attributable to taxes levied for school operating purposes used for activities described in Section 13b(6)(c), Section 2(o)(i)(F) and (G), and Section 2(o)(iii)(B) and (C).

- vii. The number of residential units constructed or rehabilitated for each project.

- viii. The amount, by square foot, of new or rehabilitated residential, retail, commercial, or industrial space for each project.

- ix. The number of new jobs created at the project.

- x. The number of housing units produced.

- xi. The number of income qualified purchaser households served.

- xii. The number of income qualified renting households assisted.

- xiii. For the initial reporting period, the prices at which the housing units were sold or rented.
- xiv. Racial and socioeconomic data on the individuals purchasing or renting the housing units, or, if this data is not available, racial, and socioeconomic data on the census tract in which the housing units are located.

c. Annual Report to Legislature Members

Pursuant to Section 16(4), MSHDA will collect the reports described above, compile a combined report that includes the use of local taxes, taxes levied for school operating purposes, and the state brownfield redevelopment fund, based on the information contained in those reports and any additional information considered necessary, and submit annually a report based on that information to each member of the Legislature.

This program may, with MSHDA Board approval, be amended from time to time in order to more effectively and efficiently carryout activities within it or to maintain compliance with amendments to the Brownfield Act, or the MSHDA Act. For the most recent program updates, please visit MSHDA's Housing Tax Increment Financing (TIF) program webpage at:

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

## Addendum I

### MSHDA Housing Tax Increment Financing Program Definitions

1. "Blighted," per Section 2(c), means property that meets any of the following criteria as determined by the local municipality:

- i. Has been declared a public nuisance in accordance with a local housing, building, plumbing, fire, or other related code or ordinance.
  - ii. Is an attractive nuisance to children because of physical condition, use, or occupancy. Is a fire hazard or is otherwise dangerous to the safety of persons or property.
  - iii. Has had the utilities, plumbing, heating, or sewerage permanently disconnected, destroyed, removed, or rendered ineffective so that the property is unfit for its intended use.
  - iv. Is previously developed or tax reverted property owned by a municipality or by this state. The sale, lease, or transfer of previously developed or tax reverted property by a municipality or this state after the property's inclusion in a brownfield plan does not result in the loss to the property of the status as blighted property for purposes of this act.
  - v. Is property owned by or under the control of a land bank fast track authority, whether or not located within a qualified local governmental unit. Property included within a brownfield plan before the date it meets the requirements of this subdivision to be eligible property is considered to become eligible property as of the date the property is determined to have been or becomes qualified as, or is combined with, other eligible property. The sale, lease, or transfer of the property by a land bank fast track authority after the property's inclusion in a brownfield plan does not result in the loss to the property of the status as blighted property for purposes of this act.
  - vi. Has substantial buried subsurface demolition debris present so that the property is unfit for its intended use.
2. "Brownfield plan," per Section 2(e), means a plan that meets the requirements of Sections 13 and 13b of the Brownfield Act and is adopted under Section 14.
3. "Combined brownfield plan," per Section 2(h), means a brownfield plan that includes the information necessary to submit the plan to EGLE, MSHDA, or the MSF under Section 15(20) of the Brownfield Act. "Department" and "Department activities," per Section 2(j) and (k), means EGLE and the environmental investigations and response activities carried out pursuant to its statutory authority.
4. "Eligible activities" or "eligible activity", per Section 2(o), means 1 or more of the following:

- i. For all eligible properties, eligible activities include all of the following:
  - i. Reasonable costs of environmental insurance.
  - ii. Reasonable costs incurred to develop and prepare brownfield plans,

combined brownfield plans, or work plans for the eligible property, including legal and consulting fees that are not in the ordinary course of acquiring and developing real estate.

- iii. Reasonable costs of brownfield plan and work plan implementation, including, but not limited to, tracking and reporting of data and plan compliance, including costs to implement, monitor, and maintain compliance with the income and price monitoring responsibilities associated with housing development activities.
  - iv. Demolition of structures or site improvements that is are not a response activity, including removal of manufactured debris composed of discarded, unused, or unusable manufactured by-products left on the site by a previous owner.
  - v. Lead, asbestos, or mold abatement.
- ii. 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. Infrastructure improvements that are necessary for housing property and support housing development activities.
  - ii. Site preparation that is not a response activity and that supports housing development activities.
5. "Eligible property," per Section 2(p)(ii) and for MSHDA's analysis, means housing property for which eligible activities are identified under a brownfield plan, including personal property located on the property, to the extent included in the brownfield plan.
6. "Functionally obsolete," per Section 2(u), means that the property is unable to be used to adequately perform the function for which it was intended due to a substantial loss in value resulting from factors such as overcapacity, changes in technology, deficiencies or super adequacies in design, or other similar factors that affect the property itself or the property's relationship with other surrounding property.
7. "Housing development activities," per Section 2(x), means 1 or more of the following:
- i. Reimbursement provided to owners of rental housing units for qualified rehabilitation.
  - ii. Costs for infrastructure available for public use and safety improvements necessary for a housing project.

