michigan municipal league

208 N Capitol Avenue, First Floor
Lansing, MI 48933-1354

T 800.653.2483
F 517.372.7476
mml.org

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The Honorable Rick Snyder
Governor, State of Michigan
P.O. Box 30013
Lansing, MI 48909

Dear Governor Snyder,

I am writing you today on behalf of the more than 520 city, village and township members of the Michigan Municipal League to express our opposition to allowing libraries to opt-out of tax capture from local tax increment finance (TIF) authorities as proposed within Senate Bills 619-624, and urge you to reject this legislation.

Passage of this package undermines the time and effort of the TIF workgroups put together at the request of and led by your Administration. Stakeholders used this workgroup process to take a close look at Downtown Development Authorities (DDA) and other TIF authority successes and challenges. Staff from TED/MEDC and your policy office directly led these workgroups in an effort to determine the data needed to make sound recommendations on legislative policy changes. This course of action, data collection and evaluation, was agreed upon by the various organizations being represented in the workgroups, including municipalities, counties, other taxing jurisdictions, state agency staff, legislative policy staff and others. Under current law, access to the relevant data is limited, and as such, other bill packages addressing this critical component were introduced by both chambers during the just-ended legislative session. Both Senator Horn (SB 1026) and Representative Chatfield's (HB 5851-5856) proposed legislation focused on reporting and transparency measures. The TIF library opt-out package before you does not include any reporting or transparency reform and due to the piecemeal nature of this proposal, a library-only carve out was never even a consideration within the context of the broader workgroup process and conversation.

Tax capture authorities, like Downtown Development Authorities, are the only local economic development efforts taking place in many communities driving "main street" local-focused projects. This legislation will force authorities to delay or reconsider projects needed to maintain and attract business and talent to their communities. These important projects drive local economic progress and aid in regional and state prosperity. Nine of the ten *Project Rising Tide* communities have a tax capture authority that is vital to their economic development efforts. In region 8, the Village of Paw Paw's DDA contributed $25,000 toward the demolition of the library to assist in the development of a new, updated library building. In East Lansing, their DDA tax capture helps fund a Maker Space within their library that promotes STEM programming. With passage of this package of bills,

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partnerships between these authorities and libraries will be threatened and end future collaborative efforts needed to help communities be better positioned for development opportunities.

As this proposal was being considered, Senate Bill 579 addressing the Brownfield Redevelopment Act, was removed from the package at the last minute. This action implies it is acceptable to capture library taxes to reimburse private development costs, but capture for public infrastructure is not. Tax capture is a critical funding mechanism for infrastructure and economic development in communities all over this state. For example, the City of Grand Ledge's DDA recently borrowed over $2 million to reconstruct its library parking lot. The DDA also provided the library with a $16,000 grant for renovations to provide ADA access to its historic building in 2016. The contribution of the Grand Ledge library for this significant project is the $30,000 in tax capture the DDA receives from the library millage. The library is directly benefiting from the DDA capturing a small percentage of their millage. The parking lot project is in the final phase of planning and design, but is now on hold because of the uncertainty of the DDA being able to continue to collect the library millage in light of these bills. Exempting the library millage from capture puts the DDA's ability to pay back already bonded debt, as well as any future projects, in jeopardy. This same situation is happening in communities across the state, and if this legislation becomes law, projects will not move forward.

Senate Bills 619-624 set a grievous precedent for other entities to continue the piecemeal dismantling of local economic development efforts. Other taxing jurisdictions will request similar carve-outs such as community colleges, recreational authorities, transit/transportation authorities, counties, etc. All of whom benefit as a region, when the efforts of the DDA pay off like it did when Switch chose to locate their new data center in Kent County because of the vibrancy experienced in downtown Grand Rapids. The Municipal League is not opposed to addressing the special purpose millage issue going forward, but as the Administration's workgroups concluded, a comprehensive approach to reform is fundamental. The League has proposed language to address this issue while working with Representative Chatfield and Senator Horn on their TIF legislation. Those approaches should be reintroduced in the new term and a solution that addresses specific purpose millages in a comprehensive way should be included, not just protecting one class from capture.

During the review of this package of legislation by municipal bond attorneys, the following legal concerns were also raised:

- Any library millage voted after 12/31/2016 is exempt from capture, regardless of whether an authority has any debt obligations outstanding. This reads that any renewal will not be captured unless a library agrees to the capture pursuant to a written agreement. Library boards are already passing resolutions that they want out of capture and this legislation has not even been signed in to law yet. Exempting from capture will put authorities with existing indebtedness and other outstanding obligations at high risk of default.
- If an authority updates or extends its TIF plan or amends its boundaries the library can opt out of the entire district, not just the added area as currently allowed by law, and can do so regardless of whether the authority has outstanding debt obligations. Again, this puts authorities with existing bonded indebtedness and other outstanding obligations at high risk

of default. It also sets a dangerous precedent for other taxing jurisdictions and entities to demand the same treatment creating financial uncertainty for authorizing municipalities which negatively influences business investors creating a damaging impact on economic prosperity.

The Michigan Municipal League urges you to consider these grave concerns as you review Senate Bills 619-624, and reject the proposed legislation as a piecemeal approach to TIF reform, creating financial uncertainty and undermining local economic development opportunities.

Respectfully,

Jennifer Rigterink
Legislative Associate for State Affairs