DEVELOPMENT PLAN UPDATE

DDA City Council Update — April 7, 2025

Key Decisions

- Boundary
- TIF Cap Adjustment
- Projects & Programs

Understanding Key Decisions

Breaking down three important factors and how they might influence our Development Plan

1

BOUNDARY

The District boundary determines <u>where</u> the DDA can use TIF to fund capital improvements and programs.

2
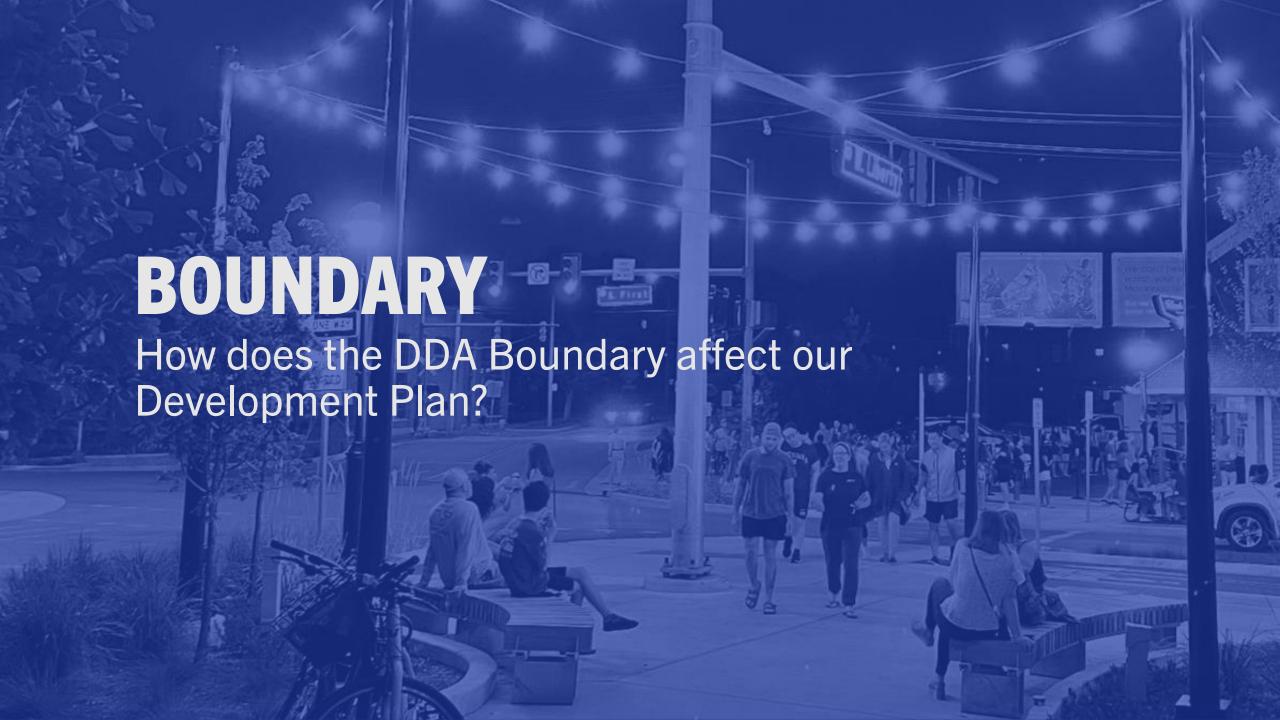
FINANCE PLAN / TIF CAP ADJUSTMENT

The estimated future TIF revenue and <u>how</u> the DDA will use this revenue to fund projects and programs within the District.

3

PROJECTS AND PROGRAMS

<u>What</u> the DDA will accomplish.

BOUNDARY + BUDGET = CAPACITY
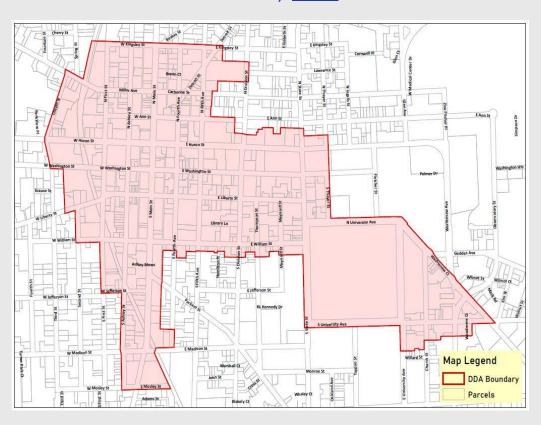
BOUNDARY

How does the DDA Boundary affect our Development Plan?

