



Citizens Research Council of Michigan



SURVEY OF ECONOMIC DEVELOPMENT PROGRAMS IN MICHIGAN

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FINANCING PROGRAMS AND TAX AUTHORITIES

Brownfield Authorities
Corridor Improvement
Downtown Development Authorities
Description and Example of Tax Increment Financing
Historic Neighborhood TIFAs
Industrial Development Revenue Bonds
Local Development Finance Authorities
SmartZones
Principal Shopping Districts, Business Improvement Districts and Zones
Taxable Bond Program
Tax Increment Finance Authorities
Comparison Table of Various Tax and Finance Authorities in Michigan

BROWNFIELD AUTHORITIES

Enabling Act, Major Amendments, Statutory Citation

1996 PA 381, 2000 PA 145, 2002 PA 727, 2003 PA 259, 2003 PA 277, 2005 PA 101, 2006 PA 32; M.C.L. 125.2651 et seq.

Summary Program Description

Brownfields, as defined by the United States Environmental Protection Agency, are “abandoned, idled, or under-used industrial or commercial facilities where expansion or redevelopment is complicated by real or perceived environmental contamination.”

This program allows local units of government to establish Brownfield Redevelopment Authorities (BRAs) and use tax increment financing (defined on page 80) for environmental remediation of brownfield sites.

Approved brownfield projects in Brownfield Redevelopment Authorities are also eligible for Single Business Tax Credits, described on page 39.

A number of grants and loans are also available to support brownfield cleanup and redevelopment. For a description of brownfield grants and loans, see page 123.

Eligibility and Benefits

A local unit of government may establish one or more Brownfield Redevelopment Authorities by resolutions adopted by the majority of the municipality's governing body. The municipality's governing body may then designate a BRA board to create and implement a brownfield plan that identifies the properties from which taxes will be captured and where eligible activities will be conducted. BRAs may be countywide or citywide, but may only exercise powers on eligible property within the jurisdiction and may only capture taxes from approved brownfield plan sites that the municipality authorizes. The Michigan Department of Environmental Quality (MDEQ) and/or the Michigan Economic Growth Authority (MEGA) must also approve the brownfield plan. Eligible activities vary depending on whether MDEQ, MEGA, or both entities approve the brownfield plan. Brownfield-related tax increment finance programs must be approved before January 1, 2008.

Eligible property means a “facility” as defined in Part 201 of the Natural Resources and Environmental Protection Act (NREPA), 1994 PA 451, or a “blighted” or “functionally obsolete” property as defined by the Brownfield Redevelopment Financing Act, 1996 PA 381. For definitions of these terms see *Appendix F*.

BRAs have the power to:

- Create and implement brownfield plans to promote the reuse of blighted, tax reverted or functionally obsolete property and other eligible properties.
- Determine the captured taxable value of each eligible property
- Make loans and mortgages, bid for and purchase property
- Make and enter into contracts
- Borrow money and issue bonds or notes in anticipation of collection of tax increment revenues, and
- Establish a local site remediation revolving fund.

Terms and Performance Guarantees

The BRA Board:

The elected members of the municipality's legislative body may designate a board, such as the economic development corporation, downtown development authority, or local development financing authority to act as the BRA board. Alternatively, the municipality's CEO may appoint a board. BRAs do not expire until the BRA boards disband them; however, each brownfield plan and therefore each tax increment financing scheme is effective for no more than 30 years.

Provisions of the Brownfield Plan:

The BRA board may implement a brownfield plan subject to approval by the municipality, the MDEQ and/or MEGA. In general, the brownfield plan must include a description of the property and the number of people residing there, a description of the costs to be paid for by tax increment financing, the proportion of captured taxable value to be used, the estimated impact of tax increment revenues on affected taxing jurisdictions and a list of eligible activities that may be conducted. The plan should also include an affidavit signed by a level III or IV assessor if the property is functionally obsolete. Plans may not exceed 30 years in duration.

Approval by MEGA:

A BRA must apply to MEGA before January 1, 2008 for brownfield plan approval if school operating revenues, local site remediation revolving funds derived from taxes levied for school operating purposes, and tax increment financing will be used for eligible non-environmental activities, including:

- Infrastructure improvements that directly benefit eligible property,
- Demolition of structures that is not in response to contamination,
- Lead or asbestos abatement, and/or
- Site preparation that is not in response to contamination.

An agreement between the developer/owner and the municipality is also required for approval by MEGA.

Approval by MDEQ:

School operating revenues and local site remediation revolving funds derived from taxes levied for school operating purposes may be captured for eligible activities under Part 201 of NREPA subject to approval by the MDEQ before January 1, 2008.

Such eligible activities include:

- Baseline environmental assessment
- Due care activities
- Additional response activities

Exclusions:

Taxes levied for school operating purposes may not be used for any eligible activities at qualified facilities (landfills) or on eligible property located in an economic opportunity zone.

Tax increment revenues exclude ad valorem property taxes or specific taxes levied under most development districts and zones, and taxes captured by development authorities if those taxes were already captured when the eligible property became part of the brownfield plan.

Survey of Economic Development Programs in Michigan

Changes since Program Inception

The Brownfield Redevelopment Financing Act has undergone several major amendments, which have expanded the program since its 1996 inception.

2000 PA 145 amended the Act to allow for non-site-specific BRAs, meaning that an approved brownfield development project could be located anywhere within the local unit. This amendment also greatly expanded the definition of eligible property to include blighted and functionally obsolete property.

2002 PA 727 amended the Act to extend the sunset through 2007. The previous sunset was January 1, 2003. Other amendments include the requirement of an affidavit signed by a level III or IV assessor for a property to be designated functionally obsolete.

2003 PA 259 amended the Act to include assistance to a land bank fast track authority among eligible activities. The amendment also incorporated tax reverted property owned or held by an authority into the definition of eligible property.

2003 PA 277 amended the Act to change the definition of initial taxable value to mean the taxable value of the eligible property identified in a brownfield plan as shown by either the most recent assessment role before the resolution that added the property to the brownfield plan was adopted, or the next assessment role following the date the resolution was adopted. This amendment allows BRAs to select the initial taxable value that will maximize tax increment revenues.

2005 PA 101 amended the Act to allow BRAs to reimburse advances made by a municipality, land bank fast track authority, or any other person or entity for the costs of eligible activities "with or without interest." The amendment also added the definition of a "qualified facility" (landfill area), stipulated the types of eligible activities allowed, and created a provision to allow municipalities to exempt their taxes from tax capture if the brownfield plan includes a qualified facility.

