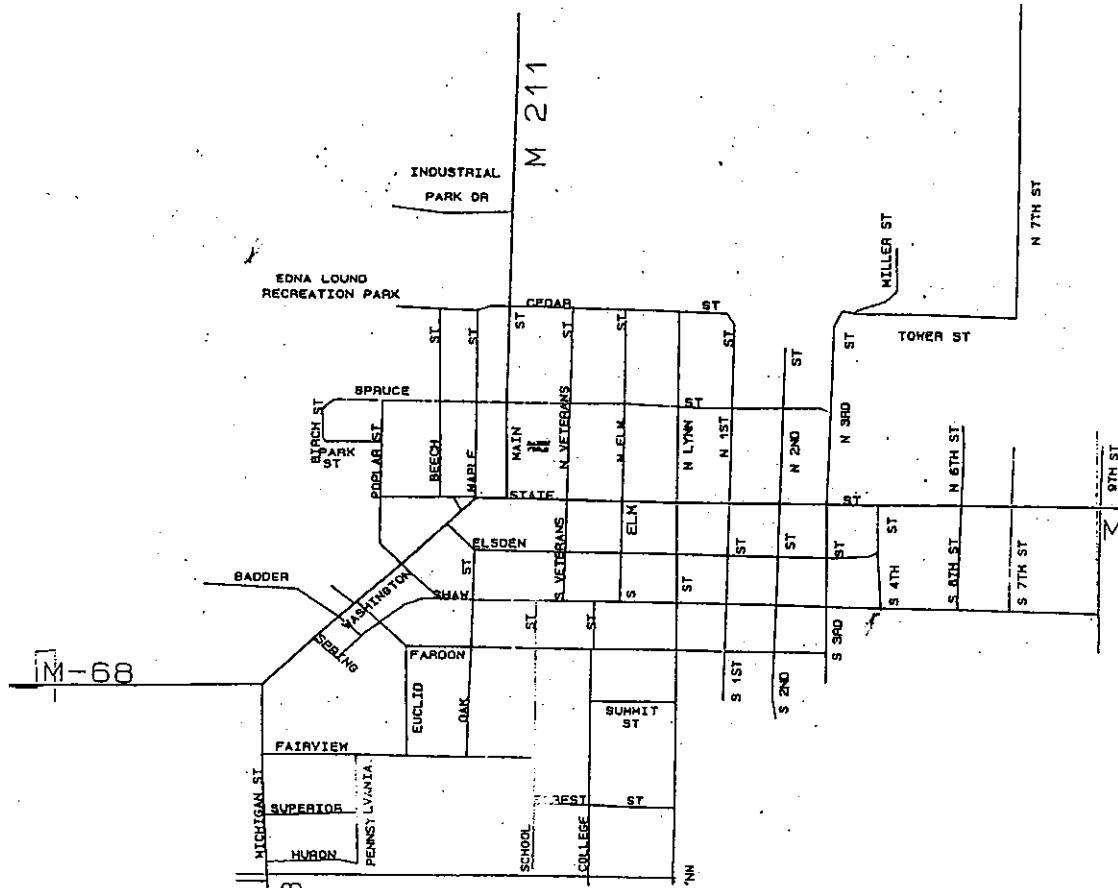


City of Onaway

Development and Tax Increment Financing Plan



City of Onaway
Presque Isle County, Michigan
Downtown Development Authority

November 2011

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SECTION I INTRODUCTION

A. Purpose of the Downtown Development Authority Act

This plan has been developed under the provisions of Michigan Public Act 179 of 1975, commonly referred to as the Downtown Development Authority Act. The Act was developed, in part, to correct and prevent deterioration within business districts, promote economic growth and revitalization, encourage commercial revitalization and historic preservation, authorize the acquisition and disposal of interests in real and personal property, authorize the creation and operation of a downtown development authority board, and authorize the levy and collection of taxes, the issuance of bonds, and the use of tax increment financing in the accomplishment of specific development activities contained in locally-adopted development plans.

