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SURVEY OF ECONOMIC
DEVELOPMENT PROGRAMS
IN MICHIGAN

THIRD EDITION

FEBRUARY 2016

REPORT 392

CELEBRATING 100 YEARS OF INDEPENDENT, NONPARTISAN
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Miller, Canfield, Paddock and Stone PLC**

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FINANCING PROGRAMS AND TAX AUTHORITIES

Brownfield Authorities
Corridor Improvement
Downtown Development Authorities
Historic Neighborhood TIFAs
Industrial Development Revenue Bonds
Local Development Finance Authorities
Principal Shopping Districts, Business Improvement Districts and Zones
Taxable Bond Program
Tax Increment Finance Authorities
Private Investment Infrastructure Funding
Water Resource Improvement TIFAs
Convention Facility Authority

BROWNFIELD AUTHORITIES

ENABLING LEGISLATION;

STATUTORY CITATION: 1996 PA 381; as amended by 2000 PA 145, 2002 PA 727, 2003 PA 259, 2003 PA 277, 2005 PA 101, 2006 PA 32, 2007 PA 201-204, 2008 PA 154, 2012 PA 502, 2012 PA 446; 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 utilize tax increment financing (defined on page 74) for environmental remediation of brownfield sites.

Approved brownfield projects in Brownfield Redevelopment Authorities are also eligible for Single Business Tax credits, described on page 49.

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 32.

ELIGIBILITY AND

BENEFITS:

Local units of government may establish one or more Brownfield Redevelopment Authorities by resolutions adopted by the majority of the municipalities’ governing body. The resolution of intent to create a BRA must include a date for a public hearing on the adoption of the resolution creating the BRA, including the date, time, and place of hearing. If the resolution is approved at the hearing, not more than 30 days after the hearing the governing body adopts a resolution creating the BRA. A copy must be filed with the Michigan Secretary of State promptly after its adoption. The municipalities’ governing body may then designate a BRA board. The board may 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(ies) authorize. The Michigan Department of Environmental Quality (MDEQ) and/or the Michigan Economic Development Corporation (MEDC) must also approve the brownfield plan. Eligible activities vary depending on whether MDEQ approves the brownfield plan.

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
- Establish a local site remediation revolving fund

BROWNFIELD AUTHORITIES (CONTINUED)

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 shall not be effective for more than 30 years.

Provisions of the Brownfield Plan: The BRA board may implement a brownfield plan subject to approval by the municipality, the MEDC, and/or the MDEQ. In general, the brownfield plan must include:

1. A description of the costs to be financed with the tax increment revenues
2. A brief summary of the eligible activities proposed for each eligible property
3. An estimate of the tax increment values for each year of the plan
4. The method by which the costs of the plan will be financed
5. The maximum amount of indebtedness to be incurred
6. The duration of the plan
7. A legal description of the eligible property to which the plan applies, and estimates of the number of people living there
8. A plan for establishing priority for the relocation of persons dislocated by the plan, as well as provision of the costs of relocating them

For a full list of requirements, see M.C.L. 125.2663

Costs of environmental activities are reviewed by the MDEQ. These include: Baseline Environmental Assessment activities, due care activities, additional response activities to satisfy due care obligations, site and building demolitions that are response activities, lead and asbestos abatement (if in the soil or environment), reasonable costs of developing a brownfield plan, and reasonable costs of environmental insurance.

Costs related to non-environmental activities are reviewed by the MEDC. These include: site and building demolition that is not an environmental response activity, lead and asbestos abatement (if in the building itself), site preparation, infrastructure improvements, assistance to local government or land bank for the costs of managing the property for economic development purposes, costs of relocating public buildings, and reasonable costs of developing a brownfield plan.

Cleanup and redevelopment of a brownfield property will increase the taxable value of the property, and therefore, increase the property taxes raised from the property. The increase in tax revenue over a base year is the tax increment. The increased tax revenues are known as "tax increment revenue" (TIR) or captured taxes. These captured taxes can be used to pay the expenses for eligible environmental response and non-environmental activities.

The amount of allowable local and school tax capture is limited to the actual costs of the eligible activities as approved by the MDEQ or MEDC, except for funds used for deposit into the local site remediation revolving fund. Unless otherwise explicitly stated in the work plan approval by the MDEQ or MEDC, capture of school and local taxes to reimburse the cost of eligible activities must be proportional to the existing ratio of school to local taxes being captured at the time such approval is granted.

BROWNFIELD AUTHORITIES (CONTINUED)

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. (A tax levied by an intermediate school district is not considered a school tax.) 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.

