

LOCAL DEVELOPMENT FINANCING ACT

WHAT IS IT

The Local Development Financing Act (LDFA), Public Act 281 of 1986 as amended, allows a community to utilize tax increment financing to fund public infrastructure improvements. The tool is designed to promote economic growth and job creation.

Communities across Michigan have utilized this tool to build industrial parks, extend sewer and water lines, reconstruct roads, etc...

WHO IS ELIGIBLE

Any city, village, or urban township is eligible to create an LDFA district. An urban township is defined in three ways:

1. Meets all of the following criteria:

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

or

2. Meets all of the following criteria:

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

or

3. Meets all of the following criteria:

- a. Has a population of less than 20,000
- b. Has a State Equalized Value (SEV) for all real and personal property located in the township of more than \$200 million
- c. Adopted a master-zoning plan before February 1, 1987
- d. Is a charter township
- e. Has within its boundaries an 800-acre or larger site under common ownership that is immediately adjacent to a limited access highway, is capable of being served by railroad and is immediately adjacent to an existing sewer line

HOW DOES IT WORK

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

- Contributions to the LDFA
- Revenues from property
- Tax increment revenues
- Proceeds of tax increment bonds
- Proceeds of revenue bonds and other appropriations.

An annual report must be submitted to the municipality and to the State Tax Commission on the status of the tax increment financing plan. Eligible Activities for funding are:

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

WHAT IS THE PROCESS

1. The municipality initiates the establishment of a LDFA by the adoption of a resolution of intent.
2. Notice must be given of a public hearing by publication and mail to taxpayers within a proposed district and to the governing body of each taxing jurisdiction levying taxes that would be subject to capture of tax increment revenues.
3. At the hearing, taxpayers must be heard regarding the creation of the LDFA
4. Within 60 days, the governing body of another taxing jurisdiction may, by resolution, exempt its taxes from capture and file the resolution with the clerk of the municipality
5. Not less than 60 days after the public hearing, the municipality adopts a resolution establishing the LDFA and designating the boundaries of one or more districts.
6. A Resolution shall be filed with the Secretary of State promptly and published once in the local newspaper.
7. Land may be added to or deleted from a district pursuant to the same requirements prescribed for adopting the resolution creating the LDFA.
8. The municipality appoints the members of the LDFA Board.

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

WHY WOULD A COMMUNITY WANT TO UTILIZE A LOCAL DEVELOPMENT FINANCING AUTHORITY

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