

## **“ASSESSABLE PROPERTY” IN PRINCIPAL SHOPPING DISTRICT OR BUSINESS IMPROVEMENT DISTRICT**

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**House Bill 5325 as introduced**  
**Sponsor: Rep. Chris Afendoulis**  
**1st Committee: Tax Policy**  
**2nd Committee: Local Government**  
**Complete to 1-22-18**

### **SUMMARY:**

House Bill 5325 would amend 1961 PA 120, the act that governs principal shopping districts and business improvement districts, to change the act’s definition of “assessable property.”

Currently under the act, for purposes of levying a special assessment to defray the costs of a district project, “assessable property” is defined as real property in a district area other than all of the following:

- Property classified as residential real property under the General Property Tax Act.
- Property owned by the federal, state, or local unit of government where property is exempt from collection of taxes under the General Property Tax Act.
- One or more classes of property owners whose property is both exempt from collection of taxes under the General Property Tax Act *and* as a class has been determined by the legislative body of the local governmental unit not to be benefited by a project for which a special assessment will be levied.

HB 5325 would remove the exception for property classified as residential real property under the General Property Tax Act. That is, residential real property in a district area would be “assessable property” for purposes of levying a special assessment.

### **BRIEF BACKGROUND:**

Certain local governmental units can create “principal shopping districts” or “business improvement districts,” and multiple governmental units can collectively create business improvement districts. The districts are formed to promote economic development within a defined area of the unit.<sup>1</sup> Generally speaking, these districts allow a local governmental unit to undertake projects related to pedestrian walkways, traffic patterns, parking, information centers, public relations and marketing campaigns, and other services that will benefit the district (e.g., landscaping or snow removal). The costs of any part of a project can be financed from: grants and gifts to the local governmental unit or district, local

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<sup>1</sup> For more information, see Michigan Economic Development Corporation, “Business Improvement District/Principal Shopping District/Business Improvement Zone (BID/PSD/BIZ).” July 2016.  
<https://www.miplace.org/globalassets/media-documents/placemaking/community-development-guide/business-improvement-district---principal-shopping-district---business-improvement-zone-pa-120.pdf>

governmental unit funds, the issuance of general obligation or revenue bonds, the levying of a special assessment, or any other source.

If a local governmental unit elects to levy a special assessment, it is levied pursuant to applicable statutory or charter provisions, or, in their absence, pursuant to the provisions applicable to local governmental unit street improvements. The assessment is levied against all assessable property on the basis of the special benefits to that parcel from the total project.

Under the act, for a principal shopping district designated after July 1992, the maximum special assessment is \$10,000 for each business located on a parcel (adjusted annually for inflation). For a special assessment levied in a business improvement district, the district board must first create a plan that details the scope of the district improvement project and the projected amount of the special assessment on different classes of property owners.

### **FISCAL IMPACT:**

House Bill 5325 would increase the revenue potential of Principal Shopping Districts (PSDs) and Business Improvement Districts (BIDs) through the inclusion of residential real property in the definition of assessable property. The fiscal impact for each PSD and BID would depend on special assessment decisions made by the district. For example, a PSD or BID that maintained its special assessment rate would realize increased revenues. On the other hand, the increase in assessable property through the inclusion of residential property could allow a PSD or BID to reduce the special assessment rate and still realize the same level of revenue. Increased activity and improvements in a PSD or BID could also lead to increases in surrounding property values, thereby increasing revenues for surrounding local units of government.

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