

CITY OF LITCHFIELD, MICHIGAN

DEVELOPMENT / TAX INCREMENT FINANCING PLAN

May 16, 1985

AMENDED January 3, 2005

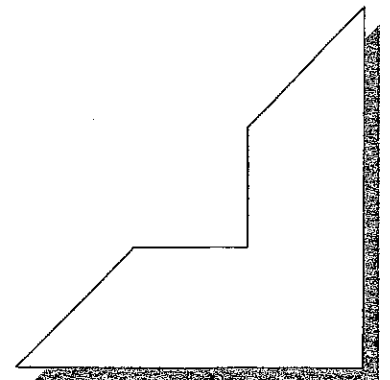
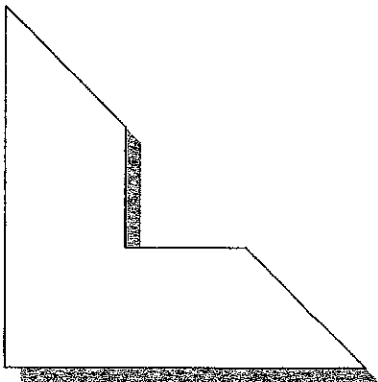


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Chapter 1

DEVELOPMENT PLAN

1.1 GOALS AND OBJECTIVES

Based upon a review of past plans and studies and local discussions, the Tax Increment Financing Authority has refined its goals of the tax increment financing program. These goals are as follow:

- a) To the extent possible. Prevent deterioration in the area and the loss of available jobs. Promote and encourage the retention and expansion of our current industrial base as well as new economic growth. This effort will be carried out within the Tax Increment Finance Authority District and outside the District.
- b) The tax increment financing authority may use tax increment financing for the purchasing, leasing, construction, preparation, rehabilitation and removal of land, buildings, infrastructure, utilities, communication systems and for other uses that it determines may be necessary, in order to retain and encourage industrial development, whether or not it takes place within or without the Tax Increment Financing District.
- c) The Tax Increment Financing Authority encourages the use of tax abatement through P.A. 198, however, only to the extent needed in order to realize desired industrial investment.
- d) The Tax Increment Finance Authority will attempt to leverage its funds with other private and public monies.

