

TAX INCREMENT FINANCING AUTHORITY FOR RESIDENTIAL NEIGHBORHOODS IN CITIES

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House Bill 4181

Sponsor: Rep. Tupac Hunter

Committee: Commerce

Complete to 4-18-06

A PRELIMINARY SUMMARY OF HOUSE BILL 4181 AS INTRODUCED 2-3-05

The bill would create the Neighborhood Improvement Authority Act. The act creates a new tax increment financing authority that cities could use to address property value deterioration in residential districts; that is, in areas zoned and used principally for residential housing. Generally speaking, tax increment finance authorities, or TIFAs, are authorized by statute to capture the growth in tax revenue in a designated development district for use in financing public improvement projects within the district. Typically, they cannot capture school taxes or debt millages.

The new act would mirror the existing Downtown Development Act, which applies to business districts, and it contains similar notice and public hearing requirements. (The act's provisions are also similar to the recently enacted Historic Neighborhood Tax Increment Finance Authority Act—Public Act 530 of 2004—which applies to historic districts. A residential district or development area created under the proposed act could not include an area already covered by a historic neighborhood authority.)

The bill would do the following:

- Authorize a city to create a neighborhood improvement authority by passing a resolution after providing notice and holding a public hearing.
- Provide for the supervision and control of an authority by a board that included the city's chief executive officer and five to nine members appointed by the chief executive, subject to the approval of the city's governing board.
- Allow a board to hire a director to serve as chief executive officer of the authority, subject to the approval of the city's governing body.
- Make the board subject to the Open Meetings Act and the Freedom of Information Act.
- Allow an authority to prepare and submit to the city's governing body a tax increment financing plan, which would have to include a development plan for the authority's development area.

- Specify an authority board's powers, as described later.
- Provide for the financing of authority activities, including borrowing money and issuing bonds.
- Allow a city and an authority to authorize, issue, and sell bonds to finance a TIF plan's development program.
- Specify requirements for a development plan, including providing assistance to people displaced by the plan.
- Require that a person to be relocated be given at least 90 days' written notice to vacate, unless modified by a court order issued for good cause and after a hearing.
- Specify requirements for an authority's budget approval process.
- Require that a city dissolve an authority after it has completed its purpose, and provide that the authority's property and assets remaining after the satisfaction of its obligations would belong to the city.
- Authorize the State Tax Commission to institute proceedings to enforce the proposed act and permit the STC to promulgate rules for its administration.

Board powers. An authority board could do any of the following:

- Prepare an analysis of economic changes taking place in the development area.
- Study and analyze the impact of metropolitan growth upon the development area.
- Plan and propose the construction, renovation, repair, remodeling, rehabilitation, restoration, preservation, or reconstruction of a public facility, an existing building, or a multiple-family dwelling unit for a plan that the board believed aided in the development area's residential and economic growth.
- Develop long-range plans, in cooperation with the city's planning agency, designed to halt the deterioration of property values and promote residential growth and economic growth in the development area and take steps to persuade property owners to implement the plans to the fullest extent possible.
- Implement in the development area any plan of development, including low-income housing, that was necessary to achieve the purposes of the proposed act.
- Make and enter into contracts to exercise its powers and the performance of its duties.

-- Acquire, own, convey, or otherwise dispose of, or lease land and other real or personal property necessary to achieve the purposes of the proposed act, and to grant or acquire licenses, easements, and options.

-- Improve land and construct, reconstruct, rehabilitate, restore and preserve, equip, clear, improve, maintain, repair, and operate any public facility, building (including multiple-family dwellings), and any necessary or desirable appurtenances, within the development are for a public or private use.

-- Fix, charge, and collect fees, rents, and charges for the use of any facility, building, or property it controlled and pledge the collections for the payment of revenue bonds issued under by the authority.

-- Accept from public and private sources, grants and donations of property, labor, or other things of value.

-- Acquire and construct public facilities.

("Public facility" would mean housing; a street, plaza, or pedestrian mall, and any improvements to them; park; parking facility; recreational facility; right of way; structure; waterway; bridge; lake; pond; canal; utility line or pipe; or building, including access routes designed and dedicated to public use or used by a public agency.)

A city could acquire private property under Public Act 149 of 1911, which provides for the acquisition of private property for public use or benefit, or under the Uniform Condemnation Procedures Act, for the purposes of transfer to an authority for use in an approved development. The taking, transfer, and use would be considered necessary for public purposes and for the benefit of the public.

FISCAL IMPACT:

A fiscal analysis is in process.

Legislative Analyst: Chris Couch
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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.