

Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 5566 (Substitute H-1 as reported without amendment)

Sponsor: Representative Beverly Hammerstrom

House Committee: Urban Policy and Economic Development

Senate Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 4-2-98

RATIONALE

Under the Local Development Financing Act, a municipality may finance public improvements in a designated area by using future increases in property tax revenues generated on property within the area. The Act defines "municipality" as a city, village, or urban township. An "urban township" is a township that has a population of 20,000 or more, or has a population of at least 10,000 but is located in a county with a population of 400,000 or more.

Augusta Township, in the southeastern corner of Washtenaw County, has a population of approximately 4,500 residents. The township apparently contains an 1,800-acre site that formerly was used for gravel mining and as a residential landfill. Reportedly, although the owners of this parcel have sought permits to establish a hazardous materials disposal site on the property, negotiations between the Washtenaw County Development Authority, the township, and the property owners have resulted in an agreement to enter into a planned unit development to bring industrial development into the township. The property, however, apparently lacks the necessary infrastructure for the development. It has been suggested that the creation of a local development financing authority would provide a revenue source for financing water and sewer lines and other infrastructure needs.

Another township also has expressed an interest in establishing a local development financing authority. Located southeast of Battle Creek in Calhoun County, Emmett Township apparently is a rapidly growing community that has become more urban than rural in character. The township evidently has two older industrial areas that contain infrastructure but are in neighborhoods that need improvement. The township also has a 1,200-acre tract on I-94, where little infrastructure is present. Reportedly, there has been a fair amount of interest in developing this parcel, and the Michigan

Jobs Commission has shown it to various people. The township reports, however, that it cannot finance the needed improvements without establishing a local development financing authority. Since the population in Emmett Township is approximately 14,000, the township does not qualify as an urban township under the Act.

CONTENT

The bill would amend the Local Development Financing Act to include in the definition of "urban township" a township that met all of the following requirements:

- Had a population of less than 20,000.
- Was located in a county that had a population of at least 250,000 or more but less than 400,000, and that was located in a metropolitan statistical area.
- Had within its boundaries a parcel of property under common ownership that was 800 acres or larger and was capable of being served by a railroad, and located within three miles of a limited access highway.

In addition, "urban township" would include a township that met all of the following requirements:

- Had a population under 20,000.
- Had a State equalized value for all real and personal property located in the township of more than \$200 million.
- Adopted a master zoning plan before February 1, 1997.
- Was a charter township under the Charter Township Act.

- Had within its boundaries a combination of parcels under common ownership that was 800 acres or larger, was immediately adjacent to a limited access highway, was capable of being served by a railroad, and was immediately adjacent to an existing sewer line.
- Established an authority before March 1, 1999.

MCL 125.2152

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The Local Development Financing Act gives eligible municipalities a valuable tool for the financing of public works, especially where a new or expanding business generates the need for utility, transportation, or other public improvements. By broadening the definition of "urban township", the bill would encourage economic development in Augusta and Emmett Townships, as well as in other townships, if any, that met the bill's criteria. The circumstances in these townships make them appropriate candidates for local development financing under the Act.

Legislative Analyst: S. Lowe

FISCAL IMPACT

The bill would allow a township that met the definition in the bill to set up a local development financing authority. The township could capture the tax increment to provide for the additional local costs associated with the development.

Fiscal Analyst: R. Ross

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.