

HOUSE BILL No. 5428

January 8, 1992, Introduced by Reps. Profit, DeMars and Hertel and referred to the Committee on Conservation, Recreation and Environment.

A bill to provide for the reuse of certain real property for economic development purposes to reduce urban sprawl and to aid in the revitalization of property that is served by existing infrastructure; to prescribe the powers and duties of certain state departments and officials, communities, and other persons; and to prescribe procedures and criteria for the issuance and repayment of loans.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. As used in this act:

2 (a) "Community" means a county, city, township, or village
3 that meets the funding eligibility requirements of this act.

4 (b) "Council" means 1 or more counties, that in conjunction
5 with at least 2 cities, villages, or townships that are located
6 within a participating county, join together to address community
7 growth issues that affect a project area as required under

1 section 3. A council also may include regional planning
2 entities, metropolitan planning councils, and similar alliances
3 established to facilitate community growth.

4 (c) "Department" means the department of commerce.

5 (d) "Displacement" means the moving of persons from a
6 project area to another sector of the community, another communi-
7 ty, or another governmental unit.

8 (e) "Fund" means the fund created in section 2.

9 (f) "Infrastructure" means roads and public water and sewer
10 systems, utility service, and related land, equipment, and struc-
11 tures necessary to serve a project area.

12 (g) "Loan" means a disbursement of money from the fund to a
13 community that is a member of a council to finance a project that
14 meets the requirements of this act.

15 (h) "Person" means an individual, partnership, corporation,
16 association, governmental entity, or other legal entity.

17 (i) "Project" means the assembly of real property within a
18 community for economic development purposes, and may include, but
19 is not limited to, the purchase of property, necessary demoli-
20 tion, relocation of persons, necessary environmental investiga-
21 tion and remediation activities, and site improvements required
22 to make the property marketable for a proposed use to reduce
23 urban sprawl, or to aid in reutilizing property.

24 (j) "Project area" means the boundaries of the real property
25 to be purchased or as described in the project plan.

26 (k) "Project plan" means the information required by the
27 department for review of a proposed project.

1 (2) "Rule" means a rule promulgated pursuant to the
2 administrative procedures act of 1969, Act No. 306 of the Public
3 Acts of 1969, being sections 24.201 to 24.328 of the Michigan
4 Compiled Laws.

5 Sec. 2. (1) A fund is created within the state treasury.
6 The department shall administer the fund. The fund shall receive
7 money from appropriations and any other lawful source.

8 (2) The fund shall be used for projects within communities
9 for economic development purposes, to reduce urban sprawl, and to
10 aid in reutilizing property that is served by existing infra-
11 structure for communities that belong to a council and that meet
12 the eligibility requirements of this act.

13 (3) The fund shall operate on a revolving basis. Annual
14 appropriations, repayments to the fund, and all interest earned
15 by the fund shall remain in the fund to be made available for
16 future loans.

17 Sec. 3. (1) A community that is a member of the council is
18 eligible to apply for a loan from the fund if the council has
19 defined a geographic area to be served that consists of at least
20 1 county and has representation on the council from the county
21 government and at least 2 cities, villages, or townships within
22 the participating county. A geographical area can only be served
23 by 1 council.

24 (2) If regional planning agencies, metro councils, or simi-
25 lar alliances are in existence within a geographic area that
26 seeks to become a council, these agencies may be members of a

1 council and may represent county governments on a council with
2 the approval of the county executive or chairperson.

3 (3) A council shall meet the threshold planning requirements
4 by adopting growth management policies for the area being planned
5 and establishing strategies needed to implement those growth man-
6 agement policies. Growth management policies shall do all of the
7 following:

8 (a) Encourage economic development and infrastructure
9 investments in areas presently served by basic infrastructure.

10 (b) Encourage existing economic base industries to remain
11 and reinvest at their present locations.

12 (c) Support the development of regional transportation and
13 road systems that complement each other and provide for travel to
14 and from work and the movement of goods.

15 (d) Support urban and suburban residential neighborhoods and
16 community facilities as essential elements in a balanced and com-
17 petitive regional economy.

