

City Council Agenda Summary Sheet (Non Purchases)

Agenda No: 2004-0892, SmartZone TIF Projects Discussion
Date: October 11, 2004
Prepared By: Dan Casey, Manager of Economic Development, ext. 2577
City File No:

Meeting Date: October 27, 2004

PURPOSE:

To review and discuss a list of possible projects for inclusion in the SmartZone tax increment financing and development plans.

DISCUSSION:

One purpose of the SmartZone Certified Technology Park (CTP) designation, granted in 2002, is to provide or upgrade public infrastructure to support the development of the Park and use tax increment financing (TIF) as a mechanism to fund the improvements.

The City has approved TIF and development plans in the past through the jurisdiction of the Rochester Hills Local Development Financing Authority (LDFA). The SmartZone plans, once approved, also will be administered by the City's LDFA.

A SmartZone TIF is more advantageous than a traditional LDFA TIF in the following ways:

1. All properties in the CTP are eligible for capture. In a typical LDFA, only manufacturing uses are eligible for capture.
2. Up to 50% of school mills, including State Education Tax, are eligible for capture for no more than 15 years. The school districts are made whole by a refunding of the mills from the State Education Fund. The State Treasurer must ratify any plans requesting capture of school mills. The current Treasurer is only agreeing to approve plans where a significant portion of the school capture is used to support incubation facilities.
3. Taxing jurisdictions cannot opt out in a SmartZone, whereas they can in an LDFA.
4. In addition to infrastructure improvements, SmartZone TIF can be used to fund incubator facilities as long as they are located in the CTP. These facilities can be new buildings or renovations of existing buildings. Further, the State's Legislature recently approved legislation that allows municipalities to exempt an incubator's real property from tax capture. Further, companies that locate in an incubator can apply to the municipality for an exemption of its personal property. Clearly, the State's goals are to assist entrepreneurs and start-up businesses, particularly those that are affiliated with a university.

In evaluating the CTP, four areas have been identified that require infrastructure:

1. The first is the property on Adams Road, including its proposed future extension, and associated projects in the area. These projects are already subject to TIF and Development Plans through the jurisdiction of the City's LDFA. These Plans can be amended to provide for the capture of mills that currently are not being captured by the LDFA but are eligible in a CTP.

Recommendation: amend existing LDFA Plans.

2. Extension of Austin Drive to Devondale, providing access to land and redevelopment area totaling about 30 acres. This improvement has been contemplated by Council in the past and was removed from the CIP in recent years because of funding deficiencies. This project would contemplate a shared expense, negotiated with landowners.

Estimated Project Cost: \$3-million

Recommendation: include in the SmartZone plans.

3. The City's property on Hamlin provides an opportunity to use TIF to demolish some or all of the existing buildings and provide site preparation and fill as an incentive to lure a company or developer.

Estimated Project Cost: \$1-million

Recommendation: include in the SmartZone plans.

4. Oakland University (OU) Business Incubator. OU indicates that its short-term plan is to use existing laboratory space on its campus as a business incubator and hire a director to manage the incubator program, both eligible expenses. However, to qualify for TIF capture the facility has to be located in the CTP. At present time, more discussion with OU is required.

Estimated Project Cost: Director Salary & Benefits - \$195,000 (Annual)

Operating - \$25,000 (Annual)

Incubator Facility, Technology Transfer &

Commercialization Services – \$100,000 (Annual)

Recommendation: Include in plans with a negotiated percentage from school capture only

FISCAL INFORMATION:

None at this time.

RECOMMENDATION:

Write TIF and development plans and include projects 2-4. Amend existing LDFA Plan to take full advantage of SmartZone TIF capture.

ATTACHMENTS:

None

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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