2006 PA 32 amended the Act to allow "economic opportunity zones" to be eligible for tax increment financing with the exclusion of school operating tax capture if the zone is involved in eligible activities. "Economic opportunity zones" are one or more parcels of property that:

- (together) are 40 acres or more in size,
- contain a manufacturing facility 500,000 square feet or more in size, and
- are located in a municipality with a population of 30,000 or less and that is contiguous to a qualified local governmental unit.

Data and Source

According to the MDEQ, as of July 2006, there were 261 Brownfield Redevelopment Authorities in the state. When all MDEQ-approved brownfield projects are complete, they will have created an estimated \$1.9 billion in private investment and nearly 10,000 jobs, and will have facilitated the redevelopment of almost 2,000 acres. (Brownfield Development Financing Act Report, 2005).

Discussion

Brownfield authorities are a relatively recent economic development program. Historically, brownfields seek to rectify environmental cleanup lessons learned from the federal Superfund experience, where statutory intent to identify polluter liability had the unintended effect of scaring away potential lenders for site development or rehabilitation. Michigan was one of the first states to exempt new buyers from polluter liability. Yet, while the Brownfields Redevelopment Financing Act greatly increased the number of redeveloped brownfield sites, it has not encouraged actual brownfield cleanup: New purchasers of brownfield property are only responsible for containing pollution under due care requirements and are not obligated to fully remediate sites.

CORRIDOR IMPROVEMENT AUTHORITIES

Enabling Act; Statutory Citation

2005 PA 280; M.C.L. 125.2871 et seq.

Program Description

Municipalities may establish 1 or more Corridor Improvement Authorities that use tax increment financing to make capital improvements within an established commercial district. The Corridor Improvement Authorities Act allows communities that already have Downtown Development Authorities (DDA, see page 75) to extend similar benefits to aging commercial corridors that may be outside of the DDA district or that extend through more than one municipality.

Eligibility and Benefits

Cities, villages and townships may use tax increment financing, bonds, special assessments and fees to improve land and construct, rehabilitate, preserve, equip or maintain buildings within a “development area” for public or private use.

Terms and Performance Guarantees

A municipality, by resolution, may adopt an ordinance to establish 1 or more authorities and their development areas. The governing body of the municipality may alter or amend the boundaries of the development area.

The development area must comply with all of the following:

- The area must be adjacent to a road classified as an arterial or collector according to the Federal Highway Administration manual, “Highway Functional Classification—Concepts, Criteria and Procedures;”
- The area must contain at least 10 contiguous parcels or at least 5 contiguous acres;
- More than half of the existing ground floor square footage in the development area is classified as commercial real property under section 34c of the General Property Tax Act (M.C.L. 211.34c);
- Residential use, commercial use or industrial use has been allowed and conducted under the zoning ordinance or conducted in the entire development area for the immediately proceeding 30 years;
- The area is presently served by municipal water and sewer;
- The area is zoned to allow for mixed use that includes high-density residential use;
- The municipality agrees to a.) expedite the local permitting and inspection process in the development area, and b.) modify its master plan to provide for walkable nonmotorized interconnections, including sidewalks and streetscapes, throughout the development area.

Two adjoining municipalities with authorities may enter into an interlocal agreement pursuant to the Urban Cooperation Act of 1967 to jointly operate and administer these authorities.

Discussion

Corridor Improvement Authorities join the ranks of similar tax increment financing (TIF) programs such as Downtown Development Authorities (page 77), Tax Increment Financing Authorities (page 90), Local Development Finance Authorities (page 83) and Brownfield Redevelopment Authorities (page 73).

DOWNTOWN DEVELOPMENT AUTHORITIES

Enabling Act, Major Amendments, Statutory Citation

1975 PA 197; 2004 PA 158, 2004 PA 521, 2005 PA 115, 2006 PA 279; M.C.L. 125.1651 et seq.

Summary Program Description

Downtown Development Authority (DDA) legislation allows local units of government to establish an authority in designated “downtown” areas. Established DDAs can raise revenue for physical improvements, property acquisition, marketing, and operations by the use of tax increment financing (see page 80), revenue bonds, tax levy (subject to municipal population requirements), fee collection, and grants. All DDA expenditures must be used for the DDA only.

Eligibility and Benefits

Any city, village or township may establish an area within a downtown business district as a Downtown Development Authority. Under special conditions, a DDA boundary may contain one or more separate and distinct geographic areas within a business district.

A municipality that has created an authority may enter into an agreement with an adjoining municipality that has created an authority to jointly operate and administer those authorities by means of an interlocal agreement pursuant to the Urban Cooperation Act of 1967. A municipality that has created an authority may also operate its authority in an adjoining “qualified township,” also pursuant to the Urban Cooperation Act. For business districts that are part of an annexation or consolidation with another municipality, the districts’ authorities shall act as the authority of the annexed or consolidated municipality.

Terms and Performance Guarantees

DDAs in municipalities with one million or more population are authorized to levy a tax of up to 1 mill on DDA businesses, and in municipalities with populations under 1,000,000, DDAs may levy up to 2 mills.

Changes since Program Inception

Since 2002, more than half of the amendments to the Downtown Development Authority legislation have been adopted to address the interests and concerns of specific municipalities.

2002 PA 234 amended the Act to conform to the Revised Municipal Finance Act of 2001. Specifically, the provisions pertaining to the refunding of bonds and the requirement that bonds mature in 30 years or less were eliminated.

2004 PA 158 amended the Act to allow a DDA to include one or more separate and distinct geographic areas if a city surrounded another city, which lay between the surrounding city’s downtown areas.

2004 PA 196 amended the Act to authorize the board to engage in marketing activities and contract for broadband and wireless services to benefit the district only. The amendment also revised the criteria for “qualified refunding obligations.”

2004 PA 521 amended the Act to allow adjoining municipalities to jointly administer their DDAs through interlocal agreements.

2005 PA 115 amended the Act to allow a municipality with an existing DDA to operate its authority in “qualified townships” through an interlocal agreement. This amendment also allowed a municipality to create a downtown district with one or more separate and distinct geographic areas if the municipality entered into an agreement with a “qualified township.”

CRC Report

2006 PA 279 amended the Act to expand the composition of the board to include “a majority of persons with an interest in property in the district or officers, members, trustees, principals, or employees of a legal entity having an interest in property located in the downtown district.”

