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LOCAL DEVELOPMENT FINANCING ACT; POPULATION REQUIREMENTS

House Bill 5566 (Substitute H-1) First Analysis (3-4-98)

Sponsor: Rep. Beverly Hammerstrom
Committee: Urban Policy and Economic Development

THE APPARENT PROBLEM:

Under the Local Development Financing Act, a township must meet the definition of an "urban township" (a population of at least 20,000 people in a county of less than 400,000 people) in order to establish a local development financing authority and a tax increment financing plan. Augusta township, located in the southeast corner of Washtenaw county, has approximately 4,500 residents according to U.S. Census Bureau estimates. The township also has an 1,800-acre site within its boundaries that was formerly used for gravel mining and a residential landfill. More recently, the township has fought the intent of the owners of the site -- who have been seeking permits to install a hazardous materials dumping site, including a deep injection well, on the property. However, negotiations between the Washtenaw County Development Authority (WCDA), the township and the owners of the property have resulted in an agreement to enter into a planned unit development to bring industrial development into the township. Since this parcel is zoned for industrial use, this is a logical land use decision. Unfortunately, due to the long conflict between the township and the owners of the property, the property lacks the appropriate infrastructure for the agreed upon development. As a result, the WCDA and the township are faced with substantial public services costs to run local sewer and water lines and to upgrade local roads in order to make the intended development a success. Allowing a local development financing authority to be created would give the township the authority to capture the tax increment on behalf of the community, creating a revenue source for financing water and sewer lines and other infrastructure needs for the site. However, under the current law, the township would have to increase its population size by about 16,000 residents before it could establish a financing authority and a financing plan. In order to allow the township to take immediate advantage of its opportunity to guide its future, a specific change to the act has been suggested to allow Augusta township to deal with this particular situation.

THE CONTENT OF THE BILL:

The bill would amend the Local Development Financing Act to expand the definition of an urban township to include certain townships with populations of under 20,000 people. Currently, the act allows for a city, village, or urban township to finance public improvements by creating tax increment finance authorities. The activities of such an authority may be financed by contributions, revenues from property under the authority's control, tax increments from a tax increment financing plan, proceeds of a tax increment or revenue bonds and other legal sources with the appropriate approval.

Currently, the act defines an "urban township" as a township that provides sewer, water, and other public services to all or part of the township, adopted a master zoning plan before February 1, 1987, and has a population of 20,000 or more (or a population of 10,000 or more, if the township is located in a county with a population of 400,000 or more).

The bill would allow a township with a population of less than 20,000 that was located in a county with a population of 250,000 to 400,000 to be defined as an urban township. The township would have to be in a county that was located within a metropolitan statistical area and have a parcel of property within its boundaries under common ownership that was 800 acres or larger, capable of being served by a railroad, and located within 3 miles of a limited access highway. Any township that wished to establish a local development financing authority as an urban township under this definition would have to do so before December 31, 1998.

[Note: The bill also changes two references to the Department of Consumer and Industry Services to the Michigan Jobs Commission to reflect executive branch reorganizations.]

MCL 125.2152

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FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill has no fiscal implications. (3-4-98)

ARGUMENTS:**For:**

Without a bond or some other means of assisting with the costs of infrastructure development, the parcel of land in Augusta township will most likely be turned into a hazardous waste dump by its current owners. It is currently unused and has only remained that way because the present owners have refrained from their intended use of the property as a hazardous waste dump for the past 15 years based on negotiations with the township to reach a different solution. Obviously, the township residents would prefer to see the site developed into a manufacturing facility or some other similar use rather than a hazardous waste dump. Furthermore, even if the owners of the parcel were to decide not to use the property as a hazardous materials site, given the remarkable growth in the areas around the township, the likelihood of eventual development is strong and it is only reasonable to provide a means so that this parcel can be developed in a way that is more appealing to citizens, environmental groups, and others, and in accordance with the township's zoning ordinances. Furthermore, a business from outside the state has indicated an interest in the development of the site and is expected to make use of the site after it has been developed.

Against:

The bill simply encourages urban sprawl; rather than tearing up unused wild spaces, it might be far better to redevelop decaying urban areas. Not every unused space is wasted because it doesn't have an industrial park, a strip mall, or a parking lot.

Response:

Leaving the land vacant is not really an option. The owners of the property are set to develop it in some way, most probably as a hazardous waste landfill, if the options that would be created by the passage of this bill fall through.

Against:

The bill is not nearly restrictive enough. It is claimed that the bill is intended to cover only this particular parcel, but there are probably a number of other townships that have similarly situated parcels of land. The parcel need only be under common ownership, be 800 acres or larger, capable of being served by a railroad, and located within 3 miles of a limited access highway. Further, the provision requiring that the

application be filed before the end of the year is insufficient to prevent other townships from taking advantage if they are similarly situated.

Against:

According to the U.S. Census Bureau, the collective term "metropolitan area" (MA), includes metropolitan statistical areas (MSAs), consolidated metropolitan statistical areas (CMSAs), and primary metropolitan statistical areas (PMSAs). Technically, according to 1994 population statistics, the definition used in the bill would apply only to Ingham county (with an estimated population of 285,737 for July 1996), which has the appropriate population and is located within the Lansing - East Lansing "metropolitan statistical" area. Washtenaw county, although its population meets the bill's provisions (estimated population of 295,149 for July 1996), is actually located in the Detroit - Ann Arbor - Flint "consolidated metropolitan statistical area" and the Ann Arbor "primary metropolitan statistical area". This error should be corrected to either require the township to be part of a county that is located within a "metropolitan area" (in which case townships in Ingham county could be eligible) or a "primary metropolitan statistical area" (which would restrict the definition to only townships within Washtenaw county).

Response:

The term "metropolitan statistical area" is used generally in Michigan statutory provisions of this type.

POSITIONS:

The Michigan Jobs Commission supports the bill. (2-27-98)

The Michigan Township Association supports the bill. (2-27-98)

The Washtenaw County Drain Commissioner supports the bill. (2-27-98)

Analyst: W. Flory

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

