

Mayor and Council –

Per Mayor Fischer's comments, please see the presentation and draft minutes from the most recent Finance and Administration Committee meeting, where members heard the details on the various Brownfield incentives available.

- Victor

NOVEMBER 2025

Tax Increment Financing

City of Novi

Executive Summary

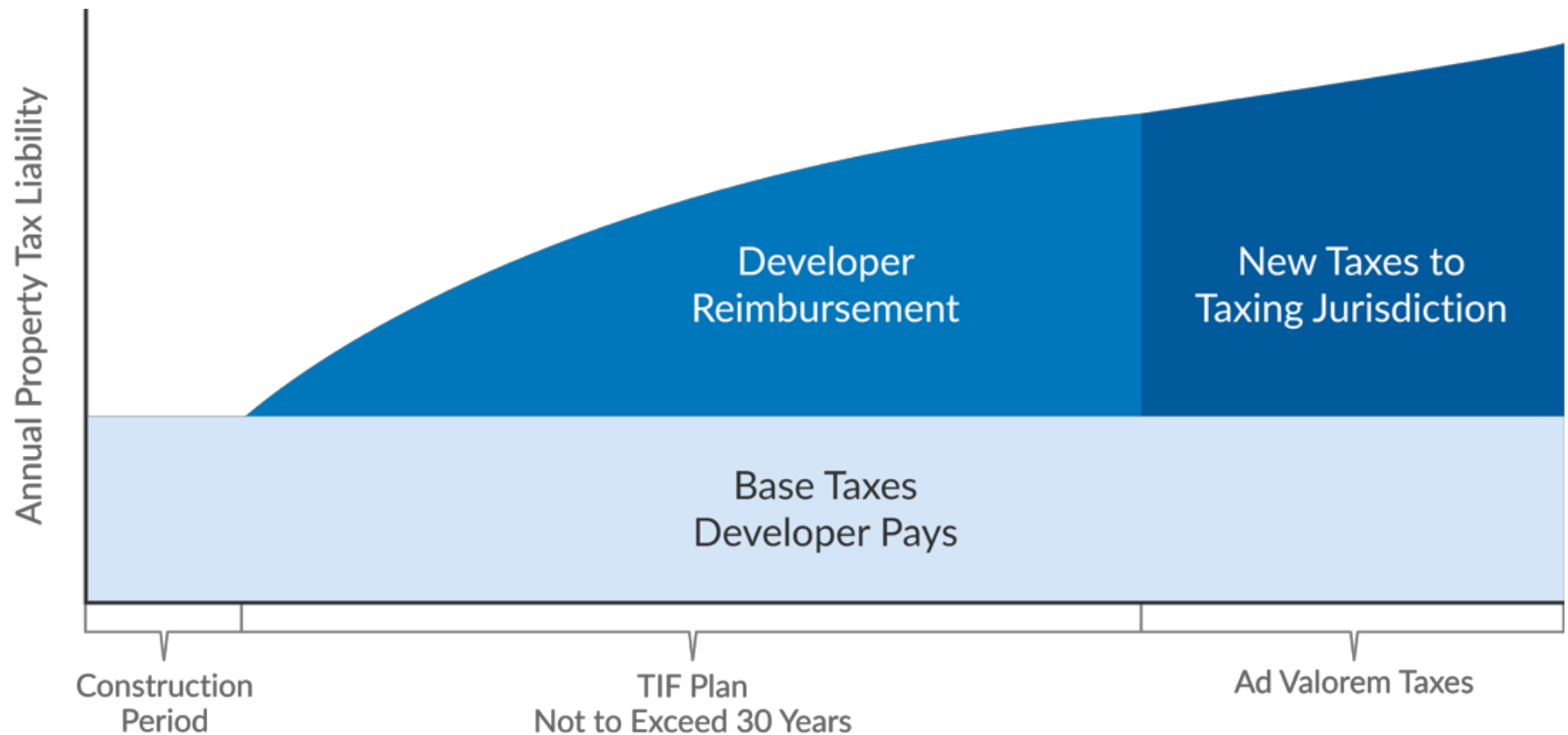
The State of Michigan's Brownfield Redevelopment Financing Act ("Act 381 of 1996" or "Act 381") was established to allow for real estate developers to be reimbursed by the new property taxes created from their investment for qualifying costs associated with the clean-up of "brownfield" (i.e. environmental contaminated) sites, aka "Tax Increment Financing" or "TIF".