Data and Source

Through 2005, the following cities, villages and townships had Downtown Development Authorities:

Adrian	Alanson	Albion	Algonac
Allegan	Allen Park	Allendale Twp.	Almont
Alpena	Amber Twp.	Ann Arbor	Antrim Twp.
Armada	Auburn	Auburn Hills	Bad Axe
Bagley Twp.	Baldwin	Baldwin Twp.	Bangor
Baraga	Baroda	Battle Creek	Bay City
Belding	Belleville	Bellevue	Beaverton
Bedford Twp.	Belding	Bellaire	Belleville
Bellevue	Benton Harbor	Benton Twp.	Berkley
Bessemer	Beulah	Beverly Hills	Big Rapids
Birch Run	Birch Run Twp.	Blackman Twp.	Blissfield
Bowne Twp.	Boyne City	Breckenridge	Bridgeport Twp.
Brighton	Briley Twp.	Brown	Brownstown Twp.
Buchanan	Buena Vista Twp.	Burr Oak	Burton
Byron Twp.	Cadillac	Calumet	Calumet Twp.
Canton Twp.	Capac	Caro	Cascade Twp.
Caseville	Caspian	Cass City	Cassopolis
Cedar Springs	Centerline	Charlevoix	Charlotte
Cheboygan	Chelsea	Clam Lake Twp.	Clare
Clawson	Clay Twp.	Clifford	Clinton
Clinton Twp.	Clio	Coldwater	Coleman
Colfax Twp.	Coloma	Columbiaville	Commerce Twp.
Constantine	Coopersville	Corunna	Croswell
Crystal Twp.	Crystal Falls	Dansville	Davison
Dearborn	Decatur	Delhi Twp.	Detroit
Dewitt	Dexter	Dorr Twp.	Douglas
Dowagiac	Dundee	Durand	East Detroit
East Jordan	East Lansing	Eaton Rapids	Ecorse
Edmore	Elk Rapids	Elkton	Elsie
Escanaba	Essexville	Farmington	Fennville
Fenton	Ferndale	Fife Lake	Filer Twp.
Flint	Flint Twp.	Fowlerville	Frankenmuth
Fraser	Fremont	Garden City	Gaylord
Gibraltar	Gladstone	Gladwin	Grand Blanc Twp.
Grand Haven	Grand Haven Twp.	Grand Ledge	Grand Rapids
Grandville	Grant Twp.	Grass Lake	Grayling
Greenland Twp.	Greenville	Grosse Ile Twp.	Grosse Pte. Park
Hagar Twp.	Hamtramck	Hancock	Harbor Beach
Harbor Springs	Haring Twp.	Harrison	Hart Twp.
Hastings	Hazel Park	Helena Twp.	Higgins Twp.
Highland Twp.	Hillman	Holland	Holly
Homer	Hopkins	Houghton	Howard City
Howell	Hudson	Hudsonville	Imlay City
Independence Twp.	Inkster	Inverness Twp.	Ionia
Iron Mountain	Iron River	Ironwood	Ishpeming

Survey of Economic Development Programs in Michigan

Ithaca	Jackson	Jonesville	Kalamazoo
Kalkaska	Kearney Twp.	Kent City	Kingsley
Kingston	Kochville Twp.	L'Anse	Lainburg
Lake City	Lake Linden	Lake Odessa	Lake Orion
Lakeview	Lansing	Lansing Twp.	Lapeer
Lathrup Village	Lawrence	Lawton	Leoni Twp.
Leslie	Lexington	Lincoln	Lincoln Park
Litchfield	Livonia	Lowell	Ludington
Lyon Twp.	Lyons	Mackinaw City	Madison Twp.
Madison Heights	Mancelona	Manchester	Manistee
Manistique	Marine City	Marion	Marlette
Marquette	Marquette Twp.	Marshall	Mason
Mattawan	Mayville	McBain	Melvindale
Mendon	Menominee	Meridian Twp.	Middleville
Midland	Milan	Milford	Millington
Minden City	Monitor Twp.	Monroe	Montague
Montrose	Morenci	Morrice	Mt. Clemens
Mt. Morris	Mt. Pleasant	Munising	Muskegon
Muskegon Heights	Negaunee	New Baltimore	New Lothrop
Niles	North Branch	Northfield Twp.	Northville
Norway	Oceola Twp.	Ogemaw Twp.	Onsted
Ontonagon	Ortonville	Oscoda Twp.	Oshtemo Twp.
Otisville	Otsego	Otter Lake	Ovid
Owosso	Oxford	Parchment	Parma
Peck	Pellston	Perry Twp.	Petoskey
Pinckney	Pinconning	Pinconning Twp.	Pine River
Plainfield Twp.	Plainwell	Pleasant Ridge	Plymouth
Plymouth Twp.	Pontiac	Port Huron	Port Huron Twp.
Port Sanilac	Portage	Portland	Quincy
Ravenna	Redford Twp.	Reed City	Remus
Richmond Twp.	River Rouge	Rochester	Rockford
Rogers City	Romeo	Romulus	Roosevelt Park
Roscommon	Rose City	Roseville	Royal Oak
Royal Oak Twp.	Saginaw	St. Charles	St. Clair
St. Ignace	St. Joseph	St. Louis	Sault Ste. Marie
Scio Twp.	Scottville	Shelby	Solon Twp.
South Haven	South Lyon	South Range	Southfield
Southgate	Spring Lake	Stanton	Stevensville
Stockbridge	Sturgis	Swartz Creek	Taylor
Tecumseh	Texas Twp.	Three Oaks	Tittabawassee Twp.
Traverse City	Trenton	Troy	Tuscarora Twp.
Union Twp.	Utica	Van Buren Twp.	Vassar
Vevay Twp.	Vicksburg	Walker	Walled Lake
Warren	Wayland	Wayne	Webberville
West Branch	West Branch Twp.	West Dearborn	Westland
White Cloud	Williams Twp.	Williamston	Wixom
Woodhaven	Wyandotte	Wyoming	Yale
Ypsilanti	Zeeland		

Discussion

Downtown Development Authorities were the first incarnation of tax increment financing in Michigan. Tax increment finance districts now include Local Development Finance Authorities (LDFAs) (which were recently expanded to include high-tech business interests), Tax Increment Finance Authorities (TIFAs), Brownfield Redevelopment Authorities (BRAs) and Corridor Improvement Authorities.

