

MEMORANDUM

TO: Ann Arbor City Council

FROM: Local Development Finance Authority (LDFA)

DATE: May 30, 2014

SUBJECT: Proposed Extension of the LDFA

Council Members:

You have already received background materials regarding the proposed extension of the LDFA. We thought it was also appropriate for you to hear from the LDFA regarding the extension. As you know, the LDFA itself recently approved a resolution supporting the (i) 5 year extension at a minimum and (ii) pursuit of the 15 year extension. Although expiration of the LDFA's term is not for several years, the MEDC requires that the LDFA seek approval now to extend its term.

We will not repeat the background provided in the Memorandum that you received in support of the resolutions presented to the City Council; however we attach below for your reference a link to some frequently asked questions that have been posted to a2gov's website regarding the LDFA. We also wanted you to be aware that, after approval of the extension, the LDFA would still need to seek further approval in amending the relevant LDFA documents as required by the MEDC for the extensions.

We believe that the LDFA, funded by TIF capture reimbursed by the State of Michigan, is a benefit to the Ann Arbor area, in that funds are used to help to further the growth and expansion of technology, business and employment opportunities in the area. The LDFA oversees that process and continually reviews the best purposes for those funds. The LDFA clearly heard the need for the LDFA to review potential infrastructure improvements and we intend to explore the permitted uses for the funds in regards to infrastructure improvements. Further, we heard the concerns over accountability and wanted to let you know that:

- The LDFA's financials are audited as part of the routine audit conducted at the Ann Arbor city level;
- Spark, a contractor to the LDFA, undergoes an independent audit of its financials yearly;
- The LDFA periodically performs a contract audit of Spark; and
- The LDFA's metrics committee continually considers what performance measures should be reviewed in pursuit of the LDFA's purpose and as required by the MEDC.

As you know, if the extension is not approved then the Ann Arbor area will no longer enjoy the benefit of these State reimbursed funds to further economic growth in our area. Those funds would instead remain at the State level to be used within the discretion of the State. By virtue of the legislature permitting Smartzones to extend their status, the legislature has clearly seen the benefit of Smartzones towards economic growth in specific regions, and we hope that Ann Arbor continues to be one of those regions.

We look forward to your continued support of the LDFA.

<http://www.a2gov.org/government/financeadminservices/smartzone/Pages/SmartZone-Overview.aspx>