



# SENATE BILL No. 876

October 12, 1993, Introduced by Senator MC MANUS and referred to the Committee on School Finance Reform.

A bill to amend sections 1a, 14, 15, 28, and 31 of Act No. 197 of the Public Acts of 1975, entitled as amended

"An act to provide for the establishment of a downtown development authority; to prescribe its powers and duties; to correct and prevent deterioration in business districts; to encourage historic preservation; to authorize the acquisition and disposal of interests in real and personal property; to authorize the creation and implementation of development plans in the districts; to promote the economic growth of the districts; to create a board; to prescribe its powers and duties; to authorize the levy and collection of taxes; to authorize the issuance of bonds and other evidences of indebtedness; to authorize the use of tax increment financing; and to prescribe the powers and duties of certain state officials,"

sections 1a and 31 as added by Act No. 425 of the Public Acts of 1988, section 14 as amended by Act No. 108 of the Public Acts of 1989, and section 15 as amended by Act No. 279 of the Public Acts of 1992, being sections 125.1651a, 125.1664, 125.1665, 125.1678, and 125.1681 of the Michigan Compiled Laws.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Section 1. Sections 1a, 14, 15, 28, and 31 of Act No. 197  
2 of the Public Acts of 1975, sections 1a and 31 as added by Act  
3 No. 425 of the Public Acts of 1988, section 14 as amended by Act  
4 No. 108 of the Public Acts of 1989, and section 15 as amended by  
5 Act No. 279 of the Public Acts of 1992, being sections 125.1651a,  
6 125.1664, 125.1665, 125.1678, and 125.1681 of the Michigan  
7 Compiled Laws, are amended to read as follows:

8       Sec. 1a. The legislature finds all of the following:

9       (a) That there exists in this state conditions of property  
10 value deterioration detrimental to the state economy and the eco-  
11 nomic growth of the state and its local units of government.

12       (b) That government programs are desirable and necessary to  
13 eliminate the causes of property value deterioration thereby ben-  
14 efitting the economic growth of the state.

15       (c) That it is appropriate to finance these government pro-  
16 grams by means available to the state and local units of govern-  
17 ment in the state, including tax increment financing.

18       (d) That tax increment financing is a government financing  
19 program that contributes to economic growth and development by  
20 dedicating a portion of the increase in the tax base resulting  
21 from economic growth and development to facilities, structures,  
22 or improvements within a development area thereby facilitating  
23 economic growth and development.

24       (e) That it is necessary for the legislature to exercise its  
25 power to legislate tax increment financing as authorized in this  
26 act and in the exercise of this power to mandate the transfer of

1 tax increment revenues by city, village, township, ~~school~~  
2 ~~district,~~ and county treasurers to authorities created under  
3 this act in order to effectuate the legislative government pro-  
4 grams to eliminate property value deterioration and to promote  
5 economic growth.

6 (f) That halting property value deterioration and promoting  
7 economic growth in the state are essential governmental functions  
8 and constitute essential public purposes.

9 (g) That economic development strengthens the tax base upon  
10 which local units of government rely and that government programs  
11 to eliminate property value deterioration benefit local units of  
12 government and are for the use of the local units of government.

13 (h) That the provisions of this act are enacted to provide a  
14 means for local units of government to eliminate property value  
15 deterioration and to promote economic growth in the communities  
16 served by those local units of government.

17 Sec. 14. (1) As used in this section and section 15:

18 (a) "Captured assessed value" means the amount in any 1 year  
19 by which the current assessed value of the project area, includ-  
20 ing the assessed value of property for which specific local taxes  
21 are paid in lieu of property taxes as determined in subdivision  
22 (c), exceeds the initial assessed value. The state tax commis-  
23 sion shall prescribe the method for calculating captured assessed  
24 value.

25 (b) "Initial assessed value" means the assessed value, as  
26 equalized, of all the taxable property within the boundaries of  
27 the development area at the time the ordinance establishing the

1 tax increment financing plan is approved, as shown by the most  
2 recent assessment roll of the municipality for which equalization  
3 has been completed at the time the resolution is adopted.  
4 Property exempt from taxation at the time of the determination of  
5 the initial assessed value shall be included as zero. For the  
6 purpose of determining initial assessed value, property for which  
7 a specific local tax is paid in lieu of a property tax, shall not  
8 be considered to be property that is exempt from taxation. The  
9 initial assessed value of property for which a specific tax was  
10 paid in lieu of a property tax shall be determined as provided in  
11 subdivision (c).

