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necessary easements of these facilities designed and dedicated to use by the public generally or used by a public agency.

(*ii*) The acquisition and disposal of real and personal property or interests therein, demolition of structures, site preparation, relocation costs, building rehabilitation, and all administrative costs related to the above, including, but not limited to, architect's, engineer's, legal, and accounting fees as contained in the resolution establishing the district's development plan.

(*l*) "Tax increment district" or "district" means that area to which the tax increment finance plan pertains.

(m) "Tax increment financing plan" means that information and those requirements set forth in sections 13 to 15.

125.1801a Short title. [M.S.A. 3.540(201a)]

Sec. 1a. This act shall be known and may be cited as "the tax increment finance authority act".

125.1802 Authority; establishment; public body corporate; powers generally. [M.S.A. 3.540(202)]

Sec. 2. (1) A municipality may establish not more than 1 authority. An authority shall exercise its powers in all development areas designated pursuant to this act.

(2) The authority shall be a public body corporate which may sue and be sued in any court of this state. The authority possesses all the powers necessary to carry out the purpose of its incorporation. The enumeration of a power in this act shall not be construed as a limitation upon the general powers of the authority. The powers granted in this act to an authority may be exercised notwithstanding that bonds are not issued by the authority.

125.1803 Resolution of intent; determinations; notice of public hearing; adoption, filing, and publication of resolution establishing authority and designating boundaries of authority district; alteration and amendment of boundaries. [M.S.A. 3.540(203)]

Sec. 3. (1) When the governing body of a municipality determines that it is in the best interests of the public to halt a decline in property values, increase property tax valuation, eliminate the causes of the decline in property values, and to promote growth in an area in the municipality, the governing body of that municipality may declare by resolution its intention to create and provide for the operation of an authority.

(2) In the resolution of intent, the governing body shall set a date for the holding of a public hearing on the adoption of a proposed resolution creating the authority and designating the boundaries of the authority district. Notice of the public hearing shall be published twice in a newspaper of general circulation in the municipality, not less than 20 nor more than 40 days before the date of the hearing. Notice shall also be mailed to the property taxpayers of record in the proposed authority district not less than 20 days before the hearing. Failure to receive the notice shall not invalidate these proceedings. The notice shall state the date, time, and place of the hearing, and shall describe the boundaries of the proposed authority district. At that hearing, a citizen, taxpayer, or property owner of the municipality has the right to be heard in regard to the establishment of the authority and the boundaries of the proposed authority district. The governing body of the municipality shall not incorporate land into the authority district not included in the description contained in the notice of public hearing, but it may

eliminate described lands from the authority district in the final determination of the boundaries.

(3) After the public hearing, if the governing body intends to proceed with the establishment of the authority, it shall adopt, by majority vote of its members, a resolution establishing the authority and designating the boundaries of the authority district within which the authority shall exercise its powers. The adoption of the resolution is subject to any applicable statutory or charter provisions with respect to the approval or disapproval by the chief executive or other officer of the municipality and the adoption of a resolution over his or her veto. This resolution shall be filed with the secretary of state promptly after its adoption and shall be published at least once in a newspaper of general circulation in the municipality.

(4) The governing body may alter or amend the boundaries of the authority district to include or exclude lands from the district in accordance with the same requirements prescribed for adopting the resolution creating the authority.

125.1804 Board; composition; chairperson; oath of member; rules governing procedure and meetings; meetings open to public; removal of member; publicizing expense items; financial records open to public. [M.S.A. 3.540(204)]

Sec. 4. (1) The authority shall be under the supervision and control of a board chosen by the governing body which may by majority vote designate any 1 of the following to constitute the board:

(a) The board of directors of the economic development corporation of the municipality established pursuant to Act No. 338 of the Public Acts of 1974, as amended, being sections 125.1601 to 125.1636 of the Michigan Compiled Laws.

(b) The trustees of the board of a downtown development authority established pursuant to Act No. 197 of the Public Acts of 1975, as amended, being sections 125.1651 to 125.1680 of the Michigan Compiled Laws.

(c) The trustees of the board of an urban redevelopment corporation established pursuant to Act No. 250 of the Public Acts of 1941, as amended, being sections 125.901 to 125.922 of the Michigan Compiled Laws.

(d) The members of the commission established pursuant to Act No. 344 of the Public Acts of 1945, being sections 125.71 to 125.84 of the Michigan Compiled Laws.

(e) Not less than 7 nor more than 13 persons appointed by the chief executive officer of the municipality subject to the approval of the governing body. Of the members appointed, an equal number, as near as practicable, shall be appointed for 1 year, 2 years, 3 years, and 4 years. A member shall hold office until the member's successor is appointed. Thereafter, each member shall serve for a term of 4 years. An appointment to fill a vacancy shall be made by the chief executive officer of the municipality for the unexpired term only. Members of the board shall serve without compensation, but shall be reimbursed for actual and necessary expenses.

(2) The chairperson of the board shall be elected by the board.

(3) Before assuming the duties of office, a member shall qualify by taking and subscribing to the constitutional oath of office.

(4) The board shall adopt rules governing its procedure and the holding of regular meetings, subject to the approval of the governing body. Special meetings may be held when called in the manner provided in the rules of the board. Meetings of the board shall be open to the public, in accordance with Act No. 267

of the Public Acts of 1976, as amended, being sections 15.261 to 15.275 of the Michigan Compiled Laws.

(5) Pursuant to notice and an opportunity to be heard, a member of the board appointed pursuant to subsection (1)(e) may be removed before the expiration of his or her term for cause by the governing body. Removal of a member is subject to the review by the circuit court.

(6) All expense items of the authority shall be publicized annually and the financial records shall be open to the public pursuant to Act No. 442 of the Public Acts of 1976, as amended, being sections 15.231 to 15.246 of the Michigan Compiled Laws.

125.1805 Board; employment, compensation, term, oath, and bond of director; chief executive office; duties of director; absence or disability of director; reports; employment, compensation, and duties of treasurer and secretary; retention and duties of legal counsel; employment of other personnel; participation in municipal retirement and insurance programs. [M.S.A. 3.540(205)]

Sec. 5. (1) The board may employ and fix the compensation of a director, subject to the approval of the governing body. The director shall serve at the pleasure of the board. A member of the board is not eligible to hold the position of director. Before entering upon the duties of the office, the director shall take and subscribe to the constitutional oath and furnish bond by posting a bond in the penal sum determined in the resolution establishing the authority, payable to the authority for use and benefit of the authority, approved by the board, and filed with the clerk of the municipality. The premium on the bond shall be considered an operating expense of the authority, payable from funds available to the authority for expenses of operation. The director shall be the chief executive office of the authority. Subject to the approval of the board, the director shall supervise and be responsible for the preparation of plans and the performance of the functions of the authority in the manner authorized by this act. The director shall attend the meetings of the board and shall render to the board and to the governing body a regular report covering the activities and financial condition of the authority. If the director is absent or disabled, the board may designate a qualified person as acting director to perform the duties of the office. Before entering upon the duties of the office, the acting director shall take and subscribe to the constitutional oath and furnish bond as required of the director. The director shall furnish the board with information or reports governing the operation of the authority as the board requires.

(2) The board may appoint or employ and fix the compensation of a treasurer who shall keep the financial records of the authority, and who, together with the director, if a director is appointed, shall approve all vouchers for the expenditure of funds of the authority. The treasurer shall perform such other duties as may be delegated by the board and shall furnish bond in an amount as prescribed by the board.

(3) The board may appoint or employ and fix the compensation of a secretary, who shall maintain custody of the official seal and of records, books, documents, or other papers not required to be maintained by the treasurer. The secretary shall attend meetings of the board and keep a record of its proceedings and shall perform such other duties as may be delegated by the board.

(4) The board may retain legal counsel to advise the board in the proper performance of its duties. The legal counsel shall represent the authority in actions brought by or against the authority.

(5) The board may employ other personnel considered necessary by the board.

(6) The employees of an authority may be eligible to participate in municipal retirement and insurance programs of the municipality as if they were civil service employees on the same basis as civil service employees.

125.1807 Board; powers generally. [M.S.A. 3.540(207)]

Sec. 7. The board may:

(a) Prepare an analysis of economic changes taking place in the municipality and its environs as those changes relate to urban deterioration in the development areas.

(b) Study and analyze the impact of growth upon development areas.

(c) Plan and propose the construction, renovation, repair, remodeling, rehabilitation, restoration, preservation, or reconstruction of a public facility, an existing building, or a multiple family dwelling unit which may be necessary or appropriate to the execution of a plan which, in the opinion of the board, aids in the revitalization and growth of the development area.

(d) Develop long-range plans, in cooperation with the agency which is chiefly responsible for planning in the municipality, designed to halt the decline of property values and to promote the growth of the development area, and take such steps as may be necessary to implement the plans to the fullest extent possible.

(e) Implement any plan of development in a development area necessary to achieve the purposes of this act, in accordance with the powers of the authority as granted by this act.

(f) Make and enter into contracts necessary or incidental to the exercise of its powers and the performance of its duties.

(g) Acquire by purchase or otherwise, on terms and conditions and in a manner the authority considers proper, own, convey, demolish, relocate, rehabilitate, or otherwise dispose of, or lease as lessor or lessee, land and other property, real or personal, or rights or interests therein, which the authority determines is reasonably necessary to achieve the purposes of this act, and to grant or acquire licenses, easements, and options with respect thereto.

(h) Improve land, prepare sites for buildings, including the demolition of existing structures and construct, reconstruct, rehabilitate, restore, and preserve, equip, improve, maintain, repair, and operate any building, including any type of housing, and any necessary or desirable appurtenances thereto, within the development area for the use, in whole or in part, of any public or private person or corporation, or a combination thereof.

(i) Fix, charge, and collect fees, rents, and charges for the use of any building or property or any part of a building or property under its control, or a facility in the building or on the property, and pledge the fees, rents, and charges for the payment of revenue bonds issued by the authority.

(j) Lease any building or property or part of a building or property under its control.

(k) Accept grants and donations of property, labor, or other things of value from a public or private source.

(l) Acquire and construct public facilities.

(m) Incur costs in connection with the performance of its authorized functions, including but not limited to, administrative costs, and architects, engineers, legal, and accounting fees.

125.1809 Authority as instrumentality of political subdivision. [M.S.A. 3.540(209)]

Sec. 9. The authority shall be considered an instrumentality of a political subdivision for purposes of Act No. 227 of the Public Acts of 1972, being sections 213.321 to 213.332 of the Michigan Compiled Laws.

125.1810 Taking, transfer, and use of private property by municipality. [M.S.A. 3.540(210)]

Sec. 10. A municipality may take private property under Act No. 87 of the Public Acts of 1980, being sections 213.51 to 213.77 of the Michigan Compiled Laws, for the purpose of transfer to the authority, and may transfer the property to the authority for use as authorized in the development program, on terms and conditions it considers appropriate. The taking, transfer, and use shall be considered necessary for public purposes and for the benefit of the public.

125.1811 Financing activities of authority; sources. [M.S.A. 3.540(211)]

Sec. 11. The activities of the authority shall be financed from 1 or more of the following sources:

(a) Contributions to the authority for the performance of its functions.

(b) Revenues from any property, building, or facility owned, leased, licensed, or operated by the authority or under its control, subject to the limitations imposed upon the authority by trusts or other agreements.

(c) Tax increments received pursuant to a tax increment financing plan established under sections 13 to 15.

(d) Proceeds of tax increment bonds issued pursuant to section 15.

(e) Proceeds of revenue bonds issued pursuant to section 12.

(f) Money obtained from any other sources approved by the governing body of the municipality.

125.1812 Borrowing money; issuing negotiable revenue bonds; full faith and credit. [M.S.A. 3.540(212)]

Sec. 12. (1) The authority may borrow money and issue its negotiable revenue bonds pursuant to Act No. 94 of the Public Acts of 1933, as amended, being section 141.101 to 141.139 of the Michigan Compiled Laws. Revenue bonds issued by the authority shall not, except as hereinafter provided, be considered a debt of the municipality or of the state.

(2) The municipality by majority vote of the members of its governing body may pledge its full faith and credit limited tax to support the authority's revenue bonds.

125.1813 "Captured assessed value" and "initial assessed value" defined; preparation and submission of tax increment financing plan; contents and approval of plan; public hearing; meeting with governing body; fiscal and economic implications; recommendations; agreements; modification of plan. [M.S.A. 3.540(213)]

Sec. 13. (1) As used in this section and sections 14 and 15:

(a) "Captured assessed value" means the amount in any 1 year by which the current assessed value of the development area, including the assessed value of property for which a commercial facilities exemption certificate has been issued pursuant to Act No. 255 of the Public Acts of 1978, as amended, being sections 207.651 to 207.668 of the Michigan Compiled Laws, and the assessed value of property for which an industrial facilities exemption certificate has been issued

pursuant to Act No. 198 of the Public Acts of 1974, as amended, being sections 207.551 to 207.571 of the Michigan Compiled Laws, exceeds the initial assessed value.

(b) "Initial assessed value" means the most recently assessed value, as finally equalized by the state board of equalization, of all the taxable property within the boundaries of the development area at the time the ordinance establishing the tax increment financing plan is approved. Property exempt from taxation at the time of the determination of the initial assessed value shall be included as zero. For the purpose of determining initial assessed value, property for which a commercial facilities exemption certificate or property for which an industrial facilities exemption certificate is in effect shall not be considered property which is exempt from taxation.

(2) When the authority determines that it is necessary for the achievement of the purposes of this act, the authority shall prepare and submit a tax increment financing plan to the governing body. The plan shall be in compliance with section 14, shall include a development plan as provided in section 16, and shall contain a detailed explanation of the tax increment procedure, maximum amount of bonded indebtedness, if any, to be incurred, and the duration of the development program. The plan shall contain a statement of the estimated impact of tax increment financing on the assessed values of all taxing jurisdictions in which the development area is located. 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.

(3) Approval of the tax increment financing plan shall be in accordance with the notice, hearing, and disclosure provisions of section 17. When the development plan is part of the tax increment financing plan, only 1 hearing and approval procedure is required for the 2 plans together.

(4) Before the public hearing on the tax increment financing plan, the governing body shall provide a reasonable opportunity to the members of the county board of commissioners of a county in which any portion of the development area is located and to the members of the school board of any school district in which any portion of the development area is located to meet with the governing body. The authority shall fully inform members of the county boards of commissioners and of the school boards of the fiscal and economic implications of the proposed tax increment financing plan. The members of the county boards of commissioners and of the school boards may present their recommendations at the public hearing on the tax increment financing plan. The authority may enter into agreements with the county board of commissioners, the school boards, 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.

(5) A tax increment financing plan may be modified if the modification is approved by the governing body upon notice and after public hearing and agreement as required for approval of the original plan.

125.1814 Amount of tax increment to be transmitted to authority; expenditure of tax increments; disposition of surplus funds; abolition of tax increment financing plan; financial report on status of plan. [M.S.A. 3.540(214)]

Sec. 14. (1) The amount of tax increment to be transmitted to the authority by the municipal and county treasurers shall be that portion of the tax levy of all taxing bodies paid each year on real and personal property in the development

area on the captured assessed value. For the purposes of this section, that portion of a commercial facilities tax levied pursuant to section 12 of Act No. 255 of the Public Acts of 1978, being section 207.662 of the Michigan Compiled Laws, or that portion of an industrial facilities tax levied pursuant to section 11 of Act No. 198 of the Public Acts of 1974, as amended, being section 207.561 of the Michigan Compiled Laws, which is attributable to the captured assessed value of the facility shall be included as a part of the tax increment to be transmitted to the authority.