BOUNDARIES - Comparison Between Other DDAs

Ann Arbor DDA

1 TIF District; 271 acres

Downtown Grand Rapids Inc.

16 TIF Districts; 873 acres

A larger DDA boundary would allow us to expand value-driven projects and programs to a greater area.

- Invest in more projects and programs.
  - Expands where we can spend our affordable housing dollars and make street, utility, and park space investments.
- Support/maintain more areas.
  - Downtown amenities such as streetlights, pavers, and public seating can expand.

Areas where infrastructure needs were explored

Areas with high identified need

EXPANSION APPROVED

Ann Arbor City Council approves the DDA boundary.

For the **expansion areas only**, participating governmental units can opt-out of TIF contribution.

Opt-out reduces the money available for downtown capital projects and programs but does not impact where the DDA can spend TIF to fund capital projects and programs.
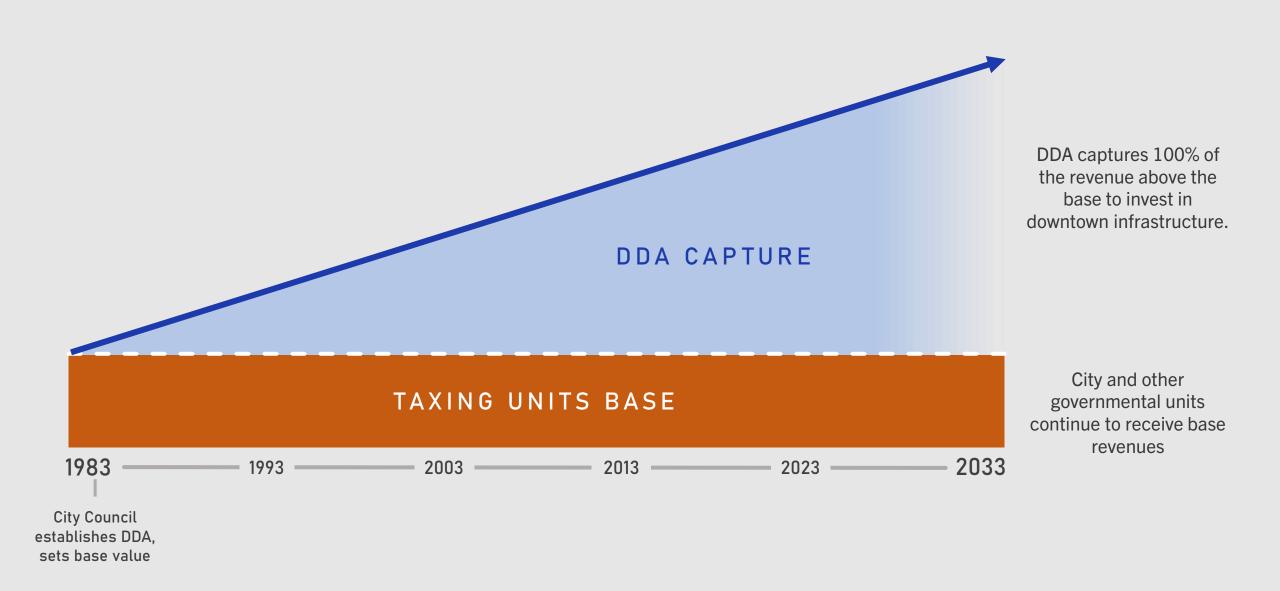
EXPANSION NOT APPROVED