CHANGES SINCE PROGRAM INCEPTION:

The Brownfield Redevelopment Financing Act has undergone several major amendments, which have expanded the program since its 1996 inception. Below is a review of amendments that have been enacted since our last survey was published in 2007.

2007 PAs 201 through 204 revise the definitions of “eligible activities”, “eligible property”, and “blighted” (see **Appendix F** for these definitions). The acts also revise provision’s related to MDEQ oversight of work plans; revise and expand exceptions to the Act’s limitations on the use of captured tax revenue; increase the amount that may be used to cover an authority’s expenses and other costs; require the Auditor General to conduct a performance postaudit of the brownfield redevelopment program at least every three years; and require the State Tax Commission to include in its annual financial report information regarding the amount of tax increment revenue from school operating taxes used for certain purposes.

2008 PA 154 allows State Education Tax revenue to be paid to a brownfield redevelopment authority for the repayment of particular advances or obligations, if the amount of tax increment revenue the authority lost as a result of certain personal property tax exemptions enacted in 2007 will reduce the allowable school tax capture the authority receives in a fiscal year. With the approval of the Department of Treasury, an authority may request the local tax collecting treasurer to retain the SET revenue and pay it to the authority.

2012 PA 502 eliminates the sunset date for MEDC and MDEQ approval of eligible activities identified in a Brownfield Plan using financing derived from school operating tax increments. It also created a new state Brownfield Redevelopment Fund in the Department of the Treasury. The Brownfield Redevelopment Fund is to be used for the following activities:

1. 15 percent of the annual deposits to cover the administrative costs of the MEDC and MDEQ to implement the program
2. Funding for MDEQ brownfield redevelopment grants and loans under Part 196; for requirements and eligibility, see the MDEQ website: http://www.michigan.gov/deq/0,4561,7-135-3311_4109_29262---,00.html
3. A new Strategic Fund Brownfield grant and loan program in the MEDC to fund eligible activities; for requirements and eligibility, see the MEDC website: <http://www.michiganbusiness.org/community/development-assistance/>

The act also provides for reimbursement of additional eligible activities conducted prior to the approval of a Brownfield plan, expands the scope of eligible activities, provides incentives for regional collaboration of BRAs, and revises other program requirements.

2012 PA 446 redistributes funding for the grant and loan program in order to increase the funding available for grants by \$12.5 million, and eliminates the requirement for communities to pledge their full faith and credit to apply for a brownfield redevelopment loan.

DATA AND SOURCE: MEDQ website: http://www.michigan.gov/deq/0,4561,7-135-3311_4109_29262---,00.html.

BROWNFIELD AUTHORITIES (CONTINUED)

DISCUSSION:

Brownfield redevelopment is a relatively recent economic development program. Historically, brownfield programs seek to address 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 clean-up sites.

CORRIDOR IMPROVEMENT AUTHORITIES

ENABLING LEGISLATION;

STATUTORY CITATION: 2005 PA 280; as amended by 2007 PA 44, 2008 PA 44, 2012 PA 229; M.C.L. 125.2871 et seq.

SUMMARY 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 72) 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:

- 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;"
- 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 preceding 30 years;
- Is presently served by municipal water and sewer;
- 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.

The general guidelines for the process to designate a Corridor Improvement Authority are:

1. If the governing body of a municipality determines that it is in the best interests of the public, the governing body may, by resolution, declare its intention to create and provide for the operation of an authority.
2. In the resolution of intent, the governing body shall state that the proposed development area meets the criteria in the statute, provide public notice and set a date for a public hearing on the adoption of a proposed resolution creating the authority, and designate the boundaries of the development area.
3. Within 60 days after the public hearing, the governing body adopts a resolution establishing the authority and designating the boundaries of the development by a

CORRIDOR IMPROVEMENT AUTHORITIES (CONTINUED)

majority vote. This resolution should be filed with the Secretary of State and published at least once in a newspaper of general circulation in the municipality.

4. The chief executive officer of the municipality chooses 5-9 members for a board, subject to approval by the governing body. At least a majority of members should have an ownership or business interest in property located in the development area. At least 1 of the members shall be a resident of the development area or of an area within 1/2 mile of any part of the development area.
5. Once created, the authority prepares and submits a tax increment financing plan to the governing body. For plan requirements, see M.C.L. 125.2888.
6. Before adopting a resolution approving the plan, the governing body should provide public notice and hold a public hearing on the development plan.
7. After the hearing, the governing body should decide whether the plan serves a public purpose. If the governing body determines it does, then it can approve the plan by resolution, or approve it with modifications by resolution.

