

## MODIFY ASSESSABLE PROPERTY RULES IN SHOPPING DISTRICTS AND BUSINESS IMPROVEMENT DISTRICTS

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**Senate Bill 306 (proposed substitute H-1)**

Analysis available at  
<http://www.legislature.mi.gov>

**Sponsor: Sen. Peter MacGregor**

**House Committee: Commerce and Tourism**

**Senate Committee: Economic and Small Business Development**

**Complete to 2-19-20**

### 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 refer to the 2018 Recodified Tax Increment Financing Act.<sup>1</sup>

MCL 125.981 et al.

**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.

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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.

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<sup>1</sup> 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>