

# SENATE BILL No. 792

November 2, 2011, Introduced by Senator HUNTER and referred to the Committee on Economic Development.

A bill to provide for the creation, operation, and dissolution of neighborhood improvement districts; to permit the creation of certain boards; and to authorize the collection and disbursement of revenue.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 1. This act shall be known and may be cited as the  
2       "neighborhood improvement district act".

3       Sec. 2. As used in this act:

4       (a) "Assessable property" means real property in a district  
5       area that is classified as residential real property under section  
6       34c of the general property tax act, 1893 PA 206, MCL 211.34c, that  
7       is not exempt from the collection of taxes under the general  
8       property tax act, 1893 PA 206, MCL 211.1 to 211.155.

9       (b) "Assessment" means an assessment imposed under this act

1 against assessable property for the benefit of the property owners.

2 (c) "Assessment revenues" means the money collected by a  
3 neighborhood improvement district from any assessments, including  
4 any interest on the assessments.

5 (d) "Blighted" means that term as described in section 2 of  
6 the brownfield redevelopment financing act, 1996 PA 381, MCL  
7 125.2652.

8 (e) "Board" means the board of directors of a neighborhood  
9 improvement district.

10 (f) "District area" means the area designated in the district  
11 plan as the area to be served by the neighborhood improvement  
12 district.

13 (g) "District plan" means a set of goals, strategies,  
14 objectives, and guidelines for the operation of a neighborhood  
15 improvement district, as approved at a meeting of property owners  
16 conducted under section 6.

17 (h) "Neighborhood improvement district" means a neighborhood  
18 improvement district created under this act.

19 (i) "Person" means an individual, partnership, corporation,  
20 limited liability company, association, or other legal entity.

21 (j) "Project" means any activity for the benefit of property  
22 owners authorized by section 3 to enhance the neighborhood  
23 improvement district.

24 (k) "Property owner" means a person who owns, or an agent  
25 authorized in writing by a person who owns, assessable property  
26 according to the records of the treasurer of the city or village in  
27 which the neighborhood improvement district is located.

1       (l) "7-year period" means the period in which a neighborhood  
2 improvement district is authorized to operate, beginning on the  
3 date that the neighborhood improvement district is created or  
4 renewed and ending 7 calendar years after that date.

5       Sec. 3. (1) A neighborhood improvement district is a public  
6 body corporate and may do 1 or more of the following for the  
7 benefit of property owners located in the neighborhood improvement  
8 district:

9       (a) Acquire, through purchase, lease, or gift, construct,  
10 develop, improve, maintain, operate, or reconstruct park areas,  
11 planting areas, and related facilities within the district area.

12       (b) Acquire, construct, clean, improve, maintain, reconstruct,  
13 or relocate sidewalks, street curbing, street medians, fountains,  
14 and lighting within the district area.

15       (c) Develop and propose lighting standards within the district  
16 area.

17       (d) Acquire, plant, and maintain trees, shrubs, flowers, or  
18 other vegetation within the district area.

19       (e) Provide or contract for security services with other  
20 public or private entities and purchase equipment or technology  
21 related to security services within the district area.

22       (f) Promote and sponsor cultural or recreational activities.

23       (g) Demolish abandoned buildings and make other improvements  
24 in the district area.

25       (h) Engage in other activity with the purpose to enhance the  
26 economic prosperity, enjoyment, appearance, image, and safety of  
27 the district area.

1 (i) Acquire by purchase or gift, maintain, or operate real or  
2 personal property necessary to implement this act.

3 (j) Solicit and accept gifts or grants to further the  
4 development plan.

5 (k) Sue or be sued.

6 (2) A neighborhood improvement district has the authority to  
7 borrow money in anticipation of the receipt of assessments if all  
8 of the following conditions are satisfied:

9 (a) The loan will not be requested or authorized, or will not  
10 mature, within 90 days before the expiration of the 7-year period.

11 (b) The amount of the loan does not exceed 50% of the annual  
12 average assessment revenue of the neighborhood improvement district  
13 during the previous year or, in the case of a neighborhood  
14 improvement district that has been in existence for less than 1  
15 year, the loan does not exceed 25% of the projected annual  
16 assessment revenue.

17 (c) The loan repayment period does not extend beyond the 7-  
18 year period.

19 (d) The loan is subject to the revised municipal finance act,  
20 2001 PA 34, MCL 141.2101 to 141.2821.

