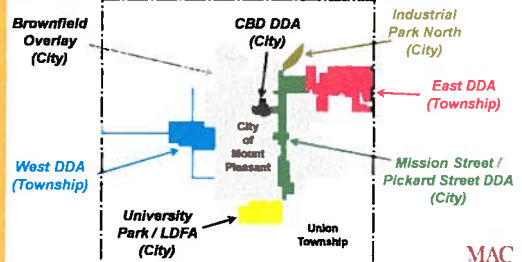


## Local Tax Capture Policy Impact on County Government Resources

House Tax Policy  
Committee  
February 5, 2014

MAC

## Tax Capture Districts in Isabella County



MAC



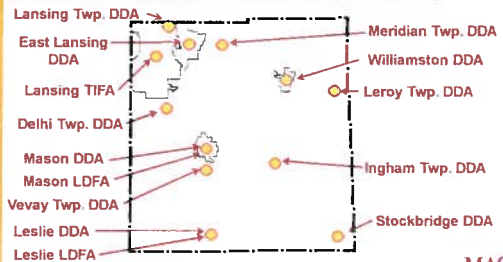
## Department of Treasury

"There are 11 different public acts that allow creation of tax capture authorities, but of the approximately 1,000 in Michigan, most are downtown development authorities (390) or brownfield authorities (about 300). Of the 395 DDAs formed since the act was enacted, only five have disbanded."

Jim Mills, Michigan Department of Treasury  
Bureau of Local Government Services (April, 2013)

MAC

## Tax Capture Districts in Ingham County



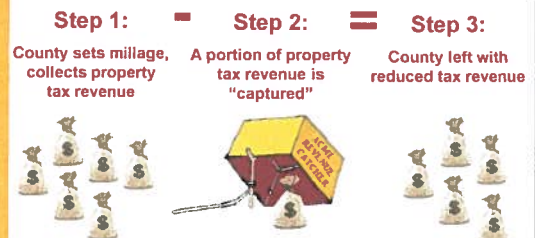
MAC

## 1994 Statutory Amendment: A Positive Step Toward Fairness

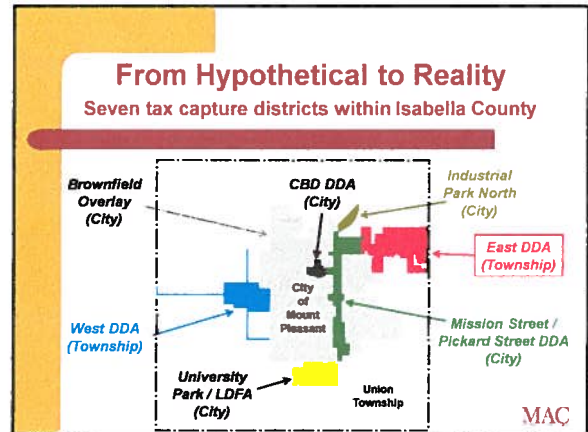
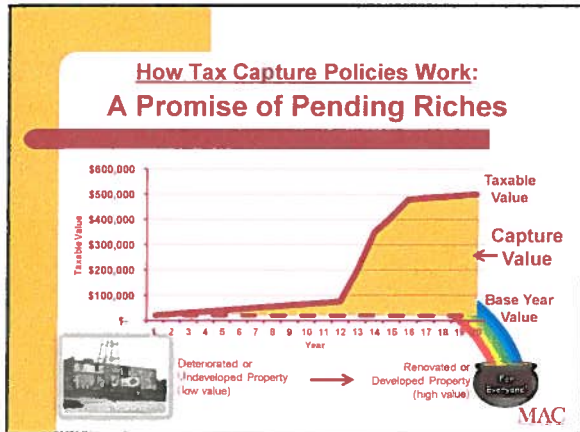
MCL 125.1653(3): Not more than 60 days after a public hearing held after February 15, 1994, the governing body of a taxing jurisdiction levying ad valorem property taxes that would otherwise be subject to capture may exempt its taxes from capture by adopting a resolution to that effect and filing a copy with the clerk of the municipality proposing to create the authority.


