

LOCAL DEVELOPMENT FINANCING ACT (LDFA)

The Local Development Financing Act (LDFA), Public Act 281 of 1986, as amended, allows a city, village or urban township to utilize tax increment financing to fund public infrastructure improvements. The tool is designed to promote economic growth and job creation. Communities across Michigan have utilized this tool to extend sewer and water lines, construct roads, service manufacturing, agriculture processing or high technology operations.

WHO IS ELIGIBLE TO APPLY?

Any city, village or urban township, is eligible to create an LDFA district. An urban township is defined as any of the following:

Option 1 (all of the following):

- Has a population of 20,000 or more, or has a population of 10,000 or more but is located in a county with a population of 400,000 or more
- Adopted a master-zoning plan before February 1, 1987
- Provides sewer, water and other public services to all or a part of the township.

Option 2 (all of the following):

- Has a population of less than 20,000.
- Is located in a county with a population of 250,000 or more, but less than 400,000 and that county is located in a metropolitan statistical area.
- Has within its boundaries a parcel of property under common ownership that is 800 acres or larger and is capable of being served by a railroad and located within 3 miles of a limited access highway.
- Established an authority before December 31, 1998.

Option 3 (all of the following):

- Has a population of less than 20,000.
- Has a State Equalized Value (SEV) for all real and personal property located in the township of more than \$200 million.
- Adopted a master zoning plan before February 1, 1987.
- Is a charter township under the charter township act, Public Act 359 of 1947.
- Has within its boundaries a combination of parcels under common ownership that is 800 acres or larger, is immediately adjacent to a limited access highway, is capable of being served by railroad and is immediately adjacent to an existing sewer line.
- Established an authority before March 1, 1999.

Option 4 (all of the following):

- Has a population of 13,000 or more.
- Is located in a county with a population of 150,000 or more.
- Adopted a master zoning plan before February 1, 1987.

The following townships are eligible to be categorized as 'urban' based on both their and their respective county's population as of the 2000 Census. These townships must still meet the other required criteria to be considered 'urban.'

COUNTY	TOWNSHIP	TOWNSHIP POPULATION
Berrien	Benton	16,404
Eaton	Delta	29,682
Genesee	Davison	17,722
Genesee	Fenton	12,968
Genesee	Flint	33,691
Genesee	Flushing	10,230
Genesee	Genesee	24,125
Genesee	Grand Blanc	29,827
Genesee	Mount Morris	23,725
Genesee	Mundy	12,191
Genesee	Vienna	13,108
Ingham	Delhi	22,569
Ingham	Meridian	39,116
Jackson	Blackman	22,800
Jackson	Summit	21,534
Kalamazoo	Kalamazoo	21,675
Kalamazoo	Oshtemo	17,003
Kent	Alpine	13,976
Kent	Byron	17,553
Kent	Cannon	12,075
Kent	Cascade	15,107
Kent	Gaines	20,112
Kent	Grand Rapids	14,056
Kent	Plainfield	30,195
Livingston	Green Oak	15,618
Livingston	Hamburg	20,627
Livingston	Brighton	17,673
Livingston	Genoa	15,901
Macomb	Chesterfield	37,405
Macomb	Clinton	95,648
Macomb	Harrison	24,461
Macomb	Macomb	50,478
Macomb	Shelby	65,159
Macomb	Washington	19,080
Monroe	Bedford	28,606
Monroe	Frenchtown	20,777
Muskegon	Muskegon	17,737

