

**TAX INCREMENT FINANCING PLAN  
and  
DEVELOPMENT PLAN**

**CITY OF KALAMAZOO**

**LOCAL DEVELOPMENT FINANCE AUTHORITY AND DISTRICT**

**at**

**Western Michigan University Business, Technology and Research Park  
(A Certified Technology Park and SmartZone)**

**February 2002**

## **Introduction**

In April 2001, the state of Michigan designated the Business, Technology and Research (BTR) Park at Western Michigan University a “SmartZone.” This designation, one of only eleven in the state, resulted from a joint effort and application from WMU, the city of Kalamazoo, and Southwest Michigan First. The SmartZone program aims to stimulate growth of technology-based businesses and jobs by creating recognized clusters of technological businesses and research institutions throughout the state.

A key feature of SmartZone operation is the ability to utilize tax increment financing (TIF) through a Local Development Finance Authority (LDFA), under the provisions of PA 281 of 1986, as amended. On February 5, 2001, the Kalamazoo City Commission approved the creation of an LDFA, and designated boundaries of the LDFA district to include that portion of the WMU BTR Park located in the city of Kalamazoo. On June 4, 2001, the LDFA district was amended to include an adjacent 6.46-acre parcel of land in Oshtemo Township, which is subject to a Michigan Public Act 425 agreement between the township and the city that gives the city control of the land for economic development and taxation purposes for a period of at least 20 years (see Appendix A: LDFA District Map). A subsequent agreement between the Michigan Economic Development Corporation, the city, and WMU qualifies the LDFA district as a “certified technology park” for the purposes of maximizing TIF revenue capture under PA 248 of 2000, an amendment to PA 281 of 1986.

The first meeting of the LDFA Board of Directors was held on December 12, 2001. The board elected officers and adopted bylaws (see Appendix B: Bylaws) on January 16, 2002. On February 13, 2002, the LDFA board reviewed the LDFA Tax Increment Financing and Development Plans and requested that the City Commission set a public hearing for March 18, 2002 regarding the TIF and development plans. The board further requested that the City Commission adopt a resolution approving the TIF and development plans following the public hearing.

On March 18, 2002, the City Commission will consider approval of the TIF and development plans. A copy of the certified and approved resolution, with a record of votes cast, is attached as Appendix C.

### **I. Tax Increment Financing Plan**

The LDFA board has determined that the following TIF plan is necessary for the achievement of the purposes of PA 281 of 1986, as amended. This determination is consistent with a City Commission resolution adopted February 5, 2001 that stated, in part, that “it is in the best interests of the public to create a public body corporate [LDFA] which shall operate to help eliminate the causes of unemployment, underemployment and joblessness, and to promote economic growth in the city, pursuant to Act 281.”

More specifically, the WMU BTR Park, as both a SmartZone and a certified technology park, will help to diversify the local economic base with technology-led economic development by:

- Attracting and retaining technology related jobs in the city;
- Attracting and retaining technology related capital in the city;
- Creating tax base on otherwise tax-exempt public land over the long term; and
- Providing the only viable financing mechanism available to the city for implementing the LDFA development plan.

**A. Statement of reasons that the plan will result in the creation of captured assessed value that could not otherwise be expected.**

As a certified technology park, the city may capture within the LDFA district 50 percent of the operating levies of Kalamazoo Public Schools, KRESA, and the State Education Tax, in addition to the operating levies of all local taxing units. Investment in reimbursable public facilities and improvements is a proven mechanism for generating private capital in the form of business retention, attraction and expansion. Private investment, in turn, creates tax base and assessed value subject to capture by the LDFA to pay for past and future public facilities and improvements. Early results at the WMU BTR Park, following the establishment of an LDFA and certified technology park/SmartZone designation, are evidence that the TIF mechanism will stimulate the creation of tax base and assessable value.

**B. Estimate of the captured assessed value for each year of the plan.**

Beginning in 2002, the LDFA will capture all new and incremental growth from the initial assessed value determined on the basis of assessments as of December 31, 2000. This initial assessed value was zero dollars in that all land included in the LDFA district was tax-exempt property of a public university. Subject to Section H below, the duration of the TIF plan will be the maximum 15 years allowed a certified technology park, through taxes levied in 2015. The estimated taxable values for this period are shown in Chart 1 and have been developed with the assumptions that accompany that chart.

