Legislative Analysis

HOUSE FISCAL AGENCY
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TRANSIT ORIENTED DEVELOPMENT

House Bill 5988 as introduced
Sponsor: Rep. Wayne Schmidt

House Bill 5989 as introduced
Sponsor: Rep. Gail Haines

House Bill 5998 as introduced
Sponsor: Rep. David Nathan

Committee: Intergovernmental and Regional Affairs

First Analysis (6-30-10)

BRIEF SUMMARY: The bills are part of a 12-bill package intended to promote, facilitate, and finance investment in public transit-oriented development. These bills would expand the definitions in certain acts to include transit-oriented development and a transit-oriented facility, ensuring that transit projects are eligible for funding in those acts.

FISCAL IMPACT: The bills would apparently promote the development and financing of transit-related infrastructure improvements, and would expand the scope of a number of economic development and facility building statutes to allow them to be employed for that purpose. Because the extent to which these new provisions would be utilized is not known, the fiscal impact of the proposed legislation cannot be determined.

THE APPARENT PROBLEM:

The American Public Transportation Association points out that public transit—that is, traveling on buses, trains, subways, trolleys, and ferries—is used each weekday by 35 million Americans. In recent decades, public transportation ridership has increased faster than the U.S. population and the use of the nation's highways. More than 7,700 providers of public and community transportation offer Americans freedom, opportunity, and the choice to travel by means other than a car.

Federal funds for public mass transit are made available to regional urban centers whose officials demonstrate a willingness and ability to work cooperatively, first creating and then implementing regional transit plans, and then by developing reliable funding systems. By being unable to demonstrate adequate regional cooperation, for example, the communities in southeastern Michigan have failed to win very much needed federal funding for public transit projects.

In addition, Transit-Oriented Development—sometimes called TOD land use planning—can increase the economic vitality of local areas. It does so in three ways, say its advocates: first, it creates jobs by designing, building, and maintaining the inter-modal links that are needed in seamless modern transit networks. Second, it fosters more construction, service, and technology jobs by spurring even more development along the networks it creates. Third, it saves consumers money by lowering their transportation costs, and by increasing their access to goods and services along the network.

Currently Michigan's land use planning and economic development laws do not specify that local land use planners or economic developers consider public transit in the development of their studies or projects.

Legislation has been introduced to change 12 separate planning and economic development statutes so that Michigan's land use planning and economic development laws would enable public officials to plan for, and fund, transit-oriented development and transit-oriented facilities, through tax increment financing authorities.

THE CONTENT OF THE BILLS:

The House bills are part of a 12-bill package intended to promote, facilitate, and finance investment in public transit-oriented development.

Under the bills, "*transit-oriented development*" is defined to mean infrastructure improvements that are located within one-half mile of a transit station or transit-oriented facility that promotes transit ridership or passenger rail use. The bills define "*transit-oriented facility*" to mean a facility that houses a transit station in a manner that promotes transit ridership or passenger rail use.

Generally speaking, the bills amend statutes that encourage economic development or that allow for the building of public facilities, or both. A number of the acts being amended allow for the creation of tax increment financing authorities, or TIFAs. When local units of government create these authorities, they typically establish a special district or zone and then capture future increases in property taxes within that district for the authority to use to finance public infrastructure improvement projects within the district. This often includes the issuance of bonds to finance projects.

<u>House Bill 5988</u> would amend Public Act 231 of 1987 (MCL 247.901), which creates a Transportation Economic Development Fund in the Department of Treasury to expand the definition of "project." Now the term is defined to mean a transportation road construction or improvement project. The bill would retain this language and add: "Project also includes a transit-oriented development and a transit-oriented facility."

<u>House Bill 5989</u> would amend the Local Development Financing Act (MCL 125.2152) to expand the definitions of both "eligible property" and "public facility" to include both a transit-oriented facility, and a transit-oriented development. This is a bill that allows for the creation of tax increment finance authorities.

<u>House Bill 5998</u> would amend the Economic Development Corporations Act (MCL 125.1603) to expand the definition of the term "project" to include both transit-oriented developments and a transit-oriented facility.

BACKGROUND INFORMATION:

The House Bills in the 12-bill transit oriented development package include House Bills 5977, 5978, 5979, 5988, 5989 and 5998.

House Bill 5977 would amend the Public Act 200 of 1957 (MCL 123.632), which provides for the creation of inter-municipality study committees to study area problems, to allow such study committees to study *transit-oriented developments*, and *transit-oriented facilities*, in addition to the other problems of mutual interest and concern now listed in the statute.

House Bill 5978 would amend the Hospital Finance Authority Act (MCL 331.33) to expand the definition of "hospital facilities" to include "a transit-oriented facility."

House Bill 5979 would amend the Historical Neighborhood Tax Increment Finance Authority Act (MCL 125.2843) to expand the definition of "public facility" to include *transit-oriented development* and *transit-oriented facility.* This is a bill that allows for the creation of tax increment finance authorities.

