

City Council Agenda Summary Sheet (Non Purchases)

Agenda No: 2005-0040 – Expansion of LDFA Boundaries
Date: February 7, 2005
Prepared By: Dan Casey, Planning & Development, ext. 2577
City File No: N/A

Meeting Date: February 16, 2005

PURPOSE:

To consider the expansion of the boundaries of the Rochester Hills Local Development Finance Authority district. At its January 19, 2005 meeting, City Council scheduled the public hearing for February 16, 2005.

DISCUSSION:

The original LDFA boundaries were established in 1994. Based on new projects being contemplated in industrial areas outside of the LDFA's current district as well as the recommendation of the State Treasurer, Administration is proposing to expand the boundaries so that they are the same as those of the Certified Technology Park. There are several reasons why expanding the LDFA's district is a good business decision.

First, it allows the City to establish strategic direction as it develops and implements a SmartZone plan for the area.

Secondly, it provides a means to fund deficiencies in infrastructure, such as expanding broadband capacity to existing or new development. The LDFA has the ability to use tax increment financing to fund infrastructure projects, which is more cost efficient to the City. Tax increment financing utilizes new taxes generated from eligible properties as they appreciate in value beyond a baseline established at the time the Tax Increment Financing Plan is approved. Further, it allows the City to utilize the new taxes that would have been distributed to local taxing authorities as a means of paying for the infrastructure projects identified in the Plan. The City can utilize those taxes generated above the baseline that would have been distributed to Oakland County, Oakland Community College and the Oakland Intermediate School District as well as its own mills. Taxes generated at the baseline, however, continue to be distributed to the local taxing authorities, including the City.

Thirdly, the City also can utilize the operating mills and State Education mills to fund a SmartZone Plan. The School districts will be reimbursed for lost revenue from the State Education Fund. The SmartZone Plan could only contemplate projects permitted under PA 281, which include infrastructure within a certified technology park that results in the development of eligible properties (i.e., technology companies, manufacturing or other development *aren't* eligible); or the construction or renovation of facilities for use as a business incubator and salaried positions employed to manage the SmartZone program and incubator. The State Treasurer must ratify any plan that calls for the capture of school or State Education mills.

After the public hearing, the law requires a minimum sixty-day referendum period in which no additional action can take place. After this period has expired, City Council may approve a

formal resolution that expands the boundaries of the LDFA. Because Administration desires to begin capturing from the newly defined area in 2005, it will be necessary to amend the existing LDFA Plan before the end of May. Similarly, the City Administration and Oakland University are seeking to develop a SmartZone Plan and have it approved before the end of May. In order to accomplish these two processes, Administration will be seeking to hold separate public hearings on both Plans at the April 20 City Council meeting, the same evening in which the LDFA District will be formally expanded.

FISCAL INFORMATION:

None at this time

RECOMMENDATION:

Staff recommends that City Council pass a resolution to expand the LDFA boundaries so that they are the same as those for the Certified Technology Park.

ATTACHMENTS:

- Attachment A: TIF Existing Chart
- Attachment B: TIF New Development Chart
- Attachment C: Properties Eligible for Capture
- Attachment D: Capture By Jurisdiction

Department Authorization: Ed Anzek, Director of Planning and Development

Reviewed by:

Fiscal: *Jean Farris*

Clerks: *Susan Koliba-Galeczka*

Approved by: *Pat Somerville*

RESOLUTION

NEXT AGENDA ITEM

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