

**Tax Increment Financing**  
**and**  
**Downtown Development Area Plan**

**Michigamme Downtown Development Authority**

**February 2012**

## TAX INCREMENT PLAN

### MICHIGAMME DOWNTOWN DEVELOPMENT AREA

#### A. INTRODUCTION

This Tax increment Plan is established to make possible the financing of the public improvements necessary or desirable for the development of Downtown Michigamme District in accordance with the Downtown Development Area Plan

#### B. TAX INCREMENT FINANCING PROCEDURE

The Tax Increment Financing Procedure as outlined in Sections 14, 15 and 16 of Act 197 of the Public Acts of Michigan of 1975, as amended, requires the adoption by the Township, an ordinance, of a development plan and a tax increment financing plan. Following the adoption of that ordinance, the local taxing jurisdiction treasurers are required by law to transmit to the Downtown Development Authority that portion of the tax levy of all taxing bodies paid each year on the "captured assessed value" of all real and personal property located in the Michigamme Downtown Development Area. The amounts so transmitted are hereinafter referred to as "tax increment revenue."

"Captured assessed value" is defined as the amount in any one year by which the "current assessed value" of all real and personal property in the development (including the assessed value that appears on the tax roll under Act 198 of the Public Acts of Michigan of 1974 and under 255 of the Public Acts of Michigan of 1978) exceeds the "initial assessed value" of all real and personal property in the development area as determined on the assessment roll of the Township then in effect on the date that the ordinance establishing the Tax Increment Financing Plan is approved. "Initial assessed value" means the most recently assessed value as finally equalized by the State Board of Equalization of all taxable property within the boundaries of the development area. The "initial assessed value" for Michigamme Downtown Development Area is that which was in effect for the 2011 tax year.

Attached hereto as Exhibit B is a schedule of the initial assessed value of all real and personal property in the Michigamme Downtown Development Area as of 2011.

The tax levy of all applicable jurisdictions (Exhibit A) is currently 18.003 mills. As a result, under this Tax Increment Financing Plan, the estimated annual tax increment revenue to be paid by the taxing jurisdiction treasurers to the Downtown Development Authority will be the sums set forth in Exhibit C. These sums are based on the estimated "captured assessed value" which are estimated for the term of the Plan of 30 years. Under this Tax Increment Financing Plan, the entire "captured assessed value" is to be utilized by the Authority for the purposes set forth in the Development Plan for the Development Area and for the period hereinafter set forth in Section E – Duration of Tax Increment Financing Plan and in Section F – Impact on other Taxing Jurisdictions.

The procedures to be followed are more fully explained in the Tax Increment Financing Ordinance set forth as Exhibit D to this plan.

**C. BONDED INDEBTEDNESS TO BE INCURRED**

At this time the DDA has no plans to incur any bonded indebtedness to finance the improvement program. Most improvements will be implemented on a “pay-as-you-go” basis as tax increment revenues are transmitted to the DDA, or as may be accumulated over more than one year, and held in reserve to allocate for projects. The DDA cannot incur more indebtedness than the DDA has assets or ability to pay.

The DDA may obtain a loan depending upon the favorability of terms and availability of other funds.

**Table 2  
Applicable Millage Summary**

<b>Taxing Jurisdiction</b>	<b>Projected Captured Millage Rate (2010 Rates)<sup>a</sup></b>
Township of Michigamme	11.0854
Marquette County	7.493
MARESA	2.261
Community Building	1.541
<b>Total Applicable Millage</b>	<b>22.3804</b>

**Notes:**

Rates are per \$1,000.00 of taxable value.

Under this TIF plan, the tax levy on the entire captured assessed valuation is planned to be utilized by the DDA. The tax increment revenues will be expended in the manner as set forth in this plan. Estimates of the projected growth in taxable value, the revenue captured by taxing jurisdictions and the tax increment revenues to be received by the DDA are included in Table 3.

**D. USE OF TAX INCREMENTS**

The tax increment revenues generated by the Michigamme Downtown Development Area pursuant to the Development Plan for said area, as it now exists or is hereinafter amended, shall be used as follows:

First, to pay for improvements on a “pay as you go” basis and to match grant funds with these revenues.

Second, to pay the administrative and operating cost of the DDA and Township for the development area, including planning and promotion, to the extent provided in the annual budget of the DDA.

