

# Act 381 Tax Increment Financing: Brownfields & Housing TIF

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*Featuring Therese Searles with Fishbeck*



**PLANNING & DEVELOPMENT DEPARTMENT**



PLANNING & DEVELOPMENT DEPARTMENT  
KALAMAZOO COUNTY BROWNFIELD REDEVELOPMENT AUTHORITY

## The KCBRA

- Established in 2002 by Act PA 381
- 9 Member Board of Directors
- Facilitates and Supports the Redevelopment of Brownfield Sites throughout the County
- A Resource and Partner for Positive Economic Change in Kalamazoo County.
- KCBRA Board also serves as the Economic Development Corporation of the County of Kalamazoo (EDC) Board of Directors.

**KALAMAZOO  
COUNTY  
BROWNFIELD  
REDEVELOPMENT  
AUTHORITY**



## EPA Assessment Grants & The KCBRA

- ▶ 2021 – 2025 Grant for \$300,000 Community-wide Brownfield Assessment
  - Assess sites with suspected hazardous substance & petroleum contamination
  - Projects targeting the Northside neighborhood in the City of Kalamazoo
  - The grant can be used throughout the county
- ▶ 2016 – 2020 Grant for \$400,000 Community-wide Brownfield Assessment
  - 21 projects funded in 7 communities
  - \$22,000,000 in private investments leveraged
  - 215 jobs retained and 112 job created
- ▶ 2007 – 2010 Grant for \$400,000 Community-wide Brownfield Assessment
  - Addressed 380 total acres in 8 sites within 5 communities
  - \$30,000,000 in private investments leveraged
  - Over 500 Jobs Created



