

## **Kalamazoo County Economic Development Property Tax Revenue Sharing Policy**

Approved by Kalamazoo County Board of Commissioners on August 6, 2014

Amended September 3, 2019

When deemed appropriate and necessary, the Kalamazoo County Board of Commissioners may choose to participate in property tax revenue sharing for economic development purposes through tax increment financing (TIF) plans and interlocal agreements, under certain conditions spelled out in this policy. Local jurisdictions or authorities that wish to capture Kalamazoo County property tax revenue for economic development purposes should assume that the Board of Commissioners, consistent with Michigan law, will opt out of any TIF plans that do not meet certain criteria spelled out in this policy. Local jurisdictions are encouraged to plan accordingly and contact County Administration well in advance of plans to establish a TIF plan. The County reserves the right, under Michigan Law, to opt out under any conditions. Kalamazoo County may consider participation under this policy if County participation is determined by the Board of Commissioners to be necessary for the success of the proposed TIF; i.e., County property tax revenue will determine the success or failure of a proposed project, that the county's participation is truly needed for the resurgence or development of an area that absent the county involvement would not see that resurgence or development on its own and that County participation will not have a detrimental effect on property tax revenue required to support mandated and necessary public services. Participation in a TIF Plan will be determined on a case by case basis with the County's maximum participation in a TIF Plan being capped at 2 mills or \$1,000,000 maximum over a 30 year period, depending on the need of the program. A pre-project agreement will outline the details of the County's participation in a TIF Plan. This policy does not include Brownfield Plans. The following chapters outline two separate and mutually exclusive policy options regarding Kalamazoo County tax increment financing (TIF) and inter-local agreements.

## Chapter 1: Tax Increment Financing Participation Policy

1. Purpose. This chapter is intended to establish guidelines under which Kalamazoo County will participate in tax sharing agreements with local units of government under existing and future tax increment financing programs.

It is the intent of the County Board of Commissioners to encourage the promotion of economic development through local and regional collaboration. The County Board of Commissioners intends to participate in TIF programs in a manner that is not detrimental to fiscal health of the County or other taxing jurisdictions. Nevertheless, the Board of Commissioners recognizes that TIF programs, when complete, should ultimately increase the tax base and revenues for every affected taxing jurisdiction.

The County Board of Commissioners encourages local units of government to meet with the County in advance of initiating or amending TIF plans to allow for communication regarding program goals, potential projects, length of capture, and coordination of program implementation.

The County Board of Commissioners intends to opt-out of any TIF plan if the conditions of this chapter are not incorporated.

2. Definitions.

- a. Local unit of government means any city, village, or township
- b. Tax increment financing authority means any organization or plan established to capture the tax revenue of another jurisdiction on properties within a defined geographic area, including, but not limited to, those authorized under the following statutes:
  - i. Downtown Development Authority Act - Act 197 of 1975, MCL 125.1651 to 125.1681
  - ii. The Tax Increment Finance Authority Act – Act 450 of 1980, MCL 125.1801 to 125.1830
  - iii. Local Development Financing Act - Act 281 of 1986, MCL 125.2151 to 125.2174
  - iv. Historical Neighborhood Tax Increment Financing Authority Act - Act 530 of 2004, MCL 125.2841 to 125.2866
  - v. Corridor Improvement Authority Act – Act 280 of 2005, MCL 125.2871 to 125.2899
  - vi. Neighborhood Improvement Authority Act – Act 61 of 2007, MCL 125.2911 to 125.2932
  - vii. Water Resources Improvement Tax Increment Financing Authority Act – Act 94 of 2008, MCL 125.1771 to 125.1794
  - viii. Private Investment Infrastructure Funding Act – Act 250 of 2010, MCL 125.1871 to 125.1883

The Brownfield Redevelopment Finance Act (Act 381 of 1996) is intentionally excluded from this definition. The Kalamazoo County Board of Commissioners reserves the right to apply this chapter to future TIF statutes.

