



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Staff Paper

Conditional Land Transfer Agreements: Michigan's Alternative to Annexation

By

Lynn R. Harvey, Dept. of Agricultural Economics
Gary Taylor, State & Local Government Programs

Staff Paper #2000-32

October 2000



Department of Agricultural Economics
MICHIGAN STATE UNIVERSITY
East Lansing, Michigan 48824

MSU is an Affirmative Action/Equal Opportunity Institution

Conditional Land Transfer Agreements: Michigan's Alternative to Annexation

Lynn R. Harvey, Dept. of Agricultural Economics
Gary Taylor, State & Local Government Programs
Michigan State University

harvey1@msu.edu

19 pages

Abstract: Annexation battles often are the root cause of long-standing conflicts between municipalities. Some states, including Wisconsin, have sought to reduce the number of annexation battles by allowing the use of intergovernmental agreements addressing municipal boundary expansion and service delivery. This paper reviews Michigan's Conditional Land Transfer Act, Public Act 425 of 1984, including its unique land transfer and reversion provisions. Using a database of all agreements filed since the law's inception, this paper reviews the common provisions found in these agreements. The authors also analyze emerging policy issues and suggest amendments to further the initial policy objectives of Michigan's alternative to annexation.

Copyright © 2000 by Lynn R. Harvey and Gary Taylor. All rights reserved. Readers may make verbatim copies of this documents for non-commercial purposes by any means, provided that this copyright notice appears on all such copies.

Conditional Land Transfer Agreements: Michigan's Alternative to Annexation¹

Lynn R. Harvey, Ph.D.

Professor and Extension Specialist, Department of Agricultural Economics
Michigan State University

and

Gary D. Taylor, J.D.

Extension Specialist, State and Local Government Programs
Michigan State University

Abstract: *Annexation battles often are the root cause of long-standing conflicts between municipalities. Some states, including Wisconsin, have sought to reduce the number of annexation battles by allowing the use of intergovernmental agreements addressing municipal boundary expansion and service delivery. This paper reviews Michigan's Conditional Land Transfer Act, Public Act 425 of 1984, including its unique land transfer and reversion provisions. Using a database of all agreements filed since the law's inception, this paper reviews the common provisions found in these agreements. The authors also analyze emerging policy issues and suggest amendments to further the initial policy objectives of Michigan's alternative to annexation.*

Introduction

The genesis of many long-standing conflicts between neighboring units of local government often can be found in battles over the annexation of territory. In Michigan, a state with strong township government, these annexation disputes generally occur between townships and cities. Cities are frequently unwilling to provide sewer and water services to land outside their boundaries without capturing the tax base associated with the area's development. Conversely, townships resist attempts at annexation that result in the loss of tax base gained through township economic development efforts. As these disputes simmer, potential developers become discouraged with the delays caused by the lack of cooperation and seek development

¹ Appreciation is expressed to Kenneth VerBurg, Professor Emeritus, Michigan State University and Chair of the Michigan State Boundary Commission for his review and editorial comments. Appreciation is also expressed to Kelly Morrissey and Alexander Quinones, Research Assistants, Department of Agricultural Economics, Michigan State University for their assistance in assembling and analyzing the data from the 425 agreements filed with the Office of the Great Seal.

opportunities elsewhere. Economic expansion goes unrealized, and intergovernmental relations may be permanently scarred.

State annexation laws can be classified into one of five categories, depending upon where the responsibility for approval rests:

- 1) Legislative determination – The state legislature, lacking the desire or ability to delegate such responsibilities, deliberates annexation proposals on a case-by-case basis;
- 2) Popular determination – Annexation decisions are made by local residents through referendum or petition. Depending on the statute, “resident” may be defined as the municipal electorate, the owners and/or residents of the subject territory, and/or the electorate of the diminished territory;
- 3) Municipal determination – The annexing jurisdiction takes unilateral action.
- 4) Judicial determination – The state’s judiciary determines whether a proposed annexation should occur.
- 5) Quasi-legislative or administrative determination – An independent administrative board or commission, or unit within a state agency determines whether a proposed annexation should occur (Sengstock 1960; Galloway and Landis 1986).

Occasionally, states attempt to reduce the frequency and intensity of annexation disputes between local jurisdictions by redistributing all or part of the final decision-making authority for boundary adjustments among the various parties (cities, townships or counties, residents, property owners) or from directly affected parties to governmental units (state agencies or commissions). These changes are made with the belief that if the entity or entities with less of a voice are given a stronger voice, greater equilibrium of power will be achieved and disagreements will subside.

The Michigan legislature, at various times, has engaged in this redistribution of power. In 1947, the legislature passed the Charter Township Act, which provided charter townships with some measure of boundary protection. In 1970, the State Boundary Commission was empowered to hear annexation and consolidation petitions in addition to their previous oversight of incorporations. The Charter Township Act was revised in 1978 to provide immunity from annexation for those charter townships that met specified criteria related to population, equalized valuation and public service provision. Most of the state’s 124 charter townships² have since reorganized in an attempt to gain this protection. The Michigan legislature has revisited the annexation issue and made modifications to the state’s boundary laws on other occasions, as well.

Of course, disagreements do not subside. The redistribution of power merely placates the complaining parties and enrages those from whom power was taken. Michigan’s numerous attempts at compromise over the annexation issue certainly have not lessened the frequency or intensity of disputes. Townships fight proposed annexations at boundary commission hearings, and in court, for years. Other strategies include “blocking” petitions presented to the boundary commission in order to buy time and some freedom from further actions, and detachment

² Approximately ten percent of Michigan’s 1,242 townships are charter townships.

proceedings to interrupt the contiguity of boundaries necessary for annexation (Browne and VerBurg 1995).

Changes to a state's annexation laws, regardless of the form they take, never reduce the number of disputes for one simple reason: annexation is always a zero-sum game. The winner gets the revenue. The loser gets nothing, even though a shopping center in Meridian Township, on the border of East Lansing, for instance, draws customers from both municipalities and creates as much traffic in East Lansing as in the township. To win at least some new revenue and avoid being shut out, a municipality usually offers tax rebates to retailers or developers, depriving the winner, as well as the loser, of the full benefits of the new business.

States are increasingly turning to legislation that attempts to convert this "win-lose" situation into a "win-win" scenario for both units. Intergovernmental agreements addressing municipal boundary expansion, service delivery and revenue sharing are seen by many states as a viable alternative designed to avoid "municipal cannibalism." Allowing local governments to work together on land use issues that arise along municipal boundaries advances the opportunities for economic development and fosters collaborative intergovernmental relations. If both municipalities receive revenue from the shopping center, for example, the pressure on the townships to fight annexation is reduced, as is the pressure to offer rebates in an attempt to try to land it.

The Michigan legislature, with support from local governmental organizations, adopted legislation in December 1984 designed to resolve these issues. The *Conditional Land Transfer Act*, P.A. 425, 1984 (PA 1984, No. 425; MCLA 124.21 et. seq.) provided Michigan local governments with new tools to engage in cooperative economic development projects for mutual gain. The text of PA 425 is reproduced in Appendix A. The following discussion summarizes the basic provisions of PA 425, reviews the pertinent provisions of all the agreements filed since the law's inception, and recommends changes to the law to respond to the emerging policy issues facing the communities wishing to utilize Michigan's alternative to annexation

Basic Provisions of PA 425

Conditional Land Transfer

As the name implies, the "Conditional Land Transfer Act" permits two or more local units to enter into a written agreement to "conditionally transfer" property for a period not to exceed 50 years for the purpose of an economic development project. Local units are defined as cities, townships and villages. The agreement may be renewed for additional periods not to exceed 50 years upon approval of the legislative bodies of the involved units.

Impact on Transferred Land

What does it mean to "conditionally transfer" land under a PA 425 agreement? When land is conditionally transferred to another unit, for example from township to city, the area transferred is subject to complete control by the receiving unit. (PA 1984, No. 425, § 8). The property becomes subject to the ad valorem levy and other tax levies (including city income taxes, if applicable) of the receiving unit. The property is afforded access to the full scope of municipal

services.³ The property assessment records and voting records of residents may be transferred to the recipient unit of government.⁴ The transferred land becomes subject to the planning and zoning actions of the receiving unit.⁵ In short, for all practical purposes the transferred area is attached to the unit to which the land has been transferred. The transfer is “conditional” in that the parties can agree that the land will be returned to the jurisdiction of the transferring unit upon the expiration of the contract. If, for example, the 425 agreement calls for the transferred land to revert to the township upon expiration of the agreement, presumably all the cited functions revert back to control of the township, and township laws concerning taxation, zoning, etc. in effect at the time of the reversion control the property.

