



BROWNFIELDS TAX INCREMENT FINANCING (TIF) FREQUENTLY ASKED QUESTIONS

WHAT IS TAX INCREMENT FINANCING (TIF)?

Tax Incremental Financing (TIF) is an economic development tool that helps local municipalities improve historic districts, restore blighted areas, reactivate former industrial sites or jump-start investment in economically disadvantaged areas. TIF funds help municipalities provide incentives to attract private real estate development and new businesses.

HOW DO BROWNFIELD TIFS WORK?

Michigan Strategic Fund's (MSF) Brownfield Program uses Tax Increment Financing (TIF) to reimburse brownfield-related costs incurred while redeveloping contaminated, functionally obsolete, blighted, historic or other eligible properties. Tax Increment Revenue (TIR) generated by the increase of the redeveloped property's taxable value is captured during the length of a brownfield plan. The TIR is the difference between the original, or base revenue before redevelopment and the current year's tax revenue. By increasing the taxable value of the subject property, the brownfield program not only generates increased tax revenue on the subject property, but it often has a significant positive impact on the taxable values of surrounding properties while encouraging other investment.

WHAT IS MEDC'S ROLE IN BROWNFIELD TIFS?

MSF, with administrative assistance from the MEDC, authorizes the capture of incremental increases in School Operating Tax authorizes State Education Tax by the Brownfield Redevelopment Authority. MEDC provides a recommendation to the MSF Board regarding projects that request school operating and State Education tax capture for the purposes of reimbursement for non-environmental activities. Upon capture of the tax increment revenue, the Authority reimburses the developer for eligible activity costs incurred as detailed in the Reimbursement Agreement between the Authority and developer.

WHAT KIND OF SITES CAN BE CONSIDERED FOR SUPPORT THROUGH THE BROWNFIELD PLAN?

Under PA 381 of 1996, a contaminated site, or "facility," is just one way to qualify a property as a Brownfield in the state of Michigan. Other property designations for brownfield properties in Michigan include functionally obsolete, historic resource and blighted. While contamination may exist on many brownfield sites, not all brownfield sites are necessarily contaminated.

HOW DOES THE DEVELOPER GET 'INCENTIVIZED' FOR THEIR INVESTMENT?

The 'incentive' amount is not guaranteed. It is only realized if the investment achieves the anticipated increased property value. The developer must pay for improvements to the site and then property taxes must be paid each year. The incentive is actually a reimbursement of new taxes generated by the new investment, and the amount of the reimbursement is sized on the amount of eligible activities that are paid for as part of the project.

The incentive amount is an "up-to" maximum. The maximum can only be achieved if property values rise quickly enough based on the new development's assessed taxable value to generate enough increment to reimburse the developer over a maximum of 30 years. Because of this the developer assumes risk that they may not achieve maximum reimbursement due to circumstances beyond their control (lower property tax assessment, recession, etc.)

The details of reimbursement (amounts per year, number of years, any additional conditions, etc.) are governed by a Reimbursement Agreement between the Brownfield Redevelopment Authority and the developer.

HOW ARE LOCAL SCHOOL DISTRICTS FUNDED FROM TIR DURING TIF CAPTURE?

The taxes that are captured as part of a brownfield plan, as authorized by EGLE, the MSF or both, are intended to reimburse a developer for the costs incurred during the remediation and/or redevelopment of a brownfield site. These taxes are above and beyond the base level of tax revenue being generated by the unimproved site and represent new revenue that would not exist without the development taking place. The original, base amount of revenue collected prior to the redevelopment project continues to go to schools during the length of the brownfield plan. In addition, improvements to the site increase surrounding property values and encourage other investment that all result in more funding for schools.

Counties report to the state how much tax increment was captured by TIF authorities, including brownfield redevelopment authorities, downtown development authorities (DDA), and local development financing authorities. The local school district is reimbursed annually by the state School Aid Fund.

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WHAT HAPPENS WHEN THE BROWNFIELD TIF PERIOD ENDS?

Once the brownfield plan reimbursement is complete, increased property taxes that would not exist without the development taking place begin going directly to all of the taxing jurisdictions.

WHERE DO I GO TO LEARN MORE ABOUT THE TIF PROGRAM?

[Brownfield Program website](#)

[Brownfield Program fact sheet](#)

[EGLE resources](#)

[School Aid Fund infographic](#)



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