

12 Mile Road funding plan a step closer

By Joanne Malliszowski
staff writer

Despite opposition from one member, Farmington Hills City Council took the first step this week to establish a financing mechanism — a Tax Increment Financing Authority (TIFA) — to pay for road improvements along the 12 Mile corridor and I-696.

In a 6-1 vote Monday, council created a tax increment authority by appointing the nine-member Farmington Hills Economic Development Corporation (EDC) Board of Directors as the TIFA governing board. Council also designated the boundaries of a TIFA district in which the financing mechanism would be used.

Councilman Terry Sever opposed council's action. Although he maintained he supports proposed 12 Mile and I-696 improvements, Sever said he opposes TIFA as a means of financing proposed projects because of its effect on the Farmington Public Schools. Money needed to finance projects could be generated from updating assessments on commercial and industrial properties in the city, Sever added.

The TIFA district boundaries include the 12 Mile office corridor — bounded on the north by 12 Mile, on the south by I-696, on the west by Haggerty and on the east by property owned by the U.S. Postal Service, approximately one-quarter mile east of Farmington.

THE CITY'S 12 Mile Road master traffic plan — adopted unanimously by council Monday — documents the need for major traffic improvements along the thoroughfare and I-696 and serves as a foundation for the city's creation of a TIFA along the commercial corridor.

Although all costs are still estimates, the city would be faced with an approximately \$9.6 million bill for construction of a four-lane boulevard along 12 Mile, from Farmington to Haggerty road, as well as I-696 improvements, including widening and construction of additional interchanges. To help pay estimated total costs, city officials plan to use approximately \$49,500 in the city's share of the state's gas and weight taxes. The remaining \$9.5 million would, if all goes according to

plan, be paid for with the help of TIFA revenues.

The 12 Mile plan also calls for the widening of the thoroughfare from Inksler to Orchard Lake. But the more than \$500,000 price tag would not be included under the TIFA plan.

In order for council to fully implement a TIFA plan, a tax increment financing plan — detailing how the projects will be funded — and a development plan designating a district, type and cost of improvements — is required. Some in January or February, final recommended development and tax increment plans are expected to be presented at a public hearing. At that time, city officials expect to have more accurate cost projections.

DESPITE COUNCIL efforts to change Sever's opinion, he held true to his opposition to TIFA. "I oppose the creation of this in principle. I don't see any reasoning behind shifting this burden to the (Farmington) school board."

If the city captures revenue that would otherwise go to the schools, district officials could raise taxes — an action Sever wants to be assured will not happen.

"You may ultimately be shifting more burden on homeowners than is fair," Sever said. Governed by Public Act 450, tax increment financing allows the city to make public improvements and to repay the costs through future property taxes captured from current private development.

Under TIFA, property values in the designated district along 12 Mile would be frozen. Tax increment revenue is derived from the increase in assessed valuations in the district over the initial value at the time the TIFA plan is implemented. Farmington Hills proposes capturing such revenue for up to 12 years.

It is the revenue derived from the increase in assessed valuation that the city would use to pay for the improvements. A city has the option of taking all or part of any property tax revenue based on the assessment increase. The Farmington Hills plan calls for capturing

47.8 percent of the revenue based on increased valuations.

The taxing jurisdictions — city of Farmington Hills, Farmington Public Schools, Oakland Community College, Oakland Intermediate Schools and Oakland County — would continue to receive full revenues based on taxes levied against the initial assessed value.

AS THE DEVELOPMENT district's value increases during the TIFA plan's 12-year period, the taxing jurisdictions would receive only 52 percent of that increase. That split is not 50/50 because the city does not want to infringe on each jurisdiction's debt retirement levies.

Tax increment revenues that would be turned over to the authority are determined by multiplying the total tax millage of the taxing units — 51.8 mills based on the 1985 rate — by the amount of captured assessed value.

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But Sever contends that the city could generate approximately \$2 million annually by simply updating assessments on commercial and industrial properties. "I really feel very strongly that we are not in a position to go with this program," Sever said. "It appears assessments on office buildings are lower than they were given in EDC financing."

Outgoing Mayor Jan Dolan assured Sever, however, that the city has contracted with Oakland County assessors to reappraise commercial and industrial properties. "They are going as fast

as they can," Dolan said. "I do think this is the time to move ahead on TIFA."

WITHOUT TIFA, Dolan said, he will push to stop all future development along 12 Mile. "You will see a screeching halt to development along the corridor" — meaning both the city and school district will not reap additional tax dollars. I don't think it's fair to the residents, the people who must travel 12 Mile, without a viable alternative."

Out of every dollar received in taxes,

the city gets only 16 cents, Dolan said. With 16 cents out of every dollar, the city provides services to residents. But with that amount, it's impossible to finance major road projects.

"If (TIFA) is not a selfish attitude on the part of the city, (12 Mile/I-696 project) can't be done with 16 cents out of every dollar," she said.

Disputing Sever's claim that the city would be shifting the financial burden to the school district, incoming Mayor Joe Alkateeb called the TIFA plan an investment plan.

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