“...for the purpose of an economic development project”

PA 425 is quite permissive both in terms of its application and the flexibility provided to cities, villages and townships. The stated purpose of PA 425 is to enhance economic development, housing, and environmental protection. “Economic development” means “land and existing or planned improvements suitable for use by an industrial or commercial enterprise, or housing development, or the protection of the environment, including, but not limited to groundwater or surface water.” (PA 1984, No. 425, § 1). Projects covered by Act 425 include everything from industrial park development to port improvements. PA 425 was amended in 1990 to redefine “housing development” as an economic development project in and of itself. Prior to the amendment, the legislation specified that housing development had to be incidental to commercial and industrial development. A 1997 Attorney General’s opinion, however, has prevented the consideration of public parks for recreational purposes as economic development projects. (Op. Atty. Gen. 1997, No. 6936).

Statutory Considerations

When formulating a 425 agreement, the local units of government are directed to consider several factors, including:

- Population;
- Land area and land uses;
- Assessed valuation;
- Past and probable future growth, including population increase, and commercial and industrial development;
- The need for organized community services;
- The cost and adequacy of governmental services in the area to be transferred;
- Probable change in taxes and tax rates in relation to the benefits expected to accrue from the transfer;
- The ability of the receiving jurisdiction to provide and maintain services; and
- The relationship of the proposed action to any relevant land use plans. (PA 1984, No. 425, § 3).

³ As will be discussed later, some of the actual agreements specify only selected services to be delivered to the transferred land area.

⁴ Most of the 425 agreements between cities and townships do call for the transfer of voting records and the assessment roll from the township to the city. However, in the township-township agreements this is not the case. In several city-township agreements where non-contiguity is present, no such transfer of records take place either.

⁵ In some cases the agreement requires concurrence between the two units on issues related to planning and zoning.

The extent to which local units are to “consider” these factors is not stated in the statute, and presumably specific reference to them in an agreement is not required.

Written Contract Provisions

PA 425 permits flexibility in the development of the written agreement. The law identifies the basic components to be considered in a contract:

- 1) Any method by which the contract may be rescinded or terminated by any participating local unit prior to the stated date of termination.
- 2) The manner of employing, engaging, compensating, transferring, or discharging personnel required for the economic development project to be carried out under the contract.
- 3) The fixing and collecting of charges, rates, rents, or fees, where appropriate, and the adoption of ordinances and their enforcement by or with the assistance of the participating local units.
- 4) The manner in which purchases shall be made and contracts entered into.
- 5) The acceptance of gifts, grants, assistance funds, or bequests.
- 6) The manner of responding for any liabilities that might be incurred through performance of the contract and insuring against any such liability.
- 7) Any other necessary and proper matters agreed upon by the participating local units. (PA 1984, No. 425, § 6).

Section 7 identifies further contract provisions, including:

- 1) The length of the contract;
- 2) Specific authorization and terms for the sharing of taxes and other revenues;
- 3) Methods of contract enforcement; and
- 4) Identification of which unit has jurisdiction over the transferred area upon expiration of the agreement.⁶

Public Meetings; Referendum

PA 425 requires each local legislative body to hold at least one public hearing on the proposed agreement prior to its approval by a majority vote of both legislative bodies. The draft agreement is subject to referendum if, within 30 days of the public hearing, a petition is filed with the clerk containing signatures equal to 20 percent or more of the registered voters in the land area to be transferred (or by persons owning 50 percent or more of the land to be transferred if no registered voters reside in the transferred area). Either local unit, on its own, may call for a referendum on the proposed agreement. Any referendum on the proposed agreement must approve the transfer by a simple majority vote of the electors in that local unit.

State Oversight

In practical terms no state oversight of 425 agreements exists. Under the statute, the only state involvement is the requirement that a duplicate original of the agreement be filed with the Secretary of State, Office of the Great Seal. Thereafter, the Michigan Department of

⁶ Later discussion will illustrate that several agreements are, in fact, silent on one or more of these points.

Transportation reviews the agreement to ensure the accuracy of the boundary descriptions. The transfer of property takes place only when filing is accomplished. The filing constitutes prima facie evidence of the conditional transfer. (PA 1984, No. 425, § 10).

Annexation Prohibited

While an agreement is in effect, “another method of annexation or transfer shall not take place for any portion of an area transferred under the contract.” (PA 1984, No. 425, § 9). This provision, together with PA 425’s revenue sharing provisions, provides the parties with the necessary incentive to pursue agreements. As will be discussed later, it also provides an incentive for some municipalities to pursue “blocking” agreements to prevent annexation by specific municipalities. Under Michigan’s annexation laws, only parcels contiguous to a city’s boundary may be annexed. An Attorney General’s Opinion from 1990 is an important piece of this picture, because it determined that property outside of a city’s limits may not be annexed to the city if the property is separated from the city by a contiguous parcel that has been previously conditionally transferred to the city under a 425 Agreement. (Op. Atty. Gen. 1990, No. 6667).

Summary of PA 425 Agreements

As of December 1999, 175 agreements were on file with the Office of the Great Seal. Six were rescinded subsequent to their filing, leaving a total of 169 agreements in force in the State of Michigan. The database used for the following discussion is comprised of these 169 agreements.⁷

Use of 425 Agreements

The popularity of 425 agreements has steadily increased since the enactment of PA 425. Of the agreements on file, 18.4 percent were executed between 1985 and 1989, 39.1 percent between 1990 and 1994, and 42.5 percent between 1995 and 1999 (Figure 1).

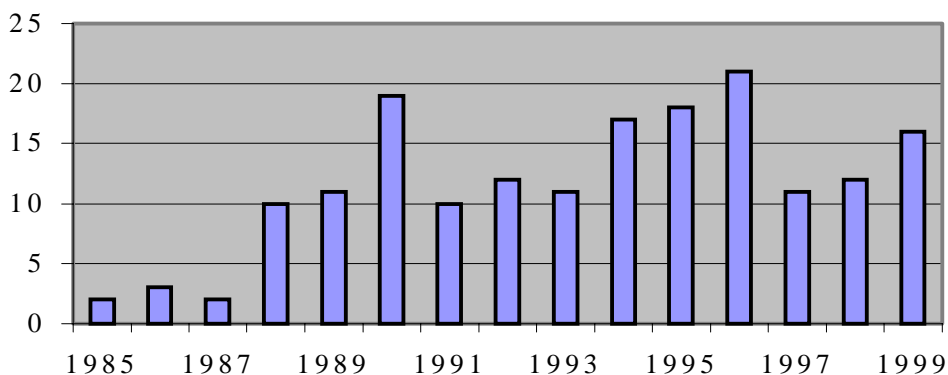


Figure 1: Number of Agreements, by Date.

⁷ One of these agreements is currently on appeal before the Michigan Court of Appeals. It is specifically addressed in a subsequent section of this paper.

Region

Geographically, participating units are dispersed around the state, but all the contracts, with the exception of four, are between local units in the Lower Peninsula. The southwest region of the state accounts for 71 (42.0 percent) of the PA 425 agreements on file with the Office of Great Seal, with the City of Three Rivers holding the distinction of being a party to more agreements than any other jurisdiction (12). The southeast region represents the next most active region, with 29 filed agreements (Table 1).

Table 1: 425 Agreements, by Region

Region	No. Contracts	Pct. Total
Upper Peninsula	4	2.4
North	25	14.8
West Central	20	11.8
East Central	20	11.8
Southeast	29	17.2
Southwest	71	42.0
Total	169	100.0

Contracting Parties

The vast majority (82.2 percent) of 425 agreements are between a township and a city (Table 2). The frequency of the city-township arrangement should not be a surprise since annexation disputes are most often a city-township dispute. Cities have developed the municipal infrastructure that is needed to serve new development. Township-township agreements have been the subject of much recent discussion. As a number of these arrangements have only recently appeared, questions have been raised as to whether the actual intent of the townships is to promote economic development or to thwart annexation proposals by neighboring cities.

Table 2: Parties to Agreement

Parties	No. of Contracts
Township - City	139
Township - Township	10
Village - Township	18
Village - City	2

Duration of Contract

The duration of most 425 agreements is the full 50 years permitted by statute (Table 3). Jurisdictions participating in 425 agreements enthusiastically prefer long-term agreements over agreements of 20 years or less. The average length of time that these contracts are in force is 38.6 years.