TAX INCREMENT FINANCING

Tax increment finance (TIF) districts allow local units of government to capture (from other taxing governmental units) the increase in property tax levies above and beyond the year in which the authority was established. For example, a local unit that establishes a tax increment finance authority (DDA, LDFA, or BRA) in 2007 may, in 2008 and every year following for as long as the authority chooses, retain property tax revenues above those collected (the increment) in 2007 (base year) that are otherwise due to other units of government, such as counties and school districts. TIF districts may not capture millages for debt obligations and typically the State Education Tax (6 mills) may not be captured.

To illustrate a hypothetical example, imagine that a commercial property is located within the boundaries of the City of Nowhere DDA, and that in 1995, the DDA implemented a tax increment financing (TIF) plan. The TIF plan stipulated the “capture” of any increase in property taxes levied above and beyond the 1995 levy. At that time, the taxable value of the property was \$500,000 and the non-homestead tax rate in City of Nowhere was 64.6445 mills, or approximately \$65 per \$1000 of taxable value. Assume this tax rate has been constant from 1995 to the present. This rate includes taxes that support the general operations of the city, the county, local schools, the intermediate school district, the community college, a parks authority, the county transportation authority, and the city debt obligation and State Education Tax.

The Nowhere DDA is prohibited from capturing tax revenues levied for the State Education Tax (SET) and the city debt obligation. In Nowhere, a total of 19.1129 mills are levied for the purposes of the SET and the city debt. Therefore, the Nowhere DDA may only capture the increased revenue from 45.5316 mills, or about \$46 of the \$65 per \$1,000 of taxable value that are paid in taxes annually.

Assume the taxable value of the property grows,¹ so the amount paid in taxes each year also increases. The total taxes paid by the property owner are represented in the third column below. The annual amount of non-SET and non-debt taxes “capturable” (the 45.5316 mills) since 1995 is represented in the fourth column. The last column, “Amount Captured by the DDA,” is equal to the difference of the amount of captured taxes paid each year and the amount of capturable taxes paid in 1995 when the Nowhere DDA implemented the tax increment financing plan.

By 2007, the Nowhere DDA will have “captured” over \$49,000 in tax revenues from non-SET and non-debt taxes levied on the commercial property. However, the property owner is not directly impacted by the TIF plan. Property taxes are paid as usual; the only difference is that a proportion of the revenues raised from the property go to the DDA for economic development purposes instead of the other local taxing jurisdictions for education, parks and transit purposes.

1	2	3	4	5
<u>Year</u>	<u>Taxable Value</u>	<u>Total Taxes Paid</u> <i>(64.6445 mills * every \$1,000 of taxable value)</i>	<u>Taxes Subject to Capture</u> <i>(45.5316 mills * every \$1,000 of taxable value)</i>	<u>Amount Captured by the DDA</u> <i>(taxes subject to capture - \$22,766)</i>
1995	\$500,000	\$32,332	\$22,766	—
1996	514,000	33,227	23,403	\$637
1997	528,392	34,158	24,059	1,293
1998	542,659	35,080	24,708	1,942
1999	551,341	35,651	25,103	2,338
2000	561,817	36,318	25,580	2,815
2001	579,795	37,481	26,399	3,633
2002	598,348	38,680	27,244	4,478
2003	607,323	39,260	27,652	4,887
2004	621,292	40,163	28,288	5,523
2005	635,582	41,087	28,939	6,173
2006	656,556	42,443	29,894	7,128
2007	680,848	<u>44,013</u>	31,000	<u>8,234</u>
Total		\$489,873		\$49,081

¹ As part of Proposal A of 1994, the Michigan Constitution was amended to create a new measure of property value—taxable value. The Constitution provides that the taxable value for each parcel of property, adjusted for additions and losses, shall not increase each year by more than the increase in the immediately preceding year in the general price level (CPI), or 5 percent, whichever is less, until ownership of the parcel of property is transferred. The maximum CPI increases allowable under Proposal A for years 1995-2004 are accessible at: www.crcmich.org/Almanac/Taxes/propvalu.htm.

HISTORIC NEIGHBORHOOD TAX INCREMENT FINANCING AUTHORITY

Enabling Act; Statutory Citation

2004 PA 530; M.C.L. 125.2841 et seq.

Summary Program Description

A program that may use tax increment financing to fund the construction, renovation, restoration, or preservation of housing and public facilities within historic districts to promote residential and economic growth.

Eligibility and Benefits

Eligibility is limited to cities and townships with historic districts as defined by the Local Historic District Act, 1970 PA 169, M.C.L. 399.201 a. A "historic district" is an area, or group of areas not necessarily having contiguous boundaries, that contains 1 resource or a group of resources that are related by history, architecture, archeology, engineering, or culture. A "public facility" is housing, a street, plaza, pedestrian mall, park, parking facility, recreational facility, right of way, structure, waterway, bridge, lake, pond, canal, utility line or pipe, and building.

Cities and townships may establish multiple Historic Neighborhood Tax Increment Financing Authorities (TIFAs) inside the boundaries of historic districts. Historic Neighborhood TIFAs may accept donations, charge fees and rents, issue bonds, and levy special assessments to finance construction, renovation, restoration, and preservation of the historic district development area. A municipality by resolution and voter approval may issue general obligation bonds to support the Historic Neighborhood TIFA development plan.

Data and Source

As of July 2005, 63 municipalities had Historic District Commissions established pursuant to the Local Historic Districts Act. See the Historic Preservation Tax Credit for a list of municipalities (page 44). At the time of this publication, the number of cities and townships with Historic Neighborhood TIFAs was unknown.

Conclusion

For several years, Michigan law has allowed owners and long-term lessees of historic structures to receive tax credits for qualified expenditures associated with restoration or rehabilitation pursuant to the Historic Preservation Tax Credit (see page 44). The more recent Historic Neighborhood Tax Increment Finance Authority Act allows cities and townships to coordinate and finance the rehabilitation of historic structures as an economic development purpose under the premise that historic neighborhoods create and maintain economic vitality by promoting residential growth.

INDUSTRIAL DEVELOPMENT REVENUE BONDS

Enabling Act, *Major Amendments*; Statutory Citation

1963 PA 62, 1972 PA 75; M.C.L. 125.1251 et seq.

Summary Program Description

A public-private partnership program that allows local units of government to acquire or purchase industrial real property, equipment, machinery, and associated property with municipal bonds secured by the revenue-producing potential of the industrial site. Local units may also use Industrial Development Revenue Bonds for the acquisition and construction of water and air pollution control equipment and solid waste disposal facilities.

