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Home > ASK ELi: How Are TIF Proposals Managed in East Lansing

ASK ELi: How Are TIF Proposals Managed in East Lansing ^[1]

Friday, October 16, 2015, 12:19 am

By:

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Photo: Recent groundbreaking ceremony for the project now called "300 Grand," formerly known as "The Gateway." In the photo, members of the DDA/BRA, which approved a \$1.9 million TIF for this project, include DTN's Colin Cronin (third from left) and Mayor Nathan Triplett (second from right).

Editor's note: This is part of an ongoing series addressing ELi readers' questions about tax increment financing (TIF). To read about what TIF is and how much East Lansing is committed to, go here ^[2]. To read about how much TIF some nearby municipalities are using, go here ^[3].

Background:

In 1975, the State of Michigan passed an Act ("Act 197") calling for the formation of Downtown Development Authorities (DDAs) in urban areas throughout the State. DDAs are specifically

charged with ?attacking the problems of urban decline? in ?downtown districts of communities? that have suffered from a ?loss of population, jobs, businesses, and?quality of life.?

The State gave DDAs a wide breadth of power to ?correct and prevent deterioration of business districts; promote economic growth and revitalization; encourage historic preservation; authorize the acquisition and disposal of interests in real and personal property; and authorize the creation and implementation of development plans in the district.?

About twenty years later, in 1996, Michigan passed PA 381 that gave any city, village, township or county the ability to establish Brownfield Redevelopment Authorities (BRAs) to develop and implement Brownfield Projects. A Brownfield project is one that deals with development or redevelopment of a site that is contaminated, functionally obsolete, and/or blighted. Broadly speaking, a brownfield site is contrasted with a ?greenfield? site, where no development has occurred previously.

Under these state laws, the City of East Lansing created a Downtown Development Authority (DDA) and Brownfield Development Authority (BRA). These authorities can consider and develop proposals for TIF incentives in the downtown East Lansing area (see map ^[4]).

What goes into a TIF plan:

The law requires that TIF reimbursement include only ?reasonable costs? (often referred to as ?eligible expenses?). These include things like dealing with polluted soil or buildings that contain asbestos, demolition, site preparation, infrastructure improvements (such as water and sewer improvements or more visible activities like creating a public plaza), and interest on loans associated with the project. Recently, the state legislature added construction of underground parking as an allowable eligible expense. TIF plans specify which expenses will be covered.

TIF plans specify the maximum dollar amount that will be reimbursed from newly-generated taxes to a developer for eligible expenses. They also specify the number of years over which reimbursement will occur, and specify what percentage of the newly-generated taxes from a project will go back to the developer versus the taxing agencies in each year of the TIF plan.

The steps of an East Lansing TIF proposal?s approval, and who is involved:

The East Lansing?s Downtown Development Authority (DDA) is composed of eleven members, including nine members appointed by the City Council plus the mayor and the city manager. The DDA is charged with developing ?programs and projects?aimed at improving downtown East Lansing including new business development, business recruitment and retention, downtown beautification, public improvements, marketing and promotion,? according to Lori Mullins, Community and Economic Development Administrator for the City of East Lansing.

In East Lansing, the BRA is composed of the same 11 members as the DDA. This complete overlap of DDA and BRA membership is the choice of the City, not required by law.

Currently East Lansing?s DDA and BRA include Bill Mansfield, David Krause, Eric Roskrans,

Lynsey Clayton, Peter Dewan, James Croom, Brad Ballein, Douglas Jester, Colin Cronin, Mayor Nathan Triplett, and City Manager George Lahanas, who serves as the Board's Executive Secretary. City Planning staff member Lori Mullins explains that "sometimes there are Brownfield Plans in the DDA district and then both Boards take action, but often they address different matters."

Regular readers of ELi will notice two developers on that list: David Krause of The Residences (HopCat building) and the just-approved 565 East Grand River Avenue; and Colin Cronin of DTN, developer of the Gateway Project and the City's "preferred developer" for the Park District.

When these men's projects are up for review by the DDA or BRA, they "recuse" themselves by participating in the discussion as applicants rather than as reviewers.

When I asked City Planning staff member Lori Mullins if it is a conflict of interest to have developers on the two Authorities, she replied, "No, it is not a conflict to have developers and management agents for developers represented on the DDA and BRA boards. The DDA Public Act requires that more than half of the members on the Board have an interest in downtown properties. Property owners are often, but not always also developers. These individuals who have development experience are valuable members of the Boards and contribute to implementation of a vision for growth of the downtown."

Mullins added, "When an individual Board member does have a conflict of interest with a particular project that is being considered, the Board members have been diligent about disclosing those conflicts and the Board recuses the individual member from the discussion, deliberation and voting on the particular topic. I would also point out that there are only two developers on the board of 11 members, which is also made up of business owners, commercial brokers and city residents."

Once East Lansing's DDA and/or BRA decides that an applicant has a valid claim for a TIF reimbursement, it adopts a motion recommending a proposed TIF plan and sends it to City Council for consideration and approval. The City Council's resolution approving a TIF plan deems that the "plan constitutes a public purpose," but neither the DDA or BRA nor the Council is required to reach a specific conclusion about what that public purpose is. The Council's resolution also finds that "the costs of eligible activities are reasonable and necessary to carry out purposes of the Act."

Before approving a plan, the Council can change the terms of the financing plan, such as the amount of the TIF and which eligible expenses to include, whether the developer will receive 100% of additional taxes due each year or whether the City will receive some portion, and how many years the TIF will last (based on projections of likely taxes that will be due, compared to the amount to be reimbursed).

The Council then makes the final decision, by motion and vote, on whether or not to grant the TIF. The Council is not required to approve a TIF simply because the project is eligible for a TIF incentive. If the Council rejects a project *site plan*, the developer can sue the City if it believes that the Council has denied the plan despite its meeting conditions spelled out in City ordinances. Granting a *TIF* for a project, on the other hand, is a judgment call that is up to the Council to make.

East Lansing's City Council is made up of five elected members, and there is an election for Council on November 3. At the first meeting after the election, the five members of the new Council will decide by vote who among them will be the mayor. You can learn more about the election here [5].

Related Categories:

Features [6]

Ask ELi to Investigate [7]

City Council [8]

Development and Planning [9]

Downtown Development Authority [10]

Finance and Taxes [11]

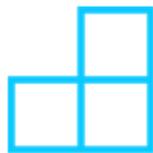
Government [12]

Local Businesses [13]

Public Works [14]

TIF [15]

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[2] <http://eastlansinginfo.org/content/ask-eli-how-much-tif-there>

[3] <http://eastlansinginfo.org/content/ask-eli-nearby-tif>

[4] <https://www.cityofeastlansing.com/DocumentCenter/View/1097>

[5] http://eastlansinginfo.org/upcoming_election_info

- [6] <https://eastlansinginfo.org/tags/features>
- [7] <https://eastlansinginfo.org/askeli>
- [8] <https://eastlansinginfo.org/citycouncil>
- [9] <https://eastlansinginfo.org/devplan>
- [10] <https://eastlansinginfo.org/dda>
- [11] <https://eastlansinginfo.org/finance>
- [12] <https://eastlansinginfo.org/government>
- [13] <https://eastlansinginfo.org/localbusiness>
- [14] <https://eastlansinginfo.org/publicworks>
- [15] <https://eastlansinginfo.org/tags/tif>