



**Michigan Association of Planning
A Chapter of the American Planning Association**

Excerpted from the MSPO Community Planning Handbook

Local Development Finance Authority

Description

The Local Development Finance Authority (LDFA) is a primary means of making tax increment financing procedures available to assist industrial development. Utilizing Tax Increment Financing (TIF), the authority captures any increases in property valuations above a base level established before the redevelopment process begins (see also: Tax Increment Financing technique). The LDFA is a public corporate body created primarily to plan and finance the development and redevelopment of the designated facilities, agricultural processing facilities, and high technology activity, LDFA's are typically used to finance the infrastructure and public improvements necessary to attract these types of businesses to an area. LDFA's are able to finance their activities through a variety of methods including:

- Accepting contributions for the performance of its functions (for example: municipal contributions).
- Owning, leasing, operating, and licensing property and buildings. The municipality can acquire property by eminent domain and transfer the ownership to the LDFA, if considered necessary for public purposes.
- Generating revenue by establishing a tax increment financing (TIF) plan. TIF revenues can only be used for public facilities (as defined in the Act) for eligible properties that generate the tax increment or are in the same certified industrial park.
- Issuing tax-exempt TIF bonds based on an estimate of anticipated tax increment revenue to be generated. Revenue bond proceeds are subject to the same restriction mentioned above.
- Borrowing money and issuing revenue bonds. The municipality may pledge its full faith and credit to support the authority's revenue bonds if it desires.

A municipality, either a city, village, or "urban" township, may establish one LDFA. In order to form an LDFA, townships must have a minimum population of 20,000 (or, if

located in a county with a population of 400,000 or more, it must have a minimum population of 10,000); provide water, sewer, and other public services; and have an adopted master plan. The LDFA is formed by the governing body of the municipality by resolution. The district of the authority must also be agreed upon by this time (boundaries may be amended by the governing body at any time). A public member board is selected (a director and other employees may be hired by the board). The duties and powers of the board include, but are not limited to:

- The study and analysis of the economic situation of the area.
- The development of long-range plans.
- The planning and implementation of public facility construction and/or renovation.
- Land improvements.
- Site preparations.

Planning Considerations

The primary purpose of the Local Development Finance Act is to “encourage local development to prevent conditions of unemployment and promote economic growth.” Different from other economic development tools enacted prior to the LDFA, job creation (vs. reduction of urban blight) is the primary goal of the Act. The LDFA achieves this goal by providing a financing mechanism for public facility construction and improvements necessary to attract and support manufacturing, agricultural processing, and high technology industry.

The establishment and activities of the LDFA are dictated by a few basic requirements:

- The LDFA must generate a **project plan** outlining the property boundaries, existing infrastructure, public facilities construction/renovation, construction details, cost estimates, zoning changes, and relocation considerations. This plan must be approved and subjected to a public hearing. A TIF plan must also be prepared before TIF revenues can be realized. Both plans must also meet a “public purpose determination” before final approval is granted.
- TIF and TIF bond revenues may only be used for public facilities for qualifying types of businesses (manufacturing facilities, agricultural processing facilities, and high technology facilities).
- To qualify an eligible property as a beneficiary of TIF under LDFA, a determination of the number of jobs that can be expected to transfer to the municipality from other municipalities throughout the state must be made. If any one municipality will lose 50 or more full-time jobs as a result of the project, the losing municipality must give its consent before the eligible property can be included in a TIF plan.

Advantages

- Helps create jobs by supporting business investments.

- Public facility improvements financed by the LDFA may be outside the project area or the municipality.
- The definition of public facilities in the LDFA is broader than in other acts.

Disadvantages

- TIF plans can be controversial and must be approached carefully.

Limitations

- The LDFA restricts the use of the captured funds through the definition of “eligible property” while the DDA permits increases in valuation in the development as a whole to be captured for the purpose of the plan.
- The types of “eligible property” under the Act are narrow, applying only to manufacturing facilities, agricultural processing facilities and high technology facilities. LDFA is not available, for example, for commercial development.
- Only townships which qualify as “urban townships” can for an LDFA.