

The Downtown Development Authority— A Useful Tool for Township Economic Development

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Downtowns are not just for cities any more. The 2000 census demonstrated that, for the first time in more than a century, a larger portion of Michigan citizens reside in townships than in cities and villages. “Economic development” has also become more than a buzz word—it is a necessity for township survival and prosperity. Thus, townships should carefully examine their economic development options to assure that they are promoting sound municipal growth.

Nearly every city and village in Michigan has created a downtown development authority (DDA), recognizing the power of this economic development tool. By comparison, however, a recent survey performed by the Citizens Research Council of Michigan disclosed that only 42 of Michigan’s 1,242 townships had created DDAs. The low utilization rate by townships is particularly surprising, given that townships have been authorized to create DDAs since 1975.

Cascade Charter Township (Kent Co.) is one of those 42 townships that has created a DDA. According to Supervisor **Michael Julien**, the township formed the DDA 10 years ago to improve the appearance of its commercial area. “We established the DDA to make streetscape improvements—primarily sidewalks, landscaping and lighting—to our commercial area, some of which was older and becoming ‘blighted,’ and some of which was new and upscale,” he said. “Our DDA streetscape improvements tied it all together and made it all upscale.”

The township also reduced the width of its major thoroughfare from five to three lanes, adding larger areas for landscaping and sidewalks. A U.S. flag and pole were added after September 11, 2001.

As townships become more familiar with this economic development tool, they can be expected to create DDAs in increasing numbers. DDAs are authorized by Public Act 197 of 1975 (MCL 125.1651, *et seq.*).



Plymouth Charter Township’s (Wayne Co.) DDA helped move the Ann Arbor Road project forward.

Under PA 197, any township (or city or village) may create its own DDA and its own “downtown district” within which the DDA may operate. Economic development tools available to DDAs include tax increment financing, additional millage, issuance of revenue bonds, and the receipt and administration of grants for improvements to the downtown district. The DDA may also purchase, lease, sell and develop property. A township may have only one DDA and one contiguous downtown district, although the size of the downtown district may comprise a substantial portion of the township.

The economic development tools available to DDAs are one reason that **Plymouth Charter Township** (Wayne Co.) established an authority three years ago, according to Supervisor **Steven Mann**. “Our DDA was established by board resolution on September 12, 2001, but only after several years of planning and community input on the need and feasibility,” he said.

“It was anticipated that the DDA would facilitate the redevelopment of the Ann Arbor Road Corridor by giving the township access to a number of useful tools, including tax increment financing, and that the DDA would provide organizational leadership for the planning and implementation of an improvement program for this important township corridor.”

How to Get Started

To establish a DDA, the township board

must first determine that it is necessary to create a DDA in order to halt property value deterioration, increase property values in the business district and promote economic growth. After issuing a resolution of intent, the township board must set and hold a public hearing on the adoption of a proposed ordinance creating the DDA and establishing the boundaries of the downtown district. Strict notice requirements are included in PA 197, including requirements for notice to the governing bodies of all taxing jurisdictions levying taxes within the proposed downtown district. Following the adoption of the ordinance, it must be filed with the secretary of state and published as required by PA 197.

The DDA ordinance must create a DDA board, consisting of at least nine and not more than 13 members. Members are appointed by the township supervisor, subject to approval by the township board. A majority of the members must have an interest in property located in the downtown district, and at least one member must be a resident of the downtown district (if the district has 100 or more residents).

Having a board specifically designated to promote its downtown area is one of the reasons that **Oscoda Charter Township** (Iosco Co.) established its DDA more than 10 years ago. According to **James Koenig**, township DDA chairperson, “The principle reason for establishing the authority was to create a body that would effectively administer an

Photo courtesy of Plymouth Charter Township.

established downtown district with the intent of promoting orderly economic growth and development in the township's central downtown district.

"The township board also wanted to curb potential physical deterioration and resulting loss of property values by improving the appearance and function of the commercial corridor and its surrounding areas."

