

**SENATE SUBSTITUTE FOR
HOUSE BILL NO. 4806**

A bill to amend 1975 PA 197, entitled

"An act to provide for the establishment of a downtown development authority; to prescribe its powers and duties; to correct and prevent deterioration in business districts; to encourage historic preservation; to authorize the acquisition and disposal of interests in real and personal property; to authorize the creation and implementation of development plans in the districts; to promote the economic growth of the districts; to create a board; to prescribe its powers and duties; to authorize the levy and collection of taxes; to authorize the issuance of bonds and other evidences of indebtedness; to authorize the use of tax increment financing; to reimburse downtown development authorities for certain losses of tax increment revenues; and to prescribe the powers and duties of certain state officials,"

by amending section 1 (MCL 125.1651), as amended by 1997 PA 202.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

- 1 Sec. 1. As used in this act:
- 2 (a) "Advance" means a transfer of funds made by a
- 3 municipality to an authority or to another person on behalf of
- 4 the authority in anticipation of repayment by the authority.
- 5 Evidence of the intent to repay an advance may include, but is

1 not limited to, an executed agreement to repay, provisions
2 contained in a tax increment financing plan approved prior to the
3 advance, or a resolution of the authority or the municipality.

4 (b) "Assessed value" means 1 of the following:

5 (i) For valuations made before January 1, 1995, the state
6 equalized valuation as determined under the general property tax
7 act, 1893 PA 206, MCL 211.1 to 211.157.

8 (ii) For valuations made after December 31, 1994, the taxable
9 value as determined under section 27a of the general property tax
10 act, 1893 PA 206, MCL 211.27a.

11 (c) "Authority" means a downtown development authority
12 created pursuant to this act.

13 (d) "Board" means the governing body of an authority.

14 (e) "Business district" means an area in the downtown of a
15 municipality zoned and used principally for business.

16 (f) "Captured assessed value" means the amount in any 1 year
17 by which the current assessed value of the project area,
18 including the assessed value of property for which specific local
19 taxes are paid in lieu of property taxes as determined in
20 subdivision (x), exceeds the initial assessed value. The state
21 tax commission shall prescribe the method for calculating
22 captured assessed value.

23 (g) "Chief executive officer" means the mayor or city manager
24 of a city, the president or village manager of a village, or the
25 supervisor of a township or, if designated by the township board
26 for purposes of this act, the township superintendent or township
27 manager of a township.

1 (h) "Development area" means that area to which a development
2 plan is applicable.

3 (i) "Development plan" means that information and those
4 requirements for a development set forth in section 17.

5 (j) "Development program" means the implementation of the
6 development plan.

7 (k) "Downtown district" means an area in a business district
8 that is specifically designated by ordinance of the governing
9 body of the municipality pursuant to this act.

10 (l) "Eligible advance" means an advance made before
11 August 19, 1993.

12 (m) "Eligible obligation" means an obligation issued or
13 incurred by an authority or by a municipality on behalf of an
14 authority before August 19, 1993 and its subsequent refunding by
15 a qualified refunding obligation. Eligible obligation includes
16 an authority's written agreement entered into before August 19,
17 1993 to pay an obligation issued after August 18, 1993 and before
18 December 31, 1996 by another entity on behalf of the authority.

19 (n) "Fiscal year" means the fiscal year of the authority.

20 (o) "Governing body of a municipality" means the elected body
21 of a municipality having legislative powers.

22 (p) "Initial assessed value" means the assessed value, as
23 equalized, of all the taxable property within the boundaries of
24 the development area at the time the ordinance establishing the
25 tax increment financing plan is approved, as shown by the most
26 recent assessment roll of the municipality for which equalization
27 has been completed at the time the resolution is adopted.

