



## Legislation Text

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**File #:** 13-1376, **Version:** 1

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An Ordinance to Amend Sections 1:155, 1:156 and Add a New Section Which New Section Shall Be Designated as Section 1:160 of Chapter 7, Downtown Development Authority, Title I of the Code of the City of Ann Arbor (Ordinance No. ORD-13-28)

The Joint DDA Council Committee, per the direction of City Council through Resolution R-13-216, is proposing amendments to Chapter 7 of the City Code. The committee, comprised of City Councilmembers Steve Kunselman, Jane Lumm Sally Petersen, and Christopher Taylor and DDA Members Bob Guenzel, Roger Hewitt, Joan Lowenstein, and Sandi Smith met to review language clarity, budget priorities, and other policy initiatives.

The Committees' recommended ordinance amendments recognize DDA's contributions to downtown development and the need to plan for downtown's capital improvement needs. The committee's work was guided by estimates of future downtown taxable value. City and DDA staff provided their estimate for TIF capture and tax return, as requested by the Committee. After reviewing several alternatives, the committee is recommending a 3.5% TIF annual cap beginning in 2016.

The Committee believes the recommended amendment provides language clarity, recognizes the DDA's contribution to projects that will be added to the tax base, and provides a sharing of the growth in the downtown's with other taxing units.

The recommended language regarding the annual TIF report is to provide local assurance that state requirements will be followed.

### ORDINANCE NO. ORD-13-28

First Reading: November 7, 2013  
Public Hearing: November 18, 2013

Approved: November 18, 2013  
Published: November 21, 2013  
Effective: December 1, 2013

### Downtown Development Authority

An Ordinance to Amend Sections 1:155, 1:156 and Add a New Section Which New Section Shall Be Designated as Section 1:160 of Chapter 7, Downtown Development Authority, Title I of the Code of the City of Ann Arbor.

The City of Ann Arbor Ordains:

Section 1. That Section 1:155 of Chapter 7 of Title 1 of the Code of the City of Ann Arbor be amended to read as follows:

#### **1:155. Board**

The authority shall be under the supervision and control of a board consisting of the mayor or

administrator of the city and 11 members. The members shall be appointed by Mayor subject to the approval the Council. Eligibility for membership on the Board and terms of office shall be as provided in Act 197, with the following exception which shall be effective with the first appointment to the board after the effective date of this ordinance:

- (1) No member may serve more than 3 consecutive full terms and may be reappointed after a lapse of 4 years..

All members shall hold office until the member's successor is appointed.

Section 2. That Section 1:1156 of Chapter 7 of Title 1 of the Code of the City of Ann Arbor be amended to read as follows:

**1:156. Powers of the authority.**

As provided in Act 197, the authority shall prepare a development plan and financing plan for the downtown district or a development area within the district. The authority must obtain city council approval of all development and financing plans. The authority shall possess all of the powers necessary to carry out the purposes of its incorporation and shall have all powers provided by Act 197 of the Public Acts of 1975 with the following exceptions:

- (1) *Ad valorem taxes*: The authority shall not have the power to levy ad valorem taxes on the real and tangible personal property as finally equalized in the downtown district.
- (2) *Tax increment financing*: If the downtown development authority proposes a tax increment financing plan, it shall only plan the use of that portion of the captured assessed taxable value that is due to new construction and improvements to existing buildings after December 31, 1981 to implement the downtown plan and any amendments thereto.

~~If the captured assessed valuation derived from new construction, and increase in value of property newly constructed or existing property improved subsequent thereto, grows at a rate faster than that anticipated in the tax increment plan, at least 50% of such additional amounts shall be divided among the taxing units in relation to their proportion of the current tax levies. If the captured assessed valuation derived from new construction grows at a rate of over twice that anticipated in the plan, all of such excess amounts over twice that anticipated in the plan, all of such excess amounts over twice that anticipated shall be divided amount the taxing units.~~ Beginning with the 2016 tax year the maximum captured taxable value shall be \$224,000,000.00. Each tax year thereafter, the maximum captured taxable value shall be increased by 3.5% per annum.

Only after approval notice to and the opportunity to comment of by the governmental units may these restrictions be removed.

After the then earliest dated bond issue of the downtown development authority is retired, the captured assessed valuation prior to the date of sale for that issue shall be returned to the rolls on the next succeeding tax levy.

Tax funds that are paid to the downtown development authority due to the captured assessed value shall first be used to pay the required amounts into the bond and interest redemption funds and the required reserves thereto. Thereafter, the funds shall be distributed as set forth above or shall be divided among the taxing units in relation to their proportion of the current tax levies.

- (3) *Planning cConsiderations*: In developing a plan within the downtown area, the downtown development authority shall consider the following:

- (a) Tax increment financing shall only be 1 of the financing methods considered and should be coordinated with private and other public investment funds.
- (b) If possible projects should also benefit properties of other governmental units within the downtown area.
- (c) If tax increment financing is proposed, all governmental units levying a property tax shall be fully informed of this plan and any future amendments thereto. Such consultations are to be prior to any action by the city council on the proposal. In event of additional projects, the restrictions on recapture in Item 2 would also apply.
- (d) The plan for the downtown area should show that the property taxes realized for each governmental taxing unit, over the long term, should be greater than if the downtown development district did not exist.
- (e) Tax increment financing seed funds for the Housing Fund shall be budgeted effective tax year 2016 at an amount no less than \$300,000. Every year thereafter the minimum amount budgeted shall be adjusted at the same rate of increase as the increase in the total TIF capture. The funds deposited in the DDA housing fund are to be spent on development in the near downtown area and improvement of housing affordable to residents with very low income (below 50% AMI) and consistent with the Washtenaw County Office of Community and Economic Development (OCED) affordable housing needs assessment, as updated from time to time. Nothing in this ordinance shall be interpreted to limit the DDA ability to invest more than \$300,000 toward housing for very low income residents. Nor does it limit DDA ability to invest in development of additional housing affordable to residents at a diverse range of income levels.

Section 3: That Chapter 7 of Title 1 of the Code of the City of Ann Arbor be amended to add a new Section, designated as Section 1:160, to read as follows:

### **1:160. Annual Report**

The authority shall prepare, file with the State Tax Commission and the City, and publish in a newspaper of general circulation in the City a tax increment financing (TIF) account Annual Report consistent with the requirements of and in the form specified by the State of Michigan within thirty (30) days of receipt of audited financial results.

The authority shall submit their capital budgets to incorporate them into the City's capital improvement plan (CIP). The authority shall at the time they submit their budget for Council approval identify that portion of the budget which is operating and that which is capital projects..

Section 4: In the event any court of competent jurisdiction shall hold any provision of this Ordinance invalid or unenforceable, such holding shall not invalidate or render unenforceable any other provision thereof.

Section 5: This Ordinance shall take effect ten days after passage and publication.

**As Amended by Ann Arbor City Council on November 7, and November 18, 2013**

## **CERTIFICATION**

I hereby certify that the foregoing ordinance was adopted by the Council of the City of Ann Arbor, Michigan, at its regular session of November 18, 2013.

Jacqueline Beaudry, Ann Arbor City Clerk

Date

John Hieftje, Mayor

I hereby certify that the foregoing ordinance received legal publication on the City Clerk's webpage on November 21, 2013.

Jacqueline Beaudry, Ann Arbor City Clerk