(2) The authority shall expend the tax increments received for the development program only in accordance with the tax increment financing plan. Surplus funds may be retained by the authority for the payment of the principal of and interest on outstanding tax increment bonds or for other purposes, that by resolution of the board, are determined to further the development program. Any surplus funds not so used shall revert proportionately to the respective taxing bodies. These revenues shall not be used to circumvent existing property tax laws or a local charter which provides a maximum authorized rate for levy of property taxes. The governing body may abolish the tax increment financing plan when it finds that the purposes for which the plan was established are accomplished. However, the tax increment finance plan may not be abolished until the principal of and interest on bonds issued pursuant to section 15 have been paid or funds sufficient to make such payment have been segregated.

(3) The authority shall submit annually to the governing body a financial report on the status of the tax increment financing plan. The report shall include: the amount and source of tax increments received; the amount in any bond reserve account; the amount and purpose of expenditures of tax increment revenues; the amount of principal and interest on any outstanding bonded indebtedness; the initial assessed value of the development area; the captured assessed value retained by the authority; and any additional information the governing body considers necessary. The report shall be published in a newspaper of general circulation in the municipality.

125.1815 Tax increment bonds. [M.S.A. 3.540(215)]

Sec. 15. (1) By resolution of its board, the authority may authorize, issue, and sell its tax increment bonds, subject to the limitations set forth in this section, to finance a development program. The bonds shall mature in not more than 30 years and shall be subject to Act No. 202 of the Public Acts of 1943, as amended, being sections 131.1 to 138.2 of the Michigan Compiled Laws. The authority may pledge for annual debt service requirements in any 1 year not more than 80% of the estimated tax increment revenue to be received from a development area for that year, and the total aggregate amount of borrowing shall not exceed an amount which the 80% of the estimated tax increment revenue will service as to annual principal and interest requirements. The bonds issued under this section shall be considered a single series for the purposes of section 4 of chapter V of Act No. 202 of the Public Acts of 1943, as amended, being section 135.4 of the Michigan Compiled Laws.

(2) The municipality by majority vote of the members of its governing body may pledge its full faith and credit for the payment of the principal of and interest on the authority's tax increment bonds.

125.1816 Development plan; preparation; contents. [M.S.A. 3.540(216)]

Sec. 16. (1) When a board decides to finance a project in a development area pursuant to this act, it shall prepare a development plan.

(2) To the extent necessary to accomplish the proposed development program the development plan shall contain:

(a) The designation of boundaries of the development area in relation to the boundaries of the authority district and any other development areas within the authority district.

(b) The designation of boundaries of the development area in relation to highways, streets, or otherwise.

(c) The location and extent of existing streets and other public facilities within the development area and the location, character, and extent of the categories of public and private land uses then existing and proposed for the development area, including residential, recreational, commercial, industrial, educational, and other uses and shall include a legal description of the development area.

(d) A description of improvements to be made in the development area, a description of any repairs and alterations necessary to make those improvements, and an estimate of the time required for completion of the improvements.

(e) The location, extent, character, and estimated cost of the improvements including rehabilitation contemplated for the development area and an estimate of the time required for completion.

(f) A statement of the construction or stages of construction planned, and the estimated time of completion of each stage.

(g) A description of any parts of the development area to be left as open space and the use contemplated for the space.

(h) A description of any portions of the development area which the authority desires to sell, donate, exchange, or lease to or from the municipality and the proposed terms.

(i) A description of desired zoning changes and changes in streets, street levels, intersections, and utilities.

(j) An estimate of the cost of the development, a statement of the proposed method of financing the development, and the ability of the authority to arrange the financing.

(k) Designation of the person or persons, natural or corporate, to whom all or a portion of the development is to be leased, sold, or conveyed and for whose benefit the project is being undertaken, if that information is available to the authority.

(*l*) The procedures for bidding for the leasing, purchasing, or conveying of all or a portion of the development upon its completion, if there is no express or implied agreement between the authority and persons, natural or corporate, that all or a portion of the development will be leased, sold, or conveyed to those persons.

(m) Estimates of the number of persons residing in the development area and the number of families and individuals to be displaced. If occupied residences are designated for acquisition and clearance by the authority, a development plan shall include a survey of the families and individuals to be displaced, including their income and racial composition, a statistical description of the housing supply in the community, including the number of private and public units in existence or under construction, the condition of those in existence, the number of owner-occupied and renter-occupied units, the annual rate of turnover of the various types of housing and the range of rents and sale prices, an estimate of the total demand for housing in the community, and the estimated capacity of private and public housing available to displaced families and individuals.

(n) A plan for establishing priority for the relocation of persons displaced by the development in any new housing in the development area.

(o) Provision for the costs of relocating persons displaced by the development, and financial assistance and reimbursement of expenses, including litigation expenses and expenses incident to the transfer of title, in accordance with the standards and provisions of the federal uniform relocation assistance and real property acquisition policies act of 1970, 42 U.S.C. 4601 to 4655.

(p) A plan for compliance with Act No. 227 of the Public Acts of 1972, being sections 213.321 to 213.332 of the Michigan Compiled Laws.

(q) Other material which the authority, local public agency, or governing body considers pertinent.

(3) It shall not be necessary for the board to prepare a development plan pursuant to this section where a development plan that adequately provides for accomplishing the proposed development program has already been prepared by any of the organizations described in section 4(1)(a) to (d) and where the development plan has been approved by the board and governing body pursuant to sections 17 and 18.

125.1817 Public hearing on development plan; publication, mailing, and contents of notice; presentation of data; record. [M.S.A. 3.540(217)]

Sec. 17. (1) The governing body, before adoption of a resolution approving a development plan or tax increment financing plan, shall hold a public hearing on the development plan. Notice of the time and place of the hearing shall be given by publication twice in a newspaper of general circulation designated by the municipality, the first of which shall not be less than 20 days before the date set for the hearing. Notice shall also be mailed to all property taxpayers of record in the development area not less than 20 days before the hearing.

(2) Notice of the time and place of hearing on a development plan shall contain the following:

(a) A description of the proposed development area in relation to highways, streets, streams, or otherwise.

(b) A statement that maps, plats, and a description of the development plan, including the method of relocating families and individuals who may be displaced from the area, are available for public inspection at a place designated in the notice, and that all aspects of the development plan will be open for discussion at the public hearing.

(c) Other information that the governing body considers appropriate.

(3) At the time set for hearing, the governing body shall provide an opportunity for interested persons to be heard and shall receive and consider communications in writing with reference thereto. The hearing shall provide the fullest opportunity for expression of opinion, for argument on the merits, and for introduction of documentary evidence pertinent to the development plan. The governing body shall make and preserve a record of the public hearing, including all data presented at that time.

125.1818 Development plan or tax increment plan as public purpose; determination; basis of resolution approving plan, rejecting plan, or approving plan with modifications; approval or rejection of amendments. [M.S.A. 3.540(218)]

Sec. 18. (1) The governing body, after a public hearing on the development plan or the tax increment financing plan, or both, with notice given pursuant to

section 17, shall determine whether the development plan or tax increment financing plan constitutes a public purpose. If it determines that the development plan or tax increment financing plan constitutes a public purpose, it shall then approve or reject the plan, or approve it with modification, by resolution based on the following considerations:

(a) The findings and recommendations of a development area citizens council, if a development area citizens council was formed.

(b) Whether the plan meets the requirements set forth in section 16(2).

(c) Whether the proposed method of financing the development is feasible and the authority has the ability to arrange the financing.

(d) Whether the development is reasonable and necessary to carry out the purposes of this act.

(e) Whether the land to be acquired within the development area is reasonably necessary to carry out the purposes of the plan and the purposes of this act.

(f) Whether the development plan is in reasonable accord with the approved master plan of the municipality, if an approved master plan exists.

(g) Whether public services, such as fire and police protection and utilities, are or will be adequate to service the development area.

(h) Whether changes in zoning, streets, street levels, intersections, and utilities are reasonably necessary for the project and for the municipality.

(2) Amendments to an approved development plan or tax increment plan must be submitted by the authority to the governing body for approval or rejection.

125.1819 Notice to vacate. [M.S.A. 3.540(219)]

Sec. 19. A person to be relocated under this act shall be given not less than 90 days' written notice to vacate unless modified by court order for good cause.

125.1820 Development area citizens council; establishment; advisory body; appointment and qualifications of members. [M.S.A. 3.540(220)]

Sec. 20. (1) A development area citizens council shall be established if the proposed development area has 100 or more persons residing within it and a change in zoning or a taking of property by eminent domain is necessary to accomplish the proposed development program. The council shall act as an advisory body to the authority and the governing body in the adoption of the development plan or tax increment financing plan.

(2) If a development area citizens council is required, the council shall be appointed by the governing body, and shall consist of not less than 9 members. Each member shall be at least 18 years of age and reside in the development area. The council shall be established at least 60 days before the public hearing on the development plan or the tax increment financing plan, or both.

(3) If a development area citizens council is required pursuant to subsection (1) and if the authority was established pursuant to section 4(1)(a), (b), (c), or (d), a council established in conjunction with any of those boards or commissions, may serve in an advisory capacity to the authority, if the authority determines it is representative of the development area.

125.1821 Consultation representative of authority and council. [M.S.A. 3.540(221)]

Sec. 21. Periodically a representative of the authority responsible for preparation of a development or tax increment financing plan within the development

area shall consult with and advise the development area citizens council regarding the aspects of a development plan, including the development of new housing for relocation purposes located either inside or outside of the development area. The consultation shall begin before any final decisions by the authority and the governing body regarding a development or tax increment financing plan. The consultation shall continue throughout the preparation and implementation of the development or tax increment financing plan.

125.1822 Meetings of council; open to public; notice; hearing persons present at meeting; record; information and technical assistance; failures not precluding adoption of development plan. [M.S.A. 3.540(222)]

Sec. 22. (1) Meetings of the council shall be open to the public. Notice of the time and place of the meetings shall be posted in at least 10 conspicuous places in the development area accessible to the public not less than 5 days before the dates set for meetings of the council. A person present at those meetings shall have reasonable opportunity to be heard.

(2) A record of the meetings of a council, including information and data presented, shall be maintained by the council.

(3) A council may request of and receive from the authority information and technical assistance relevant to the preparation of the development plan for the development area.

(4) Failure of a council to organize or to consult with and be advised by the authority, or failure to advise the governing body, as provided in this act, shall not preclude the adoption of a development plan by a municipality if the municipality complies with the other provisions of this act.

125.1823 Development plan; notice of findings and recommendations. [M.S.A. 3.540(223)]

Sec. 23. Within 20 days after the public hearing on a development or tax increment financing plan, the council, if established, shall notify the governing body, in writing, of its findings and recommendations concerning a proposed development plan.

125.1824 Development area citizens council; dissolution. [M.S.A. 3.540(224)]

Sec. 24. A development area citizens council may not be required and, if formed, may be dissolved in any of the following situations:

(a) On petition of not less than 20% of the adult resident population of the development area by the last federal decennial or municipal census, a governing body, after public hearing with notice given in accordance with section 17 and by a 2/3 vote, may adopt a resolution eliminating the necessity of a council for the development area.

(b) If there are less than 18 residents located in the development area eligible to serve on the council.

(c) Upon termination of the authority by resolution of the governing body.

125.1825 Budget; cost of handling and auditing funds. [M.S.A. 3.540(225)]

Sec. 25. (1) The director of the authority shall prepare and submit for the approval of the board a budget for the operation of the authority for the ensuing fiscal year. The budget shall be prepared in the manner and contain the information required of municipal departments. Before the budget may be adopted by the board, it shall be approved by the governing body. Funds of the

municipality shall not be included in the budget of the authority except those funds authorized in this act or by the governing body.

(2) The governing body may assess a reasonable pro rata share of the funds for the cost of handling and auditing the funds against the funds of the authority, other than those committed for designated purposes, which cost shall be paid annually by the board pursuant to an appropriate item in its budget.

125.1826 Preservation of public facility, building, or structure having significant historical interest; review of proposed changes to exterior of historic site. [M.S.A. 3.540(226)]

Sec. 26. (1) A public facility, building, or structure which is determined by the municipality to have significant historical interests shall be preserved in a manner as considered necessary by the municipality in accordance with laws relative to the preservation of historical sites.

(2) An authority shall refer all proposed changes to the exterior of sites listed on the state register of historic sites and the national register of historic places to the applicable historic district commission created under Act No. 169 of the Public Acts of 1970, as amended, being sections 399.201 to 399.212 of the Michigan Compiled Laws, or the secretary of state for review.

125.1827 Dissolution of authority; resolution; disposition of property and assets. [M.S.A. 3.540(227)]

Sec. 27. An authority which has completed the purposes for which it was organized shall be dissolved by resolution of the governing body. The property and assets of the authority remaining after the satisfaction of the obligations of the authority shall belong to the municipality.

This act is ordered to take immediate effect.

Approved January 15, 1981.

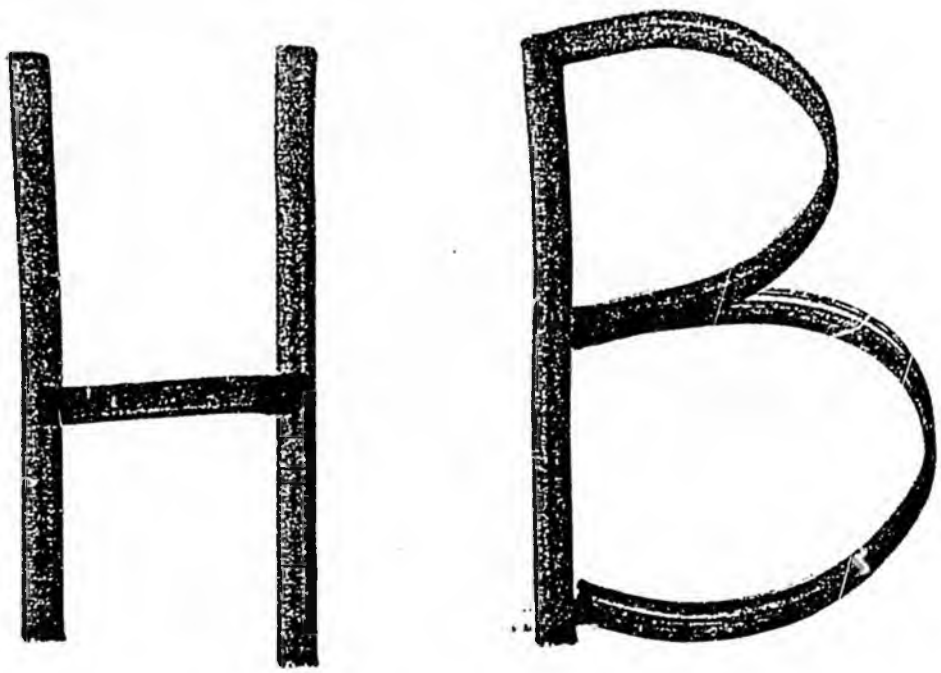
[No. 451]

AN ACT to amend section 10 of chapter II and section 5 of chapter V of Act No. 286 of the Public Acts of 1929, entitled as amended "An act to provide for the protection of wild animals and wild birds; to regulate the taking, possession, use and transportation of same; to prohibit the sale of game animals and birds; to regulate the manner of hunting, pursuing and killing game animals, birds and furbearing animals; to provide for the issuing of licenses and permits for the taking, hunting or killing of all wild animals and birds and the disposition of the moneys derived therefrom; to provide for the issuance of a sportsman's license by combining several hunting and fishing licenses; to provide penalties for the violation of any of the provisions of this act and the rules adopted thereunder, and to repeal certain acts relating thereto," section 10 of chapter II as amended by Act No. 47 of the Public Acts of 1977 and section 5 of chapter V as amended by Act No. 84 of the Public Acts of 1978, being sections 312.10 and 315.5 of the Compiled Laws of 1970.

