

Leveraging Innovative New Tax Increment Financing (TIF) Tool to Build and Rehabilitate More Housing

Michigan State Housing Development Authority

Legislative Advocacy: State Advocacy

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INTRODUCTION/ENTRY SUMMARY

To increase the supply of workforce housing, the Michigan State Housing Development Authority supported out-of-box advocacy to help address Michigan's housing crisis. It pushed the state Legislature for, and through an amendment to the Michigan Brownfield Redevelopment Financing Act, set the stage for a Housing Tax Increment Financing Program that expands eligible activities to include housing assistance and housing development. These revolutionary changes allow a local unit of government to create a housing plan that targets support for single-family and rental units focused on households earning between 60% and 120% of Area Median Income (AMI) through the use of Tax-increment financing (TIF).

INNOVATION

The Brownfield Redevelopment Financing Act of 1996 authorized 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 previously developed, tax reverted, blighted, or functionally obsolete properties. The Brownfield Act permitted 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 by them have been historically 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.

Before the 2023 Brownfield Act was amended, MSHDA advocated for certain housing development activities as eligible activities. Prior to this revised legislation being adopted, 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. As a result of the amendment, now 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 is a game-changer. As MSHDA works to address the housing crisis statewide, the Housing TIF program will help brownfield redevelopment authorities and developers to increase attainable and affordable housing on a local scale.

RESPONDING TO AN IMPORTANT STATE NEED

The Housing TIF program powers economic development in communities across Michigan by unlocking new tools to finance affordable housing and help communities address the shortage of affordable housing stock. This will help to achieve Michigan Governor Gretchen Whitmer's goal to create or preserve 75,000 housing units over five years.

ACHIEVING INTENDED RESULTS

Work plans have been submitted to MSHDA and we are moving quickly with solutions and approvals. The first is expected to be approved by the end of April 2024. Maple Block Flats is a Missing Middle deal in Petoskey, Michigan, which is a vacation/retirement community desperate for workforce housing.

The MSHDA Housing TIF program has two key issues going for it. First, it has created a generous definition of infrastructure that will allow developers to capture more of the tax capture than any other TIF program. Second, it has created a definition and formula for "housing subsidy" that allows developers to capture the difference between renting or selling product at market rate and the lower rents needed to achieve affordable housing. In some cases this can equate to millions of dollars of additional tax capture. This is enough to turn marginal affordable housing projects into projects that can attract significant resources from other investors and lenders.

PROVIDING BENEFITS THAT OUTWEIGH THE COSTS

TIFs differ from a tax abatement in that they do not undermine current revenue; they only forego future growth. Abatements are hard to eliminate, whereas once a TIF has paid back the underlying financial obligation, the TIF revenue returns to the local unit. Without the support of the TIF the development would not have happened, thus but for the TIF, there would not be a revenue increase, therefore there is no loss of current tax revenue.

CONCLUSION

Advocating for and amending the state's Brownfield Act to include housing as an eligible activity was a revolutionary change to a decades-old tool that is already starting to spur development. The new Housing TIF program is truly an innovative approach to housing. It is bringing new players to the table – housing developers who rarely if ever made income targets a part of their unit mix PLUS non-housing developers who see this tool as one of the first housing tools that they can

understand. Development consultants are reporting to MSHDA with conversations about deals that range from eight units to 200 plus for sale units and rental units alike.

What is truly unique about the program is that the local communities are in charge of green-lighting the deal. The value proposition of any particular project is debated and negotiated with the local communities. Many communities (through their brownfield redevelopment authorities – BRAs) are preparing for the deals that are on the horizon by learning directly from MSHDA staff – by way of email, TEAMS calls, and our webinars, which have been some of our most well attended events in some time.

Thanks to MSHDA's advocacy and innovative approach, the Housing TIF will transform underutilized properties into quality, affordable housing, help spearhead economic activity, aid in environmental protection and much more. MSHDA understands that it cannot solve the housing crisis alone, but with the support of the legislature, the Whitmer administration and our board, we see the promise of deploying this valuable resource across the state, creating more places of opportunity for Michiganders.

SUPPLEMENTAL MATERIALS

[Gov. Whitmer Signs Bills Revitalizing Communities, Delivering on Make it in Michigan Plan to Invest in Places Around Michigan](#)

[MSHDA Board approves Housing TIF program to create and preserve affordable housing \(michigan.gov\)](#)

[PHOTOS: Lt. Governor Gilchrist Tours Affordable Housing Project Converting Vacant School to New Homes \(michigan.gov\)](#)



FOR IMMEDIATE RELEASE

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PHOTOS: Lt. Governor Gilchrist Tours Affordable Housing Project Converting Vacant School to New Homes

Project made possible by legislation signed by Gov. Whitmer to power economic development and invest in places around Michigan

LANSING, Mich. -- Today, Lieutenant Governor Garlin Gilchrist II joined the Michigan State Housing Development Authority (MSHDA) and local leaders in Grand Rapids to tour a former school that will be turned into affordable housing. The project will convert the existing, vacant school building into 27 homes in a condominium association.