The Act seeks to attack problems of urban decline, strengthen existing areas, and encourage new private developments in Michigan downtowns. It seeks to accomplish this goal by providing communities with the necessary legal, monetary, and organizational tools to revitalize economically distressed areas, either through publicly initiated projects or in concert with privately motivated development projects. The manner in which downtown development authorities choose to make use of these tools does, of course, depend on the problems and opportunities facing each particular redevelopment area and the development priorities sought by the community and board in the revitalization of its area.

This development plan has been prepared within the purposes of the Act, and the problems and priorities as perceived by the Onaway Downtown Development Authority and as submitted for the approval of the Onaway City Commission.

B. Creation of the Onaway Downtown Development Authority and District

On October 18, 2010, the Onaway City Commission adopted Ordinance 2010-03 (see Exhibit 1), creating a Downtown Development Authority under Public Act 179 of 1975, and designating the boundaries of the Authority district, within which the Authority will exercise its powers. The original district included the City's State Street (M-68) business district between Second and Beech streets. On April 6, 2011 (see Exhibit 2), the City Commission adopted Ordinance 2011-01, which expanded the district

to all of M-68 (State and Washington) from Second Street to the M-68/M-33 intersection.

C. Activities of the Onaway Downtown Development Authority

At the first formal meeting of the Onaway DDA, conducted January 12, 2011 at Onaway City Hall, the board elected and full compliment of officers and adopted bylaws containing rules and procedures for its conduct.

At subsequent meetings, conducted April 12, 2011 and July 28, 2011, the DDA made a final determination as to the project area contained within this plan, designated future projects and activities of the DDA to occur within the project area, reviewed data on assessments and projected tax increments, and recommended that the Onaway City Commission approve the Development and Tax Increment Financing plans that contain the above.

D. Legal Basis for the Onaway Downtown Development Area

Public Act 189 of 1975 provides the legal mechanism for local officials to address the need for economic development in the development district. In the City of Onaway, the Development Authority District, subject of this Development Plan, can be generally described as incorporating public right-of-way along both sides of M-68 (State and Washington) from Second Street to the M-68/M-33 intersection (Reference Map 1), which is the historic business corridor of the City of Onaway. This Development Plan and Tax Increment Financing Plan states the type of projects and undertakings within the districts and sets the expiration date of the plans as the fiscal year ending 2041.

E. Basis of the Authority's Determination for the Onaway Development Area

The project area, as recommended by the Onaway Downtown Development Authority, is identical to the DDA boundaries, and based on the belief of the DDA that any successful efforts of the City of Onaway to revitalize its business district will rely on the willingness, capability, and timeliness of its municipal structure to encourage, initiate, propose, and participate in the maintenance of existing, and development of new and renovated, private and public uses and projects that will bring about physical improvement to businesses, create new jobs, retain businesses, attract new businesses, bring people and traffic into the downtown, and improve the City's tax base.

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The Downtown Development Authority has identified certain priorities intended to guide its activities over the short-term. It also has identified certain long-range downtown improvements that this Development Plan will address and toward which it is directed. These priorities include:

1. Collect ideas and concerns from the business community and share these ideas and concerns with the City Commission, so that future actions of the Commission impacting the downtown will take place with input from that sector.
2. Partner with the City Commission and its public works department to ensure that downtown infrastructure, including sidewalk, stamped concrete, lamp posts, flower boxes, banners, and trash receptacles are maintained throughout the year and over time.
3. Extend streetscape, including stamped concrete, flower boxes, banners, and trash receptacles through the project area. Consider additional streetscape, such as benches, throughout project area.
4. Relocate all overhead utility lines needed within the project area from overhead to underground. Ask that any overhead power lines that become unnecessary be eliminated from the project area.
5. Take steps to improve the appearance of the downtown, including the acquisition and demolition of properties that have fallen into a state of disrepair. Look for buyers for these properties once they have been demolished, with priority given to neighbors who have a need for such property or those who have immediate development plans for it.
6. Participate in the creation of parks and related attractions that would create an increased traffic flow through the business district. This could include, but is not limited to, flower or sculpture gardens in the project area.
7. Participate in programs or plans that would improve off-street parking within the project area, particularly in those areas where a lack of parking serves as a deterrent to those stopping and spending time within the business district.
8. Research and determine what commercial activities are absent from the downtown district, and promote and encourage the development

of new commercial facilities within the district, with a goal of “all buildings occupied.”