Eligibility and Benefits

A county, city, incorporated village, township or port district may borrow money and issue revenue bonds to defray the costs of industrial property, including machinery and equipment. The municipality must apply to the Michigan Strategic Fund Board for permission to issue bonds. If the application is approved, the Michigan Strategic Fund Board will adopt a resolution to authorize the issuance of bonds. The resolution will include covenants to register the terms and conditions of the bonds. Principal and interest on bonds are payable from the net revenues derived from the industrial site, from proceeds of the sale of bonds issued to refund outstanding bonds, and from the investment earnings of the proceeds. Bonds may be payable semiannually or annually with a first maturity date of not more than 5 years after date of issuance.

Industrial Development Revenue Bonds benefit the issuing local unit of government and the private or quasi-private business interest on whose behalf the bonds are issued by offering a lower-cost finance option for land acquisition, brick and mortar construction, and equipment. Such bonds are issued for economic development as a public purpose, making them tax-exempt, and therefore lower interest rate options.

Terms and Performance Guarantees

Bond size is limited to \$10 million if the benefiting company's total capital expenditures in the 3 years preceding and the 3 years succeeding bond issuance does not exceed \$10 million. Bond size is limited to \$1 million for projects free of capital expenditure restrictions. There is no maximum limit on the bond amount if the proceeds are to finance cogeneration projects, solid waste disposal projects, or non-profit corporations.

Lessees of personal or real property under the Industrial Development Revenue Bond program are subject to property taxes in the same manner as if such lessees were owners of the property, except that taxes shall not become a lien against the property. When due, taxes constitute a debt due from the lessee to the local unit of government and are recoverable by direct action of assumpsit, which is to recover damages for the breach of contract, whether oral or written.

Changes since Program Inception

1972 PA 75 amended the Industrial Development Revenue Bond Act to allow for pollution control projects to be financed.

2002 PA 297 amended the Act to clarify that bonds and notes issued under the Act are subject to the Agency Financing Reporting Act and not the Revised Municipal Finance Act of 2001 or the Revenue Bond Act.

Discussion

The Industrial Development Bond program offers a relatively low-cost method of financing for industrial projects that would not otherwise receive favorable financing terms in private markets.

Survey of Economic Development Programs in Michigan

LOCAL DEVELOPMENT FINANCE AUTHORITY

Enabling Act, Major Amendments; Statutory Citation

1986 PA 281, 2000 PA 248; M.C.L. 125.2151 et seq.

Summary Program Description

Local governments use Local Development Finance Authorities (LDFAs) to target development by industry type. Until 2000, LDFAs were essentially tax increment finance districts for manufacturing, agricultural, or high technology businesses (though high-tech businesses no longer qualified after 1992). Recent expansions of the LDFA Act included high-tech processes as a targeted industry type eligible for tax increment financing and LDFA benefits. The recent expansions also allowed for expanded tax capture for LDFA districts, and for the creation of a limited number of state-subsidized Certified Technology Parks, also known as "SmartZones," conceptually defined as public-private high-technology nodes.

Eligibility and Benefits

LDFAs may be established in cities, villages, or urban townships. An "urban township" is one that meets *one* of the following requirements:

1. Has a population of 20,000 or more, or has a population of 10,000 or more but is located in a county with a population of 400,000 or more; adopted a master zoning plan before February 1, 1987; and provides sewer, water, and other public services to all or a part of the township.
2. Has a population of less than 20,000; is located in a county with a population of 250,000 or more but less than 400,000, and that county is located in a metropolitan statistical area; has within its boundaries a parcel of property under common ownership that is 800 acres or larger and is capable of being served by a railroad, and located within 3 miles of a limited access highway; and establishes an authority before December 31, 1998.
3. Has a population of less than 20,000; has a state equalized value for all real and personal property located in the township of more than \$200,000,000; adopted a master zoning plan before February 1, 1987; is a charter township under the charter township act, 1947 PA 359, MCL 42.1 to 42.34; has within its boundaries a combination of parcels under common ownership that is 800 acres or larger, is immediately adjacent to a limited access highway, is capable of being served by a railroad, and is immediately adjacent to an existing sewer line; and establishes an authority before March 1, 1999.
4. Has a population of 13,000 or more; is located in a county with a population of 150,000 or more and adopted a master zoning plan before February 1, 1987.
5. Is located in a county with a population of 1,000,000 or more; has a written agreement with an adjoining township to develop one or more public facilities on contiguous property located in both townships; and has a master plan in effect.

Eligibility is limited to properties on which the following business activities occur:

- Manufacturing or processing of goods or materials by physical or chemical change,
- Agricultural processing,
- High-technology activities (as defined by the Michigan Economic Growth Authority Act of 1995, see *Appendix G*),
- Energy production primarily by biomass or wood waste (for tax increment finance plans adopted between January 1 and May 1, 1991; additional restrictions apply.), or
- Business incubators (Certified Technology Parks only).

CRC Report

Local Development Finance Authorities may adopt tax increment finance plans that allow for the capture and retention of all property tax revenue increments beyond an established base year. LDFAs allow for increased tax capture, which may include up to 50 percent of the K-12 and Intermediate School District revenues, subject to the approval of the State Treasurer. Debt levies are not subject to capture. (For a more thorough description of tax increment financing, see page 80.) Certified Technology Parks, enabled by the LDFA Act, are joint municipal tax increment finance districts, the first instance Michigan law allowed for multi-jurisdictional tax finance districts.

Changes since Program Inception

The Act has been amended twice to expand the definition of “urban township” (2003 PA 20, 2004 PA 17).

The Local Development Finance Authority Act was amended in 2000 to include “Certified Technology Parks,” as defined by the Act. LDFA amendments also allow for multi-jurisdiction authorities.

