

**SUBSTITUTE FOR
HOUSE BILL NO. 4263**

A bill to amend 1961 PA 120, entitled

"An act to authorize the development or redevelopment of principal shopping districts and business improvement districts; to permit the creation of certain boards; to provide for the operation of principal shopping districts and business improvement districts; to provide for the creation, operation, and dissolution of business improvement zones; and to authorize the collection of revenue and the bonding of certain cities for the development or redevelopment projects,"

by amending the title and sections 1, 2, 4, 5, and 6 (MCL 125.981, 125.982, 125.984, 125.985, and 125.986), the title as amended by 2001 PA 260, sections 1, 2, and 5 as amended by 2001 PA 261, section 4 as amended by 1999 PA 49, and section 6 as amended by 1992 PA 146.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 TITLE

2 An act to authorize the development or redevelopment of
3 principal shopping districts and business improvement districts;
4 to permit the creation of certain boards; to provide for the

1 operation of principal shopping districts and business
 2 improvement districts; to provide for the creation, operation,
 3 and dissolution of business improvement zones; and to authorize
 4 the collection of revenue and the bonding of certain ~~cities~~
 5 **local governmental units** for the development or redevelopment
 6 projects.

7 Sec. 1. (1) As used in this chapter:

8 (a) "Assessable property" means real property in a district
 9 area other than all of the following:

10 (i) Property classified as residential real property under
 11 section 34c of the general property tax act, 1893 PA 206, MCL
 12 211.34c.

13 (ii) Property owned by the federal, a state, or a local unit
 14 of government where property is exempt from the collection of
 15 taxes under the general property tax act, 1893 PA 206, MCL 211.1
 16 to 211.157.

17 (iii) One or more classes of property owners whose property
 18 meets all of the following conditions:

19 (A) Is exempt from the collection of taxes under the general
 20 property tax act, 1893 PA 206, MCL 211.1 to 211.157, other than
 21 property identified in subparagraph (ii).

22 (B) As a class has been determined by the legislative body
 23 of the ~~city~~ **local governmental unit** not to be benefited by a
 24 project for which special assessments are to be levied.

25 (b) "Business improvement district" means 1 or more portions
 26 of a ~~city~~ **local governmental unit** or combination of contiguous
 27 portions of 2 or more ~~cities~~ **local governmental units** that are

1 predominantly commercial or industrial in use.

2 (c) "District" means a business improvement district or a
3 principal shopping district.

4 (d) "Highways" means public streets, highways, and alleys.

5 (e) "Local governmental unit" means a city, village, or urban
6 township.

7 (f) ~~(e)~~ "Principal shopping district" means a portion of a
8 ~~city~~ local governmental unit designated by the governing body
9 of the ~~city~~ local governmental unit that is predominantly
10 commercial and that contains at least 10 retail businesses.

11 (g) "Urban township" means that term as defined in section 2
12 of the local development financing act, 1986 PA 281, MCL
13 125.2152.

14 (2) A ~~city~~ local governmental unit with a master plan for
15 the physical development of the ~~city~~ local governmental unit
16 that includes an urban design plan designating a principal
17 shopping district or includes the development or redevelopment of
18 a principal shopping district, or 1 or more ~~cities~~ local
19 governmental units that establish a business improvement district
20 by resolution, may do 1 or more of the following:

21 (a) ~~Open~~ Subject, where necessary, to approval of the
22 governmental entity that has jurisdiction over the highway, open,
23 widen, extend, realign, pave, maintain, or otherwise improve
24 highways and construct, reconstruct, maintain, or relocate
25 pedestrian walkways.

26 (b) ~~Prohibit~~ Subject, where necessary, to approval of the
27 governmental entity that has jurisdiction over the highway,

1 **prohibit** or regulate vehicular traffic where necessary to carry
2 out the purposes of the development or redevelopment project.