18 (e) Support the type of infrastructure investments in rural
19 areas that support rural residential and related town center land
20 uses that enhance long-term stability and discourage urban
21 sprawl.

22 (f) Recognize and support the preservation and enhancement
23 of open space and quality of life features that discourage urban
24 sprawl.

25 (4) A community that is a member of a council is eligible to
26 receive a loan from the fund if that community has adopted

1 through resolution or comparable legislative action the council's
2 growth management policies as described in subsection (3).

3 Sec. 4. (1) A council that completes all the threshold
4 requirements of section 3 may submit the required information for
5 formation of a council to the department.

6 (2) If the department approves the formation of a council,
7 the council shall establish organizational bylaws by which its
8 operations shall be governed and the council shall consider
9 applications that are for loans from the fund submitted to the
10 council by 1 or more of its community members.

11 (3) The council shall prioritize all projects submitted to
12 the council for review and later submittal by the community to
13 the department. The prioritization shall be prepared and evalu-
14 ated by a council based on the following point project rating
15 model:

16 PROJECT RATING MODEL

17 <u>Criteria</u>	18 <u>Points</u>
18 I. Money from the fund invested in rela-	
19 tion to number of jobs created:	
20 a. \$20,000 or more per job.	2
21 b. \$10,000 - \$19,999 per job.	6
22 c. \$1,000 - \$9,999 per job.	14
23 d. \$999 or less per job.	20
24 II. Private investment as a percentage of	
25 total project funding:	

1	a. Private funding in relation to fund	
2	investment at least 30% of total	
3	funding.	1
4	b. Private funding in relation to fund	
5	investment at least 40% of total	
6	funding.	3
7	c. Private funding in relation to fund	
8	investment at least 50% of total	
9	funding.	7
10	d. Private funding in relation to fund	
11	investment greater than 75% of total	
12	funding.	10
13	III. Federal, state, and community invest-	
14	ment as a percent of total project	
15	funding:	
16	a. At least 70% of total funding.	1
17	b. At least 60% of total funding.	3
18	c. At least 50% of total funding.	7
19	d. Greater than 40% of total funding.	10
20	IV. Value added to local tax base: state	
21	equalized value	
22	a. Less than \$1,000,000.	1
23	b. \$1,000,000 to \$3,000,000.	5
24	c. More than \$3,000,000.	10
25	V. Contribution to neighborhood	
26	revitalization:	

1	a. Neighborhood organization	
2	established pursuant to the	
3	Neighborhood assistance and participa-	
4	tion act, Act No. 56 of the Public	
5	Acts of 1980, being sections 125.801	
6	to 125.814 of the Michigan Compiled	
7	Laws.	1
8	b. Physical revitalization project	
9	proposed pursuant to Act No. 56 of the	
10	Public Acts of 1980.	5
11	c. Physical revitalization project	
12	funded.	10
13	VI. Immediate reuse potential:	
14	a. No immediate user involved in nego-	
15	tiations with community.	1
16	b. Immediate user involved in negotia-	
17	tions with community, but not publicly	
18	committed.	5
19	c. Immediate user identified and writ-	
20	ten commitment is submitted.	10
21	VII. Relative Tax Effort as annually deter-	
22	mined by the department of treasury	
23	<u>Communities</u>	
24	1. 1st Quartile	1
25	2. 2nd Quartile	3
26	3. 3rd Quartile	7

1	4. 4th Quartile	10
2	VIII. Encourages Reuse of Community Resources	
3	1. All infrastructure is immediately	
4	available and adequate.	3
5	2. Plan uses previously developed	
6	property.	3
7	IX. Intergovernmental cooperation	
8	Project benefits 2 or more units of	
9	government, or promotes and redevelops	
10	a significant transportation corridor	
11	or economic activity center.	3
12	X. Distressed community ranking profile	
13	developed by the department	
14	1. 1st Quartile	10
15	2. 2nd Quartile	7
16	3. 3rd Quartile	3
17	4. 4th Quartile	1
18	TOTAL	=====

19 Maximum Points = 100

20 Sec. 5. (1) A council shall develop its own criteria to
 21 assess the feasibility and desirability of a project proposed by
 22 a community that is a member of the council. However, at a mini-
 23 mum, the criteria shall require all of the following:

24 (a) That the growth management policies described in
 25 section 3 are met.

