

Grand Rapids Downtown Development Authority

Development Support Policy

Approved: January 11, 2006

Purpose: To promote economic growth and development by dedicating a portion of the increase in the tax base resulting from private investment to the development of needed facilities and or improvements within the development area, thereby facilitating economic growth and development.

To establish a policy outlining the conditions by which the DDA may consider entering into a development agreement to jointly fund eligible public facilities constructed in conjunction with major new projects.

To reiterate the authority of the DDA, and to establish fair and reasonable guidelines for the exercise of such authority.

General: The DDA wishes to encourage and facilitate strategic new private investment in downtown. In accordance with the DDA Act (Public 197 of 1975, as amended) and the *Grand Rapids Tax Increment Financing and Development Plan for Downtown Development Area No. 1*, the DDA board has the authority to support the development or redevelopment of properties in the district by entering into development agreements with private parties, and reimbursing said private parties for eligible expenses related to the construction of necessary public facilities, as defined below, in conjunction with new private development projects.

Public Facility Defined

"Public facility" means a street, plaza, pedestrian mall, and any improvements to a street, plaza, or pedestrian mall including street furniture and beautification, park, parking facility, recreational facility, right-of-way, structure, waterway, bridge, lake, pond, canal, utility line or pipe, building, and access routes to any of the foregoing, designed and dedicated to use by the public generally. "Public facility" also includes improvements to a building, structure, or improved area utilized for an educational, employment or housing, transportation or recreation purpose or for the purchase, rental or acquisition of goods and services which improvements are made to comply with the legal requirements of the State Construction Code for architectural designs which eliminate the type of barriers and hindrances that deter persons with disabilities from having access to and free mobility in and around a building or structure.

Funding: The DDA collects its revenue to pay for public facilities through its Tax Increment Financing and Development (TIF) Plan. Tax increments are captured tax dollars, based on the difference between the initial taxable value of a property prior to the development or redevelopment and the increase taxable value resulting from new investment. When a property is improved, the DDA is able to capture the increased taxable value of that property. Local millage is then applied, which yields the “project tax increment.” As of 2005, local millage adds up to approximately 16.2 mills. Thus, for every \$1,000 in captured taxable value, the DDA collects \$16.20. Obviously then, a property must be improved, must be taxable, and included in the DDA’s Downtown Development Area No. 1 in order to yield the DDA a tax increment. The DDA shall determine on a case-by-case basis how much TIF revenue a proposed project is estimated to yield.

Guidelines: In order for an economic redevelopment project to be eligible to receive DDA assistance, it must satisfy all of the following criteria:

1. The project site must be located within the DDA’s Downtown Development Area No. 1.
2. The proposed redevelopment must conform to all building code and zoning ordinance requirements.
3. The proposed redevelopment must result in the retention and/or creation of permanent jobs, or the addition of residential units to the downtown. Subject to the other limitations of this policy, the amount of DDA reimbursement shall not exceed \$10,000 for each such job or residential unit.
4. The proposed redevelopment must involve significant private investment so as to assure adequate yield tax increment financing revenues. More specifically, construction-related private investment must exceed \$5,000,000.
5. The maximum expenses eligible for reimbursement the DDA will make for any project shall not exceed the estimated ten (10) year TIF capture generated by that project, or the life of the TIF plan, whichever is less. The reimbursement shall not exceed the actual cost of the public facilities to be installed as part of the project and the reimbursement period shall not exceed 10 years.
6. DDA assistance shall be administered and paid to the developer on a reimbursement basis, as fully described in the development agreement between the DDA and developer. The agreement shall be written in accordance with the terms of this policy and will serve as a legally binding contract, which will enjoy the full effect of law. The agreement will include a schedule of estimated annual grant reimbursement payments.

7. In no case shall reimbursement installments exceed 75% of the annual local TIF capture generated by the approved project.
8. In the event of a transfer or sale of the property, the development agreement may be assigned to the new owner of the property with prior written consent by the DDA, provided, however, the sale of individual residential condominium units constituting a part of the project shall not require assignment of the agreement or approval of the DDA. The proposed new buyer of the redevelopment may be required to submit information to the DDA regarding proposed job and/or residential additions and any other information required by the DDA to make a determination regarding the assignment of the agreement.
9. Developer shall provide a pro forma analysis of the project to the DDA's legal counsel. Said analysis shall be used, in part, to verify the need for reimbursement and reasonableness of the request.
10. If approved by the DDA Board, eligible costs for off-site public facilities may also be eligible for payment of accrued interest on unpaid reimbursable costs at an agreed upon rate of interest. Off-site public facilities shall be public facilities located outside of the project building typically in the public rights of way or public easements, or on public property and typically considered a part of public infrastructure. Interest will accrue from the later date of the developer having paid for the eligible cost item or the Authority having begun to capture project tax increment revenues. Reimbursement shall not begin until the Authority has begun to capture project tax increment revenues.
11. If approved by the DDA Board, eligible expenses for on-site public facilities are eligible for reimbursement without interest. Reimbursement shall not begin until reimbursement for public facilities listed in paragraph 10 plus accrued interest is complete, and shall not begin until the Authority has begun to capture project tax increment revenues.
12. The obligation of the DDA to reimburse the developer for eligible costs shall be subordinate to existing and future debt obligations of the DDA. To the extent that other debt obligations reduce the ability of the DDA to reimburse the developer, the term of reimbursement may be extended an appropriate period of time to assure reimbursement.

Policy Changes: These guidelines may be modified or waived by the DDA Board at any time, and without notice. The Executive Director shall periodically perform a review of the guidelines and prepare a report recommending any changes to the policy necessary to improve the effectiveness of the policy. The Executive

Director may recommend elimination of the policy if financial conditions warrant, if the goals of the policy are deemed to be accomplished, or based on other factors.

Example: Example of a Redevelopment Project with DDA Approved Reimbursement for Public Facilities

Redevelopment Project Site: 110 Main Street, NW
Initial Taxable Value of Site prior to Redevelopment: \$850,000 (2006)

Redevelopment activities, proposed by developer, will include construction of a new 10-story building containing 50 new residential condominiums and 20,000 square feet of commercial space. Plans are reviewed by the City's Planning Department and preliminary approval granted. Plans call for the installation of public facilities costing \$950,000. Developer makes an application to the DDA for reimbursement.

New Investment:	\$15,000,000
Estimated New Permanent Jobs:	30
Estimated New Residential Units:	50
New Taxable Value of Site following Redevelopment:	\$6,850,000 (2008)
Captured Taxable Value:	\$6,000,000
Estimated Annual Tax Increment Revenue:	
(6,000,000 x .01620) =	\$94,985
Estimated Maximum Annual Reimbursement (75%) =	\$71,239
Maximum Reimbursement (10 yrs) =	\$712,390
Maximum Reimbursement (Jobs/housing Threshold)	\$800,000
Ratio: DDA Reimbursement (\$712,390) to Private Investment (\$14,287,610) =	1:20

Contact for more information:

Jay Fowler, Executive Director
Downtown Development Authority
300 Monroe Avenue NW, Suite 920
Grand Rapids, MI 49503

Ph: 616-456-3034
Fax: 616-456-4568
e-mail: jfowler@ci.grand-rapids.mi.us