The People of the State of Michigan enact:

Sections amended; game law of 1929.

Section 1. Section 10 of chapter II and section 5 of chapter V of Act No. 286 of the Public Acts of 1929, section 10 of chapter II as amended by Act No. 47 of the Public Acts of 1977 and section 5 of chapter V as amended by Act No. 84 of



434

FILE CONTENTS FILE NAME HB 434 Dt Referred 2-5-88

#	Date In	Doc. Type	Date	DESCRIPTION Subject	From	Copied	Init
(1)	2-6-8	Bill	2/5/8	Bill	Doc	✓	J
(2)	2/18	Stat.	"	Sponsor's Docs			
(3)	2/16	Review		Staff Review			
(4)	2/29	Ltr	2/29	AML			
(1.1)	3/1	FN	3/1	DCRA FN			
(1.2)	3/2	FN	3/7	Revenue FN			
(5)	3/2	Memo	Vary	from Menard - amend			
(6)	3/2	Memo	3/1	Legal - Svcs. mem			
(7)	3/2		—	Creating & Fin. Pub Ent.			
~~(8)~~	~~3/2~~	~~CS~~	~~3/2~~	~~Com Sub.~~			
(8)	3/2	PP	3/2	DCRA PP			
A	3/2	WR	3 7				
B	3/2	Mem	3/2				
(9)	3/9	Ltr	3/7/8	to menard from. Klinkner			
(10)	3/10	memo	3/2	To Work fr Oakland			
(11)	3/11	plat.		Yesl. - Schaefermeyer.			
(1.3)	3/11	CS		5-1025X 3/11/88			
(12)	3/11	Memo	3/11	from menard			
(1.3)	3/14	CS		Final CS			
(12)	3/14	Com Rpt	3/14	CS #B 434 (CRA) 5DP	out 3/14		
(12.1)	3/14	CS FN	same	Rev CS			
(12.2)	3/14	CS FN	same	DCRA CS			

(#) = Distributed, all files (Ltr) = Master, Backup, Next Com. Files

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

House	C+RA	3-2-88	3:00 p.m.
"	"	3-11-88	3:00 p.m.

2/6, 2/7 D ✓ R 2/6 F ✓ P N

BILL PREPARATION/ACTION*

Bill # HB 434 Date Referred: 2/5/08 Out:

Title: Tax Increment Financing of Development.

Sponsor: Menard, Foster, Tarr Referrals: CRA FIN

CONTACTS:**********

Name		
Menard	materials 2/6; mat'l rec'd	
DCRA	PP FN 2/24;	
AML 581-1325	2/22 support pls solicited; 2/26 [HB/2];	
DCED Linda Wild, Boards 2305	PP FN 2/25 [2/2];	
Rev. Roger Weller 2300	will call Menard PP FN as 2/25 [3/2];	
✓ Dave Soulak, City Mgr. City of Palmer - 745-3271	; 3/7 will be here, no T/C nec;	
✓ Dave Schaefermeyer, City of Seward. 224-3331		

****

REMARKS:

MEETINGS:**********

Date	Action	
# 3/2/8	1st public hrng. Needs work	Bring back when done
3/11/8	hrng & act	5 DP CS HB 434

*See other side for additional information. CONTAC.TXT

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CS HB 434
PUBLISH DATE:

FISCAL NOTE

REQUEST:

Revision Date:
Title: Municipal Development and Redevelopment
Sponsor: Representative Menard, et al
Requestor: House C&RA

Agency Affected: Revenue
BRU:
Components:

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Milt Barker
Division: Treasury
Phone: 465-2350
Date: 03/14/88

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue
Date: 03/14/88

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

(1.3) HB 434

5-1025X
Bannister
3/11/88

Original sponsors: Menard, Larson, Zawacki, et al.

IN THE HOUSE

CS FOR HOUSE BILL NO. 434 ( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to municipal development and redevelopment."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 29.10.200 is amended by adding a new paragraph to read:

(49) AS 29.35.035 (development and redevelopment projects).

* Sec. 2. AS 29.35 is amended by adding a new section to read:

Sec. 29.35.035. DEVELOPMENT AND REDEVELOPMENT PROJECTS. (a) A municipality may undertake development and redevelopment projects in the municipality and issue bonds to finance the projects, including bonds for development or redevelopment purposes in blighted areas. In this subsection

(1) "blighted area" means an area that the municipality determines to be a blighted area on the basis of the substantial presence of factors such as excessive vacant land on which structures were previously located, abandoned or vacant buildings, substandard structures, vacancies, and delinquencies in payment of real property taxes;

(2) "redevelopment purposes" means

(A) the acquisition by the municipality of real property located in a blighted area;

(B) the clearing and preparation for redevelopment of land acquired under (A) of this paragraph;

(C) the rehabilitation of real property acquired under

(A) of this paragraph; in this subparagraph, "rehabilitation" does not include construction, other than rehabilitation, of property or the enlargement of an existing building; and

(D) the relocation of occupants of the real property acquired under (A) of this paragraph.

(b) A municipality may by ordinance create a public corporation to exercise all or some of the powers authorized under (a) of this section. The corporation so established

(1) is an instrumentality of the municipality, but has a legal existence independent of and separate from the municipality; and

(2) has continuing succession by its corporate name until terminated by ordinance.

(c) A municipality may provide by ordinance that the tax increment from the taxes levied each year by or on behalf of the municipality on the property in a development or redevelopment project shall be used to repay the principal and interest on bonds, notes, and other indebtedness that is incurred for the project. To enable and assist a public corporation to repay bonds, notes, and other indebtedness for a development or redevelopment project, the municipality may irrevocably pledge the tax increment from the project for the payment of debt service on the bonds, notes, or other indebtedness issued to finance the project. In this subsection "tax increment" means the difference between the tax due in the calendar year when the taxes are levied and the tax due in the calendar year before the project was authorized.

(d) This section applies to home rule and general law municipalities. The limitations on the exercise of borough powers under AS 29.35.200 - 29.35.220 apply to the exercise of powers under this section.

Official Business

COMMITTEE:

HOUSE COMMUNITY & REGIONAL AFFAIRS

DATE: Friday, March 11, 1988

SIGN-IN

Subject of meeting:

HB 434 Tax Increment Financing of Development

~~Work Session - Debt Financing for Municipal~~ Liability Exposures (AML)

~~HB 429 Tax Exemption Old Blds/Removed from Land~~

NAME (PLS PRINT)	YOUR TITLE & ADDRESS	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
DAVID SOULAK	City of Palmer City Manager 231 W. Evergreen Palmer AK 99645	745-3271	City of Palmer	~~Yes~~
Geo. Kruse	310 2nd St Juneau	586-2723	Alaska State Chamber	Yes.
MIKE WORLEY	STATE ASSESSOR P.O. BOX [illegible] JNU	465-4787	DCRA	YES
Scott Burgess	Juneau	6-1325	AML	Yes

(12.1) HB 434

STATE OF ALASKA
1988 LEGISLATIVE SESSION

Bill Version: CS HB 434
Publish Date:

FISCAL NOTE

REQUEST: HCRA

Revision Date:
Title: Municipal Development & Redevelopment
Sponsor:
Requestor:

Agency Affected: REVENUE
BRU:
Components:

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
Phone: 465-2350
Division: Treasury
Date: February 26, 1988

Approved by Commissioner: /s/ M. Cook
Date: 2/26/88
Agency: Department of Revenue

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

(12,2) HB 434

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CS HB 434
PUBLISH DATE: _____

FISCAL NOTE

REQUEST: _____

Revision Date: _____
Title: "An act relating to municipal development & redevelopment"
Sponsor: Menard, Larson & Zawacki
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Jim Plasman, Deputy Director — Phone: 465-4750
Division: Municipal & Regional Assistance — Date: 3/1/88

Approved by Commissioner: David C. Stone — Date: _____
Agency: Community & Regional Affairs

Distribution (by preparer):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

(1.3) HB434

5-1025X

Original sponsors: Menard, Larson, Zawacki, et al.

IN THE HOUSE

BY THE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

CS FOR HOUSE BILL NO. 434 (C&RA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to municipal development and redevelopment."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 29.10.200 is amended by adding a new paragraph to read:

(49) AS 29.35.035 (development and redevelopment projects).

* Sec. 2. AS 29.35 is amended by adding a new section to read:

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(1) "blighted area" means an area that the municipality determines to be a blighted area on the basis of the substantial presence of factors such as excessive vacant land on which structures were previously located, abandoned or vacant buildings, substandard structures, vacancies, and delinquencies in payment of real property taxes;

(2) "redevelopment purposes" means

(A) the acquisition by the municipality of real property located in a blighted area;

(B) the clearing and preparation for redevelopment of land acquired under (A) of this paragraph;

(C) the rehabilitation of real property acquired under

(5)

HOUSE COMMITTEE REPORT

(12) HB 434

Date referred: 2/5/88 FURTHER REFERRALS: Finance

DATE: MAR 11 1988

The Community and Regional Affairs Committee has considered HB 434

"An Act relating to municipal development and redevelopment."

RECOMMENDS:

[X] replace with CS HB434 (CRA) [X] the same title

[ ] attached amendment(s) [ ] a new title

- [X] do pass
- [ ] do not pass
- [ ] no recommendation
- [ ] individual recommendations
- [ ] additional referral to the _____ Committee

ADOPTS: [ ] _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- [ ] fiscal impact
- [X] zero fiscal note
- [ ] zero with analysis
- [ ] same as previous fiscal note published _____
- [ ] same as previous zero fiscal note published _____

SIGNING DO PASS:

Bates Cato

Vera McCollis

Dan Zawacki

Edward Herrmann

Heinrich Springer

SIGNING OTHER RECOMMENDATIONS:

Cato

Collins

Zawacki

Herrmann

Springer

do clerk 3/14/88

Springer Heinrich Springer

Chairman's signature

File Contents

HB 434 - Tax Increment Financing of Development

No.	Description
1.	Bill - HB 434
1.1	Zero Fiscal Note - DCRA
1.2	Zero Fiscal Note - Revenue
2.	Sponsor's Packet
3.	Bill Review - Harrision (HCRA Staff)
4.	AML Position PPaper, 2/29/88
5.	Memo - from Menard re Amendments
6.	Memo - from Legal Svcs
7.	Creating and Financing Public Enterprises
8.	Position Paper - DCRA
9.	Letter - to Menard from Klinkner
10.	Memo - to Worley from Odland

HB434.FIL
3/9/88

Official Business

COMMITTEE:

HOUSE COMMUNITY & REGIONAL AFFAIRS

DATE: Wed., Mar. 2, 1988

SIGN-IN

Subject of meeting: (A) HB 434

~~*HB 429 Tax Exemption/Old Bldgs Removed frm Land~~

~~SSHB 159 Relating Property Tax Exempt. to Income~~

*HB 434 Tax Increment Financing of Development

NAME (PLS PRINT)	YOUR TITLE & ADDRESS	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
WORLEY, MIKE	STATE ASSESSOR P.O. BOX BH, JUNEAU	465-4787	DCRA	YES

ALASKA STATE LEGISLATURE

HB434

2/6/08

Curt Menard
351 W. Swanson Ave.
Wasilla, Alaska 99687
Or
P.O. Box V
Juneau, Alaska 99811
373-CURT
376-5315 Work
376-5855 Home
465-2679 Juneau

Press Release
Rep. Curt Menard

For Immediate Release
465-2679

TIF: CREATIVE FINANCING FOR ALASKAN LOCAL GOVERNMENT

On Friday, February 5, Rep. Curt Menard R-Mat-Su introduced HB434, An Act Realting to Municipal Development and Redevelopment. HB434 would give local government across Alaska the ability to use tax increment financing to redevelop their communities.

Rep. Menard explained "Tax increment financing allows local governments to create public corporations that in turn could offer bonds to finance redevelopment. The bonds would be repaid by a percentage of the incremental increase in property taxes realized by the increase in property assessment due to the redevelopment."

"While tax increment financing is no cure-all, it's time we all started looking at creative ways to help our local communities and businesses finance projects," Menard declared.

Menard cautioned, "The days are gone when all we had to do was ask the state for money; now we have to look to other more innovative ways to finance redevelopment. Whether large or small, all Alaskan communities with a property tax can benefit from the TIF option."

ALASKA STATE LEGISLATURE

Curt Menard
351 W. Swanson Ave.
Wasilla, Alaska 99687
Or
P.O. Box V
Juneau, Alaska 99811
373-CURT
376-5315 Work
376-5855 Home
465-2679 Juneau

Menard said, "Tax increment financing is a positive alternative that allows Municipalities to maximize benefits under federal law. I believe the Legislature should act quickly to provide local communities with this alternative."

Menard also noted that TIF was endorsed by the City of Palmer, the Mat-Su Joint Chambers of Commerce, and by Ron Garzini, Municipal Manager of the City of Anchorage. Rep. Ron Larson, D-Palmer, and Jim Zawacki, R-Turnagain Arm, are co-sponsors.

The legislation looks like it is on a fast track. There are only two committee assignments: first before the House Community and Regional Affairs Committee and then to Finance.

END

WOHLFORTH, FLINT & GRUENING
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS
ATTORNEYS AT LAW
900 WEST 5TH AVENUE, SUITE 600
ANCHORAGE, ALASKA 99501

TELEPHONE
(907) 276-6401

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(907) 276-5093

JUNEAU OFFICE
217 SECOND STREET
JUNEAU, ALASKA 99801
TELEPHONE (907) 586-8110

PETER ARGETSINGER
JULIUS J. BRECHT
CHARLES G. EVANS
ROBERT B. FLINT
CLARK S. GRUENING*
ROBERT M. JOHNSON
ROBERT S. SPITZFADEN*
KENNETH E. VASSAR
ERIC E. WOHLFORTH

JANICE COLEMAN GRAHAM**
STEPHEN E. GREER
THOMAS F. KLINKNER
ROGER A. LUBOVICH
BRADLEY E. MEYEN
DANIEL PATRICK O'TIERNEY
PATRICK RUMLEY
JAMES A. SARAFIN
JAMES R. SZENDER

*JUNEAU OFFICE
**ADMITTED IN NEW YORK ONLY

OF COUNSEL
ROGER G. CONNOR
RICHARD W. GARNETT, III

January 25, 1988

Representative Curt Menard
Pouch V
Juneau, Alaska 99811

Re: Legislation Relating to Municipal Redevelopment

Dear Representative Menard:

I was consulted by the Legislative Affairs Agency regarding the drafting of the legislation referred to above. In particular, I was asked for advice regarding the coordination of the terms of this legislation with tax-exempt financing requirements included in the Federal Tax Reform Act of 1986.

The 1986 federal tax legislation imposed many restrictions on tax-exempt redevelopment financing. Most of these restrictions can, and should, be addressed in local planning for a redevelopment project and in the implementing municipal ordinances. However, Section 144(c)(2), provides that a bond shall not be treated as a qualified (i.e., tax-exempt) redevelopment bond unless the bond, among other things, is issued pursuant to "a state law which authorizes the issuance of such bonds for redevelopment purposes in blighted areas." Obviously, state legislation is necessary to fulfill this requirement. In the bill that is the subject of this letter, this purpose is served by proposed Section 29.35.035(a).