1.1.1 TAX INCREMENT FINANCE AUTHORITY may hereafter be referred to as TIFA.

1.2 BOUNDARIES OF THE TAX INCREMENT FINANCE AUTHORITY DISTRICT

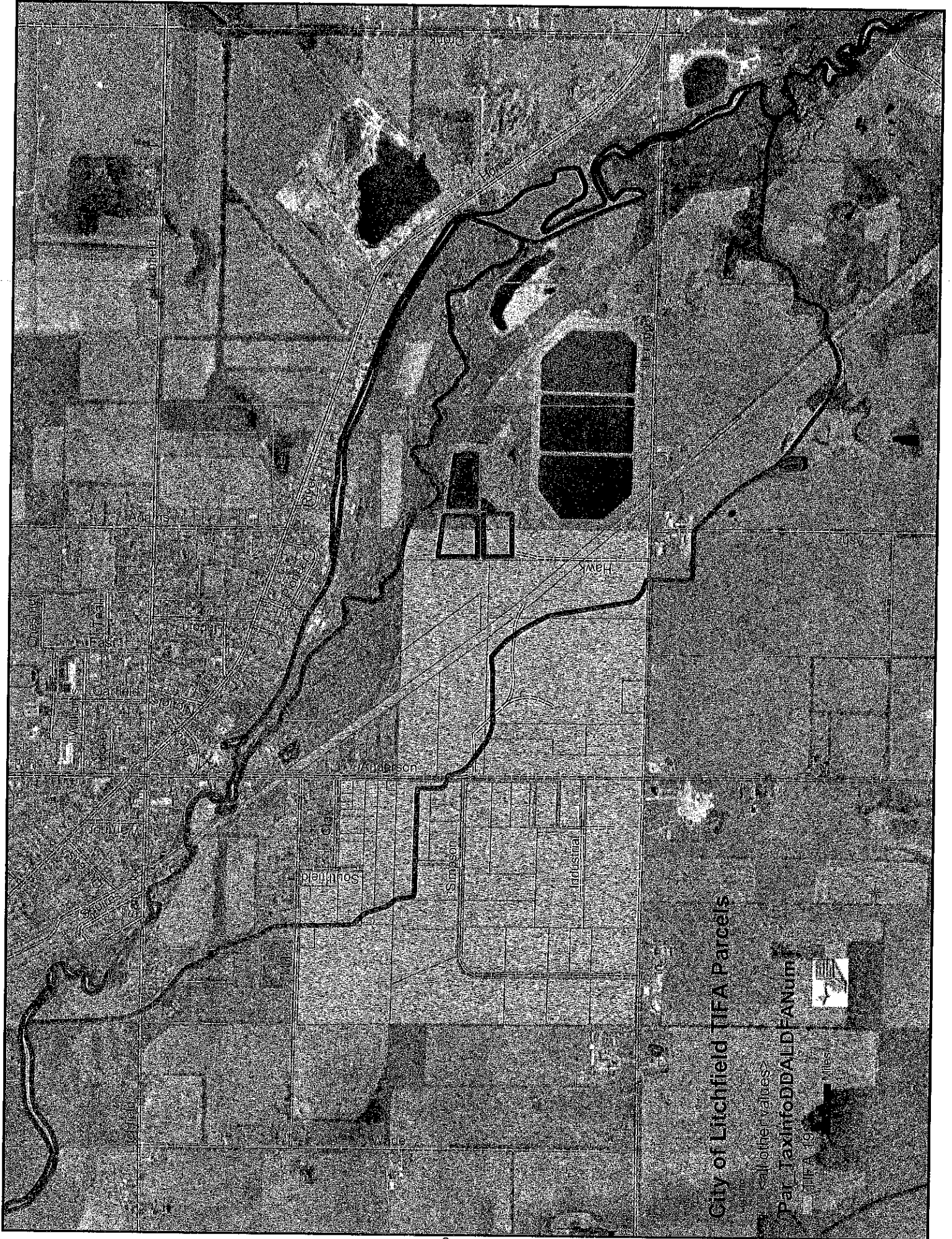
1.2.1 Map.

The following map illustrates the boundaries of the TIFA District. The boundaries are the same as those established in the original Plan adopted on May 16, 1985.

Development/Tax Increment Financing Plan
Litchfield Tax Increment Financing Authority

City of Litchfield

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City of Litchfield TIFA Parcels

all other parcels

Par. Tax info: DDALDFANUM

TIFA 19



1.2.2 LEGAL DESCRIPTION OF THE BOUNDARIES OF THE TAX INCREMENT FINANCE AUTHORITY DISTRICT

The following legal description complies with requirements set forth in P.A. 450 of 1981.

Beginning at west city limits on Mill Street, east to Clay Street, Clay Street to M-49, South on M-49 to north property line of S & A Products Inc., East to City's east City limits, then south to City's south city limits which is Herring Road, then West on Herring Road to City's west city limits, then North to point of beginning on Mill Street.

1.2.3 GENERAL DESCRIPTION OF THE BOUNDARIES AND SIZE OF THE TAX INCREMENT FINANCE AUTHORITY DISTRICT

The resolution to create the Tax Increment Finance Authority was passed by the Litchfield City Council on the 11th day of February 1985 (Resolution 85-5).

The City of Litchfield has a population of over 1,400 persons and is located in the south central portion of the state. The city is easily accessible by highway and rail and is situated 90 miles west-southwest of Detroit and 145 miles east of Chicago. Two state highways, M-49 and M-99, connect the city to outlying areas. Rail service is provided by the Indiana Northeastern Railway Company.

