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**Title:** Resolution to Affirm the Continuing Public Purpose of the Ann Arbor/Ypsilanti SmartZone Local Development Financing Authority and Approve Application to MEDC for Extension of its Term

**Sponsors:** Sally Petersen

**Indexes:**

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**Attachments:** 1. Ann Arbor Ypsilanti LDFA Extension Executive Summary, 2. SmartZone TIF Extension Application December 2013.pdf, 3. LDFA - Memorandum to AA City Council - 05\_29\_14 (3).pdf, 4. LDFA Extension Exec Summary - revised final.pdf

Date	Ver.	Action By	Action	Result
6/2/2014	1	City Council	Approved	

Resolution to Affirm the Continuing Public Purpose of the Ann Arbor/Ypsilanti SmartZone Local Development Financing Authority and Approve Application to MEDC for Extension of its Term

In 2001, the Michigan Economic Development Corporation (MEDC) created eleven separate SmartZones throughout the state, of which the Ann Arbor/Ypsilanti Local Development Financing Authority (LDFA) was one. The purpose of the Ann Arbor/Ypsilanti SmartZone is to provide capital needed for the facilitation of the commercialization of research products being developed at the University of Michigan and Eastern Michigan University and the development of private high technology enterprises that, but for this Authority, would be deferred, or located outside of the SmartZone area.

The City Councils of Ann Arbor and Ypsilanti approved and executed the necessary cooperative Agreements to create the LDFA and adopt a Tax Increment Financing and Development Plan in 2002. The geographic boundaries for the Ann Arbor/Ypsilanti SmartZone LDFA are defined as the combined DDAs of the two respective cities. Each DDA captures tax increment revenues from the captured taxable values of their respective development areas up to the maximum extent permitted by law and their respective DDA TIF Plans.

Under the approved TIF and Development Plan, the initial term of the LDFA was established as 15 years, during which the Ann Arbor portion of the LDFA's geographic boundaries was subject to capture of tax increment revenues commencing with levies imposed in 2003 through the levies imposed in 2018, specifically 50% of operating millage of local school districts and 50% of the State Education Tax levied upon the captured property. No levy was imposed on the Ypsilanti portion of the LDFA. The LDFA cannot capture tax revenues attributable to levies of any other taxing jurisdiction.

The Development Plan anticipated facilitation of the expansion of high-speed telecommunication infrastructure throughout the District with available funds. As well as support of a technology

business accelerator to support emerging and growing companies in the technology sectors. The Development Plan will terminate at the end of the LDFA fiscal year commencing 2018.

Public Act 290 of 2012 amended the Local Development Financing Act to allow a SmartZone to capture school taxes for an additional five years, upon approval of the MEDC President and the State Treasurer, if the Ann Arbor/Ypsilanti SmartZone LDFA agrees to additional reporting requirements and the LDFA requests, and the City Councils of Ann Arbor and Ypsilanti approve, the amendment of the LDFA tax increment financing (TIF) plan to include regional collaboration.

Under the Act, alternately a fifteen year extension is also possible if, in addition to the above requirements, Ann Arbor and Ypsilanti, as the municipalities that created the SmartZone, enter into an agreement with another LDFA that did not contain a certified technology park to designate a distinct geographic area, as allowed under Section 12b of the Act, then both the Ann Arbor/Ypsilanti LDFA and the associated distinct geographic area could both capture school tax revenue for the additional fifteen years.

The Ann Arbor/Ypsilanti SmartZone LDFA has passed a resolution supporting the extension of the LDFA for an additional fifteen year term (commencing at end of the original term in 2018) and also applying for a five year extension at minimum.

The attached Resolution affirms it is in the best interest of the City to extend the term of the LDFA and that the adopted LDFA TIF and Development Plan constitutes a continuing public purpose and support amendment of the TIF and Development Plan, as allowed under the Act, to include regional collaboration and application to the MEDC for extension of 15 years and also applying for a five year extension at a minimum. It also authorized the City Administrator and City Attorney to work with the LDFA to identify a viable partner needed for extension for 15 years.

Prepared by: Mary Joan Fales, Senior Assistant City Attorney

Sponsored by: Council Member Petersen

Whereas, In 2001, the Michigan Economic Development Corporation designated the Ann Arbor/Ypsilanti SmartZone to promote the growth of technology business and employment opportunities in the SmartZone area;

Whereas, The Cities of Ann Arbor and Ypsilanti, desiring to work together in this economic development initiative, entered to an agreement to and established the Ann Arbor/Ypsilanti Local Development Finance Authority (LDFA) to fund the SmartZone through tax increment financing;

Whereas, Under the provisions of the Ann Arbor/Ypsilanti SmartZone LDFA adopted Tax Increment Financing (TIF) and Development Plan, the LDFA will dissolve and at the end of the LDFA fiscal year commencing in 2018 and the final will occur in 2018;

Whereas, The Michigan legislative passed Public Act 290 of 2012, amending the Local Development Financing Act, and providing for extension of local development financing authorities for either 5 or 15 years if certain conditions were met;

Whereas, The Ann Arbor/Ypsilanti SmartZone LDFA has adopted a Resolution supporting application to the MEDC for extension for 15 years or 5 years at a minimum; and

Whereas, There is a continuing public purpose for maintaining the LDFA to further the growth and expansion of technology business and employment opportunities within Ann Arbor and Ypsilanti;

RESOLVED, That City Council affirms the continuing public purpose of the Ann Arbor/Ypsilanti SmartZone LDFA and its role in facilitation of the commercialization of research products being developed at University of Michigan and Eastern Michigan University, and the development and support of new and existing technology-led economic development;

RESOLVED, That City Council supports the application to the MEDC by the Ann Arbor/Ypsilanti SmartZone LDFA for extension, as allowed by law, of its term for an additional 15 years, commencing in 2018, or at minimum an additional 5 years;

RESOLVED, That City Council, in support of such application, states that if MEDC approves the Ann Arbor/Ypsilanti SmartZone LDFA application for extension subject to completion of all statutory requirements for extension, the City will:

- On receipt of request by the LDFA, cooperatively work with the City of Ypsilanti to amend the LDFA TIF and Development Plan to include regional collaboration as determined by MEDC and in accordance with all statutory requirements for amendment.
- Assist the LDFA, to the extent necessary, to meet additional reporting requirements required by State Treasury and/or MEDC in connection with approval of the extension.
- Work with the LDFA and the City of Ypsilanti to identify and negotiate a Sponsorship Agreement with another LDFA (Satellite SmartZone LDFA) which will allow the Satellite SmartZone LDFA to capture local taxes in its own distinct geographic area for the maximum 15 years allowed by statute; which Sponsorship Agreement will be presented to the respective City Councils of Ann Arbor and Ypsilanti for approval;

RESOLVED, That in furtherance of the above mentioned support, the City Administrator and City Attorney are directed to take all necessary actions to implement this Resolution and the application for extension of the Ann Arbor/Ypsilanti SmartZone LDFA; and

RESOLVED, That the City Clerk provide a copy of this Resolution to the City of Ypsilanti and the Ann Arbor/Ypsilanti SmartZone LDFA.

Sponsored by: Councilmember Petersen