

**M-26 and SHARON AVENUE CORRIDOR
DEVELOPMENT AND TAX INCREMENT FINANCE PLAN**

**CITY OF HOUGHTON
TAX INCREMENT FINANCE AUTHORITY
As Amended through October, 1986**

M-26/SHARON AVENUE DEVELOPMENT/TIF PLAN

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I. DEVELOPMENT PLAN

A. DISTRICT BOUNDARIES/LEGAL DESCRIPTION

The M-26/Sharon Avenue TIF District can be generally described as a corridor of vacant and developed land adjacent to Highway M-26 running north and south, and Sharon Avenue, running east and west. A complete legal description and map of the District is included in the Plan Appendix.

B. DISTRICT INVENTORY

1. Public Facilities:

The M-26/Sharon Avenue TIF District is served with utilities and streets. Water mains and sanitary and storm sewers are present in the developed areas of the District. Some improvements to existing utilities will be necessary to accommodate additional development. Undeveloped lands will require complete installation of infrastructure before development can occur.

The District is well served by primary access routes. M-26 is a four-lane highway through the District and can accommodate high volumes of traffic. Some improvements to the transportation system will be required to accommodate new and existing development, such as turn lanes and access/frontage roads.

Sharon Avenue is a two-lane, major street through the District and serves as the primary east-west route for the Southern part of the City. Increased development pressure in the Sharon Avenue area will result in the need for Sharon Avenue improvements, such as widening, resurfacing, sidewalks and lighting.

2. Land Use

The primary use of the District is commercial, especially within the M-26 corridor. Several retail facilities have been constructed within this area both within the City of Houghton and in Portage Township. The development of the Copper Country Mall, Green Acres Food Store and Pamida, have created new shopping habits and patterns that will result in additional pressure for highway-oriented development.

The Sharon Avenue corridor contains a mix of multi-family housing, commercial and office buildings. Single family residential areas have been excluded from the District. The Sharon Avenue corridor will receive considerable development pressure in the future.

C. IMPROVEMENT PROGRAM

1. Public Improvements

A major public improvements program is necessary to accommodate and service planned and potential development in the M-26/Sharon Avenue TIF District. Public improvements and estimated costs are as follows:

Project	Estimated Cost (1985)
Water/Sewer System Improvements	\$1,000,000
Huron Creek Plat Frontage Road/Utilities	600,000
Sharon Avenue Improvements	400,000
Development Park	500,000
Maple Hills Subdivision	600,000
Development Park Structures	2,000,000
Incinerator	1,000,000
M-26 Frontage Road	50,000
Sharon Avenue Extension	<u>200,000</u>
	Total - \$6,350,000

2. Private Development Projects

Several private development projects are proposed or underway at this time in the M-26/Sharon Avenue TIF District. These projects and their estimated project costs are listed below:

Project	Estimated Cost
Pizza Hut	\$200,000
Car Wash	60,000
Domino Pizza	40,000
Auto Parts Store	<u>100,000</u>
	Total - \$400,000

D. ACQUISITION/RELOCATION

At this time, no acquisition of residential properties is proposed as part of the Development Plan. No displacement of individuals will occur and relocation activities are not necessary. However, land acquisition may be necessary for implementation of public improvements projects in the future.

E. INITIAL ASSESSED VALUE

The M-26/Sharon Avenue TIF District contains public and privately-owned real and personal property with a total 1985 assessed valuation of \$2,127,338. A listing of individual parcels, owners and assessed valuation are found in the Plan Appendix.

II. TAX INCREMENT FINANCE PLAN

A. RESULT OF THE PLAN

The Plan for the use of TIF in the M-26/Sharon Avenue area will result in development and subsequent capture of assessed valuation that would otherwise not be expected. Without the means of financing the public improvements program outlined in this Plan, development would be constrained. The provision of the public improvements is necessary to service existing and planned development with basic necessities, such as roads, sewer and water, to promote orderly growth, and to provide and create new areas for development to occur.

B. ESTIMATE OF CAPTURED ASSESSED VALUE

Using estimated assessed valuations of projects now planned or under construction, the captured assessed value of the M-26/Sharon Avenue TIF District is estimated for 1986 as follows:

1992 1986 District Valuation	- \$2,327,338	4,057,716
Less: Initial Assessed Value	- <u>2,127,338</u>	<u>2,127,338</u>
1992 1986 Captured Assessed Value	- \$ 200,000	1,930,378

A 30-year projection of captured assessed value and tax increment revenue can be found in the Appendix.

C. ESTIMATE OF TAX INCREMENT REVENUES

1986 Captured Assessed Value - \$ 200,000	1,930,378
1992 Levy x <u>.05318</u>	<u>.05318</u>
1986 Tax Increment - \$ 10,636	102,657

D. TIF PROCEDURE

Tax Increment Financing (TIF) is a widely accepted tool for paying the public costs of economic development. In Michigan, Public Act 450 of 1980 provides for the establishment of Tax Increment Finance Authorities (TIFA) and the use of TIF.

Through TIF, increased property tax revenues resulting from new development projects may be "captured" by the TIFA in order to pay for "public purpose" costs associated with the development.