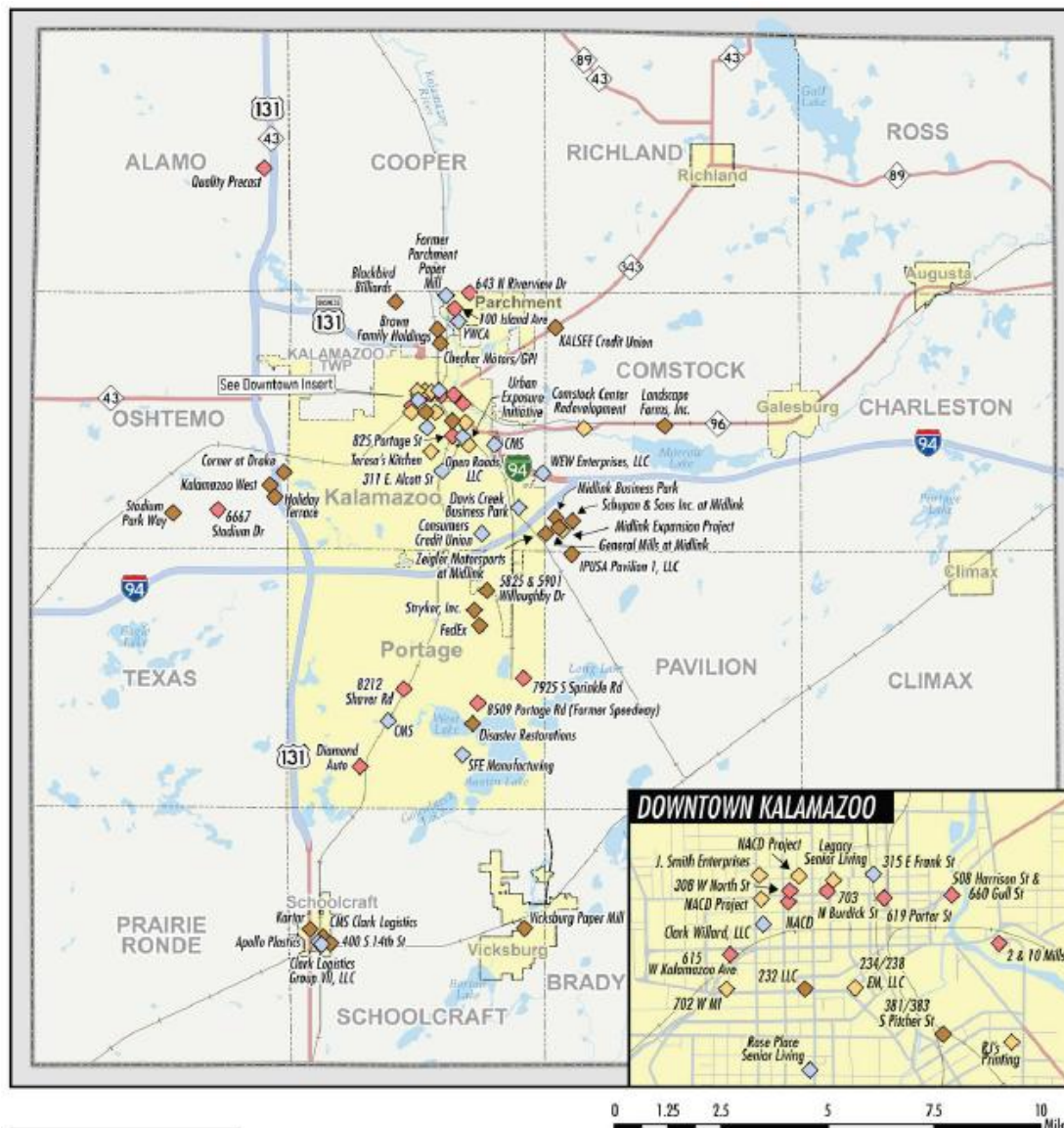


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## The KCBRA & the Community

- 67 projects  
supported

- 23 brownfield  
plans



### Municipalities with out KCBRA BFPs

Alamo Township  
Village of Augusta  
Brady Township  
Charleston Township  
Cooper Township  
Climax Township  
City of Galesburg  
Prairie Ronde Township  
Village of Richland  
Ross Township  
Texas Township  
Wakeshma Township

### Legend

- ◆ 2016 EPA Grant Funded Projects
- ◆ 2021 EPA Grant Funded Projects
- ◆ Brownfield Plans
- ◆ KCBRA Supported Projects



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## Benefits of Act 381 & Brownfield Tax Increment Financing

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Increase Investment - More Jobs – Raised Property Values – Reducing Sprawl – Recovery of Tax Base  
Historical Preservation - Environmental Clean Up – Increase in Housing Stock – Incentivizes Development