9. Participate in programs that allow for and encourage façade improvements within the downtown.
10. Schedule, coordinate, and promote events that bring people into the downtown.

F. Purpose of the Tax Increment Financing Plan for the Onaway Downtown Development Area

The purpose of the Tax Increment Financing Plan for the development area is to provide the legal authority and procedure for the public financial participation necessary to assist the DDA in accomplishing the activities identified in its Development Plan.

The Tax Increment Financing Plan outlines financing for the following activities, as applicable:

1. Continued maintenance, repair, and replacement of existing infrastructure within business district, including sidewalks, stamped concrete, lampposts, flower boxes, banners, and trash receptacles.
2. Purchase of additional infrastructure within the business district, including sidewalks, stamped concrete, lampposts, flower boxes, banners, benches, and trash receptacles.
3. Property appraisals, title searches, legal services, purchase negotiations, and payment for real and personal property acquisitions.
4. Demolition and clearance of selected properties and buildings
5. Public parking lot construction.
6. Creation of parks and other attractions that will bring additional traffic to downtown.
7. Street reconstruction and improvement, including utility (and overhead wire) relocation and replacement.

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8. Participation in projects that will improve the appearance of the downtown, including those that promote façade improvements.
 9. Studies that assist in the determination of commercial activities that are missing in the downtown, which help achieve the goal of “all buildings occupied.”
 10. Promotion of events that draw people to the downtown.

SECTION II DEVELOPMENT PLAN

A. Boundaries of the Onaway Downtown Development Area

1. The boundaries of the DDA are illustrated on Map 1.
2. Legal and general description of the boundaries of the Onaway Downtown Development Area can be found in Exhibit 3.

B. Development Plan Objectives

It is the objective of the DDA of the City of Onaway to develop and implement development and financing plans focused on improving and maintaining the retail-commercial center of the City. This plan will seek to improve the attractiveness of the commercial core by addressing certain public improvement and maintenance needs and encouraging private sector improvements. The plan will be directed at the provision of taking steps that increase the amount of people that visit and frequent the downtown.

C. Location, Character, and Extent of Existing Public and Private Land Uses

The Development Area contains a varied assortment of public and private land uses, including office, commercial, residential, vacant, government, and public street areas. Provided below and shown on Map 2 is a more detailed account of the character and extent of both public and private uses found in the Development Area on the date of adoption of this plan.

1. Existing Public Land Uses

Existing public uses in the Development Area include the following (for uses and locations see Map 2):

- a) The historic Onaway Courthouse
- b) Approximately 8,000 linear feet of public street right-of-way
- c) Maxon Field is just north of Development Area, and could be considered as an addition to Area in the future

2. Existing Private Land Uses

Existing private uses in the Development Area include the following (for uses and locations see Map 2):

- a) A variety of commercial uses including restaurants, general retail, financial institutions, service entities, offices, and other such uses.
- b) A limited number of single family homes and multi-family residences.

D. Location, Character, and Extent of Proposed Land Uses

The location, character, and extent of those public and private land uses which will result from these and other planned development activities are described below.

1. Proposed public land uses include the following:

- a) Continued maintenance, repair, and replacement of existing infrastructure within business district, including sidewalks, stamped concrete, lampposts, flower boxes, banners, and trash receptacles.
- b) Purchase of additional infrastructure within the business district, including sidewalks, stamped concrete, lampposts, flower boxes, banners, benches, and trash receptacles.
- c) Street reconstruction and improvement, including utility (and overhead wire) relocation and replacement.