3 (c) ~~Regulate~~ **Subject, where necessary, to approval of the**
4 **governmental entity that has jurisdiction over the highway,**
5 **regulate** or prohibit vehicular parking on highways.

6 (d) Acquire, own, maintain, demolish, develop, improve, or
7 operate properties, off-street parking lots, or structures.

8 (e) Contract for the operation or maintenance by others of
9 ~~city~~ off-street parking lots or structures **owned by the local**
10 **governmental unit**, or appoint agents for the operation or
11 maintenance.

12 (f) Construct, maintain, and operate malls with bus stops,
13 information centers, and other buildings that will serve the
14 public interest.

15 (g) Acquire by purchase, gift, or condemnation and own,
16 maintain, or operate real or personal property necessary to
17 implement this section.

18 (h) Promote economic activity in the district by undertakings
19 including, but not limited to, conducting market research and
20 public relations campaigns, developing, coordinating, and
21 conducting retail and institutional promotions, and sponsoring
22 special events and related activities. A business may prohibit
23 the use of its name or logo in a public relations campaign,
24 promotion, or special event or related activity for the
25 district.

26 (i) Provide for or contract with other public or private
27 entities for the administration, maintenance, security,

1 operation, and provision of services that the board determines
2 are a benefit to a district within the ~~city~~ **local governmental**
3 **unit**.

4 (3) A ~~city~~ **local governmental unit** that provides for
5 ongoing activities under subsection (2)(h) or (i) shall also
6 provide for the creation of a board for the management of those
7 activities.

8 (4) One member of the board of the principal shopping
9 district shall be from the adjacent residential area, 1 member
10 shall be a representative of ~~city government~~ **the local**
11 **governmental unit**, and a majority of the members shall be
12 nominees of individual businesses located within the principal
13 shopping district. The board shall be appointed by the chief
14 executive officer of the ~~city~~ **local governmental unit** with the
15 concurrence of the legislative body of the ~~city~~ **local**
16 **governmental unit**. However, if all of the following requirements
17 are met, a business may appoint a member of the board of a
18 principal shopping district, which member shall be counted toward
19 the majority of members required to be nominees of businesses
20 located within the principal shopping district:

21 (a) The business is located within the principal shopping
22 district.

23 (b) The principal shopping district was designated by the
24 governing body of a ~~city~~ **local governmental unit** after July 14,
25 1992.

26 (c) The business is located within a special assessment
27 district established under section 5.

1 (d) The special assessment district is divided into special
2 assessment rate zones reflecting varying levels of special
3 benefits.

4 (e) The business is located in the special assessment rate
5 zone with the highest special assessment rates.

6 (f) The square footage of the business is greater than 5.0%
7 of the total square footage of all businesses in that special
8 assessment rate zone.

9 (5) If the boundaries of the principal shopping district are
10 the same as those of a downtown district designated under 1975 PA
11 197, MCL 125.1651 to 125.1681, the governing body may provide
12 that the members of the board of the downtown development
13 authority, which manages the downtown district, shall compose the
14 board of the principal shopping district, in which case
15 subsection (4) does not apply.

16 (6) The members of the board of a business improvement
17 district shall be determined by the ~~city~~ **local governmental**
18 **unit** as provided in this subsection. The board of a business
19 improvement district shall consist of all of the following:

20 (a) One representative of the ~~city~~ **local governmental unit**
21 appointed by the chief executive officer of the ~~city~~ **local**
22 **governmental unit** with the concurrence of the legislative body of
23 the ~~city~~ **local governmental unit** in which the business
24 improvement district is located. If the business improvement
25 district is located in more than 1 ~~city~~ **local governmental**
26 **unit**, then 1 representative from each ~~city~~ **local governmental**
27 **unit** in which the business improvement district is located shall

1 serve on the board as provided in this subdivision.