The State has since enacted amendments to Act 381 in 2017 and 2023 to allow for large-scale mixed-use projects and housing development projects, making TIF a cornerstone of Michigan's redevelopment strategy. These programs enable municipalities and developers to collaborate on revitalizing underused sites, expanding housing, and stimulating economic growth. Despite their widespread use, misconceptions remain about how TIF works, who benefits, and its impact on local budgets.

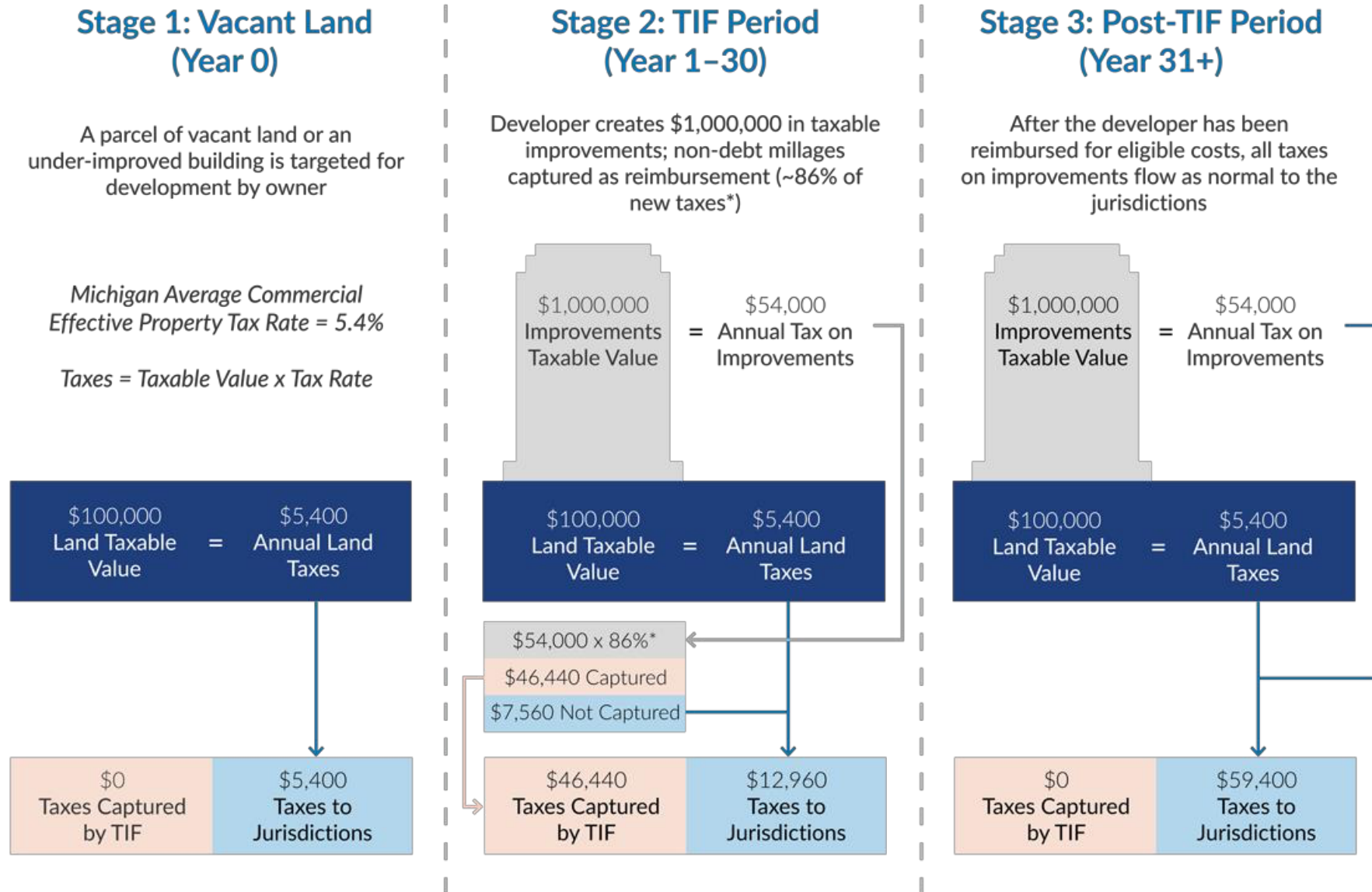
It's important to note that TIF is not a tax increase — it's a reinvestment strategy. By deferring incremental tax revenue, Michigan communities unlock immediate development that drives long-term economic and social returns.

