



GRAND TRAVERSE COUNTY BROWNFIELD REDEVELOPMENT AUTHORITY

Interim Guidelines for Brownfield Projects Involving Housing Tax Increment Financing December 12, 2024

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.

Grand Traverse County (the “County”) created the Grand Traverse County Brownfield Redevelopment Authority (GTCBRA) in 1997. Pursuant to Act 381, the GTCBRA facilitates the approval of brownfield plans (“Plans”) which provide for the utilization of certain tax increment revenues to pay for or reimburse costs of Eligible Activities as defined in Section 2 of Act 381. Michigan Public Act 90 of 2023, an amendment to Act 381 that went into effect on July 19, 2023, provides new opportunities to support certain housing development activities using tax increment revenues (“*Housing Tax Increment Financing*” or “*HTIF*”) by adding new terms to the definition of both *Eligible Property* and *Eligible Activities*, as these terms are defined in Section 2 of Act 381, specific to projects including housing (rental and/or for-sale).

Specifically, Housing Property (as defined below) that is located in a community that has identified a specific housing need and has absorption data or job growth data included in the Plan is now an Eligible Property and the cost of Housing Development Activities (as defined below) associated with such Housing Property may be supported by HTIF under a Plan or amendment to a Plan.

Plans which include (or will be amended to) include HTIF will be required to follow the processes already established by GTCBRA for all Plans in addition to the criteria set forth herein, as applicable.

Applicants will be required to meet with GTCBRA staff prior to submitting Plan applications or Plan amendments that contemplate HTIF and should expect to work collaboratively with the GTCBRA, applicable City, Townships, and Village located within Grand Traverse County, and the Michigan State Housing Development Authority (“MSHDA”) as this program evolves.

Note: Individual local units of government (LUGs) within Grand Traverse County may set their own specific HTIF guidelines that may have more restrictive requirements than the GTCBRA policy guidelines, specific to their housing needs. Further, the GTCBRA guidelines are subject to change and may be modified at any time by the GTCBRA. To the extent there is any conflict between these guidelines and the terms and provisions of Act 381, Act 381 shall control.



SECTION A: DEFININTIONS.

HOUSING PROPERTY AND HOUSING DEVELOPMENT ACTIVITIES TERMS

1. *“Annual Unit Rent Limit”* means the requirement that the Developers (as defined herein) housing rent on at least 20% of the units completed per bedroom count does not exceed 100% of the MSHDA rent by bedroom count for Grand Traverse County and subject to AMI (as defined herein) Income Qualification.
2. *“Area Median Income”* or *“AMI”* means the median family income for Grand Traverse County, as described in the ‘Income and Rent Limits’ document published by MSHDA (as defined herein), as adjusted for person and number of bedrooms.
3. *“Developer”* means the legal or beneficial owner or the representative thereof, of a parcel of land proposed for inclusion in a Development (as defined herein), including the holder of an option or contract to purchase who performs the functions necessary to obtain land control and financing to construct or rehabilitate a property and expects to assume the risks and rewards upon completion of the project.
4. *“Development”* or *“to develop”* means the construction, reconstruction, conversion, structural alteration, relocation, or enlargement of any buildings; any use or change in use of any buildings or land; any extension of any use of land or any clearing, grading, excavation or other movement of land, for which permission/permits may be required pursuant to the local unit of government zoning ordinances affecting the same.
5. *“Dwelling”* means a building or portion thereof which is designed for or occupied in whole or in part as the home, residence or living and sleeping area of one or more individuals, either continuously, permanently, or temporarily (temporarily pursuant to a lease or similar agreement). Dwelling does not include a hotel, motel, bed and breakfast, hostel, short-term rental (ex. Airbnb) or other similar lodging facilities.
6. 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. 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
 - b. One or more units of residential housing proposed to be constructed or rehabilitated and located in a mixed-use project.
7. For projects where the property qualifies as housing property, the Plan may include, in addition to all other eligible activity costs, the cost of *“Housing Development Activities”* which are defined as:



- a. Reimbursement provided to owners of rental housing units for qualified rehabilitation (as defined herein).
- b. Costs for public infrastructure available and safety improvements necessary for a Housing Property project.
- c. Costs of demolition and renovation of existing buildings and site preparation to the extent necessary to accommodate an Income Qualified Household (as defined herein). The Income Qualified Household may be for rent or purchase.
- d. Temporary household relocation costs for an Income Qualified Household for a period up to one year.
- e. Acquisition cost for blighted or obsolete rental units for the purpose of rehabilitating or adaptive reuse of the unit(s) to accommodate Income Qualified Households (either for rent or purchase).
- f. Reimbursement to Developer to assist with costs related to infrastructure improvements and site preparation that are not a response (environmental) activity and that are necessary for a new housing unit development for Income Qualified Households (either for rent or purchase).

