



WHY MICHIGAN NEEDS DDAs AND TIF

After 40 years of hard work, and tens of million dollars of investment, downtowns are making a comeback across the state. This would have never happened if it were not for the diligent downtown management and ongoing programs of Downtown Development Authorities (DDAs).

While downtowns are on the rise in popularity, our work is never done in ensuring the long-term prosperity of our historic downtowns and shopping districts as market conditions evolve.

Since 1975, the State of Michigan has enabled DDAs to utilize Tax Increment Financing (TIF) in downtowns large and small to invest in infrastructure improvements, redevelopment of blighted areas, job creation, and for events and promotions that make downtowns relevant, exciting and key reason why people choose to live in a community.

WHAT IS TIF?

TIF is the annual capture of the year-to-year growth in property values in a defined district. The power of TIF is that it allows municipalities to direct funds to engage in specific, critical economic development activities without raising local property taxes.

DDAs that use TIF are self-sustaining, because as a DDA invests in the district, property values increase above the "baseline". As property values increase, the DDA captures more funding and is able to do more projects.



The
"Original"
Placemakers



DDAs stimulate
**\$15 of PRIVATE SECTOR
REINVESTMENT**
for every \$1 DDAs
invest in downtowns.

WHAT IS A DDA?

Downtown Development Authorities (DDAs) are downtown management organizations that rely on TIF dollars for their operation. Most DDAs in Michigan started in the late 1970's and 1980's following PA 197. DDA's were created to solve a "market failure", which was the decline of downtowns across the state that began after World War II due to residents patronizing malls and shopping centers instead of their downtowns. Stores closed, buildings became chronically vacant, and many became dilapidated. By the early 1970's in some cases, entire downtowns were vacant or abandoned.

DDAs were designed to counter this trend, by investing dollars and management expertise in these districts. City planners and downtown managers began rebuilding public areas, and investing in projects designed to bring people back to downtowns.

WHAT DDAs DO

DDAs comprehensively manage downtowns to maximize the local economy. In cities large and small, DDAs help fund significant projects and on-going economic programming to improve the quality of life to retain residents, attract talent and private reinvestment, including:

- Infrastructure improvements to streets, sidewalks, lighting, sewer and water.
- Design of public gathering and parks.
- Revitalization of vacant and underutilized properties.
- Rehabilitation of historic buildings, assets and facades.
- Mixed-use and middle-housing infill developments.
- Business recruitment and retention programs.
- Safety, security and maintenance programs.
- Marketing, special events and promotions.

THE ISSUE AT HAND

For the past several years, some State legislators, supported by the Michigan Association of Counties, have expressed a desire to restrict or even discontinue the use of TIF and DDAs as an economic revitalization tool in Michigan. They have publicly questioned the need for TIF tax capture to support downtown projects. The Michigan Downtown Association believes that course of action would be devastating for downtowns and send communities into a downward spiral. Cities depend on DDAs to provide the focused attention that downtowns need.

The most successful downtowns are ones with DDAs and TIF. Why try to fix what isn't broken?

NO ON SUNSETTING, RESETTING BASELINE AND OPT-OUT PROVISIONS

Some of the changes suggested are drastic, including "sunseting" TIF, "resetting the baseline" or further opt-out provisions, effectively emptying the budgets of successful, established downtown organizations and stopping revitalization in its tracks.

We do not support "sunseting", "resetting the baseline" or further "opt-out" provisions. The programs and services that the downtown businesses, the City and residents have come to rely on would disappear. DDAs could become a thing of the past if the funding is taken away and with it, all of the things that make downtowns special and an economic driver. It will leave things unfinished and no one there to maintain what has been accomplished. Michigan downtowns will suffer, and property values will decline.

While some taxing entities, such as some counties, libraries and community colleges, are advocating to take the dollars back, these are dollars the entities would have never had in the first place if it were not for the DDAs' efforts. This action would also be very short-sighted, especially considering that many libraries and community colleges are within downtown areas and they are directly impacted by the DDAs' investments.

DDAs provide localized economic development services that counties do not, therefore, businesses and cities rely upon DDAs to fill the gap. Many libraries depend on the foot traffic and aesthetic environment that downtowns deliver. College students desire a unique place to congregate with friends, connect with real world experiences and have direct access to jobs during school and post-graduate.

FILLING THE FUNDING GAP

If TIF funding was discontinued, the downtown organizations would have to employ alternative funding models in order to continue operations and maintain the same level of programming that the community has come to expect. Including things such as operating millages, membership dues, parking revenues, special assessments and private sector donations. This would be in direct competition with other non-profit organizations such as churches, shelters, food banks, health organizations, universities and even Chambers of Commerce, effectively taking money out of the limited pool of private philanthropic dollars.

While other funding options, such as a Principal Shopping District (PSD) and/or a Business Improvement District (BID), may fill a portion of the gap, these are difficult to garner local support since they are NEW TAXES on commercial properties. In a majority of local communities, new taxes can decimate the community's economic viability or will never be supported because of the stigma that surrounds new taxes. In addition, PSDs and BIDs are limited on the types of infrastructure projects and land

development opportunities that are available to DDAs.

The proposed TIF reform does not address how these gaps in funding will be filled.

WE SUPPORT

PA197 has safeguards in place to make sure DDAs are delivering on their promise, and handling the taxpayer dollars appropriately. While some legislators have questioned accountability procedures for DDA's, guidelines are already in place under the current system. We support fully implementing these safeguards. We are eager to work with the State to make sure those safeguards are fully implemented, including reporting requirements for all DDAs.

We seek continued dialogue with our State leaders, to come up with sensible and pragmatic reforms that help to keep our treasured downtowns clean, safe, active and desirable for everyone!

Millenials CHOOSE a location, a DOWNTOWN, when deciding where to take root.



development opportunities that are available to DDAs.



75,000 BUSINESSES
180 members



350+ downtowns