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## Brownfield Plans

Includes other County, State & Local Units of Government, and Library taxes

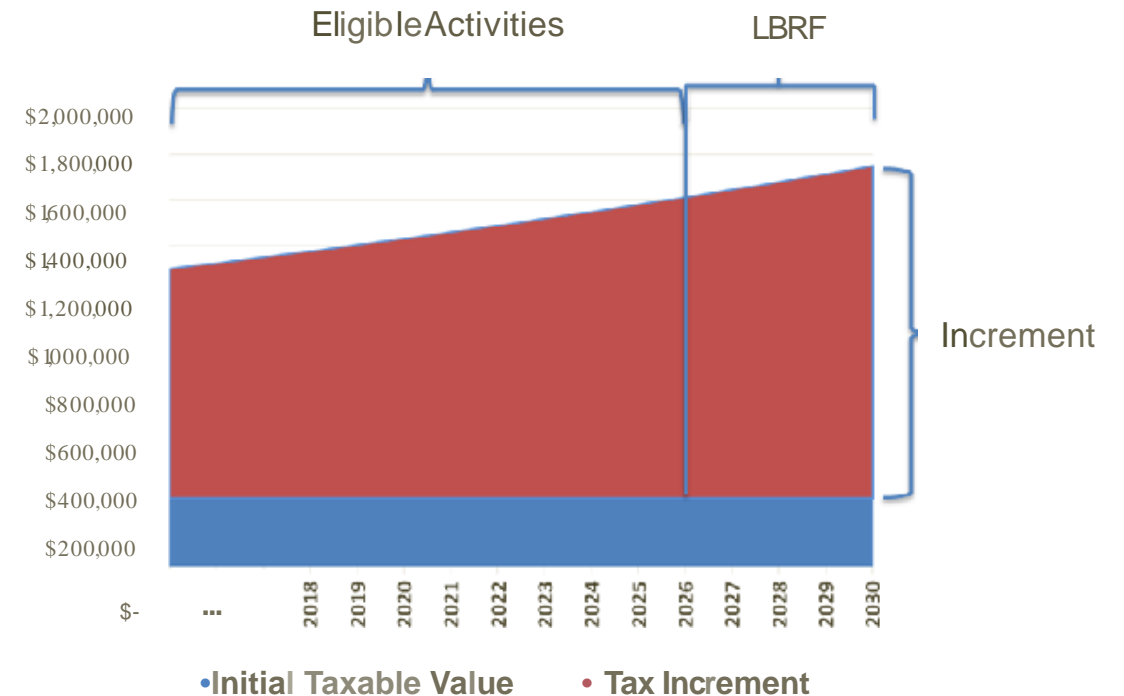
- ▶ Does not collect Debt or Special Assessment Millages
- ▶ School Funding is not affected by state capture
- ▶ Reimburses Eligible Authority & Developer Expenses
- ▶ Funds the Local Brownfield Revolving Fund (LBRF) for future projects





## Funding for Brownfield Redevelopment & Housing TIF

- ☐ Tax Increment Financing
- ☐ Brownfield Plans
- ☐ Act 381 Work Plan
- ☐ Local Brownfield Revolving Fund
- ☐ Michigan Economic Development Corporation (MEDC)
- ☐ Michigan State Housing Development Authority (MSHDA)
- ☐ EGLE Grants and Loans (state)
- ☐ EPA Assessment Grants (federal)



Tax increment = new taxable value - initial taxable value (based on new investment)





## What is eligible for Tax Increment Financing (TIF)?

- Blighted (Includes previously developed property or tax reverted property owned by state or local gov)
  - Historic Resource
  - Functionally Obsolete
  - Owned or under control of a land bank authority
  - Contamination (or perceived to be contaminated)
  - Deemed a Facility (Contaminated)
  - A property adjacent/contiguous to one of the above eligible properties may be eligible
  - A Housing Property (One or more units of residential housing, as a dwelling or in a mixed-use project)
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## What is eligible in Housing for Brownfield Tax Increment Financing?

New housing TIF can be used in a community with an “identified housing need” to reimburse the developer for:

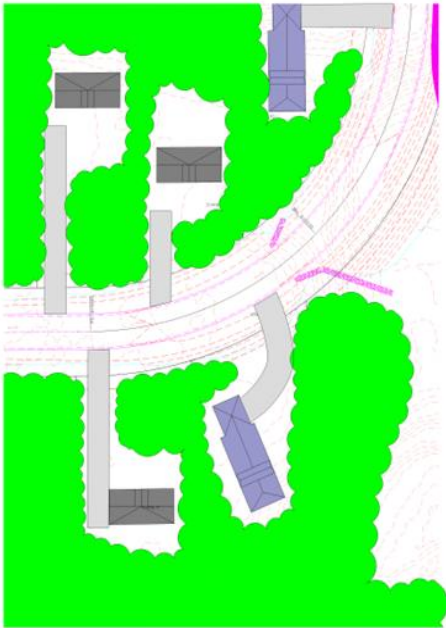
- Environmental costs & Site Assessments
- Infrastructure Improvements & Site preparation
- Demolition
- Rental rehab
- Temporary household relocation for income qualified households
- Acquiring blighted or obsolete rental units to rehab
- Construction financing gap for homes for income qualified households (income qualified = max 120% of AMI)