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.

CHANGES SINCE

PROGRAM INCEPTION:

2007 PA 44 provides for the capture of revenue within a “qualified development area” from the State Education Tax Act and taxes levied by local or intermediate school districts with the approval of the Michigan Economic Growth Authority (MEGA), makes an exception for a qualified development area to provisions under which a taxing jurisdiction may exempt its taxes from capture, allows the board of a corridor improvement authority to make certain improvements to a qualified development area, and revises the definition of “public facility” to include certain facilities in a qualified development area.

2008 PA 44 amends public notice requirements within the Act, deletes a requirement that a municipal governing body consider the findings and recommendations of a development area citizens council when considering whether to approve a development plan or tax increment financing plan, and revises requirements for development areas with regard to proximity to major roadways and usage of municipal water and sewer.

2012 PA 229 allows for the creation of a joint authority by any combination of two or more cities, villages, or townships.

DISCUSSION:

Corridor Improvement Authorities join the ranks of similar tax increment financing (TIF) programs such as Downtown Development Authorities (page 72), Tax Increment Financing Authorities (page 88), Local Development Finance Authorities (page 79) and Brownfield Re-development Authorities (page 66).

DOWNTOWN DEVELOPMENT AUTHORITIES

ENABLING LEGISLATION;

STATUTORY CITATION: 1975 PA 197; as amended by 2004 PA 158, 2004 PA 521, 2005 PA 115, 2006 PA 279; 2007 PA 659; 2008 PA 225, 2012 PA 396; 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 through the use of tax increment financing (see page 74), revenue bonds, tax levy (subject to municipal population requirements), fee collection, revenues from property owned and leased by the DDA, contributions by the local unit of government, and grants. All DDA expenditures must be used for the DDA only.

The general guidelines for the process to designate a DDA District are:

1. The local unit of government governing body finds that the creation of a DDA is necessary for the best interests of the public to halt property value deterioration, increase property tax valuation, eliminate the causes of deterioration and promote economic growth in the defined business district.
2. The governing body sets a public hearing, based on a resolution of intent, to create a DDA
3. Notice is given of a public hearing by publication and mail to taxpayers within a proposed district and to the governing body of each taxing jurisdiction levying taxes that would be subject to capture of tax increment revenues
4. The governing body takes comments at the public hearing
5. Within 60 days, the governing body of another taxing jurisdiction may, by resolution, exempt its taxes from capture and file the resolution with the clerk of the municipality
6. Not less than 60 days following the hearing, the governing body may adopt a proposed ordinance creating the DDA and designating the boundaries of the DDA district
7. The ordinance must be published at least once in a local newspaper and filed with the Secretary of State
8. For municipalities with populations below 5,000, the governing board of the DDA can be the same as the planning commission. Otherwise, the board will include the municipality's chief executive officer and 8-12 members appointed by the governing body. A majority of the board must be individuals with an ownership or business interest in property in the district, and one member must reside in the district if there are more than 100 residents in the district
9. If the DDA Board anticipates the need for capturing tax increments or using revenue bonds to support a project, a Development Plan and a Tax Increment Financing Plan must also be adopted by the DDA Board and the municipality.

ELIGIBILITY AND

BENEFITS:

Any city, village or township may establish one 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

DOWNTOWN DEVELOPMENT AUTHORITIES (CONTINUED)

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 in 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:

Several amendments to the Downtown Development Authority legislation have been adopted since CRC's last release of the survey.

2008 PA 156 allows State Education Tax revenue to be paid to a DDA, for the repayment of particular advances or obligations, if the amount of tax increment revenue the authority lost as a result of certain personal property tax exemptions enacted in 2007 will reduce the allowable school tax capture the authority receives in a fiscal year. With the approval of the Department of Treasury, an authority may request the local tax collecting treasurer to retain the SET revenue and pay it to the authority.

2008 PA 225 allows a DDA board to create, operate, and fund retail business incubators, requires that preference be given to incubator tenants who provide goods or services that are unavailable or underserved in the downtown area, establishes requirements for contracts between a DDA board and each retail business incubator tenant, and allows a DDA board to create, operate, and fund a loan program to fund improvements for existing buildings.

2012 PA 396 provides for a "catalyst development project," referring to a project located in a municipality with a population over 600,000 (i.e., Detroit) that is expected to result in at least \$300 million of capital investment. There can be only one such development designated within each authority. Authorizes the issuance of bonds after July 31, 2012, to pay for costs associated with a catalyst development project and allows costs associated with the land acquisition, preliminary site work, and construction of a catalyst development project to be paid for out of captured tax increment revenues, including revenues from state and local school taxes levied on or after July 1, 2010. A tax increment financing plan for such a project can pledge available tax increment revenues of the downtown development authority as security for any bonds issued to develop and construct the project. A catalyst development project plan must be submitted to the Michigan Strategic Fund for approval or rejection. The act was intended to facilitate the construction of new hockey arena in downtown Detroit.