12 (c) "Specific local tax" means a tax levied under Act  
13 No. 198 of the Public Acts of 1974, being sections 207.551 to  
14 207.571 of the Michigan Compiled Laws, the commercial redevelop-  
15 ment act, Act No. 255 of the Public Acts of 1978, being sections  
16 207.651 to 207.668 of the Michigan Compiled Laws, the technology  
17 park development act, Act No. 385 of the Public Acts of 1984,  
18 being sections 207.701 to 207.718 of the Michigan Compiled Laws,  
19 and Act No. 189 of the Public Acts of 1953, being sections  
20 211.181 to 211.182 of the Michigan Compiled Laws. The initial  
21 assessed value or current assessed value of property subject to a  
22 specific local tax shall be the quotient of the specific local  
23 tax paid divided by the ad valorem millage rate.

24 (2) When the authority determines that it is necessary for  
25 the achievement of the purposes of this act, the authority shall  
26 prepare and submit a tax increment financing plan to the  
27 governing body of the municipality. The plan shall include a

1 development plan as provided in section 17, a detailed  
2 explanation of the tax increment procedure, the maximum amount of  
3 bonded indebtedness to be incurred, and the duration of the pro-  
4 gram, and shall be in compliance with section 15. The plan shall  
5 contain a statement of the estimated impact of tax increment  
6 financing on the assessed values of all taxing jurisdictions in  
7 which the development area is located. The plan may provide for  
8 the use of part or all of the captured assessed value, but the  
9 portion intended to be used by the authority shall be clearly  
10 stated in the tax increment financing plan. The authority or  
11 municipality may exclude from captured assessed value growth in  
12 property value resulting solely from inflation. The plan shall  
13 set forth the method for excluding growth in property value  
14 resulting solely from inflation.

15 ~~(3) The percentage of taxes levied for school operating~~  
16 ~~purposes that is captured and used by the tax increment financing~~  
17 ~~plan shall not be greater than the plan's percentage capture and~~  
18 ~~use of taxes levied by a municipality or county for operating~~  
19 ~~purposes. For purposes of the previous sentence, taxes levied by~~  
20 ~~a county for operating purposes include only millage allocated~~  
21 ~~for county or charter county purposes under the property tax lim-~~  
22 ~~itation act, Act No. 62 of the Public Acts of 1933, being sec-~~  
23 ~~tions 211.201 to 211.217a of the Michigan Compiled Laws. For~~  
24 ~~purposes of this subsection, tax increment revenue used to pay~~  
25 ~~bonds issued by a municipality under section 16(1) shall be con-~~  
26 ~~sidered to be used by the tax increment financing plan rather~~  
27 ~~than shared with the municipality. The limitation of this~~

~~1 subsection does not apply to the portion of the captured assessed~~  
~~2 value shared pursuant to an agreement entered into before 1989~~  
~~3 with a county or with a city in which an enterprise zone is~~  
~~4 approved under section 13 of the enterprise zone act, Act No. 224~~  
~~5 of the Public Acts of 1985, being section 125.2113 of the~~  
~~6 Michigan Compiled Laws. If a portion of the captured assessed~~  
~~7 value was shared with a municipality in 1988, for tax years 1989~~  
~~8 through 1991, a plan may share with the municipality the greater~~  
~~9 of the amount allowed by the limitation of this subsection or the~~  
~~10 following applicable amount:~~

~~11 (a) For the 1989 tax year, 100% of the dollar amount shared~~  
~~12 with the municipality in 1988.~~

~~13 (b) For the 1990 tax year, 2/3 of the dollar amount shared~~  
~~14 with the municipality in 1988.~~

~~15 (c) For the 1991 tax year, 1/3 of the dollar amount shared~~  
~~16 with the municipality in 1988.~~

~~17 (3) (4)~~ Approval of the tax increment financing plan shall  
18 be pursuant to the notice, hearing, and disclosure provisions of  
19 section 18. If the development plan is part of the tax increment  
20 financing plan, only 1 hearing and approval procedure is required  
21 for the 2 plans together.