- iii. Costs of demolition and renovation of existing buildings and site preparation, to the extent necessary to accommodate an income qualified purchaser household or income qualified renting household.
  - iv. Temporary household relocation costs for an income qualified household for a period not to exceed 1 year.
  - v. Acquisition cost for blighted or obsolete rental units, to the extent the acquisition would promote rehabilitation or adaptive reuse of the blighted or obsolete rental unit to accommodate an income qualified purchaser household or income qualified renting household.
  - vi. Reimbursement provided to a developer to fill a financing gap associated with the development of housing units priced for income qualified households and to assist with costs related to infrastructure improvements and site preparation that are not a response activity and that are necessary for new housing development for income qualified households on eligible property.
8. "Housing property," per Section 2(y), means 1 or more of the following:
- i. A property on which 1 or more units of residential housing are proposed to be constructed, rehabilitated, or otherwise designed to be used as a dwelling.
  - ii. One or more units of residential housing proposed to be constructed or rehabilitated and located in a mixed-use project.
9. "Income qualified household," per Section 2(z), means a person, a family, or unrelated persons living together, whose annual household income is not more than 120% of the area median income.
10. "Area median income" means the median income for the area as determined under Section 8 of the United States Housing Act of 1937, 42 USC 1437f, adjusted for family size.
11. "Household income" means all income received by all individuals who are not less than 24 years of age when the household income is determined and who reside in a household while members of the household.
12. "Income qualified purchaser household," per Section 2(aa), means a purchaser who is, or who is a member of, an income qualified household.
13. "Income qualified renting household," per Section 2(bb), means a renter who is, or who is a member of, an income qualified household.
14. "Qualified rehabilitation," per Section 2(vv), means rehabilitation of existing structures that is necessary to make a housing unit suitable for sale to an income qualified purchaser household or rent to an income qualified renting household. Qualified rehabilitation also

includes proposed rehabilitation that will bring the structure into conformance with minimum local building code standards for occupancy or improve the livability of the units while meeting minimum local building code standards. As used in this subsection, "existing structures" includes any structure designed to be used as a dwelling.

15. "Subsidized," for purposes of MSHDA's analysis under PA 90 of 2023 means:

- i. Property that receives a federal, state, local, or tribal benefit that encourages low or moderate-income housing development, which will be defined as being affordable to persons at 120% AMI or lower; and,
- ii. That benefit accrues to the property owner; and,
- iii. By nature of the benefit the property is subject to a use restriction as to rents and occupant income.

16. "Tax increment revenues" per Section 2(eee), means the amount of ad valorem property taxes and specific taxes attributable to the application of the levy of all taxing jurisdictions on the captured taxable value of each parcel of eligible property subject to a brownfield plan and personal property located on that property, regardless of whether those taxes began to be levied after the brownfield plan was adopted. Tax increment revenues also include the amount of any payment in lieu of taxes under Section 15a(3) of the MSHDA Act, MCL 125.1415a, paid on an eligible property subject to a brownfield plan, less the amount of property taxes levied on the eligible property subject to the brownfield plan for the year the eligible property became subject to the brownfield plan. Tax increment revenues do not include any of the following:

- i. Ad valorem property taxes specifically levied for the payment of principal of and interest on either obligations approved by the electors or obligations pledging the unlimited taxing power of the local governmental unit, and specific taxes attributable to those ad valorem property taxes.
- ii. For tax increment revenues attributable to eligible property, the amount of ad valorem property taxes or specific taxes captured by a downtown development authority under Part 2 of the Recodified Tax Increment Financing Act, 2018 PA 57, MCL 125.4201 to 125.4230, tax increment finance authority under Part 3 of the Recodified Tax Increment Financing Act, 2018 PA 57, MCL 125.4301 to 125.4329, corridor improvement authority under Part 6 of the Recodified Tax Increment Financing Act, 2018 PA 57, MCL 125.4602 to 125.4629, or local development finance authority under Part 4 of the Recodified Tax Increment Financing Act, 2018 PA 57, MCL 125.4401 to 125.4420, if those taxes were captured by these other authorities on the date that eligible property became subject to a brownfield plan under the Brownfield Act, unless these other authorities agree to forgo or transfer their taxes in support of the brownfield plan.



- iii. Ad valorem property taxes levied under 1 or more of the following or specific taxes attributable to those ad valorem property taxes
  - i. The Zoological Authorities Act, 2008 PA 49, MCL 123.1161 to 123.1183.
  - ii. The Art Institute Authorities Act, 2010 PA 296, MCL 123.1201 to 123.1229.

17. “Taxes levied for school operating purposes”, per Section 2(ggg), means all of the following:

- i. The taxes levied by a local school district for operating purposes.
- ii. The taxes levied under the State Education Tax Act, 1993 PA 331, MCL 211.901 to 211.906.
- iii. That portion of specific taxes attributable to taxes described under subparagraphs (i) and (ii).