DATA AND SOURCE:

See **Appendix K** for a list of local governments with Tax Increment Finance (TIF) Authorities.

TAX INCREMENT FINANCE (TIF)

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

DOWNTOWN DEVELOPMENT AUTHORITIES (CONTINUED)

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.

Assume that the State Tax Commission prohibited the Nowhere DDA 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 as illustrated in the table below.¹ The growth in taxable value means the amount paid in taxes each year also increases. The total taxes paid by the property owner are represented in third column. The annual amount of non-SET and non-debt taxes “capturable” (the 45.5316 mills) since 2002 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 2014, 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
Year	Taxable Value	Total Taxes Paid	Taxes Subject to Capture	Amount Captured by the DDA
		<i>(64.6445 mills* every \$1,000 of taxable value)</i>	<i>(45.5316 mills* every \$1,000 of taxable value)</i>	<i>(taxes subject to capture - \$22,766)</i>
2002	\$ 500,000	\$ 32,332	\$ 22,766	--
2003	514,000	33,227	23,403	\$ 637
2004	528,392	34,158	24,059	1,293
2005	542,659	35,080	24,708	1,942
2006	551,341	35,651	25,103	2,338
2007	561,817	36,318	25,580	2,815
2008	579,795	37,481	26,399	3,633
2009	598,348	38,680	27,244	4,478
2010	607,323	39,260	27,652	4,887
2011	621,292	40,163	28,288	5,523
2012	635,582	41,087	28,939	6,173
2013	656,556	42,443	29,894	7,128
2014	680,848	<u>44,013</u>	31,000	<u>8,234</u>
Total		\$ 89,873		\$ 49,081

¹As 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.

HISTORIC NEIGHBORHOOD TAX INCREMENT FINANCING AUTHORITY

ENABLING LEGISLATION;

STATUTORY CITATION: 2004 PA 530; as amended by 2010 PA 237, 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 historical districts as defined by the Local Historic District Act, 1970 PA 169, M.C.L. 399.201a. 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, a facility or development related to transit, or a 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 November 2015, 78 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 38). At the time of this publication, the number of cities and townships with Historic Neighborhood TIFAs was unknown.

Source: http://www.michigan.gov/mshda/0,4641,7-141-54317_19320_62049-57490--,00.html

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 36). 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 historical neighborhoods create and maintain economic vitality by promoting residential growth.

INDUSTRIAL DEVELOPMENT REVENUE BONDS

ENABLING LEGISLATION;

STATUTORY CITATION: 1963 PA 62; as amended by 1972 PA 75; 2002 PA 297 M.C.L. 125.1251 et seq.; R 18.301 et seq. and R 125.1001 et seq. of the Michigan Administrative Code.

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 shall 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 financing 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, which lowers the interest rate on the bond issue.

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 \$20 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 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 was amended 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 finance terms in private markets.

LOCAL DEVELOPMENT FINANCE AUTHORITY

ENABLING LEGISLATION;

STATUTORY CITATION: 1986 PA 281; as amended by 2000 PA 248; 2008 PA 105, 2009 PA 162,, 2010 PA 276, 2012 PA 290; M.C.L. 125.2151 et seq.

SUMMARY PROGRAM

DESCRIPTION:

Local governments use Local Development Finance Authorities (LDFAs) to target development by industry type. LDFAs are essentially tax increment finance districts for manufacturing, agricultural, or high technology businesses allows 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.

The general guidelines for the process to designate an LDFA are:

1. The governing body of a municipality declares by resolution adopted by a majority of its members elected and serving its intention to create and provide for the operation of an authority.
2. The governing body sets a public hearing, based on its resolution of intent, to create a LDFA.
3. Notice must be given of a public hearing by publication and mail to taxpayers within a proposed district and to the governing body of each taxing jurisdiction levying taxes that would be subject to capture of tax increment revenues.
4. Within 60 days of the hearing, the governing body of another taxing jurisdiction may, by resolution, exempt its taxes from capture and file the resolution with the clerk of the municipality.
5. Within 60 days of the public hearing, the municipality adopts a resolution establishing the LDFA and designating the boundaries of the district.
6. Resolution shall be filed with the Secretary of State and published once in a local newspaper.
7. The municipality appoints the members of the LDFA board. The board should consist of seven members appointed by the governing body, one member appointed by the county commission, one member appointed by the community or junior college and two members appointed by each local government unit that levied 20% or more of the ad valorem taxes levied against all property located in the authority district in the year before the year in which the authority district is established. Additional members should only vote on matters relating to the authority district located within their respective local unit of government.
8. Once the LDFA is established, the LDFA must create a development plan, to be adopted by the municipality, that outlines what the authority may do and what funds may be used. If the LDFA board anticipates the need for capturing tax increment to support a project, a Tax Increment Financing Plan must also be adopted. Adoption of these plans also requires public notices and hearings. Tax increment revenues may only be spent in accordance with the Tax Increment Financing Plan. The authority must submit an annual financial report to the governing body and state tax commission.

ELIGIBILITY AND BENEFITS:

LDFAs may be established in cities, villages, or urban townships. In addition, any Next Michigan Development Corporation (as defined by 2010 PA 275) is eligible. 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

LOCAL DEVELOPMENT FINANCE AUTHORITY (CONTINUED)

- 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.
 6. Has a population of less than 10,000, has a state equalized valuation for all real and personal property located in the township of more than \$280,000,000, adopted a master zoning plan before February 1, 1987, has within its boundaries a combination of parcels under common ownership that is 199 acres or larger, is located within 1 mile of a limited access highway, and is located within 1 mile of an existing sewer line, has rail service, and establishes an authority before May 7, 2009.
 7. Has joined an authority which is seeking or has entered into an agreement for a certified technology park.
 8. Has established an authority which is seeking or has entered into an agreement for a certified alternative energy park.

Eligible Property

Properties eligible for tax increment capture are structures, buildings, land improvements and other real property and equipment located within a district whose primary use is either manufacturing, high technology, value-added agricultural processing or energy production.

Activities in the development plan that are eligible for funding:

- Public infrastructure improvements that directly benefit the district, including a street, road, bridge, storm water or sanitary sewer, sewage treatment facility, water line, water tower, etc. Railroads and utility lines (electric and telecommunications are also eligible).
- Acquisition of land, demolition, site preparation and relocation costs.
- Certified alternative energy parks and certified technology park development

Administrative Costs

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 for a maximum of 15 years, subject to the approval of the State Treasurer. For a more thorough description of tax increment financing, see page 74. **Certified Technology Parks**, enabled by the LDFA Act, are joint municipal tax increment finance districts, the first instance Michigan law allowed for multi-jurisdictional

LOCAL DEVELOPMENT FINANCE AUTHORITY (CONTINUED)

tax finance districts. Certified Technology parks may capture an additional 5 years pursuant to additional requirements.

CHANGES SINCE PROGRAM

INCEPTION:

The Act has been amended recently to expand the definition of “urban township” (2013 PA 62).

The Local Development Finance Authority Act was amended in 2000 to include “Certified Technology Parks,” as defined by the Act, and amended in 2009 to include “Certified Alternative Energy Parks.” LDFA amendments also allow for multi-jurisdiction authorities.

2008 PA 105 allows a municipality that has created an authority that includes a certified technology park to enter into an agreement with another authority that does not contain a certified technology park, designating a distinct geographic area within the authority district as a certified technology park.

2008 PA 156 provides for State Education Tax revenue to be paid to a LDFA if the amount of tax increment revenue the authority lost as a result of certain personal property tax exemptions enacted in 2007 will reduce the allowable school tax capture the authority receives in a fiscal year. The revenue capture is subject to approval by the Department of Treasury.

2010 PA 276 allows the Next Michigan Development Corporation to establish a local development finance authority (LDFA), which could establish a tax increment finance (TIF) plan and issue tax increment bonds and allows an LDFA to convey or lease public facilities at less than fair market value or at below-market rates, if it would assist in increasing employment or private investment in a development area.

2012 PA 290 allows the Michigan Economic Development Corporation (MEDC) to designate an additional three certified technology parks (commonly referred to as “SmartZones”) before March 31, 2013, and eliminates the cap on the number of SmartZones created in Michigan beginning on January 1, 2014.

The act also allows an LDFA to capture school taxes for an additional 5 to 15 years under certain circumstances and with MEDC approval; requires the Michigan Strategic Fund to reimburse school districts for revenue losses due to tax increment for SmartZones created on or after January 1, 2014; extends the deadline for a municipality to apply to the MEDC for designation of all or part of the LDFA district as a certified alternative energy park, and allows a military installation that was operated by the U.S. Department of Defense (DOD) and closed after 1980 to be designated as a certified alternative energy park.