21 (3) The services provided by and projects of a neighborhood  
22 improvement district are services and projects of the neighborhood  
23 improvement district and are not services, functions, or projects  
24 of the municipality in which the neighborhood improvement district  
25 is located. The services provided by and projects of a neighborhood  
26 improvement district are supplemental to the services, projects,  
27 and functions of the city or village in which the neighborhood

1 improvement district is located.

2 (4) The neighborhood improvement district has no other  
3 authority than the authority described in this act.

4 Sec. 4. (1) One or more neighborhood improvement districts may  
5 be established within a city or village.

6 (2) The majority of all parcels included in a district area,  
7 both by area and by taxable value, shall be assessable property. A  
8 district area shall be contiguous, with the exception of public  
9 streets, alleys, parks, and other public rights-of-way.

10 Sec. 5. (1) A person may initiate the establishment of a  
11 neighborhood improvement district by the delivery of a petition to  
12 the clerk of the city or village in which a proposed district area  
13 is located. The petition shall include all of the following:

14 (a) The boundaries of the district area.

15 (b) The signatures of property owners of parcels representing  
16 not less than 30% of the property owners within the district area.

17 (c) A listing, by tax parcel identification number, of all  
18 parcels within the district area, separately identifying assessable  
19 property.

20 (2) After a petition is filed pursuant to subsection (1), the  
21 clerk shall notify all property owners within the district area of  
22 a public meeting of the property owners regarding the establishment  
23 of the neighborhood improvement district to be held not less than  
24 45 days or more than 60 days after the filing of the petition. The  
25 notice shall be sent by first-class mail to the property owners not  
26 less than 14 days prior to the scheduled date of the meeting. The  
27 notice shall include the specific location and the scheduled date

1 and time of the meeting.

2       Sec. 6. (1) At the meeting required by section 5, the property  
3 owners may adopt a district plan for submission to and approval by  
4 the governing body of the city or village in which the neighborhood  
5 improvement district is located.

6       (2) A district plan shall include all of the following:

7       (a) A description of the boundaries of the district area  
8 sufficient to identify each assessable property included.

9       (b) The proposed initial board of directors, except for a  
10 director of the board who may be appointed by the city or village  
11 under section 9(2).

12       (c) The method for removal, appointment, and replacement of  
13 the board.

14       (d) A description of projects planned during the 7-year  
15 period, including the location, scope, nature, and duration of the  
16 projects.

17       (e) An estimate of the total amount of expenditures for  
18 projects planned during the 7-year period.

19       (f) The proposed source or sources of financing for the  
20 projects.

21       (g) If the proposed financing includes assessments, the  
22 projected amount or rate of the assessments for each year and the  
23 basis upon which the assessments are to be imposed on assessable  
24 property.

25       (h) A listing, by tax parcel identification number, of all  
26 parcels within the district area, separately identifying assessable  
27 property.

1 (i) A plan of dissolution for the neighborhood improvement  
2 district.

3 (j) The identification of all blighted property inside the  
4 district area.

5 (k) A written plan for providing hardship exemptions to the  
6 assessment as determined by the board.

7 (3) A district plan shall be considered adopted by the  
8 property owners if a majority of the property owners voting at the  
9 meeting approve the district plan.

10 (4) Any district plan adopted under this section shall be  
11 presented to the clerk of the city or village in which the district  
12 area is located.

13 (5) The assessment shall not be greater than \$300.00 if the  
14 neighborhood improvement district is located in a city with a  
15 population of 600,000 or more.

16 Sec. 7. (1) If a district plan is adopted and presented to the  
17 clerk of the city or village in accordance with section 6, the  
18 governing body of the city or village shall within 45 days schedule  
19 a public hearing of the governing body to review the district plan  
20 and any proposed assessment and to receive public comment. The  
21 clerk shall notify all owners of parcels within the district area  
22 of the public hearing by first-class mail.