1 Property exempt from taxation at the time of the determination of
2 the initial assessed value shall be included as zero. For the
3 purpose of determining initial assessed value, property for which
4 a specific local tax is paid in lieu of a property tax shall not
5 be considered to be property that is exempt from taxation. The
6 initial assessed value of property for which a specific local tax
7 was paid in lieu of a property tax shall be determined as
8 provided in subdivision (x). In the case of a municipality
9 having a population of less than 35,000 which established an
10 authority prior to 1985, created a district or districts, and
11 approved a development plan or tax increment financing plan or
12 amendments to a plan, and which plan or tax increment financing
13 plan or amendments to a plan, and which plan expired by its terms
14 December 31, 1991, the initial assessed value for the purpose of
15 any plan or plan amendment adopted as an extension of the expired
16 plan shall be determined as if the plan had not expired
17 December 31, 1991. For a development area designated before 1997
18 in which a renaissance zone has subsequently been designated
19 pursuant to the Michigan renaissance zone act, 1996 PA 376, MCL
20 125.2681 to 125.2696, the initial assessed value of the
21 development area otherwise determined under this subdivision
22 shall be reduced by the amount by which the current assessed
23 value of the development area was reduced in 1997 due to the
24 exemption of property under section 7ff of the general property
25 tax act, 1893 PA 206, MCL 211.7ff, but in no case shall the
26 initial assessed value be less than zero.

27 (q) "Municipality" means a city, village, or township.

1 (r) "Obligation" means a written promise to pay, whether
2 evidenced by a contract, agreement, lease, sublease, bond, or
3 note, or a requirement to pay imposed by law. An obligation does
4 not include a payment required solely because of default upon an
5 obligation, employee salaries, or consideration paid for the use
6 of municipal offices. An obligation does not include those bonds
7 that have been economically defeased by refunding bonds issued
8 under this act. Obligation includes, but is not limited to, the
9 following:

10 (i) A requirement to pay proceeds derived from ad valorem
11 property taxes or taxes levied in lieu of ad valorem property
12 taxes.

13 (ii) A management contract or a contract for professional
14 services.

15 (iii) A payment required on a contract, agreement, bond, or
16 note if the requirement to make or assume the payment arose
17 before August 19, 1993.

18 (iv) A requirement to pay or reimburse a person for the cost
19 of insurance for, or to maintain, property subject to a lease,
20 land contract, purchase agreement, or other agreement.

21 (v) A letter of credit, paying agent, transfer agent, bond
22 registrar, or trustee fee associated with a contract, agreement,
23 bond, or note.

24 (s) "On behalf of an authority", in relation to an eligible
25 advance made by a municipality, or an eligible obligation or
26 other protected obligation issued or incurred by a municipality,
27 means in anticipation that an authority would transfer tax

1 increment revenues or reimburse the municipality from tax
2 increment revenues in an amount sufficient to fully make payment
3 required by the eligible advance made by the municipality, or
4 eligible obligation or other protected obligation issued or
5 incurred by the municipality, if the anticipation of the transfer
6 or receipt of tax increment revenues from the authority is
7 pursuant to or evidenced by 1 or more of the following:

8 (i) A reimbursement agreement between the municipality and an
9 authority it established.

10 (ii) A requirement imposed by law that the authority transfer
11 tax increment revenues to the municipality.

12 (iii) A resolution of the authority agreeing to make payments
13 to the incorporating unit.

14 (iv) Provisions in a tax increment financing plan describing
15 the project for which the obligation was incurred.

16 (t) "Operations" means office maintenance, including salaries
17 and expenses of employees, office supplies, consultation fees,
18 design costs, and other expenses incurred in the daily management
19 of the authority and planning of its activities.

20 (u) "Other protected obligation" means:

21 (i) A qualified refunding obligation issued to refund an
22 obligation described in subparagraph (ii), (iii), or (iv), an
23 obligation that is not a qualified refunding obligation that is
24 issued to refund an eligible obligation, or a qualified refunding
25 obligation issued to refund an obligation described in this
26 subparagraph.