Ann Arbor City Council approves the current DDA boundary.
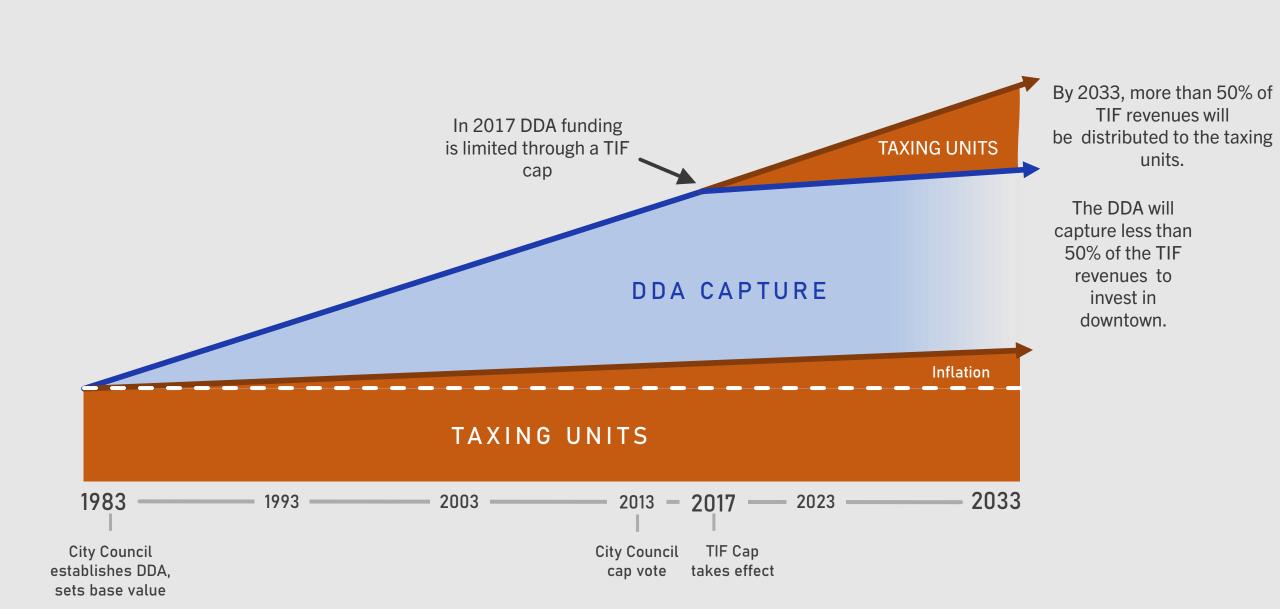
We are unable to expand our services to new areas, but we maintain our current boundary.

TIF CAP ADJUSTMENT

How does the TIF Cap affect our Development Plan?

Standard TIF Model

DDA CAPTURE

DDA captures 100% of the revenue above the base to invest in downtown infrastructure.

TAXING UNITS BASE

City and other governmental units continue to receive base revenues

1983 — 1993 — 2003 — 2013 — 2023 — 2033

City Council establishes DDA, sets base value
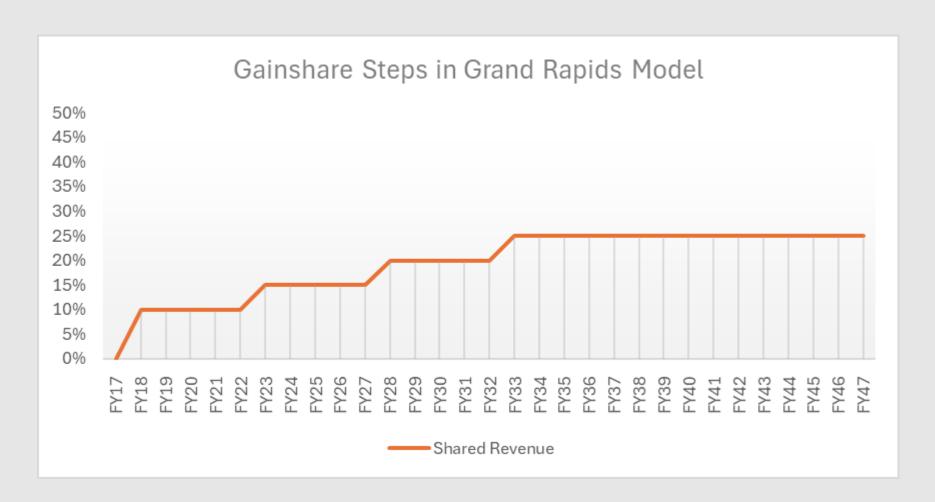
Current TIF Cap Model — Unique to Ann Arbor

In 2017 DDA funding is limited through a TIF cap

TAXING UNITS

By 2033, more than 50% of TIF revenues will be distributed to the taxing units.

DDA CAPTURE

The DDA will capture less than 50% of the TIF revenues to invest in downtown.