Please contact me if I can provide further information or assistance regarding this legislation.

Yours truly,

Thomas F. Klinkner

Thomas F. Klinkner

TFK/mlo

A180628

fyi / CRA

Alaska State Legislature
House

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

FEB 3 _ 1988

M E M O R A N D U M

TO: All Members
House of Representatives

FROM: Curt Menard CDM
Representative

DATE: February 2, 1988

RE: Tax Increment Financing

TIF: CREATIVE FINANCING FOR ALASKAN LOCAL GOVERNMENT

On Friday, February 5, I will introduce legislation that would give local government across Alaska the ability to use tax increment financing (TIF) to develop or redevelop their communities.

Tax increment financing allows local governments to create public corporations that in turn could offer bonds to finance redevelopment. The bonds would be repaid by a percentage of the incremental increase in property taxes realized by the increase in property assessment due to the redevelopment.

The days are gone when all local government had to do was ask the state for money; now we have to look to other more innovative ways to finance redevelopment. Whether large or small, all Alaskan communities with property tax can benefit from the TIF option.

TIF has been endorsed by the City of Palmer, the Mat-Su Joint Chambers of Commerce, and by Ron Garzini, Municipal Manager of the City of Anchorage.

I invite you to sponsor this legislation with me. Please call x2679 if you would like to add your support to this bill. Thank you.

5-1025L

IN THE HOUSE BY MENARD AND LARSON

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to municipal development and redevelopment."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 29.10.200 is amended by adding a new paragraph to read:

(49) AS 29.35.035 (development and redevelopment projects).

* Sec. 2. AS 29.35 is amended by adding a new section to read:

Sec. 29.35.035. DEVELOPMENT AND REDEVELOPMENT PROJECTS. (a) A municipality may undertake development and redevelopment projects in the municipality and issue bonds for development or redevelopment purposes in blighted areas.

(b) A municipality may by ordinance create a public corporation to exercise all or some of the powers authorized under (a) of this section. The corporation so established

(1) is an instrumentality of the municipality, but has a legal existence independent of and separate from the municipality; and

(2) has continuing succession by its corporate name until terminated by ordinance.

(c) A municipality may provide by ordinance that the tax increment from the taxes levied each year by or on behalf of the municipality on the property in a development or redevelopment project shall be used to repay the principal and interest on bonds, notes, and other indebtedness that is incurred for the project. To enable and assist a public corporation to repay bonds, notes, and other indebtedness for a

development or redevelopment project, the municipality may irrevocably pledge the tax increment from the project for the payment of debt service on the bonds, notes, or other indebtedness issued to finance the project. In this subsection "tax increment" means the portion of the tax that is attributable to the difference between the value of the property shown on the taxing agency's assessment roll for the year when the taxes are levied and the value of the property shown on the taxing agency's last assessment roll that was equalized before the project was authorized.

(d) This section applies to home rule and general law municipalities.

(2) HB 434

5-1025L
Bannister
1/4/88
~~Ghaerauft~~

IN THE HOUSE BY MENARD

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to municipal redevelopment."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 29.35 is amended by adding a new section to read:

Sec. 29.35.035. REDEVELOPMENT PROJECTS. (a) A municipality may undertake redevelopment projects in the municipality and issue bonds for redevelopment purposes in blighted areas.

(b) A municipality may by ordinance create a public corporation to exercise all or some of the redevelopment powers authorized under (a) of this section. The corporation so established

(1) is an instrumentality of the municipality, but has a legal existence independent of and separate from the municipality; and

(2) has continuing succession by its corporate name until terminated by ordinance.

(c) A municipality may provide by ordinance that the tax increment from the taxes levied each year by or on behalf of the municipality on the property in a redevelopment project shall be used to repay the principal and interest on bonds, notes, and other indebtedness that is incurred for the redevelopment project. To enable and assist a public corporation to repay bonds, notes, and other indebtedness for a redevelopment project, the municipality may irrevocably pledge the tax increment from a redevelopment project for the payment of debt service on the bonds, notes, or other indebtedness issued to finance the project. In this subsection "tax increment" means the portion of the tax that is attributable to the difference between the value of

the property shown on the taxing agency's assessment roll for the year when the taxes are levied and the value of the property shown on the taxing agency's last assessment roll that was equalized before the redevelopment project was authorized.

For blighted redevelopment

"(A) a program of general application to which the Higher Education Act of 1965 applies if—

"(i) limitations are imposed under the program on—

"(I) the maximum amount of loans outstanding to any student, and

"(II) the maximum rate of interest payable on any loan,

"(ii) the loans are directly or indirectly guaranteed by the Federal Government,

"(iii) the financing of loans under the program is not limited by Federal law to the proceeds of tax-exempt bonds, and

"(iv) special allowance payments under section 438 of the Higher Education Act of 1965—

"(I) are authorized to be paid with respect to loans made under the program, or

"(II) would be authorized to be made with respect to loans under the program if such loans were not financed with the proceeds of tax-exempt bonds, or

"(B) a program of general application approved by the State to which part B of title IV of the Higher Education Act of 1965 (relating to guaranteed student loans) does not apply if no loan under such program exceeds the difference between the total cost of attendance and other forms of student assistance (not including loans pursuant to section 428B(a)(1) of such Act (relating to parent loans) or subpart I of part C of title VII of the Public Health Service Act (relating to student assistance)) for which the student borrower may be eligible. A bond issued as part of an issue shall be treated as a qualified student loan bond only if no bond which is part of such issue meets the private business tests of paragraphs (1) and (2) of section 141(b).

"(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the term 'applicable percentage' means—

"(A) 90 percent in the case of the program described in paragraph (1)(A), and

"(B) 95 percent in the case of the program described in paragraph (1)(B).

"(3) STUDENT BORROWERS MUST BE RESIDENTS OF ISSUING STATE, ETC.—A student loan shall be treated as being made or financed under a program described in paragraph (1) with respect to an issue only if the student is—

"(A) a resident of the State from which the volume cap under section 146 for such loan was derived, or

"(B) enrolled at an educational institution located in such State.

"(4) DISCRIMINATION ON BASIS OF SCHOOL LOCATION NOT PERMITTED.—A program shall not be treated as described in paragraph (1)(A) if such program discriminates on the basis of the location (in the United States) of the educational institution in which the student is enrolled.

"(c) QUALIFIED REDEVELOPMENT BOND.—For purposes of this part—

"(1) IN GENERAL.—The term 'qualified redevelopment bond' means any bond issued as part of an issue 95 percent or more of the net proceeds of which are to be used for 1 or more redevelopment purposes in any designated blighted area.

"(2) ADDITIONAL REQUIREMENTS.—A bond shall not be treated as a qualified redevelopment bond unless—

"(A) the issue described in paragraph (1) is issued pursuant to—

"(i) a State law which authorizes the issuance of such bonds for redevelopment purposes in blighted areas, and

"(ii) a redevelopment plan which is adopted before such issuance by the governing body described in paragraph (4)(A) with respect to the designated blighted area,

"(B)(i) the payment of the principal and interest on such issue is primarily secured by taxes of general applicability imposed by a general purpose governmental unit, or

"(ii) any increase in real property tax revenues (attributable to increases in assessed value) by reason of the carrying out of such purposes in such area is reserved exclusively for debt service on such issue (and similar issues) to the extent such increase does not exceed such debt service,

"(C) each interest in real property located in such area—

"(i) which is acquired by a governmental unit with the proceeds of the issue, and

"(ii) which is transferred to a person other than a governmental unit,

is transferred for fair market value,

"(D) the financed area with respect to such issue meets the no additional charge requirements of paragraph (5), and

"(E) the use of the proceeds of the issue meets the requirements of paragraph (6).

"(3) REDEVELOPMENT PURPOSES.—For purposes of paragraph (1)—

"(A) IN GENERAL.—The term 'redevelopment purposes' means, with respect to any designated blighted area—

"(i) the acquisition (by a governmental unit having the power to exercise eminent domain) of real property located in such area,

"(ii) the clearing and preparation for redevelopment of land in such area which was acquired by such governmental unit,

"(iii) the rehabilitation of real property located in such area which was acquired by such governmental unit, and

"(iv) the relocation of occupants of such real property.

"(B) NEW CONSTRUCTION NOT PERMITTED.—The term 'redevelopment purposes' does not include the construction (other than the rehabilitation) of any property or the enlargement of an existing building.

"(4) DESIGNATED BLIGHTED AREA.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'designated blighted area' means any blighted area designated by the governing body of a local general purpose governmental unit in the jurisdiction of which such area is located.

"(B) BLIGHTED AREA.—The term 'blighted area' means any area which the governing body described in subpara-

graph (A) determines to be a blighted area on the basis of the substantial presence of factors such as excessive vacant land on which structures were previously located, abandoned or vacant buildings, substandard structures, vacancies, and delinquencies in payment of real property taxes.

"(C) DESIGNATED AREAS MAY NOT EXCEED 20 PERCENT OF TOTAL ASSESSED VALUE OF REAL PROPERTY IN GOVERNMENT'S JURISDICTION.—

"(i) IN GENERAL.—An area may be designated by a governmental unit as a blighted area only if the designation percentage with respect to such area, when added to the designation percentages of all other designated blighted areas within the jurisdiction of such governmental unit, does not exceed 20 percent.

"(ii) DESIGNATION PERCENTAGE.—For purposes of this subparagraph, the term 'designation percentage' means, with respect to any area, the percentage (determined at the time such area is designated) which the assessed value of real property located in such area is of the total assessed value of all real property located within the jurisdiction of the governmental unit which designated such area.

"(iii) EXCEPTION WHERE BONDS NOT OUTSTANDING.—The designation percentage of a previously designated blighted area shall not be taken into account under clause (i) if no qualified redevelopment bond (or similar bond) is or will be outstanding with respect to such area.

"(D) MINIMUM DESIGNATED AREA.—

"(i) IN GENERAL.—Except as provided in clause (ii), an area shall not be treated as a designated blighted area for purposes of this subsection unless such area is contiguous and compact and its area equals or exceeds 100 acres.

"(ii) 10-ACRE MINIMUM IN CERTAIN CASES.—Clause (i) shall be applied by substituting '10 acres' for '100 acres' if not more than 25 percent of the financed area is to be provided (pursuant to the issue and all other such issues) to 1 person. For purposes of the preceding sentence, all related persons (as defined in subsection (a)(3)) shall be treated as 1 person. For purposes of this clause, an area provided to a developer on a short-term interim basis shall not be treated as provided to such developer.

"(5) NO ADDITIONAL CHARGE REQUIREMENTS.—The financed area with respect to any issue meets the requirements of this paragraph if, while any bond which is part of such issue is outstanding—

"(A) no owner or user of property located in the financed area is subject to a charge or fee which similarly situated owners or users of comparable property located outside such area are not subject, and

"(B) the assessment method or rate of real property taxes with respect to property located in the financed area does not differ from the assessment method or rate of real property taxes with respect to comparable property located outside such area.

For purposes of the preceding sentence, the term 'comparable property' means property which is of the same type as the property to which it is being compared and which is located within the jurisdiction of the designating governmental unit.

"(6) USE OF PROCEEDS REQUIREMENTS.—The use of the proceeds of an issue meets the requirements of this paragraph if—

"(A) not more than 25 percent of the net proceeds of such issue are to be used to provide (including the provision of land for) facilities described in subsection (a)(8) or section 147(e), and

"(B) no portion of the proceeds of such issue is to be used to provide (including the provision of land for) any private or commercial golf course, country club, massage parlor, hot tub facility, suntan facility, racetrack or other facility used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

"(7) FINANCED AREA.—For purposes of this subsection, the term 'financed area' means, with respect to any issue, the portion of the designated blighted area with respect to which the proceeds of such issue are to be used.

"(8) RESTRICTION ON ACQUISITION OF LAND NOT TO APPLY.—Section 147(c) (other than paragraphs (1)(B) and (2) thereof) shall not apply to any qualified redevelopment bond.

"SEC. 145. QUALIFIED 501(c)(3) BOND.

"(a) IN GENERAL.—For purposes of this part, except as otherwise provided in this section, the term 'qualified 501(c)(3) bond' means any private activity bond issued as part of an issue if—

"(1) all property which is to be provided by the net proceeds of the issue is to be owned by a 501(c)(3) organization or a governmental unit, and

"(2) such bond would not be a private activity bond if—

"(A) 501(c)(3) organizations were treated as governmental units with respect to their activities which do not constitute unrelated trades or businesses, determined by applying section 513(a), and

"(B) paragraphs (1) and (2) of section 141(b) were applied by substituting '5 percent' for '10 percent' each place it appears and by substituting 'net proceeds' for 'proceeds' each place it appears.

"(b) $150,000,000 LIMITATION ON BONDS OTHER THAN HOSPITAL BONDS.—

"(1) IN GENERAL.—A bond (other than a qualified hospital bond) shall not be treated as a qualified 501(c)(3) bond if the aggregate authorized face amount of the issue (of which such bond is a part) allocated to any 501(c)(3) organization which is a test-period beneficiary (when increased by the outstanding tax-exempt nonhospital bonds of such organization) exceeds $150,000,000.

"(2) OUTSTANDING TAX-EXEMPT NONHOSPITAL BONDS.—

"(A) IN GENERAL.—For purposes of applying paragraph (1) with respect to any issue, the outstanding tax-exempt nonhospital bonds of any organization which is a test-period beneficiary with respect to such issue is the aggregate amount of tax-exempt bonds referred to in subparagraph (B)—

CITY OF PALMER, ALASKA

RESOLUTION NO. 761

A RESOLUTION IN SUPPORT OF THE CREATION OF DEVELOPMENT AUTHORITIES IN LOCAL MUNICIPALITIES.

WHEREAS, the Alaska Municipal League's Policy Statement for Economic Development urges the adoption of legislation which will afford local municipalities broader economic development incentives, and

WHEREAS, legislation has been introduced which will create Development Authorities as well as afford new financing approaches to economic development, namely tax increment financing, and

WHEREAS, the creation of Development Authorities will allow local municipalities to fund needed capital improvements through tax increment financing, and

WHEREAS, tax increment financing capital improvements costs are borne only by the impacted area, and

WHEREAS, Development Authorities would have the power to perform the economic development activities within the local municipalities, and

WHEREAS, the need for creative financing and economic development is needed in the time of austere budgets.

NOW, THEREFORE, BE IT RESOLVED the City of Palmer supports legislation which will create economic Development Authorities provided the ability to utilize tax increment financing is afforded.

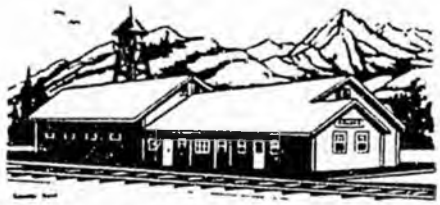
Passed and approved by the Palmer City Council, this 22nd day of September, 1987.

GEORGE W. CARTE', MAYOR

DAVID L. SOULAK, CITY CLERK

CITY OF PALMER

231 W. EVERGREEN AVE.
PALMER, ALASKA 99645



Phone (907) 745-3271

A HOME RULE CITY

March 19, 1987

The Honorable Curtis Menard
Representative
State of Alaska
P.O. Box V
Juneau, Alaska 99811

RE: Tax Increment Financing - Downtown Development Authority

Dear Representative Menard,

Over the past couple of years, the City of Palmer as well as other communities in the State of Alaska has been interested in the adoption of legislation which would allow the use of Tax Increment Financing.