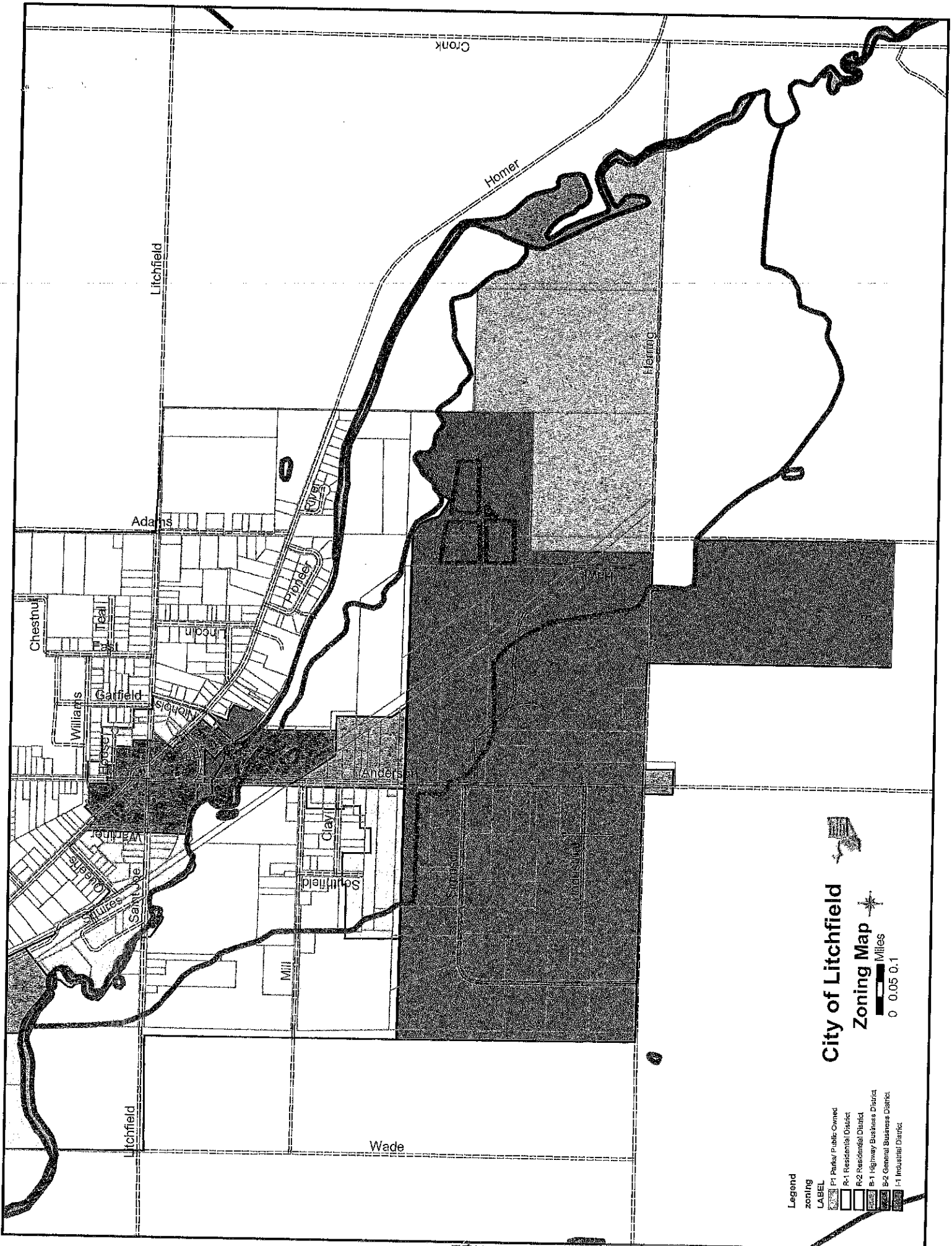
The Litchfield TIFA District encompasses an area in the Southwest portion of the community. North of Herring Road and principally to the west of Hawke's Drive. The TIFA district encompasses a total of 300 acres, with most of this acreage devoted to industrial use.

