

**SENATE SUBSTITUTE FOR
HOUSE BILL NO. 4735**

A bill to amend 1961 PA 120, entitled

"An act to authorize the development or redevelopment of principal shopping districts and business improvement districts; to permit the creation of certain boards; to provide for the operation of principal shopping districts and business improvement districts; and to authorize the collection of revenue and the bonding of certain cities for the development or redevelopment projects,"

by amending sections 1, 2, 3, 5, and 7 (MCL 125.981, 125.982, 125.983, 125.985, and 125.987), sections 1, 2, 3, and 5 as amended by 1999 PA 49 and section 7 as added by 1992 PA 146.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 CHAPTER 1

2 PRINCIPAL SHOPPING DISTRICT

3 Sec. 1. (1) As used in this ~~act~~ CHAPTER:

4 (A) "ASSESSABLE PROPERTY" MEANS REAL PROPERTY IN A DISTRICT
5 AREA OTHER THAN ALL OF THE FOLLOWING:

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1 (i) PROPERTY CLASSIFIED AS RESIDENTIAL REAL PROPERTY UNDER
2 SECTION 34C OF THE GENERAL PROPERTY TAX ACT, 1893 PA 206, MCL
3 211.34C.

4 (ii) PROPERTY OWNED BY THE FEDERAL, A STATE, OR A LOCAL UNIT
5 OF GOVERNMENT WHERE PROPERTY IS EXEMPT FROM THE COLLECTION OF
6 TAXES UNDER THE GENERAL PROPERTY TAX ACT, 1893 PA 206, MCL 211.1
7 TO 211.157.

8 (iii) ONE OR MORE CLASSES OF PROPERTY OWNERS WHOSE PROPERTY
9 MEETS ALL OF THE FOLLOWING CONDITIONS:

10 (A) IS EXEMPT FROM THE COLLECTION OF TAXES UNDER THE GENERAL
11 PROPERTY TAX ACT, 1893 PA 206, MCL 211.1 TO 211.157, OTHER THAN
12 PROPERTY IDENTIFIED IN SUBPARAGRAPH (ii).

13 (B) AS A CLASS HAS BEEN DETERMINED BY THE LEGISLATIVE BODY
14 OF THE CITY NOT TO BE BENEFITED BY A PROJECT FOR WHICH SPECIAL
15 ASSESSMENTS ARE TO BE LEVIED.

16 (B) ~~-(a)-~~ "Business improvement district" means 1 or more
17 portions of a city or combination of contiguous portions of 2 or
18 more cities that are predominantly commercial or industrial in
19 use.

20 (C) ~~-(b)-~~ "District" means a business improvement district
21 or a principal shopping district.

22 (D) ~~-(c)-~~ "Highways" means public streets, highways, and
23 alleys.

24 (E) ~~-(d)-~~ "Principal shopping district" means a portion of a
25 city designated by the governing body of the city that is predom-
26 inantly commercial and that contains at least 10 retail
27 businesses.

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1 (2) A city with a master plan for the physical development
2 of the city that includes an urban design plan designating a
3 principal shopping district or includes the development or rede-
4 velopment of a principal shopping district, or 1 or more cities
5 that establish a business improvement district by resolution, may
6 do 1 or more of the following:

7 (a) Open, widen, extend, realign, pave, maintain, or other-
8 wise improve highways and construct, reconstruct, maintain, or
9 relocate pedestrian walkways.

10 (b) Prohibit or regulate vehicular traffic where necessary
11 to carry out the purposes of the development or redevelopment
12 project.

13 (c) Regulate or prohibit vehicular parking on highways.

14 (d) Acquire, own, maintain, demolish, develop, improve, or
15 operate properties, off-street parking lots, or structures.

16 (e) Contract for the operation or maintenance by others of
17 city off-street parking lots or structures, or appoint agents for
18 the operation or maintenance.

19 (f) Construct, maintain, and operate malls with bus stops,
20 information centers, and other buildings that will serve the
21 public interest.

22 (g) Acquire by purchase, gift, or condemnation and own,
23 maintain, or operate real or personal property necessary to
24 implement this section.

25 (h) Promote economic activity in the district by undertak-
26 ings including, but not limited to, conducting market research
27 and public relations campaigns, developing, coordinating, and

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1 conducting retail and institutional promotions, and sponsoring
2 special events and related activities. A business may prohibit
3 the use of its name or logo in a public relations campaign, pro-
4 motion, or special event or related activity for the district.

5 (i) Provide for or contract with other public or private
6 entities for the administration, maintenance, security, ~~and~~
7 ~~operation of~~ OPERATION, AND PROVISION OF SERVICES THAT THE BOARD
8 DETERMINES ARE A BENEFIT TO a district within the city.

9 (3) A city that provides for ongoing activities under sub-
10 section (2)(h) or (i) shall also provide for the creation of a
11 board for the management of those activities.