I have enclosed a copy of Economic Development in Michigan's Downtown: DDA's-TIF's for your perusal. After you have had a chance to read this information, I would very much like to discuss the drafting of legislation similar to what Michigan has done which would allow the formation of these two important economic development tools.

With the current economic state of the State as a whole, I am sure you will agree that the local municipalities should have more economic development tools available to them such as the Downtown Development Authorities and Tax Increment Financing Authorities.

Another publication from the Michigan Municipal Management Association is the Community Guide to Economic and Industrial Development which shows what can be done to help stimulate an economy which was devastated by the recent Recession in the 1970's.

Should you have any questions, please contact me.

Yours truly,

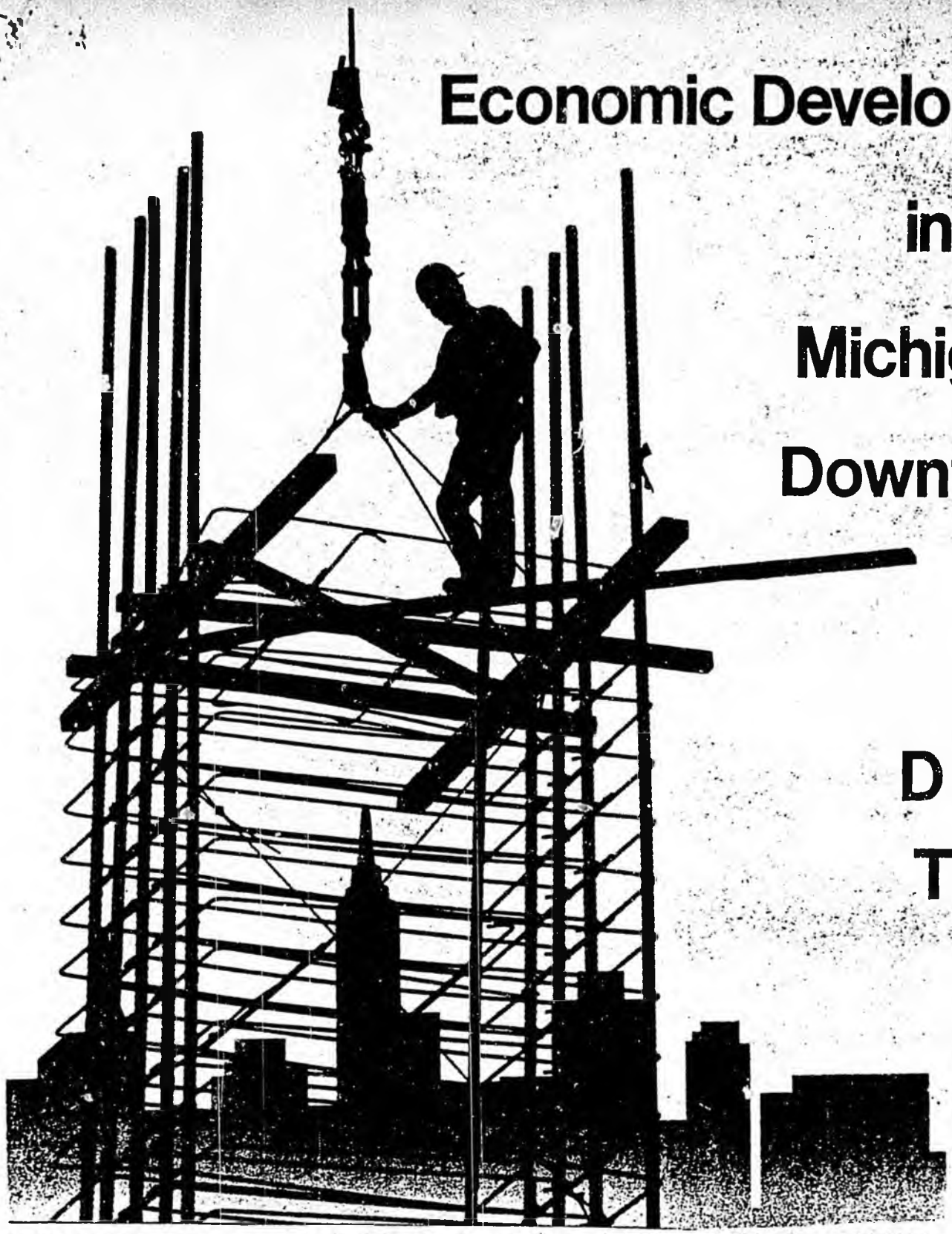
David L. Soulak
City Manager
City of Palmer

DLS/cac

Encl.

cc: Mayor Carte'
Scott Burgess, AML

Economic Development in Michigan's Downtown:



DDA's
TIF's

Number 13 in a continuing series produced for:

MICHIGAN CITY MANAGEMENT ASSOCIATION

ECONOMIC DEVELOPMENT IN MICHIGAN'S DOWNTOWNS: DDA'S AND TIF'S

By

Jean P. Telkowski

For

The Michigan City Management Association

In Cooperation With

The Institute of Public Policy Studies
University of Michigan

and

The Michigan Municipal League

Published by the
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FOREWORD

The following report is a product of a graduate research assistantship established by the Michigan City Management Association and the Institute of Public Policy Studies, University of Michigan. The Board of Directors of the Michigan City Management Association selected this research project as being beneficial to members of the Association and to the academic and professional development of the graduate student involved. The Michigan Municipal League cooperated with the Michigan City Management Association and the Institute of Public Policy Studies in the formation of this project.

Ms. Jean P. Telkowski, a graduate student at the Institute of Public Policy Studies, undertook the study during the 1982-83 academic year. Since then, Ms. Telkowski completed the requirements for a Master's Degree in Public Policy Studies and accepted a position with the Burroughs Corporation.

The data for this report was obtained from questionnaires received from 63 Downtown Development Authorities and 20 Tax Increment Financing Authorities. In addition, Ms. Telkowski interviewed numerous municipal officials to gain more detailed information for this study.

Grateful acknowledgement is extended to all Michigan officials who gave freely of their time and effort to participate in the preparation of this study. In addition, Ms. Telkowski was provided with graduate study direction by Dr. Edward M. Gramlich, Director of the Institute of Public Policy Studies, University of Michigan. Ms. Telkowski was supervised in her efforts by Mr. John A. O'Keefe, Assistant Director, Michigan Municipal League.

MICHIGAN CITY MANAGEMENT ASSOCIATION

George D. Goodman
Secretary-Treasurer

INTRODUCTION

Recently the federal government has cut funds for programs which help subsidize the costs of public improvement projects undertaken by local governments. The State of Michigan, faced with its budget crisis, could not supply the funds formerly provided by the federal government. During the 1980s and beyond, municipalities* will have to marshall their resources and those of the private sector to finance community development programs. Localization and privitization are the twin themes of economic recovery for Michigan municipalities.

Fortunately, the Michigan state legislature has provided municipalities with a new way to finance economic development. On August 13, 1975, Governor Milliken signed Public Act No. 197 which allows municipalities to create Downtown Development Authorities (DDAs or Authorities). The governing body of a municipality** authorizes the creation of a DDA which is a group of municipal officials, business persons and residents who develop and implement plans to correct and prevent property value deterioration in business districts. The DDAs can use a relatively new mechanism known as tax increment financing to fund the public share of community development projects.

Since the DDAs can operate only in business districts, Governor Milliken approved Public Act No. 450 on January 15, 1981 which authorized the creation of Tax Increment Finance Authorities (TIFAs or Authorities). The TIFAs have basically the same powers as DDAs, but TIFAs can operate in any area of a city*** which suffers from declining property values.

As of March 1983, there were 84 DDAs and 27 TIFAs in Michigan. A survey conducted by the Michigan Chapter of the International City Management Association between March and May, 1983 (hereinafter known as the "Michigan ICMA Survey") gathered information on the process of creating, financing and implementing the development programs of DDAs and TIFAs. This report presents the findings of the Michigan ICMA Survey.

* Municipalities refers to cities, villages and townships

** Governing body of a municipality refers to the elected body of a municipality having legislative powers.

*** Villages and townships are not authorized to create TIFAs.

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SURVEY RESPONSE

The Michigan ICMA survey was sent to 34 DDAs and 27 TIFAs in March 1983. By mid-May, 63 (75%) of the DDAs and 20 (74%) of the TIFAs had responded to the survey. Table 1 presents a profile of the survey group by population of municipality which authorized the DDA or TIFA.

Table 1 shows that 79% of the DDAs are located in communities of population less than 25,000. This does not mean that DDAs are better suited to smaller communities or that smaller communities are less able to receive state or federal economic development funds. The concentration of DDAs in small communities is more likely due to the fact that over 90% of Michigan municipalities have populations less than 25,000. Therefore, it is surprising that TIFAs are equally represented in population groups larger and smaller than 25,000. This may be because TIFAs have primarily been established to develop industrial sites and parks which tend to be located in larger communities.

TABLE 1: REPORTING SUMMARY

	DDAs				
Population of Municipalities	No. of DDAs Surveyed	% of Total Surveyed	No. of DDAs Responding	% of Population Group Responding	% of Total Respondents
Less than 4,000	24	29%	17	71%	27%
4,000 to 9,999	24	29%	19	79%	30%
10,000 to 24,999	18	21%	15	83%	24%
25,000 to 49,999	6	7%	3	50%	5%
50,000 to 99,999	7	8%	5	71%	8%
100,000 to 249,999	4	5%	4	100%	6%
Over 250,000	1	1%	0	0	0
TOTAL	84	100%	63	75%	100%

	TIFAs				
Population of Municipalities	No. of TIFAs Surveyed	% of Total Surveyed	No. of TIFAs Responding	% of Population Group Responding	% of Total Respondents
Less than 4,000	5	19%	4	80%	20%
4,000 to 9,999	5	19%	4	80%	20%
10,000 to 24,999	5	19%	3	60%	15%
25,000 to 49,999	4	15%	3	75%	15%
50,000 to 99,999	5	19%	4	80%	20%
100,000 to 249,999	2	7%	2	100%	10%
Over 250,000	1	4%	0	0	0
TOTAL	27	102%*	20	74%	100%

*Rounding error

CORRECTION

THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

INTRODUCTION

Recently the federal government has cut funds for programs which help subsidize the costs of public improvement projects undertaken by local governments. The State of Michigan, faced with its budget crisis, could not supply the funds formerly provided by the federal government. During the 1980s and beyond, municipalities* will have to marshall their resources and those of the private sector to finance community development programs. Localization and privitization are the twin themes of economic recovery for Michigan municipalities.

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Since the DDAs can operate only in business districts, Governor Milliken approved Public Act No. 450 on January 15, 1981 which authorized the creation of Tax Increment Finance Authorities (TIFAs or Authorities). The TIFAs have basically the same powers as DDAs, but TIFAs can operate in any area of a city*** which suffers from declining property values.

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* Municipalities refers to cities, villages and townships

** Governing body of a municipality refers to the elected body of a municipality having legislative powers.

*** Villages and townships are not authorized to create TIFAs.

The purpose of this report is to provide a broad overview of the process of establishing and operating a DDA or a TIFA. The report will be of value to municipal officials and citizens who want to know more about a DDA or a TIFA before they establish an Authority in their community as well as to established DDAs and TIFAs who want to know more about the activities of other Authorities so as to improve their operations. This report is "the tip of the iceberg"; municipal officials and others who want to learn more about specific aspects of the operation of an Authority are encouraged to contact established Authorities for details. Appendix C to this report list all DDAs and TIFAs in Michigan as of November 15, 1983. Appendix D lists the financial and development activities undertaken by the Authorities responding to the Michigan ICMA survey to make it easier for municipalities and Authorities to contact each other to learn more about specific financial and operational matters.

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TABLE 1: REPORTING SUMMARY

DDAs

Population of Municipalities	No. of DDAs Surveyed	% of Total Surveyed	No. of DDAs Responding	% of Population Group Responding	% of Total Respondents
Less than 4,000	24	29%	17	71%	27%
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TOTAL	84	100%	63	75%	100%

TIFAs

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TOTAL	27	102%*	20	74%	100%

*Rounding error

CREATING THE AUTHORITY

Activities Undertaken Prior to Creation of the Authority

A municipality should thoroughly examine its prospects for redevelopment before it creates an Authority. This involves, first, a precise definition of the boundaries of decline in the community and the reasons for the decline. Second, municipal officials, residents, business persons and other potential beneficiaries of community improvement projects should discuss the community's needs, goals of future development and possible development strategies. Third, at this point, it may be appropriate to create a formal organization to coordinate the development effort. There are a variety of economic development organizations including DDAs and TIFAs as well as Economic Development Corporations and Industrial Development Corporations. A municipality should examine carefully the powers and limitations of each type of organization and, depending on the municipality's redevelopment needs, choose the organization which best fits its development strategy. Discussions with established organizations may be very helpful in making this decision.

Table 2 shows the results of the Michigan ICMA survey with regard to the types of activities undertaken by municipalities prior to the creation of an Authority.

TABLE 2

Activities Undertaken Prior to Creation of the Authority

Activity	Municipalities	
	No.	%*
Interviews with business persons, residents and potential investors to determine prevailing attitudes with respect to future development of municipality.	41	62%
Analysis of municipality's redevelopment needs	40	61%
Contacts with established Authorities	38	58%
Market study to determine current market conditions and potential for market growth of municipality	23	35%

*Total Respondents = 66. Percentages do not add to 100 because municipalities often undertook more than one activity. Specifically, 33% of municipalities undertook 2 of the above activites while 38% of municipalities undertook 3 or more activities.

Persons Involved in Creating the Authority

If a community decides that it should create a DDA or a TIFA, municipal officials should solicit the support and assistance of as many groups as possible to facilitate the smooth operation of the Authority. Table 3 presents a list of which groups or persons were most likely to get involved in creating an Authority according to the respondents to the Michigan ICMA survey.

TABLE 3

Persons/Groups Involved in Creating the Authority

Person/Group	Municipalities No.*
Municipal Manager [illegible]nistrator	61
Mayor	56
Council	55
Business Persons	38
Municipal Attorney	35
Downtown Merchants Association	33
Chamber of Commerce	29
Municipal Community/Economic Development Dept.	18
Municipal Tax Assessor	17
Municipal Planning Dept.	17
Local Banks	16
Private Planning Consultants	12
Economic Development Corporation	10
Municipal Finance Director	6
Residents	6
Private Developers	6
Private Legal Consultants	6
Municipal Treasurer	5
School Officials	1

*Total Respondents = 68. Percentages are not used since not all municipalities have each type of person or group.

Table 3 shows that primarily the municipal administrator, elected municipal officials, the municipal attorney and business persons are involved in creating DDAs and TIFAs. The next most important groups included local agencies such as the community or economic development department, planning department and the tax assessor's office as well as local banks. These results

are not surprising since they include the people who are usually most active in community development projects. What is surprising is that more communities did not involve residents and school officials in the planning process since their support may be needed later on bond issues, tax increases or the implementation of tax increment financing plans.

The use of private legal and planning consultants and private developers is also noteworthy; if a community needs their skills, they should be consulted as early as possible in the planning process to take full advantage of their expertise. Some comfort (or lack of it!) can be found in that, due to the vicissitudes of electoral politics, the private consultants and developers may be one group who can be counted on to stay with a development program from start to finish.

