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BILL ANALYSIS

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House Bill 6127 (as reported without amendment)

Sponsor: Representative Mike Nofs

House Committee: Land Use and Environment

Senate Committee: Commerce and Labor

### **CONTENT**

The bill would create the "Historical Neighborhood Tax Increment Finance Authority Act" to authorize a city in which a historic district was located to create a historical neighborhood tax increment finance authority. The bill would provide for the supervision and control of an authority by a board that included the city's chief executive and five to nine appointed members. Among other things, an authority board could plan and propose projects, including the development of low-income housing, that the board believed aided in the development area's residential and economic growth.

The bill would provide for the financing of authority activities, including authorizing the city or the authority to borrow money and issue bonds; allow an authority to prepare and submit to the city a tax increment financing (TIF) plan, which would have to include a development plan for the authority's development area; specify requirements for a development plan, including providing assistance to people displaced by the plan; specify requirements for an authority's budget approval process; and authorize the State Tax Commission to enforce and administer the proposed Act.

Legislative Analyst: J.P. Finet

### **FISCAL IMPACT**

The bill would increase local unit expenses and possibly increase local unit revenue as well as restrict the spending of any increased local unit revenue. Depending on whether the changes in property values under the bill will occur absent the bill, the bill either would have no effect on State revenues or would delay future increases in State revenue.

As of April 2003, 59 historic district commissions had been established. It is unknown how many of these historic districts would have an authority established under the bill; how many authorities would be established within each district; what properties would be included within the authority; what the change in property values subject to capture would be; and whether allowing the creation of historical neighborhood tax finance authorities would increase the number of historical district commissions.

The bill would allow the taxes resulting from any increase in property tax values to be captured to pay for any authorized expenditures, including payments on bonds issued for the authority. Certain property taxes, such as those levied under the State education tax or to pay for general obligation bonds, would not be subject to capture. Any positive change in property values that will occur absent the bill would represent a delay in future revenue increase for both the State and local units. To the extent that the bill produced higher property values, it would increase local unit revenue, particularly in the future. In the near-term, any increased property tax revenue would be restricted to the authority.

Date Completed: 10-7-04

Fiscal Analyst: David Zin

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Analysis available @ <http://www.michiganlegislature.org>

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