

# Michigan SmartZone

## Application Process for Tax Increment Financing (TIF) Extension

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### I. Background

2012 PA 290, Section 2.(jj) (ii) (B) allows for SmartZones to extend their TIF plan by 5 or 15 years.

To fund or to repay an advance or obligation issued by or on behalf of an authority to fund the cost of public facilities related to or for the benefit of eligible property located within a certified technology park or a certified alternative energy park to the extent the public facilities have been included in an agreement under section 12a(3), 12b, or 12c(3), not to exceed 50%, as determined by the state treasurer, of the amounts levied by the state pursuant to the state education tax act, 1993 PA 331, MCL 211.901 to 211.906, and local and intermediate school districts for a period, except as otherwise provided in this sub-subparagraph, not to exceed 15 years, as determined by the state treasurer, if the state treasurer determines that the capture under this sub-subparagraph is necessary to reduce unemployment, promote economic growth, and increase capital investment in the municipality. However, upon approval of the state treasurer and the president of the Michigan economic development corporation, a certified technology park may capture under this sub-subparagraph for an additional period of 5 years if the authority agrees to additional reporting requirements and modifies its tax increment financing plan to include regional collaboration as determined by the state treasurer and the president of the Michigan economic development corporation. In addition, upon approval of the state treasurer and the president of the Michigan economic development corporation, if a municipality that has created a certified technology park that has entered into an agreement with another authority that does not contain a certified technology park to designate a distinct geographic area under section 12b, that authority that has created the certified technology park and the associated distinct geographic area may both capture under this sub-subparagraph for an additional period of 15 years as determined by the state treasurer and the president of the Michigan economic development corporation.

2008 PA 104, Section 12b created “SmartZone satellites”.

A municipality that has created an authority in which a certified technology park has been designated under this act may enter into an agreement with another authority that does not contain a certified technology park to designate a distinct geographic area within the authority district as a certified technology park. The authority shall consider the advantages of the unique characteristics and specialties offered by the public and private resources available in the distinct geographic area, shall consider the benefits to regional cooperation and collaboration, and shall consider whether designating the additional distinct geographic area adds value to the mission of the designated certified technology park. The distinct geographic area is subject to the provisions of section 12a(3), (4), and (5). The state treasurer shall not approve the capture of amounts levied by the state under the state education tax act, 1993 PA 331, MCL 211.901 to 211.906, and by local and intermediate school districts as permitted in section 2(ee)(ii)(B) for more than 3 distinct geographic areas designated under this section. A copy of the designation shall be filed with the Michigan economic development corporation.

## II. Five-Year Extension

To apply for the five-year extension, the SZ Local Development Finance Authority (“Authority”) must fulfill the following Criteria (Section A.) and follow the Application process in Section B.

### A. Criteria:

- 1) Authority agrees to additional reporting requirements including:
  - a) Providing monthly reporting for the term of the TIF capture on the following information for companies served by the SmartZone: companies created, jobs created, and investment in companies by source (federal grants, state grants, venture capital, angel funding, and increase in revenue).
  - b) Providing annual reports for the term of the TIF capture reporting on the progress of regional collaboration.
- 2) Authority modifies its tax increment financing plan to include regional collaboration.

**EXAMPLES** of regional collaboration may include but are not limited to:

- a) Identifying additional uses of the TIF to reflect regional collaboration:
  - Provide TIF to service providers to help companies to collaborate with other companies regionally
  - Use TIF to market SZ regionally, for example promoting the incubator as a place companies throughout the region can access services
- b) Expanding authority to include other municipalities in the county (form a joint LDFA) and clearly identifying the goal of regional collaboration.
- c) Providing a Memorandum of Understanding (MOU) with a regional partner describing regional collaboration.