Table 3: Length of 425 Contracts

Years	Number
Less than 5	1
5 - 9	7
10 - 14	7
15 - 19	6
20 - 24	11
25 - 29	12
30 - 34	18
35 - 44	0
45 - 50	107
Avg. Length	38.6

Disposition of Land Upon Expiration of Agreement

Over 50 percent of the agreements require jurisdiction over the subject land to be transferred permanently to the receiving city or village upon contract termination. However, a surprising 39 percent of the agreements call for the land to revert back to the transferring unit of government. A small number of the contracts contain either an automatic renewal clause or are subject to renegotiation at the end of the contract term. One agreement, containing several different parcels under differing terms and conditions, even contains a clause for the township to assume jurisdiction over a parcel currently within the city limits; effectively executing a detachment without following statutory detachment proceedings. Of the 169 agreements, 7 contracts do not include a “disposition clause,” despite the statutory directive to do so (Table 4).

The township-township agreements create an interesting situation. All ten of these contracts call for the subject property to revert to the transferring township. In reality, this is the only option available to the jurisdictions since adjusting township boundaries between two townships has never been executed in Michigan. As will be discussed later, this raises a question as to whether township-township 425 agreements can be valid if boundary adjustments are not legally possible.

Table 4: Disposition of Land upon Termination

Disposition Upon Termination	Number of Contracts	Pct. Of Total
Revert to Original Jurisdiction	66	39.1
Permanently Transferred	87	51.5
Renegotiate at Expiration	9	5.3
Not Stated	7	4.1

Revenue Sharing

PA 425 was designed to serve as an attractive alternative to most annexation actions by permitting the receiving unit to share revenue with the unit that is transferring the land. In a review of the 169 conditional land transfer agreements, all but twelve of the 169 agreements contain a revenue sharing clause. Although the law is silent on how the parties may structure any revenue sharing provisions, the general intent of the agreement in most cases is to fully reimburse the transferring unit for lost property tax revenues and, in many cases, to provide “bonus” or incentive monies to the unit in recognition of the land transfer. Thus the transferring unit is made whole while the receiving unit gains revenues from the incremental increase in valuation resulting from the economic development project.

The flexibility of PA 425 permits local jurisdictions to work out mutually beneficial revenue sharing clauses. As a result, a wide variety of arrangements can be found among the agreements currently on file. Some of the more common arrangements include:

- A specific number of mills, the township's full millage rate plus a full or a fraction of a mill as incentive;
- A specific number of mills plus a percentage of the revenues collected from the transferred land based, on the levy upon the transferred land;
- A percentage of the revenues collected from the transferred land;
- A percentage of the user fees collected from the transferred land; or
- A flat rate of revenue per year.

Emerging Policy Issues of 425 Agreements

PA 425 has been part of the local government landscape for 15 years. With 175 agreements filed with the state thus far, numerous policy issues have emerged. These issues have come to light from both a review of these filed agreements, as well as from extensive work by Michigan State University Extension personnel with numerous Michigan municipalities. A discussion of these emerging policy issues (many of which are intertwined), and suggestions for addressing them follows.

Policy Issue: Agreements Without Plans

425 agreements are a tool for revenue sharing, but these agreements also can be a valuable tool for implementing community development objectives. The review of current agreements reveals that, in most cases, 425 agreements are developed as a reaction to immediate development opportunities. Indeed, the original impetus for PA 425 was a proposal for cooperation between the City of Flint and Genesee Township in response to General Motor's expressed desire to expand a manufacturing plant. This is an appropriate use of 425 agreements, so long as the type and location of these development opportunities are consistent with the communities' long-term vision for the future.

Suggestion for Reform: Agreements With Plans

Ideally, a 425 agreement should be part of a larger comprehensive effort by neighboring communities to create certainty in planning boundary changes or freezes over a long time horizon. Legislative amendments that require agreements to be consistent with an adopted land use plan or, at a minimum, that a plan be developed in conjunction with the agreement, would accomplish this objective. Wisconsin has adopted legislation that allows cities, villages and townships to cooperatively determine municipal boundaries and enter into service agreements upon the adoption of a cooperative plan that addresses physical development, service provision, housing and environmental needs (Wis. Stat. § 66.023 et. seq.). The Wisconsin Department of Administration must review and approve these plans before they effect. The plans must be for a period of 10 years, and may be longer if approved by the Department of Administration.⁸ This type of statutory requirement gives communities an opportunity to be cooperative and comprehensive in planning for future growth and development, and provides the public with an opportunity to participate in shaping that future.

Policy Issue: Length of Agreements

The average contract period of the 169 filed 425 agreements is 38.6 years; an extremely long time in the institutional memory of most local governments. Many different local officials and

⁸ Wisconsin law also provides for intergovernmental agreements "for the receipt or furnishing of services or the joint exercise of any power or duty required or authorized by law." (Wis. Stat. § 66.30). Many Wisconsin municipalities have used Section 66.30 to make boundary agreements without pursuing the lengthy planning process required of Section 66.023. For example, a township will agree not to contest annexation of particular parcels in exchange for a city's agreement not to pursue annexation of other parcels. Recent litigation has called the validity of these "boundary" agreements into question.

administrative officers will serve their respective townships, cities and villages during the contract period. It is entirely likely that a public official serving in 2010 will be unaware that a formal agreement executed in 1990 even exists. Research by Quinones in 1998-99 found that one in every three officials contacted in a random survey were unaware that their unit had developed a 425 agreement with an adjacent municipality (Quinones 1999). PA 425 has been in effect for only 15 years. Over 40 percent of the agreements have been executed in only the last 5 years. If 425 agreements are getting lost in the shuffle of municipal business in this relatively short period of time, the likelihood that a municipality will accurately track its rights and obligations for the full term of a 50-year contract is indeed remote.

Suggestions for Reform: Limit Length of Contract, or Require Periodic Review

Given the evidence that existing 425 agreements are already getting lost in the shuffle, the legislature must implement a system under which local policymakers must periodically review and/or reaffirm contract provisions. While there *may* be valid reasons for entering into relatively long-term agreements (for example, to fully capture and share the revenues from an economic development project) there exists no sound policy reason for permitting *fifty-year* agreements without reaffirmation by the parties. Communities grow and change dramatically over time. Planners have historically limited long-term comprehensive planning to a twenty-year time horizon (five and ten-year comprehensive plans are now becoming the norm). The lion's share of revenue flowing from an economic development project can also be captured during a twenty-year period.

One option is to limit 425 agreements to ten years in length, with automatic renewal clauses upon agreement of both jurisdictions at the end of each ten-year period. This would allow policymakers to evaluate the progress and relative success of the economic development project, and to re-negotiate, if appropriate, the terms and conditions contract. Another option is to allow non-negotiable twenty-year agreements that must be acknowledged by the governing bodies of the municipalities every four years. This would ensure that each new board and council is made aware of the municipality's involvement in these agreements. Under both scenarios, a centralized system of tracking agreements and notifying municipalities of their duties would be ideal.

Policy Issue: Reversion of Control at Expiration of Contract

For the parties to the 39 percent of the agreements that call for the transferred land to revert to the original jurisdiction upon expiration of the agreement, the potential for significant confusion exists. If the objective of these agreements (economic development) is accomplished, the transferred land will take on an unquestionably urban character. The residents and businesses within the transferred area will be city residents accustomed to receiving the full scope of city services. The residents have voted in city elections and their property has been assessed as city property. The land has been developed with city infrastructure and maintained by the city. At the expiration of these "reversion agreements," who owns the infrastructure? Will the city be willing to turn the infrastructure back to the township without compensation? Will the subject land and its residents receive the same level of services? Will the governing bodies of the communities be receptive to the change in political landscape that the shifted block of voters will bring about? Most of the 425 agreements calling for reversion fail to address these issues. It is

safe to assume that the parties to these contracts have set themselves up for major legal battles forty or so years from now.

As stated earlier, when 425 agreements are filed with the Office of the Great Seal, the office sends the agreement to MDOT for verification of the accuracy of the boundaries. Agreements that call for land reversion necessitate additional work for MDOT, create confusion over the actual boundaries of the municipalities and increase the chance for error in delineating the “old” city limits.