What Is “Tax Increment Financing”?

“Tax increment financing” or “TIF” is an incentive structure that exists in 49 out of 50 states in the United States. The structure allows a developer to capture incremental tax revenue generated by a development to reimburse for eligible activities (e.g. site clean-up, infrastructure, construction costs, etc.). The developer pays standard property taxes and is reimbursed for an applicable portion the following year. In Michigan, the new taxes created are eligible to be captured by the developer for up to 30 years.



How Does A “TIF” Work Over The Long Term?



What Are Michigan's Project-Specific "TIF"s?

	BROWNFIELD TIF	MSHDA HOUSING TIF	TRANSFORMATIONAL BROWNFIELD
Description	Supports the clean up of contaminated sites, the development of transit-oriented properties, or the redevelopment of blighted, functionally obsolete, and historic property	Supports the creation of new housing and the preservation of existing housing Since 2023, ~\$800 million in housing investment projects (~3,000 units) approved through the program	Supports large-scale mixed-use developments on dirty sites that have a transformational impact on a City's population, commercial activity, or employment Since 2017, supported billions in real estate development statewide
Eligible Costs	Environmental testing and cleanup, demolition, lead/asbestos abatement, site preparation, public infrastructure	Infrastructure and safety improvements, parking, site preparation, demolition and renovation costs, financing losses associated w. affordable housing commitments	All construction activities
Reimbursement Mechanism	Property Taxes for up to 30 years – Excludes debt millages	Property Taxes for up to 30 years – Excludes debt millages	Property Taxes for up to 30 years – excluding debt millages + % of State Income, Withholding, & Sales Taxes for up to 20 years
Who Approves	Local Municipality, Local/Regional Brownfield Authority, EGLE, Michigan Strategic Fund	Local Municipality, Local/Regional Brownfield Authority, Michigan State Housing Development Authority	Local Municipality, Local/Regional Brownfield Authority, Michigan Strategic Fund

Transformational Brownfield Program

TBP PROGRAM SUMMARY			
Program Requirements	1. Each Building Has A Recognized Brownfield Condition 2. Plan Must Exceed \$75 Million in One or More “Contiguous” Buildings 3. City of Novi & State of Michigan Must Designate As Having A “Transformational Impact”, Defined As; A. Growth In Population B. Growth In Commercial Activity C. Growth In Employment 4. Pass A City & State Financial Review That Demonstrates “Need” for Incentive to Make Projects Financially Feasible		
Approving Entities	Novi City Council, Oakland County Brownfield Redevelopment Authority (OCBRA), Michigan Strategic Fund (MSF), Michigan Economic Development Corporation (MEDC)		
VALUE OF PROGRAM			
Incentive Resource	Description	Program Limits ^[1]	Example Value
State Construction Sales Tax Exemption	Exemption on State Sales/Use Tax For All Michigan-Based Construction Materials	Duration: Construction Program Cap: Unlimited	\$200 PSF Hard Costs * 50% Materials * 6% Sales Tax = \$6 PSF Exemption
State Construction Income Tax Reimbursement	Annual Reimbursement of State Income Taxes Paid By On-Site Construction Workers	Duration: Construction Program Cap: \$200 Million	\$200 PSF Hard Costs * 30% On-Site Labor * 3.5% Eff. Income Tax = \$2.10 PSF Reimbursement
Ongoing State Tax Capture Reimbursements	Annual Reimbursement of 50% Of The Income / Withholding Taxes Paid By Residents / Workers Occupying The Project Post-Construction + 100% Of The Sales Taxes Collected By Retail & Hospitality Businesses On-Site Of The Project	Duration: 20 Years Program Cap: \$1.6 Billion Annual Cap: \$80 Million + Unused Share from Prior Yrs	Income Taxes ^[3] = \$100,000 Income Per 800 SF Unit * 3.5% Eff. Income Tax * 50% Capture = \$2.20 PSF / Yr Reimb.
			Withholding Taxes = \$100,000 Income Per FTE / 400 SF * 3.5% Eff. With Tax * 50% Capture = \$4.40 PSF / Yr Reimb.
			Hotel Sales Taxes = \$200 / Room Rate * 6% Sales Tax = \$12 / Room Night Reimb. Retail Sales Taxes = \$400 PSF * 6% Sales Tax = \$24 PSF / Yr Reimb.
State & Local Property Tax Increment Financing	Annual Reimbursement Of Property Taxes For Approved Millages Paid Over Base Value	Duration: 30 Years Program Cap: Unlimited	\$70 Assessment PSF * 50 Capturable Mills = \$3.50 PSF / Yr Reimb.