2 (b) Other members of the board shall be nominees of the
3 businesses and property owners located within the business
4 improvement district. If a class of business or property owners,
5 as identified in the resolution described in subsection (8), is
6 projected to pay more than 50% of the special assessment levied
7 that benefits property in a business improvement district for the
8 benefit of the business improvement district, the majority of the
9 members of the board of the business improvement district shall
10 be nominees of the business or property owners in that class.

11 (7) A ~~city~~ **local governmental unit** may create 1 or more
12 business improvement districts.

13 (8) If 1 or more ~~cities~~ **local governmental units** establish
14 a business improvement district by resolution under subsection
15 (2), the resolution shall identify all of the following:

16 (a) The geographic boundaries of the business improvement
17 district.

18 (b) The number of board members in that business improvement
19 district.

20 (c) The different classes of property owners in the business
21 improvement district.

22 (d) The class of business or property owners, if any, who are
23 projected to pay more than 50% of the special assessment levied
24 that benefits property in that business improvement district.

25 Sec. 2. (1) The cost of the whole or any part of a principal
26 shopping district project or business improvement district
27 project as authorized in this chapter may be financed by 1 or

1 more of the following methods:

2 (a) Grants and gifts to the ~~city~~ **local governmental unit** or
3 district.

4 (b) ~~City~~ **Local governmental unit** funds.

5 (c) The issuance of general obligation bonds of the ~~city~~
6 **local governmental unit** subject to the revised municipal finance
7 act, 2001 PA 34, MCL 141.2101 to 141.2821.

8 (d) The issuance of revenue bonds by the ~~city~~ **local**
9 **governmental unit** under the revenue bond act of 1933, 1933 PA 94,
10 MCL 141.101 to 141.140, or under any other applicable revenue
11 bond act. The issuance of the bonds shall be limited to the part
12 or parts of the district project that are public improvements.

13 (e) The levying of special assessments against land or
14 interests in land, or both.

15 (f) Any other source.

16 (2) Beginning January 1, 2000, the proceeds of a bond, note,
17 or other obligation issued to finance a project authorized under
18 this chapter shall be used for capital expenditures, costs of a
19 reserve fund securing the bonds, notes, or other obligations, and
20 costs of issuing the bonds, notes, or other obligations. The
21 proceeds of the bonds, notes, or other obligations shall not be
22 used for operational expenses of a district.

23 Sec. 4. The development or redevelopment of a district,
24 including the various phases of the development or redevelopment,
25 is 1 project and, in the discretion of the governing body of the
26 ~~city~~ **local governmental unit**, may be financed as a single
27 improvement.

1 Sec. 5. (1) If a ~~city~~ **local governmental unit** elects to
2 levy special assessments to defray all or part of the cost of the
3 district project, then the special assessments shall be levied
4 pursuant to applicable statutory or charter provisions or, if
5 there are no applicable statutory or charter provisions, pursuant
6 to statutory or charter provisions applicable to ~~city~~ **local**
7 **governmental unit** street improvements. If a ~~city~~ **local**
8 **governmental unit** charter does not authorize special assessments
9 for the purposes set forth in this chapter, the charter
10 provisions authorizing special assessments for street
11 improvements are made applicable to the purposes set forth in
12 this chapter, without amendment to the charter. The total amount
13 assessed for district purposes may be made payable in not more
14 than 20 annual installments as determined by the governing body
15 of the ~~city~~ **local governmental unit**, the first installment to
16 be payable in not more than 18 months after the date of the
17 confirmation of the special assessment roll.

18 (2) A special assessment shall be levied against assessable
19 property on the basis of the special benefits to that parcel from
20 the total project. There is a rebuttable presumption that a
21 district project specially benefits all assessable property
22 located within the district.

