

## Introduction

A Local Development Financing Authority (LDFA) allows the use of tax increment financing to fund public infrastructure improvements. It was created to replace the TIFA and to be more focused.

## Authorizing legislation

1986 PA 281, MCL 125.2151, allows a city, village or urban township to create a Local Development Finance Authority (LDFA).

## What is the purpose of the Act?

A LDFA is designed to promote economic growth and job creation, to provide a means for local units of government to eliminate the conditions of unemployment, underemployment, and joblessness and to promote economic growth.

## How can this Act be used?

Communities across Michigan have utilized this tool to extend sewer and water lines and construct roads to service manufacturing, agricultural processing and high technology operations.

## How is this Act different?

A project must be a public facility for the benefit of “eligible property” which means land improvements, buildings, structures and machinery, equipment, furniture and fixtures comprising an integrated whole located within a LDFA district of which the primary purpose is (i) manufacturing or processing of goods or materials, (ii) agricultural processing, (iii) high technology activity for research, product development engineering, laboratory testing or development of industrial technology, or (iv) production of energy. (MCL 125.2152(p))

## What are the financing options?

- Tax increment revenues from eligible properties
- Contributions from the local unit of government
- Revenues from ownership of property
- Proceeds of revenue bonds
- Loans from the Michigan Strategic Fund or Michigan Economic Development Corporation

## Establishing a LDFA

**Note:** The following steps are offered as general guidelines only. A municipality should consult with an attorney prior to initiating the process creating a LDFA.

1. The municipality initiates the establishment of a LDFA by the adoption of a resolution of intent.
2. The resolution shall set a date for a public hearing on the adoption of a proposed ordinance creating the authority.
3. Notice must then 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 for tax increment revenues.
4. At the public hearing, taxpayers must be heard regarding the creation of the LDFA.
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 after hearing, the municipality adopts resolution establishing LDFA and designating the boundaries of one or more districts.
7. Resolution shall be filed with the Secretary of State promptly and published once in a local newspaper.
8. Land may be added to or deleted from a district pursuant to the same requirements prescribed for adopting the resolution creating the LDFA.
9. The municipality appoints the members to the LDFA board.

## Reporting requirements

An annual report must be submitted to the municipality and to the state tax commission on the status of the tax increment financing plan.

## Provisions of the Local Development Finance Authority Act

- Authorizes a city, village or urban township to create a LDFA by resolution after providing notice and holding a public hearing. The local unit shall also designate the development area boundaries by the resolution.
- Provides for the supervision and control of an authority by a board appointed by the chief executive officer of the local unit. Also provides for representation by the county, junior or community college district and for any other local unit levied more than 20 percent of the total property tax levied in the district the year prior to its formation.
- Allows a board to hire a director to serve as chief executive officer of the authority, subject to the approval of the governing body of the city, village or urban township and other personnel as it feels necessary.
- Allows an authority to prepare and submit to the governing body a tax increment financing plan, which shall include a development plan for the authority's development area. TIF plans and development plans are subject to public hearings and affected local taxing jurisdictions must be notified.
- Provides for the financing of authority activities, including borrowing money and issuing bonds. The authority can issue negotiable revenue bonds under the Revenue Bond Act and can, with local unit approval, issue revenue bonds or notes to finance all or part of the costs.
- Allows an authority to authorize, issue and sell bonds to finance a TIF plan's development program. A city, village or urban township may make a limited tax pledge to support the authority's TIF bonds or notes with governing body approval but needs voter approval to pledge its unlimited full faith and credit for authority bonds or notes.

- Allows the governing body, at the request of the LDFA board, from time to time to amend either the development or TIF plans. It may also amend the district boundaries of the LDFA district. However, caution should be taken in amending the boundaries as the other taxing units (county, schools, etc.) may opt out.

### **Local Development Financing Authority board powers:**

- Study and analyze unemployment, underemployment, and joblessness and the impact of growth upon the authority district or districts.
- Plan and propose the construction, renovation, repair, remodeling, rehabilitation, restoration, preservation, or reconstruction of a public facility.
- Develop long-range plans, in cooperation with the agency which is chiefly responsible for planning in the municipality, to promote the growth of the authority district or districts, and take the steps that are necessary to implement the plans to the fullest extent possible to create jobs, and promote economic growth.
- Implement any plan of development necessary to achieve the purposes of this act in accordance with the powers of the authority as granted by this act.
- Make and enter into contracts necessary or incidental to the exercise of the board's powers and the performance of its duties.
- Acquire by purchase or otherwise on terms and conditions and in a manner the authority considers proper, own or lease as lessor or lessee, convey, demolish, relocate, rehabilitate, or otherwise dispose of real or personal property, or rights or interests in that property, which the authority determines is reasonably necessary to achieve the purposes of this act, and to grant or acquire licenses, easements, and options with respect to the property.
- Improve land, prepare sites for buildings, including the demolition of existing structures, and construct, reconstruct, rehabilitate, restore and preserve, equip, improve, maintain, repair, or operate a building, and any necessary or desirable appurtenances to a building, for the use, in whole or in part, of a public or private person or corporation, or a combination thereof.
- Fix, charge, and collect fees, rents, and charges for the use of a building or property or a part of a building or property under the board's control, or a facility in the building or on the property, and pledge the fees, rents, and charges for the payment of revenue bonds issued by the authority.
- Lease a building or property or part of a building or property under the board's control.
- Accept grants and donations of property, labor, or other things of value from a public or private source.
- Acquire and construct public facilities.
- Incur costs in connection with the performance of the board's authorized functions including, but not limited to, administrative costs, and architects, engineers, legal, and accounting fees.
- Plan, propose, and implement an improvement to a public facility on eligible property to comply with the barrier free design requirements of the state construction code promulgated under the state construction code (MCL 125.1501).