Why Are Cities Using TIF?

State and local government leaders continue to grapple with scourge of record-high housing unaffordability^[1] and commercial office vacancy rates^[2].

The State of Michigan is short an estimated 190,000 housing units^[3]. From 2014 to 2023, Michigan built just one new home for every 14 new jobs^[4] - leaving thousands of workers struggling to find housing. Meanwhile, changing work patterns associated with remote work and commercial office vacancy rates are beginning to impact property values^[5] — a mere 1% increase in vacancy can reduce property values by a staggering 2 to 3%.

Cities across Michigan are using project-specific TIF programs to address these problems, including the redevelopment of environmentally contaminated land^[6], investments in workforce housing^[7], and large-scale transformational investments^[8] that will draw new residents and jobs. These leaders are making the conscious decision to forgo short-term property tax gains in exchange for enhanced spending in the local economy today.

[1] <https://www.pewresearch.org/short-reads/2024/10/25/a-look-at-the-state-of-affordable-housing-in-the-us>

[2] <https://www.moody's.com/web/en/us/insights/data-stories/us-commercial-real-estate-vacancies-downtown-vs-suburbs.html>

[3] <https://www.mlive.com/public-interest/2024/01/michigan-needs-190000-more-housing-units-to-curb-a-crisis.html>

[4] <https://www.michigan.gov/mshda/developers/employer-assisted-housing>

[5] <https://stancerealestate.com/the-impact-of-vacancy-rates-on-property-value-and-roi/>

[6] <https://www.axios.com/local/detroit/2025/10/10/wnba-practice-facility-riverfront-cleanup>

[7] <https://www.mlive.com/public-interest/2025/05/michigan-developer-promises-to-build-250-extra-homes-a-year-with-new-tax-program.html>

[8] <https://www.mlive.com/news/grand-rapids/2024/08/state-board-approves-252m-incentive-plan-for-grand-rapids-stadiums-housing-towers.html>

Why Are Developers Asking For TIF?

Michigan ranks among the top states for property tax burden, making TIF a critical tool for offsetting high upfront costs and continued high operating costs. TIF programs help bridge funding gaps, making projects with broad community impact that might otherwise stall due to financial constraints viable. These programs are proving decisive for the viability of real estate projects in Michigan, as developers face significant national and local headwinds that are widening financing gaps.

STATE & LOCAL HEADWINDS

1. High Property Taxes
 - A. Michigan ranks 14th highest in the Country for effective property tax rates, with Oakland County in the top 20% of counties nationwide^[1]
2. Increasing Construction Costs Outpacing Inflation
 - A. Construction costs have increased 41.6% since the pandemic, significantly outpacing the 21.9% inflation rate^[2]

NATIONAL HEADWINDS

1. Tariffs Impact on Construction Costs
 - A. Recently enacted tariffs by the Federal Government are estimated to further increase commercial real estate construction materials costs by 9.0%^[3]
2. Persistently Higher Interest Rates
 - A. 10-Year Treasury Yields, the benchmark financing rate for most long-term real estate debt, has increased from 0.79% in October 2020 to 4.14% in October 2025^[4] – in actual dollars this means the operating income that once could finance \$1,000,000 in construction debt can now only support ~\$650,000, a 35% reduction
3. Reduction in Federal Funding for State & Local Projects
 - A. The Fiscal Year 2026 Federal Budget proposes eliminating much of the Federal funding for local economic development and residential housing gap financing^[5]