**C. Estimated tax increment revenues for each year of the plan.**

Chart 1 also estimates the tax increment revenues generated from estimated taxable value for each year of the proposed plan. Key assumptions behind these estimates involve:

- The rate of BTR Park build out;
- The pattern of types of development within the park and corresponding costs of construction;
- The ratio of estimated taxable real and personal property;
- Depreciation and inflationary projections; and
- Eligibility/approval of all taxable projects for PA 198 tax exemption certification.

#### **D. Detailed explanation of tax increment procedure.**

The basic concept of tax increment financing allows a local government, through an authority such as the LDFA, to finance public improvements in a designated development district by capturing the property taxes levied on any increase in property values within that district. Under a TIF plan, a base year is established for the development district, resulting in an “initial assessed value” for the district.

In subsequent years, any increase in assessment above the base year level is referred to as the “captured assessed value.” Property taxes levied on the state equalized value of all real and personal property within the designated area by all taxing units (less any debt service or other millages specified as exempt in the enabling statutes) is diverted, or “captured” for use in carrying out the adopted development plan for the district.

For the purposes of this TIF plan, the initial assessed value of all property in the LDFA district shall be established as of December 31, 2000. The total assessed value, as of that date, was zero dollars, as all of the property within the district was tax-exempt. Increases in assessed values of properties within a development district that result in the generation of tax increment revenue, can be attributable to any of the following sources:

- New construction occurring after the date established as the tax base year;
- Improvements to existing properties occurring after the date established as the tax base year; and
- Increases in property values that occur for any other reason.

The procedure for authorizing or amending a TIF plan and the development plan, if part of the TIF plan, includes holding and noticing a public hearing, disclosure to taxing jurisdictions impacted by the plan, and an approval process as outlined in sections 16 and 17 of PA 281, as amended.

Public Hearing: The City Commission shall hold a public hearing on the TIF plan and the development plan and shall provide a reasonable opportunity to the taxing jurisdictions levying taxes subject to capture to express their views and recommendations regarding the TIF plan. The LDFA shall fully inform the taxing jurisdictions about the fiscal and economic implications of the proposed TIF plan. The taxing jurisdictions may present their recommendations at the public hearing on the TIF plan. Notice of the time and place of the City Commission’s public hearing shall be published twice in a newspaper of general circulation in the city, the first of which shall not be less than 20 days before the date set for the hearing. The notice shall contain all the information required in section 16 (2). At the public hearing, the City Commission shall provide an opportunity for interested persons to be heard and shall receive and consider communications in writing with reference to the TIF plan and development plan. The City Commission shall make and preserve a record of the public hearing, including data presented at that time.

After the public hearing the City Commission shall determine whether the TIF plan and development plan each constitutes a public purpose and shall, by resolution, approve, reject or modify each plan. Unless contested in a court of competent jurisdiction within 60 days of adoption of resolution, the procedure, notice and findings shall be conclusive. The city, county, and school district treasurers are required by law to transmit taxes collected from all taxing units on captured assessed value of all real and personal property located in the development district (with exceptions as previously defined) to the LDFA. The taxes transmitted to the LDFA, known as tax increment revenue, must be deposited by the LDFA in the project fund established under the TIF plan.

Public Act 281 of 1986, as amended, authorizes an LDFA to use tax increment revenues to pay the cost of public facilities and improvements, as defined in Section 2, on a cash pay-as-you-go basis or to make payments on bonds issued by the city or LDFA to finance the facilities or improvements. The LDFA shall expend tax increment revenue only in accordance with the TIF plan. Surplus revenue shall revert proportionately to the respective taxing units unless retained to further the implementation of the development plan pursuant to a resolution of the LDFA.