# Brownfield Tax Increment Financing

## MSHDA Housing Subsidy Calculation:

- Potential Rent Loss (PRL) – Multi-family
- Potential Development Loss (PDL) – Single-family
- Total Housing Subsidy (THS)
- Plus/maybe other housing eligible activities:
  - Site prep/demo
  - Infrastructure
  - Relocation expenses
  - Other
- Costs for tracking and reporting data and plan compliance and costs to implement, monitor, and maintain compliance with the income and price monitoring up to \$50,000







## Why are Housing Incentives being considered?



### ***Construction Costs in 2023***

*1,173 square feet modular, 3 bedroom, 2 bath, crawl space & appliances*

- Cost build \$260,000
- Selling price \$209,900
  - \$50,000 Gap funded by MSHDA Missing Middle



### ***Construction Costs in 2024***

*962 square feet stick built, 2 bedroom, 1 bath on slab, all appliances*

- Construction Cost \$304,000 (\$253,000 without prevailing wage)
- List Price \$224,000
  - \$80,000 Gap funded by MSHDA Missing Middle



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# The Housing Continuum

A visual summary of the Kalamazoo County Housing Plan. A range of housing types available in a community.  
A healthy housing market needs to have options available at all points on the housing continuum.

Table 11: Affordable Units to Alleviate Overburdened Renters, Estimate 2021

Annual Income	Units	Rent Per Month (\$)
<\$20,000	7,877	<\$500
\$20,000 to 34,999	4,986	500 to 874
\$35,000 to 49,999	1,620	875 to 1,249
\$50,000 to 74,999	573	1,250 to 1,874
\$75,000 to 99,999	274	1,875 to 2,499
\$100,000 or more	0	2,500 and higher

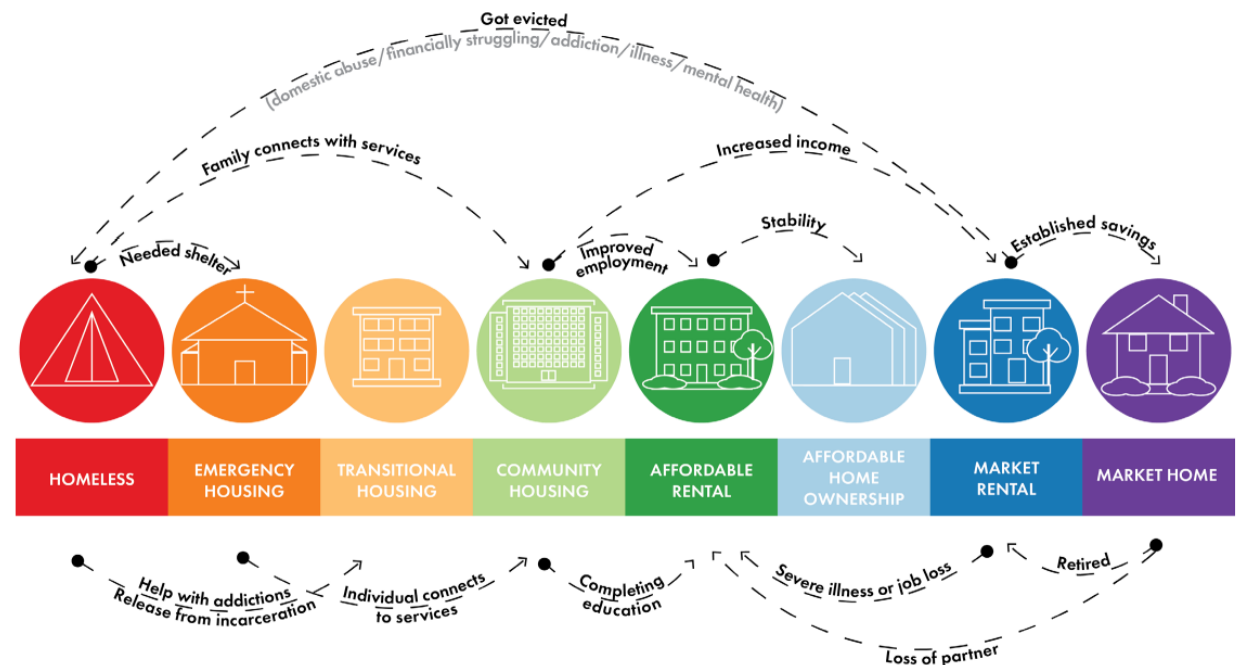
Source: U.S. Census American Community Survey, 2015–2019 average, and Claritas.

