

**DEVELOPMENT PLAN
AND
TAX INCREMENT PLAN
(Document No. 9)**

**FOR
THE TAX INCREMENT FINANCE AUTHORITY
SOUTHGATE, MICHIGAN**

Secretary: - Motion by DiCarlo for John Graziani as Secretary, Support by Dunn. The motion carried unanimously.

Approval of Road Projects -

City Engineer John Hennessey gave an overview of the 3 road projects to be completed in the District including a breakdown of the grants and TIFA funds allocated to the projects. A motion was made by Farrah to update and amend the TIFA plan to include these types of projects and use grant monies and was supported by DiCarlo. The motion passed unanimously.

Bond Payment Reserve Fund –

Chairman Ron Moran discussed the need to set aside monies and earmark them for payment of the YMCA bond. This is needed in the face of falling property values in the district and to not reserve the monies could put the bond payment in jeopardy. Ron recommends that \$500,000.00 be reserved. Motion by Graziani to reserve \$500,000.00 and supported by Oben. The motion carried unanimously.

Adjournment:

Moved by Oben, support by DiCarlo, RESOLVED, that this meeting of the Tax Increment Financing Authority be adjourned at 5:03 P.M. Motion carried unanimously.

BTB

Brian Batko
Recording Secretary

bb
11/22/10

Acknowledgements

Elected Officials

Joseph G. Kuspa, Mayor
Phillip Rauch, Council President
Carol Batko, Councilmember
Janice Ferencz, Councilmember
Patricia Ganzberger, Councilmember
Karen George, Councilmember
Christopher Rollet, Councilmember
Dale Zamecki, Councilmember
Thomas Alexander, City Clerk
Sheryl Denman, City Treasurer

Tax Increment Finance Authority

Ronald Moran, Chairman
Tony DiCarlo
John Graziani
Peter Heggie
Stephen Mallie
Walt Oben
Charles E. Dunn
Barbara Farrah

City Administrator

Brandon Fournier

Assistant City Administrator/Finance Director

David Angileri

Planning Consultant

Carlisle/Wortman Associates, Inc.

Engineering Consultant

Hennessy Engineers, Inc.

Introduction

On December 18, 1985, the City council adopted the Tax Increment Finance Plan and Finance Program, as recommended by the Tax Increment Finance Authority.

Adoption of the plan and program by the City Council established a Tax Increment Finance District as set forth in the plan document. Captured assessed value revenue from all private and personal property within the district would be used to make specific improvements to public areas within the district.

With respect to the Southgate Plan, the District's Development Plan covers all the area of the district. In other words, the land area contained within the district and within the district's development area is the same.

The adopted Development Plan and Tax increment Finance Program were prepared in accordance with the guidelines set forth in Act 450 of the Michigan Public Acts of 1980, as amended.

In the twenty-five (25) years since the Development and the Tax Increment Finance Program was adopted, a significant number of physical changes have taken place on land within the district.

It was recognized early in the preparation of the original plan document that basic revenue and development project would require refining. The existing Development Plan and Tax Increment Finance Program Report is identified as Document No. 8, and approved by the City Council.

This report, identified as Document No. 9 is intended to serve as an amended development plan and attendant financing program, formulated as a periodic report and program update to the Authority and City Council, as required in Public Act 450.

Subsequent documents will be assigned sequential numbers and should also be saved for they can serve as a record of the progress of development and revenue capture and revenue expenditures throughout the life of the Tax Increment Finance District.

The following provides a summary sheet of the twenty-six (26) year history of the Tax Increment Finance Authority and its attendant Documents No. 1 through No. 8.

City Council Approval

Major Changes

Document No. 1	12-18-85	
Document No. 2	09-14-88	<p>Revised project priorities, deleting three street projects:</p> <ul style="list-style-type: none">- Frontage Road along Northline;- New N-S Road between Northline and West Frontage;- Reeck Road at Northline Road realignment <p>Provided for bonding projects</p> <p>Reduced program by seven (7) years, ECD 1997</p>
Document No. 3	04-24-91	<p>Added Northline sidewalks</p> <p>Added landscaping Heritage Drive at East Frontage</p>
Document No. 4	06-17-92	<p>Eliminated capture for FY 1992 (request of City)</p> <p>No substantial changes – revised income on Table 1 – functioned as annual report</p>
Document No. 5	06-15-93	<p>Added Reeck Road storm sewer</p> <p>Added underground utilities west of Reeck Road</p>
Document No. 6	01-12-94	<p>Eliminated capture for FY 1993 (request of School District Board of Education)</p> <p>Extended program by one (1) year, ECD 1998</p> <p>Eliminated capture of school operating millage revenues in future years.</p>
Document No. 7	07-30-96	<p>Extended plan to 2005</p> <p>Added landscaping of I-75</p> <p>Added landscaping of Presidential Drive</p> <p>Added road improvements to:</p>

