

**SUBSTITUTE FOR
HOUSE BILL NO. 4482**

A bill to amend 1980 PA 450, entitled
"The tax increment finance authority act,"
by amending section 1 (MCL 125.1801), as amended by 1998 PA 499.

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 municipality
3 to an authority or to another person on behalf of the authority.
4 Evidence of the intent to repay an advance is required and may
5 include, but is not limited to, an executed agreement to repay,
6 provisions contained in a tax increment financing plan approved
7 before the advance or before August 14, 1993, or a resolution of
8 the authority or the municipality.

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

10 (i) For valuations made before January 1, 1995, the state
11 equalized valuation as determined under the general property tax

1 act, 1893 PA 206, MCL 211.1 to 211.157.

2 (ii) For valuations made after December 31, 1994, taxable value
3 as determined under section 27a of the general property tax act,
4 1893 PA 206, MCL 211.27a.

5 (c) "Authority" means a tax increment finance authority
6 created under this act.

7 (d) "Authority district" means that area within which an
8 authority exercises its powers and within which 1 or more
9 development areas may exist.

10 (e) "Board" means the governing body of an authority.

11 (f) "Captured assessed value" means the amount in any 1 year
12 by which the current assessed value of the development area,
13 including the assessed value of property for which specific local
14 taxes are paid in lieu of property taxes as determined in
15 subdivision (w), exceeds the initial assessed value. The state tax
16 commission shall prescribe the method for calculating captured
17 assessed value.

18 (g) "Chief executive officer" means the mayor or city manager
19 of a city, the president of a village, or the supervisor of a
20 township.

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

23 (i) "Development area citizens council" or "council" means
24 that advisory body established pursuant to section 20.

25 (j) "Development plan" means that information and those
26 requirements for a development set forth in section 16.

27 (k) "Development program" means the implementation of the

1 development plan.

2 (l) "Eligible advance" means an advance made before August 19,
3 1993.

4 (m) "Eligible obligation" means an obligation issued or
5 incurred by an authority or by a municipality on behalf of an
6 authority before August 19, 1993 and its subsequent refunding by a
7 qualified refunding obligation. Eligible obligation includes an
8 authority's written agreement entered into before August 19, 1993
9 to pay an obligation issued after August 18, 1993 and before
10 December 31, 1996 by another entity on behalf of the authority.

11 ELIGIBLE OBLIGATION ALSO INCLUDES AN ONGOING MANAGEMENT CONTRACT OR
12 CONTRACT FOR PROFESSIONAL SERVICES OR DEVELOPMENT SERVICES THAT WAS
13 ENTERED INTO BY THE AUTHORITY OR A MUNICIPALITY ON BEHALF OF THE
14 AUTHORITY IN 1991, AND RELATED SIMILAR WRITTEN AGREEMENTS EXECUTED
15 BEFORE 1984, IF THE 1991 AGREEMENT BOTH PROVIDES FOR AUTOMATIC
16 ANNUAL RENEWAL AND INCORPORATES BY REFERENCE THE PRIOR RELATED
17 AGREEMENTS; HOWEVER, RECEIPT BY AN AUTHORITY OF TAX INCREMENT
18 REVENUES AUTHORIZED UNDER SUBDIVISION (AA)(ii) IN ORDER TO PAY COSTS
19 ARISING UNDER THOSE CONTRACTS SHALL BE LIMITED TO:

20 [(i) FOR TAXES LEVIED BEFORE JULY 1, 2005, THE AMOUNT PERMITTED TO
BE RECEIVED BY AN AUTHORITY FOR AN ELIGIBLE OBLIGATION AS PROVIDED IN
THIS ACT.

21 [(ii)] FOR TAXES LEVIED AFTER JUNE 30, 2005 AND BEFORE JULY 1,
2006, \$3,000,000.00.

22 [(iii)] FOR TAXES LEVIED AFTER JUNE 30, 2006 AND BEFORE JULY 1,
23 2007, \$3,000,000.00.

24 [(vi)] FOR TAXES LEVIED AFTER JUNE 30, 2007 AND BEFORE JULY 1,
25 2008, \$3,000,000.00.

26 [(v)] FOR TAXES LEVIED AFTER JUNE 30, 2008 AND BEFORE JULY 1,
27 2009, \$3,000,000.00.

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1 [(vi)] FOR TAXES LEVIED AFTER JUNE 30, 2009 AND BEFORE JULY 1,
2 2010, \$3,000,000.00.

3 [(vii)] FOR TAXES LEVIED AFTER JUNE 30, 2010 AND BEFORE JULY 1,
4 2011, \$2,750,000.00.

5 [(viii)] FOR TAXES LEVIED AFTER JUNE 30, 2011 AND BEFORE JULY 1,
6 2012, \$2,500,000.00.

