

CITY OF HANCOCK  
DOWNTOWN DEVELOPMENT AND  
TAX INCREMENT FINANCING PLAN

CITY OF HANCOCK DOWNTOWN DEVELOPMENT AUTHORITY  
HANCOCK, MICHIGAN  
SEPTEMBER, 1984

## A. INTRODUCTION

The Downtown Development Authority Act authorizes several potential sources of funds for the Downtown Development Authority to use in financing its development ideas and activities. Sources of funds available include donations, a two mill tax levy in the downtown development district, proceeds from revenue bonds or general obligation bonds, revenues from property owned by the DDA, monies received from "other sources" approved by the City Council, or proceeds of a tax increment financing plan. "Other Sources" would be primarily grants.

This tax increment plan is established to make possible the financing of the public improvements necessary or desirable for the development of the Downtown City of Hancock in accordance with the Development Plan for that area.

## B. TAX INCREMENT FINANCING PROCEDURE

The tax increment financing procedure is relatively new to Michigan law with the DDA statute, but has been effectively used in several other states. The procedure is being proposed by the Downtown Development Authority as a method of financing its downtown development plan. It then may be adopted by the council of the governing body, following consultation with the taxing units involved and a public hearing as required by statute.

Tax Increment Financing is simply a way for cities, towns and villages in Michigan which have established a Downtown Development Authority (DDA) to finance the redevelopment of their downtown business districts. Money needed to finance this type of redevelopment comes from local property taxes and is used for public improvements such as buying land, constructing and improving streets, sidewalks, lighting or perhaps even construction of parking lots or the public mall in a shopping district. The money is raised from the tax dollars that are generated by new private property developments and improvements.

To determine the amount of money available for tax increment financing, a simple plan is drawn. The plan shows the area to be redeveloped by using tax increment financing. This area is called the TAX INCREMENT DISTRICT. The plan also shows the assessed valuation of the district before any new stores or offices are built, what the assessed valuation is expected to be after the new private development occurs, and what the difference of the old and new assessed valuation is. The difference is known as the CAPTURED ASSESSED VALUE. It is important to estimate the amount of captured assessed value that will be available each year because the type of public improvements and to what extent they can be made to aid in the redevelopment of a downtown district is determined by that amount.

To determine the actual amount of TAX INCREMENT REVENUE available in any one year. Simply multiply the captured assessed value by the total tax rate of the municipality:

For example:	Relative Market Value of New Private Development ..	
		...\$1,000,000
	<u>Equalized Value</u> -----	50%
	Captured Assessed Value-----	\$ 500,000

<u>Tax Rate</u>	50 mills or .050
Tax Increment Revenue	\$ 25,000

This calculation shows that \$25,000 per year is available to make necessary public improvements for development in the tax increment district.

When the Downtown Development Authority is planning on Downtown renewal activities such as buying property, demolition and clearance and constructing of new facilities, \$25,000 is in many cases not enough to start a project. Therefore, it is likely that some type of bond with longer pay back terms will be needed to adequately finance the program. Eighty percent of the tax increment revenues available in any one year can be used as principal and interest to retire or pay off the bond.

For example: Available Tax Increment Revenue in One Year...	...	\$25,000
X <u>Maximum Percent for Bond Retirement</u>	-----	80%
Tax Increment Revenue Available for Annual Debt Retirement		\$20,000

The municipality must then sell a general obligation bond that will be financed by principal and interest payments of \$20,000 each year. The bond is further backed by the municipality's tax base so that the debt payments could still be made if for some reason the tax increment revenue was not enough to make the payment.

Using the hypothetical bond terms of eight percent for 30 years, we find that \$20,000 per year will finance a bond of approximately \$225,000. In other words, the DDA and the City can directly finance approximately \$225,000 worth of land purchase and development, public facility construction and other improvements within the redevelopment area from the new tax dollars that are generated by the new private investment of \$1 million.

The justification of the tax increment financing procedure is based on the expectation that all or a portion of the "captured assessed value" which is created, following implementation of a downtown development plan, would not have occurred without the stimulation of the public investment involved in the plan implementation; and therefore, the short term investment made by the taxing units in foregoing part of the initial growth in tax revenues is repaid by the long-term benefit of substantially greater taxes realized from a significantly stronger commercial tax base.

