

**NEIGHBORHOOD IMPROVEMENT  
DISTRICT ACT**

**House Bill 4809**  
**Sponsor: Rep. Tupac Hunter**  
**Committee: Commerce**

**Complete to 7-3-03**

**A SUMMARY OF HOUSE BILL 4809 AS INTRODUCED 6-5-03**

The bill would create the Neighborhood Improvement District Act under which one or more neighborhood improvement districts could be established in a city or village. Such a district could be funded by assessments levied against residential property within the district area (other than tax-exempt property) and would be authorized to operate under a district plan for a seven-year period. A district could subsequently be renewed for an additional seven years and a new plan adopted. The establishment of such a district would require the submission of petitions by interested parties, approval of a district plan by affected property owners, approval of the district and the plan by the governing body of the local unit of government, and an election involving affected property owners conducted by the local clerk.

Powers of a district. Under the bill, a neighborhood improvement district could do the following for the benefit of property owners within the district:

- Acquire, construct, develop, improve, maintain, operate, or reconstruct park areas, planting areas, and related facilities within the district area;
- Acquire, construct, clean, improve, maintain, reconstruct, or relocate sidewalks, street curbing, street medians, fountains, and lighting within the district area;
- Develop and propose lighting standards within the district area;
- Acquire, plant, and maintain trees, shrubs, flowers, or other vegetation within the district area;
- Provide or contract for security services with other public or private entities and purchase equipment or technology related to security services within the district area;
- Promote and sponsor cultural or recreational activities;
- Demolish abandoned buildings and make other improvements in the district area;
- Engage in any other activity to enhance the economic prosperity, enjoyment, appearance, image, and safety of the district area;
- Acquire by purchase or gift, maintain, or operate real or personal property necessary to implement the purposes of the district, and solicit and accept gifts and grants to further the district plan; and

- Sue or be sued.

Supplemental Services. The bill would specify that the services and projects provided by a neighborhood improvement district were to be considered services of the district and not services, functions, or projects of the municipality. The district's services and projects would be supplemental to the municipal services, projects, and functions.

Petitioning for a District. To establish a district, a petition would have to be filed with the city or village clerk bearing the signatures of property owners of parcels representing at least 30 percent of the property owners within the district. The petition would also have to include the boundaries of the district area and a listing, by tax parcel identification number, of all parcels within the district area, separately identifying assessable property. The bill would require that the majority of all parcels included in a district area, both by area and by taxable value, be assessable property (that is, not tax-exempt property). A district area would have to be contiguous, with the exception of public streets, alleys, parks, and other public rights-of-way.

Meeting of Owners/District Plan. Upon the submission of a petition, the local clerk would have to notify all property owners within the district area of a public meeting regarding the establishment of a district to be held not less 45 days or more than 60 days after the filing of the petition. Notice would have to be sent by first-class mail no less than 14 days prior to the meeting. At the meeting, property owners could adopt a district plan for submission to and approval by the local governing body. A district plan would have to include: a description of the district boundaries; the proposed initial board of directors; the method for removal, appointment, and replacement of the board; a description of planned projects during the seven-year period, including the scope, nature, and duration of projects; an estimate of the total amount of expenditures for planned projects; the proposed source or sources of financing for the projects; if the financing included assessments, the projected amount or rate of the assessments for each year and basis upon which they were to be imposed; a listing, by tax parcel identification number, of all parcels within the district area; a plan of dissolution; the identification of all blighted property inside the district area; and a written plan for providing hardship exemptions from assessments as determined by the board. A plan would be considered adopted if a majority of the property owners voting at the meeting approved the plan. A meeting of property owners would be subject to the Open Meetings Act and would have to be held in the city or village in which the district was to be located. If the proposed district was to be located in a city with a population of 750,000 or more (Detroit), the assessment on property owners could not be greater than \$300.

Local Unit Approval. If a plan was adopted, it would be presented to the local clerk, and the local governing body would have to schedule a public hearing within 45 days to review the plan and any proposed assessments and to receive public comment. The clerk would have to notify all owners of parcels within the district area of the public hearing by first-class mail. At the hearing, the governing body would have to approve or reject the establishment of the district and the district plan.

If the governing body rejected the establishment of a district and the district plan, the local clerk would have to notify all property owners within the district of a reconvened meeting of owners to be held not sooner than 10 days after or later than 21 days after the date of the governing board's rejection. Notice would have to be sent to property owners by first-class mail not less than 14

days prior to the meeting. The clerk would have to state the specific reasons for the rejection. At the reconvened meeting, the property owners could amend the district plan by majority vote. The amended district plan could be resubmitted to the local clerk without a new petition for approval or rejection by the local governing body not later than 60 days after the resubmission. If the amended plan was not rejected within 60 days, it would be considered approved. If it was rejected, it could not be resubmitted without the delivery of a new petition.