12 (4) One member of the board of the principal shopping dis-
13 trict shall be from the adjacent residential area, 1 member shall
14 be a representative of city government, and a majority of the
15 members shall be nominees of individual businesses located within
16 the principal shopping district. The board shall be appointed by
17 the chief executive officer of the city with the concurrence of
18 the legislative body of the city. However, if all of the follow-
19 ing requirements are met, a business may appoint a member of the
20 board of a principal shopping district, which member shall be
21 counted toward the majority of members required to be nominees of
22 businesses located within the principal shopping district:

23 (a) The business is located within the principal shopping
24 district.

25 (b) The principal shopping district was designated by the
26 governing body of a city after July 14, 1992.

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1 (c) The business is located within a special assessment
2 district established under section 5.

3 (d) The special assessment district is divided into special
4 assessment rate zones reflecting varying levels of special
5 benefits.

6 (e) The business is located in the special assessment rate
7 zone with the highest special assessment rates.

8 (f) The square footage of the business is greater than 5.0%
9 of the total square footage of all businesses in that special
10 assessment rate zone.

11 (5) If the boundaries of the principal shopping district are
12 the same as those of a downtown district designated under 1975 PA
13 197, MCL 125.1651 to 125.1681, the governing body may provide
14 that the members of the board of the downtown development author-
15 ity, which manages the downtown district, shall compose the board
16 of the principal shopping district, in which case subsection (4)
17 does not apply.

18 (6) The members of the board of a business improvement dis-
19 trict shall be determined by the city as provided in this
20 subsection. The board of a business improvement district shall
21 consist of all of the following:

22 (a) One representative of the city appointed by the chief
23 executive officer of the city with the concurrence of the legis-
24 lative body of the city in which the business improvement dis-
25 trict is located. If the business improvement district is
26 located in more than 1 city, then 1 representative from each city

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1 in which the business improvement district is located shall serve
2 on the board as provided in this subdivision.

3 (b) Other members of the board shall be nominees of the
4 businesses and property owners located within the business
5 improvement district. If a class of business or property owners,
6 as identified in the resolution described in subsection (8), is
7 projected to pay more than 50% of the special assessment levied
8 that benefits property in a business improvement district for the
9 benefit of the business improvement district, the majority of the
10 members of the board of the business improvement district shall
11 be nominees of the business or property owners in that class.

12 (7) A city may create 1 or more business improvement
13 districts.

14 (8) If 1 or more cities establish a business improvement
15 district by resolution under subsection (2), the resolution shall
16 identify all of the following:

17 (a) The geographic boundaries of the business improvement
18 district.

19 (b) The number of board members in that business improvement
20 district.

21 (c) The different classes of property owners in the business
22 improvement district.

23 (d) The class of business or property owners, if any, who
24 are projected to pay more than 50% of the special assessment
25 levied that benefits property in that business improvement
26 district.

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1 Sec. 2. (1) The cost of the whole or any part of a
2 principal shopping district project or business improvement
3 district project as authorized in this ~~act~~ CHAPTER may be
4 financed by 1 or more of the following methods:

5 (a) Grants and gifts to the city or district.

6 (b) City funds.

7 (c) The issuance of general obligation bonds of the city
8 SUBJECT TO THE REVISED MUNICIPAL FINANCE ACT, 2001 PA 34, MCL
9 141.2101 TO 141.2821.

10 (d) The issuance of revenue bonds by the city under the rev-
11 enue bond act of 1933, 1933 PA 94, MCL 141.101 to 141.140, or
12 under any other applicable revenue bond act. The issuance of the
13 bonds shall be limited to the part or parts of the district
14 project that are public improvements.

15 (e) The levying of special assessments against land or
16 interests in land, or both.

17 (f) Any other source.

18 (2) Beginning January 1, 2000, THE PROCEEDS OF a bond, note,
19 or other obligation issued to finance a project authorized under
20 this ~~act~~ CHAPTER shall ~~meet all of the following criteria:~~

21 ~~(a) The proceeds of the bonds, notes, or other obligations are~~
22 BE used for capital expenditures, costs of a reserve fund secur-
23 ing the bonds, notes, or other obligations, and costs of issuing
24 the bonds, notes, or other obligations. The proceeds of the
25 bonds, notes, or other obligations shall not be used for oper-
26 ational expenses of a district.

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1 ~~(b) The weighted average maturity of the bonds, notes, or~~
2 ~~other obligations does not exceed the useful life of the capital~~
3 ~~assets.~~

4 ~~(c) The bonds, notes, or other obligations shall not in~~
5 ~~whole or in part appreciate in principal amount or be sold at a~~
6 ~~discount of more than 10%.~~

7 ~~(d) If bonds, notes, or other obligations are issued to~~
8 ~~refund bonds, notes, or other obligations that meet the condi-~~
9 ~~tions described in subdivisions (a), (b), and (c), the net~~
10 ~~present value of the principal and interest to be paid on the~~
11 ~~refunding bonds, notes, or other obligations, excluding the cost~~
12 ~~of issuance, will be less than the net present value of the prin-~~
13 ~~cipal and interest to be paid on the bonds, notes, or other obli-~~
14 ~~gations being refunded, as calculated using a method approved by~~
15 ~~the department of treasury.~~

16 Sec. 3. A district project as authorized ~~by~~ UNDER this
17 ~~act~~ CHAPTER is a public improvement. The use in this ~~act~~
18 CHAPTER of the term "public improvement" does not prevent the
19 levying of a special assessment for the cost of a part of a dis-
20 trict project that represents special benefits.

