

Economic Development Tools—Neighborhood Improvement Authority

Introduction

A Neighborhood Improvement Authority (NIA) allows the use of tax increment financing to fund residential and economic growth in a residential neighborhood.

Authorizing Legislation

PA 57 of 2018, MCL 125.4101 et seq., authorizes a city or a village to create one or more NIAs.

What Is the Purpose of the Act?

The Act uses tax increment financing (TIF) to promote economic development. A NIA is designed to assist economic development and redevelopment in residential neighborhoods. It allows communities to combine tax dollars from a variety of sources to leverage economic development dollars.

How Can this Act be Used?

Specifically, this Act allows TIF to be used for residential and economic growth in residential districts in cities and villages. Local units can use taxes arising from increased property values through TIF to pay for public improvements to the residential neighborhood. Residential neighborhood improvements include housing, streets, pedestrian malls, and many other public facilities. These improvements may be financed initially through bonding, which may be repaid from the enhanced property tax revenue stream.

How Is this Act Different?

This Act is the first usage of TIF for residential neighborhoods. Because this Act's provisions are similar to the Historic Neighborhood Tax Increment Finance Authority Act (PA 530 of 2004) which applies to historic districts, a residential district or development area created pursuant to the Neighborhood Improvement Authority Act may not include an area already covered by a historic neighborhood authority. The second difference is that the opt-out opportunity for other taxing units occurs during the plan adoption process instead of the Authority creation process.

What Are the Financing Options?

- Tax increment revenues
- Revenues from property of an authority
- Sale of revenue bonds
- Sale of bonds payable from the tax increment revenue issued by the NIA
- Sale of bonds primarily payable from the tax increment revenue issued by the authority and pledging the full faith and credit of the municipality

Establishing a Neighborhood Improvement Authority

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

1. The municipality initiates the establishment of a NIA 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 and designating the boundaries of the NIA.
3. Notice must be given of the public hearing by publication and posting within the district. It must also be mailed 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 district.
5. Not less than 60 days after the hearing, the municipality shall adopt the ordinance establishing the NIA and designating the boundaries of the development area.
6. The ordinance shall be filed promptly with the Secretary of State and published once in a local newspaper.
7. Land may be added or deleted from a district pursuant to the same requirements prescribed for adopting the ordinance creating the NIA.
8. The municipality shall appoint the members of the NIA board, a majority of which must be property or business owners in the development area, and at least one of whom must either live within the district or within ½ mile of the development area.

Reporting Requirements

See p 4-6 (attached to this Fact Sheet) for 2019 reporting and public informational meeting requirements.

Provisions of the Neighborhood Improvement Authority Act

- Authorizes a city or village to create one or more Neighborhood Improvement Authorities by ordinance after providing notice and holding a public hearing. The local unit shall also designate the development area boundaries by the ordinance.
- Provides for the supervision and control of an authority by a board that includes the city or village chief executive officer and five to nine members appointed by the chief executive, subject to the approval of the local governing body. (The local governing body decides the size of the authority board.) A majority of the board must be individuals with an ownership or business interest in property in the development area. One member must reside in the development area or within 1/2 mile of the development area.
- Allows a board to hire a director to serve as chief executive officer of the authority, subject to the approval of the city or village governing body and other personnel as it feels necessary.
- Allows an authority to prepare and submit to the city or village governing body a tax increment financing plan, which must 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. The governing body of another taxing jurisdiction may, by resolution, exempt its taxes from capture during the plan adoption process.
- Protects separate millages for public libraries against capture by a TIF at the request of the local library board.
- Provides for the financing of authority activities, including borrowing money and issuing bonds. The authority could issue negotiable revenue bonds under the Revenue Bond Act and could, with local unit approval, issue revenue bonds or notes to finance all or part of the costs of acquiring or constructing property. The local unit is not liable on such debt.
- Allows an authority to authorize, issue, and sell bonds to finance a TIF plan's development program. A city or village 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.
- Requires a city or village to dissolve an authority after it has completed its purpose and provides that the authority's property and assets remaining after the satisfaction of its obligations would belong to the local unit.

- Allows the governing body, at the request of the NIA Board, from time to time to amend either the development or TIF plans. It may also amend the boundaries of the NIA district. However, caution should be taken amending the plan as the other taxing units (county, library, etc.) may opt out.
- Restricts the duration of a neighborhood tax increment financing authority to 30 years. However, the governing body of a local unit authorizing it could extend its duration by resolution, if the purposes for which the authority was created still exist.

Neighborhood Improvement Authority Board Powers

- Preparing an analysis of economic changes taking place in the development area.
- Studying and analyzing the impact of metropolitan growth upon the development area.
- Planning and proposing the construction, renovation, repair, remodeling, rehabilitation, restoration, preservation, or reconstruction of a public facility, an existing building, or a multiple-family dwelling unit for a plan that the board believes will aid in the development area's residential and economic growth.
- Planning, proposing, and implementing an improvement to a public facility within the development area to comply with barrier free design requirements of the state construction code.
- Developing long-range plans, in cooperation with the local unit's planning agency, designed to promote residential growth in a residential district; promoting economic growth in the development area; and taking steps to persuade property owners to implement the plans to the fullest extent possible.
- Implementing in the development area any plan, including low-income housing, necessary to achieve the purposes of the Act.
- Making and entering into contracts to exercise its powers and the performance of its duties.
- Acquiring, owning, conveying, or otherwise disposing of, or leasing land and other real or personal property necessary to achieve the purposes of the Act, and granting or acquiring licenses, easements, and options.
- The ability to improve land and construct, reconstruct, rehabilitate, restore and preserve, equip, clear, improve, maintain, repair, and operate any public facility, building (including multiple-family dwellings), and any necessary or desirable appurtenances, within the development area for a public or private use.
- The ability to fix, charge, and collect fees, rents, and charges for the use of any facility, building, or property it controls and pledge the collections for the payment of revenue bonds issued by the authority.
- Lease, in whole or in part, any facility, building, or property under the Authority's control.
- Accepting from public and private sources, grants and donations of property, labor, or other things of value.
- Acquiring and constructing public facilities.

Definitions

Public facility: housing; a street, plaza, or pedestrian mall, and any improvements to them; park; parking facility; recreational facility; right of way; structure; waterway; bridge; lake; pond; canal; utility line or pipe; or building, including access routes designed and dedicated to public use or used by a public agency.

Residential district: an area where 75 percent or more of the area is zoned for residential housing.

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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 authorities¹ 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.

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.

- 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.