7 [(ix)] FOR TAXES LEVIED AFTER JUNE 30, 2012 AND BEFORE JULY 1,
8 2013, \$2,225,000.00.

9 [(x)] FOR TAXES LEVIED AFTER JUNE 30, 2013 AND BEFORE JULY 1,
10 2014, \$1,600,000.00.

11 [(xi)] FOR TAXES LEVIED AFTER JUNE 30, 2014 AND BEFORE JULY 1,
12 2015, \$1,250,000.00.

13 [(xii)] FOR TAXES LEVIED AFTER JUNE 30, 2015, \$0.00.

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

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

17 (p) "Initial assessed value" means the assessed value, as
18 equalized, of all the taxable property within the boundaries of the
19 development area at the time the resolution establishing the tax
20 increment financing plan is approved as shown by the most recent
21 assessment roll of the municipality for which equalization has been
22 completed at the time the resolution is adopted. Property exempt
23 from taxation at the time of the determination of the initial
24 assessed value shall be included as zero. For the purpose of
25 determining initial assessed value, property for which a specific
26 local tax is paid in lieu of a property tax shall not be considered
27 property that is exempt from taxation. The initial assessed value

1 of property for which a specific tax was paid in lieu of a property
2 tax shall be determined as provided in subdivision (w).

3 (q) "Municipality" means a city.

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

13 (i) A requirement to pay proceeds derived from ad valorem
14 property taxes or taxes levied in lieu of ad valorem property
15 taxes.

16 (ii) A management contract or a contract for professional
17 services.

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

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

24 (v) A letter of credit, paying agent, transfer agent, bond
25 registrar, or trustee fee associated with a contract, agreement,
26 bond, or note.

27 (s) "On behalf of an authority", in relation to an eligible

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

11 (i) A reimbursement agreement between the municipality and an
12 authority it established.

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

15 (iii) A resolution of the authority agreeing to make payments to
16 the incorporating unit.

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

19 (t) "Other protected obligation" means:

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

25 (ii) An obligation issued or incurred by an authority or by a
26 municipality on behalf of an authority after August 19, 1993, but
27 before December 31, 1994, to finance a project described in a tax

1 increment finance plan approved by the municipality in accordance
2 with this act before December 31, 1993, for which a contract for
3 final design is entered into by the municipality or authority
4 before March 1, 1994.

5 (iii) An obligation incurred by an authority or municipality
6 after August 19, 1993, to reimburse a party to a development
7 agreement entered into by a municipality or authority before August
8 19, 1993, for a project described in a tax increment financing plan
9 approved in accordance with this act before August 19, 1993, and
10 undertaken and installed by that party in accordance with the
11 development agreement.

12 (iv) An obligation issued or incurred by an authority or by a
13 municipality on behalf of an authority to implement a project
14 described in a tax increment finance plan approved by the
15 municipality in accordance with this act before August 19, 1993,
16 that is located on land owned by a public university on the date
17 the tax increment financing plan is approved, and for which a
18 contract for final design is entered into before December 31, 1993.

19 (v) An ongoing management or professional services contract
20 with the governing body of a county which was entered into before
21 March 1, 1994 and which was preceded by a series of limited term
22 management or professional services contracts with the governing
23 body of the county, the last of which was entered into before
24 August 19, 1993.

25 (vi) An obligation issued or incurred by a municipality under a
26 contract executed on December 19, 1994 as subsequently amended
27 between the municipality and the authority to implement a project

1 described in a tax increment finance plan approved by the
2 municipality under this act before August 19, 1993 for which a
3 contract for final design was entered into by the municipality
4 before March 1, 1994 provided that final payment by the
5 municipality is made on or before December 31, 2001.

6 (vii) An obligation issued or incurred by an authority or by a
7 municipality on behalf of an authority that meets all of the
8 following qualifications:

9 (A) The obligation is issued or incurred to finance a project
10 described in a tax increment financing plan approved before August
11 19, 1993 by a municipality in accordance with this act.

12 (B) The obligation qualifies as an other protected obligation
13 under subparagraph (ii) and was issued or incurred by the authority
14 before December 31, 1994 for the purpose of financing the project.

15 (C) A portion of the obligation issued or incurred by the
16 authority before December 31, 1994 for the purpose of financing the
17 project was retired prior to December 31, 1996.

18 (D) The obligation does not exceed the dollar amount of the
19 portion of the obligation retired prior to December 31, 1996.

20 (u) "Public facility" means 1 or more of the following:

21 (i) A street, plaza, or pedestrian mall, and any improvements
22 to a street, plaza, boulevard, alley, or pedestrian mall, including
23 street furniture and beautification, park, parking facility,
24 recreation facility, playground, school, library, public
25 institution or administration building, right of way, structure,
26 waterway, bridge, lake, pond, canal, utility line or pipeline, and
27 other similar facilities and necessary easements of these

1 facilities designed and dedicated to use by the public generally or
2 used by a public agency. As used in this subparagraph, public
3 institution or administration building includes, but is not limited
4 to, a police station, fire station, court building, or other public
5 safety facility.