8. *“Income Qualified Household”* means a person, family, or unrelated persons living together, whose combined gross annual income for all cohabitating adults ages 24 years or older, is no more than 120% of the AMI for Grand Traverse County as determined by MSHDA and adjusted for persons and number of bedrooms.

9. *“MSHDA”* means the Michigan State Housing Development Authority.

10. *“Potential Rent Loss”* or *“PRL”* means the difference between the monthly control rents set by a site-specific market study (a rental market feasibility analysis report, a co-star report, or similar product) that evaluates the market rate rents for the designated eligible property and the monthly Affordable rents for the Development.

11. *“Qualified Rehabilitation”* means rehabilitation of existing structures to make a housing unit suitable for sale or rent to an Income Qualified Household. Qualified Rehabilitation also includes rehabilitation that would bring the structure into compliance with local minimum building code standards for occupancy or improve livability while meeting minimum local building code standards.



SECTION B: CRITERIA FOR PLANS REQUESTING HTIF THAT INCLUDE RENT AND INCOME RESTRICTED UNITS

Eligibility Criteria:

1. The Development must comply with the Annual Unit Rent Restriction requiring that the Owner's net housing rent on at least 20% of the units completed (e.g. rent concessions or promotions) per bedroom count does not exceed 100% of the MSHDA rent by bedroom count for Grand Traverse County AMI and subject to Income Qualification, with greater percentages encouraged based on underwriting.
2. 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.
3. A calculation of the Potential Rent Loss is required, representing the difference between market rent for the site-specific Development based on a site-specific market study (the Control Rent) and the maximum rent allowed for an income restricted unit based on AMI targets.
4. Rent and Income restrictions must be in place for a minimum of 10 years, or the period of reimbursement of Tax Increment Revenues allowable under the Plan, whichever is greater.
5. Developers should consider an appropriate balance between income targets, number of units and duration of affordability, based on underwriting.
6. For HTIF Eligible Activity requests in mixed-income and/or mixed-use Developments:
 - a. Funding of the PRL is only available for the units occupied by an Income Qualified Household in a Development.
 - b. Non-PRL Housing Development Activities are available as a pro-rata share of the square footage of the units occupied by an Income Qualified Household compared to the total square footage of common areas of the Development.
7. The GTCBRA will review the project proforma and underwrite HTIF requests the same way other Eligible Activity Tax Increment Financing requests are reviewed, by:
 - a. Reviewing cash flow analysis;
 - b. Reviewing PRL calculations;
 - c. Reviewing max rents within development;
 - d. Reviewing sources and uses;
 - e. Reviewing project investment returns including, but not limited to, internal rate of return ("IRR"), debt service coverage ratio ("DSCR"), cash on cash return ("OCOR"), and yield on costs ("YOC") calculation; and
 - f. The GTCBRA reserves the right to request other pertinent information to evaluate the Developers need for HTIF as a gap funding source of revenue.



In the event the total cost of Eligible Activities exceeds the projected tax increment revenue captured under the Plan, reimbursement of Housing Development Activities at the lowest AMI level in the Development shall be prioritized.