Table 12: Affordable Units to Alleviate Overburdened Homeowners, Estimate 2021

Household Annual Income	Units	Payment Per Month (\$)	Estimated Home Price (\$) *
<\$20,000	3,678	<\$500	Less than 75,000
\$20,000 to 34,999	2,968	500 to 874	75,000 to 132,000
\$35,000 to 49,999	2,286	875 to 1,249	133,000 to 187,000
\$50,000 to 74,999	1,474	1,250 to 1,874	188,000 to 283,000
\$75,000 to 99,999	426	1,875 to 2,499	284,000 to 377,000
\$100,000 or more	354	2,500 and higher	378,000 and higher

\*Purchase price with 5% down, 4.3% interest, 30 year fixed, PMI, and property taxes.

Source: U.S. Census American Community Survey, 2015–2019 average, and Claritas.



These are a few examples of how people might move within the housing continuum.





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## Affordable Housing Continuum

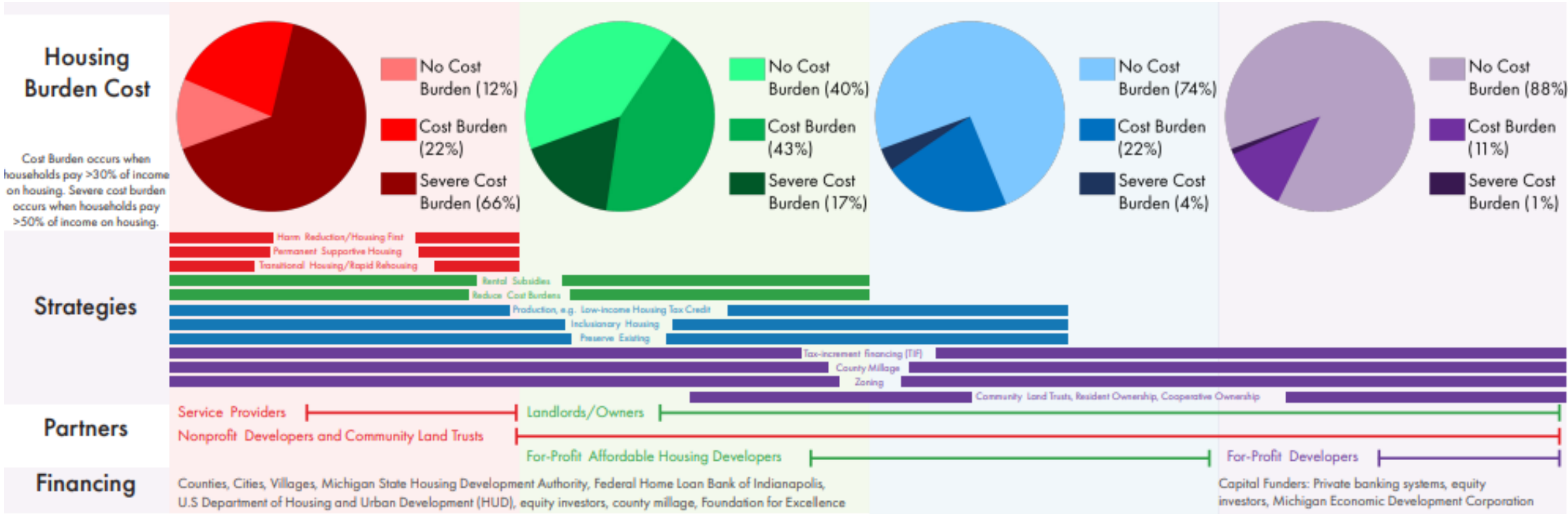


Income	\$20,000 and below		\$20,000 to \$34,999		\$35,000 to \$49,999		\$50,000 to \$74,999	
Population	14,812	total households	15,606	total households	13,780	total households	18,322	total households
	26%	of all BIPOC households are in this income level	19%	of all BIPOC households are in this income level	14%	of all BIPOC households are in this income level	14%	of all BIPOC households are in this income level