The DDA has determined that it is necessary for the best interest of the public to halt property value deterioration and increase property tax valuation in the central business district, to eliminate the causes of that deterioration and to promote economic growth. Therefore, the DDA has prepared and intends to submit a tax increment financing plan to the Hancock City Council. The tax increment financing plan includes a development plan. A copy of the development plan and development district is attached.

Approval of the DDA/TIF plan shall be in accordance with the notice, hearing and disclosure provisions of Section 18 of Act Number 197 of the Public Acts of 1975. The City Council shall hold a public hearing under the plan. Notice of the time and place of the hearing shall be given by publication twice in the newspaper of general circulation designated by the municipality the first of which shall not be less than 20 days before the date set for the hearing.

Notice of the hearing should be posted in at least 20 conspicuous public places in the downtown district not less than 20 days before the hearing. Notice shall also be mailed to all property tax payers of record in the downtown district not less than 20 days before the hearing.

Before the public hearing on the tax increment financing plan, the governing body shall provide a reasonable opportunity to the members of the County Board of Commissioners and to the members of the local School Board to meet with the City Council. The DDA shall fully inform members of the County Board and School Board of the fiscal and economic implications of the proposed development area. The members of the county board and school board may present their recommendations at the public hearing on the tax increment financing plan. The authority may enter into agreements with the County Board and School Board and the governing body of the municipality to share a portion of the captured assessed value of the district.

The tax increment financing procedure as outlined in Act 197, P.A. 1975, requires the adoption by the City, by ordinance, of a development plan and a tax increment financing plan. Following the adoption of that ordinance, the municipal and county treasurers are required by law to transmit to the Downtown Development Authority 100% of the tax levy of all taxing bodies paid each year on the "captured assessed value" of all real and personal property located in the development area. The amounts so transmitted are hereinafter referred to as "tax increment revenue." The "captured assessed value" is defined as the amount in any year by which the current assessed value of all real property in the development area (including the assessed value that appears on the tax roll under Act 198 of the Public Acts of 1974 or Act 255 of the Public Acts of 1978) exceeds the assessed value of all of the real and personal property in the development area as determined on the assessment roll of the City then in effect on the date of the approval of the ordinance. Attached hereto as Exhibit B is a schedule of the assessed value as of March 1984 of all real and personal property in the development area ("The Initial Assessed Value").

Detailed estimates of tax increment revenues will be approved by the Downtown Development Authority and submitted to the City Council prior to the issuance of tax increment bonds.

The procedures to be followed will be set forth in the ordinance approving the Tax Increment Financing Plan and Development Plan.

#### C. BONDED INDEBTEDNESS TO BE INCURRED

The total estimated cost of specific improvements enumerated in the various development stages contemplated in the Development Plan is \$1,036,000. These estimates do not include payment of interest on bonds or provisions of reserve for payment of the bonds. The maximum of bonded indebtedness to be incurred is \$351,000 pursuant to attached exhibit C. However, no actual indebtedness is proposed currently. Any specific bond issue shall be presented to the council by the DDA for specific approval.

The project costs for the Area shall be financed by one or more series of tax increment bonds issued by the City or from tax increment revenues as shall be determined by the City Council, based on recommendations of the DDA as the development progresses. Other project costs shall be funded from proceeds of bonds or from tax increment revenues as shall be expedient, from City funds and/or State and Federal Loans and Grants that may be authorized and approved by the City Council, or from other sources approved by the City Council. In addition to the cost set forth in this plan, the City Council shall, based upon the recommendation of the DDA, in each resolution authorizing a series of bonds determine the amount of capitalized interest and reserves, if any, necessary to be included in the bonds and amount, if any, of tax increment revenues to be set aside as a reserve for payment of principal and interest on the bonds.

#### D. USE OF TAX INCREMENTS

The tax increment revenues generated within the development plan, as it now exists or is hereafter amended, shall be used:

First, to pay into the debt retirement fund, or funds, for all outstanding series of bonds issued pursuant to this plan in an amount equal to the interest and principal coming due (in the case of principal whether by maturity or mandatory redemption) prior to the next collection of taxes, less any credit for sums on hand in the retirement fund.