18. “Transformational brownfield plan”, per Section 2(hhh), means a brownfield plan that meets the requirements of Section 13c and is adopted under Section 14a of the Brownfield Act and, as designated by resolution of the local municipality governing body and approved by the MSF, will have a transformational impact on local economic development and community revitalization based on the extent of brownfield redevelopment and growth in population, commercial activity, and employment that will result from the plan. To be designated a transformational brownfield plan, a transformational brownfield plan must be for mixed-use development unless waived by the MSF as provided under Section 14a(26) of the Brownfield Act and is expected to result in specific levels of capital investment as defined by the Brownfield Act.

19. “Work plan”, per Section 2(mmm), means a plan that describes each individual activity to be conducted to complete eligible activities and the associated costs of each individual activity.

**Addendum II**  
**Work Plan or Combined Brownfield Plan Review Criteria:**  
**Programmatic Parameters**

**BROWNFIELD WORK PLAN OR COMBINED BROWNFIELD PLAN  
REVIEW  
PROGRAMMATIC PARAMETERS**

**1. Threshold Submission Requirements:**

- i. Does the brownfield plan include the use of taxes levied for school operating purposes? If so, is the work plan or combined brownfield plan requesting reimbursement for housing development activities? Is at least some portion of the housing to be developed subsidized or to be sold or rented to households at or below 120% AMI? \_\_\_YES\_\_\_NO
  - a. If no to any of these questions, STOP AND DENY:  
MSHDA has no statutory authority to review the plan, and it must be returned to the submitting BRA.
  
- ii. Was the plan submitted by the local BRA or duly authorized municipal designee? \_\_\_YES\_\_\_NO
  - a. If no, STOP AND DENY:  
A work plan submitted under Section 15(10), or a combined brownfield plan submitted under Section 15(20)(b), must be submitted to MSHDA by the local BRA.
  - b. Return to the submitting party.
  
- iii. Is the work plan part of a transformational brownfield plan?  
\_\_\_YES\_\_\_NO
  - a. If yes, pursuant to Section 15(11) the BRA must complete all required financial analyses prior to submitting a work plan to MSHDA.  
Was the required financial analysis completed by the BRA? \_\_\_YES\_\_\_NO
  - b. If no, STOP AND DENY.
  - c. Return to the submitting BRA.
  
- iv. Did the BRA submit for each eligible property pursuant to Section 15(10) the following items?
  - a. A copy of the brownfield plan or the transformational brownfield plan.  
\_\_\_YES\_\_\_NO

- b. Current ownership information for each eligible property and a summary of available information on proposed future ownership, including the amount of any delinquent taxes, interest, and penalties that may be due.   
\_\_\_YES\_\_\_NO
- c. A summary of available information on the historical and current use of each eligible property. \_\_\_YES\_\_\_NO
- d. Existing and proposed future zoning for each eligible property. \_\_\_YES\_\_\_NO
- e. A summary of the proposed redevelopment and future use for each eligible property. \_\_\_YES\_\_\_NO
- f. A separate work plan, or part of a work plan, for each eligible activity described in Section 13b(4) to be undertaken. \_\_\_YES\_\_\_NO
- g. A copy of the development agreement or reimbursement agreement between the municipality or authority and an owner or developer of eligible property required under Section 13b(4), which must stipulate price and monitoring for residential units, and include a detailed summary of any and all ownership interests, monetary considerations, fees, revenue and cost sharing, charges, or other financial arrangements or other consideration between the parties. \_\_\_YES\_\_\_NO
- h. For work plans that include housing development activities, a summary of proposed income and price monitoring responsibilities and related expenses. \_\_\_YES\_\_\_NO

1. If not all of the items listed in iv.(a)-(h) were included, which item(s) is/are missing?

\_\_\_\_\_

2. If no, STOP AND DENY the work plan or combined brownfield plan for incompleteness. List missing items in the response letter to the submitting BRA.

v. Are the eligible activities in the combined brownfield plan or work plan submitted by the BRA consistent with the eligible activities described in Section 13b(4)?   
\_\_\_YES \_\_\_NO

- a. If no, which eligible activities are inconsistent
  - 1.
  - 2.
  - 3.

- b. If no, STOP AND DENY the work plan or combined brownfield plan for inconsistency.

**2. Housing Work Plan and Combined Brownfield Plan Review Criteria:**

- i. Does the development agreement or reimbursement agreement between the municipality or BRA and an owner or developer of eligible property stipulate price and income monitoring for residential units? \_\_\_YES \_\_\_NO
  - a. If no, DENY the work plan or combined brownfield plan for lack of development agreement or reimbursement agreement that stipulates price and income monitoring for residential units and continue review of additional criteria.
- ii. The following criteria will be considered to the extent reasonably applicable to the type of activities proposed as part of the submitted work plan or combined brownfield plan when approving or denying a work plan or combined brownfield plan:
  - a. Are the individual activities included in the work plan or combined brownfield plan sufficient to complete the proposed eligible housing development activity?
    - 1. Rehabilitation and new construction projects must submit a copy of a purchase agreement and Development Cost Budget.  
  