8. Income and Rent Verification and Reporting:

- a. The Developer as a part of the initial lease agreement for AMI income restricted unit, shall provide to the GTCBRA and/or a third-party providing verification services to the GTCBRA sufficient evidence to demonstrate its compliance with the Annual Unit Income Restriction identified in the Plan and associated Development and Reimbursement Agreement. In order to accomplish the foregoing, Developers shall be required to provide the following documentation to the GTCBRA in the annual report:
 - i. Two (2) months of most recent pay stubs.
 - ii. W2 forms for the most recent year.
 - iii. 1099 forms for the most recent year.
 - iv. If self-employed, the balance sheets or documentation showing the net income from the operation of the business and signed copies of federal tax returns for the three (3) most recent years.” (The GTCBRA and/or MSHDA may require less than three (3) years based on the specific circumstances of an applicant).
 - v. Third party verification of employment
 - vi. Documentation for any other sources of income such as child support, alimony, social security, etc.
 - vii. Such other documentation as reasonably required by MSHDA.
- b. Prospective renters must verify eligibility to the Developer or their designee at the time of initial occupancy by self-certifying using the MSDHA Household Income Self-Certification Form or such other applicable form approved by the GTCBRA or MSHDA.
- c. If after GTCBRA's review of Developers' Annual Unit Income Restriction report, GTCBRA determines that the Developer did not meet the Annual Unit Income Restriction for the previous 12-month period based on occupied units, GTCBRA may withhold a pro-rata share of the total Potential Rent Loss reimbursement from Tax Increment Revenues received from the Development in an amount equal to the percentage of the total units at the Site determined to not be in compliance with the Annual Unit Income Restriction.
- d. If Owner returns to compliance at the time of the next Annual Unit Income Restriction report, the GTCBRA shall reimburse Developer using all available Tax Increment Revenues available to the GTCBRA, including any amounts previously withheld.
- e. If the Developer fails to meet the Annual Unit Income Restriction for the previous 12-month period is due to a periodic vacancy in an Income Restricted Unit , then GTCBRA will only withhold Tax Increment Revenues associated with that vacant Income Restricted Unit on a pro-rata share basis.
- f. Tax Increment Revenues will not be withheld for reimbursement of hard costs such as site preparation and infrastructure improvements due to a periodic vacancy. The Developer will agree to rent the next available unit or units to an Income Qualified Household to bring the Development back into compliance with the percentage of agreed upon units meeting the



defined Income Restricted Unit requirement.

9. **Reporting Requirements:** The Developer shall provide to the GTCBRA no later than May 1 of each year during the term of reimbursement a report that identifies the following, as applicable, for the preceding calendar year pursuant to reporting requirements under Section 16 of Act 381:
 - a. Total Investment and new capital investment since the prior year's report.
 - b. Square footage of new construction or renovation, whether residential, commercial, or other use, and use of new or renovated space.
 - c. New jobs created.
 - d. Total number of housing units and total number of Income Restricted Units, indicating the number rented at rates at or below 100% of AMI.
 - e. Number of Income Qualified purchaser households served.
 - f. Number of Income Qualified renting households assisted.
 - g. Income Restricted Unit rental rates.
 - h. Racial and socioeconomic data on the individuals purchasing or renting the Income Restricted Units, or, if this data is not available, racial and socioeconomic data on the census tract in which the housing units are located.
 - i. Other information required to be reported to the State of Michigan to verify compliance with Act 381 unless that information is readily available to Grand Traverse County.

The GTCBRA reserves the right to utilize a third party to collect and review the above-referenced documentation.

10. **Fees :** Payment of an applicable fee and/or up front deposit, if any, to the GTCBRA for the review of the documentation related to income verification and on-going compliance of the HTIF reporting requirements may be contemplated and shall be communicated to the Developer by the GTCBRA in advance and in writing.

SECTION C: CRITERIA FOR PLANS REQUESTING HTIF THAT INCLUDE INCOME AND SALE PRICE RESTRICTED HOMEOWNERSHIP UNITS.

1. **Eligibility Criteria:**
 - a. For-sale Dwelling units must be sold to an Income Qualified Household.
 - b. For-sale Dwelling units must satisfy all applicable local units of government (LUG) requirements, including passing all required inspections, and maintaining a current Certificate of Occupancy from the LUG.
 - c. A restrictive covenant describing the income restrictions required by the GTCBRA shall encumber the Housing Property for five (5) years, commencing on the date the Housing Property obtains a Certificate of Occupancy from the LUG and is sold to an Income Qualified Household.
 - d. Plans contemplating HTIF that include Affordable for-sale Dwellings shall only be proposed/submitted by a Developer. Individual homebuyers are not eligible.