Second, to pay the administrative and operating costs for the DDA and City incurred for the development area, including planning and promotion to the extent provided in the annual budget of the DDA.

Third, to pay, to the extent determined desirable by the DDA and approved by the City, the costs of completing the remaining public improvements as set forth in the development plan to the extent those costs are not financed from the proceeds of bonds.

Fourth, to pay the costs of any additional improvements to the development that are determined necessary for the DDA and approved by the City Council.

Fifth, to reimburse the City for funds advanced to acquire property, clear land, make preliminary plans and improvements necessary for the development of the development area in accordance with this plan.

Any tax increment receipts in excess of those needed under the preceding paragraphs would revert to the taxing jurisdictions or would be used for future development activities within the development area, as defined in the development plan or as expanded to include all or parts of the downtown development district pursuant to amendment or modification of the development plan and this tax increment financing plan pursuant to applicable provisions of Act No. 197 and other laws.

#### E. DURATION OF THE TAX INCREMENT PLAN

The tax increment plan shall commence the date the ordinance is adopted and last 30 years. The 30-year term may be extended by amendment or modification of this development and tax increment plan to incorporate future development activities within part or all of the downtown district.

#### F. IMPACT ON OTHER TAXING JURISDICTIONS

Over the past several years the City has attempted to halt the decline of the Assessed Values in the development area, by providing general funds and grants and loans to the area. However, it can no longer provide the necessary funds to correct and prevent deterioration in the district. Therefore, if the development plan and tax increment financing plan are not implemented, the assessed values will certainly decline and rapid deterioration will occur. This would result in lower tax revenues to all taxing jurisdictions. Completion of the Development Plan will halt the decline in assessed value and all taxing jurisdictions will benefit from the substantial increase in value upon the termination of the plan. Thus, impact on the taxing jurisdictions is favorable.

#### G. AREAS CITIZEN COUNCIL

The Downtown Development Authority after making considerable attempts to establish a development area's citizen council, has collected the necessary petition consisting of not less than 20% of the adult resident population of the development area and has held a public hearing eliminating the necessity of the development council. The Downtown Development Authority holds regularly scheduled meetings monthly and meetings are open to the public.

#### H. PUBLIC PROJECTS

A map of the development area is attached as exhibit A. Assessed evaluations of included property are attached as exhibit B. Projects to be developed within the development area are listed under the phases of exhibit C the Public Projects Plan. Projects described shall take no more than one year in duration to completion unless otherwise indicated in the project proposal.

