MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

LOCAL DEVELOPMENT FINANCE AUTHORITY

The Local Development Finance Authority (LDFA), Public Act 57 of 2018, allows eligible entities to establish area boundaries, create and implement a development plan, acquire and dispose of interests in real and personal property, issue bonds and use tax increment financing to fund public infrastructure improvements for eligible property. The tool is designed to promote economic growth and job creation. Communities across Michigan have used this tool to support companies in manufacturing, agricultural processing, and high technology operations.

Note: This document is offered as a general guide only and the legislation should be reviewed by local officials.

WHO IS ELIGIBLE?

Any city, village or urban township, is eligible to create an LDFA district. In addition, any Next Michigan Development Corporation is also eligible. A municipality may join with one or more municipalities in the same county to establish an additional authority only if in a certified technology park or certified alternative energy park. Definitions of urban townships can be found on the following page.

WHAT CAN AN LDFA DO?

- Study and analyze unemployment, underemployment, and joblessness and the impact of growth upon the authority district.
- Acquire, construct or improve a public facility or infrastructure.
- Create and implement long-range economic development plans that create jobs and promote economic growth.
- Make and enter into contracts.
- Incur costs necessary to the function of the board.
- Acquire, own, lease, convey, demolish, relocate, rehabilitate, improve, prepare or otherwise dispose of real or personal property. Collect revenues from these activities.
- Accept grants and donations of property, labor or other things of value from a public or private source.

HOW IS AN LDFA FINANCED?

The activities of the authority can be financed through one or more of the following sources:

- Tax increment revenues received following the completion of a tax increment financing plan.
- Proceeds of tax increment bonds.
- Proceeds of revenue bonds.
- Contributions to the authority for the performance of its functions.
- 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.
- Legislature appropriations for insufficient tax increment revenues.
- Loans from the Michigan Strategic Fund or the Michigan Economic Development Corporation.

WHAT TAXES ARE ELIGIBLE TO BE CAPTURED THROUGH TAX INCREMENT FINANCING REVENUE?

All tax increment capture must be described in the tax increment financing plan. Local taxes on real and personal property are eligible to be captured. The LDFA may request capture from other taxing jurisdictions. These taxing jurisdictions have the ability to opt out or share a portion of the captured assessed value. Fifty percent of school taxes can be captured for a maximum of fifteen years. Certified technology parks may capture an additional five years pursuant to additional requirements. The following taxes are unable to be captured: debt millages; taxes being levied under the zoological authorities act or art institute authorities act; taxes already being captured by downtown development authority, tax increment finance authority, or brownfield redevelopment authority.

ELIGIBLE PROPERTY

Properties eligible for tax increment capture are structures, buildings, land improvements and other real property and equipment located within a district, whose primary use is either manufacturing, high technology, value added agricultural processing or energy production.

WHAT ACTIVITIES IN THE DEVELOPMENT PLAN ARE ELIGIBLE FOR FUNDING?

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

WHAT IS THE PROCESS?

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

Once the LDFA is established, the LDFA must create a development plan, to be adopted by the municipality, that outlines what the authority may do and what funds may be used. If the LDFA board anticipates the need for capturing tax increment to support a project, a tax increment financing plan must also be adopted. Adoption of these plans also require public notices and hearings. Tax increment revenues can only be spent in accordance of the tax increment financing plan. The authority must submit an annual financial report to the governing body and state tax commission.

Land may be added or removed from a district pursuant to the same requirements prescribed for adopting the resolution creating the LDFA.

SUPPORTING STATUTE

Public Act 57 of 2018: Recodified Tax Increment Financing Act

CONTACT INFORMATION

For more information on local development finance authorities, contact the Community Assistance Team (CAT) specialist assigned to your territory or visit www.miplace.org.