

MODIFY ASSESSABLE PROPERTY RULES IN SHOPPING DISTRICTS AND BUSINESS IMPROVEMENT DISTRICTS

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Senate Bill 306 (H-1) as referred to second House committee

Sponsor: Sen. Peter MacGregor

1st House Committee: Commerce and Tourism

2nd House Committee: Ways and Means

Senate Committee: Economic and Small Business Development

Complete to 5-19-20

SUMMARY:

Senate Bill 306 would amend 1961 PA 120, known as the Shopping Areas Redevelopment Act, to make a number of changes, mostly concerning *assessable property* and the administration of business improvement zones (BIZs).

Assessable Property

Currently, in both Chapters 1 and 2 of the act, *assessable property* generally includes the district's real property, with certain exceptions. One exception is if the real property is classified as residential real property under section 34c of the General Property Tax Act.

The bill would amend Chapter 1 (Principal Shopping Districts) to allow a local governmental unit to expressly designate certain residential real property as assessable property as part of its special assessment proceedings. Likewise, it would amend Chapter 2 (Business Improvement Zones) to allow assessable property to include real property in a zone area classified as residential real property under the General Property Tax Act only if the plan for the zone area included it as part of its assessment proceeding.

The bill would also require the board of a business improvement district to include at least one owner of residential real property if that property was determined assessable by the local government under the new definition of assessable property.

Special Assessment Process

The act currently requires a local unit of government to undergo a special assessment process if it chooses to levy special assessments to defray all or part of the cost of an improvement district. The bill would add an additional step to the process, stating that any notice required as part of the special assessment process would have to include a statement that a property owner of residential real property within a business improvement district or zone could seek a homestead deferment for a special assessment under the act in the same manner as provided in the Deferment of Special Assessments on Homesteads Act.

Allocation of assessments

The act currently requires that if the zone plan for an area provides a basis for allocating assessments other than assessed value, the majority of all parcels included in the zone area—both by area and by taxable value—would be considered assessable property.

Likewise, if the zone plan for that zone area provided for the allocation of assessments based on assessed value, the majority of all parcels included in the zone area, both by area and by assessed value, would be considered assessable property. The bill would eliminate these provisions, instead stating that a zone plan would have to allocate assessments on the basis of the benefit to the assessable property. In addition, the zone plan used in the BIZ proposal would have to include the formula used in allocating the assessments on the assessable property if the proposed financing plan included assessments.

Assessment payments

Chapter 2 (Business Improvement Zones) of the act provides that assessment revenue is the property of the BIZ and not of the city or village in which it is located. The bill would state, however, that the revenue must first be used to pay the balance of any outstanding property taxes owed to the city or village, with any remaining amount considered assessment revenue belonging to the BIZ.

Finally, the bill would update certain references throughout the act to account for passage of the 2018 Recodified Tax Increment Financing Act.¹

MCL 125.981 et al.

BRIEF DISCUSSION:

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. Business improvement zones are similar, but are created by a petition of private property owners.²

Generally speaking, these districts and zones allow a local governmental unit or zone board to impose an assessment and use the funds to undertake projects that benefit the district or zone, like parking, landscape and streetscape improvements, and marketing and public relations campaigns. The law that governs PSDs, BIDs, and BIZs is over 50 years old, and at the time the law was passed, the districts and zones being contemplated were primarily commercial in nature. The law thus exempts residential real property from the assessment that supports the operation of a PSD, BID, or BIZ. Today, these areas are moving toward a mix of commercial and residential property. Some believe that with active residential real property now located in these districts and zones, the assessment should be able to be applied to those parcels as well, as not only do residential owners benefit from many of the projects undertaken in a district, such as parking and sidewalk snow clearance, but they could have a voice in district and zone planning and management.

¹ House Fiscal Agency analysis of 2018 PA 57 (SB 393): <http://www.legislature.mi.gov/documents/2017-2018/billanalysis/House/pdf/2017-HLA-0393-A6285C88.pdf>

² See <https://www.miplace.org/4a14e6/globalassets/documents/fact-sheets/business-improvement-district---principal-shopping-district---business-improvement-zone-pa-120.pdf>

BACKGROUND:

With respect to allowing the inclusion of residential property as assessable property in districts and zones governed by the act, the bill is similar to House Bills 5325 and 5720 of the 2017-18 legislative session. Those bills were passed by both the House and the Senate and enrolled, but were vetoed by the governor on December 28, 2018. In his veto letter,³ Governor Snyder wrote that, while he appreciated the goal of expanding the properties against which special assessments could be levied, he believed that the issue merited “further discussion and consideration, including whether it is appropriate for residential taxpayers to be assessed in [the manner described in the bills].”

FISCAL IMPACT:

The bill would have no net impact on revenues for principal shopping districts, business improvement districts, or business improvement zones. However, the bill, by authorizing a local unit to include residential real property as assessable property for any of the districts, would change the distribution of the special assessment liability if a local government expressly designated residential real property as assessable property.

The bill would have no fiscal impact on state government.

POSITIONS:

A representative of Downtown Grand Rapids, Inc. testified in support of the bill. (1-16-20)

The following entities indicated support for the bill:

- Michigan Economic Development Corporation (2-20-20)
- City of Grand Rapids (1-16-20)
- Michigan Retailers Association (1-16-20)
- Michigan Municipal League (1-16-20)
- Michigan Townships Association (1-16-20)
- Detroit Riverfront Conservancy (1-16-20)
- Invest Detroit (1-16-20)
- Downtown Development Partnership (1-16-20)
- Michigan Economic Developers Association (2-20-20)

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

³https://content.govdelivery.com/attachments/MIGOV/2018/12/27/file_attachments/1129835/HBs%205325%20and%205720%20Veto%20Letter.pdf