26 (b) That the project rating system described in section 4 is
 27 completed.

1 (c) That the eligibility requirements of section 2(2) are
2 met.

3 (2) Communities are encouraged to apply for planning loans
4 and to undertake detailed studies of project costs, benefits, and
5 feasibility before applying for loans for eligible project imple-
6 mentation activities as described in subsection (3)(b), (c), and
7 (d).

8 (3) Communities who receive approval of a preliminary
9 project application from the council may make an application for
10 a loan from the fund but only for 1 or more of the following eli-
11 gible activities:

12 (a) Planning and application preparation are eligible activ-
13 ities where 25% of the cost of preparing the application and
14 planning is provided by the applicant. Money from the fund
15 expended for planning and application preparation shall not
16 exceed 5% of the fund. Eligible activities are:

17 (i) Planning for the purchase of land and facilities and
18 site preparation.

19 (ii) Planning for site design costs, for environmental
20 assessments or environmental impact statement studies, for eco-
21 nomic development corporation studies and other studies related
22 to development of a site.

23 (iii) Development of plans for industrial parks, commercial
24 centers, research and development facilities and office centers,
25 town centers, and mixed use projects.

26 (iv) Appraisals for acquisition of land, demolition, and
27 relocation.

1 (v) Plans for the reuse of existing facilities to meet the
2 specifications of a user.

3 (vi) Options on land critical to a project.

4 (vii) Legal fees for organizing the project, except if legal
5 fees are paid pursuant to the uniform condemnation procedures
6 act, Act No. 87 of the Public Acts of 1980, being sections 213.51
7 to 213.77 of the Michigan Compiled Laws.

8 (viii) Other professional fees.

9 (b) Providing for infrastructure if the need to update
10 infrastructure or provide for increased capacity of existing
11 infrastructure, or both, is a prime consideration in attracting
12 reinvestment to areas where underutilized infrastructure exists.
13 Money from the fund expended for projects described in this sub-
14 division shall not exceed 10% of the fund.

15 (c) Land assembly, relocation, and demolition. Money from
16 the fund expended for projects described in this subdivision
17 shall not exceed 75% of the fund. The fund may be used for land
18 assembly, relocation, and demolition.

19 (d) Environmental cleanup, if there is a need for cleanup of
20 environmental contamination, not to exceed 10% of the fund.
21 Money from the fund is available for the cleanup of environmental
22 contamination only if no collectible or available potentially
23 responsible person exists as determined by the department of nat-
24 ural resources. In addition, leveraging of all public program
25 funds, including bond funds from Act No. 328 of the Public Acts
26 of 1988, being sections 299.671 to 299.685 of the Michigan
27 Compiled Laws, targeted toward cleanup activities, and private

1 cleanup funds shall be utilized before loans from the fund are
2 requested.

3 (4) If the council approves the application of the council
4 member and finds it meets the requirement of this section, the
5 council shall submit the project to the department. An applicant
6 for a loan shall distinguish an application for a planning loan
7 from an application for a project implementation loan for infra-
8 structure improvements, environmental clean up, or land assembly,
9 relocation, and demolition. A council shall assist its members
10 in fulfilling the requirements for an application for a loan.

11 (5) In addition to the other requirements of this section, a
12 council shall attest to all of the following in an affidavit that
13 accompanies an application for a loan from the fund:

14 (a) That the community in which a specified project is to be
15 located is in a specific quartile of the community characteris-
16 tics profile published by the department.

17 (b) That the project community within the council is in a
18 specific quartile of relative tax effort as provided in the state
19 tax commission's data and ranking for relative tax effort.

20 (c) That the project community within the council is served
21 or is designated for service by public water and sewer services
22 and capacity is available for the project.

23 (d) That at the time the project plan is approved by the
24 council, the project is not expected to result in the transfer of
25 employment from a city, village, or township of this state to
26 another city, village, or township in which the project is to be
27 located unless the governing body of each impacted city, village,

1 or township from which employment is to be transferred consents
2 by resolution to the transfer.

