

**SENATE 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 a township that is an urban**  
12 **township as defined in section 2 of the local development**  
13 **financing act, 1986 PA 281, MCL 125.2152, and is a township**  
14 **located in a county with a population of more than 750,000.**

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

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

27 (b) ~~Prohibit~~ **Subject, where necessary, to approval of the**

1 **governmental entity that has jurisdiction over the highway,**  
2 **prohibit** or regulate vehicular traffic where necessary to carry  
3 out the purposes of the development or redevelopment project.

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

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

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

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

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

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

27 (i) Provide for or contract with other public or private

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

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

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

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

24 (b) The principal shopping district was designated by the  
25 governing body of a ~~city~~ **local governmental unit** after July 14,  
26 1992.

27 (c) The business is located within a special assessment

1 district established under section 5.

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

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

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

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

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

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

1 **unit** in which the business improvement district is located shall  
2 serve on the board as provided in this subdivision.

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

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

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

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

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

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

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

26 Sec. 2. (1) The cost of the whole or any part of a principal  
27 shopping district project or business improvement district

1 project as authorized in this chapter may be financed by 1 or  
2 more of the following methods:

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

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

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

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

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

16 (f) Any other source.

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

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

1 improvement.

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

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

24       (3) This subsection applies to a principal shopping district  
25 only if the principal shopping district is designated by the  
26 governing body of a ~~city~~ **local governmental unit** after July 14,  
27 1992. The special assessments annually levied on a parcel under

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

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

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

1 act, 2001 PA 34, MCL 141.2101 to 141.2821. The last maturity on  
2 the bonds shall be not later than 2 years after the due date of  
3 the last installment on the special assessments. Special  
4 assessment bonds may be issued pursuant to statutory or charter  
5 provisions applicable to the issuance by the ~~city~~ **local**  
6 **governmental unit** of special assessment bonds for the improvement  
7 or, if there are no applicable statutory or charter provisions,  
8 pursuant to statutory or charter provisions applicable to the  
9 issuance by the ~~city~~ **local governmental unit** of special  
10 assessment bonds for street improvements.

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

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

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

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

27 (8) A ~~city~~ **local governmental unit** that levies a special

1 assessment under this chapter that benefits property within a  
2 business improvement district is considered to have approved the  
3 marketing and development plan described in subsection (7).

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