MAC

## How Tax Capture Policies Work: The Tax Capture Formula



MAC

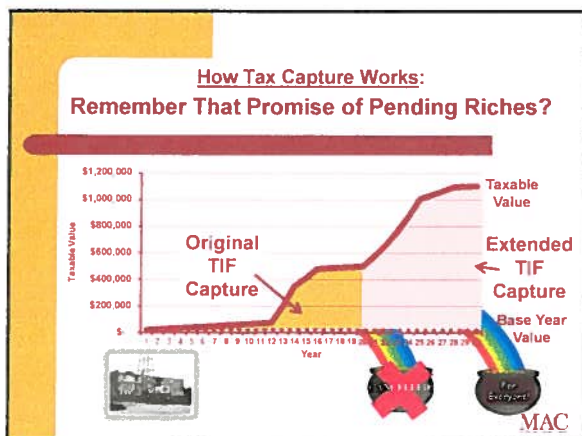
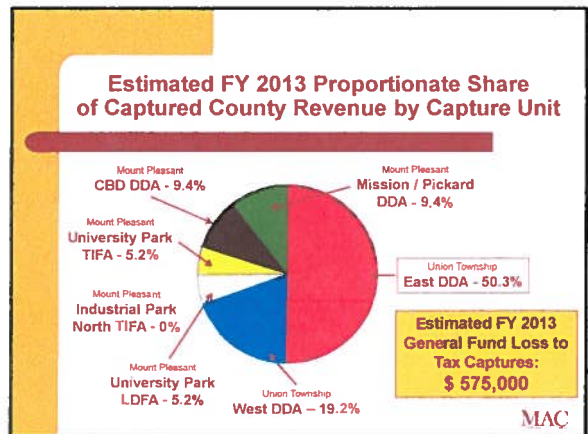


 **Department of Treasury**

"What is really most common ... is that when (municipalities) have those sunset dates that they put in (the TIF plans) originally, as they approach (the sunset dates), they just amend them and extend them. They never really end."

Jim Mills, Michigan Department of Treasury  
Bureau of Local Government Services (April, 2013)

