



Senate Fiscal Agency
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BILL ANALYSIS

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House Bills 4012, 4013, and 4318 (as reported without amendment)

Sponsor: Representative Tom Meyer

House Committee: Commerce

Senate Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 4-13-05

RATIONALE

When local units of government create tax increment financing authorities (TIFAs), they are required to hold public hearings and mail notice to residents of the proposed districts and, in some cases, to the governing body of each affected taxing jurisdiction. The use of regular mail for notices has led to at least one dispute over whether a county received notice of a proposed authority. According to Tuscola County officials, they received no notice from a local unit of government of a proposed TIFA within the county, although the local government claimed that notice had been sent. Reportedly, resolving the dispute resulted in both sides incurring legal fees. Some people believe that similar disputes could be avoided in the future if local units of government were required to send notice of proposed TIFAs to county officials by certified mail.

CONTENT

House Bills 4012, 4013 and 4318 would amend the Local Development Financing Act, the Tax Increment Finance Authority Act, and the downtown development authority Act, respectively, to require that notices of hearings be sent by certified mail to the treasurer, clerk, and chairperson of the board of commissioners of the county in which a proposed authority or development area was located.

The requirements would apply beginning June 1, 2005.

Under the Acts, the governing body of a municipality may declare by resolution its intention to create and provide for the

operation an authority. In the resolution of intent, the governing body must set a date for a public hearing on the adoption of a proposed resolution creating the authority and designating the boundaries of the authority district or districts. At least 20 days before the hearing, the governing body must mail notice of the hearing to the property taxpayers of record in a proposed authority district. The Tax Increment Finance Authority (TIFA) Act and the downtown development authority (DDA) Act also require the governing body to mail notice of the hearing at least 20 days in advance to the governing body of each taxing jurisdiction levying taxes that will be subject to capture if the authority is established and a tax increment financing plan is approved.

All of the Acts also require the governing body to hold a public hearing before approving a development plan or a tax increment financing plan. Under the TIFA and DDA Acts, the governing body must mail notice of this hearing to all property taxpayers in the development area, at least 20 days before the hearing.

Under the bills, a governing body would have to mail notice of a public hearing by certified mail to the treasurer, clerk, and chairperson of the board of commissioners of the county in which an authority district or a proposed development area was located, at least 20 days before the date set for the hearing.

The bills also would require a governing body to hold a public hearing before amending (as well as before approving) a

development plan or a tax increment financing plan.

MCL 125.2154 & 125.2166 (H.B. 4012)
125.1803 & 125.1817 (H.B. 4013)
125.1653 & 125.1668 (H.B. 4318)

BACKGROUND

The Local Development Financing Act allows tax increment financing to be used for the development of business incubators and businesses engaged in certain high technology activities within an authority district. Under the Tax Increment Finance Authority Act, if a municipality determines that it is in the best interest of the public to halt a decline in property values and promote growth, the municipality may create and provide for an authority to use tax increment financing to prevent urban deterioration and encourage economic development. Public Act 197 of 1975, commonly known as the downtown development authority Act, allows an authority to use tax increment financing to correct and prevent deterioration of a business district; promote economic growth and revitalization; and encourage historic preservation.

Tax increment financing allows an authority to "capture" and use a portion of the revenue generated in an area. The portion captured is tax revenue attributable to the increase in the assessed value of the area over the value at the time the authority was created.

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 time and expense of the Tuscola County TIFA dispute could have been avoided for the price of sending a few certified letters to county officials to ensure that they were informed of the proposed authority district. Certified mail would provide evidence that notice was sent and should prevent future disputes between municipalities and counties about whether notice was given.

Opposing Argument

Under the bills, the certified mail requirement would apply only to notices

sent to county officials. Under the TIFA and DDA Acts, notice still would have to be sent by regular mail to every other unit of government that taxes a proposed authority district. There is no reason to require that three copies of the same notice be sent to county officials via certified mail when the additional copies could be sent to townships and other taxing jurisdictions.

Legislative Analyst: J.P. Finet

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

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.