Suggestion for Reform: Prohibit Reversion to Transferring Unit of Government

The initial discussions of boundary adjustment enabling legislation in the early 1980’s suggested that the law was originally viewed as a type of “installment” annexation process that permits the transferring unit of government to share in the revenue from economic development taking place in a disputed border region; this, as opposed to the conventional all-or-nothing annexation proceeding. The evidence from a review of the executed agreements casts a different view on what is actually happening with conditional land transfers. If over 39 percent of the agreements call for reversion to the transferring unit of government, then revenue distribution alone, not revenue distribution coupled with boundary adjustments, is the central motivation behind these agreements. If revenue sharing is, indeed, the sole motivation of the municipalities involved in these agreements, they need to explore a simple revenue sharing agreement now permitted by the Urban Cooperation Act (MCLA 125.505a et. seq.). The act was amended in 1995 by PA 108 to allow “the sharing of all or portion of revenue derived by and for the benefit of a local governmental unit...” This option was made available for the very purpose described in many of the reversionary 425 agreements; that is, revenue sharing in exchange for service provision. If, however, it makes sense from a planning, political and economic perspective for the receiving unit of government to assume all the jurisdictional responsibilities over the transferred property, then a 425 agreement that *permanently* shifts these responsibilities is the preferred alternative. PA 425 should be amended to reflect the distinctions in the intent of these laws.

Municipalities trying to decide which type of agreement is appropriate for them should ask how this parcel fits into their long-term vision for their communities. Is it in an area likely to experience further development beyond its boundaries, or is it an “isolated” need for services? If it is in an area of future growth and change, a 425 agreement that permanently shifts boundaries is the preferred alternative. Again, land use planning is a critical first-step in developing a long-term vision for the future. Choosing the correct tools for implementing that vision is thus made easier.

Policy Issue: Non-Contiguity of Transferred Parcels

PA 425 is silent on the issue of contiguity of parcels. Under Michigan annexation law parcels must be contiguous in order for annexation to occur. If PA 425 was adopted primarily as an alternative, long-term method for annexation, then it should follow that parcels included in a 425 agreement be contiguous. Recent 425 agreements, however, have brought the issue of contiguity to light. The City of Lansing entered into a 425 agreement with Alaiedon Township, seven miles east of Lansing, to extend sewer and water services to the new corporate offices of a prominent local insurance company. This agreement, in effect, allows Lansing to leapfrog the City of East Lansing. The agreement provided Alaiedon Township officials with the means for protecting

township borders from annexation efforts by the City of East Lansing. Lansing viewed the agreement as a means of maintaining city income tax revenue from the 1,200 insurance company employees.⁹ The transferred parcel is now an island in the township. Insurance company employees, despite working in a building seven miles away from Lansing, are subject to Lansing city income tax. Due to its location, however, the parcel will not receive the full scope of city services. The City of Lansing entered into a similar 425 agreement with Meridian Township, also seven miles to the east, to supply water and sewer services to a new golf course and housing development. This agreement also leapfrogged the City of East Lansing. One of the motivating factors was again the fear of annexation by the City of East Lansing.

Suggestion for Reform: Require Contiguity

Both of the 425 agreements referred to above involving the City of Lansing call for the subject parcels to revert to the respective townships at the conclusion of the agreement. These are clearly revenue sharing agreements with ulterior motives. However, these two agreements raise important concerns about the long-term consequences of not requiring contiguity with the receiving jurisdiction. The State Boundary Commission will not approve annexations of non-contiguous parcels. Would the Lansing agreements be valid if they called for the permanent transfer of land to Lansing at the end of the contract periods? If not, what is the relevant point in time for the inquiry; that is, would they be immediately invalid upon their execution, or would officials need to wait 50 years to see if the parcels became contiguous (through growth of the city) during the intervening period?

These agreements also raise questions concerning the economy of such agreements. Should units seek the lowest cost options for obtaining infrastructure in order to minimize public costs? If so, running pipe a considerable distance to serve a non-contiguous parcel probably does not meet the test. In the Lansing-Alaiedon case, the State of Michigan used its financing capacity to subsidize a project that adopted a higher cost option when a lower cost alternative was present. Is this good policy?

Policy Issue: Blocking Agreements

Township-city 425 agreements often are negotiated in order to avoid an annexation battle. However, the law also opens an opportunity for a city and township (as in the Lansing-Alaiedon agreement) or two or more townships adjacent to a city to enter into 425 agreements in order to block annexations initiated by a city or a resident (recall that PA 425 prohibits annexation of property covered by a 425 agreement while the agreement is in force). From the review of executed agreements and conversations with local officials it is apparent that some townships have engaged in township-township 425 agreements as a defensive measure against annexation, with economic development only a minor consideration.

A case is currently pending before the Michigan Court of Appeals that grew out of an annexation petition initiated by a property owner (*Township of Casco, et. al. v. Michigan State Boundary*

⁹ The company's former headquarters was in downtown Lansing. The State of Michigan provided a \$2.1 million grant to partially offset the \$5.0 million cost of running the sewer and water lines to the new development. One major benefit of the agreement to the insurance company was a \$290,000 reduction in personal property tax liability. Such a reduction was possible because Lansing is designated as a "distressed city," granted the power to extend personal property tax abatements to firms and businesses expanding or locating within city boundaries.

Commission, CA No. 217621). The issue is whether a series of 425 agreements between Lenox Township and three other townships adjacent to the city of Richmond prevents the State Boundary Commission from considering the requested annexation, or whether the Commission has the authority to look beyond the agreement itself into the intent of the municipalities involved in the agreement. A review of the trial court record and discussions with officials makes it evident that the 425 agreements in question were blocking arrangements. Instead of negotiating a 425 agreement (or a revenue sharing agreement under the Urban Cooperation Act) with the neighboring City of Richmond, with sewer and water stubs a few hundred feet from the land in question, the townships developed cross-agreements and looked Macomb County Public Works to eventually provide services to the area, over a distance of some miles and at a cost in the tens of millions of dollars.¹⁰ The trial court concluded that the Boundary Commission had the authority to review these agreements to garner the true intentions of the parties, and the townships appealed. Oral arguments were held September 6, 2000. The court's decision will have a significant impact on the township-township 425 agreements.

In most city-township 425 agreements the transferred land is treated as city property subject to both the services and the millage levy of the city. Voting records, assessment records, zoning control, etc. are generally transferred to the city for the duration of the contract. With a township-township agreement, what services, records and area are conditionally transferred? The assessment records and voting records cannot be transferred from one township to another township when the land in question has not been conditionally transferred. Instead of a 425 agreement, when a township with a need for infrastructure seeks it from another township with the capacity to provide it, an intergovernmental "buy-sell" agreement is appropriate and sufficient to accomplish the objective without the complicating factor of the conditional land transfer.

Suggestions for Reform: Review of Agreements; Inquiry Into Intent of Agreements

The concern over blocking agreements, of course, is that 425 agreements could be used to land-lock cities and bring an end to annexation as allowed under current law. As in the Lenox Township case, townships could "surround" every city with township-township 425 agreements that impose insignificant economic development rights and responsibilities on the parties to the agreements. Similarly, the Lansing-Alaiedon agreement shows how a city and township can collaborate to head off the growth of a neighboring city.

One workable solution is to provide some measure of oversight over the content of 425 agreements. Currently the statute only dictates that agreements must be filed with the Office of the Great Seal, after which they are passed to the Department of Transportation to determine boundary accuracy. It is left to the judicial system, through lawsuits by neighboring municipalities, to determine whether an agreement is a valid tool for economic development or a

¹⁰ The "economic development" component of the agreements is perhaps best refuted by the Brief of Appellant, Lennox Township:

"...since the Boundary Commission knows why Lenox Township cannot commit to a specific timetable for sewers, it is wrong for the Boundary Commission to deny that the agreement is a valid Act 425 Agreement on that basis. *If that were the case, then no two townships could ever enter into an Act 425 Agreement in an attempt to keep a nearby municipality from annexing their property.*" (*Emphasis added*) (Brief of Appellant, p. 8).

ploy to block annexation. Whether it be the Office of the Great Seal, the State Boundary Commission, or a county or regional planning commission, the inclusion of an independent third-party empowered to review plans for their intent would reduce the specter of litigation.