Third, to pay, to the extent determined desirably by the DDA and approved by the Township, the cost of completing public improvements as set forth in the Development Plan to the extent those costs are not financed from the proceeds of bonds or other sources of funds.

Fourth, to pay the cost of any additional improvements to the development area that are determined necessary by the DDA and approved by the Township Board in accordance with the procedure for initial approval of the plan.

Fifth, to reimburse the Township for funds advanced to make preliminary plans and improvements necessary for the development of the development area in accordance with this plan.

Sixth, if necessary, to establish a reserve account for payment of principal and interest on bonds issued pursuant to this plan, an amount equal to one-fifth of the largest combined annual principal and interest payments due on bonds issued pursuant to this plan until the amount to the credit of the reserve account is equal to the largest combined annual principal and interest requirements on bonds issued pursuant to this plan. Any amounts to the credit of the reserve account at the beginning of a fiscal year in excess of the requirements of the preceding sentence shall be considered tax increment revenue for that year

Any tax increment receipts in excess of those needed under the preceding paragraphs would revert to the taxing jurisdictions or would be used for future development activities within the development area, as defined in the Development Plan to include all or parts of the Downtown Development District pursuant to amendment or modification of the Development Plan and this Tax Increment Financing Plan pursuant to applicable provisions of Act No. 197 and other laws. For the purposes of this Tax Increment Financing Plan, the boundaries of the Development Area as described in Section C – Maps and Boundaries of Development Area will remain fixed for the duration of this plan.

#### **E. DURATION OF TAX INCREMENT PLAN**

The Tax Increment Financing Plan shall commence the date the ordinance to adopt and approve a Development Plan and Tax Increment Financing Plan for Michigamme Downtown Development Area as adopted by the Michigamme Township Board. Based on the projected tax increment revenue from existing and proposed development and other sources of revenue to offset the dependency on tax increment revenue, the plan shall last 30 years. However, the plan duration may be extended by amendment or modification in the event that projected revenues and subsequent plan implementation is not accomplished during this time frame. Such amendment or modifications to the duration of the plan will be subject to review and final approval by the Michigamme Township Board. However, requests for any amendments or modification to the plan, including duration, will be subject to the public review and approval process as was required for adoption of the original plan.

#### **F. IMPACT ON OTHER TAXING JURISDICTIONS**

Prospering enterprises are present in Development Area, however numerous buildings are vacant and are declining in value. Failure to implement the Development Plan and Tax Increment Financing Plan will adversely impact the property values in the area and will likely lead to a decline in the assessed values of many properties. Consequently, this would result in lower tax revenues to all taxing jurisdictions.

Conversely, completion of the plans will prevent a decline in assessed value and all taxing jurisdictions will benefit from the substantially increased value upon termination of the plans. More importantly, the effect of revitalizing the Development Area will be realized immediately by all taxing jurisdictions in a more indirect fashion as jobs are created and rebirth of the Michigamme central business district occurs. Thus, the impact on the taxing jurisdiction is favorable. Based on the estimated "captured assessed value" for years 2012 through 2042. Exhibit C sets forth the monetary impact of the development and tax increment plans on the taxing jurisdictions.

An annual report will be transmitted to all taxing jurisdictions to keep them apprised of the status of the Tax Increment Financing account. The report will include the amount of source of revenue in the account; the amount and purpose of expenditures from the account; the amount of principal and interest on any outstanding bonded indebtedness; the initial assessed value of the project area; the captured assessed value retained by the authority; the tax increments received; status of the tax increment financing account relative to projections in the original plan; and any additional information as deemed necessary or desirable by the taxing jurisdictions.

**ORDINANCE NO. \_\_\_\_\_**

**AN ORDINANCE TO ADOPT AND APPROVE A TAX INCREMENT FINANCING AND DEVELOPMENT PLAN FOR MICHIGAMME TOWNSHIP DOWNTOWN DEVELOPMENT AREA PURSUANT TO THE PROVISIONS OF ACT 197, PUBLIC ACTS OF MICHIGAN OF 1975, AS AMENDED, AND TO PROVIDE FOR ALL MATTER RELATED THERETO.**