Was a copy of a purchase agreement provided and are all Development Cost Budget items listed within the work plan or combined brownfield plan? \_\_YES\_\_NO
  - b. If no, explain what is missing and what needs to be done to achieve completion of the proposed eligible housing development activity:  
  
\_\_\_\_\_  
  
\_\_\_\_\_
  - c. If no, add the items that are missing or that need to be done to the terms of a conditional approval.
- iii. Is each individual activity included in the work plan or combined brownfield plan required to complete the eligible housing development activity?  
\_\_\_YES \_\_\_NO

- a. In order for individual activities to be deemed to be required to complete the eligible housing development activity, they must be limited to those items detailed in the Development Cost Budget. All other activities will be deemed not required to complete the eligible housing development activity.
- b. If no, explain what is not required to be done to complete the eligible housing development activity:

---



---

- c. If no, add to the terms of a conditional approval a listing of the items to be removed as not required to complete the eligible housing development activity.

iv. Is the cost for the eligible housing development activity reasonable?

- a. Utilize the Potential Rent Loss (PRL) Gap Cap & Total Housing Subsidy (THS) Calculations worksheet to determine reasonableness of gap funds needed to develop affordable housing versus market rate housing. A copy of the completed worksheet must be attached to this document.

YES  NO

Total Tax Increment Capture	_____
Calculated Housing Gap Cap	_____
Calculated Remaining Tax Capture	_____

v. Is there an overall benefit to the public?  YES  NO

- a. To be of a public benefit, the proposed housing development must meet one of the following:
  1. Satisfies a housing need determined by a current local housing needs assessment (no more than 3 years old), which is provided to MSHDA.
  2. Satisfies a housing need for the area as determined by a current housing market study.
  3. Satisfies a housing need identified in the Michigan Statewide Housing Plan found on MSHDA's website.

4. Satisfies a housing need identified in a regional housing study.

b. If no, explain why the proposed housing development provides no overall benefit to the public.

\_\_\_\_\_

c. If there is no overall benefit to the public, the project is denied as lacking public benefit.

vi. Is there reuse of vacant buildings and redevelopment of blighted property?  
\_\_\_YES \_\_\_NO

*This item is only applicable to work plans or combined brownfield plans specifically identifying the redevelopment of "blighted" property as defined in PA 90. For all other work plans or combined brownfield plans, this item is not applicable.*

a. If yes:

1. Is the vacant building being torn down or repurposed?

2. If the property is blighted, under what definition found in Section 2(c) is the property considered blighted?

\_\_\_\_\_

3. If blighted, is the acquisition cost to promote rehabilitation or adaptive reuse of the blighted or obsolete rental unit included in eligible activities? \_\_\_Yes \_\_\_No  
Amount of acquisition cost\_\_\_\_\_.

b. Explain as applicable in the recommendation summary:

1. The proposed reuse of or demolition of vacant buildings\_\_\_\_\_

2. Method used to determine that the property is blighted. A letter from the local municipality is acceptable.

\_\_\_\_\_

3. Is acquisition cost of blighted or obsolete property included as an eligible activity? \_\_\_Yes \_\_\_No

If no, add as conditional requirement that the cost be added or that the developer provide written confirmation that it was not omitted in error.

4. Is the property properly zoned, or must it be rezoned?

---

If it must be rezoned before the housing development can commence, add the requirement that the property must be properly zoned to the conditional approval.

vii. Are new jobs being created?

*This item is not applicable to affordable or subsidized housing work plans or combined brownfield plans.*

viii. Is the eligible housing development in an area of high unemployment?

*This item is not applicable to affordable or subsidized housing work plans or combined brownfield plans.*

ix. What is the level and extent of contamination alleviated by or in connection with the eligible activities?

a. A proposed housing development work plan must include an environmental review that meets MSHDA's Environmental Review Requirements found on MSHDA's website.

1. If the environmental review discloses that the proposed housing development site has environmental contamination, did EGLE provide clearance for residential development?  YES  NO

2. If not cleared as evidenced by documentation from EGLE for residential development, the work plan or combined brownfield plan will be conditionally approved subject to EGLE clearance of the site for residential development.

x. What is the level of private sector contribution, including but not limited to private placement loans and developer contributions?

*This item is provided for documentation only and is not used as a*



*factor to determine approval or denial of the work plan or combined brownfield plan.*

- a. Add to the project summary the level of private sector contribution, including but not limited to private placement loans and developer contributions.
- xi. Is the projected occupant of the new development moving from another location in this state and will the move create a brownfield?

*This item is not applicable to affordable or subsidized housing work plans or combined brownfield plans.*

- xii. Is the developer, landowner, or corporate entity that is included in the work plan or combined brownfield plan financially and economically unsound as determined by a review of the following requirements?  
\_\_\_YES \_\_\_NO
  - 1. Is in default or in material non-compliance with the LIHTC or any other MSHDA program; or
  - 2. Has outstanding flags in HUD's national 2530 National Participation system; or
  - 3. Has been debarred or suspended from any MSHDA, HUD, or Rural Housing programs; or
  - 4. Has outstanding tax liens; or
  - 5. Does not have liquid assets at least equal to 3% of the proposed project housing development eligible activity costs.
- a. Deny if the developer, landowner, or corporate entity that is included in the work plan or combined brownfield plan is deemed financially and economically unsound based on the above criteria.