6 (ii) The acquisition and disposal of real and personal property
7 or interests in real and personal property, demolition of
8 structures, site preparation, relocation costs, building
9 rehabilitation, and all associated administrative costs, including,
10 but not limited to, architect's, engineer's, legal, and accounting
11 fees as contained in the resolution establishing the district's
12 development plan.

13 (iii) An improvement to a facility used by the public or a
14 public facility as those terms are defined in section 1 of 1966 PA
15 1, MCL 125.1351, which improvement is made to comply with the
16 barrier free design requirements of the state construction code
17 promulgated under the ~~state construction code act of 1972~~ **STILLE-**
18 **DEROSSETT-HALE SINGLE STATE CONSTRUCTION CODE ACT**, 1972 PA 230, MCL
19 125.1501 to 125.1531.

20 (v) "Qualified refunding obligation" means an obligation
21 issued or incurred by an authority or by a municipality on behalf
22 of an authority to refund an obligation if the refunding obligation
23 meets both of the following:

24 (i) The net present value of the principal and interest to be
25 paid on the refunding obligation, including the cost of issuance,
26 will be less than the net present value of the principal and
27 interest to be paid on the obligation being refunded, as calculated

1 using a method approved by the department of treasury.

2 (ii) The net present value of the sum of the tax increment
3 revenues described in subdivision (aa)(ii) and the distributions
4 under section 12a to repay the refunding obligation will not be
5 greater than the net present value of the sum of the tax increment
6 revenues described in subdivision (aa)(ii) and the distributions
7 under section 12a to repay the obligation being refunded, as
8 calculated using a method approved by the department of treasury.

9 (w) "Specific local tax" means a tax levied under 1974 PA 198,
10 MCL 207.551 to 207.572, the commercial redevelopment act, 1978 PA
11 255, MCL 207.651 to 207.668, the technology park development act,
12 1984 PA 385, MCL 207.701 to 207.718, and 1953 PA 189, MCL 211.181
13 to 211.182. The initial assessed value or current assessed value of
14 property subject to a specific local tax shall be the quotient of
15 the specific local tax paid divided by the ad valorem millage rate.
16 However, after 1993, the state tax commission shall prescribe the
17 method for calculating the initial assessed value and current
18 assessed value of property for which a specific local tax was paid
19 in lieu of a property tax.

20 (x) "State fiscal year" means the annual period commencing
21 October 1 of each year.

22 (y) "Tax increment district" or "district" means that area to
23 which the tax increment finance plan pertains.

24 (z) "Tax increment financing plan" means that information and
25 those requirements set forth in sections 13 to 15.

26 (aa) "Tax increment revenues" means the amount of ad valorem
27 property taxes and specific local taxes attributable to the

1 application of the levy of all taxing jurisdictions upon the
2 captured assessed value of real and personal property in the
3 development area, subject to the following requirements:

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

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

19 (iii) Tax increment revenues do not include any of the
20 following:

21 (A) Ad valorem property taxes attributable either to a portion
22 of the captured assessed value shared with taxing jurisdictions
23 within the jurisdictional area of the authority or to a portion of
24 value of property that may be excluded from captured assessed value
25 or specific local taxes attributable to such ad valorem property
26 taxes.

27 (B) Ad valorem property taxes excluded by the tax increment

1 financing plan of the authority from the determination of the
2 amount of tax increment revenues to be transmitted to the authority
3 or specific local taxes attributable to such ad valorem property
4 taxes.

5 (iv) The amount of tax increment revenues authorized to be
6 included under subparagraph (ii), and required to be transmitted to
7 the authority under section 14(1), from ad valorem property taxes
8 and specific local taxes attributable to the application of the
9 levy of the state education tax act, 1993 PA 331, MCL 211.901 to
10 211.906, a local school district or an intermediate school district
11 upon the captured assessed value of real and personal property in a
12 development area shall be determined separately for the levy by the
13 state, each school district, and each intermediate school district
14 as the product of sub-subparagraphs (A) and (B):

15 (A) The percentage which the total ad valorem taxes and
16 specific local taxes available for distribution by law to the
17 state, local school district, or intermediate school district,
18 respectively, bear to the aggregate amount of ad valorem millage
19 taxes and specific taxes available for distribution by law to the
20 state, each local school district, and each intermediate school
21 district.

22 (B) The maximum amount of ad valorem property taxes and
23 specific local taxes considered tax increment revenues under
24 subparagraph (ii).