- Walnut Avenue
- Industrial Road from Allen to Reeck Road

Document No. 8 01-30-01

Extended plan to 2025

Added establishment of Sportplex at the Southeast Corner of Northline and Reeck Roads

Added Following Road Improvements

- Reeck Road Reconstruction
- Access Road construction along I-75

Landscaping Improvements

Sidewalk Installation

Northline Road Waterline Extension

The Development Plan

The Development District

The Southgate Tax Increment Finance Authority Development District, established by the City Council in December of 1985 remains unchanged.

The Authority District, as presently configured, contains approximately 356 acres of land and is located in the northwest portion of the City. Generally, the district is bounded on the west by Allen Road, on the north by the Penn Central Railway, on the east by a line parallel with Devoe Avenue and Manchester/Westminster Drives and Walnut Street on the south.

Public Act 450 set forth certain conditions which need to exist in order to establish a TIFA. The program's intent and purpose is to develop a physical land use plan and tax increment finance plan which results in:

- increasing property tax valuation;
- Eliminating the causes of declining property values; and
- Promoting growth in the target area.

In 1985, diminishing property value was resulting from a lack of development within the target area. Vacant land was not developing due to lack of required physical infrastructure. By establishing a TIFA Development District, revenue could be generated that would reverse a diminishing property value trend and promote growth in the area.

Since 1985, public improvements in the form of new paved streets, water lines, sewer and other public utility extensions have resulted in a number of new office buildings and other commercial facilities within the District, as identified in Exhibit III. Clearly the causes of diminishing property values is being removed within the established TIFA District and new growth and development promoted in the manner intended by Act 450. Additionally, it is believed that the creation of recreational amenities provides an increase in the number of people that are spending time within the district. Thus, further solidifying opportunity for residual economic development benefit.

A comparison of the estimated annual capture of tax revenue depicted in Table 6 of Document No. 1 in 1985, with that known and estimated in Table 2 of this document, confirms a continued improvement to property values within the development district.

The district boundaries as portrayed on the revised Development Plan Map are the same as originally adopted. Since this TIF District was established, state legislation has been revised and the present district boundaries cannot be physically expanded to incorporate more land area.

Revisions to the Development Plan

This document modifies Plan Document # 8 which is in force and effect until 2025. The modification is due primarily to much needed grant funded infrastructure projects which are outlined in this document (Project Priorities XXVIII-XXX).

Project Priorities

Completed Projects: The following projects are completed and have been identified in previous Plan Documents (#1 through #8). Therefore, please refer to such documents for reference. In addition, a brief narrative of these projects is included in the notes to Table 3 contained hereinafter:

<u>Priority</u>	<u>Description</u>
I	Reimbursement to General Fund (for plan development, local match for EDA grant, park development)
II	Northline Road Landscaping
III	Relocation of Reeck Road
IV	Street Lighting
V	Installation of Water Main
VI	Sidewalk Installation
VII	Landscaping of Heritage Drive
VIII & IX	Relocation & Paving of Noecker Way
X	Conversion and improvement to Heritage Blvd. as two-way street system
XI	Construction of Stormsewer on Reeck Road
XII	Removal/Relocation of Utility Lines
XIII	Landscaping of Presidential Drive

- XIV Landscaping of West I-75 Right-of-Way
- XV Landscaping of East I-75 Right-of-Way
- XVI Walnut Avenue Improvements
- XVII Install New Industrial Street, Allen to Reeck Roads
- XXII Establishment of Sportsplex at the Southeast
Corner of Northline and Reeck Roads

(Exhibit I provides a summary of accomplishments for activities and Exhibit II provides a listing of contracts executed during the period.)