- xiii. Are there other state and local incentives or subsidies available to the developer, landowner, or corporate entity for the housing development project that are included in the work plan or combined brownfield plan? \_\_\_YES \_\_\_NO
  - a. What are the sources, uses and amounts of the other state and local incentives or subsidies provided? \_\_\_\_\_  
Provide in the project recommendation summary.
  - b. Are the other state and local incentives or subsidies firm commitments or contingent on some event? \_\_\_\_\_  
Explain in the project recommendation summary.

- c. Do the other state and local incentives or subsidies permit the housing development to serve lower income households, seniors, homeless, persons with disabilities or other at-risk populations as may be deemed locally necessary based on housing reports or market studies?

---

Explain in the project recommendation summary.

- d. If the other state and local incentives or subsidies are required for financial viability and there are not firm commitments, the housing development work plan or combined brownfield plan will be conditionally approved until the firm commitments are provided. Otherwise note the various incentives and subsidies in the recommendation summary and mark for approval.
- xiv. Does the proposed housing development align with the statewide housing plan?  YES  NO
- a. If no, what are the stated reasons for deviation? Does the local municipality support the proposed housing development activity as may be evidenced by a PILOT resolution or providing other development incentives? How did the developer determine that this housing need existed (e.g. local market study, community development plans, local needs analysis)?
  - b. Deny if the work plan or combined brownfield plan is not aligned with the statewide housing plan and documented support for deviation from the statewide housing plan and/or community support for the proposed housing development is not provided.
  - c. Approve if the work plan or combined brownfield plan is aligned with the statewide housing plan or documented support for deviation from the statewide housing plan and/or community support for the proposed housing development is provided.
  - d. Explain how the project is aligned with the statewide housing plan or how the documentation provided supports a deviation from the statewide housing plan in the project recommendation summary.
- xv. Does the entity or agency monitoring price and income have the capacity to provide such monitoring, evidenced by experience providing such monitoring services based on the following criteria?  YES  NO

- a. How many years of experience does the monitoring entity or agency have in Michigan? \_\_\_\_\_
- b. An entity with limited experience and capacity monitoring price and income is defined as:
  - 1. An organization that has less than three years of price and income monitoring experience in programs such as Section 8, LIHTC, or HOME; or
- c. Explain in the project recommendation summary whether the entity or agency has limited, or sufficient monitoring experience based on the above criteria.
  - 1. If the entity or agency has limited experience, grant a conditional approval based on either: (a) changing the monitoring entity or agency to one with sufficient experience in monitoring price and income for affordable housing; or (b) partnering with a sufficiently experienced monitoring agency; or (c) receiving two hours or more of training with MSHDA staff on income monitoring processes and procedures.
  - 2. What is the duration of the price and income monitoring?  
\_\_\_\_\_

For-sale housing is to be monitored for price and household income through the first sale. Rental properties are to be monitored for a period not less than the expiration of projected tax increment capture but may be longer depending on other programmatic requirements.

- 3. If the proposed price and income monitoring duration does not meet the above, recommend a conditional approval to require changes to the duration of the price and income monitoring.

xvi. Does the proposed housing development project support housing at price points that align with the local workforce based on localized area income and community data provided? Explain in the recommendation summary how the housing development price points either align or do not align with the local workforce income and community data.

\_\_\_YES \_\_\_NO

- a. Deny if the housing development project does not support housing at price points that align with the local workforce based on information provided by the BRA to MSHDA.
  - b. Approve if the housing development project supports housing at price points that align with the local workforce based on information provided by the BRA to MSHDA.
- xvii. Is the proposed housing development to be income restricted for a period not less than the period of tax capture by providing deed restrictions to ensure the development meets long-term local housing needs? YES NO
- a. If yes, do the terms of the draft deed restrictions match the proposed AMI levels to be served at the proposed housing development?  
YES NO
    - 1. If no to either, set as a conditional approval item that the developer agrees to deed restrict the property for affordable housing dedicated to serve AMI levels as detailed in the project proposal for a period not less than the proposed tax capture.
    - 2. If yes to both, approve and note in the approval letter the deed restricted AMI level(s) and duration of deed restriction.

**Schedule A**  
**Potential Rent Loss (PRL) Gap Cap**  
**&**  
**Total Housing Subsidy (THS) Calculations**

## **Potential Rent Loss (PRL) Gap Cap & Total Housing Subsidy (THS) Calculations**

For Multi-Family Developments, MSHDA will undertake the following steps to calculate the Potential Rent Loss (PRL) Gap Cap and the Total Housing Subsidy (THS) for every application received. The PRL Gap Cap and the THS will be utilized to establish the reasonableness of certain housing activities for which tax capture is being planned.