MAC



### Welcome to Downtown Union Township (East)

Est. November 21, 1985

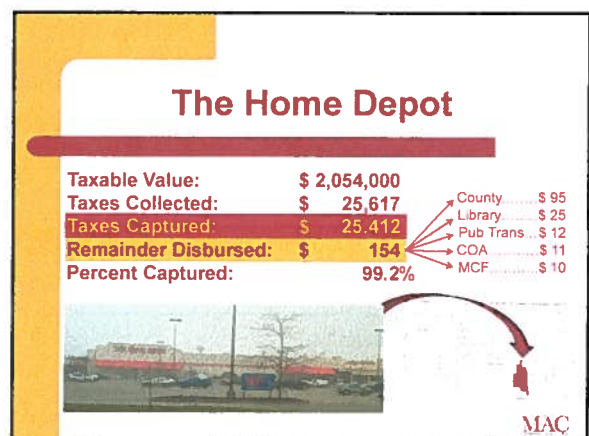
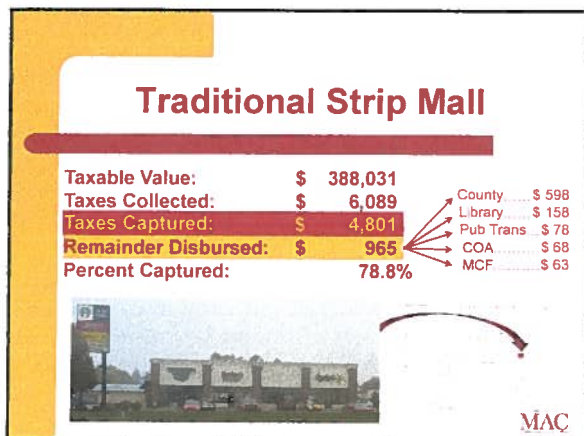
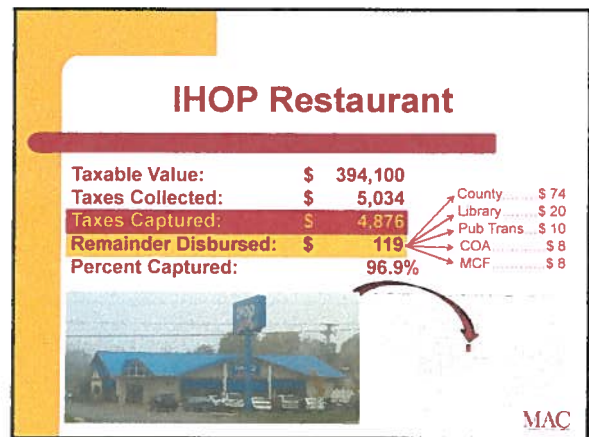
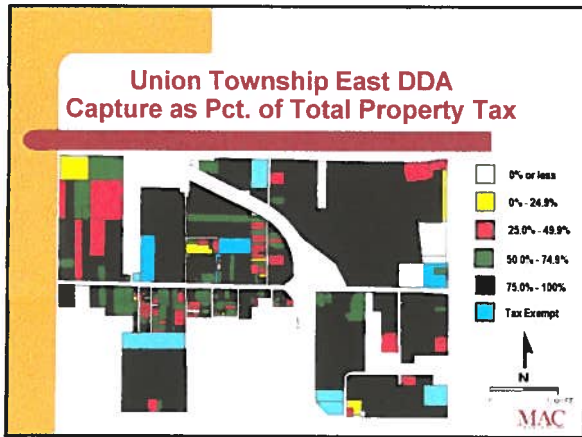
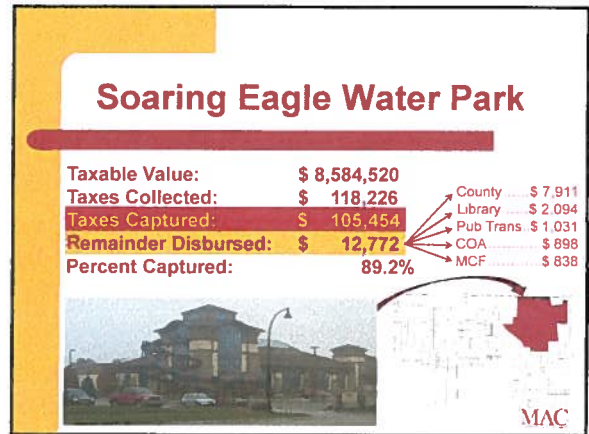
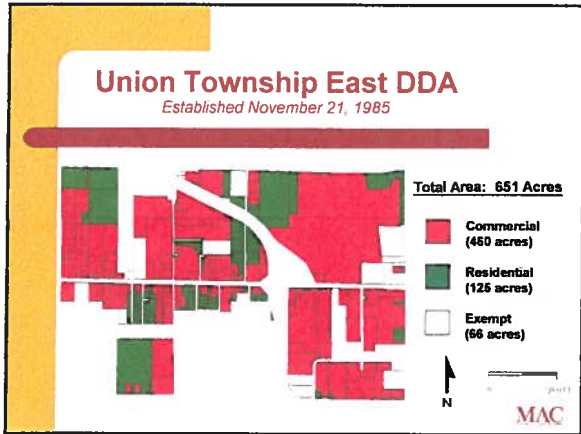
**Key Dates in East DDA History**

- Established November 21, 1985
- Re-established May 21, 1991
- Amended November 19, 2011 (Extended to December 31, 2021)

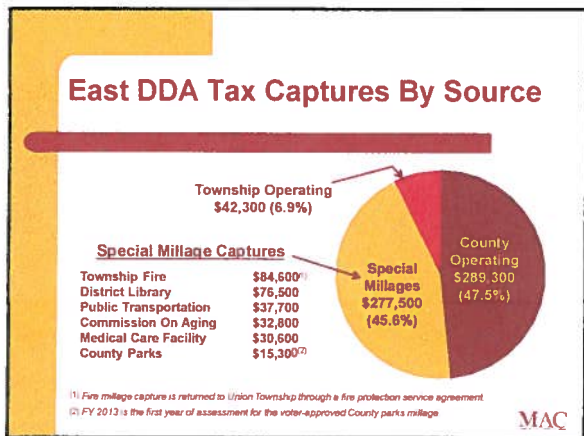
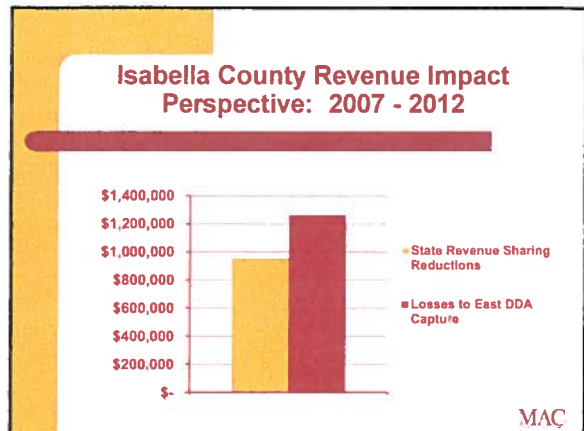
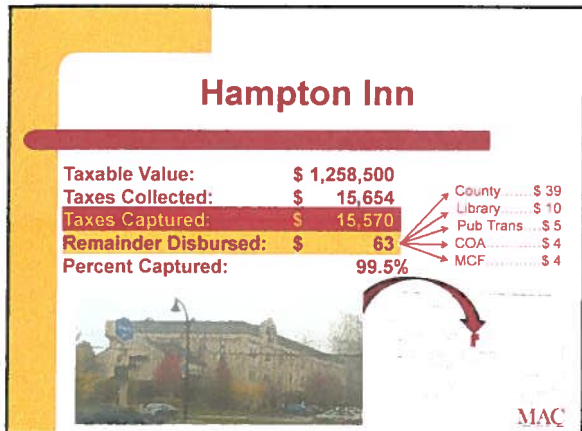
**Victims of East DDA Tax Capture**