The TIF plan may be amended upon approval of the City Commission following the same notice and public hearing process as required for approval or rejection of an original plan except if amendment is for revisions in estimates for captured assessed value and tax increment revenue. When the City Commission determines that the purpose for which the TIF plan was established has been achieved, it may abolish the plan. Public Act 281, as amended, limits the life of an LDFA established and operating as a certified technology park to a maximum of 15 years.

**E. Maximum amount of note or bonded indebtedness to be incurred, if any.**

The issuance of a promissory note or sale of bonds is not anticipated for the implementation of the development plan. The LDFA expects to finance eligible projects on a pay-as-you-go basis. However, the LDFA and city of Kalamazoo reserve the option of issuing a note or incurring bonded indebtedness in an amount up to \$5 million. This limitation shall include the principal amount of any note of bonded indebtedness only and shall not include any reimbursement agreement to repay any advances made by the city of Kalamazoo, Western Michigan University, or any owner or lessee of eligible property in the LDFA district for costs incurred for a public facility or improvement. The exact type of note or bond to be issued will be determined by the LDFA and City Commission as the occasion arises.

**F. Amount of operating and planning expenditures; amount of advances extended by the city of Kalamazoo and others to be paid by TIF revenue.**

Chart 1 provides a breakdown of all estimated expenditures of the LDFA for each year of the anticipated duration of the TIF plan. Advances extended by the city of Kalamazoo are estimated as follows:

Drake Road improvements (local matching funds)	\$530,000
Drake Road sanitary sewer	250,000
Parkview Avenue improvements (local matching funds)	1,012,569
Water main for park interior	33,500
Infrastructure maintenance and repair	≤ 399,220
Water and sanitary sewer connections to lots	≤ 183,000
Administrative support	≤ 1,560,447
<b>SUBTOTAL</b>	<b>≤ \$ 3,968,736</b>

Advances extended by other parties are estimated as follows:

BTR Park marketing	≤ 100,000
Innovation Center equipment and operating expenses	≤ 1,748,980
<b>SUBTOTAL</b>	<b>≤ \$ 1,848,980</b>
<b>TOTAL ADVANCES</b>	<b>≤ \$ 5,817,716</b>

It is important to note that some estimated advances are presented as “up to” amounts because it is uncertain at the time of adoption of this plan the pace of BTR Park build out and, thus, the amount that the city and others may need to advance or the amount of captured assessed value available to support the repayment of advances.

**G. Costs of the plan anticipated to be paid from TIF revenue as received.**

Chart 1 provides projections for tax increment revenue and expenditures for the duration of the TIF and development plans. As the chart indicates, all tax increment revenue will be expended for eligible costs until such time as annual revenues exceed annual costs, including the repayment of advances as identified in section F above.

Chart 3 provides further detail about public facilities and public improvement projects anticipated in the TIF and development plans. Section 12 (7) of PA 281, as amended, states, “The tax increment financing plan may provide for the use of tax increment revenues from a certified technology park for public facilities for any eligible property located in the certified technology park.

**H. Duration of the development plan and the TIF plan.**

The anticipated duration of the TIF and development plans is the 15-year maximum allowed by PA 281, as amended.

**I. Estimate of the impact of TIF on the revenues of all taxing jurisdictions in which eligible property is or is anticipated to be located.**

Chart 2 provides an estimate of the impact of the TIF plan on the revenues of all taxing jurisdictions that levy taxes in the LDFA district.

**J. Legal description of the eligible property to which the TIF plan applies.**

The TIF plan applies to the LDFA district boundaries, which, in part, include those of the WMU Business, Technology and Research Park. The boundaries of the LDFA district are identified by the legal descriptions presented below.

The parcel of land being in Section 31 of the city of Kalamazoo, county of Kalamazoo, state of Michigan, and particularly described as follows:

Land lying in Section 31, Town 2 South, Range 11 West more particularly described as follows: the Northwest  $\frac{1}{4}$  of Section 31 lying Northerly of the Northeasterly right-of-way line of U.S. Highway 131. Also the East  $\frac{1}{2}$  of the Southwest  $\frac{1}{4}$  of Section 31 lying Northerly and Easterly of the Northeasterly right-of-way line of U.S. Highway 131. Also the West  $\frac{1}{2}$  of the Northeast  $\frac{1}{4}$  of Section 31. Excluding from the entire parcel described above that part lying in the right-of-way of Parkview Avenue. (Approximately 265 acres.)