Proposed Projects: The following projects are proposed for implementation in the future. The Project Priority is now XVIII-XXI and XXVII; the remaining priorities have been identified in previous plans with the exception of XXVIII through XXX which are new.

Priority Project XVIII

Install New Industrial Street, North from Noecker Way	
Estimated Project Cost	\$715,400
Estimated Acquisition Cost	\$29,000
Total Estimated Cost	\$744,000
Funding Source	TIF Revenue
Estimated Start Up Date	2018
Estimated Preparation and Construction	One (1) season
Project Description: This improvement involves acquisition of right-of-way construction of a new road extending north from Noecker Way along the west side of I-75, with a cul-de-sac at the railroad corridor. The important planning aspect of this road is its location along I-75. This is proposed to encourage industrial development to front the freeway, thereby presenting a more attractive appearance to the freeway.	

Priority Project XIX**Install New industrial Street, Noecker Way South to Reeck Road**

Estimated Project Cost	\$788,000
Estimated Acquisition Cost	\$59,000
Total Estimated Cost	\$847,000
Funding Source	TIF Revenue
Estimated Start Up Date	2020
Estimated Preparation and Construction	One (1) season

Project Description: The rationale for the right-of-way acquisition and construction of this road is the same as the one noted above in the north segment of a proposed industrial road system. An additional reason is also to open up land along the I-75 corridor north of Northline Road to planned industrial development.

Priority Project XX**Construction of Northline Road Boulevard, I-75 to Allen Road**

Estimated Project Cost	\$1,324,600
Estimated Acquisition Cost	\$900,000
Total Estimated Cost	\$2,224,000
Funding Source	TIF Revenue
Estimated Start Up Date	2021
Estimated Preparation and Construction	Two (2) seasons

Project Description: This activity will acquire necessary right-of-way north of Northline Road in order to construct a boulevard from I-75 west to Allen, in a similar manner to the improvement east of the interstate. The boulevard will comprise about half of the total distance from I-75 to Allen, as tapering will be required at the east and west ends of the boulevard. As the project is proposed, removal of the four (4) buildings currently located on the north side of Northline may be required. The cost includes land acquisition, construction, landscaping and resurfacing. Balance of property purchased and not required for street construction could be maintained as public open space, with landscaped improvements, or disposed of through sale.

Priority Project XXI

Improving Grams Drain through Development District	
Estimated Project Cost	\$1,724,600 (TIF District) \$5,912,000 (City-Wide)
Funding Source	TIF Revenue
Estimated Start Up Date	2025
Estimated Preparation and Construction	Two (2) seasons
Project Description: Improvements to the Grams Drain include enclosing the drain within an engineered concrete tubing system that would be placed underground. Will only be accomplished if all areas within the Drainage District can be improved with TIF revenue available or with a combination of TIF revenue assessment against benefiting property owners.	

Priority Project XXIII

Reeck Road Reconstruction	
Estimated Project Cost	\$217,000
Funding Source	TIF Revenue
Estimated Start Up Date	June, 2015
Estimated Preparation and Installation	One (1) season
Project Description: Reconstruction of Reeck Road from Heritage Center Drive to Walnut Street.	

Priority Project XXIV

Access Road	
Estimated Project Cost	\$236,000
Funding Source	TIF Revenue
Estimated Start Up Date	June, 2016
Estimated Preparation and Construction	One (1) season
Project Description: Installation of an access road spanning in the north orientation along the I-75 corridor adjacent to 15800 Northline Road.	

Priority Project XXV

Landscaping Improvements	
Estimated Project Cost	\$600,000
Funding Source	TIF Revenue
Estimated Start Up Date	April, 2013
Estimated Preparation and Construction	September, 2014
Project Description: Right-of-way improvements along Reeck Road, Heritage Boulevard, Heritage Drive and Heritage Center.	

Priority Project XXVI

Sidewalk Installation	
Estimated Project Cost	\$150,000
Funding Source	TIF Revenue
Estimated Start Up Date	May, 2024
Estimated Preparation and Construction	September, 2024
Project Description: Install sidewalks at various locations within the district.	