DATA AND SOURCE:

See **Appendix K** for a list of local governments with Tax Increment Finance (TIF) Authorities.

LOCAL DEVELOPMENT FINANCE AUTHORITY (CONTINUED)

SMARTZONES

Public Act 248 of 2000 was enacted 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.” This cap was eventually raised in subsequent legislation and was then eliminated by 2012 PA 290 starting on January 1, 2014. 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. SmartZone technology clusters promote resource collaborations between universities, industry, research organizations, government, and other community institutions, with the intention of growing technology-based businesses and jobs. A municipality that has created an authority in which a SmartZone has been designated may enter into an agreement with another authority without a SmartZone to designate a distinct geographic area within the first district as a second SmartZone. 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 SPARK: University of Michigan, Eastern Michigan University

Automation Alley SmartZone & Technology Center: Lawrence Technological University, Oakland University

Battle Creek Unlimited: Western Michigan University and Kellogg Community College

CMU Research Corporation: Central Michigan University

Jackson Technology Park: Baker College, Jackson Community College, and Spring Arbor University

MTEC SmartZone: Michigan Technological University

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

Macomb INCubator: Oakland University, Macomb

Michigan Alternative and Renewable Energy Center: Grand Valley State University

Mount Pleasant SmartZone Satellite MidMichigan innovation Center

OU Incubator: Oakland University-Rochester

Pinnacle Aeropark SmartZone: Detroit Metropolitan Airport, Wayne County Economic Development Growth Engine (EDGE)

Sault Ste. Marie SmartZone: Lake Superior State University

Southwest Michigan Innovation Center: Western Michigan University

TechTown: Wayne State University

West Michigan Science and Technology Initiative: Cook-DeVos Center for Health Sciences

Source: MEDC (<http://www.michiganbusiness.org/cm/files/fact-sheets/mismartzonefactsheet.pdf>)

ALTERNATIVE ENERGY PARKS

Alternative Energy Parks are a type of SmartZone. A municipality that created an authority could apply to the Michigan Economic Development Corporation (MEDC) for designation of all or a portion of the authority district as a certified alternative energy park before December 2012. No new alternative energy parks are available after that date, however. There were 10 certified alternative energy park designations available, but those located in the same county are considered the same alternative energy park.

Upon approval of the Michigan economic development corporation, the certified alternative energy park may be owned and operated by an economic development corporation created under the economic development corporations act, 1974 PA 338, MCL 125.1601 to 125.1636, or another public body agreeable to all members.

PRINCIPAL SHOPPING DISTRICTS, BUSINESS IMPROVEMENT DISTRICTS, & BUSINESS IMPROVEMENT ZONES

ENABLING LEGISLATION;

STATUTORY CITATION:

1961 PA 120; as amended by 1999 PA 49, 2001 PA 260, 2003 PA 209 2013 PA 126; 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, or urban townships may create 1 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. For the purposes of this Act, an "urban township" is a township that meets the Local Development Financing Act (page 79) definition of urban township and that is located in a county with a population greater than 750,000 (Macomb, Oakland, Wayne).

Cities, villages, or urban townships (or groups of qualified municipalities with contiguous district boundaries) may establish one or more BIDs by resolution. BIDs must include a portion(s) of the municipality that are 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

PRINCIPAL SHOPPING DISTRICTS, BUSINESS IMPROVEMENT DISTRICTS, & BUSINESS IMPROVEMENT ZONES (CONTINUED)

(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.
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 shall include:

- One representative from an adjacent residential neighborhood
- One representative from the municipality
- A majority shall be nominees of individual businesses located in the PSD

If the municipality also has a Downtown Development Authority (see page 72), 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:

- One 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 with membership equal to 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 use to pay for operational expenses);
- General obligation bonds (cannot use 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

PRINCIPAL SHOPPING DISTRICTS, BUSINESS IMPROVEMENT DISTRICTS, & BUSINESS IMPROVEMENT ZONES (CONTINUED)

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, revenues from 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 may vote to approve or reject the plan; votes are weighted in proportions 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 10-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 government-owned property exempt from property taxes.

CHANGES SINCE PROGRAM

INCEPTION:

Since the last update of the survey, one amendment has been enacted to the Principal Shopping Districts Act.