In addition, the following property located in Oshtemo Township, Kalamazoo County, shall be included in the LDFA District:

Part of the Northeast  $\frac{1}{4}$  of Section 36, Town 2 South, Range 12 West Oshtemo Township, Kalamazoo County, Michigan; more particularly described as follows: Commencing at the Northeast corner of said Section 36; thence South 01 degree 02'18" West, 50.01 feet along the East line of said Section 36, to the point of beginning; thence continuing along said East line (said line also being the centerline of vacated 12<sup>th</sup> Street), a distance of 896.63 feet to a point of intersection of the Easterly right-of-way line of U.S. Highway 131 and the East line of said Section 36; thence North 34 degrees 42'26" West, 643.45 feet along said Easterly right-of-way line of said U.S. Highway 131 to a point of curve; thence Northwesterly 428.69 feet on a 2,761.79 foot radius curve to the right, a long chord bearing North 30 degrees 15'38" West, 428.26 feet to a point of intersection of the Easterly right-of-way line of said U.S. Highway 131 and the South right-of-way line of Parkview Avenue; thence South 89 degrees 46'19" East 598.44 feet, along said South right-of-way line to the point of beginning. Containing 6.46 acres more or less.

**K. Estimated number of jobs to be created as a result of TIF plan implementation.**

Based upon estimates contained in the application for SmartZone designation submitted in 2000 to the state of Michigan by the city of Kalamazoo, Western Michigan University, and Southwest Michigan First, the BTR Park is expected to create 1,100 new jobs within ten years of opening. This estimate assumes full park build out, the expansion of existing employers in the park during this period, and the “graduation” of start-up firms incubated in the park’s Innovation Center into new locations both within and outside the park.

**L. Boundaries of Certified Technology Park; identification of real property within the park included in the TIF plan as revenue; whether personal property in the park is exempt from determining TIF revenue.**

The boundaries of the Certified Technology Park are identical to the boundaries and legal descriptions of the LDFA district specified in section J. Real and personal property within the park included in the LDFA district and TIF plan as revenue are currently the following:

<u>Taxpayer</u>	<u>Taxable Parcel</u>	<u>Address</u>	<u>Tax Roll ID #</u>
Richard-Allan Scientific	BTR Park Unit 1	4481 Campus Dr.	IFT 8801101
Ridgewood Partners, LLC	BTR Park Unit 1	4481 Campus Dr.	06-31-210-001
Glysan, LLC	BTR Park Unit 12	4797 Campus Dr.	05-36-228-012
Proline Group, LLC	BTR Park Unit 13	4775 Campus Dr.	05-36-239-113 (Oshtemo Twp.)
Proline Group, LLC	BTR Park Unit 13	4775 Campus Dr.	06-31-110-013

The remainder of all property in the LDFA district currently is owned by Western Michigan University and is exempt from all property taxes. Future transfers of land, construction of buildings and investment in personal property will be subject to taxation in accordance with applicable state law. It is the intention of the LDFA to utilize tax increment revenue generated by captured assessed value on personal property located within the LDFA district.

## **II. Development Plan**

The LDFA board has determined that the preceding TIF plan is necessary for the achievement of the purposes of the LDFA act and the TIF plan requires project financing. Therefore, the following development plan is determined to be necessary to accomplish the development program contained in the TIF plan.

### **A. Description of property (including legal description) to which plan applies; boundaries of LDFA district.**

As fully described in section J of the accompanying TIF plan, the LDFA district and certified technology park both share the same boundaries and legal descriptions. It is within these boundaries that the development plan applies with the exceptions that the Drake Road right-of-way between Parkview Avenue and Stadium Drive and the Parkview Avenue right-of-way between Kent Avenue and Drake Road are included as eligible public improvement projects under Section 12(2) of PA 281, as amended, in that they represent “public facilities that are necessary to service the eligible property, whether or not located on that eligible property.”