2. Proposed private land uses. The DDA may undertake the following:

- a) Assistance to private property owners in the preparation of engineering and architectural work for façade improvements in the Project Area.
- b) Acquisition of private property for the purpose of implementing façade improvements and with the intent of eventual resale to the involved property owner.

Detailed policies and procedures would need to be developed by the DDA to implement these options, to prioritize the use of public funds, to identify those properties or areas where such funding will provide the maximum benefit and to include private investment requirements or other assurances that the improvements as proposed or developed or actually implemented.

E. Property acquisition

This plan anticipates that in the future it may be in the best interest of the DDA, the City, and its citizens for the DDA to acquire privately held property. Under this plan, the DDA proposes to acquire land on an as-needed or as-determined basis.

Legal basis for the acquisition of privately owned properties:

The legal basis under which the City of Onaway may take and transfer privately owned property to the DDA, and the DDA may acquire such property and other property for use in accordance with an approved Development Plan is provided in Section 7(g) and Section 10 of the Act which state as follows:

“Acquire by purchase or otherwise, on terms and conditions and in a manner the authority deems proper or own, convey, or otherwise dispose of, or lease as lessor or lessee, land and other property, real or personal, or rights or interest therein, which the authority determines is reasonably necessary to achieve the purposes of this act and to grant or acquire licenses, easements, and options with respect thereto.”

“A municipality may take private property...for the purpose of transfer to the authority, and may transfer the property to the authority for use in an approved development, on terms and conditions it deems appropriate, and the taking, transfer, and use shall be considered necessary for public purposes and for the benefit of the public.”

F. Existing Improvements to be Altered, Removed, or Repaired

1. The DDA may cause the removal of some existing structures. In addition, the DDA shall cooperate with the City in the demolition of deteriorated buildings in the Project Area in conjunction with City codes, including those that regulate safety and general maintenance.

2. Other Existing Improvements to be Removed

Future appearance improvements in the public right-of-way could include the removal of existing infrastructure, including overhead power, phone, and cable lines, or sidewalk sections (which could be replaced with stamped concrete.)

3. Description of Repairs and Alterations

Existing public infrastructure, including sidewalk, stamped concrete, lampposts, flower planters, and trash receptacles will receive ongoing repair and maintenance throughout the life of this Plan. Some of the pedestrian corridor in the Project Area may be altered to include some of these items.

4. Buildings to be Altered, Rehabilitated, or Removed

It is the intent of this Plan to alter or rehabilitate structures and buildings whenever possible so as to improve the general aesthetics and economic viability of downtown Onaway. The DDA will, however, cooperate with the City in the removal of deteriorated properties in conjunction with the City's code and ordinance enforcement process.

G. *Location, Extent, Character, Estimated Cost, and Estimated Time of Completion of Improvements, including Rehabilitation Contemplated for the Development Area.*

Presented in the following table is a summary description of the location, extent, character, and estimated cost of improvements to be undertaken and financed by the DDA.

As noted, the types of public improvement work to be carried out includes:

1. Partnering with the City Commission and its public works department to ensure that downtown infrastructure, including sidewalk, stamped concrete, lamp posts, flower boxes, banners, and trash receptacles are maintained throughout the year and over time.
2. Extending streetscape, including stamped concrete, sidewalk, flower boxes, lampposts, banners, benches, and trash receptacles through the project area.

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3. Relocating all overhead utility lines necessary within the project area from overhead to underground, and eliminating any overhead power lines that become unnecessary within the project area.
 4. Improving the appearance of the downtown, through acquisition and demolition of properties that have fallen into a state of disrepair.
 5. Participation in the creation of parks and related attractions that could create increased traffic flow through the business district.
 6. Construction of off-street parking in areas where lack of parking serves as a deterrent to those who might otherwise stop and spend time in the business district.
 7. Implementation of public relations programs, including the staging of events that bring people into the downtown.
 8. Creation of funding program to assist with the improvement to business facades.