### B. Application:

- 1) **By 6/30/2014**, Provide a 2-page Executive Summary to the MEDC (email to [zatorr@michigan.org](mailto:zatorr@michigan.org)) describing how the applicant plans to meet the two criteria above AND describing how the applicant performed against their original TIF plan.
- 2) Upon approval of Executive Summary, provide to the MEDC **by 3/31/2015** a revised AND APPROVED TIF and Development Plan (following the sections of 12 & 15 of The Local Development Act 281 of 1986).

## III. Fifteen- Year Extension

To apply for the fifteen-year extension, the SZ Local Development Finance Authority (“Authority”) must fulfill the following Criteria (Section A.) and follow the Application process in Section B.

### A. Criteria:

- 1) Created a Satellite as identified under 12b of The Local Development Act 281 of 1986 (see IV. Satellite Creation Guidelines)
  - a) Satellite must include LOCAL TIF if requesting state school TIF capture.
  - b) Satellite must include a budget that includes at least \$200,000/year for operations.
  - c) Host and Satellite SmartZone must agree to provide monthly reporting (see monthly reporting requirements above in II.A.1a).

### B. Application:

- 1) **By 9/30/2014**, Provide a 2-page Executive Summary to the MEDC (email to [zatorr@michigan.org](mailto:zatorr@michigan.org)) describing how the applicant plans to meet the criteria above AND describing how the applicant performed against their original TIF plan.
- 2) Agreement that satellite was created.
- 3) Upon approval of Executive Summary and agreement that satellite was created, provide to the MEDC **by 6/30/2015** a revised AND APPROVED TIF and Development Plan (following the sections of 12 & 15 of The Local Development Act 281 of 1986).

#### IV. Satellite Creation Guidelines

- A. Create a Satellite Local Development Financing Authority.
- B. Identify which existing SmartZone could be a good Host of the Satellite SmartZone.
- C. Develop a Satellite SmartZone Plan that includes the following criteria:
  - a) Identify the unique characteristics and specialties offered by the public and private resources available in the Satellite SmartZone.
  - b) Identify the benefits to regional cooperation and collaboration.
  - c) Identify how the Satellite SmartZone adds value to the mission of the Host SZ.
- D. Approach municipality that governs the Host SZ and its LDFA and convince them of the merits of creating a Satellite SmartZone.
- E. The Host SZ's LDFA determines that the Satellite SmartZone meets the criteria set forth in Chapter 12b of the Act (included above as C(a), (b) and (c), above) and passes a resolution recommending the designation of the Satellite SmartZone.
- F. The municipality of the Host SZ passes resolution to approve the designation of the Satellite SmartZone.
- G. The municipality of the Host SZ and the new LDFA enter into an agreement to designate the Satellite SmartZone (this agreement is required under Section 12b of the Act).
- H. The municipality of the Host SZ provides the MEDC with a copy of its agreement with the Satellite LDFA.
- I. The MEDC amends the SmartZone agreement it has with the Host SZ that has agreed to sponsor the Satellite SmartZone to include the Satellite SmartZone.
- J. Upon completion of steps (A)-(I), AND upon approval and completion of a TIF and Development Plan (following the sections of 12 & 15 of The Local Development Act 281 of 1986) by the Satellite LDFA and Satellite municipality, the Satellite SmartZone has the ability to capture local taxes.
- K. Three Satellite SmartZones may be authorized by the State Treasurer to capture school taxes, in addition to local taxes. If the Satellite SmartZone wishes to capture school taxes, it must provide its TIF and Development Plan to MEDC. The MEDC will review and forward to the State Treasurer for approval.

#### V. Clarifications

- A. The Base Year for TIF extensions is the base year of original agreement. If adding new parcels, base year should be more current and if including state school TIF, the TIF and Development Plan must include local TIF.
- B. The 5 or 15 years extension is after the end of the original agreement.
- C. When applicants provide their TIF tables they should also indicate their original tables and how they have performed according to those original projections.
- D. Satellite SZs must be capturing TIF, and LOCAL TIF must be included in Satellite application if including state school TIF.
- E. The 15-year extension application will only be considered after the creation of the Satellite.