2. The affordability requirement will run with the land, and the subsidy will be forgiven in equal increments over the affordability period.
3. GTCBRA support will include, but may not be limited to, a Development loss subsidy in an amount necessary to make the Dwelling affordable to a purchaser who qualifies as an Income Qualified Household. In all cases, the Development loss subsidy shall initially be funded by the Developer or its lender(s) and the Development loss subsidy shall be eligible for reimbursement with HTIF so long as all applicable conditions are satisfied by the Developer.
4. For a mixed-use development, the costs of Housing Development Activities approved in the Plan for a Dwelling occupied by an Income Qualified Household will be eligible for full reimbursement with tax increment revenues under the Plan, as permitted by Act 381; however, for the portion of the Development that is not Affordable, reimbursement of Housing Development Activities costs will only be available as a pro rata share of the square footage of the Dwellings occupied by an Income Qualified Household compared to the total square footage of common areas of the Development.
5. The potential Development loss subsidy amount is equal to the difference between the total Development cost and the amount an Income Qualified Household can afford based on annual household income.
6. The Development loss subsidy will be forgiven in equal increments over the five (5) year affordability period. If an Income Qualified Household purchaser sells their Dwelling before the aforementioned affordability period is completed, the remaining subsidy amount will need to be repaid upon sale of the Dwelling. Notwithstanding the immediately preceding sentence, the GTCBRA, in its sole discretion, may (in lieu of requiring payment of the unamortized subsidy balance) permit the original Income Qualified Household to sell the Dwelling during the affordability period, provided that the sale is to another Income Qualified Household and not for a substantial financial gain.
7. The Developer shall provide the following documentation to the LUG and/or GTCBRA to verify the sales price of the for-sale Dwellings:
 - a. Appraisals / Broker Price Opinions to confirm the value of the completed Dwelling.
 - b. Market comparison studies to confirm the sales prices of similarly situated Dwellings.
 - c. Annual Grand Traverse County AMI limits as designated by MSHDA.
 - d. Listing agreements to verify the for-sale price of the Dwelling meets the limits designated by GTCBRA.
8. Income Verification: The GTCBRA shall verify the income of the Income Qualified Household and the Developer shall provide GTCBRA with written confirmation of the same. In order to accomplish the foregoing, Developers shall be required to provide the following documentation to the GTCBRA:
 - a. Executed Purchase Agreement.
 - b. Mortgage Pre-Approval.



- c. Good Faith Estimate of Closing Costs.
- d. If self-employed, then the balance sheets or documentation showing the net income from the operation of the business and signed copies of federal tax returns for the three (3) most recent years.* (*The GTCBRA may require less than three (3) years in the GTCBRA's discretion based on the specific circumstances of an applicant).
- e. W2 forms for the most recent year.
- f. Two (2) months of most recent pay stubs.
- g. Two (2) months 1099 forms for the most recent year.
- h. Bank Statements.
- i. Securities Statements (stocks, mutual funds, etc.).
- j. Evidence of other income (child support, alimony, disability, etc.).
- k. Third-party verification of employment.
- l. Such other documentation as reasonably required by the GTCBRA.

The GTCBRA reserves the right to utilize a third party to collect and review the above-referenced documentation.

- 9. Income verification shall be completed once prior to or at the closing of the Dwelling to an Income Qualified Household. To the extent applicable, Developers are encouraged to work with mortgage lenders and utilize some of the mortgage lender's verified information as part of the income verification process. Developer shall also be responsible for the payment of any applicable fees incurred by the GTCBRA for the review of the documentation related to income verification and on-going compliance of the Development. The fees contemplated by this subsection, if applicable to the Development, shall be communicated to the Developer by the GTCBRA in advance and in writing.
- 10. Additionally, Developer shall be responsible for any applicable GTCBRA reporting requirements through the sale of the Dwelling and, to the extent Developer has any continuing obligations during the affordability period, the Developer shall continue meeting annual reporting requirements until such affordability period or Developer's obligations are completed. During the affordability period, the Income Qualified Household may also have annual reporting requirements, which include, but are not limited to, confirmation that property taxes are paid, etc.
- 11. The GTCBRA will review the project proforma and underwrite HTIF requests the same way other Eligible Activity Tax Increment Financing requests are reviewed, by:
 - a. Reviewing cash flow analysis;
 - b. Reviewing sources and uses; and
 - c. Reviewing project investment returns including, but not limited to, internal rate of return ("IRR"), debt service coverage ratio ("DSCR"), cash on cash return ("OCR"), and yield on costs ("YOC") calculation.
 - d. In the event the total cost of Eligible Activities exceeds the projected tax increment revenue captured under the Plan, reimbursement of Housing Development Activities at the lowest AMI level in the Development shall be prioritized.



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HTIF and Payment in Lieu of Taxes (PILOTs)

The capture of PILOTs under the HTIF program will be determined on a case-by-case basis and is still under review and consideration.