23 (2) At the public hearing, or at the next regularly scheduled  
24 meeting of the governing body of the city or village, the governing  
25 body shall approve or reject the establishment of the neighborhood  
26 improvement district and the district plan as adopted by the  
27 property owners under section 6(3). If the governing body rejects

1 the establishment of the neighborhood improvement district and the  
2 district plan, the clerk shall notify all property owners within  
3 the district area of a reconvened meeting of the property owners  
4 which shall be held not sooner than 10 days or later than 21 days  
5 after the date of the rejection by the governing body. If the  
6 governing body rejects the establishment of the neighborhood  
7 improvement district and the district plan, the clerk shall state  
8 the specific reasons for the rejection. The notice shall be sent by  
9 first-class mail to the property owners not less than 14 days prior  
10 to the scheduled date of the meeting and shall include the specific  
11 location and the scheduled date and time of the meeting, as  
12 determined by the person initiating the establishment of the  
13 neighborhood improvement district under section 4. At the  
14 reconvened meeting, the property owners may amend the district plan  
15 if approved by a majority of the property owners as provided in  
16 this act. The amended district plan may be resubmitted to the clerk  
17 of the city or village without the requirement of a new petition  
18 under section 5 for approval or rejection at a meeting of the  
19 governing body of the city or village not later than 60 days after  
20 the amended district plan is resubmitted to the clerk. If a  
21 district plan is not rejected within 60 days of the date the  
22 amended district plan is resubmitted to the clerk, the amended  
23 district plan is considered approved by the governing body of the  
24 city or village. If the amended district plan is rejected by the  
25 governing body, then the amended district plan may not be  
26 resubmitted without the delivery of a new petition under section 5.

27 (3) Approval of the neighborhood improvement district and



1 district plan shall serve as a determination by the city or village  
2 that any assessment set forth in the district plan, including the  
3 basis for allocating the assessment, is appropriate, subject only  
4 to the approval of the neighborhood improvement district and the  
5 district plan by the property owners in accordance with section 8.

6 (4) If the governing body of the city or village approves the  
7 neighborhood improvement district and district plan or if the  
8 amended district plan is considered approved under subsection (2),  
9 the clerk of the city or village shall set an election pursuant to  
10 section 8 not more than 60 days following the approval.

11 (5) The clerk of the city or village shall send to the  
12 property owners notice by first-class mail of the election not less  
13 than 30 days before the election and publish the notice at least  
14 once in a newspaper of general circulation in the city or village  
15 in which the district area is located. The publication shall not be  
16 less than 10 days or more than 30 days prior to the date scheduled  
17 for the election.

18 (6) The election described in this section and section 8 is  
19 not an election subject to the Michigan election law, 1954 PA 116,  
20 MCL 168.1 to 168.992.

21 (7) The person who filed the petition under section 5, the  
22 proposed board members, and the property owners may, at the option  
23 and under the direction of the clerk, assist the clerk of the city  
24 or village in conducting the election to keep the expenses of the  
25 election at a minimum.

26 Sec. 8. (1) All property owners as of the date of the delivery  
27 of the petition as provided in section 5 are eligible to

1 participate in the election. The election shall be conducted by  
2 mail. The question to be voted on by the property owners is the  
3 adoption of the district plan and the establishment of the  
4 neighborhood improvement district, including the identity of the  
5 initial board.

6 (2) A district plan and the proposal for the establishment of  
7 a neighborhood improvement district, including the identity of the  
8 initial board, shall be considered adopted upon the approval of  
9 more than 60% of the property owners voting in the election.

10 (3) Upon acceptance or rejection of a neighborhood improvement  
11 district and district plan by the property owners, the resulting  
12 neighborhood improvement district or the person filing the petition  
13 under section 5 shall, at the request of the city or village,  
14 reimburse the city or village for all or a portion of the  
15 reasonable expenses incurred to comply with this act. The governing  
16 body of the city or village may forgive and choose not to collect  
17 all or a portion of the reasonable expenses incurred to comply with  
18 this act.

19 (4) Adoption of a neighborhood improvement district and  
20 district plan under this section authorizes the creation of the  
21 neighborhood improvement district and the implementation of the  
22 district plan for the 7-year period.

23 (5) Adoption of a neighborhood improvement district and  
24 district plan under this section and the creation of the  
25 neighborhood improvement district does not relieve the neighborhood  
26 improvement district from following, or does not waive any rights  
27 of the city or village to enforce, any applicable laws, statutes,

1 or ordinances. A neighborhood improvement district created under  
2 this act shall comply with all applicable state and federal laws.

3 (6) A city or village that approves a neighborhood improvement  
4 district within its boundaries is immune from civil or  
5 administrative liability arising from any actions of that  
6 neighborhood improvement district to the same extent as protected  
7 by the immunity conferred by 1964 PA 170, MCL 691.1401 to 691.1419.

8 Sec. 9. (1) The day-to-day activities of the neighborhood  
9 improvement district and implementation of the district plan shall  
10 be managed by a board of directors.