**Michigamme Township Ordains:**

**TITLE 8: TAXING, FINANCIAL  
CHAPTER 6: TAX INCREMENT FINANCING PLAN MICHIGAMME TOWNSHIP DOWNTOWN DEVELOPMENT AREA**

**\_\_\_\_.\_\_\_\_.1 Downtown Tax Increment Financing and Development Plan**

**1) Definitions**

When used in this chapter and other applicable portions of the Michigamme Township Ordinance Code, the following terms shall have the meanings respectively ascribed, as follows:

- a) **"Act 197"**  
The term Act 197 means the Downtown Development Authority Act No. 197, Public Acts of Michigan of 1975, as amended.
- b) **"Base Year Assessment Role"**  
The term base year assessment roll means the base year assessment roll prepared by the Township Assessor in accordance with this ordinance and Exhibit B of the Tax Increment Plan.
- c) **"Captured Assessed Value"**  
The term captured assessed value means the amount in any one year by which the current assessed value as finally equalized by the State Board of Equalization for all real and personal property in the Michigamme Downtown Development Area exceeds the "Initial Assessed Value" of the Area.
- d) **"Development Area"**  
The term development area means the area herein referred to as Michigamme Downtown Development Area which generally is described as the land north of U.S. 41, west to the Marquette County line and the developed area of Michigamme. The Development Area is more fully described in the "Development Plan."
- e) **"Development Plan"**  
The term Development Plan means the Tax Increment Financing and Development Plan for Michigamme Downtown Development Area dated \_\_\_\_\_ as amended and transmitted to the Township Board by the Michigamme Downtown Development Authority for public hearing, as modified by action of the Michigamme Township Board and confirmed by this ordinance, copies of which are on file in the office of the Township Clerk.
- f) **"Downtown Development Authority"**  
The term Downtown Development Authority means the Michigamme Township Downtown Development Authority as established in accordance with "Act 197".

- g) **“Initial Assessed Value”**  
The term Initial assessed value means the most recently assessed value as finally equalized by the State Board of Equalization of all real and personal property within the boundaries of the “Development Area” at the time of adoption of this ordinance.
- h) **“Project Fund”**  
The term project fund means the Downtown Development Authority Project Fund established pursuant to Section 6 of this ordinance.
- i) **“Taxing Jurisdiction”**  
The term taxing jurisdiction means each governmental unit levying an ad valorem property tax on all real and personal property in the “Development Area” including taxes levied by the Marquette County Board of Commissioners and Michigamme Township.
- j) **“Tax Increment Financing Plan”**  
The term tax increment financing plan means the method of financing the activities outlined in Development Plan for Michigamme Downtown Development Area.
- k) **“Tax Increment Revenue”**  
The term tax increment revenue means the revenue generated as captured assessed value which is intended to be used to finance the activities outlined in Section 8 of this ordinance.

2) **Approval and Adoption of Tax Increment Financing and Development Plan**

The Tax Increment Financing and Development Plan as amended by the Michigamme Township Board is hereby approved and adopted. The duration of the plan shall be 30 years from the date of issuance of the last series of bonds issued pursuant to the Development Plan, except as it may be extended by subsequent amendment of the plan and this ordinance. A copy of the plan and all amendments thereto shall be maintained on file in the Township Clerk’s office and cross-indexed to this ordinance.

3) **Boundaries of Development Area**

The boundaries of Development Area as set forth in the Development Plan are hereby adopted, confirmed, and established for the duration of the Development Plan.

4) **Preparation of Base Year Assessment Roll**

- a) Within 60 days of the effective date of this ordinance, the Township Assessor shall prepare the initial Base Year Assessment Roll. The initial Base Year Assessment Roll shall list each Taxing Jurisdiction in which the Development Area is located, the Initial Assessed Value of Development Area on the effective date of this ordinance and the amount of tax revenue derived by each Taxing Jurisdiction from ad valorem taxes on the property in the Development Area.
- b) The assessor shall transmit copies of the initial Base year Assessment Roll to the Township Treasurer, County Treasurer, Downtown Development Authority and each Taxing Jurisdiction, together with a notice that the assessment roll has been prepared in accordance with this ordinance and the tax increment financing plan contained in the Development Plan approved by this ordinance.