Priority Project XXVII

Northline Road Waterline Extension Project	
Estimated Project Cost	\$55,000
Funding Source	TIF Revenue
Estimated Start Up Date	May, 2012
Estimated Preparation and Construction	September, 2012
Project Description: Installation of waterline in the Northline Road right-of-way from Northline Road to I-75 right-of-way.	

Priority Project XXVIII

Pletcher Boulevard Localized Repairs, between Northline and Allen Roads	
Estimated Project Cost	\$185,000
Funding Source	TIF Revenue
Estimated Start Up Date	July 2011
Estimated Preparation and Construction	One (1) season
Project Description: This activity will include removal and replacement of approximately 4,625 square yards of dilapidated pavement and reconstruction/adjustment of twelve (12) structures.	

Priority Project XXIX

West Road Frontage, between Northline and Allen Roads	
Estimated Project Cost	\$106,360*
Funding Source	TIF Revenue*
Estimated Start Up Date	July, 2011
Estimated Preparation and Construction	One (1) season
Project Description: This activity consists of the full removal and replacement of 2,000 feet of concrete roadway. Associated with the roadway removal and replacement will be enclosure of the roadside ditches along the westerly right-of-way with installation of roadside catch basins and 12-inch stormsewer.	

* NOTE: Additional funds totaling \$479,640 are anticipated through the Federal Aid Committee (FAC). Total project cost estimated at \$586,000.

Priority Project XXX

Reeck Road, between Northline and Goddard Roads	
Estimated Project Cost	\$1,100,000*
Funding Source	TIF Revenue*
Estimated Start Up Date	August, 2012
Estimated Preparation and Installation	One (1) season
Project Description: Proposed improvements will consist of full removal and replacement of 6,400 feet of concrete roadway and regarding and cleaning of the roadside ditches for improved drainage.	

* NOTE: Additional funds totaling \$775,000 are anticipated through the Federal Aid Committee (FAC). Total project cost estimated at \$1,875,000.

The Tax Increment Financing Plan

The Finance Plan, as defined in Public Act 450, is the plan for implementing the improvement projects set forth in the Development Plan and graphically portrayed on previous Development Plan Maps. It further indicates how projects were, and are to be, financed. Estimated revenues are projected for all tax generating land within the development district. The Tax Increment financing plan also provides for dispersal of revenues on an annual basis throughout the term of the development program.

The theory of tax increment financing is that public improvements in the area within a municipality will induce additional private development in the area, resulting in greater property tax revenues from the area than would otherwise accrue if no special public development were undertaken. Such increased tax revenues are therefore, earmarked to pay the cost of such public development.

Various public improvement projects and other known financial obligations have been prioritized; their estimated costs were assessed against the known and projected captured assess value (CAV) revenues set forth in Tables 2 and 3, as contained in the Exhibit sections of this report. In the preceding section, a list of improvement projects, their completion status and anticipated start up time and estimated costs are provided.

Since the inception of the Tax Increment Financing Plan in 1985, substantial change to the CAV revenue projections occurred in calendar year 1994. On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value". Beginning in 1995, taxable property will have two (2) valuations: State Equalized Value (SEV) and Taxable Value. Property taxes will be levied on Taxable Value. In addition, subsequent legislation prohibited the capture of revenues from school operating millage. The elimination reduced annual revenue capture by approximately fifty percent (50%), as evidenced in Table 2.

For a full explanation of the process and purchase of Tax Increment Financing, as set forth and regulated in Public Act 450, reference is provided in the Tax Increment Financing Plan of Document No. 1, which is hereby incorporated by reference.

The Use of Revenue Bonds

Two (2) types of revenue generating bonds may be sold under Public Act 450. These include:

- General Obligation Bonds issued by the City and secured by the full faith and credit of the City and by tax increment values.

- Tax Increment Bonds issued directly by the Authority with no full faith and credit pledge by either the City or the Authority and which are secured solely by tax increment revenues.

The sale of limited tax development bonds generated the necessary funds to finance one (1) project: relocation of Reeck Road (Project Priority III). Debt service on the bonds was concluded in the Spring of 1994, ending a five (5) year project payment schedule at an average annual rate of six and one-half percent (6.5%).

The Tax Increment Finance Authority does not propose to issue any tax increment bonds or to request the issuance of any general obligation bonds at this time for Projects XVIII-XXI and XXVII-XXX.

