



Legislation Text

File #: 13-0188, **Version:** 3

An Ordinance to Amend Sections 1:155, Section 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-13-05)

This revised memorandum provides background and updated financial information related to the Ordinance amendments before City Council for action.

Background

Amendments to Chapter 7 of the City Code were originally introduced on City Council's March 4, 2013 agenda and postponed prior to first reading. On March 18, 2013, the amendments were again postponed prior to first reading. On March 25, 2013, a substitute version of the ordinance amendments to Chapter 7 of the City Code for the one originally placed on the City Council agenda and subsequently tabled prior to first reading was introduced. First reading of the ordinance amendments occurred on April 1, 2013. Prior to second reading of the ordinance additional amendments the amendments to Chapter 7 were proposed and adopted. The ordinance amendments, as further amended, appear for approval of second reading on City Council's September 3, 2013 agenda.

Ordinance Amendments

The Ordinance amendments are intended to address the following:

- Apply consistent citation throughout the Chapter for defined terms
- Use the correct terminology for captured value (i.e. "captured taxable value" not "captured assessed value")
- Remove outdated provisions. Specifically, remove the reference to downtown development authority bonds. There are no bonds of this nature outstanding, nor have any ever been issued.

In addition the Ordinance addresses four substantive changes:

- Section 1:155. Removes the Mayor from consideration for appointment to the DDA effective following the November 2014 regular election. Section 4(1) of the Michigan Downtown Development Authority Act (Act 197 of Public Acts of 1975)(the "Act") specifies that the composition of the Board of the Authority must include the chief executive officer of the municipality. The Act defines "chief executive officer" as the mayor or city manager (administrator) of a city. The statutory use of the term "or" is used to introduce an alternative. This amendment eliminates the elective process and permanently selects the administrator. In addition it imposes term limits on Board members.
- Section 1:156(2). Clarifies and revises the calculation of surplus funds and their reversion to the respective taxing entities. Section 15(1) of the Act requires the City Treasurer to transmit tax increment revenues to the Authority. The Authority may expend these tax increment

revenues for development programs only pursuant to the tax increment financing plan. Surplus funds must revert proportionately to the respective taxing entities.

The amendment as proposed clarifies three variables that affect the interpretation of how to calculate whether a TIF refund is due from the DDA to taxing authorities who have had their taxes captured and the magnitude of such a refund. The three variables clarified are 1) that the calculation shall include real & personal property taxable values, 2) that the calculation shall utilize the tax base growth estimates in the DDA TIF Plan labeled “realistic” in Table C3 and, 3) that the calculation shall no longer consider an allocation of TIF revenues to debt service as disqualifying condition.

If the ordinance were to be enacted, the potential future refunds due to taxing authorities can be estimated given certain assumptions. Below is an estimate of the potential refunds for Fiscal Years 14 & 15, based on the following assumptions:

- The DDA will not use the same method of calculation used in the determination of refunds for Fiscal Years 2003-11. The method used shall contemplate the value of the difference between the actual taxable value captured versus the tax capture estimates in the TIF plan for the corresponding year.
- DDA capture will increase by \$26.7MM in Fiscal Year 2014, and by 2.5% in Fiscal Year 2015.
- Millage rates remain constant at the Fiscal Year 2013 level.

	Refunds					Net DDA TIF Revenue
	City	County	WCC	AADL	Total	
FY	16.5720	5.7654	3.6376	1.5500	Capture	
2014	556,	198,		52,456	921,297	3,530,678
2015	567,	198,814		53,450	938,761	3,624,514

- Section 1:156(4). Requires a nexus between development programs and specifically benefited properties within the downtown development district.
- Section 1:160. Adds the requirement that the Authority’s annual report on the status of the tax increment financing account must be filed in January each year. Section 15(3) of the Act requires the Authority to submit a report on the status of the tax increment financing account to the City and the State Tax Commission on an annual basis. The amendment establishes a timeline for submittal of the report to Clerk at the beginning of the year in addition to any statutory timeline the State Tax Commission may from time to time designate. Additionally, the proposed ordinance requires the Authority to submit its capital budgets to the City, which will be incorporated into the City’s Capital Improvement Plan (CIP).

Sponsored by: Councilmembers Kunselman and Kailasapathy

(See attached ordinance as Amended by City Council on April 1 and April 15, 2013.)