- Isabella County
- District Library
- Transportation Authority
- Commission on Aging
- Medical Care Facility
- Parks and Recreation (2013)

MAC







### TIF Uses and Abuses

**MCL 125.1665(2):** The authority shall expend the tax increment revenues received for the development program only pursuant to the tax increment financing plan. **Surplus funds shall revert proportionately to the respective taxing bodies.** These revenues shall not be used to circumvent existing property tax limitations. **The governing body of the municipality may abolish the tax increment financing plan when it finds that the purposes for which it was established are accomplished.** However, the tax increment financing plan shall not be abolished until the principal of, and interest on, bonds issued pursuant to section 16 have been paid or funds sufficient to make the payment have been segregated.

MAC

### Ten-Year Cumulative Impact on Taxing Jurisdictions (2012 – 2021)

Isabella County	\$3,333,884
Isabella County Commission on Aging	\$379,498
Isabella County Transportation Commission	\$491,694
Isabella County Parks and Recreation	\$153,180
Medical Care Facility	\$354,199
Chippewa River District Library	\$873,049
Charter Township of Union (Operating)	\$503,029
Charter Township of Union (Fire)	\$999,569
<b>TOTAL</b>	<b>\$7,088,102</b>

SOURCE: Amendment to Tax Increment Finance and Development Plan of the Union Township East Downtown Development Authority, October 11, 2011.

MAC

### Charter Township of Union Component Units - East Downtown Development Authority STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended December 31, 2011

	Operating
<b>REVENUES</b>	
Property taxes	\$ 570,112
Interest	2,614
Other	1,275
<b>TOTAL REVENUES</b>	<b>582,901</b>
<b>EXPENDITURES</b>	
Current	
Community and economic development	260,139
<b>NET CHANGE IN FUND BALANCE</b>	<b>322,762</b>
Fund balance, beginning of year	308,923
Fund balance, end of year	\$ 631,685

SOURCE: Charter Township of Union Annual Financial Statements and Auditors' Report, December 31, 2011.

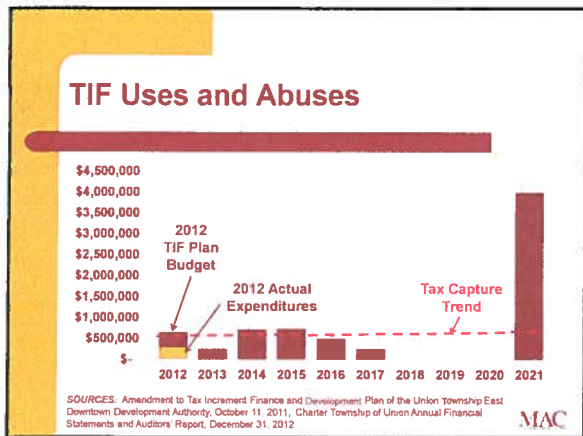
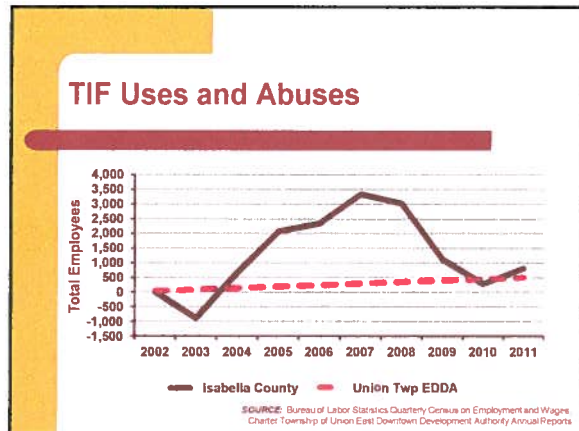
MAC

