I. Introduction to Tax Increment Financing (TIF)

TIF is a critical funding tool used by Downtown Development Authorities throughout the state. For several years, there have been various efforts to change the existing DDA law and introduce legislative reforms for TIF into the Michigan House of Representatives. It is anticipated that these amendments will also be "tie-barred" to provide for similar amendments to Local Development Finance Authorities (LDFAs), Corridor Improvement Authorities (CIAs) and Brownfield Redevelopment Authorities (BRAs).

The DDA Law was amended in 1994. The amendment allows taxing jurisdictions to "opt-out" and restrict their taxes from capture when new DDAs are established, and old ones seek to expand their TIF district. Many taxing jurisdictions have developed policies and standards to review local requests to capture tax within the existing DDA and tax capture laws. The MDA believes that the current opt-out provisions provided by law are working well and revisions could produce unintended results that hinder economic development efforts. The 1994 amendment also prohibits the capture of K-12 schools taxes.

DDAs use of TIF as a funding mechanism aligns with the Michigan Economic Development Corporation (MEDC) and their "place-making" programs designed to foster economic development in downtowns. We support full accountability by DDAs and encourage communities to embrace the National Main Street Four-Point Approach for managing their downtowns. In Draft #6 of the proposed House Bill, we support the sections that outline more accountability. Finally, we encourage all Michigan legislators to study the existing law and understand its full potential.

II. Tax Increment Financing Basics

- A tax increment is the difference between the amount of property tax generated when the TIF district was created and the incremental increase generated after that base year.
- TIF funds are only captured and spent within the TIF district. TIF is not an additional or new tax; it is a redirecting and focusing of tax revenue already being collected.
- Taxes collected from residents and businesses outside of the TIF district are not captured for use within the district.
- TIF allows other taxing jurisdictions to partner with a community by investing its share of incremental revenue into the TIF District. These are dollars that would otherwise not be retained in the community.
- There are a number of "Authorities" enabled under state law that utilize TIF as a funding mechanism including Downtown Development Authorities, Corridor Improvement Authorities, Local Development Finance Authorities, Tax Increment Financing Authorities and Brownfield Redevelopment Authorities?.

III. How TIF Funds are utilized by DDAs

Michigan downtowns have used TIF since 1975. This tried-and-true economic development tool is used across the entire United States. DDAs reinvest TIF funds back into the downtown district through legislatively enabled purposes including:

- Infrastructure improvements to streets, sidewalks, lighting, sewer and water.
- Revitalization of vacant and underutilized properties.
- Comprehensive management to maximize downtown's economic potential.
- Business retention and attraction programs and business incubators.
- Safety and security programs and systems.
- Façade improvements.
- Marketing and promotional events.
- "Place-making" efforts that improve quality of life for the benefit of the entire community and the State in efforts to retain residents, attract talent and investment

The power of TIF is that it allows municipalities to direct funds to engage in specific, critical economic development activities without raising local property taxes.

IV. What Current DDA Law Already Requires or Allows

- The Authority or municipality may exclude, from captured assessed value, growth in property value resulting solely from inflation. The Plan shall set forth the method for excluding growth in property value resulting solely from inflation. Sec 125.1664, Sec 14 (1).
- Before the public hearing on the TIF plan (including amendments), the governing body shall provide a reasonable opportunity, to the taxing jurisdictions levying taxes subject to capture, to meet with the governing body. The authority shall fully inform the taxing jurisdictions of the fiscal and economic implications of the proposed (or amended) development area. The taxing jurisdictions may present their recommendations at the public hearing on the TIF plan. Sec 125.1664, Sec 14 (4).
- The Authority may enter into agreements with the taxing jurisdictions and the governing body of the municipality in which the development area is located to share a portion of the captured assessed value of the district. Sec 125.1664, Sec 14 (4).
- A TIF plan may be modified if the modification is approved by the governing body upon notice, and after public hearings and agreements, as are required for approval of the original plan. Sec 125.1664, Sec 14 (5).
- The governing body, before adoption of an ordinance approving or amending a development plan or approving or amending a TIF plan, shall hold a public hearing on the development plan. Sec 125.1668, Sec 18 (1).

V. Proposed TIF Changes

The MDA supports the opt-out provisions of the 1994 amendment because new DDAs being established, and old ones expanding, are able to plan within the framework of the opt-out. We encourage very careful consideration before changing the rules for established DDAs that have built strong downtowns and will continue to need TIF into the future.

The MDA is opposed to the proposed legislation which would create new “opt-out provisions” for any taxing jurisdiction that has partnered with the DDA should any one of the following "qualified administrative actions" occur:

- Refinancing of an existing obligation.
- Any alteration of the existing DDA TIF boundary.
- Any extension of the duration of the TIF plan.

By creating these new "opt-out provisions," virtually all contributors to the DDA, and other tax-capture entities, like Brownfield Redevelopment Authorities, Local Development Finance Authorities, and others, potentially would exit the financial partnership.

This opt-out action, for established DDAs, would essentially "de-fund" DDAs and the other tax-capture entities, eliminating these successful economic development programs from our downtowns, brownfields, industrial districts and other improvement zones.