### **Step 1: Establish the Control Rent (CR) for the project.**

Utilizing the appropriate Fair Market Rent (FMR) for each county and for the appropriate rate for each bedroom size as published by the U.S. Department of Housing & Urban Development (HUD), the following calculation will be made:

$$\text{(FMR/40)} \times 100 = \text{Control Rent (CR)}$$

Note: This formula corrects for HUD publishing FMR as 40% of area rents.

### **Step 2: Determine the difference between the Control Rent (CR) and the targeted Project Rent (PR).**

Utilizing the Project Rent (PR) targeted by the development team for each project, the following calculation will be made:

$$\text{Control Rent (CR)} - \text{Project Rent (PR)} = \text{Potential Rent Loss (PRL)}$$

Note: There may be multiple PRLs calculated for each project due to the fact the rents vary by bedroom size and most projects have a mix of bedroom sizes.

### **Step 3: Determine the PRL Gap Cap.**

Utilizing the number of total units in a project that will have the appropriate income targets and the number of years of TIF Capture requested, both of which will be submitted by the development team for each project, the following calculation will be made:

$$\text{Potential Rent Loss (PRL)} \times 12 \text{ months} \times \text{No. of Units} \times \text{No. of Years} = \text{PRL Gap Cap}$$

Note: There may be multiple PRL Gap Caps calculated for each project due to the fact the rents vary by bedroom size and most projects have a mix of bedroom sizes.

**Step 4: Add all Potential Rent Loss (PRL) Gap Cap calculations to establish the Total Housing Subsidy (THS).**

After calculating PRL Gap Cap for each bedroom type in the proposed development project, the following calculation will be made:

$$\begin{aligned} & \text{PRL Gap Cap 1-Bedroom} + \text{PRL Gap Cap 2-Bedroom} + \text{PRL Gap Cap 3-Bedroom} \\ & = \text{Total Housing Subsidy (THS)} \end{aligned}$$

**Step 5: Review of Total Housing Subsidy (THS) for reasonableness among all other activities allowed under Public Act 90 of 2023.**

- A. MSHDA will deduct the THS from the total Housing Tax Increment Financing (HTIF) request and will review for overall reasonableness.

Note: THS should not exceed the total HTIF request as this may indicate instability in the overall project pro forma. Conversely, an insignificant overall THS may indicate a project that is not targeting appropriate income levels. Reasonableness will be determined based on this review in conjunction with any narrative information that is submitted by the development team.

- B. The utilization of the remainder of the HTIF request will also be reviewed for reasonableness under the guidance established under Public Act 90 of 2023.

For Single-Family For-Sale projects, MSHDA will undertake similar steps to calculate the Potential Development Loss (PDL) Gap Cap and the Total Housing Subsidy (THS) for every application received. The PDL Gap Cap and the THS will be utilized to establish the reasonableness of certain housing activities for which tax capture is being planned. Calculations assume an Area Median Income (AMI) at targeted for 1 person per bedroom for 1- and 2-bedrooms homes and 1.5 persons per bedroom for 3+ bedroom homes and assumes a 15% downpayment. Monthly housing payments including the costs of principal + interest, insurance, taxes, PMI at no more than 30% of the household gross annual income. The calculation uses the current market average interest rate and developer provided projected insurance, taxes, and PMI costs.

# **MULTI-FAMILY EXAMPLE**

## **Potential Rent Loss (PRL) Gap Cap & Total Housing Subsidy (THS) Calculations**

A developer has received approval from the Oceana County Brownfield Redevelopment Authority (BRA) to utilize the tax capture allowed under Public Act 90 of 2023 for a 40-unit multi-family workforce housing project which contains 20 one-bedroom apartments with 60% AMI target rents and 20 two-bedroom apartments with 80% AMI target rents. The BRA has approved a \$2,225,000 Housing TIF tax capture that is collected over 25 years.

### **Step 1: Establish the Control Rent (CR) for the project.**

Monthly FMR for a one-bedroom apartment in Oceana County is \$635 and for a two-bedroom apartment it is \$836.

$$\mathbf{1\ Bedroom\ Control\ Rent = ((\$635/40) \times 100) = \underline{\$1,587.50}}$$

$$\mathbf{2\ Bedroom\ Control\ Rent = ((\$836/40) \times 100) = \underline{\$2,090.00}}$$

### **Step 2: Establish the Potential Rent Loss (PRL) for the project.**

Project Rents are established for the development and are subtracted from the Control Rents

$$\mathbf{1\ Bedroom\ PRL = (\$1,587.50 - \$852.00) = \underline{\$735.50}}$$

$$\mathbf{2\ Bedroom\ PRL = (\$2,090.00 - \$1,364.00) = \underline{\$726.00}}$$

### **Step 3: Determine the PRL Gap Cap.**

PRLs are multiplied by the number of units and the number of years of approved TIF Tax capture.

$$\mathbf{1\ Bedroom\ PRL\ GAP\ CAP = (\$735.50 \times 12 \times 20 \times 25) = \underline{\$4,413,000.00}}$$

$$\mathbf{2\ Bedroom\ PRL\ GAP\ CAP = (\$726.00 \times 12 \times 20 \times 25) = \underline{\$4,356,000.00}}$$

