

# 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

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

## Other Financial Tools

	Authorized municipalities	Limitations	Requirements	Eligible projects/activities	Funding sources
EDC (Economic Development Corporation)	Cities, villages, and townships	Industrial and commercial areas	Industrial or 501(c)(3) nonprofit organization	Issue bonds for private industrial development, nonprofit corporations, and transit	Bonds; grants
PSD (Principal Shopping District)	Cities, villages, and urban townships	Commercial are 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; gifts; grants; municipal funds, other sources
BID (Business Improvement District)	Cities, villages, or urban townships with an urban design plan	Commercial or industrial area	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 sources
BIZ (Business Improvement Zone)	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; plants; vegetation; and beautification activities	Special assessment; gifts

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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<sup>1</sup> 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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<sup>1</sup> 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.

- 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.

- 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.