Inflation

TAXING UNITS

1983   1993   2003   2013   2017   2023   2033

City Council establishes DDA, sets base value

City Council cap vote

TIF Cap takes effect

Grand Rapids Gainshare Model

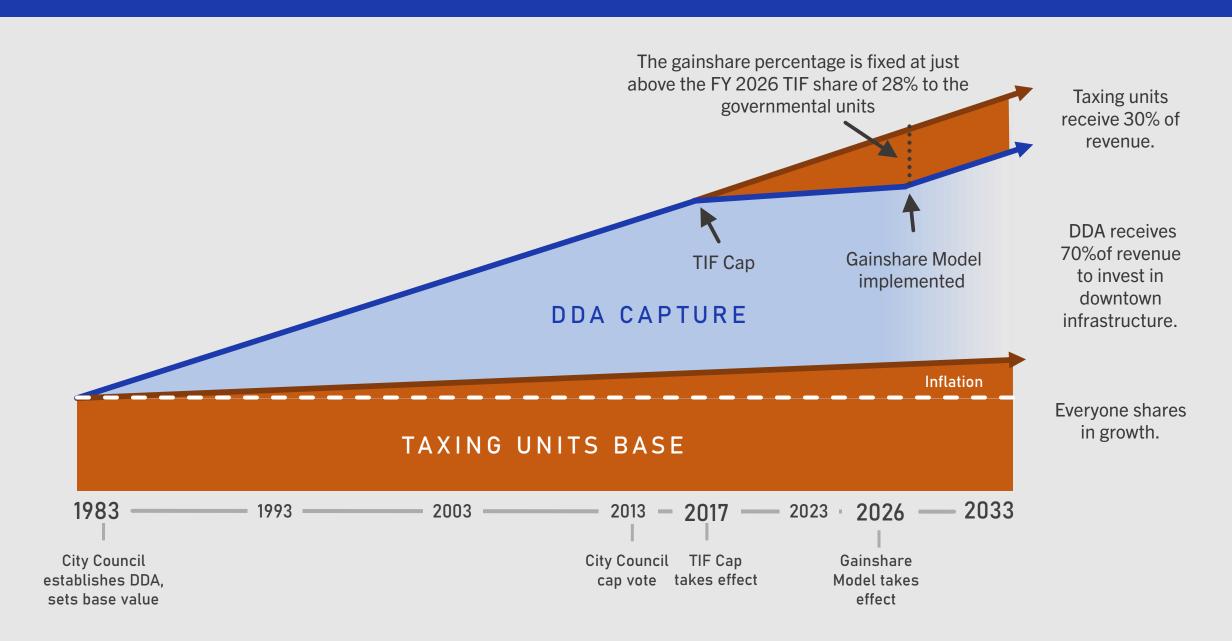## Gainshare Steps in Grand Rapids Model

Grand Rapids collaborated on a Gainshare Model in FY18

The model uses a stepped approach to sharing TIF Revenues with the taxing units:

10% years 1-5
15% years 6-10
20% years 11-15
25% years 16 and beyond

Proposed Gainshare Model (70% / 30%)

The gainshare percentage is fixed at just above the FY 2026 TIF share of 28% to the governmental units

TIF Cap

Gainshare Model implemented

Taxing units receive 30% of revenue.

DDA receives 70% of revenue to invest in downtown infrastructure.

DDA CAPTURE

Inflation

TAXING UNITS BASE

Everyone shares in growth.

1983 — 1993 — 2003 — 2013 — 2017 — 2023 — 2026 — 2033

City Council establishes DDA, sets base value

City Council cap vote

TIF Cap takes effect
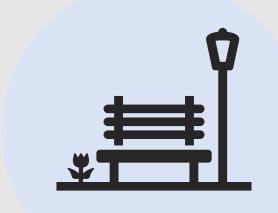
Gainshare Model takes effect

TIF Cap Adjustment - Potential Outcomes

What are the potential outcomes if the TIF Cap is adjusted?

An adjustment to the TIF Cap would allow us to expand benefit.

We potentially could:

- Add services / Downtown Service Team
- Fund more projects
- Fund larger-scale projects
- Maintain areas within our boundary to a higher degree

TIF Cap Adjustment – Approval Process

ADJUSTMENT APPROVED

The TIF Cap was implemented through a change to City code.

City Council votes to amend City Code to reflect the new cap adjustment. For example, code could require a gainshare model rather than a revenue cap.

ADJUSTMENT NOT APPROVED

No change to City code is needed if the DDA TIF Cap remains unchanged.

If TIF Cap remains unchanged it will limit the amount of work the DDA can do.

PROJECTS AND PROGRAMS
Potential Effects from our Boundary and Financing

Projects and Programs — Potential Scenarios

Our capacity to do more and larger-scale projects and programs will be impacted by the DDA Boundary and TIF Cap.

TIF Cap Adjustment Potential Benefits:
- Fund more projects
- Fund larger-scale projects
- Add services
- Maintain areas within our boundary to a higher degree

Boundary Expansion Potential Benefits:
- Expand the area we can do work in
- Invest in more projects.
- Support/maintenance of more areas
- Apply beneficial projects/programs to a greater area

Scenario 01

✅ Boundary Expansion

✅ TIF Cap Adjustment

Scenario 02

🚫 Boundary Expansion

🚫 TIF Cap Adjustment

Scenario 03

✅ Boundary Expansion

🚫 TIF Cap Adjustment

Scenario 04

🚫 Boundary Expansion

✅ TIF Cap Adjustment

City Council Work Session
Thursday, April 17, 2025
Topic: DDA Development Plan