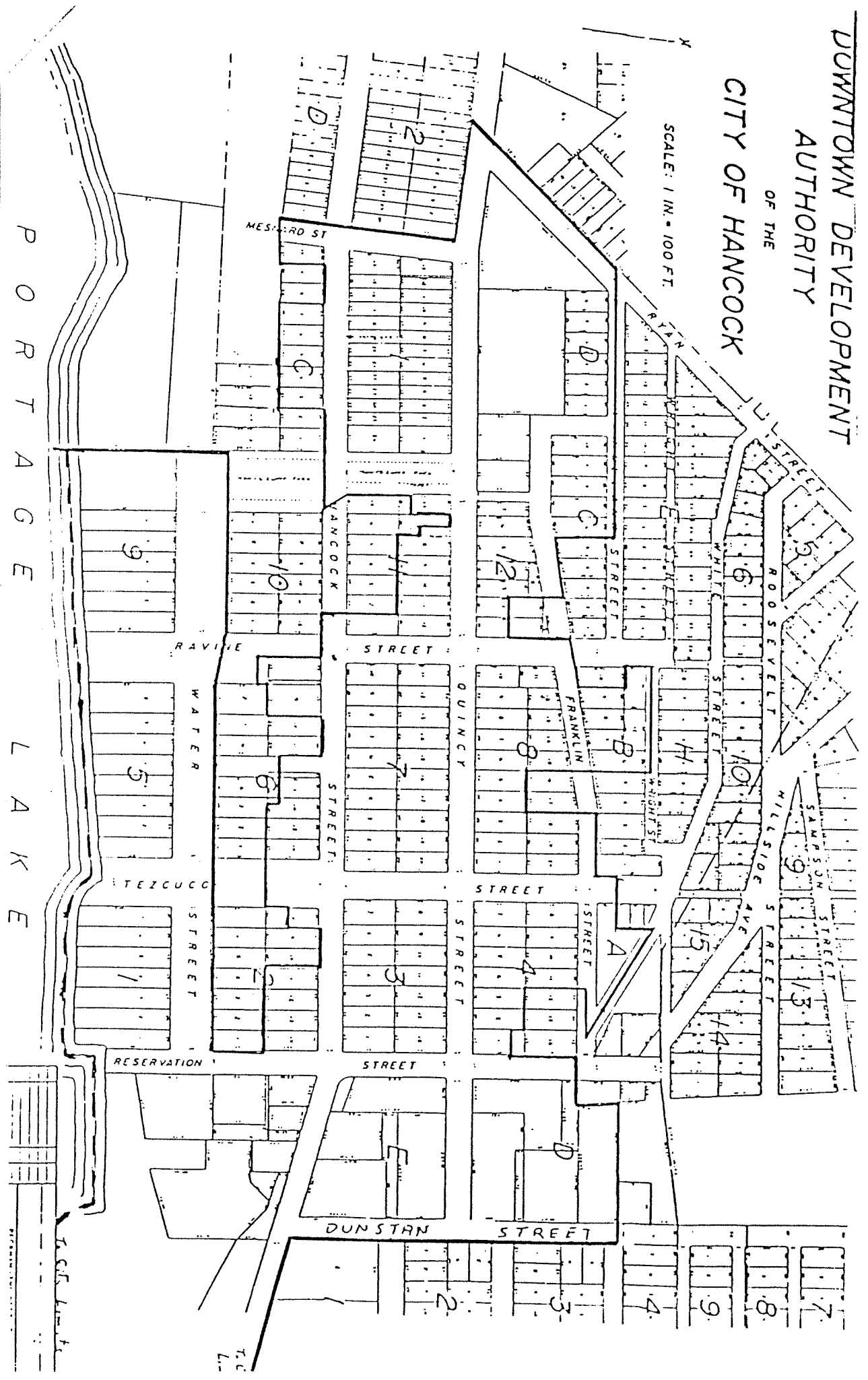
Open space to be used in project development is not anticipated with the exception of the municipal lot at the northwest corner of the intersection of Tezcucco and Quincy Streets. At present no zoning changes or street changes are anticipated.

DOWNTOWN DEVELOPMENT  
AUTHORITY

OF THE

CITY OF HANCOCK

SCALE: 1 IN. = 100 FT.



## HANCOCK DOWNTOWN DISTRICT PROPERTIES

<u>BLOCK</u>	<u>PROPERTY NUMBER</u>	<u>OWNER</u>	<u>ASSESSED VALUATION</u>
2	31 51 002 008 00	Jaasko, Theodore M.	6,000
2	31 51 002 008 20	Jaasko, Theodore M.	3,100
2	31 51 002 010 50	Ironwood Oil Co.	92,500
3	31 51 003 001 00	Merchants & Miners Bank	\$ 62,500
3	31 51 003 002 00	Kahn Enterprises Inc.	10,000
3	31 51 003 002 50	Gartner Cloak & Suit Co.	20,000
3	31 51 003 003 00	Kahn Enterprises Inc.	85,000
3	31 51 003 008 50	Kerredge Alden R	36,000
3	31 51 003 009 00	Kiilunen Matt	45,000
3	31 51 003 010 00	Lahti Mike	38,000
3	31 51 003 010 50	Georgia Married Inc.	65,200
3	31 51 003 011 00	Laiti Jewelers	20,000
3	31 51 003 012 00	Superior National Bank	17,500
3	31 51 003 012 50	Jacob Gartners Co.	72,000
3	31 51 003 014 00	Finnish Mutual Fire Ins. Co.	52,000
3	31 51 003 014 50	Jacob Gartner & Co.	4,600
4	31 51 004 001 00	Wisti Andrew & Jaaskelainen Gordon	31,000
4	31 51 004 001 20	Kukkonon & Kliber Attorneys at Law	13,500
4	31 51 004 002 00	Talk of The Town Inc.	28,000
4	31 51 004 002 50	Wicker, Charles A. & Kathleen	24,000
4	31 51 004 003 00	Hancock Bike Shop	27,500
4	31 51 004 004 00	Kukkonen Carl & Wife	18,500
4	31 51 004 004 00	Brown Auto Parts Inc.	26,300