23 (3) This subsection applies to a principal shopping district
24 only if the principal shopping district is designated by the
25 governing body of a ~~city~~ **local governmental unit** after July 14,
26 1992. The special assessments annually levied on a parcel under
27 this chapter shall not exceed the product of \$10,000.00 and the

1 number of businesses on that parcel. A business located on a
2 single parcel shall not be responsible for a special assessment
3 in excess of \$10,000.00 annually. When the special assessment
4 district is created, a lessor of a parcel subject to a special
5 assessment may unilaterally revise an existing lease to a
6 business located on that parcel to recover from that business all
7 or part of the special assessment, as is proportionate
8 considering the portion of the parcel occupied by the business.

9 (4) The \$10,000.00 maximum amounts in subsection (3) shall be
10 adjusted each January 1, beginning January 1, 1994, pursuant to
11 the annual average percentage increase or decrease in the Detroit
12 consumer price index for all items as reported by the United
13 States department of labor. The adjustment for each year shall
14 be made by comparing the Detroit consumer price index for the
15 12-month period ending the preceding October 31 with the
16 corresponding Detroit consumer price index of 1 year earlier.
17 The percentage increase or decrease shall then be multiplied by
18 the current amounts under subsection (3) authorized by this
19 section. The product shall be rounded up to the nearest multiple
20 of 50 cents and shall be the new amount.

21 (5) The ~~city~~ **local governmental unit** may issue special
22 assessment bonds in anticipation of the collection of the special
23 assessments for a district project and, by action of its
24 governing body, may pledge its full faith and credit for the
25 prompt payment of the bonds. Special assessment bonds issued
26 under this section are subject to the revised municipal finance
27 act, 2001 PA 34, MCL 141.2101 to 141.2821. The last maturity on

1 the bonds shall be not later than 2 years after the due date of
2 the last installment on the special assessments. Special
3 assessment bonds may be issued pursuant to statutory or charter
4 provisions applicable to the issuance by the ~~city~~ **local**
5 **governmental unit** of special assessment bonds for the improvement
6 or, if there are no applicable statutory or charter provisions,
7 pursuant to statutory or charter provisions applicable to the
8 issuance by the ~~city~~ **local governmental unit** of special
9 assessment bonds for street improvements.

10 (6) If a district project in a district designated by the
11 governing body of a ~~city~~ **local governmental unit** after July 14,
12 1992 is financed by special assessments, the governing body of
13 the ~~city~~ **local governmental unit** shall review the special
14 assessments every 5 years, unless special assessment bonds are
15 outstanding.

16 (7) Before a ~~city~~ **local governmental unit** levies a special
17 assessment under this chapter that benefits property within a
18 business improvement district, the business improvement district
19 board shall develop a marketing and development plan that details
20 all of the following:

21 (a) The scope, nature, and duration of the business
22 improvement district project or projects.

23 (b) The different classes of property owners who are going to
24 be assessed and the projected amount of the special assessment on
25 the different classes.

26 (8) A ~~city~~ **local governmental unit** that levies a special
27 assessment under this chapter that benefits property within a

1 business improvement district is considered to have approved the
2 marketing and development plan described in subsection (7).

3 Sec. 6. If off-street parking lots or structures are
4 essential to the principal shopping district project, if 1 or
5 more off-street parking lots or structures are already owned by
6 the ~~city~~ **local governmental unit** and were acquired through the
7 issuance of revenue bonds, and if the remaining parking lots or
8 structures are to be financed in whole or in part by special
9 assessments and special assessment bonds, then the ~~city~~ **local**
10 **governmental unit**, to place all parking lots or structures on the
11 same basis, may include as a part of the cost of parking lots or
12 structures for the project the amount necessary to retire all or
13 any part of the outstanding revenue bonds, inclusive of any
14 premium not exceeding 5% necessary to be paid upon the redemption
15 or purchase of those outstanding bonds. From the proceeds of the
16 special assessments or from the sale of bonds issued in
17 anticipation of the payment of the special assessments, the
18 ~~city~~ **local governmental unit** shall retire by redemption or
19 purchase the outstanding revenue bonds. This section does not
20 authorize the refunding of noncallable bonds without the consent
21 of the holders of the bonds.