Summary of Proposed Improvements
Onaway Downtown Development Authority

<u>Item No.</u>	<u>Extent and Character</u>	<u>DDA Cost</u>	<u>Performed</u>
1	Infrastructure Maintenance	150,000	2011-2041
2	Infrastructure Additions	150,000	2011-2041
3	Utility Line Relocations	100,000	2011-2041
4	Acquisitions and Demolitions	75,000	2011-2041
5	Park/Attractions Creation	75,000	2011-2041
6	Public Off-street Parking	50,000	2011-2041
7	Public Relations Programs	50,000	2011-2041
8	Façade Improvement Program	50,000	2011-2041

H. Planned New Development

The DDA anticipates new private developments as a direct result of the proposed public improvements. It also is hoped that through the efforts of the DDA, additional private developments and improvements will occur as a result of the spin-off of the public investment.

I. Existing and Planned Open Space

At the present time, there is very little open space in the Project Area. Maxon Field, used a baseball field in the spring and summer, and for other uses throughout the year, is just north of the Project Area and could be added in the future through the procedure specified in the Act.

J. Land Disposition

The DDA may acquire, through purchase or lease, publicly held property as part of this Development Plan. Property acquired from the City may be resold for a private development. Disposition of any properties acquired in the future will be performed in accordance with specific terms and conditions to be established by the DDA.

K. Description of Zoning and Proposed Changes

The existing zoning is set forth on Map 3. Any zoning changes or revisions will be addressed by the Planning Commission. Variances will be the responsibility of the City Commission, in its capacity as Zoning Board of Appeals.

L. Proposed Right-of-Way Adjustments and Changes to Street Grades, Intersections, and Utilities

This Plan calls for the relocation of overhead utilities to underground and the elimination of any overhead utilities that no longer are needed in the Project Area. There are no changes proposed to right-of-ways, street grades, or intersections.

M. Development Cost Estimates and Financing

The total cost of completing all activities, projects, and improvements proposed by the DDA Development Plan, and to be undertaken and financed, at least partially, through the DDA, is estimated to be \$350,000. These costs include expenditures for activities associated with the

accomplishment of each of the projects described in the plan, including various administrative costs and contingencies.

The DDA expects to finance these activities from one or more of the following sources:

1. Future Tax Increment Revenues
2. Interest on Investments
3. Proceeds from any property, building, or facility owned, leased, or sold by the DDA.
4. Special Assessments, with support of the area affected and as approved by the City Commission.
5. Monies obtained from other sources approved by the City Commission, which may include grant and loan funds or a line of credit from the City to the DDA. This line of credit will carry an interest rate to be negotiated, and a term not to exceed the duration of this plan.

The proceeds to be received from tax increment revenues in the DDA plus the availability of funds from other authorized sources will be sufficient to finance all activities and improvements to be carried out under this plan.

N. Identification of Private Interests, Parties, or Individuals to Whom the Development Will be Sold or is Being Undertaken

At the time of the adoption of this Plan, there are no private interests, parties, or persons identified to whom land for new development will be sold, leased, or conveyed. All development activity and improvements described in this Plan will remain under public ownership or control with the City of Onaway or other public entity created by the City of Onaway.

O. Proposed Land Disposition Terms and Bidding Procedures

The terms under which land designated for new development will be sold, leased, or otherwise conveyed to private development interests shall be determined by the DDA upon approval by the City Commission.

The procedures by which bids for the purchase or conveyance of property will be received and awarded will be consistent, and in accordance with, existing procedures and practices used by the City of Onaway in disposing of other City-owned property or other procedures as subsequently determined by the DDA.

The DDA and City Commission reserve the right to select the development proposal and/or the developer whose proposal for purchase best meets the intent of this Development Plan and the best interest of the City.

P. Estimates of the Number of Persons Residing in the Development Area and the number of Families and Individuals to be Displaced.

There are less than 100 persons in the Development Area and no displacement of families is contemplated.

Q. A Plan for Establishing Priority for the Relocation of Persons Displaced by the Development Area

Since no persons will be displaced from the Development Area by any of the proposed projects, it is not necessary to prepare a plan for establishing priority for displaced persons with respect to relocation assistance.