One final comment, although many communities have established Economic Development Corporations, few communities chose to include them in creating DDAs or TIFAs. Since the activities of these organizations will most likely overlap, it may be wise to coordinate (consolidate, if possible) the activites of these groups.

Legal Steps to Create the Authority

Once a municipality recognizes that it should create a DDA or a TIFA, there are formal procedures the municipality must follow to legally establish an Authority. The procedures are set forth in Public Act No. 197 of 1975 (as amended) for DDAs and Public Act No. 450 of 1980 (as amended) for TIFAs. Both Acts are reprinted in Appendix B to this report. The procedures are different for both Authorities. The procedures for a DDA are briefly summarized as follows:

1. When the governing body of a municipality determines that it is necessary to halt property value deterioration in its business district and to promote economic growth, the governing body of a municipality must adopt a resolution declaring its intent to create a DDA. (A municipality may create more than one DDA.)

2. The governing body must conduct a public hearing on creation of the Authority and designation of the boundaries of the downtown district (which is within the municipality's zoned business district) in which the Authority will operate. Notice of the hearing must be given by publication twice in a newspaper of general circulation in the municipality at least 20 days, and not more than 40 days, before the date of the hearing, by mail to the property taxpayers of record in the district no less than 20 days before the hearing and notice must also by published in at least 20 conspicuous places in the proposed downtown district

not less than 20 days before the hearing.

3. Following the hearing, the governing body must adopt an ordinance establishing the Authority and designating the boundaries of the downtown district. The ordinance must be published once in a newspaper of general circulation in the municipality. In addition, the boundaries of the downtown district may be altered by amendment to the ordinance following the same procedures used to establish the original boundaries.

4. The Authority shall be under the supervision and control of a board of directors consisting of the chief executive officer of a municipality (i.e., a mayor or city manager of a city, a president of a village, or a supervisor of a township) and not less than 8, or more than 12 members chosen by the governing body of the municipality. A majority of the board members must have an interest in property (interpreted as a property owner, renter or lessee) located in the downtown district and if more than 100 persons reside within the district, at least one of the board members must be a resident of the district. Members of the Authority board serve for staggered four year terms. The business of the board is conducted at public meetings held in compliance with Public Act No. 267 of 1976. Finally, the board may employ and pay a director, treasurer, secretary, legal counsel or other person it deems necessary to aid in carrying out its duties.

5. The powers of the Authority are broad including economic analysis, study, planning, plan implementation, acquisition of property, improvement of land or buildings, construction of public facilities, leasing of buildings or property under its control, and collection of fees or rents. The Authority is not endowed with the power of eminent domain, but the incorporating municipality may condemn property for the use of the Authority in connection with an approved development plan and transfer it to the Authority. Such action is subject to state law with regard to relocation assistance in the case of condemnation of residential property. All in all, the broad powers of the Authority should be viewed in light of the more restrictive financial powers of the Authority which are described below.

6. The final legal requirements that apply to DDAs are discussed in more detail below. They include a public hearing to discuss the DDAs proposed development, and if applicable, tax increment financing plans; an ordinance approving either or both plans; and upon completion of development, an ordinance dissolving the Authority.

The procedures to create a TIFA are as follows:

1. When the governing body of a municipality (i.e., a city) determines that it is necessary to halt property value decline anywhere in the municipality and to provide for economic growth, the governing body of the municipality must adopt a resolution declaring its intent to create a TIFA. (A municipality may create only one TIFA.)

2. Same as Step #2 for a DDA (changing "downtown district" to "Authority district"), except a municipality is not required to post notice of the public hearing.

3. Same as Step #3 for a DDA.

4. The governing body of a municipality may appoint the board of directors of the Economic Development Corporation, DDA, Urban Redevelopment Corporation or members of the commission established under the Blighted Area Rehabilitation Act (Public Act No. 344 of 1945) to serve as members of the board of the TIFA. Or the chief executive officer of the municipality may appoint 7, but no more than 13, persons to serve as board members subject to the approval of the governing body of the municipality. The board members serve staggered 4 year terms and conduct business at public meetings. The board may employ and pay a director, treasurer, secretary, legal counsel or other persons considered necessary to carry out its duties.

5. The powers of a TIFA are the same as those of a DDA.

6. Same as Step #6 for a DDA.

FINANCING DEVELOPMENT

Despite the broad powers delegated to the Authority, the incorporating municipality of a DDA or a TIFA has considerable control over the financial operations of the Authority. The Authority's budget must be approved by the governing body of the municipality and no municipal funds may be used by the Authority unless specifically appropriated for that purpose by the governing body of the municipality. Further, any levy and collection of taxes to fund the operations or development activities of the Authority are carried out by the municipality and the municipality can charge a fee (pro rata share of its overhead cost) to the Authority for this service.

The activities of either Authority can be financed from one or more

of the following sources, unless noted to the contrary. The starred items are described below in greater detail.

1. Donations to the Authority for the performance of its functions.
*2. Proceeds of an ad valorem tax levied on property in the downtown district (applicable only to DDAs).
*3. Revenue bonds issued by the Authority.
4. Revenues from any property, building, or facility owned, leased, licensed, or operated by the Authority or under its control, subject to the limitations imposed upon the Authority by trusts or other agreements.
*5. Proceeds of a tax increment financing plan.
6. Proceeds from a special assessment district created as provided by law (applicable only to DDAs).
7. Money obtained from other sources approved by the governing body of the municipality.

Ad Valorem Tax (DDAs only)

The DDA with the approval of the municipal governing body and by vote of the electorate (in accordance with the Headlee Amendment) may levy an ad valorem tax not exceeding 2 mills (not more than 1 mill for municipalities with population greater than 1 million) on all taxable property in the downtown district. The municipality collects the tax at the same time and in addition to all other municipal taxes.

Until recently, the tax revenues could be used only to finance the operations of the DDA. The term "operations" was defined as "office maintenance, including salaries and expenses of employees, office supplies, consultation fees, design costs, and other expenses incurred in the daily management of the Authority and planning of its activities." This excluded use of the revenues for promotional or actual development activities; the revenues could be used only to plan improvements to the downtown district. On June 16, 1983, Governor Blanchard approved an amendment to the DDA legislation to allow the DDA to use the tax revenues for any purpose that is approved by the governing body of the municipality.

Another problem associated with the ad valorem tax revenue has not been corrected. In smaller downtown districts, the tax often does not provide enough revenue to cover even the operational costs of the DDA. The results of the Michigan ICMA survey show that, of the 23 DDAs who levied the tax, 15 claimed the tax did not finance their operational costs. Under these circumstances, it would seem appropriate to allow the residents of the downtown district to vote to increase the millage in order to finance adequately the activities of the DDA.

One other aspect of the tax: a DDA can request a municipality to borrow money by issuing notes pursuant to Public Act No. 202 of 1943 in anticipation of collection of the ad valorem tax. This would help a DDA to acquire start-up funds early in the development process rather than wait for the collection of tax revenues.

Revenue Bonds

DDAs and TIFAs are authorized to issue revenue bonds in accordance with the provisions of Public Act No. 94 of 1933 (the "Revenue Bond Act"). Revenue bonds can be used to fund the acquisition or construction by the Authority of any type of public improvement defined in the Revenue Bond Act. Examples of revenue-producing public improvements include housing, recreational facilities, parking lots or structures and convention halls. By definition, the structure must produce revenue that will cover the costs of operating and maintaining the structure, as well as the reserve fund established to retire the bonds. The bonds must be approved by the Michigan Municipal Finance Commission and be offered through public sale.

The governing body of a municipality may pledge its full faith and credit to support the Authority's revenue bonds. This does not mean the project does not have to be self-supporting; the municipality's pledge stands only as additional security to the investor that in case the revenues are not sufficient, the municipality will pay principal and interest on the bonds with money from the municipality's general fund or by levying a tax. One note of caution, the Michigan Constitution (Article 7, Section 24 and Article 9, Section 18) stipulates that a municipality can only pledge its full faith and credit to bonds the proceeds of which are for public use. If bond proceeds go to a private enterprise, the municipality has made an unconstitutional lending of credit; the revenue bonds may be redefined as industrial development bonds and interest on the bonds may not be tax-exempt.

An Authority can not issue bonds unless the governing body of the municipality has approved a development plan prepared by the Authority. The development plan outlines the intended improvements to the development area*, cost of improvements, proposed method of financing development, timing of development and plans for relocation of residents and/or businesses. The municipal governing body must hold a public hearing on the plan. Notice of the hearing must be published twice in a newspaper of general circulation and mailed to taxpayers in the development area not less than 20 days before the date set for the hearing. Following the public hearing, the governing body may adopt a resolution approving the development plan, and the Authority may begin to implement the plan.

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* The development area refers to that area within either the downtown district of a DDA or the authority district of a TIFA where actual public and private development takes place. An Authority exercises control over the downtown district or authority district for taxation purposes. A downtown district or authority district may have more than one development area.

If the proposed development area has 100 or more residents and a change in zoning or taking of property by eminent domain is necessary to accomplish the development program, then a Development Area Citizens' Council must be established. The Council consists of at least 9 adult residents of the development area appointed by the governing body of the municipality. The Council acts as an advisory body to the Authority and the municipal governing body in the adoption of the development plan and the tax increment financing p'an (if applicable). Only 7 of the 83 Authorities who responded to the Michigan ICMA survey established Development Area Citizens' Councils.

Tax Increment Financing

Perhaps the most novel and controversial financial tool available to DDAs and TIFAs is tax increment financing. Tax increment financing is a way for municipalities to pay for public improvements (streets, sidewalks, lighting, parking facilities, etc) in the development area by using the increase in tax revenues from private development that occurs in the development area.* For example, assume the initial assessed value, that is, the state equalized value of all taxable property in the development area prior to the start of public/private improvements, is $100,000,000. And the Authority estimates that in the first year after adoption of the tax increment financing plan the current assessed value (as finally equalized) will rise to $102,000,000; the increase resulting from new construction or an increase in the value of existing property through inflation or the presence of new construction nearby. The captured assessed value is the difference between the current assessed value and the initial assessed value or, in this example, $2,000,000 ($102,000,000-$100,000,000).

The Authority will collect part of the captured assessed value known as the tax increment revenue. The tax increment revenue is the product of the municipality's tax rate, say 60 mills, and the captured assessed value of $2,000,000, or $120,000 (.60 X $2,000,000). The Authority can spend $120,000 to make public improvements in the development area during the first year. The second year of the tax increment financing plan will result in a different captured assessed value and a different amount of tax increment revenue to be used for public improvements. An example of an estimate of tax increment revenues from a 5 year development plan may look something like this:

Year	Current Assessed Value	-	Initial Assessed Value	=	Captured Assessed Value	X	Tax Rate	=	Tax Increment Revenue
1	$102,000,000		$100,000,000		$2,000,000		.60		$120,000
2	103,000,000		100,000,000		3,000,000		.60		180,000
3	105,000,000		100,000,000		5,000,000		.60		300,000
4	107,000,000		100,000,000		7,000,000		.60		420,000
5	106,000,000		100,000,000		6,000,000		.60		360,000
	TOTAL FOR PUBLIC DEVELOPMENT								$1,380,000

* Again, the increase in tax revenues can only be used for public improvements or the municipality will have made an unconstitutional lending of credit.

Of course, there is no guarantee that the current assessed value will increase over time, or even be greater than the initial assessed value. The risk involved with tax increment financing is that there may be no tax increment and development will have to be stopped or other funds found to continue development.

Throughout the life of the development plan, the initial assessed value of the development area is frozen. Any increase in assessed value and thereby increase in tax revenue goes only to the DDA or TIFA. The other tax entities with jurisdiction over the development area (e.g., school, county, water district, etc.) will continue to receive tax revenues based on the initial assessed value; they will not receive any of the additional revenues resulting from improvements in the development area until after the tax increment financing plan has been completed. The exceptions are if the other tax jurisdictions have signed agreements with the municipality to receive a portion of the tax increment revenues or if the tax jurisdictions increase their millage rates during the development period.

In a sense, the other tax jurisdictions and residents living outside of the development area are subsidizing development in the development area. While this may seem unfair, all tax jurisdictions will benefit greatly if the development is successful and they can collect tax revenues on the much higher assessed value after the development is completed. The other tax districts may also gain some immediate benefit if improvements in the development area encourage improvements in neighboring areas (outside the development area) which are taxed by the other tax jurisdictions. The possibility that the assessed value of the blighted area may deteriorate further without action by a DDA or a TIFA may also encourage the other tax jurisdictions to support a tax increment financing plan.

The concept of tax increment financing has been contested hotly by different tax jurisdictions in some of the municipalities in Michigan. One topic of debate has been the definition of initial assessed value. The controversy centers around whether the initial assessed value relates to the state equalized value of the taxable property in the development area that is shown on the municipality's assessment roll at the time the resolution establishing the tax increment financing plan is adopted; or, the assessed value of the taxable property in the development area made as of the tax day, December 31, immediately preceding the date of the approval of the tax increment financing plan, as adjusted, if necessary, by the final equalization process related back to that tax day. Since the final equalization process is usually not completed until the fourth Monday in May, under the first interpretation of initial assessed value, a tax increment financing plan approved on February 1, 1983 would establish the initial assessed value as

the state equalized value relating to the tax day December 31, 1981, since that would be the most recent state equalized value on the assessment roll as of February 1, 1983. Under the second interpretation, the initial assessed value would be the state equalized value as of December 31, 1982 as finally determined by the equalization process in progress on February 1, 1983.

Since the Authority would like to get the lowest initial assessed value so as to be able to capture the largest tax increment, and since initial assessed value usually increases over time, the Authority would prefer the first interpretation of initial assessed value. The other tax jurisdictions would, of course, favor the second interpretation with the higher initial assessed value. The Authorities/municipalities used either definition when interpreting initial assessed value according to the original DDA/TIFA legislation. This confusion led Michigan's Attorney General to issue an opinion on February 16, 1983 which defines initial assessed value according to the second interpretation. Subsequently, on July 16, 1983, the TIFA legislation was amended to define initial assessed value according to the first interpretation. There has been no action in the state legislature to amend the DDA legislation so that the definition of initial assessed value is the same for DDAs and TIFAs.

Tax Increment Bonds

The above description of tax increment financing has been called the "pay-as-you-go" method. That is, an Authority uses only tax increment revenues for development, paying for development as the revenues become available. But when an Authority is planning extensive renewal activities such as buying property, demolition, clearance and contruction of new facilities, the "pay-as-you-go" method would not provide sufficient revenue. The DDA/TIFA legislation allows Authorities to issue tax increment bonds and municipalities to issue general obligation bonds to finance major redevelopment programs.

The amount of bonds which the Authority or the municipality may issue cannot exceed that amount which 80% of the estimated tax increment revenue will service as to annual principal and interest requirments. In the example cited above, the $120,000 tax increment revenue in the first year would provide $96,000 for annual debt retirement ($120,000 x 80%). Using the hypothetical bond terms of 8% for 30 years, $96,000 will finance a bond of approximately $1.1 million.

Under the DDA legislation, a municipality may by resolution of its governing body issue general obligation bonds. For purposes of determining

bonding capacity, the estimated tax increment revenues are those determined by the governing body of the municipality in the resolution authorizing the bonds. Since the estimate of the tax increment revenues may prove inaccurate, the municipality must pledge its full faith and credit as additional security for the bonds. This means that, in the event the tax increments and any other funds pledged by the municpality are insufficient to meet debt service payments, the municipality will make up the difference from general funds or a limited or unlimited tax levy.