### **B. Boundaries of property in relation to highways and streets.**

Appendix A is a map that depicts the boundaries of the LDFA within which the development plan applies, with exceptions as noted above. The property is irregularly shaped. The western/southwestern border of the property is U.S. 131. The southern tip of the property is the city of Kalamazoo/city of Portage boundary on a line that would connect Kilgore Road on the east and N Avenue on the west. The northern border is Parkview Avenue. The eastern border is staggered and runs west of, but roughly parallel to, Green Leaf Boulevard, Green Leaf Circle, and Old Field Trail in the Parkview Hills neighborhood.

### **C. Location and extent of existing streets and other public facilities in the vicinity of the property to which the plan applies; the location, character, and extent of the categories of public and private land uses then existing and proposed for the property to which the plan applies, including residential, commercial, industrial, educational, and other uses.**

In addition to segments of Drake Road and Parkview Avenue leading into the BTR Park, to which improvements have been completed or will occur, the interior of the park is accessed by Campus Drive. A sanitary sewer line has been installed along Drake Road between Parkview Avenue and Stadium Drive. A water main (second phase) has been installed inside the park. Water and sewer connections have been or will be installed from main lines onto each developed lot within the park. The Southwest Michigan Innovation Center, a high technology business incubator, will be supported by the development plan through the purchase of equipment and furniture, and the funding of operating expenses as allowed by Section 2 (aa) (v) (A) of PA 281, as amended.

Appendix D is a map of the portion of the certified technology park, known as the BTR Park (roughly the northern 137 acres), which is reserved for business development. This map shows 16 parceled lots, labeled as Units 1 – 16, as well as the location of Campus Drive, which will provide access both to the tenant businesses and the WMU College of Engineering and Applied Sciences Parkview Campus.

Appendix E is a map of that portion of the LDFA district that shows the future location of the Parkview Campus and the BTR Park. The western-most of the three college building clusters shown is the Paper Science Research Facility, which is currently under construction. The campus will also include an Energy Resource Center, the College of Engineering buildings comprising 300,000 square feet on two levels, and a parking structure with two levels – one below grade and one at ground level.

Four private business developments are currently committed to the park. Richard-Allan Scientific, a world leader in anatomical pathology, will occupy 120,000 square feet of newly constructed space on 15 acres. Fluid Process Equipment, a firm that designs, engineers and markets fluid handling systems, will occupy 25,000 square feet on five acres. Proline Group, LLC is constructing a 24,000 square foot, multi-tenant building on 5 acres, with a civil engineering and environmental services firm as its anchor tenant. The Southwest Michigan Innovation Center will occupy 10 – 15 acres and provide between 60,000 and 130,000 square feet of primarily web lab, administrative, and shared service space for high technology start-up firms. This latter project is still in a design and planning stage, although two biotechnology firms have already committed to renting space in the facility.

There is a 300- to 600-foot linear buffer of land on the eastern edge of the LDFA district containing approximately 60 acres, some open acreage located on an appendage of land south of the Parkview Campus complex, and open land within the Campus Drive access road. These areas are accessible for passive recreational uses by WMU staff, faculty and students, employees of firms in the park, and guests.

Future private uses of land in the BTR Park are controlled by the city of Kalamazoo's business, technology and research zoning district designation. Site plan review is required for every new development. Heavy manufacturing is prohibited in the park. Prototype production is allowed in the park, as well as the production of medical and scientific goods, while other types of production may require a special use permit, issued by the city Planning Commission. Other allowed uses include professional offices and research and development activity.

Existing uses of land within the BTR Park include a small WMU soccer complex that will be relocated by the university independent of the development plan. Another existing use is an historic farmhouse on Parkview Avenue. This house is occupied by several university-affiliated residents. A change in use of the house is not anticipated, nor will the development plan impact this 1.91-acre parcel.

**D. Description of public facilities to be acquired for the property; description of any repairs and alterations necessary to make those improvements; estimate of the time required for completion of the improvements.**

The LDFA does not anticipate the purchase of property or facilities at this time. Therefore, no repairs or alterations to improve such properties or facilities are necessary.