R. Provision for the Costs of Relocating Persons and Businesses Displaced by the Development and Financial Assistance and Reimbursement of Expenses

This Development Plan contains no projects that would directly or indirectly displace any persons or businesses.

S. Plan Provisions for Compliance With Act 227 of the Public Acts of 1972

This Development Plan contains no projects that would directly or indirectly displace any persons or businesses. However, if such displacement was to occur, it would be handled through an agreement between the City and the owners of the business, with compensation, as applicable, for acquisition of land, building, and facilities, as well as relocation costs.

SECTION III TAX INCREMENT FINANCING PLAN

This Tax Increment Financing Plan is established to make possible the financing of all or a portion of the costs associated with the carrying out and completion of those activities and improvements contained in the officially adopted Development Plan for the Development Area as may be amended from time to time.

A. Tax Increment Financing Procedure

The tax increment financing procedure as outlined in the act requires the adoption by the City, by Ordinance, of a Development Plan and Tax Increment Financing Plan. Following the adoption of that Ordinance, the municipal and county treasurers are required by law to transmit to the DDA 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 tax amounts to be transmitted are hereinafter referred to as "Tax Increment Revenue." The "Captured Assessed Value" is defined by the Act as the "amount in any one (1) year, by which the current assessed value of the project area, including the assessed value of property for which specific local taxes are paid in lieu of property taxes...exceeds the initial assessed value." The initial assessed value is defined by the Act as "the assessed value, as equalized, of all the taxable property within the boundaries of the development area at the time the ordinance establishing the tax increment financing plan is approved, as shown by the most recent assessment roll of the municipality for which equalization has been completed at the time the resolution is adopted. Property exempt from taxation at the time of the determination of the initial assessed value shall be included as zero. For the purpose of determining initial assessed value, property for which a specific local tax is paid in lieu of a property tax shall not be considered to be property that is exempt from taxation. The initial assessed value of property for which a specific tax was paid in lieu of a property tax shall be determined as provided in subdivision "(c)" of the Act.

When the authority determines that it is necessary for the purposes of this act, the authority shall prepare and submit a Tax Increment Financing Plan to the governing body of the municipality. The plan shall include a Development Plan as provided in Section 17.(2) of the Act, a detailed explanation of the tax increment procedure, the maximum amount of bonded indebtedness to be incurred, and the duration of the program, and shall be in compliance with Section 15 of the Act. The plan shall contain a

statement of the estimated impact of tax increment financing on the assessed values of all taxing jurisdictions in which the development area is located. The plan may provide for the use of part or all of the captured assessed value.

Approval of the Tax Increment Financing Plan shall be pursuant to the notice, hearing, and disclosure provisions of Section 18 of the Act. If the Development Plan is part of the Tax Increment Financing Plan, only one hearing and approval procedure is required for the two plans together. Presented in Exhibit 4 are schedules of the current or “initial” assessed values of all real and personal property in the Development Area.

B. Estimates of Captured Assessed Values and Tax Increment Revenues

Provided in Exhibit 5 is a schedule of estimated dollar amounts of captured assessed values and tax increment revenues to be realized from increases in real and personal property values in the Development Area from 2011 through 2041. These estimates are based on the experience of the Onaway City Tax Assessor. The estimates have taken into account expected changes or adjustments (increases and decreases) in current 2011 base year real and personal ad valorem property assessments, removals and additions of real and personal property, and changes in the assessed values of properties for which a specific local tax is paid in lieu of property taxes. The projections include new construction complete or underway during the 2011 calendar year. The other years of the projection are based on appreciation only. A total of 25.2643 mills were applied to the captured assessed totals for ad valorem real and personal property. Under the Tax Increment Financing Plan, the entire increment amount is to be utilized by the DDA, though some will be repaid to the City for projects, including the continued maintenance of Project Area infrastructure, including sidewalk and streetscape.