	12%	of white households are in this income level	14%	of white households are in this income level	13%	of white households are in this income level	18%	of white households are in this income level
Housing Type	People Experiencing Homelessness, People with disabilities, People with Service Needs, People Exiting Incarceration		Working Poor, People with Episodic Housing Crises and Service Needs		Working Poor, People with Episodic Housing Crises and Service Needs		People Who Are Accessing Market Housing but Are Limited by Locational Choice	
	Unsheltered, Shelters, Supportive Housing						High Market Rental and Homeownership	
	Public Housing, Section 8 Vouchers				Homeownership Assistance			
			Low Market Rental, Naturally Occurring Affordable Housing, Workforce Housing				Community Land Trusts, Resident Ownership, Cooperative Ownership	



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## Tax Increment Financing (TIF) as a Strategy



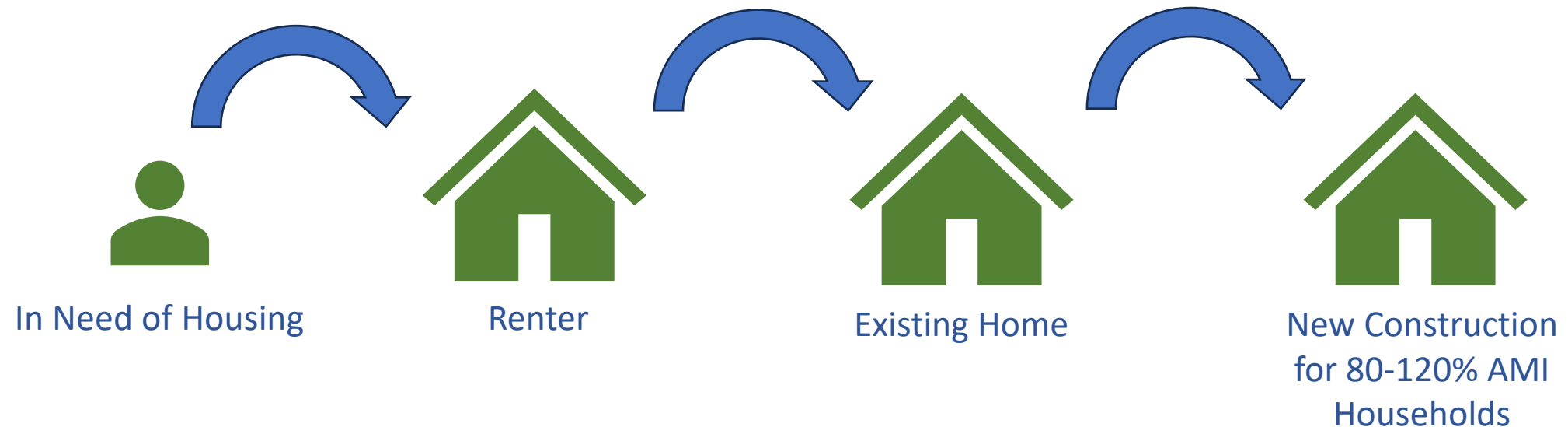
Source: Population and cost burden data for renter and households in Kalamazoo County. 2019 American Community Survey 5-Year Estimates. Census Bureau.