11 (2) The board shall consist of an odd number of directors and  
12 shall not be smaller than 5 and not larger than 15 in number. The  
13 board may include 1 director nominated by the chief executive of  
14 the city or village and approved by the governing body of the city  
15 or village.

16 (3) The duties and responsibilities of the board shall be  
17 prescribed in the district plan and to the extent applicable shall  
18 include all of the following duties and responsibilities:

19 (a) Developing administrative procedures relating to the  
20 implementation of the district plan.

21 (b) Recommending amendments to the district plan.

22 (c) Scheduling and conducting an annual meeting of the  
23 property owners.

24 (d) Developing a district plan for the next 7-year period.

25 (4) Members of the board shall serve without compensation.  
26 However, members of the board may be reimbursed for their actual  
27 and necessary expenses incurred in the performance of their

1 official duties as members of the board.

2       Sec. 10. (1) A neighborhood improvement district may be funded  
3 in whole or in part by 1 or more assessments on assessable  
4 property, as provided in the district plan. An assessment under  
5 this act shall be in addition to any taxes or special assessments  
6 otherwise imposed on assessable property.

7       (2) An assessment shall be imposed against assessable property  
8 only on the basis of the benefits to assessable property afforded  
9 by the district plan. There is a rebuttable presumption that a  
10 district plan and any project specially benefits all assessable  
11 property in a district area.

12       (3) If a district plan provides for an assessment, the  
13 treasurer of the city or village in which the district area is  
14 located as an agent of the neighborhood improvement district shall  
15 collect the assessment imposed by the board under the district plan  
16 on all assessable property within the district area in the amount  
17 authorized by the district plan.

18       (4) Except as provided in subsection (7), assessments shall be  
19 collected by the treasurer of the city or village as an agent of  
20 the neighborhood improvement district from each property owner and  
21 remitted promptly to the neighborhood improvement district.  
22 Assessment revenue is the property of the neighborhood improvement  
23 district and not the city or village in which the neighborhood  
24 improvement district is located. The neighborhood improvement  
25 district may, at the option and under the direction of the  
26 treasurer, assist the treasurer of the city or village in  
27 collecting the assessment to keep the expenses of collecting the

1 assessment at a minimum.

2 (5) The neighborhood improvement district may institute a  
3 civil action to collect any delinquent assessment and interest.

4 (6) An assessment imposed under this act is not a special  
5 assessment collected under the general property tax act, 1893 PA  
6 206, MCL 211.1 to 211.155.

7 (7) An assessment is delinquent if it has not been paid within  
8 90 days after it was due as provided under the district plan  
9 imposed under this act. Delinquent assessments shall be collected  
10 by the neighborhood improvement district. Delinquent assessments  
11 shall accrue interest at a rate of 1.5% per month until paid.

12 (8) If any portion of the assessment has not been paid within  
13 90 days after it was due, that portion of the unpaid assessment  
14 shall constitute a lien on the property. The lien amount shall be  
15 for the unpaid portion of the assessment and shall not include any  
16 interest.

17 Sec. 11. (1) Expenses incurred in implementing any project or  
18 service of a neighborhood improvement district shall be financed in  
19 accordance with the district plan.

20 (2) Assessment revenues under section 10 are the funds of the  
21 neighborhood improvement district and not funds of the state or of  
22 the city or village in which the neighborhood improvement district  
23 is located. All money collected under section 10 shall be deposited  
24 in a financial institution in the name of the neighborhood  
25 improvement district. Assessment revenues may be deposited in an  
26 interest generating account. The neighborhood improvement district  
27 shall use the funds only to implement the district plan.

1           (3) All expenditures by a neighborhood improvement district  
2 shall be audited annually by a certified public accountant. The  
3 audit shall be completed within 9 months of the close of the fiscal  
4 year of the neighborhood improvement district. Within 30 days after  
5 completion of an audit, the certified public accountant shall  
6 transmit a copy of the audit to the board and make copies of the  
7 audit available to the property owners and the public.

8           (4) If an annual audit required by this section contains  
9 material exceptions and the material exceptions are not  
10 substantially corrected within 90 days of the delivery of the  
11 audit, the neighborhood improvement district shall be dissolved in  
12 accordance with the district plan upon approval of the dissolution  
13 by the governing body of the city or village in which the  
14 neighborhood improvement district is located.

15           (5) The board shall publish an annual activity and financial  
16 report. The report shall be available to the public. Each year,  
17 every property owner shall be notified of the availability of the  
18 annual activity and financial report.