<u>CK</u>	<u>PROPERTY NUMBER</u>	<u>OWNER</u>	<u>ASSESSED VALUATION</u>
4	31 51 004 007 10	Mc Mahon, John & Winifred	\$ 21,400
4	31 51 004 007 20	Brown Auto Parts	3,500
4	31 51 004 008 00	Hancock F O E 382	13,200
4	31 51 004 008 50	Primeau Gerald J & Patricia	10,000
4	31 51 004 009 00	Wieders-Twin City Tire Co.	24,300
5	31 51 005 001 00	Mineral Range RR Co. Bldg.	10,500
6	31 51 006 009 00	Condon, John & Hogg, William	15,000
6	31 51 006 013 50	O'Nekll Robert E & Wife	28,300
6	31 51 006 014 00	Vollwerth Building Co.	82,000
6	31 51 006 014 10	Simons Charles C	30,100
7	31 51 007 001 00	R Vollwerth Co.	27,700
7	31 51 007 002 00	Gartner & Field	6,500
7	31 51 007 003 00	Alexander Josphine	19,000
7	31 51 007 005 00	Taucher Frank P	29,000
7	31 51 007 007 00	Spinner Corp.	293,500
7	31 51 007 011 00	Issaacson James W & Wife	50,000
7	31 51 007 012 00	Kaleva Inc.	48,000
7	31 51 007 012 50	Spinner Corp	3,000
7	31 51 007 013 00	Spinner Corp	6,500
7	31 51 007 014 00	Isaacson James W & Wife	48,700
7	31 51 007 016 00	Wickley Peter M & Elizabeth &	17,500
7	31 51 007 016 50	Wickley Joseph A & Jacqueline	15,800
7	31 51 007 017 00	Wickley Alfred J & Wife	22,200
7	31 51 007 018 00	Lahti Michael & Sharon	42,000
7	31 51 007 018 50	Ozanich Nelson Realty	21,800
7	31 51 007 019 00	Gartner & Field	40,000

PROPERTY NUMBER

OWNER

ASSESSED VALUATION

PROPERTY NUMBER	OWNER	ASSESSED VALUATION
31 51 008 003 50	Finlandia Rentals	38,000
31 51 008 008 00	The Superior National Bank &	198,000
31 51 008 008 50	Superior National Bank	60,000
31 51 008 015 00	Quality Food Markets Inc.	5,000
31 51 008 018 00	Kaleva Inc.	5,000
31 51 008 019 00	Lypsinmaa Fancis B & Wife	7,500
31 51 008 019 50	Lypsinmaa Francis B & Barbara	24,000
31 51 008 020 00	Lypsinmaa Francis B & Barbara	1,400
31 51 008 020 50	Lypsonmaa Francis B & Barbara	1,500
31 51 009 001 00	Mineral Range RR Co Bldg.	8,700
31 51 011 001 00	Spinner Corporation	5,000
31 51 011 007 20	Clark Timothy J & Judith	21,500
31 51 011 008 00	Clark Timothy J & Judith	9,200
31 51 011 009 00	Hogg WM	19,500
31 51 011 010 00	Miron Claude	30,000
31 51 011 011 00	Condon John E	10,000
31 51 011 011 50	Turner Albert	40,500
31 51 011 012 50	Gardner William & Margaret	41,000
31 51 011 012 50	Spinner Corporation	3,500
31 51 011 013 00	Blue Jerome J & Wife	25,200
31 51 012 001 00	Huang, Ming Huei & Shing Cheng	44,800
31 51 012 002 00	Kolehmainin William R	25,100
31 51 012 003 00	Superior Nat'l Bank & Trust	11,700
31 51 012 005 00	Doll Dave J & Merkel Betty	45,700
31 51 012 005 50	The Tervo Agency	22,500
31 51 012 006 00	Lahti Michael A & Sharon	79,200
31 51 021 009 00	The Book Concern	31,200
31 51 022 006 00	Quality Food Markets Inc.	72,200
31 51 035 005 00	Hancock Hardware Co.	65,300