2013 PA 126 expands the activities that a business improvement zone may conduct; revises requirements related to petitioning and approving a BIZ and zone plan and requires local governing bodies to consider the establishment of a BIZ and zone plan if the plan meets certain conditions; revises provisions related to delinquent BIZ assessments; allows BIZ boards

PRINCIPAL SHOPPING DISTRICTS, BUSINESS IMPROVEMENT DISTRICTS, & BUSINESS IMPROVEMENT ZONES (CONTINUED)

to adopt plans to remedy material exceptions contained in audit reports; requires 30 percent (up from 20 percent) of assessable property owners to sign a petition for dissolution of a BIZ; allows the merger of two or more business improvement zones with the same city or village; and deletes a provision restricting a city's or village's establishment of a BIZ if it already had established a business improvement.

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.

TAXABLE BOND PROGRAM

ENABLING LEGISLATION;

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. Since the IRS does not restrict the uses of taxable bond proceeds, the taxable bond vehicle can be utilized to provide more comprehensive financing than tax exempt bonds.

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 AUTHORITIES

ENABLING LEGISLATION;

STATUTORY CITATION: 1980 PA 450; as amended by 1986 PA 280 2008 PA 156; 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 74) 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 allows an authority to finance public improvements to the district.

“Public facility,” eligible for TIF, includes 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. As used in this subparagraph, public institution or administration building includes, but is 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 is 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 79) in 1986. Certain municipal governments still use TIFA, though: For example, 2014 PA 38 was passed to permit the refunding of certain bonds issued by the building authority and the tax increment finance authority of the City of Lansing.

2008 PA 156 allows State Education Tax revenue to be paid to a TIFA if the amount of tax increment revenue the authority lost as a result of certain personal property tax exemptions enacted in 2007 will reduce the allowable school tax capture the authority receives in a fiscal year. The Department of Treasury must approve the revenue capture.

DATA AND SOURCE:

See **Appendix K** for a list of local governments with Tax Increment Finance (TIF) Authorities.

PRIVATE INVESTMENT INFRASTRUCTURE FUNDING

ENABLING LEGISLATION;

STATUTORY CITATION: 2010 PA 250; M.C.L. 125.1871-125.1883

SUMMARY PROGRAM

DESCRIPTION:

The Private Investment Infrastructure Funding Act allows local units of government to use private investment for public infrastructure improvement projects. Funding for a project may come from contributions from participants to a partnership, fees charged to users of the infrastructure, the capture of taxes, special assessments, loans, grants, appropriations, donations, and any other source accepted by the partnership.

ELIGIBILITY AND

BENEFITS:

Any city, village, or township may establish one or more negotiating partnerships to develop and finance projects. Partnerships are developed between the local units and the administering agency of a public facility – including the Michigan Department of Transportation, a county road commission, a county drain commissioner, or the city, village, or township that has jurisdiction over the public facility.

Public infrastructure subject to improvement includes:

- A street, road, or highway, street furniture and beautification, park, parking facility, recreational facility, right-of-way, structure, waterway, bridge, lake, pond, canal, utility line or pipe, water or wastewater facility, or building, including access routes designed and dedicated for use by the public generally, or used by a public agency.
- Public transportation-related infrastructure and light and commuter rail.

Local units that have entered into a negotiating partnership may enter into an agreement with an adjoining local unit that has also entered into a negotiating partnership to jointly cooperate and administer their partnerships under an interlocal agreement under the Urban Cooperation Act (1967 PA 7).

Exclusions:

All taxes levied on properties in the capture district are subject to capture except:

1. State Education Tax, unless the state treasurer determines that the capture of 50 percent of the revenues for a period not to exceed 15 years is necessary to reduce unemployment, promote economic growth, and increase capital investment in the municipality;
2. Taxes levied by local or intermediate school districts, unless the state treasurer determines that the capture of 50 percent of the revenues for a period not to exceed 15 years is necessary to reduce unemployment, promote economic growth, and increase capital investment in the municipality;
3. Taxes otherwise subject to capture by another TIF entity;
4. Taxes excluded from capture by the administering agency;
5. Taxes levied for the repayment of principal and interest of obligations pledging the unlimited taxing power of the local government; or
6. Taxes levied to fund the Detroit Zoo or Detroit Institute of Arts.

When an administering agency determines it is necessary to create a tax increment financing plan, it must prepare and submit the plan to the municipality's governing body. The plan must include:

1. A detailed plan of the development of the public facility;
2. The designation of boundaries of the negotiated benefit area;

PRIVATE INVESTMENT INFRASTRUCTURE FUNDING (CONTINUED)

3. A detailed explanation of the tax increment procedure;
4. The maximum amount of indebtedness to be incurred; and
5. The duration of the program.

The municipality must hold a public hearing on the proposed plan, after which it may approve or reject the submitted plan.

