Economic Development Tools—Financing Tools

Introduction

Municipalities often need special financing arrangements to complete projects designed to preserve their economic health. Legislation enacted by the state of Michigan allows municipalities to create specialized organizations for use as economic development tools. The charts on page 2 and 3 compare these organizations.

Current Tax Increment Financing Tools

Currently seven of these organizations are able to use tax increment financing (TIF) revenues. In the simplest terms, TIF is the capture of the increase in property tax revenue levied by certain taxing units in a defined district for development purposes in that district.

Downtown Development Authority (DDA) may be created to halt property value deterioration, to increase property tax valuation in the business district, to eliminate the causes of deterioration, and to promote economic growth. (2018 PA 57, MCL 125.4101, et seq.)

Local Development Financing Authority (LDFA) may be created to encourage local development, to prevent conditions of unemployment, and to promote growth. (2018 PA 57, MCL 125.4101, et seq.).

Brownfield Redevelopment Authority (BRA) may be created to clean up contaminated sites, thus allowing the property to revert to productive economic use. (1996 PA 381, MCL 125.2651, et seq.).

Corridor Improvement Authority (CIA) may be created to redevelop a commercial corridor and to promote economic growth. (2018 PA 57, MCL 125.4101, et seq.)

Neighborhood Improvement Authority (NIA) may be created to assist with economic development and economic growth in residential areas of cities and villages. (2018 PA 57, MCL 125.4101, et seq.)

Water Resource Improvement Tax Increment Finance Authority (Waterfront TIF) may be created to control invasive species in inland lakes as well as make necessary improvements to infrastructure within one mile of an inland lake. (2018 PA 57, MCL 125.4101, et seq.)

Other Financing Tools

Economic Development Corporation (EDC) may be created to alleviate and prevent conditions of unemployment and to assist industrial and commercial enterprises. (1974 PA 338, MCL 125.1601, et seq.).

Principal Shopping District (PSD), Business Improvement District (BID) or Business Improvement Zone (BIZ) may be created to develop or redevelop a more successful and profitable business climate in a defined area and to collect revenues, levy special assessments, and issue bonds to pay for its activities. (1961 PA 120, MCL 125.981, et seq.)

Tax Increment Finance Authority (TIFA), available prior to 1989, has been replaced by the LDFA; no new TIFA may be created, and the boundaries for an existing TIFA cannot be expanded. (2018 PA 57, MCL 125.4101, et seq.)
For More Information
See the chart below and follow the links to the Fact Sheet for additional information on each economic development financing tool.

### Currently Available Tax Increment Financing Tools

<table>
<thead>
<tr>
<th>Authorized municipalities</th>
<th>Limitations</th>
<th>Requirements</th>
<th>Eligible projects/ activities</th>
<th>Funding sources</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DDA (Downtown Development Authority)</strong></td>
<td>Cities, villages, and townships</td>
<td>One per municipality</td>
<td>Downtown area zoned and used principally for business; deteriorating property values</td>
<td>Located in DDA district with approved DDA/TIF plans</td>
</tr>
<tr>
<td><strong>LDFA (Local Development Financing Authority)</strong></td>
<td>Cities, villages, and urban townships</td>
<td>One per municipality</td>
<td>Industrial area</td>
<td>Public facility to benefit industrial park and transit</td>
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<tr>
<td><strong>BRA (Brownfield Redevelopment Authority)</strong></td>
<td>Cities, villages, and townships</td>
<td>Industrial, commercial, public, or residential property</td>
<td>Environmental contamination, blight, or obsolescence</td>
<td>Environmental cleanup and infrastructure</td>
</tr>
<tr>
<td><strong>CIA (Corridor Improvement Authority)</strong></td>
<td>Cities, villages, and townships</td>
<td>Established commercial district adjacent to arterial or collector road with size and use restrictions</td>
<td>10 contiguous parcels or five acres; mixed-use; water and sewer available</td>
<td>Improvement of land and construct, rehabilitate, preserve, equip, or maintain buildings or facilitate transit in the area</td>
</tr>
<tr>
<td><strong>NIA (Neighborhood Improvement Authority)</strong></td>
<td>Cities or villages</td>
<td>Residential area</td>
<td>Cannot include area covered by a Historic Neighborhood TIFA</td>
<td>Improvement of housing, streets, pedestrian malls and public facilities</td>
</tr>
<tr>
<td><strong>Waterfront TIF</strong></td>
<td>Cities, villages, and townships</td>
<td>Does not include Great Lakes, Lake St. Clair, or any lake or pond less than five acres</td>
<td>Must be inland lake with one or more public access points and land up to one mile from the shoreline</td>
<td>Invasive species control; infrastructure and public facility improvements</td>
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### Other Financial Tools

<table>
<thead>
<tr>
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<th>Limitations</th>
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<th>Eligible projects/activities</th>
<th>Funding sources</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EDC</strong> (Economic Development Corporation)</td>
<td>Cities, villages, and townships</td>
<td>Industrial and commercial areas</td>
<td>Industrial or 501(c)(3) nonprofit organization</td>
<td>Issue bonds for private industrial development, nonprofit corporations, and transit</td>
</tr>
<tr>
<td><strong>PSD</strong> (Principal Shopping District)</td>
<td>Cities, villages, and urban townships</td>
<td>Commercial areas with at least 10 retail businesses</td>
<td>Designated as a principal shopping area in master plan</td>
<td>Improvement of highways and walkways; promotion; parking, maintenance, security, or operation</td>
</tr>
<tr>
<td><strong>BID</strong> (Business Improvement District)</td>
<td>Cities, villages, or urban townships with an urban design plan</td>
<td>Commercial or industrial area</td>
<td>Designated as a BID by one or more municipalities by resolution</td>
<td>Improvement of highways and walkways; promotion; parking, maintenance, security, or operation</td>
</tr>
<tr>
<td><strong>BIZ</strong> (Business Improvement Zone)</td>
<td>Cities or villages</td>
<td>Majority of parcels must be assessable</td>
<td>Signatures of not less than 30 percent of property owners in designated zone</td>
<td>Park areas; streetscape; lighting; security; plants; vegetation; and beautification activities</td>
</tr>
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New DDA/TIF Reporting and Public Informational Meeting Requirements
Pursuant to the Recodified Tax Increment Financing Act
2018 PA 57 (Effective January 1, 2019)