Data and Source

Through 2005, the following municipalities in Michigan had Local Development Finance Authorities:

Adrian	Alma	Augusta Twp.	Battle Creek
Bay City	Belding	Big Rapids	Blackman Twp.
Boyer City	Brighton	Byron Twp.	Cadillac
Cedar Springs	Charlotte	Clare	Coldwater
Comstock Twp.	Davison	Decatur	Detroit
Dexter	Dowagiac	Dundee	Eaton Rapids
Ecorse	Emmet	Ewart	Farwell
Fenton	Fowlerville	Fremont	Gaines Twp.
Garden City	Grand Blanc Twp.	Grand Ledge	Grand Rapids
Greenville	Harbor Beach	Hastings	Hazel Park
Hillman	Homer	Houghton	Howell
Hudson	Hudsonville	Huron Twp.	Imlay City
Ionia	Jackson	Jonesville	Kalamazoo
Lapeer	Lawrence	Leslie	Manistee
Marine City	Marlette	Marquette	Marshall
Marysville	Mason	Mattawan	Middleville
Millington	Monroe	Mt. Pleasant	Mundy Twp.
Muskegon	Negaunee	Niles	Owosso
Parma	Port Huron	Portage	Quincy
Rochester Hills	Saginaw	St. Charles	St. Clair
St. Johns	Saline	Sandusky	South Haven
Southfield	Surrey Twp.	Tecumseh	Three Rivers
Van Buren Twp.	Vicksburg	Westland	White Cloud
Whitehall	Wixom	Wyoming	Yale
Ypsilanti	Zeeland		

SMARTZONES

Public Act 248 was passed in June 2000 to foster public/private technology transfer ventures. This Act expanded the Local Development Finance Authority (LDFA) Act to allow the creation of up to 10 "Certified Technology Parks," also known as "SmartZones." In 2002, the Act was amended to allow Michigan Economic Development Corporation (MEDC) to designate an additional 5 zones. SmartZones are conceptually defined as high-tech development enclaves that are eligible for expanded tax increment financing and specialized state funding. SmartZones are intended to create critical masses of high-technology innovation, by fostering public-private partnerships in high-tech fields. SmartZones are required to be a partnership between at least one local unit of government and a public university (not limited to one university), requiring representatives from all such concerns on the authority. SmartZones may also receive funding from an LDFA established by 2 or more local units of government.

Certified Technology Parks and their partners:

Ann Arbor/Ypsilanti SmartZone: City of Ann Arbor, City of Ypsilanti, Ann Arbor SPARK, University of Michigan, Eastern Michigan University

Automation Alley SmartZone & Technology Center: Lawrence Technological University, Oakland University, Oakland County, the City of Rochester Hills, City of Southfield, City of Troy, Automation Alley Technology Center

Battle Creek Aviation and E-learning SmartZone: Western Michigan University's College of Aviation, Kellogg Community College's Regional Manufacturing Technology Center, Battle Creek Unlimited, City of Battle Creek

Woodward Technology Corridor SmartZone & TechTown: City of Detroit, Wayne State University, General Motors, Henry Ford Health System

Grand Rapids SmartZone: The West Michigan Science & Technology Initiative: The Right Place, Inc., Van Andel Research Institute, Grand Valley State University, City of Grand Rapids, Grand Rapids Community College, Spectrum Health, Saint Mary's Health Care, Mary Free Bed Rehabilitation Hospital, Grand Angels

Michigan Tech EnterPrise SmartZone: Michigan Technological University, Cities of Houghton, City of Hancock, Keweenaw Economic Development Alliance

Kalamazoo SmartZone & Southwest Michigan Innovation Center: City of Kalamazoo, Western Michigan University, Southwest Michigan First

Lansing Regional SmartZone: City of Lansing, City of East Lansing, Ingham County, Lansing Regional Chamber of Commerce, MBI International, Michigan State University, Michigan State University Foundation, University Corporate Research Park

Mt. Pleasant SmartZone & The Center for Applied Research & Technology: Central Michigan University (CMU), CMU Research Corporation, Middle Michigan Development Corporation, City of Mount Pleasant, Michigan Molecular Institute, Michigan Small Business & Technology Center, Midland Tomorrow, Mid-Michigan Innovation Center, Saginaw Future, Saginaw Valley State University

Muskegon Lakeshore SmartZone: Edison Landing & Michigan Renewable & Alternative Energy Center: City of Muskegon, Muskegon County, Grand Valley State University

Pinnacle Aeropark SmartZone: City of Romulus, Huron Township, Wayne County, unspecified businesses and universities in Wayne County

Source: MEDC

PRINCIPAL SHOPPING DISTRICTS, BUSINESS IMPROVEMENT DISTRICTS, AND BUSINESS IMPROVEMENT ZONES

Enabling Act, *Major Amendments*; Statutory Citation

1961 PA 120, 1999 PA 49, 2001 PA 260, 2003 PA 209; M.C.L. 125.981 et seq.

Summary Program Description

Business Improvement Districts (BIDs) and Business Improvement Zones (BIZs) are expansions of the Principal Shopping Districts Act of 1961. BIDs and Principal Shopping Districts (PSDs) allow downtown and commercial areas of cities, villages, urban townships, or multiple units of these governments in the case of BIDs, to levy special assessments in addition to ad valorem property taxes for district improvement. Tax revenues may also be bonded against to finance district improvements. BIZs are effectively short-term BIDs, which are petitioned for and adopted by property owners in cities and villages only.

Eligibility and Benefits

Cities, villages, and urban townships may create a PSD if the municipality has a commercial area containing a minimum of 10 retail businesses and a master plan that includes an urban design plan that designates a PSD or the development of a PSD. Multi-jurisdictional PSDs are not authorized.

Cities, villages, or urban townships (or groups of qualified municipalities with contiguous district boundaries) may establish one or more BIDs by resolution. For the purposes of this Act, an “urban township” is a township that meets the Local Development Financing Act (page 83) definition of urban township and that is located in a county with a population greater than 750,000 (Macomb, Oakland, Wayne). A BID must include a portion(s) of the municipality that is predominantly commercial or industrial in use.

The primary benefit of Business Improvement Districts and Principal Shopping Districts is special assessment authorization to finance necessary improvements and maintenance of business districts.

PSDs and BIDs may do all of the following (see statute for a complete listing):

1. Open, widen, extend or realign highways and construct, maintain, or relocate pedestrian walkways. Also, BIDs may prohibit vehicular traffic where necessary and prohibit parking on highways.
2. Acquire, own, improve or demolish properties, off-street parking lots, and parking structures.
3. Construct and maintain malls with bus stops and information centers that serve the public interest.
4. Promote economic activity in the district, specifically by initiating market research, public relations campaigns, institutional promotions and sponsorship of special events and related activities.
5. Provide or contract with public or private entities for the administration, maintenance, operation, security or provision of services to benefit the district.
6. Acquire, maintain and operate real or personal property.