21 Sec. 5. (1) If a city elects to levy special assessments to
22 defray all or part of the cost of the district project, then the
23 special assessments shall be levied pursuant to applicable statu-
24 tory or charter provisions or, if there are no applicable statu-
25 tory or charter provisions, pursuant to statutory or charter pro-
26 visions applicable to city street improvements. If a city
27 charter does not authorize special assessments for the purposes

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1 set forth in this ~~act~~ CHAPTER, the charter provisions
2 authorizing special assessments for street improvements are made
3 applicable to the purposes set forth in this ~~act~~ CHAPTER, with-
4 out amendment to the charter. The total amount assessed for dis-
5 trict purposes may be made payable in not more than 20 annual
6 installments as determined by the governing body of the city, the
7 first installment to be payable in not more than 18 months after
8 the date of the confirmation of the special assessment roll.

9 (2) A special assessment shall be levied against ~~a parcel~~
10 ASSESSABLE PROPERTY on the basis of the special benefits to that
11 parcel from the total project. ~~To the extent that a parcel is~~
12 ~~used for residential purposes, the parcel shall not be considered~~
13 ~~to be benefited by a project for which special assessments are~~
14 ~~levied by a city pursuant to this act.~~ There is a rebuttable
15 presumption that a district project specially benefits all
16 ~~nonresidential properties~~ ASSESSABLE PROPERTY located within
17 the district.

18 (3) This subsection applies to a principal shopping district
19 only if the principal shopping district is designated by the gov-
20 erning body of a city after July 14, 1992. The special assess-
21 ments annually levied on a parcel under this ~~act~~ CHAPTER shall
22 not exceed the product of \$10,000.00 and the number of businesses
23 on that parcel. A business located on a single parcel shall not
24 be responsible for a special assessment in excess of \$10,000.00
25 annually. When the special assessment district is created, a
26 lessor of a parcel subject to a special assessment may
27 unilaterally revise an existing lease to a business located on

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1 that parcel to recover from that business all or part of the
2 special assessment, as is proportionate considering the portion
3 of the parcel occupied by the business.

4 (4) The \$10,000.00 maximum amounts in subsection (3) shall
5 be adjusted each January 1, beginning January 1, 1994, pursuant
6 to the annual average percentage increase or decrease in the
7 Detroit consumer price index for all items as reported by the
8 United States department of labor. The adjustment for each year
9 shall be made by comparing the Detroit consumer price index for
10 the 12-month period ending the preceding October 31 with the cor-
11 responding Detroit consumer price index of 1 year earlier. The
12 percentage increase or decrease shall then be multiplied by the
13 current amounts under subsection (3) authorized by this section.
14 The product shall be rounded up to the nearest multiple of 50
15 cents and shall be the new amount.

16 (5) The city may issue special assessment bonds in anticipa-
17 tion of the collection of the special assessments for a district
18 project and, by action of its governing body, may pledge its full
19 faith and credit for the prompt payment of the bonds. SPECIAL
20 ASSESSMENT BONDS ISSUED UNDER THIS SECTION ARE SUBJECT TO THE
21 REVISED MUNICIPAL FINANCE ACT, 2001 PA 34, MCL 141.2101 TO
22 141.2821. The last maturity on the bonds shall be not later than
23 2 years after the due date of the last installment on the special
24 assessments. Special assessment bonds may be issued pursuant to
25 statutory or charter provisions applicable to the issuance by the
26 city of special assessment bonds for the improvement or, if there
27 are no applicable statutory or charter provisions, pursuant to

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1 statutory or charter provisions applicable to the issuance by the
2 city of special assessment bonds for street improvements.

3 (6) If a district project in a district designated by the
4 governing body of a city after July 14, 1992 is financed by spe-
5 cial assessments, the governing body of the city shall review the
6 special assessments every 5 years, unless special assessment
7 bonds are outstanding.

8 (7) Before a city levies a special assessment under this
9 ~~act~~ CHAPTER that benefits property within a business improve-
10 ment district, the business improvement district board shall
11 develop a marketing and development plan that details all of the
12 following:

13 (a) The scope, nature, and duration of the business improve-
14 ment district project or projects.

15 (b) The different classes of property owners who are going
16 to be assessed and the projected amount of the special assessment
17 on the different classes.

18 (8) A city that levies a special assessment under this ~~act~~
19 CHAPTER that benefits property within a business improvement dis-
20 trict is considered to have approved the marketing and develop-
21 ment plan described in subsection (7).

22 Sec. 7. The powers granted by this ~~act~~ CHAPTER are in
23 addition to and not in derogation of any other powers granted by
24 law or charter.