A DDA can issue tax increment bonds, but they are not backed by a full faith and credit pledge of the municipality. Thus, neither the DDA or the municipality is under legal obligation to make debt service payments if the tax increment revenues are insufficient. The disadvantage of this type of bond is that if the DDA is forced to default on the bond, the municipality will have to come up with the money to meet the debt service payments or face the possibility that its credit rating may be lowered. In addition, without the municipality's full faith and credit pledge, these bonds may carry substantially higher interest rates to attract investors, thus inflating project costs.

Under the TIFA legislation, only the TIFA can issue bonds backed by tax increment revenues. It can issue straight tax increment bonds which have no full faith and credit pledge from the municipality (same as for a DDA) or limited or unlimited tax increment bonds which are backed by a limited or unlimited tax levy of the municipality. The bonds backed by the municipality will be easier to market and have a lower interest rate than the straight tax increment bonds. The unlimited tax increment bonds must be approved by vote of the electorate, but they have the advantage that if the tax increment revenues are insufficient, taxes may be imposed in excess of charter or statutory limitations to cover the difference. A TIFA which issues limited tax increment bonds can count on the municipality to levy taxes in accordance with applicable statutory or charter limitations in case there are insufficient tax increment revenues. Thus, a municipality that backed tax increment bonds with a limited tax levy may be forced, in the event of insufficient tax increment revenues, to curtail public services if it must use some of its limited amount of tax revenues to support the TIFA.

No matter what bonds are chosen, a municipality can purchase insurance for the bonds through the Municipal Bond Insurance Association or the American Municipal Bond Assurance Corporation as additional security for investors. With insurance the bonds will carry a AAA rating from Standard & Poor's.

Tax Increment Financing Plan

The successful use of tax increment financing requires careful

planning. By law, the Authorities must submit a tax increment financing plan for approval to the governing body of the municipality. The plan submitted by a DDA must include the development plan (described above), a detailed explanation of the tax increment procedure, the maximum amount of bonded indebtedness to be incurred, the duration of the program, and an assessment of the estimated impact of tax increment financing on the assessed value of all tax jurisdictions in which the development area is located. The specifications of the tax increment financing plan submitted by a TIFA were recently amended to include, in addition to the requirements for the DDA plan, a statement of the reasons that the plan will result in the development of captured assessed value which could not otherwise be expected, an estimate of the captured assessed value and tax increment revenue for each year of the plan, and the amount of operating and planning expenditures of the TIFA and municipality (including any advances or indebtedness made by others to be repaid from tax increment revenues). Both the DDA and TIFA tax increment financing plans are subject to public hearing and approval by the governing body of the municipality; the same procedure as for the development plan. In fact, the tax increment financing and development plans may be approved simultaneously.

Before the public hearing on the tax increment financing plan, the municipal governing body is required to discuss the fiscal and economic implications of the plan with the other tax jurisdictions in which the development is located. As a result of these discussions, the Authority may enter into agreements with the tax jurisdictions and the governing body of the municipality to share a portion of the captured assessed value of the district.*

Comment

From the above description of tax increment financing, it appears that a municipality and the Authority must have the manpower to conduct thorough studies of a development area's needs and potential uses. The Authority must be in constant dialogue with municipal officials, developers, landowners, residents, all tax jurisdictions and other potential users of the development area to guarantee an accurate and potentially successful development plan (especially as the tax implications of various development programs are estimated). If possible, the Authority should get firm commitments from private developers prior to the start of a project to ensure a steady stream of tax increment revenues.

Other words of advice come from comments from municipalities and Authorities submitted along with their responses to the Michigan ICMA survey:

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* The State School Aid Act of 1973 (Public Act No. 94) was recently amended so that, for the purpose of determining state aid, the valuation of a school district shall not include the captured assessed value included in a tax increment financing plan. But if a school district receives a portion of the captured assessed value, the state aid funds will be reduced by the amount of the added local money.

1. Adopt a flexible tax increment financing plan that will allow for changes in the development strategy as the flow of tax increment revenues becomes apparent.

2. Encourage utilization of all other available economic development tools to help guarantee sufficient revenues to fund development.

3. Select project areas where public improvements are likely to encourage additional private development and thus larger tax increment revenues (the "ripple effect").

4. Coordinate and stage land acquisition so that existing land use will remain for a maximum period of time before any redevelopment takes place. This minimizes depletion of existing tax revenues which can happen if a municipality buys land and is forced to "sit on" tax-exempt property while waiting for development to take place.

5. Minimize front-end costs. Where possible, reserve large expenditures until the latter part of the project when the Authority may be able to capture and leverage the maximum tax increment.

6. Since property tax abatements are not practical under tax increment financing, write down land costs as an inducement to business location.

7. Time development so that the tax base is frozen at the lowest possible level.

8. Review current strategy regularly and make necessary adjustments.

Tax increment financing can be used to provide significant capital to some types of development projects which are economically feasible (i.e., capable of attracting bond investors) and can eventually halt the deterioration of property values in a community. But the procedure has the potential for abuse. For example, Authorities can designate large sections of a municipality to capture tax increments which may not be attributable to the public investment financed by the tool. When too much of the local tax base is frozen, this may place unreasonable burdens on the delivery of city services. The Michigan ICMA survey revealed that all the DDAs that used tax increment financing limited the size of the downtown district to approximately 5% of the municipality's total area. TIFA districts were slightly larger, 6 of the 7 TIFA districts accounted for less than 10% of the municipality's area while 1 district was 19% of total area. The TIFA districts may be larger because they are not restricted to the downtown area.

Some abuses of tax increment financing have arisen in Michigan and other states. One common problem has been the indefinite extension of a tax increment financing plan so that the benefits of the program are never returned to the community as a whole. This may cause problems in maintaining current service levels or accommodating increased service needs in the development area. Another problem that has appeared concerns the social desirability of development. For example, an Authority in an effort to capture large tax increment revenues, may encourage development of commercial/industrial projects rather than more socially desirable projects such as housing or parklands which have lower tax values.

One problem in Michigan concerns the DDA in Pontiac Township. That DDA created a downtown development area of mostly rural land in order to bring 450 bank employees from Comerica's downtown Detroit computer operations center. This type of project clearly was not intended by the sponsors of the DDA legislation and House Bill No. 4547 is moving through the legislature now to halt this type of abuse.

Survey Results

With a wide variety of financial tools available to Michigan Authorities and municipalities, how have they chosen to finance development? Table 4 presents the results of the Michigan ICMA survey for the 49 DDAs and 12 TIFAs who collected funds at the time of the survey.

Table 4 reveals that Authorities used many different types of financing. This helps insure a steadier stream of revenue than if one type of financing had been used. Very few Authorities issued bonds. This may be due to the newness of the bonds, that is, the bond market has not been sufficiently tested for some of these bonds so that Authorities/municipalities were hesitant to issue them fearing inflated costs.

The Michigan ICMA survey also requested specific information about some of the financial tools. For example, 80% of the Authorities received donations from business persons, 40% from residents, 36% from foundations, 28% from downtown merchants associations, 12% from community service clubs, and 12% from the Chamber of Commerce.

As for the use of bonds, of the 10 Authorities/municipalities who chose to issue bonds, 5 purchased insurance. In addition, 6 of the bond issuers claimed to have sufficient tax increment revenues to service the annual principal and interest payments on the bonds, 3 were not sure yet, and the city of Buchanan had insufficient revenue to service its DDA's revenue bonds. None of the Authorities/municipalities have refunded or defaulted on any of their bond obligations.

TABLE 4

FINANCING DEVELOPMENT

Type of Financing	DDA's No.	DDA's %*	TIFA's No.	TIFA's %*
Ad valorem tax	23	47%	Not applicable	
Donations	22	45%	3	25%
Federal grants/loans	15	31%	4	33%
Tax increment revenues	14	29%	8	66%
Municipal funds/loans	9	18%	3	25%
Proceeds from a special assessment district	7	14%	1	8%
Private financing	4	8%	-	-
Bank loans	4	8%	1	8%
State grants/loans	3	6%	3	25%
Revenue from Authority's property	3	6%	-	-
Limited tax general obligation bonds	2	4%	1	8%
Limited tax increment bonds	1	2%	1	8%
Unlimited tax increment bonds	1	2%	-	-
Straight tax increment bonds	1	2%	-	-
Revenue bonds issued by Authority	1	2%	-	-
Tax anticipation notes	1	2%	-	-
Industrial revenue bonds issued by Authority	1	2%	-	-

* Percentages do not add to 100 as Authorities may have used more than one type of financing.

Finally, 7 of the 19 municipalities who collected tax increment revenues chose to share those revenues with other tax jurisdictions. This was done either by granting only the tax increments resulting from new construction in the development area to the Authorities, or granting only a certain percentage of the revenues to the Authority, or excluding the revenues of certain tax jurisdictions such as counties from the determination of captured assessed value.**

** Unfortunately, the majority of survey respondents answered the survey question requesting information on the growth of tax increment revenues with data for only 1 year of increase (often because the municipalities had only been collecting revenues for 1 year). Thus, no estimate can be made as to the trend of growth of tax increment revenues in Michigan and their potential as a revenue source.

DEVELOPMENT ACTIVITIES

After careful planning, the Authority should be ready to proceed with development. Of the 63 DDAs surveyed by the Michigan ICMA, 28 had started development activities while 35 had not at the time of the survey. Of the 35 DDAs that were not active, 27 had been created between 1980 and 1982 and of those 27, 21 were still drafting development plans at the time of the survey. Other reasons given for lack of development activity included the lack of a committed developer (10 DDAs), poor economic conditions which made development too expensive to finance (9), lack of sufficient funding (3) and opposition of businesses/residents to development (2). These latter reasons illustrate how important it is for Authorities to line up private developers, adequate funding and community support before proceeding with development.

As for the TIFAs, 11 of the 20 survey respondents had undertaken development activities at the time of the survey. Of the 9 inactive TIFAs, all had been recently established (1981-83) and 6 of them were still drafting development plans. Other reasons for inaction included no committed private developer (2 TIFAs), poor economic conditions (1) and awaiting tax increment revenues (2).

Public Development Projects

Table 5 shows the type of public improvements undertaken by the 28 DDAs and 11 TIFAs active at the time of the survey. The table shows the wide variety of public improvements undertaken by DDAs and TIFAs. One striking difference between the Authorities is that DDAs, as expected because of their downtown locations, tended to undertake development activities that upgrade an established area through beautification, construction or repair of streets, sidewalks, commercial/office space or parks whereas TIFAs concentrated on development of areas for industrial use. This illustrates that a municipality should be very clear about its development needs before establishing either Authority because the DDAs were intended to operate only in downtown areas whereas TIFAs can develop any land area in a municipality.

TABLE 5

PUBLIC IMPROVEMENTS

Activity	DDA's No.	DDA's %	TIFA's No.	TIFA's %
Beautification (lighting, landscaping, facade renovation)	20	71%*	2	18%*
Land assembly	15	54%	4	36%
Demolition	14	50%	2	18%
Site preparation	14	50%	5	45%
Construction of sidewalks, curbs or gutters	13	46%	1	9%
Construction of streets/bridges	13	46%	6	55%
Construction of parking facilities	13	46%	1	9%
Relocation of businesses/residents	11	39%	2	18%
Construction of plazas/pedestrian malls	7	25%	-	-
Construction of parks	6	21%	1	9%
Installation of utilities	4	14%	4	36%
Construction of housing	4	14%	1	9%
Construction of mass transit facilities	3	11%	-	-
Construction of recreational facilities	3	11%	-	-
Construction of waterfront facilities	3	11%	-	-
Construction of office(s)	3	11%	-	-
Land cost mark down	2	7%	1	9%
Construction of industrial park	2	7%	5	45%
Construction of manufacturing facilities	-	-	4	36%
Construction of store(s)	1	4%	-	-
Installation of water & sewer service	1	4%	5	45%
Construction of meeting facility	1	4%	-	-
Construction of fire station	1	4%	-	-
Construction of library	1	4%	-	-
Construction of health center	1	4%	-	-
Construction of theater	1	4%	-	-
Construction of senior citizens' center	1	4%	-	-
Construction of wilderness preserve	-	-	1	9%

* Percentages do not add to 100 because Authorities often performed more than one public improvement.

Private Development Projects

The Michigan ICMA survey also requested information on the activities undertaken by private developers who worked with an Authority. During the planning stages of development, 9 of the 26 active DDAs who worked with a private developer signed agreements with the developer to ensure the developer's commitment to the development program. Of the 11 active TIFAs, only 6 worked with private developers and of those 6, only 2 signed agreements with developers. And of the 32 Authorities who worked with private developers, the majority (19) saw the private development activites start within 6 months after the introduction of public improvements. Of the remaining Authorities, 6 saw private activity by the end of the first year, 4 within 2 years and 3 within 3 years.

Table 6 shows the type of activities undertaken by private developers. As expected, the private developers who worked with DDAs were responsible for the construction of stores, parking facilities, offices and beautification activities. Some private developers also got involved with public improvements normally associated with DDAs such as land assembly, site preparation, demolition and business/resident relocation. The most striking fact about the relationship between TIFAs and private developers is that only 6 of the 11 TIFAs chose to work with private developers. In fact, the TIFAs and private developers seemed to have performed essentially the same activites. This may be due to the fact that TIFAs are located primarily in larger municipalities and may be able to draw on the municipalities' industrial planning capabilities.

Relocation of Businesses/Residents

The Michigan ICMA survey also collected information with respect to the relocation of businesses/residents because of development activities. Eighteen of the 32 active Authorities relocated people, but except for Port Huron's DDA which relocated 25 businesses and its TIFA which relocated 5 businesses and 100 residents, the average number of businesses relocated was 2 and the average number of residents was 3. Sixteen of the 18 Authorities provided financial, non-financial or both types of assistance to relocated persons. As it turned out, the municipalities were equally likely to provide relocation assistance as the Authorities, although the municipalities were more likely to provide financial assistance while the Authorities were equally likely to provide financial, non-financial or both types of assistance. No distinction was made as to the types of assistance offered to businesses or residents by Authorities or municipalities.

TABLE 6

PRIVATE IMPROVEMENTS

Activity	Worked with DDA		Worked with TIFA	
	No.	%	No.	%
Construction of store(s)	18	69%*	-	-
Construction of parking facilities	10	38%	1	17%*
Beautification	9	35%	1	17%
Construction of office(s)	9	35%	1	17%
Land assembly	8	31%	1	17%
Site preparation	7	27%	3	50%
Relocation of businesses/residents	5	19%	1	17%
Demolition	5	19%	1	17%
Construction of sidewalks	4	15%	-	-
Construction of hotel	3	12%	-	-
Land cost mark down	2	8%	1	17%
Construction of industrial park	2	8%	1	17%
Construction of manufacturing facilities	-	-	2	33%
Construction of parks	2	8%	1	17%
Construction of streets/bridges	1	4%	-	-
Installation of utilities	1	4%	-	-
Installation of water & sewer service	1	4%	-	-
Construction of health care center	1	4%	-	-
Construction of restaurant/bank	1	4%	1	17%
Construction of theme park	1	4%	-	-
Construction of tourist information center	1	4%	-	-

* Percentages do not add to 100 because developers often performed more than one activity.

