

OFFICE OF THE CITY MANAGER
City Hall
Holland, Michigan

City Manager Report

14E5.2* Rev

To: Mayor Dykstra and Members of the Holland City Council
Date: September 3, 2014
Subject: Management and Administration – SmartZone/Local Development Finance Authority (LDFA) Resolution of Intent

Summary

Council approval for the attached Resolution of Intent to create a Satellite SmartZone Local Development Finance Authority (LDFA) in collaboration with the City of Grand Rapids existing SmartZone, Michigan State University, Holland Charter Township and Lakeshore Advantage, and to set a Public Hearing for October 1, is requested.

Discussions and presentations to regarding this issue have taken place over the past few weeks and are on an accelerated pace to obtain approvals by October 8, as State law only allows three additional SmartZone satellites that can capture School Tax and there are four proposed areas currently considered. Two of those appear to be either finalized or very close which has created the urgency.

The basic concept in the creation of a SmartZone/LDFA is to “capture” the revenues from growth in taxable value over the current year base amount, to be utilized for priorities identified in a plan. The plan to be developed in the near future will include a strategy to increase technology-related jobs and an environment to attract technology professionals.

It is the intent of the plan to allow for future tax increment financing (TIF) capture in the event a new Brownfield or DDA TIF plan is proposed. An analysis would be completed to ensure the maximum benefit to the districts.

The Board would consist of twelve members. Seven (7) would be appointed from the City and Township, four (4) from the school districts (two from Holland and two from West Ottawa), and one (1) from Ottawa County.

Boundaries continue to be subject of discussion and a final version will be presented to City Council at the meeting. Holland Township has presented a district that includes about \$20 million of Taxable Value. The City of Holland has presented alternatives that include about \$5 million, about \$28 million and about \$79 million in Taxable Value. All of the DDA is included in the \$79 million alternate. Maps are attached.

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Two options for the amount of tax capture have been discussed. The first would protect certain taxing entities (such as the Library, MAX, DDA, etc). The second would capture 50% of all entities (excluded voted debt). This allows for an equal share of impact on the operating budgets of each taxing entity.

In the first scenario where certain entities would be protected, staff has estimated that the LDFA would retain about 33 mills with the City of Holland contributing about 13 mills of that 33. In the second scenario, the LDFA is expected to retain about 26.8 mills with the City contributing about 6.8. In either situation the LDFA would capture about 20 mills coming from sources other than the City of Holland operating budgets.

By including the entire DDA in the LDFA district and having all entities share equally at 50% of the capture, all have a stake in the success/failure of the SmartZone, and a much larger amount of mills could be leveraged from the State (12 mills on \$100 million Taxable Value vs. 12 mills on \$50 million (or on \$25 million). The LDFA has the ability to contract with the DDA or other entities for services that could allow for replacement of some losses in captured revenues from growth in the tax base.

In addition to incubators, accelerators and other economic development assistance to develop high tech jobs in our region, TIF capture can be used for infrastructure and improvements to the Lake Macatawa waterfront. With the larger potential tax capture much more could be done much more quickly.

A financial analysis regarding various options will be completed by Ottawa County and the results will be shared with Council on Wednesday night.

Recommendation

It is recommended that Council approve the attached Resolution of Intent to create a Satellite SmartZone Local Development Finance Authority (LDFA) and set a Public Hearing for October 1, as described.

Respectfully submitted,

Ryan Cotton
City Manager

Attachments: Resolution

Report prepared by: Tim Vagle, Finance Director