5) Preparation of Annual Base Year Assessment Roll

Each year, within 15 days following the final equalization of property in Development Area, the Assessor shall prepare an updated Base Year Assessment Roll. The updated Base Year Assessment Roll shall show the information required in the initial Base Year Assessment Roll and, in addition, the Captured Assessed Value for that year. Copies of the annual Base Year Assessment Roll shall be transmitted by the Assessor to the same persons as the initial Base Year Assessment Roll, together with a notice that it has been prepared in accordance with this ordinance and the Development Plan.

6) Establishment of Project Fund: Approval of Depositary

Accounts in a bank approved by the director of finance of the Township, to be designated Michigamme Downtown Development Authority Project Fund. All monies received by the Downtown Development Authority pursuant to the Tax Increment Financing and Development Plan shall be deposited in the Project Fund.

7) Payment of Tax Increments to Downtown Development Authority

The Township and County Treasurer shall, as ad valorem taxes are collected on the property in the Development Area, pay that proportion of taxes, except for penalties and collection fees that the Captured Assessed Value bears to the Initial Assessed Value to the treasurer of the Downtown Development Authority for deposit in the Project Fund. The payments shall be made on the date or dates on which the Township and County Treasurers are required to remit taxes to each of the taxing jurisdictions.

8) Use of Monies in the Project Fund

The money credited to the Project Fund and on hand therein from time to time shall annually be used in the following manner:

- a) First, to pay for improvements on a "pay as you go" basis and to match grant funds with these revenues.
- b) Second, to pay the administrative and operating cost of the DDA and Township for the development area, including planning and promotion, to the extent provided in the annual budget of the DDA.
- c) Third, to pay, to the extent determined desirably by the DDA and approved by the Township, the cost of completing public improvements as set forth in the Development Plan to the extent those costs are not financed from the proceeds of bonds or other sources of funds.
- d) Fourth, to pay the cost of any additional improvements to the development area that are determined necessary by the DDA and approved by the Township Board in accordance with the procedure for initial approval of the plan.
- e) Fifth, to reimburse the Township for funds advanced to make preliminary plans and improvements necessary for the development of the development area in accordance with this plan.
- f) Sixth, if necessary, to establish a reserve account for payment of principal and interest on bonds issued pursuant to this plan, an amount equal to one-fifth of the largest combined annual principal and interest payments due on bonds issued pursuant to this plan until the amount to the credit of the reserve account is equal to the largest combined annual principal and interest requirements on bonds issued pursuant to this plan. Any amounts to the credit



of the reserve account at the beginning of a fiscal year in excess of the requirements of the preceding sentence shall be considered tax increment revenue for that year

- g) Any tax increment receipts in excess of those needed under the preceding paragraphs would revert to the taxing jurisdictions or would be used for future development activities within the development area, as defined in the Development Plan to include all or parts of the Downtown Development District pursuant to amendment or modification of the Development Plan and this Tax Increment Financing Plan pursuant to applicable provisions of Act No. 197 and other laws. For the purposes of this Tax Increment Financing Plan, the boundaries of the Development Area as described in Section C – Maps and Boundaries of Development Area will remain fixed for the duration of this plan.

9) Annual Report

Within 90 days after the end of each fiscal year, the Downtown Development Authority shall submit to the Township Board, with copies to each Taxing Jurisdiction and the Michigan Department of Education, a report on the status of the Project Fund. The report shall include the amount and source of revenue in the account, the amount and purpose of expenditures from the account, the initial Assessed Value of the Development Area, the Captured Assessed Value of the Development Area, the tax increments received and the amount of any surplus from the prior year, and any additional information requested by the Michigan Township Board or as deemed appropriate by the Downtown Development Authority. The secretary of the Downtown Development Authority shall cause a copy of the report to be published once in full in a newspaper of general circulation in the Township.

10) Refund of Surplus Tax Increments

Any surplus money in the Project Fund upon termination of the Development Plan shall be paid by the Downtown Development Authority to the Township or County Treasurer, as the case may be. After the initial 5-year period has lapsed, the Downtown Development Authority will assess the progress that has been made. Particular attention will be given to the amount of tax increment revenue that was actually generated during this period in comparison to that amount projected in the original plan (see Exhibit C of the Tax Increment Financing Plan). This assessment will be done in conjunction with taxing jurisdiction and a 5-year report will follow. The report will outline courses of action to be taken with all taxing jurisdictions based on the 5-year assessment.

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History: Adopted (\_\_\_\_\_)