

**REVISE "URBAN TOWNSHIP"  
DEFINITION**

**House Bill 4197 (Substitute H-2)  
First Analysis (3-19-03)**

**Sponsor: Rep. Chris Ward  
Committee: Local Government and  
Urban Policy**

***THE APPARENT PROBLEM:***

In 1986 the legislature passed the Local Development Financing Act in order to encourage urban township governments to establish local development financing authorities that promote economic growth. Under their authorities, urban townships can use tax increment financing arrangements to pay for the infrastructure on their under- or undeveloped land, in order to work in partnership with a new or expanding business that would ensure more jobs in their region. Generally the leaders of the local authorities designate a business development area, and then "capture" all or a portion of the tax increment—that is to say, the total taxes that are generated within the site after development, minus the total taxes generated on the site before it was improved and redeveloped—for a specified number of years, negotiated by the partners in the project. Under these arrangements, it is customary that schools be reimbursed for lost taxes.

Once a development area is designated and a new business is in place, the taxes that would be paid to the local units of government and school districts are earmarked to pay for the infrastructure necessary on the site (or close by) to spur additional development—chiefly streets, roads, bridges, storm water or sanitary sewers, pre-treatment facilities, water lines, drainage lines, and electric, gas, telephone, or other communications, or any type of utility or pipeline. The tax increment revenues captured can also be pledged for debt service on tax increment bonds in some instances.

According to committee testimony, there are now 61 urban townships in Michigan that are eligible to establish Local Development Financing Authorities. More could be eligible if the definition of "urban township" found in the law were changed. See *BACKGROUND INFORMATION* below.

Recently, high growth but low population townships generally adjacent to urban areas (most especially in

Kalamazoo and Livingston counties) have expressed a need to set up authorities in order to reclaim and redevelop "brownfield" properties, as well as to improve aspects of the public infrastructure to attract new or retain local and expanding businesses. With an authority in place, local leaders could use the captured tax revenue to cover operating and planning costs, demolition of structures, site preparation, and relocation costs. To accomplish these ends in the fast-growing townships, legislation has been introduced.

***THE CONTENT OF THE BILL:***

House Bill 4197 would amend the Local Development Financing Act to retain but extend the current definition of "urban township." The bill would add a provision to the definition so that the term also would mean a township that has a population of 13,000 or more, is located in a county with a population of 150,000 or more, and that adopted a master zoning plan before February 1, 1987.

Currently under the law, the definition of "urban township" means a township that meets one or more of the following:

(i) meets all of the following requirements:

(A) has a population of 20,000 or more, or has a population of 10,000 or more but is located in a county with a population of 400,000 or more;

(B) adopted a master zoning plan before February 1, 1987; and,

(C) provides sewer, water, and other public services to all or a part of the township.

(ii) meets all of the following requirements:

(A) has a population of less than 20,000;

(B) is located in a county with a population of 250,000 or more but less than 400,000, and that is located in a metropolitan statistical area;

(C) has within its boundaries a parcel of property under common ownership that is 800 acres or larger and is capable of being served by a railroad, and located with three miles of a limited access highway; and

(D) establishes an authority before December 31, 1998.

(iii) meets all of the following requirements:

(A) has a population of less than 20,000;

(B) has a state equalized value for all real and personal property located in the township of more than \$200,000,000;

(C) adopted a master zoning plan before February 1, 1987;

(D) is a charter township under the Charter Township Act;

(E) has within its boundaries a combination of parcels under common ownership that is 800 acres or larger, is immediately adjacent to a limited access highway, is capable of being served by a railroad, and is immediately adjacent to an existing sewer line; and

(F) establishes an authority before March 1, 1999.

MCL 125.2152

### **BACKGROUND INFORMATION:**

According to the bill sponsor's staff, the following communities *could* become eligible to be considered an "urban township" under the bill's population requirements; however, it is unclear which of these communities would meet the bill's requirement to have adopted a master zoning plan prior to February 1, 1987.

- Allendale, Grand Haven, Park, and Spring Lake in Ottawa County
- Benton, Lincoln, and Niles in Berrien County
- Brighton, Genoa, and Green Oak in Livingston County

- Comstock and Oshtemo in Kalamazoo County

- Leoni in Jackson County

- Muskegon in Muskegon County

- Scio in Washtenaw County

### **FISCAL IMPLICATIONS:**

Fiscal information is not available.

### **ARGUMENTS:**

#### ***For:***

This bill would give up to 15 local communities--including fast-growing townships--a very dynamic development and redevelopment tool to use in their efforts to expand or revive their area economy. For example, this change in the law would enable one township in Kalamazoo County to create a Local Development Finance Authority (or LDFA) around forty acres of brownfield property, while another township could redevelop the vacant land on a former industrial factory site.

#### ***Against:***

When taxes that come from growth in a particular area are "captured" and reinvested only there, the benefits of that growth are not available to the overall community. In effect, the citizens subsidize business growth. Instead of subsidizing private sector developers, business investors in a free-market economy should look to financial markets to cover their start-up costs.

What is more, TIFAs in rural but fast-growing townships can promote suburban sprawl, as their leaders lure businesses now located in a city's core, to relocate outside the urban center. The governor's land use committee will issue a report to address this matter (and others related to it) during the summer of 2003, and it would be wise to await that report before proceeding with this legislation.

#### ***Against:***

According to committee testimony offered by the Michigan Economic Development Corporation, these townships can already participate in tax increment financing projects to attract or retain businesses, if the township leaders establish "425" agreements (referring to Public Act 425 of 1984, which allows for intergovernmental conditional transfer of property by contract) with officials in other units of

government nearby. About 200 communities throughout the state have “425 agreements” in place, in order to redevelop brownfields, or help local businesses expand.

***Response:***

This bill would allow some growing townships to manage their own economic development projects, without having to ask a nearby city for their cooperation. Townships are often frustrated by cities’ recalcitrance or unreasonable conditions when negotiating such agreements.

***POSITIONS:***

The Michigan Townships Association supports the bill. (3-18-03)

The Kalamazoo Chamber of Commerce supports the bill. (3-18-03)

The Michigan Economic Development Corporation does not oppose the bill. (3-18-03)

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■ 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.