All operating and planning expenditures shall be incorporated in the City of Southgate Municipal Operating Budget that is adopted no later than July 1 of each budget year. A copy of the Budget shall be forwarded to the TIFA Board for their review.

Duration of Tax Increment Financing Program

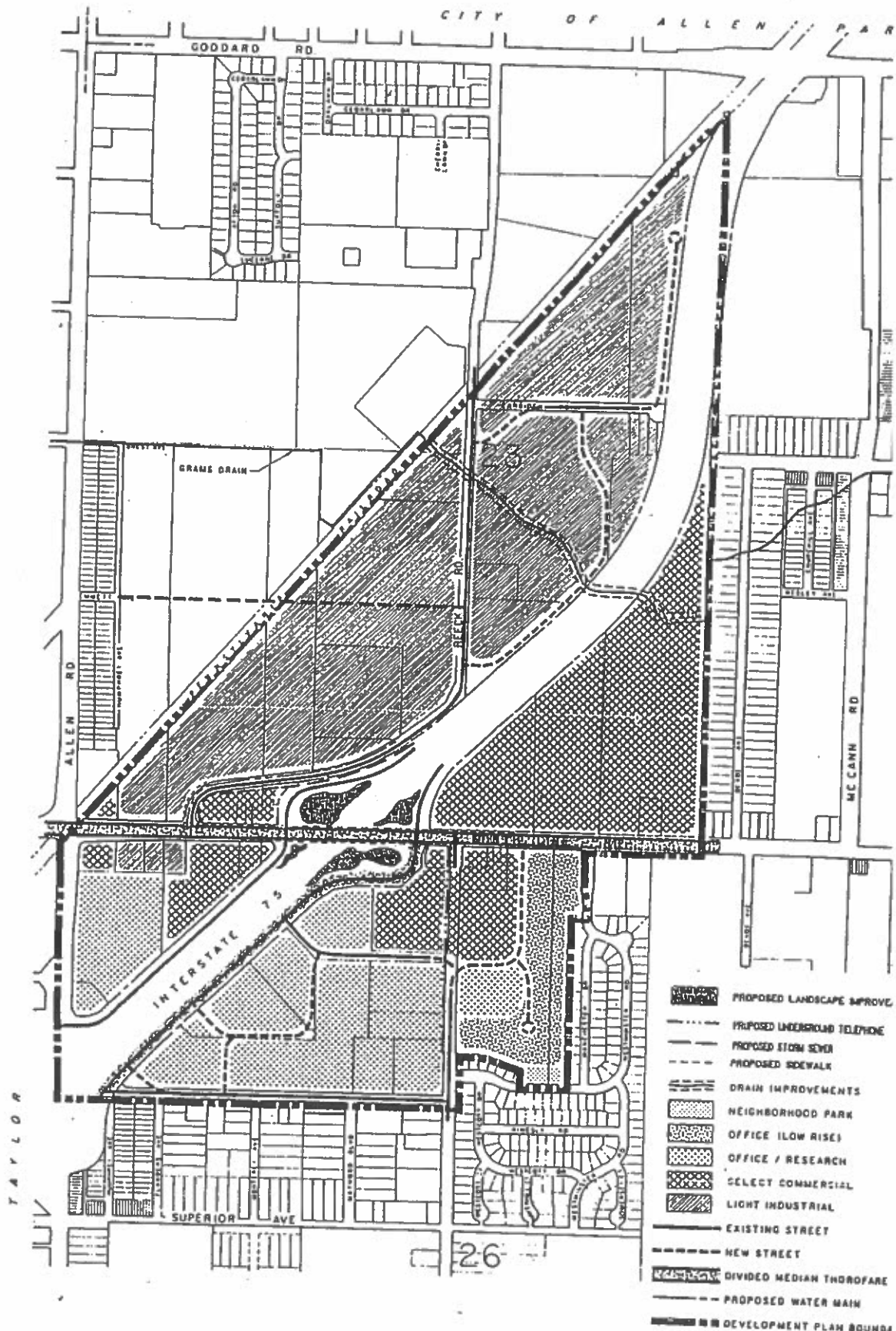
The TIF program set forth in Document No. 1 proposed a twenty (20) year program which would conclude in 2005. Document No. 2 adjusted the duration to 1997, with an extension of the TIF program by one (1) year through 1998, contained in Document No. 6. Document No. 7 adjusted the term of the plan to 2005. Document No. 8 outlined another twenty (20) year program which will conclude in 2025.