The primary benefits of Business Improvement Zones (BIZs) include special assessment authorization to finance necessary improvements and maintenance within the zone for a period of 7 years. One or more BIZs may be established by property owners within a city or village, even if that city or village already has a BID or PSD. BIZs may do all of the following (see statute for complete listing):

1. Acquire (through purchase, lease, or gift), construct, improve, or operate park and planting areas; and plant and maintain trees, shrubs and flowers within the zone.

Survey of Economic Development Programs in Michigan

2. Acquire, construct, clean, improve, or relocate sidewalks, street curbing, street medians, fountains, and lighting within the zone area.
3. Develop and propose lighting standards within the zone area.
4. Provide or contract with public or private entities for security services or purchase security-related equipment or technology.
5. Promote economic activity in the zone by sponsoring cultural or recreational activities; recruiting developers and businesses; promoting and marketing businesses, retail, or industrial development; engaging in public relations and market research.
6. Acquire, maintain and operate real or personal property.

PSD, BID, and BIZ Boards:

PSD boards are appointed by the chief executive officer of the municipality with concurrence by the municipality's governing body and must include:

- 1 representative from an adjacent residential neighborhood
- 1 representative from the municipality
- A majority of board members must be nominees of individual businesses located in the PSD

If the municipality also has a Downtown Development Authority (see page 77), the chief executive officer of the municipality may designate the Downtown Development Authority board as the board of the PSD.

BIDs are governed by a locally determined Board consisting of the following representatives:

- 1 appointee from each local government in the BID as designated by the chief executive officers, subject to the approval of the legislative bodies of the municipalities
- Other board members shall be nominees of the business and property owners in the BID. If a class of business or property owners is projected to pay more than 50 percent of the special assessment levied for district improvement, then a majority of the total board membership shall be nominees of the business/property owners in that class.

BIZs are governed by a locally determined board of directors of an odd number between 5 and 15. The chief executive of the city or village may nominate 1 director for the board with the approval of the municipality's governing body.

Terms and Performance Guarantees

Principal Shopping Districts and Business Improvement Districts

PSD and BID boards may avail themselves of a host of financing methods for district improvement. Financing methods include, but are not limited to:

- city, village or urban township funds,
- revenue bonds (cannot be used to pay for operational expenses),
- general obligation bonds (cannot be used to pay for operational expenses),
- special assessments, and
- grants or gifts.

Assessable property within a PSD/BID means real property that is not classified as residential and is not tax-exempt government-owned property. In addition, PSD/BID-assessable property does not include one or more classes of property owners whose property either is exempt from property taxes or has been determined not to benefit from a project for which special assessments were to be levied.

Principal Shopping Districts

PSDs are initiated through a municipality's master planning process. A municipality with a master plan that includes an urban design plan designating a PSD is sufficient. For PSDs created after July 14, 1992, special assessments may not exceed \$10,000 per eligible property. The \$10,000 maximum is adjusted each year pursuant to the Detroit Consumer Price Index.

Business Improvement Districts

A municipality's governing body may designate one or more BIDs by resolution. The resolution shall determine the geographic boundaries of the BID, the number of board members, and the different classes of property owners, including any who are projected to pay more than 50 percent of the special assessments levied. The BID board must develop a marketing and development plan before the municipality may levy a special assessment to benefit properties located in the BID. The plan must define the scope and duration of the project(s), identify the different classes of property owners who are going to be assessed, and the respective assessment amounts.

Business Improvement Zones

Any legal entity may initiate the creation of a BIZ by submitting to the city or village clerk a petition for a zone plan with the signatures of more than 30 percent of property owners within the proposed zone. If the plan is adopted by the majority of property owners at a subsequent public hearing, then the adopted plan is presented to the legislative body of the city or village for approval. If the zone and zone plan are approved, an election is held in which property owners vote to approve or reject the plan; votes are weighted in proportion to the amount of taxable value owned. Cities and villages that approve BIZs are immune from the civil or administrative liability arising from the actions of the BIZ within their boundaries.

The board of a BIZ may finance project costs with grants, gifts, special assessments, and loans as long as the repayment period does not extend beyond the 7-year operating period of the zone; mature within 90 days of the expiration date of the zone; exceed 50 percent of the annual average assessment revenue of the zone; or if the zone has been operating less than one year, exceed 25 percent of the projected annual assessment revenue.

Assessable property within a BIZ is all real property that is not classified as residential and is not exempt from the collection of taxes under the general property tax act.

Changes since Program Inception

2001 PA 260 added Chapter 2 to the Principal Shopping Districts Act for the creation of Business Improvement Zones and amended the Act to stipulate that special assessments be made against "assessable property" rather than "parcels."

2003 PA 209 amended the Act to expand the eligibility requirements to allow cities, villages and urban townships to establish BIDs and PSDs; previously, only cities were eligible.

Discussion

Successful Business Improvement Districts in other major cities (New York, Philadelphia) led partly to the passage of BIDs and BIZs in Michigan in 1999. However, to date, Michigan municipalities have not established any such districts. PSDs, BIDs, and BIZs offer the opportunity for commercial areas to compete with malls, to make capital improvements, to coordinate marketing activities, and to promote a clean and safe downtown experience.

Survey of Economic Development Programs in Michigan

TAXABLE BOND PROGRAM

Enabling Act; Statutory Citation

1984 PA 270 (Michigan Strategic Fund legislation), M.C.L. 125.2001 et seq.

Summary Program Description

Taxable bonds, issued by the Michigan Strategic Fund (MSF), offer longer term financing options to small- and medium-sized companies.

Eligibility and Benefits

Bond applicants need to meet the priority and target objectives of the MSF. Projects including commercial facilities and air and water pollution control facilities (not including solid waste disposal facilities that serve the general public) eligible prior to the 1986 Tax Reform Act are also eligible for this program. Facilities previously eliminated from tax-exempt financing, including industrial facilities exceeding \$10 million, for-profit nursing homes, recreational facilities, automobile sales and service facilities and restaurants are also eligible.

Priorities of the Michigan Strategic Fund include:

- Businesses that would likely leave the state absent economic incentives.
- Revitalization and diversification of the economic base.
- Generation and retention of the greatest number of direct and indirect jobs.

MSF establishes target objectives based on the above priorities.