1.2.4 LOCATION, CHARACTER AND EXTENT OF EXISTING PUBLIC AND PRIVATE LAND USES

1.2.4.1 TYPE OF DEVELOPMENT

The TIFA District is principally composed of the industrial park of the City of Litchfield. Most of the TIFA district is used, or will be used for light industrial development. Residential development borders the TIFA district. A number of industries have facilities located in the District.

The Michigan South Central Power Agency in 1982 completed an electric power generating station located in the southeast portion of the District. The agency receives inbound coal by rail and truck.



City of Litchfield
Zoning Map

- Legend
 zoning
 LABEL
- P1 Parks/ Public Owned
 - R-1 Residential District
 - R-2 Residential District
 - E-1 Highway Business District
 - B-2 General Business District
 - I1 Industrial District

Miles
 0 0.05 0.1

1.2.4.2 PRESENT LAND USES IN THE TIFA DISTRICT

The following table shows in more detail the location, character and extent of public and private land uses in the primary development area.

<u>Land Use by Lot:</u>	
Lot No.	Land Use
1	Johan Van DeWeerd Co
2	Robert James Machine Co
3	Paige Tool & Gauge
4	Livonia Tool & Laser
5	TMS
6	TIFA (Spec / Incubator) building
7	Hawkes Trucking
8	Drainage Control
9	Hi-lex Controls
10	Hi-lex Controls
11	Hi-lex Controls
12	Jems of Litchfield
13	West Star Services
14	West Star Services
15	Finishing Touch
16	H. Houchen building
17	Industrial lot
18	Industrial lot
19	Industrial lot
20	Industrial lot
21	Livonia Tool & Laser
	Jesco
	Litchfield Industries
	Yukon Mfg. (Vacant)
	S & A Products
	Tenneco
	Metaldyne

In addition, the Michigan South Central Power Agency's plant No 1 is located in the southeast portion of the development area.

A 20 acre industrial site also located in the southeast portion..

1.2.4.3 Circulation Patterns

Litchfield is located on State Highways 99 and 49. A comprehensive street improvement program and capital improvement programs have been developed.

1.3 LOCATION AND CHARACTER OF PROJECTS

1.3.1 Location of projects

Most of TIFA projects will be in the Industrial Park. With some in other areas, such as the City's 74 acre industrial site on the south side of Herring Road across from Michigan South Central Power Agency.

1.3.2 Projects designed to lay the foundation for industrial retention and additional growth.

- 1.3.2.1** Infrastructure (Roads, Sewers, Water, Drainage)
- 1.3.2.2** Utilities (Gas, Electric, Phone, Cable)
- 1.3.2.3** Street lighting
- 1.3.2.4** Railroad sidings
- 1.3.2.5** Signage
- 1.3.2.6** Advanced communication systems (including wireless)
- 1.3.2.7** Environmental and historical studies
- 1.3.2.8** Open space
- 1.3.2.9** Completion of Hawthorn Heights
- 1.3.2.10** Site preparation
- 1.3.2.11** Building construction, rehabilitation or operation of, including housing for public or private use.

1.4 TIMING OF PROJECTS

All projects will be implemented during the 20-year Tax Increment Finance Authority plan. The TIFA Board will determine scheduling of individual projects contingent on the needs of our current industries or as needed to encourage new development.

1.5 USES OF REVENUES

TIFA anticipates the use of some revenues for projects outside the TIFA District, but in close geographic proximity and / or serving the needs of the District or TIFA plan.

1.6 OPEN SPACE

Open space will be considered when determined desirable, feasible and justified.

1.7 PURCHASE OF LAND AND OTHER PROPERTY

The TIFA will acquire by purchase, or otherwise, land and other property, which the authority determines is reasonably necessary to achieve the purpose of this plan.

1.8 DISPOSING OF PROPERTY

When disposing of land or other property by sale, or otherwise, the TIFA will attempt to receive fair market value or value in kind. The TIFA may, at its discretion, have more money invested in the land or other property than what it receives in its disposal of same.

1.9 COMPLIANCE WITH ACT NO. 227 OF 1972

The TIFA intends to fully comply.