Eligible Spending

Spending authorized by the partnership is subject to approval by the municipality's governing board. Spending may include:

- Study and analysis of the need for public facilities within the negotiated benefit area
- Plan and propose improvements within the negotiated benefit area
- Implement a plan of development of a public facility in the negotiated benefit area
- Enter into contracts necessary or incidental to the exercise of its powers and duties
- Compensate the administering agency for reasonable administrative costs.

WATER RESOURCE IMPROVEMENT TIFAS

ENABLING LEGISLATION;

STATUTORY CITATION: 2008 PA 94; as amended by 2013 PA 25; M.C.L. 125.1771-125.1793

SUMMARY PROGRAM

DESCRIPTION:

The Water Resource Improvement TIFA Act allows local governments to use tax increment financing to prevent the deterioration of water resources or invest in their improvement.

ELIGIBILITY AND

BENEFITS:

Any city, village, or township may establish a Water Resource Improvement TIF Authority to capture tax revenues to be reinvested in public improvements related to bodies of water and waterways.

Geographic Limitations

Water Resource Improvement TIFAs may be used for improvements related to:

- An inland body of water and land that is up to one mile from the shoreline of an inland lake that contains one or more public access points.
- An inland body of water and parcels of land that are contiguous to the shoreline of an inland lake that does not contain a public access point.
- The shoreline of a harbor on a Great Lake and one or more of the following:
 - Land up to one mile from the shoreline of the harbor.
 - A tributary to that Great Lake harbor up to five miles upstream from the shoreline of the Great Lake harbor.
 - Land up to one mile from each bank of the tributary.

Public facilities subject to improvement include streets, street furniture, street beautification, parks, parking facilities, recreational facilities, right-of-way, structures, waterways, bridges, lakes, ponds, canals, utility lines or pipes, or buildings, including routes designed and dedicated for use by the public generally, or used by a public agency, that are related to access to inland lakes or water resource improvement.

Water resource improvement means enhancement of water quality and water dependent natural resources, including, but not limited to, the following:

- The elimination of the causes and the proliferation of aquatic nuisance species.
- Sewer systems that service structures that have failing on-site disposal systems.
- Storm water systems that service existing infrastructure.
- Dredging, removal of spoils, or other improvements or maintenance activities that enhance navigability of a waterway.

Authorities may receive funding from the capture of tax increment, special assessments, revenue bonds, revenues from other property owned or leased by the authority, other sources approved by the municipality, or donations.

Exclusions

All taxes levied on properties in the capture district are subject to capture except:

- State Education Tax;
- Taxes levied by local or intermediate school districts;
- Taxes otherwise subject to capture by another TIF entity;
- Taxes excluded from capture;
- Taxes levied for the repayment of principal and interest of obligations pledging the unlimited taxing power of the local government.

CONVENTION FACILITY AUTHORITY

ENABLING LEGISLATION;

STATUTORY CITATION: 1999 PA 203; M.C.L. 141.1401-141.1414

SUMMARY PROGRAM

DESCRIPTION:

The Convention Facility Authority Act is designed to promote tourism and convention business.

ELIGIBILITY AND

BENEFITS:

The Act assists governments in the acquisition, construction, improvement, enlargement, renew, replacement, repair, financing, furnishing, and equipping of convention facilities. A convention facility may be all or any part of, or any combination of, a convention hall, auditorium, arena, sports facility, market, or other facility meeting rooms, exhibition area, and related adjacent public areas that are generally available to the public for lease or use, together with appurtenant property, including parking lots or structures.

A qualified county and a qualified city may jointly establish a Convention Facility Authority. A "qualified city" means a city with a population of more than 170,000 according to the most recent decennial census that is the most populous city in a qualified county. A "qualified county" means a county with a population of more than 500,000 according to the most recent decennial census that contains a qualified city, and that is not a charter county or a county with an optional unified form of government.

Governing Board

The authority is governed by a seven-member board, all of whom must be county residents, consisting of:

- Two members appointed by the county board of commissioners, not less than one of whom is from the private sector with experience in economic development;
- Two members appointed by the mayor with approval by the legislative body of the city, not less than one of whom is from the private sector with experience in economic development;
- One member appointed by the governor;
- Two members appointed by the five members described above, both of whom shall be selected from a list of not fewer than three individuals provided by the local convention and visitors bureau.

Financing

The authority may solicit, receive, and accept gifts, grants, loans, or contributions and other aid or payment, or participate in any way in a federal, state, or local government program. It may issue negotiable revenue bonds. Any bonds issued are not a debt of the county, the city, or the state.