COUNTY	TOWNSHIP	TOWNSHIP POPULATION
Oakland	Bloomfield	43,023
Oakland	Brandon	14,765
Oakland	Commerce	34,764
Oakland	Highland	19,169
Oakland	Holly	10,037
Oakland	Independence	32,581
Oakland	Lyon	11,041
Oakland	Milford	15,271
Oakland	Oakland	13,071
Oakland	Orion	33,463
Oakland	Oxford	16,025
Oakland	Southfield	14,430
Oakland	Springfield	13,338
Oakland	Waterford	73,150
Oakland	West Bloomfield	64,860
Oakland	White Lake	28,219
Ottawa	Holland	28,911
Ottawa	Georgetown	41,658
Saginaw	Saginaw	39,657
Washtenaw	Pittsfield	30,167
Washtenaw	Ypsilanti	49,152
Wayne	Brownstown	22,989
Wayne	Canton	76,366
Wayne	Gross Ile	10,894
Wayne	Huron	13,737
Wayne	Northville	21,036
Wayne	Plymouth	27,798
Wayne	Redford	51,622
Wayne	Sumpter	11,856
Wayne	Van Buren	23,559

HOW DOES IT WORK?

Once established, the LDFA prepares a development plan and a tax increment financing plan to submit for approval by the municipality following a public hearing similar to the DDA and TIFA. After the municipality adopts the two plans via resolution, the development plan is implemented and the tax increments, which occur as a result of improvements in the eligible property, accrue to the LDFA to be used in accordance with the development plan.

Financing Options for LDFA Activities:

- Tax Increment Financing revenues from eligible properties (An annual report must be submitted to the municipality and to the State Tax Commission on the status of the tax increment financing plan)
- Contributions to the LDFA from the local unit of government
- Revenues from ownership of property
- Proceeds of revenue bonds
- Donations and grants to the authority

Eligible Activities for Funding:

- Public infrastructure improvements that directly benefit the district, including a street, road, bridge, storm water or sanitary sewer, sewage treatment facility, water line, water tower, etc. Railroads and utility lines (electric and telecommunication) are also eligible.
- Acquisition of land, as demolition, site preparation and relocation costs.
- Administrative costs.

Properties eligible for tax increment capture are those whose primary use is either manufacturing, high-technology or value-added agricultural processing.

WHAT IS THE PROCESS?

Note: The following steps are offered as general guidelines only and the legislation should be reviewed by local officials prior to starting the designation process.

1. The governing body of a municipality declares by resolution adopted by a majority of its members elected and serving its intention to create and provide for the operation of an authority.
2. The governing body sets a public hearing, based upon its resolution of intent, to create a LDFA.
3. Notice must be given of a public hearing by publication and mail to taxpayers within a proposed district and to the governing body of each taxing jurisdiction levying taxes that would be subject to capture of tax increment revenues.
4. Governing body takes comments at the public hearing.
5. Within 60 days, the governing body of another taxing jurisdiction may, by resolution, exempt its taxes from capture and file the resolution with the clerk of the municipality.
6. Not less than 60 days after the public hearing, the municipality adopts a resolution establishing the LDFA and designating the boundaries of one or more districts.
7. Resolution shall be filed with the Secretary of State promptly and published once in the local newspaper.
8. Land may be added to or deleted from a district pursuant to the same requirements prescribed for adopting the resolution creating the LDFA.
9. The municipality appoints the members of the LDFA Board. The Board shall consist of seven members appointed by the governing body, one member appointed by the county commission, one member appointed by the community or junior college and two members appointed by each local government unit that levied 20% or more of the ad valorem taxes levied against all property located in the authority district in the year before the year in which the authority district is established. Additional members shall only vote on matters relating to the authority district located within their respective local unit of government.

Once the LDFA is established, the LDFA Board must then create a Development Plan. The municipality must then adopt the Development Plan. If the LDFA Board anticipates the need for capturing tax increments to support a project, a Tax Increment Financing Plan must also be adopted.

WHY WOULD A COMMUNITY WANT TO ESTABLISH A LDFA?

The financing mechanism allows for the capture of the incremental growth of local property taxes over a period of time to fund public infrastructure improvements. By borrowing against the future tax increments, the LDFA is able to finance these public improvements, which can lead to new development opportunities within the community.

For more information, contact the Michigan Economic Development CorporationSM (MEDC) Customer Assistance Center at 517.373.9808.