In fact, third-party involvement would greatly aid with the implementation of other suggestions for reform found in this paper. With the assistance of Michigan State University Extension, the Office of the Great Seal has developed a database of all 425 agreements. The Office of the Great Seal could use this database to notify municipalities that the contract period of their agreement has expired, or that periodic review of the agreement is due. A county or regional planning commission could be given the opportunity to at least review 425 agreements and cooperating plans and make recommendations to ensure sound land use planning and consistency with existing plans. This type of oversight would create minimal intrusion into the contracting process while ensuring that the true intent of the law is being put into practice

Conclusion

While no formal economic evaluation of the PA 425 has been initiated, either by the state or other researchers, case examples have been reported (*see* Martin 1988; Perlberg 1990; Quinones 1999). Through these reports, and interviews conducted by MSU Extension personnel, indications are that PA 425 does, by in large, meet its intended objectives. Local officials from municipalities involved in such agreements indicate that the land transfer agreements did result in the creation of additional economic activity. In some cases, industrial tax abatements were granted to locating firms and expanding businesses, which makes it difficult to ascertain which policy instrument was the determining factor in expansion. It is probably safe to assume, however, that both policy instruments contributed to the economic development of the area. At a minimum, cooperation through an agreement, versus confrontation over annexation eliminates one obstacle to landing a development project. Officials report that the agreements improve intergovernmental cooperation, minimize the threats of annexation, and create an environment whereby economic development has the potential to evolve. An evaluation of the 425 agreements, beyond what has been reported here, is recommended, both to measure the effectiveness of the economic development tool and to glean successes and failures that could be instructive to other units contemplating a 425 agreement.

The Conditional Land Transfer Act should be viewed as an alternative to immediate annexation. In selected situations where economic development in a city is constrained due to the lack of available development sites and the city is experiencing population pressures, annexation may be the only reasonable policy option. Situations have emerged where 425 agreements were developed as a defensive mechanism in order to prevent annexation, as a revenue sharing arrangement more appropriately addressed through the Urban Cooperation Act, or as a buy-sell arrangement more appropriately handled with a fee-for-service contract. Public officials need to be mindful of the purpose and the intent of the PA 425; that is, to promote the long-term economic development of an emerging area on the border between two municipalities. Whether a 425 agreement will satisfy the mutual interests of both municipalities must be viewed in the context of long-range comprehensive planning for the area. Whether PA 425 will continue to

satisfy its stated policy objectives will depend on the steps Michigan legislators take to position it among other potential intergovernmental agreements as an effective alternative to annexation.

References

- Browne, W.P. and K. VerBurg. 1995. *Michigan politics and government: facing change in a complex state*. Lincoln, NE: University of Nebraska Press.
- Galloway, T.D. and J.D. Landis. How cities expand: Does state law make a difference? *Growth and Change* 17,4:25-45.
- Martin, T.R. 1988. Land transfers for economic development. *Michigan Municipal Review*, June, 19-21.
- Michigan compiled laws, annotated*. St. Paul, MN: West Publishing Co.
- Perlberg, E.J. 1990. Act 425: Best idea since ice cream. *Michigan Municipal Review*. March, 74-75.
- Quinones, A.R. 1999. *An analysis of the conditional land transfer program as a policy tool for economic development in Michigan*. Plan B Paper. East Lansing, MI: Michigan State University Department of Agricultural Economics
- Sengstock, F.D. 1960. *Annexation: A solution to the metropolitan area problem*. Ann Arbor, MI: University of Michigan Law School.
- VerBurg, K. 1990. *Managing the modern Michigan township*. East Lansing, MI: Michigan State University Department of Natural Resources.
- Wisconsin statutes, annotated*. St. Paul, MN: West Publishing Co.

Appendix A

Conditional Land Transfer Act, P.A. 1984, No. 425 (MCLA 124.21 et. seq.)

MICHIGAN COMPILED LAWS ANNOTATED

CHAPTER 124. MUNICIPALITIES

ECONOMIC DEVELOPMENT PROJECTS

(Current through 1999 Regular Session)

AN ACT to permit the conditional transfer of property by contract between certain local units of government; to provide for permissive and mandatory provisions in the contract; to provide for certain conditions upon termination, expiration, or nonrenewal of the contract; and to prescribe penalties and provide remedies.

124.21. Definitions

Sec. 1. As used in this act:

- (a) "Economic development project" means land and existing or planned improvements suitable for use by an industrial or commercial enterprise, or housing development, or the protection of the environment, including, but not limited to, groundwater or surface water. Economic development project includes necessary buildings, improvements, or structures suitable for and intended for or incidental to use as an industrial or commercial enterprise or housing development; and includes industrial park or industrial site improvements and port improvements or housing development incidental to an industrial or commercial enterprise; and includes the machinery, furnishings, and equipment necessary, suitable, intended for, or incidental to a commercial, industrial, or residential use in connection with the buildings or structures.
- (b) "Local unit" means a city, township, or village.

124.22. Conditional transfer of property; period, contract, renewal

Sec. 2. (1) Two or more local units may conditionally transfer property for a period of not more than 50 years for the purpose of an economic development project. A conditional transfer of property shall be controlled by a written contract agreed to by the affected local units.

(2) A contract under this act may be renewed for additional periods of not to exceed 50 years upon approval of each legislative body of the affected local units.

124.23. Formulation of contract; factors considered

Sec. 3. When formulating a contract under this act, the local units shall consider the following factors:

- (a) Composition of the population; population density; land area and land uses; assessed valuation; topography, natural boundaries, and drainage basins; and the past and probable future growth, including population increase and business, commercial, and industrial development in the area to be transferred. Comparative data for the transferring local unit and the portion of the local unit remaining after transfer of the property shall be considered.
- (b) The need for organized community services; the present cost and adequacy of governmental services in the area to be transferred; the probable future needs for services; the practicability of supplying such services in the area to be transferred; the probable effect of the proposed transfer and of alternative courses of action on the cost and adequacy of services in the area to be transferred and on the remaining portion of the local unit from which the area will be transferred; the probable change in taxes and tax rates in the area to be transferred in relation to the benefits expected to accrue from the transfer; and the financial ability of the local unit responsible for services in the area to provide and maintain those

services.

(c) The general effect upon the local units of the proposed action; and the relationship of the proposed action to any established city, village, township, county, or regional land use plan.

124.24. Public hearing; notice; vote

Sec. 4. (1) The legislative body of each local unit affected by a proposed transfer of property under this act shall hold at least 1 public hearing before entering into a contract under this act. Notice of the hearing shall be given in the manner provided by the open meetings act, Act No. 267 of the Public Acts of 1976, being sections 15.261 to 15.275 of the Michigan Compiled Laws.

(2) A decision to enter into a contract under this act shall be made by a majority vote of those members elected and serving on the legislative body of each affected local unit.

124.25. Resolution or petition requirements

Sec. 5. (1) A contract shall not be entered into under this act except in compliance with this section.

(2) If the governing body of a local unit involved in a transfer of property under this act adopts a resolution calling for a referendum on the transfer, the local unit may enter into the contract only if the transfer is approved by a majority of the electors voting on the transfer.

(3) If, within 30 days after a public hearing is held under section 4, [FN1] a petition signed by 20% or more of the registered electors residing within the property to be transferred is filed with the clerk of the local unit in which the property is located, a referendum on the transfer shall be held in that local unit. If a majority of the electors voting on the transfer approve the transfer, the local unit may enter into the contract.

(4) If no registered electors reside within the property to be transferred and if, within 30 days after a public hearing is held under section 4, a petition signed by persons owning 50% or more of the property to be transferred is filed with the clerk of the local unit in which the property is located, a referendum on the transfer shall be held in that local unit. If a majority of the electors in the local unit voting on the transfer approve the transfer, the local unit may enter into the contract.

(5) If a petition is not filed or resolution is not adopted as provided in this section, the local unit may enter into the contract to transfer the property.

124.25a. Circulation and signing of petitions; subject to applicable law; violations

Sec. 5a. Except as otherwise provided in this section, a petition under section 5, [FN1] including the circulation and signing of the petition, is subject to section 488 of the Michigan election law, 1954 PA 116, MCL 168.488. A petition under section 5(4) that is signed by landowners because no registered electors reside within the property to be transferred is not subject to section 488 of the Michigan election law, 1954 PA 116, MCL 168.488. A person who violates a provision of the Michigan election law, 1954 PA 116, MCL 168.1 to 168.992, applicable to a petition described in this section is subject to the penalties prescribed for that violation in the Michigan election law, 1954 PA 116, MCL 168.1 to 168.992.

124.26. Contract; provisions

Sec. 6. (1) If applicable to the transfer, a contract under this act may provide for the following:

(a) Any method by which the contract may be rescinded or terminated by any participating local unit prior to the stated date of termination.

