

PROVISIONS OF THE TAX INCREMENT FINANCING ACT (ACT 450)

Act 450, commonly referred to as the Tax Increment Finance Authority (TIFA) Act, provides communities with a unique tool to foster economic growth. The Act is intended to allow local officials the means of addressing needs to attract and enhance local economic development. The Act allows the TIFA to prepare the "Development Plan" and "Tax Increment Finance Plan" pursuant to Section 16 and 13 of the Act, respectively. The Plans describe proposed improvements, attendant costs, the timing of the construction of such projects, and proposed method of financing. Financing may be realized by preparation of a Tax Increment Finance Plan in compliance with Section 13 of the Act. The City of Dearborn Heights has determined it is desirable to investigate the feasibility of utilizing a TIF to pay for needed public improvements. The study has been prepared to determine whether sufficient monies could be made available through the TIF process, and whether a TIFA should be established.

The Act provides a wide spectrum of powers to the Authority in realizing appropriate public improvements. Perhaps the most significant portion of the Act is embraced in the financing powers granted to the Authority. Essentially, tax increment financing allows the City to "freeze" the State Equalized Valuation (SEV) of a defined area. Growth resulting in revenues received from increased SEV in subsequent years may be used solely to finance defined public improvements in the Development Area. The City may capture all taxes paid on the increases SEV including county, city, and other special taxing authorities. The Authority, City and other taxing jurisdictions may enter into an agreement to share a portion of the captured assessed value.

It is important to recognize that tax increment financing is not a new tax. It allows the diversion of existing tax dollars to be used in designed areas for defined improvements (as specified in revenues and monies revert back to various taxing units. the Development Plan). Once the Plan purposes have been realized, the Authority ceases collecting.

LOCATION OF THE PROPOSED TIFA DISTRICT AND DEVELOPMENT AREA

The City of Dearborn Heights' proposed TIFA District is located in the extreme southwest portion of the City. Referred to as the Westwood Development Area, (WDA), the District is formed by Annapolis, Michigan, and Dartmouth Avenues on the north, by Gulley and Telegraph Roads on the east, by Van Born Road on the south, and by Inkster and Beech Daly Roads on the west. Included within this area are portions of the Westwood Community School District and the Taylor School District. Of the 1,075 acres of land comprising the District, only 160 (14.8 percent) are located within the Taylor School District. Generally, the Development Area is made up of single family home sites with industrial areas located at the extreme northern end of the District (near Michigan Avenue), and the extreme southwest area (near Van Born Road). Beech Daly Road, the major north-south commercial arterial in this area of the City is one of the main commercial thoroughfares in the District, along with Van Born Road serving the commercial needs of nearby residents and businesses. The WDA has been targeted as the TIF District for several reasons. This area has trailed other areas of the City with regard to appreciation of the property values. In fact, the actual SEV of a significant number of properties has declined in the late 1980's. Thus, this area qualifies for TIF under the guidelines established by the state Attorney General Opinion No. 6335 issued in January 1986. In addition, a decline in the average sale prices of homes in all of the southern areas of Dearborn Heights including the targeted area, as occurred. It is estimated that the decrease has been in excess of ten (10) percent.

Coupled with this decline in SEV and market values is also the need to repair and replace certain elements of the utility and road system within the area. These infrastructure improvements are costly, and at the same time are needed to deliver the necessary services to existing and future users. The upgrading of these facilities which will spur an increase in overall value of the area.