



COUNTY ADMINISTRATOR  
220 NORTH MAIN STREET, P.O. BOX 8645  
ANN ARBOR, MICHIGAN 48107-8645  
(734)222-6850  
FAX (734)222-6715

TO: Suzanne Shaw, Chair  
Washtenaw County Board of Commissioners

THROUGH: Robert E. Guenzel  
County Administrator

FROM: Curtis N. Hedger  
Corporation Counsel

DATE: July 17, 2002

SUBJECT: Board of Commissioner Approval of the Creation of the Ann  
Arbor/Ypsilanti Local Development Finance Authority

**BOARD ACTION REQUESTED:**

County Administration is requesting that the Board of Commissioners approve the creation of the Ann Arbor/Ypsilanti Smart Zone Local Development Finance Authority as required by MCLA 125.2154(7)(c).

**BACKGROUND:**

In early 2001, the Michigan Economic Development Corporation ("MEDC") designated the Ann Arbor/Ypsilanti SmartZone. Ten SmartZones have been established by the State. The purpose of the SmartZone is to support small, start-up technology companies, primarily in the information technology field within the Zone. Under Michigan law, the Smart Zone is funded through a local development finance authority ("LDFA"). In the case of multi-community zones, the MEDC has ruled that only one LDFA may be established. The boundary of the proposed LDFA is roughly equivalent to the existing Ann Arbor and Ypsilanti Downtown Development Authorities ("DDA"). The Local Development Financing Act, MCLA 125.2152 provides, in part, that when two communities seek to create an LDFA, the County where the majority of the proposed Authority is located must approve the proposed LDFA. MCLA 125.2154(7)(c).

**DISCUSSION:**

The Ann Arbor/Ypsilanti SmartZone is one of only ten SmartZones designated by the MEDC throughout the State. The SmartZone will be funded by creating an LDFA with a boundary roughly equivalent to the existing Ann Arbor and Ypsilanti DDA boundaries. Under Michigan law, LDFA's only capture tax revenue generated by the increase in property taxes within the boundary of the Authority. The captured increase in tax revenue may only be invested within the LDFA boundary. LDFA's specifically established to support a SmartZone have the additional ability to capture public school taxes, something DDA's and other LDFA's have not been permitted to do since

Proposal A was passed. This capture, however, will have no negative impact on overall school funding. Generally, all school property taxes go from the local community to Lansing and are redistributed statewide on a per student basis. The State School Aid fund will hold the public schools harmless for any lost revenue they might experience from the creation of the SmartZone LDFA. Moreover, the Ann Arbor/Ypsilanti Smart Zone LDFA will not attempt to capture any debt service or existing enhancement millages levied by the Ann Arbor Schools. Approving the SmartZone LDFA will have no negative financial impact on the County. The only taxes captured are the increased public school property taxes, which the County does not have a right to receive under Michigan law. Under the Local Development Financing Act, MCLA 125.2151 et seq, the County where the majority of the proposed joint municipality authority is located must approve the proposed LDFA before it may be created. It is important to establish the LDFA before the May assessment dates in order to capture the increment from major building projects within the SmartZone LDFA.

**Impact on Human Resources:**

The requested Board action has no impact on Washtenaw County positions, personnel, policies or procedures.

**Impact on Budget:**

The requested Board action has no impact on the County budget.

**Impact on Indirect Costs:**

There are no indirect costs associated with the requested action.

**Impact on Other County Departments or Outside Agencies:**

The requested Board action has no impact on County Departments or outside agencies.

**Conformity to County Policies:**

The requested Board action conforms to County policy.

A RESOLUTION APPROVING THE CREATION OF THE ANN ARBOR/YPSILANTI  
SMART ZONE LOCAL DEVELOPMENT FINANCE AUTHORITY

WASHTENAW COUNTY BOARD OF COMMISSIONERS

July 17, 2002

WHEREAS, in early 2001, the Michigan Economic Development Corporation designated the Ann Arbor/Ypsilanti SmartZone as one of only ten smartzones in the State; and

WHEREAS, the purpose of the SmartZone is to support small start-up technology companies primarily in the information technology field within the SmartZone; and

WHEREAS, the SmartZone will be funded through a local development finance authority ("LDFA") the boundary of which is roughly equivalent to the existing Ann Arbor and Ypsilanti Downtown Development Authorities; and

WHEREAS, Michigan law provides that when two governmental entities combine to create an LDFA, the county where those entities are located must approve the creation of that LDFA; and

WHEREAS, the creation of the SmartZone and the LDFA which will fund the SmartZone will have no negative financial impact upon the County as the only taxes to be captured are increased public school property taxes which the County does not have the right to receive under Michigan law.

NOW THEREFORE, BE IT RESOLVED that the Washtenaw County Board of Commissioners approves the creation of the Ann Arbor/Ypsilanti SmartZone as well as the creation of the Ann Arbor/Ypsilanti Local Development Finance Authority, which will fund the SmartZone.