(b) The manner of employing, engaging, compensating, transferring, or discharging personnel required for the economic development project to be carried out under the contract, subject to the provisions of applicable civil service and merit systems. An employee who is transferred by a local unit due to a contract under this act shall not by reason of the transfer be placed in any worse position with respect to worker's compensation, pension, seniority, wages, sick leave, vacation, health and welfare insurance, or any other benefits that he or she enjoyed before the transfer.

(c) The fixing and collecting of charges, rates, rents, or fees, where appropriate, and the adoption of ordinances and their enforcement by or with the assistance of the participating local units.

(d) The manner in which purchases shall be made and contracts entered into.

- (e) The acceptance of gifts, grants, assistance funds, or bequests.
- (f) The manner of responding for any liabilities that might be incurred through performance of the contract and insuring against any such liability.
- (g) Any other necessary and proper matters agreed upon by the participating local units.

124.27. Terms of contract; duration; obligations; enforcement; jurisdiction

Sec. 7. A contract under this act shall provide for the following:

- (a) The length of the contract.
- (b) Specific authorization for the sharing of taxes and any other revenues designated by the local units. The manner and extent to which the taxes and other revenues are shared shall be specifically provided for in the contract.
- (c) Methods by which a participating local unit may enforce the contract including, but not limited to, return of the transferred area to the local unit from which the area was transferred before the expiration date of the contract.
- (d) Which local unit has jurisdiction over the transferred area upon the expiration, termination, or nonrenewal of the contract.

124.28. Jurisdiction over property

Sec. 8. Unless the contract specifically provides otherwise, property which is conditionally transferred by a contract under this act is, for the term of the contract and for all purposes, under the jurisdiction of the local unit to which the property is transferred.

124.29. Limitations on annexation or transfer

Sec. 9. While a contract under this act is in effect, another method of annexation or transfer shall not take place for any portion of an area transferred under the contract.

124.30. Transfer contracts; filing, duplicates, prima facie evidence

Sec. 10. The conditional transfer of property pursuant to a contract under this act takes place when the contract is filed in the manner required by this section. After the affected local units enter into a contract under this act, the clerk of the local unit to which the property is to be conditionally transferred shall file a duplicate original of the contract with the county clerk of the county in which that local unit, or the greater part of that local unit, is located and with the secretary of state. That county clerk and the secretary of state shall enter the contract in a book kept for that purpose. The contract or a copy of the contract certified by that county clerk or by the secretary of state is prima facie evidence of the conditional transfer.

Date Executed	Units Involved	Purpose	Years	Revenue Sharing Agreement	Disposition at End of Agreement
06/10/96	Adrian City & Adrian T.	Econ Dev, Housing Dev	50	1.5 mills	Transfers to City
05/04/95	Adrian City & Madison Charter T.	Economic Development	50	Township millage rate	Reverts to Township
11/18/91	Albion City & Sheridan T. (3 sub-agrmnts)	Econ. Dev, Sewer, Water	50	Township Levy Not Less Than 4.0 Mills	Reverts to Township
07/04/94	Almont Village & Almont T.	Economic Development	50	Township Levy	Transfers to Village
12/15/89	AuGres City & Sims T.	Economic Development	50	1.0 Mills	Transfer to City
07/01/99	Bath Charter T. & Dewitt Charter T.	Econ. Dev., S/W	50	50% of millage revenue from transferred property	Reverts to Township
11/01/93	Beaverton City & Beaverton T.	Economic Development	20	2.0 Mills	Transfer to City
01/18/91	Benton Harbor City & Benton Charter T.	Economic Development	50	Township Levy	Reverts to Township
10/04/94	Benton T. & Inverness T.	Econ Dev, Env Protection	18	None	Reverts to Township
07/01/98	Beverly Hills Village & Southfield T.	Economic Development	30	None	Reverts to Township
06/21/94	Boyne City & Wilson T.	Economic Develop. Sewer, Water	10	Township Millage Rate	Automatic Renewal
12/05/87	Brighton City & Genoa T.	Economic Development	50	2.5 Mills	Transfer to City
03/15/90	Brown City & Maple Valley T.	Economic Development	30	2.0 Mills	Transfer to City
09/10/89	Cadillac City & Clam Lake T.	Sewer, Water, Refuse	50	1.0 Mills	Transfer to City
08/13/85	Caseville Village & Caseville T.	Economic Development	12	50% Indus. Fac. Tax	Reverts to Township
06/04/99	Cedar Springs City & Nelson T.	Economic Development	50	2.0 Mills	Transfer to City
01/01/92	Charlotte City & Carmel T.	Sewer, Water, Other	10	1.0 Mills	Transfer to City
07/19/93	Charlotte City & Carmel T.	Sewer, Water, Other	10	1.0 Mills	Transfer to City
02/13/92	Charlotte City & Eaton T.	Economic Development	10	1.0 Mills	Transfer to City
09/08/94	Charlotte City & Eaton T.	Economic Development	50	1.0 Mills	Transfers to City
11/01/98	Charlotte City & Eaton T.	Econ. Dev., S/W	50	2.0 Mills	Reverts to Township
07/14/92	Cheboygan City & Inverness T.	Econ. Dev., S/W	20	1 Mill * SEV + 50%2 State & Federal shared revenue	Reverts to Township
11/24/92	Cheboygan City & Inverness T.	Econ. Dev., housing	20	1.0 mills	Reverts to Township
12/21/92	Clare City and Grant T.	Economic Development	25	1.0 Mills	Reverts to Township
11/04/88	Coldwater City & Coldwater T.	Econ, Ind, Residential Dev	50	1.5	Transfer to City
05/04/95	Coldwater City & Coldwater T.	Economic Development	50	Tw millage rate + .5 mills, < 2.5 mills, + State Shared Rev.	N/A
04/12/96	Coldwater City & Coldwater T.	Econ. Dev, Env. Protection	50	1.6 Mills	N/A
10/28/96	Coldwater City & Coldwater T.	Economic Development	50	Tw millage + 0.5 mills, <2.5	N/A
03/18/98	Coldwater City & Coldwater T.	Econ. Dev. & Environmental Protection	50	Tw rate + 0.5 mills (not to exceed 2.25 mills of SEV)	Amend 05/04/95 Agreement, N/A
07/06/98	Coldwater City & Coldwater T.	Economic Development	50	None	Transfers to City
05/24/99	Coldwater City & Coldwater T.	Econ. Dev., S/W	50	20% of city millage levy	Transfers to City
10/05/99	Coldwater City & Coldwater T.	Housing	50	20% of city millage levy	Transfers to City
12/06/95	Coldwater City & Girard T.	Economic Development	50	Tw millage rate + .5 mills < 2.5 Mills	N/A
04/14/97	Dexter Village & Webster T.	Econ. Dev., S/W	50	Tw levy, < 1.16 mills	Reverts to Township
08/16/94	Dowagiac City & Pokagon T.	Economic Development	50	Township levy	Transfers to City
11/12/97	Dowagiac City & Pokagon T.	Econ. Dev., S/W	50	Tw millage rate <1.25 Mills	Transfers to City
07/05/96	Dowagiac City & Wayne T.	Economic Development	50	Tw millage rate < 1.25 Mills	Transfers to City
03/20/90	Dundee Village & Dundee T.	Economic Development	50	2.0 Mills	Reverts to Township, Renewal Clause
06/02/99	Dundee Village & Dundee T.	Economic Development	50	Tw millage rate	Transfers to Village
10/16/89	Durand City & Vernon T.	Economic Development	30	Township Millage Rate, <4.0 Mills	Transfer to City
12/01/89	Durand City & Vernon T.	Economic Development	30	Township Millage Rate, <4.0 Mills	Transfer to City
07/09/90	Durand City & Vernon T.	Economic Development	30	Township Millage Rate, <4.0 Mills	Transfer to City
07/09/90	Durand City & Vernon T.	Economic Development	50	Township Millage Rate, <4.0 Mills	Transfer to City
08/08/90	East Jordan City & South Arm T.	Economic Development	50	1 mill	Reverts to Township
05/05/98	East Lansing City & DeWitt Charter T.	Industrial & Commercial Development	30	3 mills for 1st 15 yrs, 2.0 mills thereafter	Transfers to City
04/20/99	East Lansing City & DeWitt T.	Infrastructure & Capital Improvements	31	3.0 Mills for 1st 15 yrs, 2.0 Mills thereafter	NOT STATED
02/09/96	Emmet Charter T. & Newton T.	Econ Dev, Housing Dev	25	Equivalent Millage	Reverts to Township
2/30/88	Flint City & Flint Charter T.	Airport Development	50	50% of Revenues	Reverts to Township