**E. Location, extent, character, and estimated cost of the public facilities for the property to which the plan applies; estimate of the time required for completion.**

Chart 3 provides public facility and public improvement project information in a summary format.

**F. Statement of the construction or stages of construction planned, and the estimated time of completion of each stage.**

This information is also provided in Chart 3.

**G. Description of any portions of the property which the LDFA desires to sell, donate, exchange, or lease to or from the municipality and the proposed terms.**

The LDFA does not own any property in the LDFA district subject to the development plan. It is possible that a transfer of land from WMU to the LDFA may transpire at some later date for the purposes of implementing the development plan.

**H. Description of desired zoning changes and changes in streets, street levels, intersections, and utilities.**

The LDFA district is properly zoned for the purposes of implementing the development plan and no changes are needed. Drake Road has been expanded from two to four lanes (two lanes in each direction) between Parkview Avenue and Stadium Drive. A new sanitary sewer line was installed along this segment of Drake Road to serve the BTR Park. Campus Drive, a public access road, was constructed within the park with funds unrelated to the development plan. Tax increment revenue will be used, however, to maintain and repair the road during the life of the development plan. Utility connections from water and sewer mains onto developed lots will be supported by the development plan.

Parkview Avenue will be resurfaced from Kent Avenue to Drake Road in 2002. Between Kent Avenue and Green Leaf Boulevard, Parkview Avenue will be widened from two to three lanes. The road will remain two lanes from Green Leaf Boulevard to Drake Road. Improvements at the Drake Road/Parkview Avenue intersection will also be completed in 2002.

**I. Estimate of the cost of the public facility or facilities, a statement of the proposed method of financing the public facility or facilities, and the ability of the authority to arrange the financing.**

Chart 3 summarizes the estimated costs and method of financing for each anticipated public facility and public improvement project. These projects have been or will be funded by the city or others with reimbursement anticipated from tax increment revenues generated within the LDFA district over time. Chart 1 provides cash flow projections for the operation of the LDFA during its 15-year life. Based upon the assumptions that accompany Chart 1, adequate tax increment revenue is anticipated to cover public facility and public improvement projects identified in the development plan.

**J. Designation of the person or persons, natural or corporate, to whom all or a portion of the public facility or facilities are to be leased, sold, or conveyed and for whose benefit the project is being undertaken, if that information is available to the LDFA.**

There are no plans to lease, sell or convey public facilities, as defined by Section 2 (aa) of PA 281, as amended, within the LDFA district. It is anticipated that the Southwest Michigan Innovation Center will be privately owned.

Residents of the city of Kalamazoo are among the beneficiaries of the development plan through the creation of new technology-based jobs and investment, economic growth, and long-term tax base enhancement. Firms located in the LDFA district will benefit from public improvements and the maintenance and operation of public facilities supported by the development plan.

**K. Procedures for transfer of public facilities not covered by agreements with persons identified in Section J.**

Not applicable.

**L. Description of residents on the property; displacement of families and individuals through property acquisition and clearance; description of local housing supply and market conditions if displacement of residents is planned.**

As described in Section C, there are several WMU-affiliated individuals residing in an historic farmhouse owned by the university within the LDFA district. There are no plans to alter the use of the farmhouse or to displace its residents as a result of implementing the development plan.

**M. Plan for establishing priority for relocation of persons displaced by the development.**

Not applicable.

**N. Plan for covering the costs of relocating persons displaced by the development per federal laws.**

Not applicable.

**O. Plan for compliance with Michigan laws relevant to relocation of residents.**

Not applicable.

**P. Other material that the LDFA or city considers pertinent.**

None.

**Charts:**

- 1: LDFA/TIF 15-Year Cash Flow Projection**
- 2: LDFA Impact on Taxing Units**
- 3: Development Plan Project Detail**

**Appendices:**

- A: Map of the LDFA District**
- B: LDFA Bylaws**
- C: City Commission adopting resolutions: TIF and Development Plans**
- D: Map of parceled lots reserved for business activity in BTR Park**
- E: Map of BTR Park depicting location of College of Engineering**
- F: PA 281, as amended**
- G: Resolutions creating LDFA and designating boundaries**