The MDA is opposed to “the sharing of tax increment financing revenues on a proportional basis” (known as “gain sharing”) as described in Draft #6.

The proposed new “opt-out provisions” together with the proposed TIF revenue “sharing” are extremely negative and will further “defund” DDAs in an extremely negative manner.

VI. Examples of TIF Successes

- In 2012, twelve Oakland County Main Street communities reported over $6 million in TIF funds helped spur over $38 million in private sector investment, 435 new jobs , 45 new businesses, 189 new housing units and 199 rehabbed buildings.
- In 2013, ten Main Street Oakland County downtowns had an overall average occupancy rate of 97 percent.
- Since 2000, TIF funds were utilized in many Oakland County downtowns including Rochester, Ferndale, Farmington, Lake Orion, Pontiac, Clawson and Holly for new streets, sidewalks, lighting, traffic signals and pedestrian improvements.

VII. How DDA's Contribute to Communities

- Jobs: The majority of businesses downtown have fewer than 50 employees. These small businesses continued to create new jobs throughout “the Great Recession,” even while big business laid off over 1.8 million positions.
- Economy: The majority of downtown businesses are locally owned. For every $100 spent in a locally owned business, $73 remains in the community for wages, taxes, supplies, donations, and business services. Comparatively, only $43 spent in large corporate-owned businesses stays in the community.
- Infrastructure: Taxpayers have already invested in downtown infrastructure; it doesn't make sense to let that investment deteriorate.

- Environment: Downtowns are densely developed with historic buildings that encourage non-motorized trips by residents.
- High-density districts reduce vehicle miles traveled and travel-related CO_2 emissions.
- Rehabilitation creates less landfill debris than new construction and preserves green fields.
- High density districts create more tax revenue and jobs per acre than big-box retailers and large shopping centers.
- Buildings & Structures / Size & Rents: Downtowns are often comprised of historic buildings that have smaller floor areas. These smaller spaces allow commercial rents to often be less expensive, which is conducive to start-up businesses.
- On-Going Management To Maximize Economic Potential: Downtowns – like any shopping mall or business – must be managed. This management is ongoing, requires comprehensive community involvement, and is transparent. And, this management process is needed to build and maintain vibrant economic development in the downtowns. A healthy downtown is an important asset for the entire community. DDAs most often provide this kind of on-going management. Just like painting the Mackinaw Bridge, the job is never done because it is an endless cycle of starting anew.
- Place-making: Governor Snyder has recognized the importance of place-making and quality of life assets when attracting talented workers to the State. Vibrant downtowns and commercial corridors provide an identity for the entire community. If allowed to deteriorate by neglect and limited resources, downtowns develop blight that spreads into surrounding neighborhoods.
- "I don't separate place making from economic development. They are intertwined." -- Gov. Rick Snyder, Address to MML Board of Trustees, Jan. 22, 2011.

VIII. Items Provided By MDA to Encourage More Accountability, Included in Draft #6

- Create, operate, and regularly maintain a quality website with all authority records and documents.
- Minutes of all Board Meetings.
- Annual budget.
- Annual budget Audits.
- Currently Adopted Development Plan.
- Currently Adopted TIF Plan.
- List of All DDA Sponsored and Managed Events.
- Authority Staff Contact Information.
- All Promotional and Marketing Materials.
- Other documents related to management of the Authority.
- Each year the Board will hold an Annual Town Meeting, inviting all community residents, all businesses located in the district, all property owners in the district, and all taxing jurisdictions which contribute tax increment revenues. The purpose of the Town Meeting will be to highlight all of the successes and statistics over the past year and projects accomplished, events held, promotional and marketing programs undertaken, property tax valuation from the previous year, and other items.

- Each year, the Authority shall disclose on its internet website the amount of tax increment revenues captured for each taxing jurisdiction that levies ad valorem property taxes or specific local taxes within the boundaries of the Authority.
- Annually the Authority shall submit to the governing body of the municipality, the governing body of a taxing jurisdiction levying ad valorem property taxes subject to capture, and the state tax commission a report on the status of the tax increment financing account. The report shall be published in a newspaper of general circulation in the municipality.
- The amount and source of revenue in the account.
- The amount in any bond reserve account.
- The amount and purpose of expenditures from the account.
- The amount of principal and interest on any outstanding bonded indebtedness.
- The initial assessed value of the project area.
- The captured assessed value retained by the Authority.
- The tax increment revenues received.
- The number of jobs created as a result of the implementation of the TIF Plan.
- Total amount of new public investment in the downtown district.
- Total amount of new private investment in the downtown district.
- Total amount of new jobs created and jobs lost in the downtown district.
- Total amount of new businesses established and businesses that left the downtown district.
- Total amount of new buildings constructed and new additions within the downtown district.
- Total amount of new housing units established in the downtown district.
- Total amount of sponsorships, cash and in-kind, received for events, programs, and projects within the downtown district.
- Any additional information the governing body or the state tax commission considers necessary.

Use your success in your community and any of the above eight points to create your own talking points.