**Charter Township of Union**  
**Component Unit - East Downtown Development Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended December 31, 2012**

	Dollars
<b>Revenues</b>	
Taxes	\$ 452,234
Interest income	2,643
Other revenue	1,920
<b>Total revenues</b>	<b>456,797</b>
<b>Expenditures</b>	
Current	
Community and economic development	296,026
<b>Net change in fund balance</b>	<b>160,771</b>
Fund balance - beginning of year	651,616
<b>Fund balance - end of year</b>	<b>\$ 812,387</b>

SOURCE: Charter Township of Union Annual Financial Statements and Auditors' Report, December 31, 2012

**MAC**



### TIF Uses and Abuses

**MCL 125.1653(1):** When the governing body of a municipality determines that it is necessary for the best interests of the public to halt property value deterioration and increase property tax valuation where possible in its business district, to eliminate the causes of that deterioration, and to promote economic growth, the governing body may, by resolution, declare its intention to create and provide for the operation of an authority.

**MAC**

### TIF Uses and Abuses

**MCL 125.1665 (3)** Annually the authority shall submit to the governing body of the municipality 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 and shall include the following:

**(h) The number of jobs created as a result of the implementation of the tax increment financing plan.**

**MAC**

### TIF Uses and Abuses

DDA Act authorizes establishment of a DDA upon a factual finding of a deterioration in value of a significant number of parcels in the downtown district.

A municipality is not authorized to establish a DDA based on a deterioration of one or two parcels of property within the downtown district.

OAG No 6558 (1989)

**MAC**

## TIF Uses and Abuses

**Union Township  
East DDA**

Taxable Value		
1991	2011	Percent Change
\$ 8,624,667	\$ 50,980,771	591.1%

Parcels		
Total	With Decreased Taxable Value	Total Value Reduction
305	5	\$37,760 (0.07%)

MAC

## TIF Uses and Abuses

MCL 125.1664 (1) ...The plan may provide for the use of part or all of the captured assessed value, but the portion intended to be used by the authority shall be clearly stated in the tax increment financing plan....

(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.

MAC

## TIF Uses and Abuses

"Everybody's legal finding is that, under state law, you should capture any and all assessments."

Taylor Mayor Jeffrey Lamarand  
The Detroit Free Press - January 21, 2013

MAC

## TIF Uses and Abuses

Taylor Mayor Jeffrey Lamarand acknowledged that voters in Taylor, as in the rest of the tri-county area, surely didn't know that DDAs would capture part of the tax collected for the zoo. "But whose responsibility was it to educate the voters?" Lamarand said.

The Detroit Free Press, January 21, 2013

"We followed the letter of the law notifying taxing jurisdictions, but did not go out of our way to make sure they knew about the City's intentions."

Mayor William Wild, City of Westland  
MAP Planning Michigan Conference - October 4, 2013

MAC

## TIF Uses and Abuses

District	Estimated FY 2013 County Operating Millage Capture	Percent of Eligible Capture	
East DDA	289,300	100.8%	Union Township Total = \$389,900
West DDA	110,600	100.0%	
University Park LDFA	29,900	28.1%	Mount Pleasant Total = \$175,100
Industrial Park North	-	0.0%	
University Park TIFA	30,000	28.2%	
CBD DDA	54,300	77.0%	
Mission/ Pickard DDA	60,900	24.5%	
<b>TOTAL</b>	<b>\$ 575,000</b>	<b>62.1%</b>	

MAC

## TIF Uses and Abuses

"We extended our DDA TIF 20 years to fund a new city hall because the general fund could not support the cost."

"We bonded city hall construction to assure tax capture would not be rescinded."

Mayor William Wild, City of Westland  
MAP Planning Michigan Conference - October 4, 2013

MAC

## TIF Uses and Abuses

"The public purpose of achieving development and keeping it from decay has been met."

"(The definition of a DDA) was stretched pretty far. But it's within the letter of the law."

Union Township Supervisor John Barker  
Bridge Magazine, January 19, 2012

MAC

## Direct Impact of TIF

"No dollars are lost to any taxing jurisdiction because those new tax dollars would not have been possible without the creation of the authority in the first place. This is new money that would not be there otherwise."