Taxable bonds offer long-term fixed- or variable-rate financing alternatives for businesses wishing to expand but unable to service debt issued in conventional bond markets. Longer term (10- to 20-year) bonds offered by the program alleviate cash flow problems often present in conventional bond markets. The Taxable Bond Program can provide up to 100 percent of a project's costs including fixed assets, cost of issuance, and working capital. The Internal Revenue Service does not restrict the use of taxable bond revenues. Furthermore, interest accumulated on MSF-issued, federally taxable bonds is exempt from state and local taxes.

Terms and Performance Guarantees

Consult the MSF of the Michigan Economic Development Corporation for current bond terms and rates. The Taxable Bond Program requires a service fee for applicants according to the following schedule:

- \$500 for projects of \$10 million or less;
- \$1,000 for projects over \$10 million.

Issuance fees are required on or before the close of financing in the following amounts:

- Up to \$10 million - 1/8 of 1 percent
- Over \$10 million - \$12,500 plus 1/16 of 1 percent of the amount over \$10 million
- The minimum issuance fee is \$2,000.
- The maximum fee charged to non-profit corporations is \$40,000.

Taxable bonds are secured by company equity and future revenue.

TAX INCREMENT FINANCE AUTHORITY

Enabling Act, *Major Amendments*; Statutory Citation

1980 PA 450, *1986 PA 280*; M.C.L. 125.1801 et seq.

Summary Program Description

Tax Increment Finance Authority (TIFA) legislation (closed to new applicants since 1987) allowed cities to establish development authorities and use tax increment financing (see page 80) to finance development projects located in the authority. TIF districts allowed for the development of virtually any type of land use, including commercial, residential and industrial, and were essentially an expansion of the Downtown Development Authority Act of 1975.

Eligibility and Benefits

Formerly open to any city in Michigan. Applicant city had to show evidence of deteriorating property values in the proposed development area. Capture of revenues from taxes levied by overlapping governmental unit on eligible TIFA property allowed an authority to finance public improvements to the district.

“Public facility,” eligible for TIF, included one or more of the following:

- (i) A street, plaza, or pedestrian mall, and any improvements to a street, plaza, boulevard, alley, or pedestrian mall, including street furniture and beautification, park, parking facility, recreation facility, playground, school, library, public institution or administration building, right of way, structure, waterway, bridge, lake, pond, canal, utility line or pipeline, and other similar facilities and necessary easements of these facilities designed and dedicated to use by the public generally or used by a public agency. “Public institution or administration building” included, but were not limited to, a police station, fire station, court building, or other public safety facility.
- (ii) The acquisition and disposal of real and personal property or interests in real and personal property, demolition of structures, site preparation, relocation costs, building rehabilitation, and all associated administrative costs, including, but not limited to, architect’s, engineer’s, legal, and accounting fees as contained in the resolution establishing the district’s development plan.
- (iii) An improvement to a facility used by the public or a public facility as those terms are defined in section 1 of 1966 PA 1, M.C.L. 125.1351, which improvement were made to comply with the barrier free design requirements of the state construction code promulgated under the state construction code act of 1972, 1972 PA 230, M.C.L. 125.1501 to 125.1531.

Changes since Program Inception

TIFAs were effectively replaced by the more restrictive Local Development Finance Authorities (page 83) in 1986.

Survey of Economic Development Programs in Michigan

Data and Source

Through 2005, the following cities still had Tax Increment Finance Authorities:

Albion	Allegan	Auburn	Auburn Hills
Au Gres	Battle Creek	Bay City	Belding
Benton Harbor	Berkley	Buchanan	Cedar Springs
Charlevoix	Corunna	Croswell	Davison
Dearborn Heights	Detroit	East Jordan	East Tawas
Eaton Rapids	Farmington Hills	Ferrysburg	Flat Rock
Flint	Grand Haven	Grand Rapids	Greenville
Grosse Pointe Park	Hamtramck	Hancock	Hart
Highland Park	Hillsdale	Houghton	Howell
Hudsonville	Imlay City	Inkster	Ionia
Iron Mountain	Ironwood	Jackson	Kalamazoo
Keego Harbor	Lansing	Lapeer	Litchfield
Madison Heights	Marine City	Marysville	McBain
Menominee	Milan	Mt. Pleasant	Muskegon
Muskegon Heights	Newaygo	Norton Shores	Petoskey
Plainwell	Pontiac	Port Huron	Portage
Potterville	Reading	Richmond	Rockwood
Romulus	Saginaw	St. Clair Shores	St. Joseph
Saline	Sault Ste. Marie	South Lyon	Southfield
Southgate	Springfield	Taylor	Vassar
Warren	Westland	Whitehall	Williamston
Wyandotte	Ypsilanti	Zilwaukee	

COMPARISON TABLE OF VARIOUS TAX AND FINANCE AUTHORITIES IN THE STATE OF MICHIGAN

<u>Attribute</u>	<u>BIDs</u>	<u>PSDs</u>	<u>DDAs</u>	<u>BRAs</u>	<u>LDFAs</u>	<u>CIAs</u>
Tax increment financing?	N	N	Y	Y	Y	Y
Levy millage or special assessments for district improvements?	Y	Y	Y ¹	N	N	Y
Joint application/administration by multiple units of government?	Y ²	N	Y ³	N	Y ⁴	Y ³
Set up more than one (non-contiguous) district?	Y	N	Y ⁵	n/a ⁶	Y	Y
Seeks grants for district improvement?	Y	Y	Y	Y	Y	Y
Amend district boundaries?	Y	Y	Y	n/a ⁶	Y	Y
Receive General Funds for the district?	Y	Y	Y	Y	Y	Y
Issue municipally-authorized General Obligation Bonds for the district?	Y	Y	Y	N	N	Y
Issue Revenue Bonds for the district?	Y	Y	Y	Y	Y	Y

¹ Millage rate subject to population

² If the portions are contiguous

³ Governmental units must be adjoined and must enter into an interlocal agreement.

⁴ Certified Technology Parks only

⁵ If a city has entered into an interlocal agreement with an adjoining qualified township

⁶ Not applicable for BRAs established after June 6, 2000. Both are allowed if established before June 6, 2000.

BIDs – Business Improvement Districts; **PSDs** – Principal Shopping Districts; **DDAs** – Downtown Development Authorities; **BRAs** – Brownfield Redevelopment Authorities; **LDFAs** – Local Development Finance Authorities; **CIAs** – Corridor Improvement Authorities.