

1929 Hopedale Dr.  
Troy, MI 48085-3346

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State Tax Commission  
P.O. Box 30471  
Lansing, MI 48909-7971

Dear Commissioners,

I believe that the Troy Downtown Development Authority (TDDA) has captured more Tax Increment Finance revenues (property taxes) than they legally are entitled to. The TDDA has been collecting TIF revenues from the entire TDDA district since its creation. In their first two development plans, they specified development areas that were only portions of the district. However, they collected TIF revenues from the entire district, not just from the development areas as is stated in the controlling state statute. I brought this to the attention of the Troy City Council and the TDDA in October-November of 1999. The result was that Development Plan #3, which amended development plans #1 & #2, changed the description of the development area, as described in Development plans #1 as amended by Development Plan #2, to be **coterminous** with the TDDA **district boundary**.

On the Department of Treasury Web site, the following is FAQ provided:

What is the difference between an authority district and a plan?

Answer:

First – The local unit establishes an authority (DDA, LDFA, TIFA) with a specific geographic district, and appoints an authority board.

Then – The board writes a development plan (and usually a tax increment financing plan to fund it) for a specific geographic area within the district area. There can be more than one plan area in an authority district, but plans may not overlap. (Overlap information does not apply to Brownfields and certified technology parks.) The development plan and TIF plan must be adopted by the local unit before the plans are valid. DDA mills are levied within the district boundaries. DDAs and TIFAs capture property taxes within the plan boundaries. LDFAs capture within each eligible property, or within a certified business park (formerly called a "certified industrial park"), or certified technology park.

From this FAQ and what is written in the controlling state statute, a development area is a subset of the district. Captured property taxes are to come from only the development area, not the entire district.

Another FAQ on the Department of Treasury Web site states:

Can a DDA or TIFA plan spend revenue outside of its development area?

Answer: According to state law, the plan may spend revenue only for projects described in the development plan and/or tax increment financing plan, and the projects must be allowable under the law. The revenue must be spent for the benefit of the development area. Revenue of one plan may not be used to pay an obligation or expense of another plan. The State Tax Commission's policy is that revenue must also be spent on improvements or properties located in the plan's development area. The State Tax Commission will enforce this policy on a prospective basis as of April 14, 1998, but not retroactively. After April 14, 1998, a plan may not start any new projects outside of that plan's development area. The State Tax Commission may waive this requirement for certain infrastructure improvements made in the development plan that must extend outside the development area's boundaries. Note: LDFA's are not included here because section 12(2) of the Local Development Financing Act (P.A. 281) has specific provisions regarding restrictions on the use of tax increment revenue.

Only the first TDDA Development Plan was approved prior to April 14, 1998. All other plans have been approved after the April 14, 1998 date.

The TDDA has stated that it was their intent that the entire district be defined as the development area to capture property taxes. If a Downtown Development Authority is allowed to designate the entire district as the development area to capture property taxes, even though the projects only involve some parcels within the district, then my concerns are mute. Can you provide me with the answer to the question "What can constitute a development area for a DDA Development Plan when the project only involves a portion of the DDA District?" Can you also verify that a DDA is legally allowed to specify the entire district as its development area when it is created?

Respectfully,

Victor Lenivov