Introduction: The Recodified Tax Increment Financing Act, 2018 PA 57 (the “Act”), was signed into law on March 15, 2018 and took effect on January 1, 2019. The Act consolidates the legislative authority to create and operate tax increment authorities (other than brownfield redevelopment authorities) into a single statute.

The Act imposes new, uniform reporting requirements on most authorities\(^1\) and their related municipalities, new public informational meeting requirements, authorizes the Department of Treasury to enforce the Act, and prohibits authorities in breach of these reporting requirements from capturing tax increment revenues in excess of the amounts necessary to pay bonded indebtedness and other obligations of the authority for the period of noncompliance.

The new reporting and public informational meeting requirements are set forth below:

What: Send a Copy of Current TIF Plan to Treasury
When: No later than April 1, 2019
Why: MCL 125.4912
How: Authority must send a copy or an electronic mail link of its currently adopted development plan or its currently adopted tax increment finance plan, if separate from the development plan, to the Department of Treasury.

What: Hold Two Informational Meetings Annually
When: Biannually beginning January 1, 2019
Why: MCL 125.4910(4)
How: The board of an authority shall hold at least 2 informational meetings (which may be held in conjunction with other public meetings of the authority or municipality). Notice must be published on the municipality's or authority's website not less than 14 days before the date of the informational meeting. Notice must also be mailed not less than 14 days before the informational meeting by the authority to the governing body of each taxing jurisdiction levying taxes that are subject to capture. As an alternative to mailing notice, the authority may notify the clerk of the governing body of each taxing jurisdiction by electronic mail.

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\(^1\) These requirements apply to Downtown Development Authorities, Tax Increment Finance Authorities, Local Development Finance Authorities, Corridor Improvement Authorities, Water Resource Improvement Authorities, Neighborhood Improvement Authorities, and municipalities incorporating any one of these authorities.
**Post TIF Information on Municipal Website**

**What:** Post TIF Information on Municipal Website

**When:** 180 days after end of authority's current Fiscal year as of Jan. 1, 2019

**Why:** MCL 125.4910(1)

**How:** The municipality must create a website or utilize the municipality's existing website with access to authority records and documents, including all of the following:

(a) Minutes of all board meetings.

(b) Annual budget, including encumbered and unencumbered fund balances.

(c) Annual audits.

(d) Currently adopted development plan, if not included in a tax increment financing plan.

(e) Currently adopted tax increment finance plan, if currently capturing tax increment revenues.

(f) Current authority staff contact information.

(g) A listing of current contracts with a description of those contracts and other documents related to management of the authority and services provided to the authority.

(h) An updated annual synopsis of activities of the authority. An updated synopsis of the activities of the authority includes all of the following, if any:

   (i) For any tax increment revenues described in the annual audit that are not expended within 5 years of their receipt, a description that provides the following:

      (A) The reasons for accumulating those funds and the uses for which those funds will be expended.

      (B) A time frame when the fund will be expended.

      (C) If any funds have not been expended within 10 years of their receipt, both of the following:

         (I) The amount of those funds.

         (II) A written explanation of why those funds have not been expended.

(ii) List of authority accomplishments, including progress made on development plan and tax increment finance plan goals and objectives for the immediately preceding fiscal year.

(iii) List of authority projects and investments, including active and completed projects for the immediately preceding fiscal year.

(iv) List of authority events and promotional campaigns for the immediately preceding fiscal year.

**Send Annual Report to Treasury, Municipality and Taxing Units**

**What:** Send Annual Report to Treasury, Municipality and Taxing Units

**When:** 180 days after the end of an authority's fiscal year

**Why:** MCL 125.4911(1)

**How:** An authority that is capturing tax increment revenues must submit a report, on a form to be provided by Department of Treasury, to the municipality, the governing body of each taxing unit levying taxes which are subject to capture by the authority, and the Department of Treasury. The report shall include all of the following:
(a) The name of the authority.
(b) The date the authority was formed, the date the tax increment financing plan is set to expire or terminate, and whether the tax increment financing plan expired during the immediately preceding fiscal year.
(c) The date the authority began capturing tax increment revenues.
(d) The current base year taxable value of the tax increment financing district.
(e) The unencumbered fund balance for the immediately preceding fiscal year.
(f) The encumbered fund balance for the immediately preceding fiscal year.
(g) The amount and source of revenue in the account, including the amount of revenue from each taxing jurisdiction.
(h) The amount in any bond reserve account.
(i) The amount and purpose of expenditures from the account.
(j) The amount of principal and interest on any outstanding bonded indebtedness.
(k) The initial assessed value of the development area or authority district by property tax classification.
(l) The captured assessed value retained by the authority by property tax classification.
(m) The tax increment revenues received for the immediately preceding fiscal year.
(n) Whether the authority amended its development plan or its tax increment financing plan within the immediately preceding fiscal year and if the authority amended either plan, a link to the current development plan or tax increment financing plan that was amended.
(o) Any additional information the governing body of the municipality or the Department of Treasury considers necessary.