- c. Tax increment financing district means the geographical boundaries of a tax increment financing authority

3. Capture of County Revenue. The Kalamazoo County Board of Commissioners may permit the capture of a portion of county ad valorem tax increment revenues, as permitted in various statutes, in any new or amended tax increment financing with the following restrictions:
  - a. All special voted or dedicated millages levied by Kalamazoo County are excluded from capture regardless of any increase or decrease in the levies.
    - i. These millages include, but are not limited to, the following:
      1. Law Enforcement
      2. Juvenile Home Debt
      3. Any county-wide voted millage enacted after the adoption of this policy
  - b. The tax increment revenue originating from County levies will be proportionate to the overall revenue of the governing body (local unit of government) and special assessments levied specifically for the TIF district. The millage used to calculate the captured revenue generating from Kalamazoo County will be calculated as follows:
    1. For the first 0.5 through 1.0 millage rates of the governing body and special assessment specifically for the TIF district, the captured County revenue will match the governing body's millage rate on a 2 for 1 basis. E.g. if the governing body's millage rate is 1.0 the County revenue match will be 2.0 mills.
    2. Based on project need, the captured County revenue will not exceed 2 mills or \$1,000,000 maximum over a thirty-year period, even if operating millage increases occur.

The County may also exempt all revenue from capture if the oversight and project restriction conditions in sections four (4) and five (5) are not met.

4. Oversight. The County Board of Commissioners shall exercise oversight over all TIF districts that capture any County revenue. Oversight shall include, but is not limited to all of the following:
  - a. Annual reports. A written annual report shall be delivered to the County Administrator and Department of Planning and Community Development no later than 180 days after the end of the TIF authority's fiscal year. The County Board of Commissioners may also require an in-person annual report.
  - b. Quindecennial opt-out. The County Board of Commissioners shall maintain the ability to opt out of the TIF capture on a quindecennial (15 year) basis. Prior to June 30 of the year following each quindecennial year after the adoption of a TIF plan, the County may file a resolution with the Clerk of the Governing Body that exempts all county revenues from capture. The County shall accompany the resolution with a written explanation outlining any reasons for exempting its revenue.
    - i. Such reasons may include, but are not limited to, any or all of the following:
      1. Lack of economic development progress
        - a. Few to no new jobs created
        - b. Few to no new businesses attracted
        - c. Little to no new private investment
      2. Financial hardship
      3. Greater than anticipated revenue
        - a. The Tax Increment Revenues were more than 20% greater than anticipated in the TIF plan

- b. The County may forgo opting-out if the TIF plan is amended to account for greater than anticipated revenue
    - 4. Completion of anticipated activities
      - a. All or a vast majority of the major activities listed in the TIF plan were completed
      - ii. The County shall waive its right to opt-out if the TIF Authority has outstanding debt obligations that require all available revenue to fulfill.
    - c. Appointment to TIF Authority. The governing body and TIF authority shall appoint a county designee as a member of the TIF authority board.
    - d. Public notices. All public notices shall be sent to both the County Clerk and the Department of Planning and Community Development.
5. Project and Funding Restrictions. The Kalamazoo County Board of Commissioners may exempt its taxes from capture if it believes the projects included or intended uses of funds in the TIF Plan or Development Plan are excessive or inappropriate for a TIF authority. Examples of excessive or inappropriate projects include, but are not limited to the following:
  - a. Funding for law enforcement activities in excess of 5% of annual revenue
  - b. Funding for routine road maintenance or rehabilitation in excess of 5% of the total project not including pedestrian or non-motorized facilities or new road construction
  - c. Funding for expenses typically attributed to a local unit of government through its charter unless directly attributable to the administration or programming of a TIF District.
  - d. Exclusively residential sewer or water projects; sewer and water service to mixed use or commercial developments are permitted
  - e. Funds to study potential expansion of district boundaries
  - f. Funds to pursue or resolve disputes with any and all municipalities other than the governing body
6. Responsibility. The County Clerk shall immediately forward any notice of creation or expansion of any tax capture district to the Administrator, Department of Planning and Community Development, and the County Treasurer.

The County Administrator shall respond to such notices, indicating that Kalamazoo County wishes to enter into a possible agreement for capture of County tax revenues. The Administrator shall be responsible for implementing this policy and negotiating tax sharing agreements with affected development districts and municipalities using guidelines established consistent with this chapter. All such agreements shall require approval by a majority of the County Board of Commissioners.

The County Treasurer and Department of Planning and Community Development shall be responsible for assuring that captured property tax revenues collected in excess of the amounts permitted by any tax capture agreements are returned to the County on an annual basis.