C. Use of Tax Increment Revenue

The tax increment revenue paid to the DDA by the municipal and county treasurers is to be disbursed by the DDA from time to time in such a manner as the DDA may deem necessary and appropriate in order to carry out the purposes of the Development Plan, including but not limited to the following:

1. The principal, interest, and reserve payments required for any bonded indebtedness to be incurred in its behalf for purposes provided in the Development Plan.

2. Cash payments for initiating and completing any improvements or activity called for in the Development Plan.
3. Any annual operating deficits that the DDA may incur from acquired and/or leased property in the Development Area.
4. Interest payments on any sums that the DDA should borrow before or during the construction of any improvement or activity to be accomplished by the Development Plan, after approval of the City.
5. Payments required to establish and maintain a capital replacement reserve.
6. Payments required to establish and maintain a capital expenditure reserve.
7. Payments required to establish and maintain any required sinking fund.
8. Payments to pay the costs of any additional improvements to the Development Area that are determined necessary by the DDA and approved by the City.
9. Any administrative expenditure required to meet the cost of operation of the DDA and to repay any cash advances provided by the City. This may include quarterly payments to the City to support overhead expenses.

The DDA may modify the priority of projects and payments at any time if, within its discretion, such modification is necessary to facilitate the Development Plan then existing and is permitted under the term of any outstanding indebtedness.

D. If any Bonded Indebtedness is to be Incurred:

Revenues to support these costs shall be derived from any of the following sources, or from a combination of these sources:

1. The issuance of one or more series of revenue bonds during the years when development activities are to be initiated and completed; and/or

2. Funds borrowed from the City of Onaway at rates and terms to be agreed upon or as set forth elsewhere in this Development and Financing Plan; and/or

3. Cash

Tax collections generated by the Captured Assessed Value are adequate to provide for payment of principal and interest on such revenue bonds or funds borrowed from the City.

The amount of bonded indebtedness or indebtedness to be incurred by the DDA and/or City of Onaway for all bond issues or loans including payments of capitalized interest, principal, and required reserve shall be determined by the City, upon the recommendation of the DDA. At the time of the adoption of this Plan, the DDA estimate of maximum bonded indebtedness, if bonding is to be used or indebtedness to be incurred by the project, is \$100,000, including project costs and bonding expenses.

E. Annual Surplus of Tax Increment Revenues

Monies left over from a completed project shall be allocated to other projects on the list, until the list is completed. To the extent that the tax increment revenues of the DDA exceed the sum necessary for the DDA to meet the commitments and payments of the projects identified in the Proposed Improvements of the DDA, said surplus funds shall revert proportionately to the respective taxing jurisdictions as provided in Section 15(2) of the Act.

F. Duration of Plan

The Tax Increment Financing Plan shall last thirty (30) years except as the same may be modified from time to time by the City Commission of the City of Onaway upon notice and upon public hearing and amendments as required by the Act.

G. Impact on Assessed Values and Tax Revenues

The overall impact on the Development Plan is expected to generate increased economic activity in the Development Area, the Downtown District, the City of Onaway, and Presque Isle County at large. This increase in activity will, in turn, generate additional amounts of tax revenue to local taxing jurisdictions through increases in assessed valuations of real and personal property and from increases in personal income of new

employment within the Development Area, the Downtown District, the City of Onaway, other neighboring communities, and throughout Presque Isle County. As identified earlier under Exhibit 6 of this Plan, the expected increases in assessed valuation for existing property and new construction in the development area have been estimated for the 2011-2041 tax years.

For purposes of determining the estimated impact of this Tax Increment Financing Plan upon those taxing jurisdictions within the Development Area, estimates of captured assessed values were used along with 2011 tax millage allocations to determine tax increment revenue amounts that would be shifted from these jurisdictions to the DDA to finance the project activities called for in the Development Plan.