~~22 (4) (5)~~ Before the public hearing on the tax increment  
23 financing plan, the governing body shall provide a reasonable  
24 opportunity to the members of the county board of commissioners  
25 of a county in which any portion of the development area is  
26 located ~~and to the members of the school board of any school~~  
~~27 district in which any portion of the development area is located~~

1 to meet with the governing body. The authority shall fully  
2 inform members of the county boards of commissioners ~~and of the~~  
3 ~~school boards~~ of the fiscal and economic implications of the  
4 proposed development area. The members of the county boards of  
5 commissioners ~~and of the school boards~~ may present their recom-  
6 mendations at the public hearing on the tax increment financing  
7 plan. The authority may enter into agreements with the county  
8 board of commissioners ~~, the school boards,~~ and the governing  
9 body of the municipality in which the development area is located  
10 to share a portion of the captured assessed value of the  
11 district.

12 (5) ~~(6)~~ A tax increment financing plan may be modified if  
13 the modification is approved by the governing body upon notice  
14 and after public hearings and agreements as are required for  
15 approval of the original plan.

16 Sec. 15. (1) The amount of tax increment to be transmitted  
17 to the authority by the municipal and county treasurers shall be  
18 that portion of the tax levy of all taxing bodies OTHER THAN  
19 LOCAL SCHOOL DISTRICTS, INTERMEDIATE SCHOOL DISTRICTS, AND THE  
20 EDUCATION FINANCE AUTHORITY paid each year on real and personal  
21 property in a development area on the captured assessed value.  
22 For the purpose of this section, that portion of a specific local  
23 tax that is attributable to the captured assessed value of the  
24 facility shall be included as a part of the tax increment to be  
25 transmitted to the authority.

26 (2) The authority shall expend the tax increments received  
27 for the development program only pursuant to the tax increment

1 financing plan. Surplus funds shall revert proportionately to  
2 the respective taxing bodies. These revenues shall not be used  
3 to circumvent existing property tax limitations. The governing  
4 body of the municipality may abolish the tax increment financing  
5 plan when it finds that the purposes for which it was established  
6 are accomplished. However, the tax increment financing plan  
7 shall not be abolished until the principal of, and interest on,  
8 bonds issued pursuant to section 16 have been paid or funds suf-  
9 ficient to make the payment have been segregated.

10 (3) Annually the authority shall submit to the governing  
11 body of the municipality and the ~~state tax commission~~  
12 DEPARTMENT OF TREASURY a report on the status of the tax incre-  
13 ment financing account. The report shall be published in a news-  
14 paper of general circulation in the municipality and shall  
15 include the following:

16 (a) The amount and source of revenue in the account.

17 (b) The amount and purpose of expenditures from the  
18 account.

19 (c) The amount of principal and interest on any outstanding  
20 bonded indebtedness.

21 (d) The initial assessed value of the project area.

22 (e) The captured assessed value retained by the authority.

23 (f) The tax increments received.

24 (g) Any additional information the governing body or the

25 ~~state tax commission~~ DEPARTMENT OF TREASURY considers  
26 necessary.



1       Sec. 28. (1) The director of the authority shall prepare  
2 and submit for the approval of the board a budget for the  
3 operation of the authority for the ensuing fiscal year. The  
4 budget shall be prepared in the manner and contain the informa-  
5 tion required of municipal departments. Before the budget may be  
6 adopted by the board, it shall be approved by the governing body  
7 of the municipality. Funds of the municipality shall not be  
8 included in the budget of the authority except those funds autho-  
9 rized in this act, BY THE PROPERTY TAX LIMITATION ACT, ACT NO. 62  
10 OF THE PUBLIC ACTS OF 1933, BEING SECTIONS 211.1 TO 211.217A OF  
11 THE MICHIGAN COMPILED LAWS, or by the governing body of the  
12 municipality.

13       (2) The governing body of the municipality may assess a rea-  
14 sonable pro rata share of the funds for the cost of handling and  
15 auditing the funds against the funds of the authority, other than  
16 those committed, which cost shall be paid annually by the board  
17 pursuant to an appropriate item in its budget.

18       Sec. 31. (1) The ~~state tax commission~~ DEPARTMENT OF  
19 TREASURY may institute proceedings to compel enforcement of this  
20 act.

21       (2) The ~~state tax commission~~ DEPARTMENT OF TREASURY may  
22 promulgate rules necessary for the administration of this act  
23 pursuant to the administrative procedures act of 1969, Act  
24 No. 306 of the Public Acts of 1969, being sections 24.201 to  
25 24.328 of the Michigan Compiled Laws.