27 (ii) An obligation issued or incurred by an authority or by a

1 municipality on behalf of an authority after August 19, 1993, but
2 before December 31, 1994, to finance a project described in a tax
3 increment finance plan approved by the municipality in accordance
4 with this act before December 31, 1993, for which a contract for
5 final design is entered into by or on behalf of the municipality
6 or authority before March 1, 1994 **or for which a written**
7 **agreement with a developer, titled preferred development**
8 **agreement, was entered into by or on behalf of the municipality**
9 **or authority in July 1993.**

10 (iii) An obligation incurred by an authority or municipality
11 after August 19, 1993, to reimburse a party to a development
12 agreement entered into by a municipality or authority before
13 August 19, 1993, for a project described in a tax increment
14 financing plan approved in accordance with this act before
15 August 19, 1993, and undertaken and installed by that party in
16 accordance with the development agreement.

17 (iv) An obligation incurred by the authority evidenced by or
18 to finance a contract to purchase real property within a
19 development area or a contract to develop that property within
20 the development area, or both, if all of the following
21 requirements are met:

22 (A) The authority purchased the real property in 1993.

23 (B) Before June 30, 1995, the authority enters a contract for
24 the development of the real property located within the
25 development area.

26 (C) In 1993, the authority or municipality on behalf of the
27 authority received approval for a grant from both of the

1 following:

2 (I) The department of natural resources for site reclamation
3 of the real property.

4 (II) The department of consumer and industry services for
5 development of the real property.

6 (v) An ongoing management or professional services contract
7 with the governing body of a county which was entered into before
8 March 1, 1994 and which was preceded by a series of limited term
9 management or professional services contracts with the governing
10 body of the county, the last of which was entered into before
11 August 19, 1993.

12 (vi) A loan from a municipality to an authority if the loan
13 was approved by the legislative body of the municipality on
14 April 18, 1994.

15 (vii) Funds expended to match a grant received by a
16 municipality on behalf of an authority for sidewalk improvements
17 from the Michigan department of transportation if the legislative
18 body of the municipality approved the grant application on
19 April 5, 1993 and the grant was received by the municipality in
20 June 1993.

21 (viii) For taxes captured in 1994, an obligation described in
22 this subparagraph issued or incurred to finance a project. An
23 obligation is considered issued or incurred to finance a project
24 described in this subparagraph only if all of the following are
25 met:

26 (A) The obligation requires raising capital for the project
27 or paying for the project, whether or not a borrowing is

1 involved.

2 (B) The obligation was part of a development plan and the tax
3 increment financing plan was approved by a municipality on May 6,
4 1991.

5 (C) The obligation is in the form of a written memorandum of
6 understanding between a municipality and a public utility dated
7 October 27, 1994.

8 (D) The authority or municipality captured school taxes
9 during 1994.

10 (v) "Public facility" means a street, plaza, pedestrian mall,
11 and any improvements to a street, plaza, or pedestrian mall
12 including street furniture and beautification, park, parking
13 facility, recreational facility, right of way, structure,
14 waterway, bridge, lake, pond, canal, utility line or pipe,
15 building, and access routes to any of the foregoing, designed and
16 dedicated to use by the public generally, or used by a public
17 agency. Public facility includes an improvement to a facility
18 used by the public or a public facility as those terms are
19 defined in section 1 of 1966 PA 1, MCL 125.1351, which
20 improvement is made to comply with the barrier free design
21 requirements of the state construction code promulgated under the
22 ~~state construction code act of 1972~~ **Stille-DeRossett-Hale**
23 **single state construction code act**, 1972 PA 230, MCL 125.1501 to
24 125.1531.

25 (w) "Qualified refunding obligation" means an obligation
26 issued or incurred by an authority or by a municipality on behalf
27 of an authority to refund an obligation if the refunding

1 obligation meets both of the following:

2 (i) The net present value of the principal and interest to be
3 paid on the refunding obligation, including the cost of issuance,
4 will be less than the net present value of the principal and
5 interest to be paid on the obligation being refunded, as
6 calculated using a method approved by the department of
7 treasury.

