



**City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS**

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Legislative File No: 2005-0162

TO: Mayor and City Council Members

FROM: Ed Anzek, Director of Planning and Development, ext. 2572

DATE: April 11, 2005

SUBJECT: Approval of Rochester Hills Local Development Finance Authority TIF and Development Plans

REQUEST:

Approve the Tax Increment Financing Plan and Development Plan (the "SmartZone Plan") of the Rochester Hills Local Development Finance Authority (RHL DFA)

BACKGROUND:

The Council, RHL DFA and Michigan Economic Development Corp. (MEDC) entered into agreement on December 18, 2002 creating the Rochester Hills Certified Technology Park (CTP). The CTP Agreement required that the RHL DFA develop a tax increment financing plan and development plan, henceforth referred to as the SmartZone Plan, and that Council approve the SmartZone Plan no later than January 1, 2005. Recently, the CTP Agreement was amended to extend the deadline to January 1, 2006.

The purpose of the SmartZone Plan is to provide a funding mechanism to support the development and expansion of a business incubator at Oakland University, as permitted by Act 281 of 1986, as amended. At the direction of the State Treasurer, Jay Reising, all traditional public infrastructure projects needed to support the development of the CTP, including road and water and sewer improvements, have been included in the RHL DFA's Restated Tax Increment Financing Plan and Development Plan, and are funded from local tax capture. Act 281 permits the use of tax increment financing to fund business incubators in a CTP, including the hiring of a director, operating costs and administrative costs. Further, Act 281 permits the use of up to 50% of the operating mills of the local school district(s), intermediate school district and State Education Tax for up to 15 years to fund these projects. Consequently, only TIF revenues generated from school mills will be used to fund

The SmartZone Plan identifies the costs associated with establishing and maintaining a business incubator and the method of financing the projects. The incubator facility will be developed and expanded over three phases:

- Phase 1: Hire a director to initiate the program and formalize Oakland University's incubation activities
- Phase 2: Hire additional staff as needed. Make capital improvements to the Meadowbrook Office Suites, Varner House and Lowry House, which jointly will serve as temporary space for the business incubator.

Phase 3: Establish a permanent incubator facility. The temporary incubator could serve as the permanent facility with additional capital improvements. The construction of a 24,000-square-foot or larger building within the CTP also will be considered and likely would be located on the Oakland University campus.

The projects identified above will be funded from several sources. First, Oakland University is pledging to seek federal and state appropriations and grants. Second, rents from companies that locate in the incubator will be used to offset costs. The RHL DFA will utilize tax increment financing to fund these facilities, operational, staff and administrative costs; but not programming expenses, which are not eligible under the Act. Finally, Oakland University will supplement the funding of these projects as needed and be reimbursed in future years as TIF revenues increase.

The RHL DFA recommends that Council approve the SmartZone Plan. A Resolution of its approval of the Plans is attached.

If Council approves the SmartZone Plan, it will then be forwarded to the MEDC for its review and approval; it will then send the Plan to the State Treasurer for ratification.

RECOMMENDATION:

Approve the Rochester Hills Local Development Finance Authority's SmartZone Plan and direct the City Clerk to inform the taxing jurisdictions of the fiscal impact of the Plans by forwarding a copy to each jurisdiction.

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
City Council Liaison		