Upon approval of a Development and TIF Plan, the assessed valuation of the TIF District is frozen at that level. All taxing jurisdictions continue to receive the levied taxes on that initial assessed value.

The increased valuation of the District resulting from new development projects becomes the captured assessed value. The tax increment is that portion of the total tax levy of all taxing bodies paid each year on real and personal property on the captured assessed value. In-formula school districts are harmless in the TIF process as State Aid to the school district is not affected by increases in assessed valuation within the TIF District.

The TIFA shall expend the tax increments received only in accordance with the Tax Increment Finance Plan. The City may abolish the Tax Increment Finance Plan when it finds that the purposes for which the Plan was established are accomplished. The TIFA shall submit a complete financial report on the status of the Tax Increment Finance Plan to the City Council on an annual basis

In order to use TIF, the City of Houghton must follow a public and legal process. A resolution creating a Tax Increment Finance Authority was adopted by the Houghton City Council following a public hearing on November 13, 1985. A public hearing on the Development and TIF Plan is required. After the public hearing, the City Council shall determine whether the Plan constitutes a public purpose. If the Plan constitutes a public purpose, the Council shall then, by resolution, approve or reject the Plan, or approve it with modification, based upon the following considerations:

1. The findings and recommendations of a Development Area Citizens Council, if a Development Area Citizens Council was formed.
2. Whether the Development Plan meets the requirements set forth in Section 16(2) and the Tax Increment Financing Plan meets the requirements set forth in Section 13(2) of P. A. 450 of 1980.
3. Whether the proposed method of financing the development is feasible and the Authority has the ability to arrange the financing.
4. Whether the Development is reasonable and necessary to carry out the purposes of P. A. 450 of 1980.
5. Whether the amount of captured assessed value estimated to result from adoption of the Plan is reasonable.
6. Whether the land to be acquired within the Development Area is reasonably necessary to carry out the purposes of the Plan and the purposes of P. A. 450 of 1980.
7. Whether the Development Plan is in reasonable accord with the approved Master Plan of the City.

8. Whether public services, such as fire and police protection and utilities, are or will be adequate to service the Development Area.
9. Whether changes in zoning, streets, street levels, intersections and utilities are reasonably necessary for the project and for the City.

The Development and TIF Plan may be amended by following the same process necessary for approval of the original Plan. Revisions in the estimates of captured assessed value and Tax Increment revenues do not require a public hearing.

The procedure, adequacy of notice and findings with respect to purpose and captured assessed value shall be conclusive unless contested in a court of competent jurisdiction within 60 days after adoption of the Plan.

E. BONDED INDEBTEDNESS

The Tax Increment Finance Authority anticipates selling bonds to the Developer of Wal-Mart and Fairway Foods for the City portion of utilities and road improvement related to both projects. Estimated amount of the bonds is \$490,000 for the Wal-Mart Project and \$90,000 for the Fairway Foods Project.

F. OPERATING/PLANNING EXPENDITURES

Approximately \$5,000 will be required on an annual basis for operating and planning expenses of the TIFA.

G. COST OF THE PLAN

A one-time expense of \$5,000 for Plan preparation will be paid with Tax Increment revenues.

H. DURATION OF PLAN

The Development and TIF Plan will have a duration of 30 years.

I. ESTIMATE OF IMPACT ON TAXING JURISDICTIONS

	<u>LEVY</u>	<u>1986 TAX INCREMENT</u>	1992
City	16.0	\$ 3,200	27,025
Houghton Schools	28.48	5,696	54,977
C.C.I.S.D.	1.4000	280	2,702
Houghton County	6.3000	1,260	12,161
Township Library	<u>1.0000</u>	<u>200</u>	1,930
	53.18	\$10,636	

The TIFA will not capture the 1.2 mills levied for school bond retirement. The TIFA will not capture future extra voted millage for debt retirement purposes. As previously stated in the TIF Plan, In-Formula school districts are hold-harmless in this process. Increases in valuation of the TIF District does not affect State Aid to the school district.

CAPTURED ASSESSED VALUE AND TAX INCREMENT PROJECTION

<u>YEAR</u>	<u>C.A.V.</u>	<u>TAX INCREMENT</u>
1986	\$ 200,000	\$ 10,636
1987	420,000	22,965
1988	670,000	36,635
1989	920,000	50,305
1990	1,170,000	63,975
1991	1,420,000	77,645
1992	1,670,000	91,315
1993	1,920,000	104,985
1994	2,170,000	118,655
1995	2,420,000	132,325
1996	2,670,000	145,995
1997	2,920,000	159,665
1998	3,170,000	173,335
1999	3,420,000	187,005
2000	3,670,000	200,675
2001	3,770,000	206,143
2002	3,870,000	211,611
2003	3,970,000	217,079
2004	4,070,000	222,547
2005	4,120,000	225,281
2006	4,170,000	228,015
2007	4,220,000	230,749
2008	4,270,000	233,483
2009	4,320,000	236,217
2010	4,370,000	238,951
2011	4,420,000	241,685
2012	4,470,000	244,419
2013	4,520,000	247,153
2014	4,570,000	249,887
2015	4,620,000	252,621
	Total	\$5,061,957

2,127,338
 2,200,000
 7,000,000
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 102,675
 116,996
 372,260
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