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BILL



ANALYSIS

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Senate Bill 334 (Substitute S-2 as passed by the Senate)
Sponsor: Senator Dave Hildenbrand
Committee: Economic Development

Date Completed: 6-13-11

RATIONALE

Public Act 120 of 1961 governs principal shopping districts, business improvement districts, and business improvement zones. Chapter 2 (Business Improvement Zone) of the Act allows one or more business improvement zones to be established within a city or village. A business improvement zone (BIZ) may conduct certain activities, pursuant to its zone plan, for the benefit of property owners within the zone. These activities generally involve enhancing the economic prosperity, appearance, image, and safety of the zone area, and may be funded through assessments on nonresidential property in the zone area. In recent years, certain townships have experienced significant commercial and retail development, and reportedly would like to establish business improvement zones. It has been suggested that Chapter 2 should accommodate this interest.

CONTENT

The bill would amend Public Act 120 of 1961 to allow business improvement zones in "urban townships", as well as cities and villages.

Chapter 2 of the Act allows one or more business improvement zones to be established within a city or village. The bill instead would allow the establishment of one or more business improvement zones in a local governmental unit, and would define "local governmental unit" as a city, village, or urban township. The bill would define "urban township" as a township with a population of at least 17,000, in a county with a population of 600,000 or more but less than 800,000, as of the most recent Federal decennial census.

Under Chapter 2, a person may initiate the establishment of a BIZ by the delivery of a petition to the clerk of the city or village in which a proposed zone is located. After a petition is filed, the clerk must notify all property owners within the zone area of a public meeting regarding the establishment of the zone. At the meeting, the property owners may adopt a zone plan for submission to and approval by the governing body of the city or village. If the zone plan is adopted and presented to the clerk, the governing body of the city or village must schedule a public hearing to review the zone plan and any proposed assessment, and to receive public comment. At the public hearing, or at its next regularly scheduled meeting, the governing body of the city or village must approve or reject the establishment of the BIZ and the zone plan.

An approved BIZ and zone plan must be scheduled for an election for adoption of the plan and establishment of the zone, including the identity of the zone's board. All owners of assessable (nonresidential) property in the zone are eligible to participate in the election. A BIZ may be funded in whole or in part by one or more assessments on assessable property, as provided in the zone plan. The treasurer of the city or village in which a zone is located must collect the assessment, but assessment revenue is the property of the BIZ and not the city or village.

Chapter 2 also contains provisions for the amendment of a zone plan and the dissolution of a BIZ, including the role of the city or village in those procedures.

Under the bill, all of the provisions described above would apply to a "local governmental unit", rather than to a city or village.

MCL 125.990-125.990m

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Business improvement zones are based on a simple premise: Those with the greatest stake in an area's commercial prosperity assume collective responsibility for the area's improvement, and only those who benefit from physical improvements or services pay for them. Formation of a BIZ allows owners of a cluster of businesses in a particular area to band together and assess themselves in order to pay for programs and services that are supplemental to local governmental services. The Act authorizing the establishment of a BIZ, however, allows the zones to be created only in cities and villages. Population trends and, consequently, commercial development trends in certain areas have led to increased business activity in some townships. Business owners in at least one of these communities would like to take advantage of the collective investment opportunities afforded by the creation of a BIZ, but they cannot establish a zone because they are not located in a city or village.

Cascade Township, in Kent County just outside of Grand Rapids, has a rapidly developing commercial corridor that could benefit from the creation of a BIZ. Business owners in the area would like to form a zone, but they lack the statutory authority to do so. Under the bill, a BIZ could be established in Cascade Township and three other townships in Kent County. The formation of a BIZ under Chapter 2 is voluntary, and the funds raised through assessment are separate from a business's tax liability, so locating BIZ in Cascade Township or elsewhere in the county would benefit the businesses, residents, and shoppers in the area without infringing on the collection of tax revenue by the township, county, or State.

Response: The formation of a BIZ should be allowed in any township, as the bill originally proposed. Limiting business

improvement zones to urban townships in one county, as defined in the S-2 substitute, would impose an unreasonable barrier to economic development in many areas of the State. The population parameters in the bill would continue to preclude businesses in many growing, commercially developed townships throughout the State from establishing business improvement zones. Indeed, Cascade Township would not have qualified last year, as its population was below 17,000 before the 2010 U.S. census. In addition, because the definition of urban township is limited to one Michigan county, townships that have a population of 17,000 or more but are in other counties still would be unable to have zones. Business associations in large, bustling townships, such as Meridian Township in Ingham County and Delta Township in Eaton County, would continue to be denied the benefits of forming a BIZ, while business improvement zones may be established in any city or village in Michigan, regardless of its population or level of commercial development.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

By expanding the provisions of business improvement zones to include urban townships, the bill would increase local unit revenue and expenses in townships by an unknown amount. The actual impact would depend upon the specific characteristics of property included within a zone as well as the provisions of applicable zone plans, including whether revenue for the plan were to be obtained through assessments on property within a zone.

The definition of "urban township" would limit the bill's provisions to Byron, Cascade, Gaines and Plainfield Townships in Kent County.

The bill would have no fiscal impact on State government.

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.