

Transfers of Property for Economic Development Projects

signed by more than 20% of the registered voters in the area to be transferred or 50% of the area's landowners.

Resources

Contracting for the transfer of property for economic development projects requires good legal counsel. Municipalities must seek and consider advice as to the relative benefit of entering into an agreement of this type. Municipalities should also plan ahead to assure that this is the right move for both communities. Alternatives should be evaluated by knowledgeable persons to assure that the transfer is financially in the best interest of both parties.

For additional information contact: Michigan Municipal League, Information Services, 1675 Green Rd., P.O. Box 148, Ann Arbor, MI 48106, (313)662-3246.

Michigan Townships Association, 512 Westshire Drive, Lansing, MI 48917, (517)321-6467.

Advantages

- As a contractual agreement, municipalities are free to formulate and negotiate a contract which is based on mutual self-interests.
- Act 425 has few limitations—municipalities may negotiate freely.
- Conditional transfer of property is a good alternative to annexation.
- Transfers of property can lead to harmonious growth rather than the friction associated with typical annexation attempts.

Disadvantages

- If communities make a mistake in establishing an agreement of this type, they must live with it for the duration of the contract.
- Some communities could feel short-changed after providing services and sharing tax base for up to 50 years without any guarantee of future revenues.

Limitations

- The community from which the property is being transferred must carefully evaluate the hidden costs (for example: impacts on road systems) that may result from the construction of a large-scale project within the municipality.

References

Howell, Gary, "Annexation Made Easy," in **Planning and Zoning News**, Vol. 3 No. 6, April 1985, p. 12.

Case Example

Name: Village of Parma and Sandstone Township

Location: Jackson County

Population: Village: 809; Township: 3,300

In the fall of 1988, Sandstone Township in western Jackson County was presented an opportunity. Nippondenso America, Inc. was interested in a 100-acre site in the Township for the construction of a \$140 million dollar plant to employ 400 people. The site was well located, adjacent to I-94, in an area where development would pose little impact on surrounding lands. The Township faced a problem, however. Infrastructure improvements for the water, sewer, and site access were needed. Tax increment financing through a Local Development Finance Authority (LDFA) was one alternative, but the Township population was below the 20,000 threshold required by state law for the establishment of such an authority.

The Village of Parma, located three miles from the site, was the key to solving the problem. Act 425 of 1984 could be used to transfer jurisdictional authority to the Village. The Village could

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then create an LDFA under Act 281 of 1986 and use tax increment financing for infrastructure improvements.

A contract was prepared between the Village and the Township to conditionally transfer jurisdiction of the site from the Township to the Village for a period of 17 years through Act 425. It was agreed that if any part of the site ceased to be included in the LDFA district area, that part of the site would revert to the Township. Each community had representation on the LDFA and a division of new property tax revenues. The Township retained certain jurisdictional responsibilities including zoning and building code authority.

The use of P.A. 425 enabled financing of a significant portion of infrastructure and project-related costs, and made the construction of the plant a reality. Today the plant, Michigan Automotive Compressor, Inc., is constructed and operating. Ironically, water was extended from Summit Township, located southeast of Sandstone Township. Sewer lines serving the site connect to the City of Jackson collection system and sewage treatment plant. The unique arrangement in the provision of infrastructure is indicative of the creative potential of P.A. 425 in meeting service needs which transcend governmental service area boundaries.

For more information contact:
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Project Site