### **Step 4: Add all Potential Rent Loss (PRL) Gap Cap calculations to establish the Total Housing Subsidy.**

All bedroom PRL GAP CAP amounts are totaled to determine the Total Housing Subsidy (THS).

$$\mathbf{THS = (\$4,413,000.00 + \$4,356,000.00) = \underline{\$8,769,000.00}}$$



**Step 5: Review of Total Housing Subsidy (THS) for reasonableness among all other activities allowed under Public Act 90 of 2023.**

The Oceana County BRA approved a Housing TIF Capture of \$2,225,000.00 and this amount will be reviewed for reasonable and appropriate expenditures including the THS under the guidance established under Public Act 90 of 2023.

$$(\$2,225,000.00 - \$8,769,000.00) = \underline{\underline{\$(6,544,000.00)}}$$

In this example, the HTIF Capture is significantly less than the THS. This large difference is a function of the AMI used for single family for sale housing example. Single family for sale housing is believed to typically not be sold to households much lower than 100% AMI. Lower skewing may require downpayment assistance or other stabilizing measures.

**AN ILLUSTRATION IS ATTACHED.**

# Housing TIF Financing Gap Cap Calculation - Multifamily Rental

**Oceana County WFH Project:** 40 Total Units/Leases (20 1-Bedroom @ 60% AMI / 20 2-Bedroom @80% AMI)

FORMULA	Location	Type	FMR/MR Rent	Control Rent - Proj. Rent	= PRL	x No. of Units	x No. of Months	x No. of Years	= PRL GAP CAP	Per Unit
FMR	Oceana Co.	1 Bedroom	\$ 635.00	\$ 1,587.50 - \$ 852.00	= \$ 735.50	20	12	25	\$ 4,413,000.00	\$ 220,650.00
FMR	Oceana Co.	2 Bedroom	\$ 836.00	\$ 2,090.00 - \$ 1,364.00	= \$ 726.00	20	12	25	\$ 4,356,000.00	\$ 217,800.00
<b>TOTAL Housing Subsidy</b>						<b>40</b>			<b>\$ 8,769,000.00</b>	<b>\$ 219,225.00</b>
<b>Approved BRA TIF Request</b>						<b>40</b>			<b>\$ 2,225,000.00</b>	<b>\$ 55,625.00</b>
<b>Other Housing Activities Allowed Under Public Act 90 of 2023:</b>									<b>\$ (6,544,000.00)</b>	<b>\$ (163,600.00)</b>
Developer may utilize the remainder (if any) of the TIF capture for the following HOUSING RELATED items: <ol style="list-style-type: none"> <li>1. Site Preparation/Demolition</li> <li>2. Infrastructure Development</li> <li>3. Relocations Expenses</li> <li>4. Plus Other Housing TIF Related Expenses</li> </ol>										

# SINGLE-FAMILY EXAMPLE

## Potential Development Loss (PDL) Gap Cap & Total Housing Subsidy (THS) Calculations

A developer has received approval from the Lake County Brownfield Redevelopment Authority (BRA) to utilize the tax capture allowed under Public Act 90 of 2023 for a 10-unit single-family “for sale” workforce housing project which contains 10 three-bedroom homes with two (2) 100% AMI target prices and eight (8) three-bedroom homes with 120% AMI target prices. The developer reports that the cost to build all ten houses is \$300 per square foot with each house being 1300 square feet in total. The BRA has approved a \$1,450,000 Housing TIF tax capture that is collected over 28 years.

### **Step 1: Establish the Affordable Mortgage for the project.**

Establishment of the affordable mortgage in Lake County is based on the three-bedroom Area Median Income (AMI) at targeted incomes for a family of four and assumes a 15% downpayment. This includes the costs of principal + interest, insurance, taxes, PMI. The calculation uses a 7.53% interest rate (current market average). These mortgages provide a monthly payment that below 30% of household income.

3 Bedroom House @ 100 AMI = **\$249,000.00**

3 Bedroom House @ 120 AMI = **\$293,500.00**

### **Step 2: Establish the Potential Development Loss (PDL) for the project.**

The Affordable Mortgage is subtracted from the actual Development Cost which is collected from information provided by the applicant/developer.

3 Bedroom House @ 100 AMI = \$390,000.00 - \$249,000.00 = **\$141,000.00**

3 Bedroom House @ 120 AMI = \$390,000.00 - \$293,500.00 = **\$96,500.00**

### **Step 3: Determine the PRL Gap Cap.**

PDLs are multiplied by the number of units.

3 Bedroom House @ 100 AMI = \$141,000.00 x [ 2 = **\$282,000.00**

3 Bedroom House @ 120 AMI = \$96,500.00 x [8 = **\$772,000.00**

### **Step 4: Add all Potential Development Loss (PDL) Gap Cap calculations to establish the Total Housing Subsidy.**

All target income PDL GAP CAP amounts are totaled to determine the Total Housing Subsidy (THS).

