



## Overview of the Interim Guidelines for Brownfield Redevelopment Projects – Housing TIF

October 25, 2023

In 1996, the State of Michigan Legislature approved [Public Act 381, MCL 125.265 et seq.](#) (the “Act”) to authorize municipalities to create Brownfield Redevelopment Authorities to promote the reuse and revitalization of urban properties. The Brownfield Redevelopment Program (the “Program”) provides for the utilization of certain tax increment revenues to pay for or reimburse the costs of Eligible Activities as defined in Section 2 of the Act. The City of Grand Rapids (the “City”) created the [Grand Rapids Brownfield Redevelopment Authority](#) (BRA) in 1997. Public Act 90 of 2023 established new opportunities to support housing development using the Program by additions to the definition of both *eligible property* and *eligible activity* specific to housing projects.

Applicants are encouraged to engage with BRA staff prior to submitting an application and should expect to work collaboratively with BRA and MSHDA staff related to program areas that are yet to be clarified. Additional details and guidance will be provided as projects are evaluated and additional programmatic information becomes available.

### HOUSING PROPERTY AND HOUSING DEVELOPMENT ACTIVITIES

In addition to all existing criteria that qualifies property as eligible property under Act 381, *housing property* is also eligible property. *Housing property* is defined as either of the following:

- A property on which 1 or more units of residential housing are proposed be constructed, rehabilitated, or otherwise designed to be used as a dwelling, or

- One or more units of residential housing proposed to be constructed or rehabilitated and located in a mixed-use project.

For projects where the property qualifies as *housing property*, the Brownfield Plan Amendment may include, in addition to all other eligible activity costs, the cost of *housing development activities* which are defined as:

- Reimbursement provided to owners of rental housing units for qualified rehabilitation.
- Costs for infrastructure available for public use and safety improvements necessary for a housing project.
- 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.
- Temporary household relocation costs for an income qualified household for a period not to exceed 1 year.
- 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.
- 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.

## **CRITERIA FOR PROJECTS THAT INCLUDE RENT AND INCOME RESTRICTED APARTMENTS**

- Projects must include rental units that will be leased at rates that are both (a) below market-rate and (b) below the rental rate for households earning 120% Area Median Income (AMI) or below.
- Units must be leased to households whose income is at or below the applicable AMI level based on household size, not to exceed 120% AMI.
- At least 20% of all unit types (i.e. studios, one-bedroom units, etc.) should be rented below market rate, with greater percentages encouraged based on underwriting.
- Rents for restricted units will be provided annually by the BRA and will be based on the “rent by bedroom” less applicable utility allowance(s), all as provided by MSHDA.
- Rent and income restrictions must be in place for a minimum of 10 years, or the period of reimbursement, whichever is greater.
- Applicants should consider an appropriate balance between income targets, number of units and duration of affordability based on underwriting.
- A calculation of the potential rent loss is required, representing the difference between market rent and the maximum rent allowed for an income restricted unit based on AMI targets.

## **CRITERIA FOR PROJECTS THAT INCLUDE INCOME AND SALE PRICE RESTRICTED HOMEOWNERSHIP UNITS**

- Projects must be proposed by a developer; individual homebuyers are not eligible.
- BRA support will include, but may not be limited to, a potential development loss subsidy in an amount necessary to make the home affordable to an income qualified purchaser household.
- The potential development loss cannot exceed the lesser of \$100,000 or 25% of the

construction costs (for new construction) or appraised value (for rehabilitation) and must be at least \$10,000.

- The potential development loss is the difference between the total development cost and the amount an income-qualified household can afford based on household income.
- Income-qualified households are those whose household income does not exceed 120% of the area median income based on household size.
- The duration of affordability is expected to range from 5 to 20 years depending on the subsidy amount, as shown in the table below.

<b>Subsidy Amount</b>	<b>Duration</b>
\$10,000 - \$14,999	5 years
\$15,000 - \$39,999	10 years
\$40,000 - \$64,999	15 years
\$65,000 - \$100,000	20 years

- The affordability requirement will run with the land, and the subsidy will be forgiven in equal increments over the affordability period.

## **APPLICATIONS AND OTHER CONSIDERATIONS**

- Application will include all materials currently required by policy. Additional materials will be required, and templates will be provided as they are developed and finalized.
- Projects with other proposed financing sources that have rent/sale price and income restrictions are encouraged to consider the program.
- A calculation methodology will be provided to applicants to determine potential rent loss and potential development loss.
- Applicants should plan to work with BRA staff to pilot initiatives that align with strategic priorities of sustainable development and community engagement, which will be implemented in the future.