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BILL ANALYSIS



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House Bill 6114 (Substitute H-4 as passed by the House)
Sponsor: Representative Marie Donigan
House Committee: Transportation
Senate Committee: Commerce and Tourism

Date Completed: 12-10-08

CONTENT

The bill would create the "Transit Revitalization Investment Zone Act" to do all of the following:

- Allow a municipality to establish multiple transit revitalization investment authorities.**
- Require an authority to consult with affected local units of government, public transportation agencies, and private transportation providers to designate a transit revitalization investment zone.**
- Provide for an authority board and finances, and the hiring of officers and staff.**
- Allow an authority to submit a tax increment financing (TIF) plan to a municipality's governing body, and provide for the approval of the plan.**
- Require an authority board to prepare an improvement plan, if it financed a project through revenue bonds or a TIF plan, and provide for adoption of the plan.**

Transit Revitalization Investment Authorities

A municipality could establish multiple transit revitalization investment authorities, but a parcel of property could not be included in more than one authority. An authority would be a public body corporate and would possess all the powers necessary to carry out its purpose.

A municipality's governing body by resolution could declare its intention to create an authority. The resolution would have to set a date for a public hearing on the adoption of an ordinance creating an authority and designating the boundaries of the transit revitalization investment zone. The zone would have to consist of parcels that were not farther than half a mile from a transit station. A municipality that created an authority could enter into an agreement with an adjoining municipality that had created an authority to operate and administer the authorities jointly under an interlocal agreement under the Urban Cooperation Act.

Zone Designation

An authority would have to consult with affected local units, public transportation agencies, private transportation providers, and any other entity it considered necessary to designate a

zone. The authority would have to enter into an agreement with the affected municipalities and public transportation agencies to create a zone.

If a zone were part of an area annexed to or consolidated with another municipality, the authority managing that zone would become an authority of the annexing or consolidated municipality.

Authority Board

An authority would be under the supervision and control of a board consisting of the municipality's chief executive officer, or his or her designee, and five to nine members appointed by the chief executive officer. At least a majority of the members would have to have an ownership or business interest in property located in the zone. At least one-third would have to be selected from nominations made by public transportation agencies. At least one member would have to be nominated by the public transportation agency that primarily served the municipality. At least one member would have to be a resident of the zone or an area within a half-mile of any part of the zone.

Members would serve four-year staggered terms, and would not be compensated, except for reimbursement for actual and necessary expenses. The board would elect its chairperson. The board would be subject to the Open Meetings Act and the Freedom of Information Act.

The board could engage in specified activities, including constructing, repairing, or reconstructing public facilities; developing long-range plans; implementing development plans for transit revitalization; establishing, charging, and collecting fees, rent, and other charges; leasing property; accepting grants and donations; and authorizing the expenditure of tax increment revenue for the operating costs of a public transportation agency servicing the zone.

Authority Officers & Staff

An authority board could employ and fix the compensation of a director, subject to the approval of the municipality's governing body. The board also could employ and fix the compensation of a treasurer and secretary, and retain legal counsel to advise the board in the proper performance of its duties.

The board could employ other personnel it considered necessary. Authority employees would not be civil service employees, but would be eligible to participate in municipal retirement and insurance programs as if they were civil service employees.

Authority Finances

Authority activities would have to be financed from one or more of the following:

- Donations to the authority.
- Money borrowed and to be repaid.
- Revenue from any property, building, or facility owned, leased, licensed, or operated by the authority or under its control.
- Proceeds of a tax increment financing plan established under the Act.
- Proceeds from a special assessment district created as provided by law.
- Money obtained from other sources approved by the municipality's governing body or otherwise authorized by law for the authority's or municipality's use to finance a development program.

The authority could borrow money and issue negotiable revenue bonds under the Revenue Bond Act. With the approval of the local governing body, the authority could borrow money and issue revenue bonds or notes to finance all or part of the costs of transit revitalization development improvements. Bonds or notes issued under the proposed Act would be exempt from taxation in Michigan, and the interest on them would be tax-exempt in Michigan, although they could be subject to Federal income tax.

Tax-Increment Financing Plan

If an authority determined that it was necessary to achieve the purposes of the proposed Act, the authority could prepare and submit a tax increment financing plan to the municipality's governing body. Approval of the plan would have to comply with notice, hearing, and disclosure provisions outlined in the Act.

Before implementing a TIF plan, the authority would have to enter into a contract with the public transportation agency that operated the transit station in the zone. The contract would have to include terms regarding the distribution of revenue, the allocation of responsibility for maintenance and upkeep of the transit station and associated facilities, and the use of those facilities.

The governing body of a taxing jurisdiction that levied a separate millage for public library purposes could exempt that separate millage from capture, at the request of the public library's board. Before a TIF plan was implemented, a county levying property taxes could exempt its taxes from capture.

Municipal and county treasurers would have to transmit tax increment revenue to the authority. The authority would have to submit an annual report on the status of the TIF account to the governing body of the municipality and the State Tax Commission.

The authority could authorize, issue, and sell tax increment bonds to finance the TIF plan's development program, subject to limitations specified in the Act.

The municipality, by majority vote of its governing body, could make a limited tax pledge to support the authority's tax increment bonds or notes. If authorized by the municipality's voters, the governing body could pledge its unlimited tax full-faith and credit for the payment of the principal of and interest on the authority's tax increment bonds or notes.

Improvement Plan

If an authorizing board financed a project in a development area by the use of revenue bonds or tax increment financing, it would have to prepare an improvement plan that met requirements outlined in the Act.

Before adopting an ordinance approving an improvement plan or TIF plan, the municipality's governing body would have to hold a public hearing on the improvement plan. After notice and a public hearing, the governing body would have to determine whether the improvement plan or TIF plan constituted a public purpose. If it so determined, the governing body would have to approve or reject the plan, or approve it with modification, by adopting an ordinance.

Other Provisions

Annual Budget. The director of an authority would have to submit a budget to the authority board for the operation of the authority for each fiscal year. After review by the board, the budget would have to be submitted the municipality's governing body, which would have to approve the budget before the board could adopt it.

Dissolution. An authority that had completed the purposes for which it was organized would have to be dissolved by ordinance of the municipality's governing body. The authority's property and assets remaining after the satisfaction of its obligations would belong to the municipality.

Rules & Enforcement. The State Tax Commission could institute proceedings to compel enforcement of the proposed Act. The Commission could promulgate rules necessary for the administration of the Act.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce local unit revenue by an unknown amount, depending on whether any tax increment zones were created, the degree to which local units that could opt-out of any tax capture did so, and whether the activities promoted within the zones would occur in the absence of the bill. The bill also would reduce State tax revenue by an unknown amount through the capture of certain taxes such as the industrial facilities tax, which provides revenue to the School Aid Fund.

In addition, the bill would appear to allow the transit revitalization zones to overlap areas of existing tax increment zones, such as downtown development authorities and local finance development authorities. The bill does not specify how tax increment revenue for each affected authority would be determined in the case of such an overlap. Depending on how an overlap was ultimately treated, the revenue to the transit revitalization zones, existing authorities, and/or local units could be reduced compared with current levels.

The Department of Treasury estimated that revenue captured by tax increment financing authorities during FY 2007-08 totaled approximately \$300.0 million.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.