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## NEW BROWNFIELD FUNDING FOR HOUSING DEVELOPMENTS



A recent change in Michigan's Brownfield program gives communities an unprecedented opportunity to build affordable housing and transform underutilized or abandoned property and buildings into productive spaces. The change is expected to spearhead economic activity and provide workforce housing.

A Brownfield site is a property that qualifies due to the presence of contamination, is functionally obsolete, or is blighted. The recent amendment added Housing Development to qualify a property.

Since 1996, Michigan's Brownfield program has reimbursed developers of functionally obsolete, blighted, or contaminated properties with the new taxes generated by the projects. The program now allows taxes generated to be used for housing development projects.

Legislation was signed last year, amending the Brownfield Redevelopment Financing Act (Public Act 381 of 1996), giving the Michigan State Housing Development Authority (MSHDA) new authority to approve Tax Increment Financing (TIF) for housing.

The new funding supports both home ownership and rental housing projects and can be used for rehabilitation or new construction for single family or multi-family housing. The purchasers or renters must have a household income at or below 120% of Area Median Income Households.

*"This has lots of possibilities to provide housing that wouldn't be built otherwise," said John Bitely, president of the Rockford-based home builder Sable Homes, one of the top home builders in West Michigan. "It's a game-changer. Communities now have a method to provide attainable workforce or market rate housing."*

A Brownfield Plan identifies eligible activities that will be reimbursed and estimates the tax increment that will be generated for reimbursement. Among other things, the Brownfield Plan covers how the property qualifies and what the redevelopment will look like.

The new Brownfield Housing TIF gives local governments an opportunity to provide developers an incentive to increase much needed attainable housing.

"This legislation will allow us to work hand-in-hand with a community to add housing that is desperately needed for

the average working Joe & Jane," Bitely added. "It could also be used to provide lower priced homes than market rate. I think you will see communities use this program that want to fix blighted areas, have pledged to increase this type of housing, or need an edge on pricing to compete with another community."

### WHAT ACTIVITIES ARE ELIGIBLE FOR REIMBURSEMENT?

Eligible activities must be in a community that has identified a specific housing need and has absorption data or job growth data included in their Brownfield Plan. The eligible activities for reimbursement include:

- Housing development activities
- Infrastructure improvements necessary for housing property and support housing development
- Site preparation that supports housing development
- All eligible activities already available to Brownfields

Housing development activities also cover reimbursement to owners of rental units for qualified rehabilitation, costs for infrastructure both public and private, costs of demolition, and renovation of existing buildings.

Other activities that may be eligible include temporary relocation costs for an income qualified household, acquisition costs for blighted or obsolete rental units that will be rehabilitated, and reimbursement to a developer to fill a financing gap associated with the development of units.

Under the TIF, existing tax (base) continues to be collected by the community. The difference in taxes generated after development are the incremental tax (new tax – base tax = tax increment). The incremental tax is returned to the developer to reimburse for eligible activities. After the developer is fully reimbursed, all the new taxes flow to the community.

Fleis & VandenBrink (F&V) is working with municipalities and developers to take advantage of these new housing development incentives and we can help you evaluate project eligibility. Call Trevor Woollatt, F&V's Brownfield and redevelopment specialist, today at 248.885.4720 or email [twoollatt@fveng.com](mailto:twoollatt@fveng.com).

IN THIS ISSUE:

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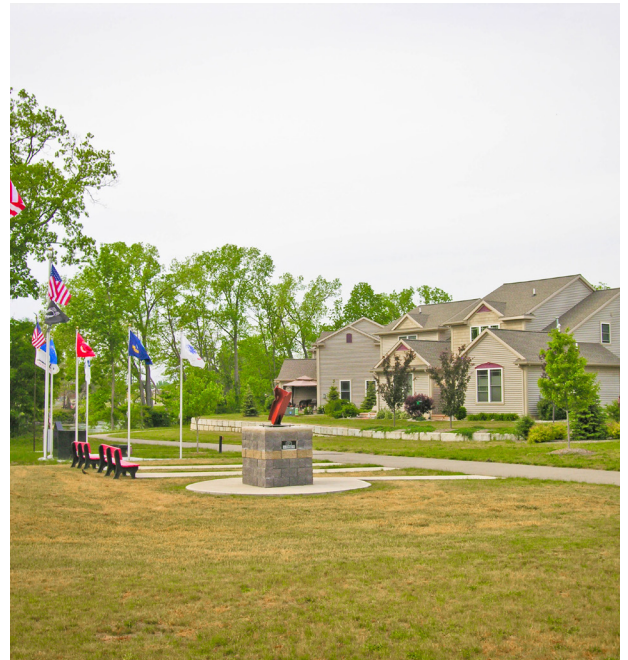
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*"It's a game-changer. Communities now have a method to provide attainable workforce or market rate housing."*

*Developer John Bitely, president of home builder Sable Homes, on the impact new Brownfield legislation will have on new housing development*

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