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Senate Bill 364 (Substitute S-4 as reported)  
Sponsor: Senator Gilda Z. Jacobs  
Committee: Economic Development and Regulatory Reform

(as enrolled)

Date Completed: 11-19-07

### **RATIONALE**

The Corridor Improvement Authority Act was enacted in 2005 to provide a mechanism for funding improvements and spurring economic development in business districts other than downtown areas. The Act allows a municipality to form a corridor improvement authority to "capture" the incremental growth in tax revenue from property located in a development area, similar to the method by which municipalities may fund improvements in downtown areas by creating a downtown development authority (DDA). While DDAs have helped a number of Michigan municipalities to improve their downtown business districts, the DDA Act does not allow communities to address deteriorating commercial corridors located outside of their downtown areas. Also, a municipality may have only one DDA. As municipalities have begun to develop and use corridor improvement authorities, they are discovering revisions that may be needed in the Corridor Improvement Authority Act.

### **CONTENT**

**The bill would amend the Corridor Improvement Authority Act to do all of the following:**

- Require certain actions by a municipality (city, village, or township) to be taken by resolution rather than by ordinance.**
- Delete a requirement of local voter approval for a municipality to issue general obligation bonds.**
- Require that notice of a public hearing on a development plan be sent by certified mail to the**

**governing body of each jurisdiction levying taxes that would be subject to capture.**

- Delete a requirement that a municipal governing body consider the findings and recommendations of a development area citizens council when considering whether to approve a development plan or tax increment financing plan.**
- Require that a development area be adjacent to, or within 500 feet of, a federally designated arterial or collector road and that it be presently served by municipal water or sewer rather than both.**
- Revise the definitions of "chief executive officer" and "land use plan".**

#### Actions Taken by Resolution

Under the Act, if the governing body of a municipality determines that it is necessary for the best interests of the public to redevelop the municipality's commercial corridors to promote economic growth, the governing body may, by resolution, declare its intention to create and provide for the operation of a corridor improvement authority. The resolution of intent must set a date for a public hearing on the adoption of a proposed ordinance creating the authority, and designate the boundaries of a development area. At least 60 days after the public hearing, if the governing body intends to proceed, it must adopt an ordinance establishing the authority. The bill would require the creation of an authority by adoption of a resolution, rather than an ordinance.

In addition, before adopting an ordinance approving a development plan or tax increment financing (TIF) plan, a municipality's governing body must hold a public hearing on the development plan. After a public hearing, if the governing body determines that the development plan or TIF plan constitutes a public purpose, it must approve or reject the plan (or approve it with modification) by ordinance. The bill would require the approval or rejection by resolution, rather than by ordinance.

Under the Act, an authority that has completed the purposes for which it was organized must be dissolved by ordinance of the governing body. Under the bill, dissolution would have to be by resolution.

#### Issuance of Bonds

The Act allows a municipality, by resolution of its governing body and subject to voter approval, to authorize, issue, and sell general obligation bonds to finance the development program of a tax increment financing plan, subject to limitations set forth in the Act. The bill would delete the requirement of voter approval.

#### Notice by Certified Mail

Under the Act, notice of the time and place of a public hearing on a development plan must be given by publication twice in a newspaper of general circulation, be posted in at least 20 conspicuous and public places in the development area at least 20 days before the hearing, and be mailed at least 20 days before the hearing to all property taxpayers in the development area and to the governing body of each taxing jurisdiction levying taxes that would be subject to capture if a TIF plan is approved. The bill would require the notice to the taxing jurisdictions to be sent by certified mail.

#### Consideration of Dev't or TIF Plan

After a public hearing on a development plan or tax increment financing plan, if a municipality's governing body determines that the plan constitutes a public interest, it must approve or reject the plan, or approve it with modification, based on certain considerations. The bill would delete from those considerations the findings and

recommendations of a development area citizens council, if a council was formed.

#### Location of a Development Area

The Act requires that a corridor improvement authority's development area be adjacent to a road classified as an arterial or collector according to the Federal Highway Administration manual "Highway Functional Classification—Concepts, Criteria and Procedures". Under the bill, a development area would have to be adjacent to, or within 500 feet of, such a road.

The Act also requires that the development area be presently served by municipal water and sewer. The bill would require municipal water or sewer service.

#### Chief Executive Officer

Under the Act, "municipality" is defined as a city, a village, or a township. "Chief executive officer" means the mayor or city manager of a city. Under the bill, "chief executive officer" would mean the mayor of a city, the president of a village, or the supervisor of a township.

(The Act specifies that a corridor improvement authority is under the supervision and control of a board consisting of the chief executive officer of the municipality or his or her assignee and not less than five or more than nine members, as determined by the municipality's governing body. Members must be appointed by the chief executive officer of the municipality.)

#### Land Use Plan

Currently, "land use plan" means a plan prepared under the former City and Village Zoning Act or the former Township Zoning Act. The bill would include in that definition a site plan under the Michigan Zoning Enabling Act (MCL 125.3101-125.3702).

MCL 125.2872 et al.

#### **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**

Municipalities are beginning to form corridor improvement authorities to develop commercial strips outside of their downtown areas through tax increment financing. These communities reportedly are discovering that several revisions are needed in the Corridor Improvement Authority Act. For instance, the Act requires that a development area be "adjacent to" an arterial or collector road (as designated by the Federal Highway Administration), but some municipalities would like to include property on the other side of a block that is adjacent to such a road. By allowing a development area to be within 500 feet of an arterial or collector road, the bill would address this issue.

Also, the Act requires local voter approval for a municipality to authorize, issue, and sell general obligation bonds to finance a development program or TIF plan. The DDA Act, upon which the Corridor Improvement Authority Act is based, however, does not require voter approval for general obligation bonds to finance a development program or TIF plan in a DDA. The bill would make the Corridor Improvement Authority Act consistent with the DDA Act in this respect. Also, allowing a municipality to issue bonds without voter approval would expedite economic development efforts in a corridor improvement authority's development area.

In addition, the Act requires a municipality to adopt an ordinance in order to create a corridor improvement authority and approve a development plan or TIF plan. The bill would allow a municipality's governing body to take those actions merely by adopting a resolution, rather than placing a local statute on the books.

Further, the Act requires notice of a public hearing on a development plan to be mailed to the governing body of each taxing jurisdiction levying taxes that would be subject to capture if a TIF plan is adopted. By requiring that notice to be delivered by certified mail, the bill would ensure that the taxing jurisdictions received it in a timely manner before the date of the hearing.

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

The bill would have no fiscal impact on State or local 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.