SUPPLEMENTAL MATERIALS

“Our Make it in Michigan strategy is designed to help more people, businesses, and communities ‘make it’ here in Michigan,” said **Lt. Governor Garlin Gilchrist II**. “Whether it’s renovating the site of the former Seymour Christian School, or building affordable housing on abandoned land, the TIF program will create good-paying jobs, grow the economy, and lower costs for businesses and families looking for affordable housing options.”

Last month, Governor Gretchen Whitmer signed [Public Act 90 of 2023](#). The bills power economic development in communities across Michigan by unlocking new tools to finance affordable housing and help communities address the shortage of affordable housing. This will help to achieve the governor’s goal to create or preserve 75,000 housing units over the next five years.

“Part of our pledge as the new majority is to amplify the voices that have long gone ignored, and that’s why we are putting a special emphasis on passing legislation that will increase access to safe, affordable housing,” said **Senate Majority Leader Winnie Brinks (D-Grand Rapids)**. “We are tackling this issue from every angle, from investing in housing programs and aid organizations to using new tools to encourage developers to break ground. No Michigander should be priced out of having a roof over their head.”

“Implementation of the new TIF tool will have a major impact across the state, helping fund the creation or preservation of housing for working families,” said **MSHDA Executive Director Amy Hovey**. “This tool gets us closer to meeting the Whitmer-Gilchrist Administration goal of creating or preserving 75,000 housing units over five years and provides a predictable funding source for years to come.”

“ICCF continues to innovate to provide access to affordable housing, and we are glad that the Michigan Legislature is also bringing new innovative ways to address housing needs,” said **Ryan VerWys, President and CEO of ICCF Community Homes**. “The redevelopment of this former school will bring new life and housing opportunities in an area that is growing more vibrant every day.”

“It is our priority to put desirable housing options into the reach of all Grand Rapids families and residents,” said **Grand Rapids Mayor Rosalynn Bliss**. “Grand Rapids, and local governments across Michigan, can

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now use this tool to support transformative placemaking efforts and to meet housing needs in our communities.”

“The expansion of TIF to housing provides an important financing tool for Grand Rapids housing development projects. Through TIF and other housing financing options, I look forward to accelerated progress on our goals to support housing at all price points consistent with the City’s values of equity, collaboration and innovation,” said **Grand Rapids City Manager Mark Washington**.

“Housing supply and affordability a critical workforce, talent and quality of life issue priority,” said **Joshua Lunger, Vice President of Government Affairs for the Grand Rapids Chamber**. “Increasing the supply of attainable housing will have a positive impact on communities, residents and job providers across West Michigan.”

Make it in Michigan

A comprehensive strategy to make more in Michigan. From good-paying jobs; a skilled, talented workforce; vibrant places to live, work, and raise a family; and powerful tools to bring manufacturing and supply chains home, Make it in Michigan will continue the state’s momentum to build a brighter future.

The strategy aims to:

- Make Michigan a top state for talent with low unemployment, higher labor force participation, more training and upskilling, and stronger talent attraction.
- Make Michigan more competitive in key sectors like research & development, advanced manufacturing, and clean tech--electric vehicles, batteries, semiconductor chips to ensure long-term economic strength.
- Make Michigan an arsenal of innovation where entrepreneurs and young companies have opportunities and resources to grow and expand.
- Make Michigan a state full of attractive, vibrant communities where people want to live, work, and grow with investments to build more housing, expand access and lower the cost of child care, connect homes and businesses to high-speed internet, redevelop vacant or blighted properties, and bring new life to main streets and downtowns.

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The three pillars of Make it in Michigan are projects, people, and places. Governor Whitmer is focused on competing for and winning projects to bring manufacturing and supply chains home, investing in people so they can pursue their potential from pre-K through postsecondary and have their personal freedoms protected, and revitalizing places to make them more attractive places to live, work, and invest.



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SUPPLEMENTAL MATERIALS

Notable coverage:

[Vacant school in GR becoming affordable housing | wzzm13.com](http://wzzm13.com)

[Michigan board approves brownfield program for affordable housing | Crain's Grand Rapids Business \(crainsgrandrapids.com\)](http://crainsgrandrapids.com)

[Lt. Gov. Gilchrist tours affordable housing site at fmr Grand Rapids school \(fox17online.com\)](http://fox17online.com)

[Michigan lawmakers propose tax break to boost affordable housing \(freep.com\)](http://freep.com)

Social:

[Tax Increment Financing celebration press conference with Lt. Governor in Grand Rapids](#)

MSHDA Video: [Seymour Christian School | Tax Increment Financing \(TIF\) - YouTube](#)

Website

[MSHDA Housing Tax Increment Financing \(TIF\) Program \(michigan.gov\)](http://michigan.gov)

Trainings

[MSHDA Housing Tax Increment Financing \(TIF\) Program Trainings - Inside 208 \(mml.org\)](http://mml.org)