

## 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 pages 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

	<b>Authorized municipalities</b>	<b>Limitations</b>	<b>Requirements</b>	<b>Eligible projects/activities</b>	<b>Funding sources</b>
<b>DDA (Downtown Development Authority)</b>	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
<b>LDFA (Local Development Financing Authority)</b>	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
<b>BRA (Brownfield Redevelopment Authority)</b>	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
<b>CIA (Corridor Improvement Authority)</b>	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
<b>NIA (Neighborhood Improvement Authority)</b>	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
<b>Waterfront TIF</b>	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 Financing Tools

	<b>Authorized municipalities</b>	<b>Limitations</b>	<b>Requirements</b>	<b>Eligible projects/activities</b>	<b>Funding sources</b>
<b>EDC</b> <b>(Economic Development Corporation)</b>	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
<b>PSD</b> <b>(Principal Shopping District)</b>	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; gifts; grants; municipal funds, other sources
<b>BID</b> <b>(Business Improvement District)</b>	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
<b>BIZ</b> <b>(Business Improvement Zone)</b>	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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