- 7. Application. This chapter applies to all requests for tax capture that permit the County the option to enter into an agreement that specifies the terms of a new or expanded tax capture district. This chapter shall also apply to any existing or future tax capture in which the County is provided the statutory authority to enter into agreements with a new, renewed, or expanded tax capture district.

It is understood that County participation in tax increment financing plans is based upon the expectation that ultimately economic development benefits and increased tax revenues are realized by all of the participating jurisdictions.

## Chapter 2: Policy for Project Specific Interlocal Agreements under the Urban Cooperation Act of 1967

1. Purpose. This chapter intends to establish guidelines under which Kalamazoo County will participate in revenue sharing with local units of government to spur economic development through infrastructure improvements. This chapter is intended to give structure to economic development related interlocal agreements under the Urban Cooperation Act, Act 7 of 1967.

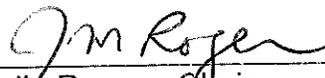
It is the intent of the County Board of Commissioners to spur economic development through infrastructure improvements. The County Board of Commissioners intends to participate in interlocal agreements in a manner that is not detrimental to fiscal health of the County or other taxing jurisdictions.

The County Board of Commissioners would like to encourage the development of the infrastructure network throughout the County. Thus, the County Board of Commissioners intends to participate in local economic development efforts by allowing the capture of revenues stemming from incremental tax growth in a defined district through interlocal agreements.

2. Definitions.
  - a. County is defined as Kalamazoo County or Kalamazoo County Board of Commissioners
  - b. Infrastructure is intended to include but not limited to the following:
    - i. High speed communication facilities
    - ii. Pedestrian or non-motorized facilities
    - iii. New transportation construction
    - iv. Road enhancement
    - v. Sewer expansion or improvements
    - vi. Utility installation or improvements
    - vii. Water supply expansion or improvements
  - c. Interlocal Agreement is defined by PA 7 of 1967
  - d. Local unit of government means any city, village, or township
  - e. Public agency is defined by PA 7 of 1967
  - f. Revenue Sharing is defined in section 3.
3. Revenue Sharing. The Kalamazoo County Board of Commissioners may wish to enter into interlocal agreements that share ad valorem tax increment revenues within a district to fund infrastructure improvements. The following subsections outline the parameters that Kalamazoo County would require in an interlocal agreement.
  - a. Only revenue generated from taxable value in excess of the baseline established in an interlocal agreement shall be subject to capture.
  - b. All special voted or dedicated millages levied by Kalamazoo County are excluded from revenue sharing.
    - i. Special voted or dedicated millages may included but are not limited to the following:
      1. Law Enforcement
      2. Juvenile Home Debt

3. Any millage levied by Kalamazoo County for Kalamazoo County Transit Authority
  4. Any county-wide voted millage enacted after the adoption of this policy
- c. Revenue sharing cannot exceed 20 years unless a significant need is identified or an extension is agreed upon by the participating parties.
  - d. An agreement will expire when the timeframe of revenue sharing has expired or the scope of work in the interlocal agreement is complete.
  - e. Revenue is only derived from a defined district outlined in the interlocal agreement.
  - f. The baseline value for any revenue sharing district cannot exceed two years prior to the agreement date.
  - g. Projected revenue tables and assessment projections are required as part of any interlocal agreement subject to this policy.
  - h. Use of revenue is restricted to the payment of infrastructure costs and related debts, as well as a small amount for administration (no greater than 5% of the overall project).
  - i. Use of revenue is restricted to the geographic district defined in the interlocal agreement.
  - j. The local unit of government may transfer funds captured in a revenue sharing agreement to a non-taxing jurisdiction public body if agreed upon in the interlocal agreement.
4. Reporting. The local unit of government must report on all funds captured on an annual basis. A copy of the report is to be sent to the County Board Administration Office and the Department of Planning and Community Development.
  5. Application. This chapter applies to all requests for revenue sharing through interlocal agreements intended to fund infrastructure projects.

It is understood that County participation in interlocal agreements is based upon the expectation that ultimately economic development benefits and increased tax revenue will be realized by all of the participating jurisdictions.

 9/31/19  
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Julie Rogers, Chair