Date Executed	Units Involved	Purpose	Years	Revenue Sharing Agreement	Disposition at End of Agreement
10/27/95	Fowlerville Village & Handy T.	Economic Development	30	2 mills	Transfers to Village
10/18/99	Fowlerville Village and Handy T.	Econ. Dev., S/W	50	2 mills	Reverts to Township
03/15/96	Gaylord City & Bagley T.	Econ. Dev., S/W	5	Township Levy	Reverts to Township
06/13/96	Gaylord City & Bagley T.	Econ. Dev., S/W	8	None	Reverts to Township
07/09/90	Gaylord City & Livingston T.	Economic Development	5	Township Levy	Reverts to Township
09/28/90	Gaylord City & Livingston T.	Economic Development	5	Township Millage Levy	Reverts to Township
02/27/97	Gaylord City & Livingston T.	Econ. Dev., S/W	20	Tw millage rate	Reverts to Township
02/29/96	Gladstone City & Brampton T.	Economic Development	50	Tw millage rate	Reverts to Township
06/18/96	Gladstone City & Escanaba T.	Economic Development	50	3 mills	Transfers to City
07/14/93	Gladwin City & Buckeye T.	Economic Development	50	</ 2.0 Mills	Transfer to City
06/06/95	Gladwin City & Buckeye T.	Econ. Dev., S/W	50	1.0 Mills	Transfers to City
01/10/94	Gladwin City & Grout T.	Econ. Dev., S/W	50	Tw rate, < 2.0 Mills	Transfers to City
01/10/99	Gladwin City & Grout T.	Economic Development	50	1.0 Mill	Transfers to City
06/24/96	Gladwin City & Sage T.	Econ. Dev., S/W	50	1.0 Mill	Transfers to City
04/13/91	Green T. & Big Rapids Charter T.	Economic Development	5	Big Rapids to make payments on Bonds issued	Reverts to Big Rapids T.
12/20/86	Harbor Springs City & West Traverse T.	Economic Development	50	Township Millage Rate	Reverts to Township
01/10/94	Harbor Springs City & West Traverse T.	NA	50	1.5 Mills or Township Millage	Reverts to Township
03/15/96	Hart City & Hart T.	Economic Development	30	Tw millage + 1 mill	Transfers to City
12/29/93	Hartford City & Hartford T.	Economic Development	20	2.4 Mills, increases by 5% per year	Transfers to City
11/23/88	Hillsdale City & Fayette T.	Econ. Dev., S/W	30	3 mills of SEV + 50% all state/federal revenue	Automatic Renewal
09/16/99	Hillsdale City & Hillsdale T.	Sewer & Water	50	Tw millage rate + 1 mill	Reverts to Township
09/16/99	Hillsdale City & Hillsdale T.	Econ. Dev., S/W	50	Tw millage rage + 1 mill (not to exceed 3 mills)	Reverts to Township
12/30/92	Houghton City & Portage Charter T.	Economic Development	30	3 mills	Reverts to Township
12/30/92	Houghton City & Portage Charter T.	Economic Development	50	3 mills	Reverts to Township
01/19/87	Howell City & Marion T.	Econ. Dev., S/W	50	(1.28 Mills) or 7.61% Revenues	Transfer to City
06/20/89	Imlay City & Imlay T.	Economic Development	50	Tw millage rate, <5.0	N/A
05/11/93	Imlay City & Imlay T.	Economic Development	50	2.0 Mills	N/A
06/16/90	Ionia City & Berlin T.	Econ. Dev., S/W	7	2.0 Mills	Reverts to Township
12/13/88	Ionia City & Easton T.	Housing	50	50% Housing Commission Rev. + 50% State Shared Rev.	Transfer to City
10/15/90	Ionia City & Easton T.	Economic Development	20	2.0 Mills	Transfer to City
11/28/89	Ionia City & Ionia T.	Econ. Dev., S/W	50	1.5 Mills	Transfer to City
03/27/95	Ionia City & Ionia T.	Economic Development	50	1.5 Mills	Reverts to Township
09/25/96	Ithaca City & Newark T.	Economic Development	10	3 mills	Transfers to City
05/12/97	Laingsburg City & Sciota T.	Econ. Dev., S/W	50	2 mills	Transfers to City
10/27/98	Lansing City & Alaiedon T.	Comm. Dev., S/W	50	2.5 mills for 1st 10 years, 2.0 mills thereafter	Reverts to Township
07/16/99	Lansing City & Meridian T.	Econ. Dev., S/W	50	Township Levy, <10 mills	Reverts to Township
12/18/96	Lapeer City & Elba T.	Econ. Dev., S/W	50	1.5 mills	Transfer to City
03/29/85	Lapeer City & Lapeer T.	Econ. Dev., S/W	50	1.5 Mills	Transfer to City
06/24/94	Lawrence Village & Lawrence T.	Economic Development	50	Township levy	Reverts to Township
12/13/95	Lenox T. & Casco T.	Econ. Dev., S/W	30	50% of levy	Reverts to Township
11/02/95	Lenox T. & Columbus T.	Econ. Dev., S/W	30	50% of levy	Reverts to Township
11/02/95	Lenox T. & Richmond T.	Econ. Dev., S/W	30	50% of levy	Reverts to Township
10/03/88	Leslie City & Leslie T.	Economic Development	30	Tw Millage Rate	Revert to Township
05/08/95	Leslie City & Leslie T.	Econ. Dev., S/W	15	Township millage rate	Transfers to City
12/27/90	Marshal City & Marshal T.	Economic Development	50	10.81% of city levy	Reverts to Township
12/03/91	Marshall City & Fredonia T.	Economic Development	50	2.0 Mills or 10.81% of City Levy	Reverts to Township
06/03/91	Marshall City & Marengo T.	Economic Development	50	2.0 Mills or 11.36% of City Levy	Reverts to Township
10/18/93	Marshall City & Marshall T.	Economic Development	30	1.5 Mills	Transfer to City