1.10 RENTING AND LEASING

The TIFA may rent or lease to others or from others.

1.11 OPERATING A SERVICE

The TIFA may own and / or operate a service (wholly or partially) that the authority determines supports the goals of the Development plan.

THE ESSENCE OF THE TAX INCREMENT FINANCING PROCEDURE IS AS FOLLOWS:

The public makes an investment to improve and enhance conditions that encourage economic development, for the purpose of stimulating private investment in a specific area (Litchfield). The investment may be made in response to a declining business climate and industrial tax base, or in response to a stable business climate and tax base, which the public wishes to protect and develop.

CHAPTER 2

TAX INCREMENT FINANCING PLAN

2.1 INTRODUCTION

This tax increment financing plan is established to make possible the financing of the improvements necessary for the retention of the current jobs and tax base, as well as, encourage new investment in accordance with the Development plan.

2.2 TAX INCREMENT FINANCING PROCEDURE

The TIF procedure as outlined in the Act requires the adoption by the City, by resolution, of a development plan and a tax increment financing plan. Following the adoption of the resolution, the municipal and county treasurers are required by law to transmit to the tax increment finance authority that portion 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".

- 2.2.1** The "captured assessed value" is defined as the amount in any year by which the current assessed value of all real and personal property in the TIFA District (including the assessed value that appears on the tax roll under Act 450 of the Public Acts of 1974 or Act 255 of the Public Acts of 1981) exceeds the assessed value of all real and personal property in existence in the TIFA District at the time of the adoption of the tax increment Financing plan on May 16, 1985.

- 2.2.2** Bonds may be issued to finance the improvements. This is not mandatory, as tax increments received may be used in any manner the authority desires, provided those uses support this plan.
The Litchfield Tax Increment Finance Authority will attempt to avoid bonding by paying on a "pay as you go" basis.
- 2.2.3** Taxes generated from the subsequent growth in the tax base of the development district are retained and utilized by the authority. This tax base growth is called the "captured assessed value" (CAV). Specifically it is the difference between the State Equalized Value (SEV) of the tax increment finance authority area at any point in time, and the SEV of the District in existence at the time of the adoption of the Tax Increment Financing Plan. (May 16, 1985)
- 2.2.4** The taxes that are potentially available to the authority include all of the taxes normally levied by all the taxing units on the captured assessed value within the tax increment finance authority district. The plan may provide for the use of part or all of the captured assessed value. If the tax increment finance authority chooses it may enter into agreements, with City Council approval, with one or more of the taxing units to share a portion of the captured assessed value of the district. With the exception of debt retirement of the Public School System, the entire captured assessed value of the TIFA District shall be captured by the tax increment finance authority. When the Authority determines the plan is accomplished, the tax increment finance authority shall be dissolved and tax increment financing will cease.
- 2.2.5** When the specified development / financing plan is dissolved, the captured assessed value is released and the respecting taxing units will receive all revenue, from their taxes levied, from that point on.
- 2.2.6** Since only the growth in tax base (the captured assessed value) in the tax increment finance authority is used to finance the development plan, the taxing units continue to receive their full tax levy on the District tax base in existence at the adoption of the development plan.

2.2.7 JUSTIFICATION

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 tax increment financing 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 stronger industrial tax base and the additional jobs created. Along with the "trickle down effect".

2.3 THE AMOUNT OF BONDED INDEBTEDNESS TO BE INCURRED

This plan does not anticipate the issuing of any bonds.

2.4 THE DURATION OF THE PLAN

The development program is scheduled for completion at midnight December 31, 2025. At which time all captured assessed value will be released to the respective taxing units.

2.5 IMPACT OF TIF ON OTHER TAXING JURISDICTIONS

Tax incrementing financing is a valuable tool for financing public improvements and encouraging increased private investment and the creation of jobs in Litchfield. Since the financing for public improvements comes from the increase in property tax revenues generated by new private development, it is important that the concept be fully understood, especially by the taxing jurisdictions which may initially be concerned about TIF's ramifications.