

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 chart on page 2 and 3 compares 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. (1975 PA 197, MCL 125.1651)

Local Development Financing Authority (LDFA) may be created to encourage local development, to prevent conditions of unemployment, and to promote growth. (1986 PA 281, MCL 125.2151)

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)

Corridor Improvement Authority (CIA) may be created to redevelop a commercial corridor and to promote economic growth. (2005 PA 280 MCL 125.2871)

Neighborhood Improvement Authority (NIA) may be created to assist with economic development and economic growth in residential areas of cities and villages. (2007 PA 61, MCL 125.2911 et seq.)

Historic Neighborhood Tax Increment Financing Authority (Historic Neighborhood TIFA) may be created to halt property value deterioration and increase property tax valuation within the boundaries of a historic district. (2004 PA 530, MCL 125.2841)

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.

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)

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)

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. (1980 PA 450, MCL 125.1801)

For more information

See the chart below and follow the links to the One Pager Plus for additional information on each economic development financing tool. Information on utilizing tax abatement as economic development tools can be found in the Economic Development Tools – Tax Abatements (coming soon).

Currently Available Tax Increment Financing Tools

	Authorized municipalities	Limitations	Requirements	Eligible projects/ activities	Funding sources
DDA	Cities, villages and townships	One per municipality; new DDAs or DDAs amending their boundaries may be subject to opt out provisions	Downtown area zoned and used principally for business; deteriorating property values	Located in DDA district with approved DDA/TIF plans	TIF from district; millage
LDFA	Cities, villages and urban townships	One per municipality	Industrial area	Public facility to benefit industrial park	TIF on eligible property
BRA (coming soon)	Cities, villages and townships	Industrial or commercial property	Environmental contamination	Environmental cleanup	TIF, revenue bonds
CIA	One or more cities, villages and townships	Established commercial district adjacent to arterial or collector road with size and use restrictions	10 contiguous parcels or 5 acres; mixed use; water and sewer available	Improvement of land and construct, rehabilitate, preserve, equip or maintain buildings in the area	TIF, special assessments, bonds, fees, donations
NIA	Cities or villages	Residential area	Cannot include area covered by a Historic Neighborhood TIFA	Improvement of housing, streets, pedestrian malls and public facilities	TIF, bonds, grants
Historic Neighborhood TIFA (coming soon)	Cities or townships in which a historic district is located	Housing and public facilities	Residential area within a state defined historic district	Improvement of housing and public facilities	TIF, special assessments, bonds, donations, fees
Waterfront TIF	Cities, villages and townships	Does not include Great Lakes, Lake St. Clair or any lake or pond less than 5 acres	Must be an inland lake with 1 or more public access points and land up to 1 mile from the shoreline	Invasive species control; infrastructure and public facility improvements	TIF, special assessments, bonds, donations, fees

Other Financial Tools

	Authorized municipalities	Limitations	Requirements	Eligible projects/ activities	Funding sources
EDC	Cities, villages and townships	Industrial area	Industrial or 501(c)(3) nonprofit organization	Issue bonds for private industrial development	Tax exempt bonds
PSD	Cities, villages and urban townships	Commercial area with at least 10 retail businesses	Designated as a principal shopping area in master plan	Improvement of highways and walkways; promotion; parking, maintenance, security or operation	Bonds, special assessments
BID	One or more cities, villages or urban townships with an urban design plan	Commercial or industrial area with boundaries established by resolution	Designated as a BID by one or more municipalities by resolution	Improvement of highways and walkways; promotion; parking, maintenance, security or operation	Bonds, special assessments, gifts, grants, municipal funds, other
BIZ	Cities or villages	Majority of parcels must be assessable	Signatures of not less than 30 percent of property owners in designated zone	Park areas, streetscape, lighting, security	Special assessment