Date Executed	Units Involved	Purpose	Years	Revenue Sharing Agreement	Disposition at End of Agreement
10/18/93	Marshall City & Marshall T.	Economic Development	50	2.0 Mills or 11.36% rev. city levy	Transfer to City
08/08/94	Marshall City & Marshall T.	Economic Development	50	2.0 Mills or 11.36% City Levy	Transfer to City
11/09/99	Marshall City & Marshall T. (1)	Economic Development	50	3.0 Mills	Transfers to City
11/09/99	Marshall City & Marshall T. (2)	Economic Development	50	3.0 Mills	Transfers to City
02/15/93	Mason City & Vevay T.	Economic Development	10	1.0 mills	Reverts to Township
08/01/94	Mason City & Vevay T.	Econ. Dev., S/W	25	2.1 Mills 1st 7 yrs, 3.0 Mills After	Reverts to Township
07/17/86	Milan City & York Township	Econ. Dev., S/W	50	15% Revenues of city levy	Reverts to Township
08/01/92	New Buffalo City & New Buffalo T.	Economic Development	50	1.0 Mills	Transfer to City
01/16/95	Newaygo City & Brooks T.	Economic Development	15	0.3 mills	Transfers to City
08/10/94	Newaygo City & Garfield T.	Economic Development	15	0.3 mills	Transfers to City
01/18/95	Newaygo City & Garfield T.	Economic Development	15	0.3 mills	Transfers to City
12/24/98	Niles City & Niles T.	Economic Development	20	Tw millage rate + 2.5 mills	Reverts to Township
03/04/92	North Adams V. & Adams T.	Economic Development	50	Township Levy	Reverts to Township
07/10/97	North Branch Village & North Branch T.	Economic Development	25	Tw millage rate	Transfers to Village
09/12/94	Otsego T. & Otsego City	Economic Development	1	No Revenue Sharing	Transfers to Township
10/24/94	Owosso City & Owosso T.	Industrial Development	25	3.0 mills	Renewal
07/12/99	Parma Village & Parma T.	Econ. Dev., S/W	50	30% of Revenue Sharing	Transfers to Village
11/13/91	Perry City & Perry T.	Residential Sewer & Water	50	2.0 Mills	Transfer to City
21/30/93	Perry City & Perry T.	Economic Development	50	1.0 mill 1994, increase 0.5 yearly until 98	Transfers to City
07/24/95	Petersburg City & Summerfield T.	Sewer, Water, Econ. Dev	50	1.0 mill	Renewal
09/26/94	Petoskey City & Resort T.	Econ., Res., Commer. Dev	50	2.0 Mills, after project 50% complete, 2.5 Mills	Renewal
11/04/96	Plainfield Charter T. & Alpine Charter T.	Econ Dev, Public Water	24	\$200 per hydrant	Reverts to Alpine T.
07/15/91	Plainfield Charter T. & Grand Rapids Charter	Econ. Develop., Env. Protection	50	No Sharing Revenue Provision	Reverts to Grand Rapids Charter T.
12/06/88	Portland City & Portland T.	Econ. Dev., S/W	50	1.5 mills	Renegotiate
05/14/92	Portland City & Portland T.	Econ. Dev., S/W	50	1.5 Mills	Reverts to Township
11/01/86	Reed City & Richmond T.	Econ. Dev., S/W	50	City levy returned	Reverts to Township
12/13/94	Richmond City & Lenox T.	Commercial Development	6	1/12 ad valorem tax (city)	Transfers to City
07/01/92	Rothbury Village & Grant T.	Economic Development	5	Township Levy	Renewable Up to 50 Yrs.
02/13/90	Saline City & Pittsfield Charter T.	Econ. Dev., S/W	50	No Revenue Clause	Reverts to Township
08/14/90	Saline City & Pittsfield Charter T.	Econ. Dev., S/W	50	35% of city levy revenues	Reverts to Township
11/18/91	Sheridan T. & Albion City	Econ. Dev, Sewer, Water	50	No Revenue Shared	Reverts to City
12/28/94	South Haven City & S. Haven Charter T.	Industrial & Residential Develop.	25	0.6787 Mills	Transfers to City
05/09/95	South Haven City & S. Haven Charter T.	Ind. Dev, Env. Protection	25	0.6787 Mills	Transfers to City
10/24/88	St. Clair City & St. Clair T.	Econ. Dev., S/W	25	1.0 Mills	Transfer to City
02/14/95	St. Johns City & Bingham T.	Econ Dev, Water & Sewer	50	1.0 Mills	Transfers to City
09/01/96	St. Johns City & Bingham T.	Econ. Dev., S/W	20	1.0 Mills	Transfers to City
03/31/88	Standish City & Lincoln T.	Econ. Dev., S/W	50	70% St/Fed Shared Revenue	Transfer to City
10/27/89	Standish City & Lincoln T.	Econ. Dev., S/W	50	1.0 Mill, +70% St/Fed Shared Revenue	Transfer to City
09/08/97	Stanton City & Day T.	Industrial Dev.	30	4.0 mills	Reverts to Township
08/14/95	Sturgis City & Fawn River T.	Econ. Dev., S/W	15	1.5 mills	Transfers to City
07/15/98	Sturgis City & Fawn River T.	Econ. Dev., S/W	25	1.5 Mills	Transfers to City
09/15/98	Sturgis City & Sherman T.	Econ. Dev., S/W	25	1.5 Mills	Transfers to City
12/18/95	Tecumseh City & Tecumseh T.	Economic Development	50	None	Reverts to Township
01/21/97	Tecumseh City & Tecumseh T.	Econ. Dev. (Restaurant)	50	1.6 mills or Tw levy </ 2.5	Transfers to City
07/23/98	Tekonsha Village and Tekonsha T.	Econ. Dev., S/W	50	2.0 Mills	Reverts to Township
05/04/90	Three Rivers City & Fabius T.	Econ. Dev., S/W	50	1.5 Mills + Tw levy	Transfers to City
01/22/91	Three Rivers City & Fabius T.	Econ. Dev., S/W	50	1.5 Mill + Tw levy	Transfers to City
01/22/91	Three Rivers City & Fabius T.	Economic Development	50	2.0 Mills	Reverts to Township

Date Executed	Units Involved	Purpose	Years	Revenue Sharing Agreement	Disposition at End of Agreement
12/12/95	Three Rivers City & Fabius T.	Econ. Dev., S/W	50	2.0 Mills	Reverts to Township
08/20/97	Three Rivers City & Fabius T.	Commercial Sewer & Water	25	Township millage rate + 2.8 mills	Transfers to City
05/20/98	Three Rivers City & Fabius T.	Commercial Sewer & Water	50	3.0 mills (yrs. 1-25), 2.0 mills (yrs. 26-50)	Transfer to City
04/06/99	Three Rivers City & Fabius T.	Econ. Dev., S/W	50	3.0 mills (yrs. 1-25), 2.0 mills (yrs. 26-50)	Transfer to City Unless Renewed
05/16/88	Three Rivers City & Lockport T.	Econ Dev, Sewer, Water	50	Township millage rate + 0.5 Mills	Transfers to City
04/14/89	Three Rivers City & Lockport T.	Econ. Dev., S/W	50	Township Levy + 0.5 mills	Transfer to City
03/20/90	Three Rivers City & Lockport T.	Econ. Dev., S/W	50	Township millage + 0.5 mills	Transfers to City
03/21/90	Three Rivers City & Lockport T.	Economic Development	25	Township Operating Millage + 0.5 Mills	Transfer to City
07/09/90	Three Rivers City & Lockport T.	Economic Development	50	Township Millage Levy + .5 mills	Renegotiate at end of Contract
06/02/92	Three Rivers City & Lockport T.	Econ. Dev., S/W	50	Township Operating + 1.0 Mills	Transfers to City
12/17/96	Three Rivers City & Lockport T.	Econ. Dev., S/W	50	2.5 Mills	Transfers to City
09/04/90	Traverse City & Garfield Charter T.	Econ. Dev., S/W	50	Township millage rate, not higher 5.0 mills	Reverts to Township
03/11/96	Union City Village & Burlington T.	Economic Development	50	None	Reverts to Township
10/09/96	Union City Village & Burlington T.	Economic Development	50	None	Reverts to Township
05/13/98	Union City Village & Burlington T.	Housing	50	None	Reverts to Township
04/08/96	Union City Village & Union T.	Economic Development	50	None	Reverts to Township
06/26/96	Utica City & Shelby T.	Economic Development	30	3.0 Mills (yrs.1-15) + several other contingencies	Transfers to City
12/04/89	West Branch City & West Branch T.	Economic Development	50	25% of City levy, + 50% State Shared Revenue	Transfers to City
12/15/97	West Branch City & West Branch T.	Economic Development	50	25% of General Operating Revenue, 50% of SRS	Transfers to City
12/15/97	West Branch City & West Branch T.	Economic Development	50	25% of General Operating Revenue	Transfers to City
03/24/99	West Branch City & West Branch T.	Econ. Dev., S/W	50	25% of City Levy	Transfer to City
06/06/96	Williamston City & Wheatfield T.	Economic Development	20	1.5 mills	Transfer to City
01/11/94	Williamstown T. & Wheatfield T.	Economic Development	20	1/2 Wheatfield's taxes on property to Williamston	Reverts to Wheatfield
12/30/97	Wyoming City & Byron T.	Economic Development	50	1 Mill	Reverts to Township
04/19/93	Zeeland City & Zeeland Charter T.	Economic Development/W	50	User Fees	Reverts to Township
Rescinded					
03/27/89	Gaylord City & Bagley T.	Sewer, Water	5	Township Levy	Reverts to Township. Rescinded 08/92
09/11/90	Gaylord City & Bagley T.	Sewer, Water	10	Township Levy	Reverts to Township. Rescinded 08/92
11/03/89	Mason City & Vevay T.	Econ. Dev., S/W	30	2.1 Mills 1st 7 yrs. 3.0 Mills After	Reverts to Township
08/20/90	Marlette City & Marlette T.	Econ. Dev., S/W	40	\$258 per year	Reverts to Township. (Rescinded 01/95)
02/04/88	St. Charles Village & Swan Creek T.	Industrial Develop.	50	None	Reverts to Township. Contract terminated 10/94
05/11/93	Sterling Heights City & Utica City	Water, Sewer	15	1.0 Mills	Reverts to Utica. Rescinded 06/96

Data Compiled By:

Dr. Lynn Harvey & Kelly Morrissey

Department of Agricultural Economics

and

Gary Taylor

Extension Specialist - State and Local Governemnt

Michigan State University

08/01/00