[1] <https://taxfoundation.org/data/all/state/property-taxes-by-state-county/>

[2] <https://citizenportal.ai/articles/3821813/Michigan/Michigan-construction-leaders-debate-code-changes-amid-rising-material-costs>

[3] <https://fred.stlouisfed.org/series/DGS10>

[4] <https://www.cushmanwakefield.com/en/united-states/insights/the-impact-of-tariffs-on-cre-construction-costs>

[5] <https://www.crec.net/2025/06/06/what-the-fy-2026-federal-budget-proposal-signals-for-regional-economic-development/>

Addressing Municipal Concerns

Real estate development projects that are supported through TIF are typically done so in the interest of stimulating the local economy through further commercial development, redeveloping sites that otherwise wouldn't be redeveloped, or encouraging housing development. Cities that support TIFs are agreeing to forgo the potential new property taxes created by a project for some period of time – meaning that they are left to fund the increased cost burden on local services associated with the new development through other mechanisms.

Municipal Services Agreement	An agreement between the Developer and the Local Municipality to fund a specific amount for operations (e.g. Police/Fire, Parks & Rec) for the duration of the TIF
Community Benefits Agreement	An agreement between the Developer and a local community group outlining contributions to be made by the Developer to the community in response to concerns the community has related to the project.
Application Fees	Fees charged by the Local Municipality to offset the cost of review
Brownfield Redevelopment Authority	An authority establish by the Local Municipality or the County that can charge fees on the captured TIF to be used for various administrative costs
Local Brownfield Revolving Fund	A fund establish by the Local Municipality or the County that can charge fees on the captured TIF to be used for various land development costs

Which Jurisdictions Are Subject to “TIF” Capture?

TAXING JURISDICTION	TOTAL MILLAGE	TIF CAPTURABLE MILLAGE
School Operating	18.0000	18.0000
State Education	6.0000	6.0000
School Supp > 18	0.9365	0.9365
General City Operating	4.7505	4.7505
Streets	1.4197	1.4197
Police/Fire	1.3518	1.3518
Parks & Rec	0.3648	0.3648
Drains	0.6120	0.6120
Capital Improvements	0.9514	0.9514
Library	0.7303	0.7303
PA359 Econ DVLP	0.0100	0.0100
Oakland County Operating	3.9539	3.9539
Oakland County HCMA	0.2062	0.2062
Oakland Community College	1.4836	1.4836
Oakland County PK&RC	0.6500	0.6500
Oakland County Transit	0.9464	0.9464
Oakland County ISD-Voted	2.9667	2.9667
Oakland County ISD-Allocated	0.1874	0.1874
Oakland County Zoo	0.0941	Not Captured
Oakland County Art	0.1937	Not Captured
2008 Library Debt	0.3471	Not Captured
School Debt Novi	6.5000	Not Captured
School Sink 631	0.4713	Not Captured
Public Safety Debt (2026)	1.0000	Not Captured
Total	53.1274	45.5212

Case Study: Bedrock | Approved Project

Project Highlights:

Hudson's Detroit

- 1.5 Million SF of retail, office, residential, hospitality, and event space
- Completion: October 2025

Book Tower/Book Building

- 101,000 SF renovation of retail, office, residential, parking, and event space
- Completion: June 2023

One Campus Martius

- Expansion of 310,000 SF of office space, 27,000 SF of flexible event space, and 5,500 SF outdoor terrace
- Completion: March 2020

Cadillac Square

- 1.5 million SF of retail, office, residential, parking, and entertainment space
- Completion: TBD



Project Overview:

The Hudson's Detroit redevelopment is a landmark \$2.15 billion mixed-use initiative that spans 3.1 million square feet across four transformative sites in downtown Detroit: Hudson's Detroit, Cadillac Square, Book Tower/Book Building, and One Campus Martius. Spearheaded by Bedrock Management Services, the project encompasses six acres of new construction and historic renovation, integrating residential, retail, office, hospitality, parking, and event spaces. At its centerpiece is Hudson's Detroit, featuring Michigan's second-tallest building and marking the city's first ground-up development in over half a century. The project is backed by \$618 million in incentives through a Transformational Brownfield Plan, reflecting strong public-private collaboration. Upon completion, it is projected to create approximately 7,738 new jobs and serve as a catalyst for continued investment and revitalization in Detroit's urban core. By blending modern infrastructure with preserved architectural heritage and introducing experiential entertainment venues, the development is poised to redefine the city's skyline and enhance its cultural and economic vibrancy.

