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BILL



ANALYSIS

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House Bill 4197 (Substitute H-2 as passed by the House)
Sponsor: Representative Chris Ward
House Committee: Local Government and Urban Policy
Senate Committee: Commerce and Labor

Date Completed: 5-27-03

CONTENT

The bill would amend the Local Development Financing Act to expand the definition of "urban township" (which is a type of municipality eligible to establish a local development finance authority under the Act). To qualify under the expanded definition, a township would have to meet all of the following requirements:

- Have a population of at least 13,000.
- Be located in a county that had a population of at least 150,000.
- Have adopted a master zoning plan before February 1, 1987.

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

- Has a population of at least 20,000, or has a population of at least 10,000 and is located in a county that has a population of at least 400,000; adopted a master zoning plan before February 1, 1987; and provides sewer, water, and other public services to all or a part of the township.
- Has a population under 20,000; is located in a county that has a population of at least 250,000 but less than 400,000, and that is located in a metropolitan statistical area; 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 is located within three miles of a limited access highway; and established a local development finance authority before December 31, 1998.
- Has a population under 20,000; has a State equalized valuation over \$200 million for all real and personal property located in the township; adopted a master zoning plan before February 1, 1987; is a charter township under the Charter Township Act; 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 established a local development finance authority before March 1, 1999.

MCL 125.2152

BACKGROUND

Under the Act, a municipality may finance public improvements in a designated area by "capturing" future increases in property tax revenues generated on property within the area. The Act defines "municipality" as a city, village, or urban township.

Reportedly, 61 townships currently qualify as urban townships, and the following 15 townships would qualify under the bill:

- Allendale, Grand Haven, Park, and Spring Lake Townships in Ottawa County.
- Benton, Lincoln, and Niles Townships in Berrien County.
- Brighton, Genoa, and Green Oak Townships in Livingston County.
- Comstock and Oshtemo Townships in Kalamazoo County.
- Leoni Township in Jackson County.
- Muskegon Township in Muskegon County.
- Scio Township in Washtenaw County.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would have little to no effect on State and local revenues, primarily because a local development finance authority derives revenue from changes in property values. The magnitude of the effect would depend on how many of the affected communities would create local development finance authorities, whether the developments would affect property values in areas where increases in property values were not captured, and the value of any property included within an authority.

The School Aid Fund effectively holds school districts harmless for changes in property values. If a school district receives less property tax revenue because, for example, the State declares a type of property to be exempt from taxation, then expenditures from the School Aid Fund will increase to offset the revenue loss. Because an authority receives revenues from the changes in values, then assuming the development would not occur absent the bill, the bill would not result in increased expenditures from the School Aid Fund.

This estimate is preliminary and will be revised as new information becomes available.

Fiscal Analyst: David Zin

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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.