8 (ii) The net present value of the sum of the tax increment
9 revenues described in subdivision (z)(ii) and the distributions
10 under section 13b to repay the refunding obligation will not be
11 greater than the net present value of the sum of the tax
12 increment revenues described in subdivision (z)(ii) and the
13 distributions under section 13b to repay the obligation being
14 refunded, as calculated using a method approved by the department
15 of treasury.

16 (x) "Specific local tax" means a tax levied under 1974 PA
17 198, MCL 207.551 to 207.572, the commercial redevelopment act,
18 1978 PA 255, MCL 207.651 to 207.668, the technology park
19 development act, 1984 PA 385, MCL 207.701 to 207.718, and 1953 PA
20 189, MCL 211.181 to 211.182. The initial assessed value or
21 current assessed value of property subject to a specific local
22 tax shall be the quotient of the specific local tax paid divided
23 by the ad valorem millage rate. However, after 1993, the state
24 tax commission shall prescribe the method for calculating the
25 initial assessed value and current assessed value of property for
26 which a specific local tax was paid in lieu of a property tax.

27 (y) "State fiscal year" means the annual period commencing

1 October 1 of each year.

2 (z) "Tax increment revenues" means the amount of ad valorem
3 property taxes and specific local taxes attributable to the
4 application of the levy of all taxing jurisdictions upon the
5 captured assessed value of real and personal property in the
6 development area, subject to the following requirements:

7 (i) Tax increment revenues include ad valorem property taxes
8 and specific local taxes attributable to the application of the
9 levy of all taxing jurisdictions other than the state pursuant to
10 the state education tax act, 1993 PA 331, MCL 211.901 to 211.906,
11 and local or intermediate school districts upon the captured
12 assessed value of real and personal property in the development
13 area for any purpose authorized by this act.

14 (ii) Tax increment revenues include ad valorem property taxes
15 and specific local taxes attributable to the application of the
16 levy of the state pursuant to the state education tax act, 1993
17 PA 331, MCL 211.901 to 211.906, and local or intermediate school
18 districts upon the captured assessed value of real and personal
19 property in the development area in an amount equal to the amount
20 necessary, without regard to subparagraph (i), to repay eligible
21 advances, eligible obligations, and other protected obligations.

22 (iii) Tax increment revenues do not include any of the
23 following:

24 (A) Ad valorem property taxes attributable either to a
25 portion of the captured assessed value shared with taxing
26 jurisdictions within the jurisdictional area of the authority or
27 to a portion of value of property that may be excluded from

1 captured assessed value or specific local taxes attributable to
2 such ad valorem property taxes.

3 (B) Ad valorem property taxes excluded by the tax increment
4 financing plan of the authority from the determination of the
5 amount of tax increment revenues to be transmitted to the
6 authority or specific local taxes attributable to such ad valorem
7 property taxes.

8 (C) Ad valorem property taxes exempted from capture under
9 section 3(3) or specific local taxes attributable to such ad
10 valorem property taxes.

11 (iv) The amount of tax increment revenues authorized to be
12 included under subparagraph (ii), and required to be transmitted
13 to the authority under section 14(1), from ad valorem property
14 taxes and specific local taxes attributable to the application of
15 the levy of the state education tax act, 1993 PA 331, MCL 211.901
16 to 211.906, a local school district or an intermediate school
17 district upon the captured assessed value of real and personal
18 property in a development area shall be determined separately for
19 the levy by the state, each school district, and each
20 intermediate school district as the product of sub-subparagraphs
21 (A) and (B):

22 (A) The percentage which the total ad valorem taxes and
23 specific local taxes available for distribution by law to the
24 state, local school district, or intermediate school district,
25 respectively, bears to the aggregate amount of ad valorem millage
26 taxes and specific taxes available for distribution by law to the
27 state, each local school district, and each intermediate school

1 district.

2 (B) The maximum amount of ad valorem property taxes and
3 specific local taxes considered tax increment revenues under
4 subparagraph (ii).