THS = (\$282,000.00 + \$772,000.00) = **\$1,054,000.00**

**Step 5: Review of Total Housing Subsidy (THS) for reasonableness among all other activities allowed under Public Act 90 of 2023.**

The Lake County BRA approved a Housing TIF Capture of \$1,450,000.00 and this amount will be reviewed for reasonable and appropriate expenditures including the THS under the guidance established under Public Act 90 of 2023.

$$(\$1,450,000.00 - \$1,054,000.00) = \underline{\$396,000.00}$$

In this example, the HTIF Capture exceeds the THS. The utilization of the remainder of the HTIF request will also be reviewed for reasonableness under the guidance established under Public Act 90 of 2023. Reasonableness will be determined based on this review in conjunction with any narrative information that is submitted by the development team.

**AN ILLUSTRATION IS ATTACHED.**

# Housing TIF Financing Gap Cap Calculation - For Sale Homeownership

**Rural For-Sale Project:** 10 Single-Family Homes (For-Sale Home Ownership Units with 2 @ 100% AMI & 8 @120% AMI)

FORMULA	Location	Type	Affordable Mortgage*	Development Cost** - Affordable Mortgage	= PDL	x No. of Units	x PDL GAP CAP
Income	Lake Co.	For Sale (100%)	\$ 249,000.00	\$ 390,000.00 - \$ 249,000.00	= \$ 141,000.00	2	\$ 282,000.00
Income	Lake Co.	For Sale (120%)	\$ 293,500.00	\$ 390,000.00 - \$ 293,500.00	= \$ 96,500.00	8	\$ 772,000.00

<b>TOTAL Housing Subsidy</b>	10	\$ 1,054,000.00
------------------------------	----	-----------------

<b>Other Housing Activities Allowed Under Public Act 90 of 2023:</b>	\$ 396,000.00
Developer may utilize the remainder of the TIF capture for the following HOUSING RELATED items:	
<ol style="list-style-type: none"> <li>1. Site Preparation/Demolition</li> <li>2. Infrastructure Development</li> <li>3. Relocations Expenses</li> <li>4. Plus Other Housing TIF Related Expenses</li> </ol>	

<b>Approved BRA TIF Request</b>	10	\$ 1,450,000.00
---------------------------------	----	-----------------

**PDL** = Potential Development Loss

**Affordable Mortgage** =  
\* Mortgage Limit assumes a 15% down payment plus all other normal monthly fees associated with home ownership for a family of four.

**Development Cost** =  
\*\* \$300 per sq. ft. building costs (for a 3 bedroom home) - information provided through application. This includes 10% developer fee/profit.

**ADOPTED**

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY RESOLUTION  
AUTHORIZING HOUSING TAX INCREMENT FINANCING PROGRAM**

**September 29, 2023**

WHEREAS, pursuant to Section 13b(4)(b) of the Brownfield Redevelopment Authority Act, Act 381, Public Acts of Michigan, 1996, as amended (the "Act"), if a brownfield work plan or combined brownfield plan involves the use of taxes levied for school operating purposes and is requesting reimbursement for housing development activities, the work plan or combined brownfield plan must be approved by the Michigan State Housing Development Authority (the "Authority"), unless all the housing property identified within the plan will be sold or rented at market rate and will not be subsidized; and

WHEREAS the Act imposes duties and responsibilities on the Authority including the review of work plans and combined brownfield plans; and

WHEREAS, to enable the Authority to carry out the duties and responsibilities assigned to it under the Act, the Executive Director has recommended that the Authority (a) authorize the establishment and implementation of a housing tax increment financing program (the "Housing Tax Increment Financing Program") pursuant to the Act and (b) pursuant to State Housing Development Authority Act of 1966, Act 346 of 1966, Section 125.1421(6), delegate to selected Authorized Officers the authority to approve work plans or combined brownfield plans based on program parameters contained in the attached program statement (the "Program Statement"), and to perform any and all actions necessary to carry out the responsibilities and obligations of the Authority under the Act; and

WHEREAS, the Authority concurs in the recommendation of the Executive Director.

NOW, THEREFORE, Be It Resolved by the Michigan State Housing Development Authority as follows:

1. The Housing Tax Increment Financing Program as described in the accompanying memorandum and Program Statement of even date is hereby authorized and approved.
2. The Executive Director, the Chief Housing Investment Officer, the Director of Legal Affairs, or anyone acting in those capacities respectively (each an "Authorized Officer"), are each granted the authority to approve work plans or combined brownfield plans and perform any and all actions necessary to carry out the responsibilities and obligations of the Authority as described in the accompanying memorandum and Program Statement attached hereto and as set forth in the Act.
3. All work plans and/or combined brownfield plans that request a waiver from the Program Statement Addendum II Brownfield Work Plan or Combined Brownfield Plan Review Programmatic Parameters must be brought before the Authority for consideration.
4. All work plans and combined brownfield plans approved by an Authorized Officer shall be quarterly reported to the Authority.