The DDA board is a public body, subject to the Open Meetings Act and the Freedom of Information Act. In townships with a population of less than 5,000, the township board may (but is not required to) designate the planning commission as the DDA board. The attorney general has ruled that an elected township board member (other than the supervisor), or a member of the county board of commissioners or local school board may not serve on the DDA board, because the positions are incompatible.

DDAs may—and frequently do—employ a director, subject to approval by the township board. The director, who serves at the pleasure of the DDA board, may not be a member of the DDA board. The director is responsible for the management and administration of the DDA, and must be bonded.

Financing Methods for DDAs

With the approval of the township board, the DDA may levy an ad valorem tax of up to 2 mills on property within the downtown district. The DDA may also issue tax-exempt revenue bonds to finance the acquisition of property and the construction of improvements.

A unique financing mechanism available to DDAs is their ability to use tax increment financing (TIF). Under TIF, the DDA is allowed to "capture" the growth in property value resulting from economic development in the downtown district. In other words, if the DDA is established in 2004, then in 2005 and each year thereafter, it may "capture" property tax revenues above the total property taxes collected in 2004 (the so-called "increment") that would otherwise have been paid to other taxing units (the township, county, school district, etc.), provided those units do not opt out of the TIF plan. The clear advantage of a TIF is

that increased property tax revenues due to economic development and growth may be used to directly finance the improvements and activities that are necessary to make such growth possible.

As a condition to using tax increment financing, the DDA must prepare a development plan and a TIF plan, which may be included in a single plan. The plan must detail the proposed improvements to be financed by the DDA, including their character, cost, location and estimated time of completion. It must also cover the other specific plan criteria required by PA 197. The township board must adopt the development plan and/or TIF plan by ordinance, after giving notice and holding a public hearing as required by PA 197.

"Our tax increment financing plan permitted us to secure taxes which may otherwise leave the community and not return," said Mann.

Oscoda Charter Township created a land use development plan and tax increment finance program in 1989, and, according to Koenig, as funds accumulated from the TIF district, plans to improve the Dwight Street area in the township were implemented. "The result was so aesthetically pleasing and visually striking that the township board initiated a streetscape project through grant funding and special assessment district establishment throughout the entire downtown area, along the U.S. 23 corridor," he said. Plans are underway to extend those improvements to the north end of the township's business district, and to cross streets of the downtown area.

Under some circumstances, an advisory group known as a development area citizens council must be formed. Following the public hearing, the township board may adopt the development plan and/or TIF plan after finding that the statutory requirements are met.

The DDA must comply with a number of financial recording requirements. It must prepare and submit an annual budget to the township board for approval, and must submit to an annual audit, which may be combined with the township's audit. It must also annually submit a report on the status of its TIF account to

the township board and State Tax Commission.

DDAs Can Benefit Your Township

Across the state, DDAs have been actively involved in a wide array of economic development and public improvement projects. Such improvements frequently include the construction and financing of sanitary sewer and water systems, drainage improvements, and road projects. DDAs are increasingly becoming involved in the acquisition of real estate for development, and work in cooperation with private developers to help build and finance the municipal infrastructure needed to accommodate new growth. DDAs have also been active in redevelopment projects, renovating decaying and dilapidated sites for new development.

Cascade Charter Township's DDA has been such a success over the past decade that the township is expanding its scope. "The DDA has worked so well that we recently expanded it to the entire length of 28th Street [the township's main thoroughfare]," Julien said. "This will be used to tie the area to the neighboring village and to add a boulevarded entry to our township, which will signal to the thousands of vehicles on 28th Street each day that they have entered a special community."

Oscoda Charter Township has reaped the rewards of establishing a DDA. Said Koenig, "The enhancements have added major 'curb appeal' to the entire area. While putting on a 'pretty face' is not enough to make a downtown commercially viable, it does attract the eye and makes for a pleasant environment. Since the projects were initiated, the community has seen new businesses move to the area, as well as improvements to existing properties."

DDAs will play an increasing role in economic development as municipalities work harder to make their tax dollars go further. If your township does not have a DDA, it should consider creating one. If your township already has a DDA, the township board should periodically review the operations of the DDA to assure that it is appropriately realizing its maximum development potential. ■