# The Housing TIF Ladder Effect:

Housing TIF Builds Work-force Housing & Creates Attainable Housing



New homes constructed at Market Rate, and sold at a reduced rate to Income Qualified Households between 80-120% Area Median Income, can generate attainable housing across the continuum as households move into new residences.



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Significant need for housing of all types, especially affordable/attainable housing

Too many people spend more than half of their income on rent or mortgage

Michigan's housing stock at the starter end is old (built before 1970) and not being replaced

It's more economical and profitable to build big houses, not starter homes, so that's what builders do

Michigan's statewide housing plan (2022) calls for 75,000 units in 5 years

Gov. Whitmer's housing plan intends to invest nearly \$1.4 billion to build/rehab nearly 10,000 homes

## Perspective – Why do we need housing incentives?

### New:

- Housing Brownfield TIF
- Residential Housing Exemption
- Attainable Housing Exemption

### Old:

- Commercial Rehabilitation Act
- Neighborhood Enterprise Zones
- Obsolete Property Rehabilitation Act (OPRA)
- Charitable Nonprofit Housing Exemption





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A regional or local housing plan demonstrating that the proposed housing project is in alignment with the needs identified by the housing plan.

Housing plan should be adopted by/affirmed by the local municipality prior to MSHDA's involvement (approval of an Act 381 Work Plan for school TIF).

Master Plans that detail the local housing needs may suffice to demonstrate alignment. Lack of housing details in a master plan will not satisfy MSHDA.

Demonstrated  
“Housing Need”



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- Process in a nutshell:
  - ✓ Developer proposes project and develops plan
  - ✓ County/City/township/village council and brownfield authority approve plan
  - ✓ Developer creates a work plan
  - ✓ Brownfield authority and state (MSHDA, MEDC, and/or EGLE) approve work plan
- Work Plan must include MSHDA environmental review and possibly EGLE approval for proposed housing development
- 15% developer fee and profit (MSHDA reviewing)

## Other Considerations



## How to approve a Housing Project for Brownfield TIF

- Communities must have an established brownfield redevelopment authority to approve the use of brownfield TIF.
- The project must have a public benefit.
- There must be a development agreement/reimbursement agreement stipulating a price for income monitoring and duration for subsidized residential units
- Plans reimbursed with only local taxes:
  - Must be recommended by the local brownfield redevelopment authority (BRA), local unit of government (LUG), and local commission.
- Plan to be reimbursed with state and local taxes:
  - Must be approved by the local BRA, LUG, Commission, and the State of Michigan (MSHDA, MEDC, and/or EGLE)
  - Net increase for state taxes of 21 mills towards reimbursement for non-Principal Residence Exempted properties or 3 mills for Principal Residence Exempted (PRE).





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# Frequently Asked Questions

- ▶ How are the brownfield plans administered?
  - ▶ The BRA administers the plan including state reporting and developer reimbursements
  - ▶ The Local Unit of Government (LUG) treasurer sends the KCBRA tax increment revenue (TIR) captured annually based on capture estimates submitted by the KCBRA
- ▶ How are the annual capture amounts estimated?
  - ▶ The KCBRA & LUG treasurer compare tax increment revenue estimates twice annually
  - ▶ The LUG sends the KCBRA TIR after property taxes are paid
- ▶ How are the reimbursements within the plan administered?
  - ▶ The developer submits a request for reimbursement to the BRA
  - ▶ The BRA & brownfield consultants confirm eligible expenses
  - ▶ The BRA processes annual payments to the developer and state brownfield fund from available TIR
  - ▶ If there is a Community Benefits Agreement (CBA) the Developer and LUG must submit documentation that this agreement is in good standing prior to the Developer being reimbursed for eligible expenses