House Bill 5988 would amend Public Act 231 of 1987 (MCL 247.901), which creates a Transportation Economic Development Fund in the Department of Treasury to expand the definition of "project" to include public transit.

House Bill 5989 would amend the Local Development Financing Act (MCL 125.2152) to expand the definitions of both "eligible property" and "public facility" to include both a transit-oriented facility, and a transit-oriented development.

House Bill 5998 would amend the Economic Development Corporations Act (MCL 125.1603) to expand the definition of the term "project" to include both transit-oriented developments and a transit-oriented facility.

There is also a set of related Senate bills.

Senate Bill 1233 would amend the Brownfield Redevelopment Financing Act (MCL 125.2652). This is a bill that allows for the creation of tax increment finance authorities.

Senate Bill 1234 would amend the Corridor Improvement Authority Act (MCL 125.2873). This is a bill that allows for the creation of tax increment finance authorities, among other things.

Senate Bill 1235 would amend Public Act 31 of 1948, which provides for the creation of building authorities (MCL 123.951).

Senate Bill 1236 would amend the Commercial Redevelopment Act (MCL 207.653 and 654), which allows for property tax abatements for commercial property.

Senate Bill 1237 would amend the Certificate of Need Act within the Public Health Code (MCL 333.22225). Under the bill, adequate access to public transportation would be a factor in evaluating a proposal to move a health facility from one location to another.

Senate Bill 1238 would amend the Tax Increment Finance Authority Act (125.1801). This is a bill that allows for the creation of tax increment finance authorities.

Also, there is a separate summary available from the House Fiscal Agency that describes House Bills 5169-5171 and 5173. Each of those bills also deals with investment in public transit-oriented development. Generally, they either provide tax incentives or allow for the creation of tax increment finance authorities.

ARGUMENTS:

For:

Proponents of the Transit Oriented Development (TOD) bills, such as the Michigan Association of Planning, argue that "as Michigan seeks to regain its economic prominence, more attention must be given to public transportation." They ask "that local land use decision makers consider public transportation when approving site plans" and they note that such consideration "can go a long way to institutionalize the idea of public transportation as a local government responsibility." They say the bills will increase the awareness of the importance of public transportation systems to the economy, to the environment, and to our social systems that seek to accommodate the elderly, disabled, and disenfranchised.

Proponents note that effective regional public transit networks are vital to economic growth in Michigan. They point out that public transportation is good for American workers and their companies, and that every $1 billion of investment in the nation's transportation infrastructure supports 36,000 jobs--jobs in manufacturing, construction, finance, insurance and real estate, retail and wholesale trade, and services. Further, public transportation also moves people to and from their jobs. Businesses near public transportation have better employee reliability and less absenteeism and turnover. Finally, the 36,000 jobs supported and created by every $1 billion of investment in public transportation result in roughly $3.6 billion in business sales, and generate nearly $500 million in federal, state, and local tax revenues, proponents say. They say that overall, every $1 invested in public transportation generates $4 in economic activity.

In particular, proponents say that regional public transportation increases real estate values and boosts development. For example, the city of Dallas had $3 billion in transit-oriented development (sometimes called TOD projects) in 2005. By 2008, it was $7 billion--associated with an additional $78 billion in tax revenues. In Charlotte, North Carolina, there is $1.8 billion in projected TOD investment, expected to provide an additional $24.1 million annually in tax revenue.

For:

Those who support these bills also note that public transportation reduces our country's dependence on expensive foreign oil, offering citizens an alternative to rising gas prices; and is a responsible environmental choice that when combined with land use development and operational efficiencies can reduce greenhouse gases by 24 percent, making much smaller the nation's carbon footprint.

How do these savings achieved via public transit affect travelers? The Texas Transportation Institute studies traffic congestion in 439 urban areas of the United States; researchers there report that the average annual delay per traveler has climbed from 14 hours in 1982 to 36 hours in 2007. According to the TTI studies of small, medium, and large metropolitan areas, public transportation saves citizens millions of hours of delay and employers billions of dollars in congestion costs. Further, that increase in mobility is available to people of all ages, including school children and those who are poor and disabled.

Against:

Some who oppose the bills argue that tax increment financing authorities (TIFAs) create unfair advantages for some developers, and those financial advantages are achieved at the expense of others. They argue that real estate market forces alone should determine how, when, and where local developers propose and build their projects--absent all government direction and financial intervention such as TIFs. Under these bills, opponents fear that the siting of local developers' projects could be hampered by already existing public transit routes and facilities. Opponents note that even well-intentioned local economic development authorities would deny local developers total discretion in their land purchase and development decisions, depriving them of their livelihoods, and also denying communities new and very much-needed economic development projects.

TIFAs also take revenue from one set of local government bodies and redistribute them to others.

POSITIONS:

The Michigan Association of Realtors supports the bills. (6-29-10)

The Community Economic Association of Michigan (CEDAM) supports the bills. (6-29-10)

The Michigan Municipal League supports the bills. (6-29-10)

The Michigan Department of Treasury is neutral on the bills. (6-29-10)

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