CONCLUSION

Although the first DDA was established in 1975 and the first TIFA in 1981, both types of Authorities have been slow to initiate development activities. While this may be good for municipalities, indicating careful planning and caution on the part of the Authorities, it has meant that the survey results of the Michigan ICMA study have been limited. Nevertheless, what has been revealed to date is that Michigan municipalities have successfully used DDAs and TIFAs to spur development activities to regenerate ailing downtown districts or other underutilized areas of a municipality. So far, only a small number of communities have been unable to start or complete development activities because of poor planning or lack of private sector involvement. It is hoped that as the national economic recovery takes hold in Michigan, more private developers will recognize the abundant resources in Michgian and take advantage of the incentives offered by DDAs and TIFAs to locate and expand in the state.

As for the use of tax increment financing in Michigan, the vast majority of municipalities have been able to use tax increment revenues successfully as one source of revenue to fund development activities. The important point is that municipalities should not rely solely on tax increment revenues to fund development since there is no guarantee on the amount of revenues or the speed with which they will accumulate. While the potential of tax increment financing as an economic development tool is enormous, the risk and abuses associated with its use demand careful planning and analysis prior to implementation. Municipalities are also advised to keep abreast of legislative changes relating to tax increment financing which will be considered by the state legislature as the use of tax increment financing increases. As other states with longer experience with tax increment financing such as California (1951), Oregon (1965), Utah (1965) and Minnesota (1969) worked out the "bugs" in their implementation of tax increment financing, so will Michigan.

In a sense, Michigan municipalities are being forced to rely on new financial tools to revitalize their communities as federal funds for local development disappear. Tax increment financing is one of these new tools, and it is hoped that this report will encourage municipalities to work together and share information in an effort to enhance the use of tax increment financing for the benefit of all municipalities.

Matanuska-Susitna Borough

BOX B, PALMER, ALASKA 99645 • PHONE 745-9687

BOROUGH ATTORNEY'S OFFICE

October 13, 1987

Representative Curt Menard
Alaska House of Representatives
351 W. Swanson Avenue, Suite 1
Wasilla, Alaska 99687

Re: Draft bill relating to development of municipalities (tax increment financing)

Dear Representative Menard:

Tuckerman Babcock provided me with a copy of the subject bill and asked for my comments. Thank you for giving me the opportunity.

As with the port authority bills, I believe this bill goes too far. The only thing we should put into the statutes is whatever language may be necessary to satisfy bond counsel that municipalities in Alaska have whatever authority is needed to issue tax increment bonds. Each municipality should retain the authority to set up and manage tax increment financing districts in any manner they find appropriate for their own municipality. Again, as with the port authority problem, I believe a one or two line bill would probably suffice. In fact, it may be that the substitute language which I have provided for the port authority bill could be modified slightly to accommodate this need. As I understand that the City of Palmer is the municipality asking for this kind of authority, perhaps their bond counsel, Wohlforth & Flint, could provide the language needed.

If you do proceed with the introduction of a bill in the form Tuckerman provided to me, you might want to have your drafter consider the following.

In section 29.57.010(a) municipalities are given the authority to establish a development authority which creates the same problems as with the port authority bill; that is, I believe municipalities already have the authority to create development authorities and the inclusion of the language of the bill in the statute would restrict municipalities to using this form of development authority only.

Section 010(a). In this section, I believe that, as to boroughs, very careful thought needs to be given to what power is being exercised (probably economic development), whether the power is

areawide or nonareawide or whether it may be exercised on a service area basis. If it is the latter, may be the borough establish an authority in each service area it establishes for that purpose, or may it establish only one such authority in the entire borough? If the borough does not have areawide economic development powers, may each city within the borough establish its own economic development district?

In section 010(g) the bill should probably also address merger and unification. Also, what happens if a development district is split by an annexation as, for example, if a city annexes territory where the borough has established an economic development district and takes only part of the district.

Section 030 and section 040(c) deal with appointments to the board in a manner which seems inconsistent with each other and with existing Title 29 procedures for other appointments. Section 030 provides that the board members are chosen by the governing body. Section 040(a) provides that they are appointed under A.S. 29.20.320. This section (320) provides that they are appointed by the mayor and confirmed by the governing body. Section 040(c) provides that vacancies are filled by appointment by the mayor. I suggest the language in section 030 and section 040(c) be made consistent with A.S. 29.20.320.

Section 080(c) provides that the governing body may pledge the full faith and credit of the municipality to support revenue bonds of the authority. Under our constitution, the governing body does not have this power unless authorized for capital improvements approved by the governing body and ratified by the voters.

In section 090(a) the "respective taxing bodies" could be spelled out a little more clearly.

Section 090(b) indicates that the tax increment revenue may not be used to circumvent existing property tax laws. What sort of circumvention is contemplated? Also, subsection (b) indicates that a local charter may provide a maximum rate of levy of property taxes. There is an argument that has been accepted by at least one superior court in Alaska that municipalities may not impose tax limitations upon themselves beyond those established by the statute. See Whitson v. Anchorage, 608 P.2d 759 (Alaska 1980).

Section 100(c) refers to "municipal funds." This term is not defined.

Section 210(b)(9) does not seem to make sense. Was it meant to state that the plan was to include an estimate of the impact of the financing by tax increment revenue on the revenue of the municipalities in which the development area is located. Why is the plural (municipalities) used? Is this in recognition of the fact that if a city within a borough forms an economic

development district that the borough assessments will also be frozen? Does it refer to a situation where two municipalities, under their authority to jointly exercise a power, have jointly formed an economic development district? Or is such a joint exercise even contemplated by the proposed bill?

Section 210(c). As I understand section 210(c) and tax increment financing principles, the assessments within the development area would be "frozen" for purposes of computing the tax increment. The difference between the taxes levied on the actual value after the development of the area and the taxes on the "frozen" assessment would go to the authority. As the bill in the relevant sections refers to "municipalities" I can only presume that the areawide borough taxes levied by a borough inside a city for areawide purposes would be affected within the development area. For example, if a borough levies 5 mills for education and a city within the borough levies 1 mill for all its municipal operations, the tax increment would be based on a 6 mill levy. Was this intended? If it was not, the references to "municipalities" rather than "municipality" should be examined. In any event, it should be clarified whether only the tax of the municipality creating the authority is to be used or whether all taxes levied within the area are to be used for computing the tax increment captured. If it was intended that areawide taxes would be contributed to the city development area, how is the "frozen" assessment to be handled under the computations that must be made under the school foundation program.

Section 240(b) indicates that the tax increment bonds are subject to A.S. 29.47. That chapter, however, covers revenue anticipation notes, bond anticipation notes, general obligation bonds, revenue bonds, refunding bonds and "other municipal financing." I suggest this reference be refined to indicate which specific sections of A.S. 29.47 were intended.

Section 240(d) purports to allow the governing body to pledge the full faith and credit of the municipality to the debt service on the authority's bonds. This seems either incorrect or misleading as the full faith and credit of the municipality may not be pledged except for public improvements approved by the legislative body and ratified by the voters. As I understand it, some of the bond proceeds could be used for purposes that might not be considered "public improvements." Also, if this section is to be included, it could be expanded to make reference to the requirement for a voter referendum on the bonds if there is to be a pledge of full faith and credit.

Section 310. I strongly suggest this section either be deleted or be rewritten so that the portion of it that refers to taking of private property be made to track with the language in A.S. 29.35.030. Also, if a second class city forms an economic development district is it relieved of the special procedures set out in A.S. 29.35.030? If the condemnation language of the proposed section is to be retained, I strongly suggest that

instead of the word "take" in line 27, the phrase "exercise the powers of eminent domain and declaration of taking to acquire" and that the statutory reference to the condemnation procedures begin with section 09.55.250 rather than section 240. Section 240 sets out specific purposes for which property may be taken and is unneeded in the proposed section as the purpose for which the property would be taken is set out in the proposed section 310. Reference to the other purposes may simply prove unnecessarily confusing or limiting.

I have only had time to give this a rather cursory review and hope that my comments will prove useful. Again, it is my strongest personal recommendation that the detailed approach taken in this bill be abandoned and the least amount of language necessary be added in Title 29 to ensure that bond counsel can comfortably give an opinion as to the statutory basis for issuing tax increment bonds and that municipalities will be able to structure their district to best meet their own local needs.

Sincerely,

Gerald L. Sharp
Borough Attorney

jr
cc: Eric E. Wohlforth, Esq.

Foran Act entitled: "An Act relating to the development of municipalities"

Be it enacted by the legislature of the State of Alaska:

*Section 1. AS 29.35.150 is amended by adding a new subsection reading:

(c) the governing body may grant to an entity the authority ~~to issue~~ bonds guaranteed by no more than 80% of the tax increment on real property within the boundaries of the entity. The initial tax assessment shall be that assessment in effect at the time the bonds are offerred for sale.

CITY OF HOMER

CITY HALL

491 EAST PIONEER AVENUE HOMER, AK., 99603-7624 (907)235-3121

June 2, 1987

RECEIVED
JUN 3 1987
CITY OF PALMER

David L. Soulak, City Manager
City of Palmer
231 West Evergreen Avenue
Palmer, AK 99645

Re: Tax Increment Financing

Dear Dave:

I have reviewed the draft copy of the proposed tax increment financing legislation and find it an excellent document with a possible exception on page 15, Sec. 29.57.300 HANDLING OF TAX INCREMENT REVENUE. I believe the role of the borough and/or municipal treasurer is not crystal clear and perhaps could be elaborated upon in some manner such as follows:

"(a) Upon or after adoption of a tax increment financing plan, the treasurer of any municipality in which the development area is situated shall, upon request of the authority, certify the initial assessed value of the tax increment financing development area as described in the Tax Increment Financing Plan and shall certify in each year thereafter the value of all taxable property in the development area at the time the ordinance establishing a Tax Increment Financing Plan was adopted."

"(b) The municipal treasurer shall certify the amount of the captured assessed value to the authority each year of the development area exceeding the initial assessed value."

"(c) The municipal treasurer shall transmit to the authority the tax increment revenues for each development area in the municipality for that year that is attributable to the captured assessed value of the property."

Thanks for the opportunity to comment on the proposed draft which looks excellent in all other regards.

Sincerely,

CITY OF HOMER

Philip C. Shealy
City Manager

PCS/rah

11,12,13 November: Municipal League

City of Soldotna

P.O. Box 409 • 177 North Birch • Soldotna, Alaska 99669 • Phone: 262-9107

June 10, 1987

Dave Soulak
City Manager
City of Palmer
231 West Evergreen Avenue
Palmer, Alaska 99645

Re: Legislative Proposal to Establish Authority for Tax Increment Financing

Dear Dave:

Thanks for the chance to review your draft copy of the proposed tax increment financing legislation. Here are my review comments:

1. Title. Please consider changing the title from "Municipal Redevelopment Authorities" to "Municipal Economic Development Districts". We need the flexibility to apply these tools to the initial development of property, in addition to the redevelopment of areas which may be in decline. As an example, the Kenai Peninsula Borough has plans to develop coal fields on the west side of Cook Inlet. Tax increment financing could be used to sell revenue bonds to finance construction of docks, harbors, airports, roads and other infrastructure which may be needed to facilitate initial development of the site.

The Kenai Peninsula Borough is also considering the organization of an "Economic Development District", as a nonprofit corporation, pursuant to guides promulgated by the U.S. Department of Commerce, Economic Development Administration (EDA). The economic development district would assume responsibility for preparing the overall economic development plan for the Borough. It would also be involved in the actual construction, management and operation of projects. A "Municipal Economic Development District" would be more consistent with these plans of the Kenai Peninsula Borough.

2. Article 1. Revise to: "Creation, General Operation, and Dissolution of Districts". Where reference is made to an "authority" elsewhere in this article, change to "districts".

3. Section 29.57.010. Revise as follows:

Section 29.57.010. CREATION AND ALTERATION OF DISTRICTS.

4. Section 29.57.010(a). The statute should provide more general purposes for establishing a district, enable more than one district to be established within a municipality and enable the district to be organized as a nonprofit corporation. In the Kenai Peninsula Borough, for example, the first class cities as well as the Borough may want to establish separate districts. Likewise, we need authority to establish more than one tax increment financing district within different geographic areas of one municipality. Revise as follows:

> (a) A municipality may by ordinance establish Economic Development Districts for areas of the municipality upon a determination by the municipality that it would be in the public interest in order to facilitate resource development, halt a decline in property values, increase property or sales tax receipts or promote economic development. The District may be organized as a corporate public body or as a nonprofit corporation. One or more Economic Development Districts may be established within a municipality as may be determined by the municipality.

5. Section 29.57.010(c). The amount of the bond that officials of the district shall be required to have seems inappropriate in this section. Revise as follows:

> (c) The ordinance must designate the boundaries of the district. The municipality may not include land in the district that was not described in the public hearing notice, but, when making the final determination of the boundaries of the district, the municipality may eliminate land from the district that was described in the notice.

6. Section 29.57.010(d). What interest could the lieutenant governor have in these affairs? Revise as follows:

> (d) The ordinance shall be filed with the municipal clerk and published at least one time in a newspaper of general circulation in the municipality.

7. Section 29.57.080(c). A governing body may <u>not</u> pledge the full faith and credit of municipality to support revenue bonds, except upon the approval of a majority of the municipality's voters. This paragraph should be deleted or provision should be made to require the approval of a majority of the municipal voters on the bonding proposition.

8. **Section 29.57.240(c).** An 80% pledge of tax increment revenue seems too high to me, especially if the development is likely to generate requirements for service supported by general governmental revenues. For example, if the development is likely to stimulate requirements for additional school spending, all taxpayers within the municipality would end up paying more for the schools. Likewise, there is a chance that the estimates of increased assessed value will be too optimistic. Consider the following revision:

> (c) A District may not pledge for the annual debt service requirements on the bonds in a year more than 50 percent of the estimated tax increment revenue to be received from the development area for the year. The total aggregate amount of the bonds may not exceed an amount of annual principal and interest that 50 percent of the estimated tax increment revenue will receive.

9. **Section 29.57.240(d)** A governing body may <u>not</u> pledge the full faith and credit of municipality to support revenue bonds, except upon the approval of a majority of the municipality's voters. This paragraph should be deleted or provision should be made to require the approval of a majority of the voters on the bonding proposition.

10. **Section 29.57.320.** I think a statutory requirement for a development area citizen's council could grow into a real monster. It reminds by of the old HUD requirements for a citizens participation advisory council. These citizen's council generally end up with representatives who have so much self interest, the overall purposes of the program get substantially diluted. The councils also would consume a great deal of staff time and money. Citizen's have sufficient opportunities to influence decision making through the environmental permitting process and through their elected representatives. Suggest deletion of these requirements. Leave such organizational requirements for citizen participation up to the locally elected officials.

optional

I hope these comments are useful to your consideration of this draft bill. Please express my thanks to Representative Menard for his interest in helping to sponsor this legislation.

Sincerely,

Richard Underkofler
Soldotna City Manager

cc: Bill Brighton, Kenai City Manager
Phil Shealy, Homer City Manager
Ron Garzini, Seward City Manager
Sam Best, Administrative Officer, Kenai Peninsula Borough

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*JUNEAU OFFICE
**ADMITTED IN NEW YORK ONLY

OF COUNSEL
ROGER G. CONNOR
RICHARD W. GARNETT, III

TVCREER

September 10, 1987

Representative Curt Menard
351 W. Swanson Ave.
Wasilla, Alaska 99687

Re: Draft Legislation Regarding Tax Increment Financing

Dear Mr. Menard:

I have received a copy of the draft legislation regarding tax increment financing which you have provided to me for comment. I will review the materials furnished and examine any similar programs established by other states which may present helpful comparisons. It will take several weeks to gather this information and complete my review and I will forward to you my comments at that time.

Very truly yours,

Eric E. Wohlforth

EEW/bg

A66003