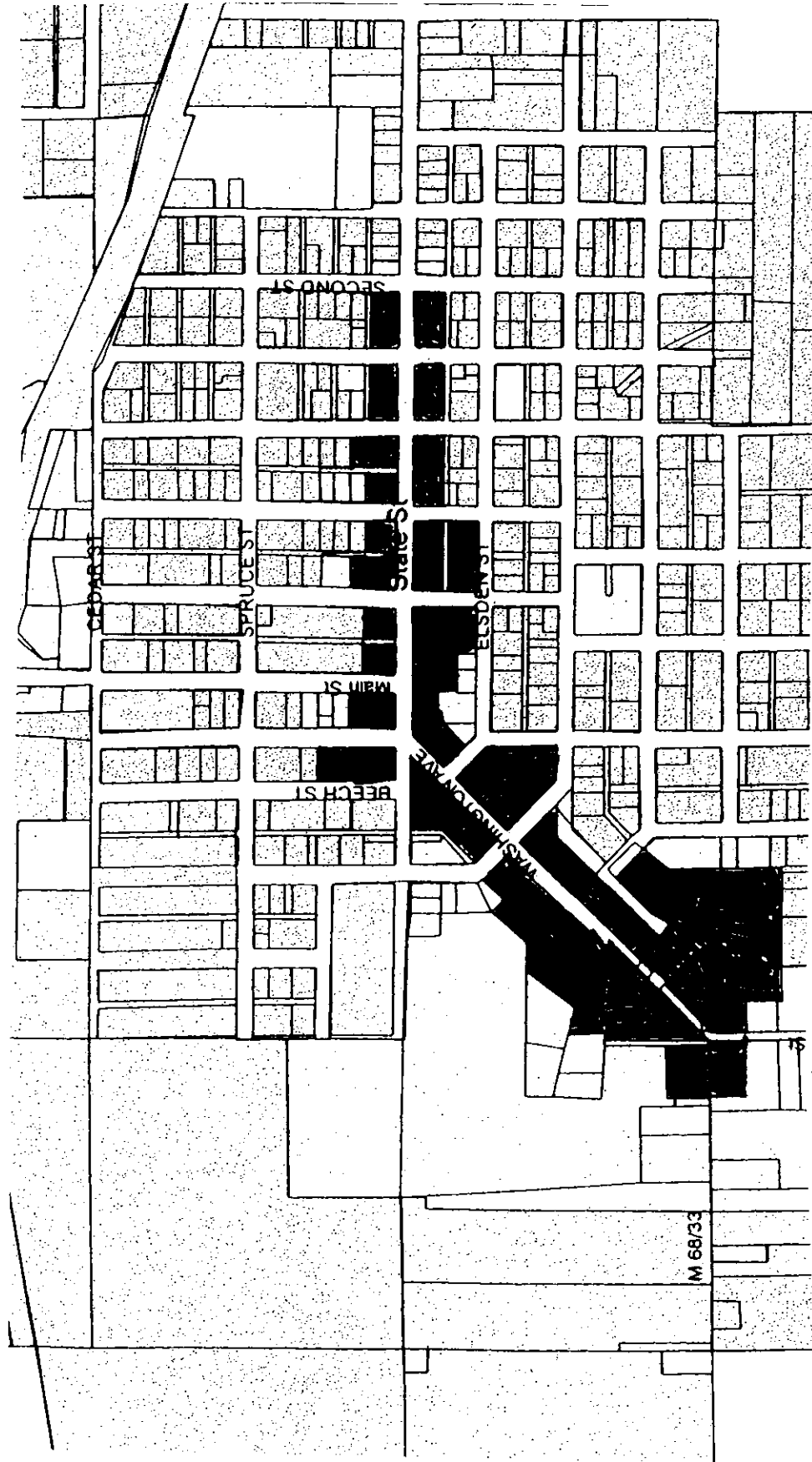
H. Use of Captured Assessed Values

The Development and Tax Increment Financing Plan provides for the use of all of the captured assessed value by the DDA for the purposes herein set forth.

I. Reports

The DDA shall submit annually to the Onaway City Commission and State Tax Commission a report on the status of the tax increment financing account. Such report shall comply with the requirements of Section 15(3) of the Act, as amended, a copy of which is provided under Exhibit 2.

Onaway Downtown Development District and Project Area



*DDA and Project Area shaded black