3 Sec. 6. (1) Within the separate planning and implementation
4 loan categories, the council shall prioritize applications for
5 projects from council members according to the project rating
6 model in section 5, and shall submit a copy of the completed
7 project rating model results to the department.

8 (2) An application as submitted to the council by a commu-
9 nity that is a member of a council for a specific project shall
10 include all of the following:

11 (a) A project plan that meets the requirements of this act.

12 (b) A description of the project's consistency with plans
13 for economic development, the community's master plan, if a
14 master plan has been adopted, and the council's adopted growth
15 management policies.

16 (c) A description of the planned real property to be
17 acquired for industrial or commercial use.

18 (d) A description of the planned industrial, commercial, or
19 mixed use reuse of the project area and, if displacement of per-
20 sons or entities is to occur, a plan for providing for the per-
21 sons or entities to be displaced.

22 (e) A description of the economic impact of the proposed
23 project, including, but not limited to, the reduction of urban
24 sprawl and to aid in reutilization of property that is served by
25 existing infrastructure and including market and financial feasi-
26 bility evaluations.

1 Sec. 7. (1) The state, in cooperation with a council, shall
2 provide technical assistance to councils and to council members
3 in the preparation of a project. The department shall accept
4 applications from January 1-15 and July 1-15 each calendar year.

5 (2) Upon receipt of an application for a loan from the fund
6 from a council on behalf of a community that is a member of that
7 council, the department within 60 days shall take the following
8 steps:

9 (a) Review the prioritized projects based upon the project
10 rating model scores from all councils and prioritize all projects
11 on a statewide basis. Planning loan applications and implementa-
12 tion loan applications shall be prioritized as separate groups.

13 (b) Following the review under subdivision (a), evaluate the
14 statewide prioritized list giving consideration to all of the
15 following:

16 (i) Evidence of market feasibility and project financing
17 feasibility, including scheduled repayment.

18 (ii) Implementation of adopted regional growth management
19 policies and the project's consistency with section 2(2).

20 (iii) The geographic distribution of projects funded
21 throughout the state.

22 (3) Projects will be reviewed and prioritized statewide
23 within 60 calendar days from the date the department has set for
24 application receipt. At the close of the 60 calendar days for
25 review, the department shall notify the council of the approval
26 or disapproval of an application. When an application has been
27 disapproved, the reason for disapproval shall be specified.

1 (4) Upon making a decision to provide either a project
2 planning or project implementation loan, the department shall
3 inform a council of the decision of the department and inform the
4 council of what, if anything, is required of it and the applicant
5 project to obtain the authorized loan for a project.

6 Sec. 8. (1) Loan agreements shall be executed between the
7 department and the community that receives a loan. These agree-
8 ments shall include a description of the project, and provisions
9 for repayment that meet the requirements of this act and any
10 qualification placed on receipt of the loan. Following the exe-
11 cution of a loan agreement, changes to the project shall not be
12 made by the applicant without the written approval of the
13 department.

14 (2) An applicant who receives money from the fund shall
15 submit an annual report to the department, which shall include
16 information and documentation regarding the sale or other dispo-
17 sition of property that was the subject of a loan and any other
18 information required by the department.

19 Sec. 9. (1) Upon sale of the real property, an applicant
20 who receives money from the fund shall repay the fund as provided
21 in this section. If the real property is leased, repayment shall
22 be based on a formula negotiated between the department and the
23 recipient of the loan. Loans shall be repaid within 10 years
24 after the receipt of the loan. If repayment does not occur
25 within 10 years, the department shall negotiate repayment by
26 other means or provide a new loan agreement.

1 (2) Except as otherwise provided in subsection (3), upon the
2 sale of real property that was the subject of a loan, the sales
3 agreement between the loan applicant and the purchaser shall
4 include a legally enforceable provision requiring that the pur-
5 chaser repay the fund in full at the time of the sale for any
6 outstanding loan under this act.

7 (3) An applicant who receives money from the fund may sell
8 real property to an industrial or commercial user at less than
9 the applicant's total cost of assembly and improvement, if the
10 applicant demonstrates to the department the need to reduce the
11 cost of the real property to make the land economically
12 competitive.

13 Sec. 10. The department may promulgate rules to implement
14 this act.