

## TRANSIT REVITALIZATION INVESTMENT ZONES

Mitchell Bean, Director  
Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**House Bill 6114 (Substitute H-1)**

**Sponsor: Rep. Marie Donigan**

**Committee: Transportation**

**Complete to 6-16-08**

### A SUMMARY OF HOUSE BILL 6114 AS REPORTED FROM COMMITTEE

The bill would create the Transit Revitalization Investment Zone Act. Under this act, a new kind of tax increment finance authority could be created. The aim would be to promote development, including "transit revitalization improvements," within a specially designated transit revitalization zone.

The bill would define the term "transit-oriented development" to refer to **development concentrated around and oriented to transit stations in a manner to promote transit ridership or passenger rail use**. Before any tax increment financing plan was implemented, an authority would have to enter into a contract with the public transportation agency that operates the transit station in the zone, with the contract to address the distribution of revenue, the allocation of responsibility for maintenance and upkeep of the transit station and associated facilities, and the use of the facilities.

When local units of government create tax increment financing authorities, or TIFAs, they typically establish a special district or zone and then capture future increases in property taxes within that district for the authority to use to finance public infrastructure improvement projects within the district. This often includes the issuance of bonds to finance projects. There are already several statutes that allow for the creation of TIFAs. House Bill 6114 would create an additional TIFA statute, with many of the same requirements and procedures found in other TIFA acts.

The tax increment financing authority created under the bill would not be able to capture local and intermediate school district revenues or revenues from the State Education Tax Act. The TIFA also could not capture property taxes levied for bonded indebtedness. Further, other local taxing jurisdictions (such as counties and community college districts) could exempt their taxes from being captured by adopting a resolution and filing a copy with the local clerk of the municipality proposing to create the authority.

Under the bill, the governing body of a municipality (city, village, or township) could establish such a transit revitalization investment zone tax increment finance authority and subsequently enter into an agreement with other affected municipalities and public transportation agencies to create a zone. (Public transportation agencies would include existing public transit authorities, as well as a governmental entity operating or authorized to operate intercity or local commuter passenger rail service.) Such a zone

could be established by an authority in advance of any implementation of a public transit service associated with a zone.

The bill would, generally, do the following:

- Authorize a city, township, or village to create one or more authorities by passing an ordinance after providing notice and holding a public hearing. The local unit would also designate the zone boundaries by ordinance.
- Provide for the supervision and control of an authority by a board that included the municipality's chief executive officer and five to nine members appointed by the chief executive, subject to the approval of the local governing body. (The local governing body would decide the size of the authority board.) A majority of the board would have to be individuals with an ownership or business interest in property in the zone. At least one member would have to be a resident of the zone or of an area within one-half mile of a zone.
- Allow a board to hire a director to serve as chief executive officer of the authority, subject to the approval of the municipality's governing body. The board could also employ other officers and personnel.
- Make the board subject to the Open Meetings Act and the Freedom of Information Act.
- Allow an authority to prepare and submit to the municipality's governing body a tax increment financing plan, which would have to include a development plan for the zone. Tax increment financing plans and development plans would be subject to public hearings and affected local taxing jurisdictions would have to be notified. The authority could enter into agreements with local taxing jurisdictions, public transit agencies, and the municipality in which the zone is located to share portions of the captured assessed value of the development area.
- Allow a local taxing jurisdiction (such as a county or community college district) to exempt its taxes from being captured by adopting a resolution and filing a copy with the local clerk of the municipality proposing to create the authority. This would have to be done not more than 60 days after the public hearing on creation of an authority.
- Protect separate millages for public libraries against capture by a TIF at the request of the local library board.
- Specify an authority board's powers, as described later.
- Provide for the financing of authority activities, including borrowing money and issuing bonds. The authority could issue negotiable revenue bonds under the Revenue Bond Act and could, with local unit approval, issue revenue bonds or

notes to finance all or part of the costs of transit revitalization development improvements, as delineated in the bill. The local unit would not be liable on such debt.

- Allow an authority also to authorize, issue, and sell bonds to finance a TIF plan's development program. A municipality could make a limited tax pledge to support the authority's TIF bonds or notes with governing body approval but would need voter approval to pledge its unlimited tax full faith and credit for authority bonds or notes.
- Establish criteria for any development plan.
- Specify requirements for an authority's budget approval process.
- Require that a municipality 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 local unit.
- 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:

- Plan and propose the construction, renovation, repair, remodeling, rehabilitation, restoration, preservation, or reconstruction of a public facility necessary or appropriate for a plan that the board believed aided in the establishment of a zone.
- Plan, propose, and implement an improvement to a public facility within the zone to comply with the state barrier free design requirements.
- Develop long-range plans for zones.
- Implement any plan of development for transit revitalization in the zone.
- 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 or building, and any necessary or desirable appurtenances, within the zone 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 a street, and any improvements to a street; 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, that is related to development concentrated around and oriented to transit stations in a manner that promotes ridership or passenger rail use.)

## **FISCAL IMPACT:**

As described above, the bill would allow for the creation of a new kind of tax increment financing authority, under which the growth in local property tax revenues within a designated zone could be captured and redistributed. School taxes would not be captured, and separate library millages would be exempted if so requested by the library board. Also, local taxing units could, by resolution, exempt their taxes from being captured.

## **BACKGROUND INFORMATION AND DISCUSSION:**

The Public Transit Subcommittee of the House Transportation Committee recently issued a report on the need to develop public transportation in the state and its value in stimulating economic development (among other things). The report can be found on the House Transportation Committee's webpage at:

<http://session.mihouse.mi.gov/Committees%20New/cselectComm.asp?intCommitteeKey=23>  
(Scroll down to Page 3.)

One conclusion in the report relevant to House Bill 6114 is that,

*Efficient and modern public transportation creates jobs, spurs economic development, provides an excellent return on the dollar, is popular with the public, reduces our dependence on foreign oil, enhances access to jobs, increases productivity, saves money, limits air pollution, decreases traffic congestion and protects personal freedom, choice, and mobility.*

In the section of the report entitled, "Transit as an Economic Development Tool," the report says,

*In metropolitan regions across the country, new transit lines are becoming the next corridors of commercial and residential investment. The Michigan Municipal League is currently working on legislation regarding Tax Increment Finance (TIF) incentives to promote Transit Oriented Development (TOD) along future transit routes in Michigan. Transit Oriented Development consists of*

*high-density development in older communities with existing infrastructure that promotes healthier lifestyles, helps lower income families cut back on transportation expenses, and attracts commercial and retail development.*

**POSITIONS:**

The Michigan Municipal League testified in support of the bill, although the organization would prefer that the provision that allows local units to "opt-out" be removed. (6-12-08)

The Michigan Association of Counties testified in support of the bill as written, with the inclusion of an "opt-out" provision for local units who do not want their taxes captured. (6-12-08)

The Michigan Public Transit Associations supports the concept of the bill. (6-12-08)

The Department of Treasury indicated that it is neutral on the bill. (6-12-08)

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.