19           (6) As used in this section, "financial institution" means a  
20 state or nationally chartered bank or a state or federally  
21 chartered savings and loan association, savings bank, or credit  
22 union whose deposits are insured by an agency of the United States  
23 government and that maintains a principal office or branch office  
24 located in this state under the laws of this state or of the United  
25 States.

26           Sec. 12. A district plan may be amended. Amendments shall be  
27 effective if approved by a majority of the property owners voting

1 on the amendment at the annual meeting of property owners or a  
2 special meeting called for that purpose. A district plan amendment  
3 changing any assessment is effective only if also approved by the  
4 governing body of the city or village in which the neighborhood  
5 improvement district is located.

6       Sec. 13. (1) Prior to the expiration of any 7-year period, the  
7 board shall notify the property owners of a special meeting by  
8 first-class mail at least 14 days prior to the scheduled date of  
9 the meeting to approve a new district plan for the next 7-year  
10 period. Notice under this section shall include the specific  
11 location, scheduled date, and time of the meeting.

12       (2) Approval of the new district plan at the special meeting  
13 by 60% of the property owners of assessable property voting at that  
14 meeting constitutes reauthorization of the neighborhood improvement  
15 district for an additional 7-year period, commencing as of the  
16 expiration of the 7-year period then in effect. If the new district  
17 plan reflects any new assessment, or reflects an extension of any  
18 assessment beyond the period previously approved by the city or  
19 village in which the neighborhood improvement district is located,  
20 the new or extended assessment shall be effective only with the  
21 approval of the governing body of the city or village.

22       Sec. 14. (1) Upon written petition duly signed by 20% of the  
23 property owners of assessable property within a district area, the  
24 board shall place on the agenda of the next annual meeting, if the  
25 next annual meeting is to be held not later than 60 days after  
26 receipt of the written petition or a special meeting not to be held  
27 later than 60 days after receipt of the written petition, the issue

1 of dissolution of the neighborhood improvement district. Notice of  
2 the next annual meeting or special meeting described in this  
3 subsection shall be made to all property owners by first-class mail  
4 not less than 14 days prior to the date of the annual or special  
5 meeting. The notice shall include the specific location and the  
6 scheduled date and time of the meeting.

7 (2) The neighborhood improvement district shall be dissolved  
8 upon a vote of more than 50% of the property owners of assessable  
9 property voting at the meeting. A dissolution shall not take effect  
10 until all contractual liabilities of the neighborhood improvement  
11 district have been paid and discharged.

12 (3) Upon dissolution of a neighborhood improvement district,  
13 the board shall dispose of the remaining physical assets of the  
14 neighborhood improvement district. The proceeds of any physical  
15 assets disposed of by the neighborhood improvement district and all  
16 money collected through assessments that is not required to defray  
17 the expenses of the neighborhood improvement district shall be  
18 refunded on a pro rata basis to persons from whom assessments were  
19 collected. If the board finds that the refundable amount is so  
20 small as to make impracticable the computation and refunding of the  
21 money, it may be transferred to the treasurer of the city or  
22 village in which the neighborhood improvement district is located  
23 for deposit in the treasury of the city or village to the credit of  
24 the general fund.

25 (4) Upon dissolution of a neighborhood improvement district,  
26 any remaining assets of the neighborhood improvement district shall  
27 be transferred to the treasurer of the city or village in which the



1 neighborhood improvement district is located for deposit in the  
2 treasury of the city or village to the credit of the general fund.

3 Sec. 15. (1) The board shall conduct business at a public  
4 meeting held in compliance with the open meetings act, 1976 PA 267,  
5 MCL 15.261 to 15.275. Public notice of the time, date, and place of  
6 the meeting shall be given in the manner required by the open  
7 meetings act, 1976 PA 267, MCL 15.261 to 15.275.

8 (2) A meeting of property owners under section 5 shall be  
9 conducted at a public meeting held in compliance with the open  
10 meetings act, 1976 PA 267, MCL 15.261 to 15.275. Public notice of  
11 the time, date, and place of the meeting shall be given in the  
12 manner required by the open meetings act, 1976 PA 267, MCL 15.261  
13 to 15.275.

14 (3) A writing prepared, owned, used, in the possession of, or  
15 retained by the neighborhood improvement district in the  
16 performance of its duties under this act is a public record under  
17 the freedom of information act, 1976 PA 442, MCL 15.231 to 15.246.

18 (4) All meetings of the board or property owners described in  
19 this act shall be conducted within the city or village in which the  
20 neighborhood improvement district is or is to be located.