Impact of Finance Program on Taxing Jurisdictions

The financing program set forth herein, as before, proposed that all of the taxes levied by all taxing units on the CAV of real property and personal property within the TIF District, be used by the Authority for the purposes of implementing the plan. The Authority had approved specific requests of the City (1992) and the School District (1993) to return captured taxes in order to assist their jurisdiction in meeting financial needs. As Table 3 identifies, the annual tax collections in both calendar years had been returned to all taxing jurisdictions.

**Table 3 (Prepared 3/2011)
Priority Project Payout By Annual Project Improvement**

Year	Project Priority	Total Estimated Cost	Actual Expenditures	Estimated Annual Tax Collection	Estimated Annual Value	Tif Fund Balance Carry over
1985	base year					
1986			113,441	70,484	70,484	(42,957)
1987				109,317	66,360	66,360
1988			758,584	332,969	1,083,599	325,015
1989			327,906	765,208	1,130,369	802,463
1990			450,195	1,018,638	1,904,143	1,453,948
1991			451,993	1,046,192	2,594,736	2,142,743
1992			261,318		2,224,551	1,963,233
1993			666,584		2,023,945	1,357,361
1994	X		967,197	651,796	2,065,119	1,097,922
1995	X,XIII,XVI	352,400	967,179	707,758	1,805,680	838,501
1996	XIV	500,000	128,940	777,363	1,615,864	1,486,924
1997	XVI		125,805	875,781	2,362,705	2,236,900
1998	XVI		312,598	999,277	3,236,177	2,923,579
1999	XIV		23,794	1,010,107	3,933,686	3,909,892
2000	XIV		500,000	861,340	4,771,232	4,271,232
2001	XXII	15,000,000	4,500,000	869,954	5,141,186	4,957,897
2002	XV	500,00	855,000	878,653	1,519,839	4,939,181
2003			5,820,598	881,417	(4,939,181)	0
2004			1,371,938	1,065,011	(306,927)	(306,927)
2005			770,403	1,104,150	333,747	26,820
2006			681,797	1,134,146	452,349	479,169
2007			736,358	1,061,612	325,254	804,423
2008			618,664	1,109,450	490,786	1,295,209
2009			657,561	1,057,011	399,450	1,694,659
2010			691,330	1,063,691	372,361	2,067,020
2011	XXVIII, XXVIII	291,360	1,026,509	989,232	(37,277)	2,029,743
2012	XXX	1,100,000	1,799,423	989,232	(810,191)	1,219,552
2013			697,998	1,010,303	312,305	1,531,857
2014			700,873	1,031,822	330,949	1,862,806
2015	XXIII	217,000	919,823	1,053,800	133,977	1,996,783
2016	XXIV	236,000	941,098	1,076,246	135,148	2,131,930
2017			707,298	1,099,170	391,872	2,523,802
2018	XVIII	744,000	1,457,698	1,122,582	(335,116)	2,188,687
2019			714,099	1,146,493	432,394	2,621,081
2020	XIX	847,000	1,560,698	1,170,913	(389,785)	2,231,296
2021	XX	2,224,000	2,940,836	1,195,854	(1,744,982)	486,314
2022	XXVI	55,000	773,942	1,221,326	447,384	933,698
2023			717,842	1,247,340	529,498	1,463,196
2024	XXVI	150,000	870,617	1,273,908	403,291	1,866,487
2025	XXI	1,724,600	2,453,417	1,301,042	(1,152,375)	714,112
2026			714,112	0	(714,112)	0



DEVELOPMENT PLAN
 TAX INCREMENT FINANCE AUTHORITY ··· DEVELOPMENT AREA
 CITY OF SOUTHGATE, MICHIGAN ··· VILICAN · LEMAN & ASSOCIATES · PLANNING CONSULTANTS

ADOPTED: DECEMBER 1983
 AMENDED: SEPTEMBER 1988
 AMENDED: MARCH 1991
 AMENDED: JUNE 1993
 AMENDED: JAN 1994
 AMENDED: JUNE 1996