Case Study: Grand Rapids | Approved Project

Project Highlights:

Acrisure Amphitheater

- 12,160-seat venue on 10.6 acres
- Completion: May 2026
- Impact: 300,000 visitors annually, \$563 million in net new economic impact

Amway Soccer Stadium

- 8,500-seat stadium on 8.2 acres
- Completion: 2027
- Impact: 160,000 visitors annually, \$290.7 million in net new economic impact

Mixed-Use Development

- Amphitheater Tower: 21 stories, 475 apartments, retail, 475 parking spaces
- Stadium District Tower: 18 stories, 260 apartments, retail, office, 350 parking spaces, pedestrian skywalk



Project Overview:

Grand Action 2.0 is spearheading a transformative redevelopment of 31 acres along the Grand River, anchored by two major venues and mixed-use projects that will redefine downtown Grand Rapids. The Acrisure Amphitheater is a 12,160-seat outdoor venue on 10.6 acres, set to open in May 2026. With a \$184 million investment, it will host 50+ events annually, draw 300,000 visitors, and generate \$563 million in net new economic impact to the state. The Amway Soccer Stadium, an 8,500-seat multi-purpose venue on 8.2 acres, will open in 2027. Backed by a \$175 million investment, it's projected to deliver \$408 million in long-term revenue and \$290.7 million in economic impact for the state. Supporting these anchors are two mixed-use projects. The Amphitheater Mixed Use is 21 stories with 475 apartments, retail, and parking. The Stadium District Tower will be 18 stories with 260 apartments, retail, office, and a pedestrian skywalk. Together, these projects will create over 950 new jobs, attract hundreds of thousands of visitors annually, and unlock thousands of housing units (including future development opportunities). Public-private partnerships, philanthropic support, and the Transformational Brownfield Program (\$252.3 million) are driving the funding. This initiative will revitalize the riverfront, boost tourism, expand housing, and deliver lasting cultural and economic benefits to the region.

Case Study: Novi City West | Potential Project

Project Highlights:

Hotel

- 225+ Key new convention hotel and outlot restaurant

Townhomes

- 110+ for-sale townhomes

Senior Living Community

- 170+ unit for-rent senior living community

Workforce Housing & Grocer

- 50+ unit workforce housing with ground floor grocer

The Mix

- Restaurant concept

Apartment Building

- 100+ unit for-rent apartment community

1Source

- Office expansion for existing local company

Mixed Use Project

- 250+ unit for-rent apartments with retail building

Neuro Inclusive Community

- 180+ for-sale unit neuro-inclusive community



Project Overview:

The Suburban Collection Showplace (SCS), Michigan's largest privately-owned convention center, anchors a transformative \$400+ million mixed-use development known as "Novi City West." Located on a 55-acre site in Novi, SCS offers over 600,000 square feet of event space and draws more than 2 million annual visitors for trade shows, expos, and corporate events. The project aligns with the City of Novi's vision to revitalize the Grand River Corridor into a vibrant, mixed-use district. The development introduces a diverse range of housing options, including over 100 for-sale townhomes, a 170+ unit senior living community, a 180+ unit neuro-inclusive residential offering, and more than 400 multi-family rental units across three mid-rise buildings. A proposed 225-key convention hotel will further enhance SCS's event-hosting capabilities and economic impact. Complementing the residential and hospitality components are key commercial additions: a 30,000 SF grocer, a 17,000 SF food and beverage destination called "The Mix," and 23,000 SF of ground-floor and outlot retail space. Additionally, 1Source plans to expand its headquarters and manufacturing facility, adding 10+ full-time jobs. Together, these elements create a walkable, inclusive, and economically dynamic district poised to elevate Novi's regional prominence.