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<u>LOCK</u>	<u>PROPERTY NUMBER</u>	<u>OWNER</u>	<u>ASSESSED VALUATION</u>
D	31 51 035 007 00	J & M Company	59,800
D	31 51 035 008 00	Right Way Real Estate Inc.	19,800
D	31 51 035 009 00	Right Way Real Estate Inc.	18,000
E	31 51 036 001 00	Ruppe Mrs. Ruth M.	81,800
E	31 51 036 002 00	Right Way Real Estate Inc.	115,000
E	31 51 036 004 00	Santori Amerigo M & Wife	66,400
E	31 51 036 005 00	Lucchesi Leo R & Mary J	32,900
	31 51 038 001 00	Elks Club	67,000
	31 51 038 002 00	Ultramatic Cata Processing Inc.	9,000
	31 51 038 003 00	U.P. Oil Co.	34,500
	31 51 038 004 00	Ultramatic Data Processing Inc.	1,400
	31 51 038 005 00	Monticello, Vienno M Et Al	7,100
	31 51 038 006 00	Coon Electric Inc.	10,000
	31 51 038 007 00	U P Oil Co.	13,400
	31 51 038 009 00	Quincy Mining Co.	900
	31 51 038 011 00	Quincy Mining Co.	6,500
	31 51 038 014 00	Quincy Mining Co.	1,700
	31 51 038 015 00	Goodell Oil Co. Inc.	21,400
1	31 51 271 001 00	Detroit & Northern Sav & Loan	2,005,000
1	31 51 271 008 00	Kahn Enterprise Inc.	26,300
1	31 51 271 009 00	Barrios Monorato & Wife	25,000
1	31 51 271 010 00	Copper Theatres of Hancock Inc.	39,900
1	31 51 271 012 00	Tuttila Eunice	19,500
1	31 51 271 015 00	Detroit & Northern Sav & Loan	95,400
1	31 51 271 016 00	Copper Theatres of Hancock Inc.	2,700
C	31 51 280 003 00	Ylitalo, Matt & Wife	11,650*
C	31 51 280 005 00	Coon Electric Inc.	45,500
C	31 51 280 010 00	Soo Line Railroad Co.	13,000

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Total 5,555,250

EXHIBIT C

Public Projects Plan

CITY OF HANCOCK  
 Downtown Development Authority  
 downtown Development-Tax Increment Financing Plan

Phase I

City Hall Renovations	\$250,000
Front street Lighting (between the bridge and Reservation)	<u>150,000</u>
	400,000

Phase II

Parking Structure*	\$270,000
Build Road from the bridge to Tezcuco (at water front)	<u>150,000</u>
	420,000

Phase III

Street Lighting on Quincy Cross Streets	\$ 60,000
Street Lighting on Quincy Street west to Ryan	36,000
Sidewalk Furniture (benchs, planters, etc.)	<u>10,000</u>
	106,000

Phase IV

Hancock Street Parking Lot	\$110,000
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Total \$1,036,000

\* Considered sites for parking structure are:

1. over the Superior National Bank Lot
2. Over the Red Owl Lot
3. Over the Hancock Hardware Lot or Lindrus Chevy Lot

SOURCES OF FUNDING

Phase I

Michigan Small Cities Funds Recaptured	\$190,000
General Fund	60,000
Michigan Small Cities Grant	130,000
TIF Captured *	<u>20,000</u>
	400,000

Phase II

TIF Captured *	\$170,000
UDAG (Public)	100,000
Michigan Small Cities Grant	<u>150,000</u>
	420,000

Phase III

TIF Captured *	\$106,000
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Phase IV

TIF Captured *	\$ 55,000
Michigan Small Cities Grant	<u>55,000</u>
	110,000

Total      \$1,036,000

\* See Private Project List

PRIVATE PROJECTS

<u>Project</u>	<u>Est. Cost</u>	<u>Captured Taxes</u>	
		<u>Annual</u>	<u>80% for 30yr</u>
Detroit & Northern	\$ 250,000	\$ 5,500	\$132,000
QT Development	\$1,000,000	\$22,000	\$528,000
Scott Hotel	\$ 750,000	\$16,500	\$396,000
Coon Electric	\$ 600,000	\$13,200	\$316,800
	Total	\$57,200	\$1,372,800

Considered Parking Sites  
Street Lighting  
Waterfront Road



P O R T A G E L A K E