Nikki Brown, Legislative Associate  
Michigan Municipal League  
April, 2013

MAC

## TIF Uses and Abuses

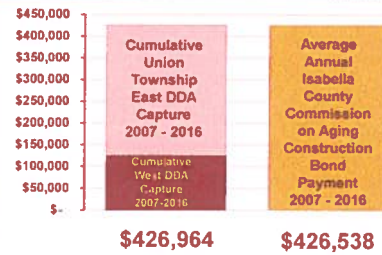
"The needs of downtown don't end. Given a choice, the public is going to opt for firemen and not downtown."

"Groups suffering tax capture (MAC, MCCA, MLA) are complaining the most. Why is this now an issue?"

Arthur Mullen, Michigan Downtown Association  
MAP Planning Michigan Conference - October 4, 2013

MAC

## Direct Impact of TIF



\$426,964

\$426,538

MAC

## Direct Impact of TIF

"DDAs are not about flowerboxes and lighting..."

Union Twp, EDDA



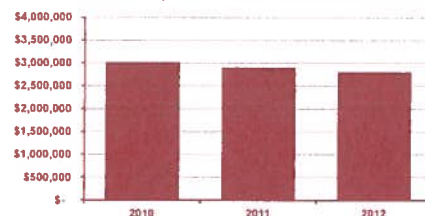
↓  
"Since the zoo (millage) tax was enacted, Taylor's DDA has put up ornamental fencing, improved crosswalks and installed better streetlights in the shopping district."

The Detroit Free Press, January 21, 2013

Nikki Brown, Legislative Associate  
Michigan Municipal League  
April, 2013

## Direct Impact of TIF

Ingham County General Fund  
Tax Capture Trend: 2010 - 2012

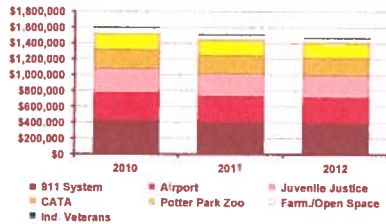


MAC



## Direct Impact of TIF

### Ingham County Voted Millage Capture



MAC

## Direct Impact of TIF

Property values of TIF-adopting municipalities grow at same rate as *or even less than* in non-adopting municipalities.

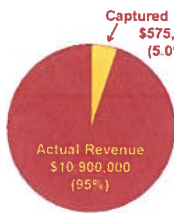
Commercial TIF districts tend to *reduce* property value growth in non-TIF part of same municipality.

Richard F. Dye and David F. Merriam  
*The Effects of Tax Increment Financing on Economic Development*  
 August, 1999

MAC

## Direct Impact of TIF

### Isabella County



### Ingham County



Fiscal Year 2012

MAC

## Direct Impact of TIF

TIF subsidies might help growth within the district, but *hurt* growth outside the district by a larger amount.

Richard F. Dye and David F. Merriam  
*The Effects of Tax Increment Financing on Economic Development*  
 August, 1999

MAC

## Direct Impact of TIF

"DDAs are proven economic development engines that provide stewardship, and guide investment strategies that enhance economic vitality, and increase the taxable value of not just downtowns, but the surrounding neighborhoods and regions."

Michigan Downtown Association Web Page  
 Downloaded January 29, 2014

MAC

## Ideas for Legislative Reform

- Allow for County opt-out when TIF plan expires
- Enforce statutory determination of need
- Reserve a seat at the table for "contributors"
- Reset base year taxable value upon renewal
- Discontinue collection of special millages
- Enforce automatic return of surplus funds
- Audit statutory reporting data
- Require modified tax billing

MAC



## Contact Information

**Deena Bosworth**  
Director of Governmental Affairs  
[bosworth@micounties.org](mailto:bosworth@micounties.org)  
517-282-1647 (c)

935 N. Washington Avenue  
Lansing, MI 48906  
[www.micounties.org](http://www.micounties.org)  
517-372-5374 (o)  
517-482-4599 (f)

**Timothy J. Dolehanty**  
Ingham County Controller/Administrator  
[tdolehanty@ingham.org](mailto:tdolehanty@ingham.org)  
517-676-7206 (o)

341 S. Jefferson Avenue  
Mason, MI 48854  
[www.ingham.org](http://www.ingham.org)  
517-676-7200 (o)  
517-676-7306 (f)

MAC