Approval of the district and plan would serve as a determination by the city or village that any assessment set forth in the plan, including the basis for allocating the assessment, was appropriate (subject to subsequent approval of the district and district plan by district property owners).

Election Involving Property Owners. If the district and plan were approved by the local governing body, an election would be held involving the district property owners. The election would be conducted by mail not more than 60 days following the approval. The local clerk would have to notify property owners of the election by first-class mail at least 30 days before the election, and publish the notice in a newspaper of general circulation. The publication would have to be not less than 10 days or more than 30 days before the election. This election (as with the previous one) would not be considered an election subject to the Michigan Election Law. The person who filed the petition, the proposed board members, and the property owners could assist the local clerk in conducting the election to keep expenses to a minimum. Their participation would be at the option of and under the direction of the local clerk. Following the election, the local unit could ask the resulting district (if approved) or the person filing the petitions to provide reimbursement for all or a portion of reasonable expenses (or it could forgo collecting expenses).

Adoption of a Neighborhood Improvement District. The proposal to establish the district and the district plan, including the initial board of directors, would be considered adopted if 60 percent of property owners voting in the election approved. Adoption of a district and district plan would authorize the creation of a district and the implementation of the plan for a seven-year period. The adoption of a district or plan would not relieve the district from following, and would not waive any rights of the local unit to enforce, any applicable laws, statutes, or ordinances. A district would have to comply with all applicable state and federal laws. A city or village that approved a neighborhood improvement district within its boundaries would be immune from civil or administrative liability arising from any actions of the district to the same extent as protected by the immunity conferred by the Governmental Immunity Act.

Board of Directors. The day-to-day activities of the district and the implementation of the district plan would be managed by a board of directors. The board would have to consist of an odd number of directors totaling not less than 5 or more than 15. The board could include one director nominated by the chief executive of the city or village and approved by the local governing body. The duties of the board would be prescribed by the district plan and would include developing administrative procedures for implementing the plan; recommending amendments to the plan; scheduling and conducting an annual meeting of owners; and developing a district plan for the next seven-year period. The board would be subject to the

Open Meetings Act and the Freedom of Information Act. Board meetings would have to be held within the city or village in which the district was located.

Assessments. A district could be funded in whole or in part by one or more assessments on assessable property, as provided for in the district plan. Assessable property is defined as real property classified as residential real property. An assessment would be in addition to any taxes or special assessments otherwise imposed on assessable property, and would not be a special assessment collected under the General Property Tax Act. A district assessment could be imposed only on the basis of the benefits to assessable property afforded by the district plan. There would be a rebuttable presumption that the plan and any project specially benefited all assessable property in the district. The local treasurer would collect a district's assessments and remit them to the district. The district could assist the treasurer to keep the expenses of collecting assessments at a minimum. Assessment revenues would be the property of the district and not of the local unit of government or of the state. Money collected from assessments would have to be deposited in a financial institution and could only be used to implement the district plan. As mentioned earlier, an assessment could not exceed \$300 in a city with a population of 750,000 or more (Detroit).

Delinquent assessments. Delinquent assessments would be collected by the district. The district could institute a civil action to collect any delinquent assessment. An assessment would be delinquent if it had not been paid within 90 days after it was due. A delinquent assessment would accrue interest at a rate of 1.5 percent per month until paid. If any portion of an assessment had not been paid within 90 days after it was due, the portion of the unpaid assessment would be considered a lien on the property. The lien would be for the unpaid amount and would not include any interest.

Loans. A district could also borrow money in anticipation of the receipt of assessments if 1) the loan was not requested or authorized, or would not mature, within 90 days of the expiration of the seven-year period; 2) the amount of the loan did not exceed 50 percent of the annual average assessment revenue of the district for the previous year or, if the district had been in existence for less than a year, did not exceed 25 percent of projected revenue; and 3) the loan repayment period did not extend beyond the seven-year period. A district loan would be subject to the Revised Municipal Finance Act.

Audits and Reports. All expenditures would have to be audited annually by a certified public accountant within 9 months of the close of the district's fiscal year, and a copy of the audit would have to be transmitted to the board of directors within 30 days after completion, with copies available to property owners and the public. The audit would have to be completed within nine months of the close of the fiscal year of the neighborhood improvement district. If an audit contained material exceptions and they were not substantially corrected within 90 days of the delivery of the audit, the district would be dissolved in accordance with the district plan, upon approval of the dissolution by the local governing board. The board of directors would also be required to publish an annual activity and financial report that would be available to the public. Each year, every property owner would have to be notified of the availability of the activity and financial report.

Renewal and Dissolution. Prior to the expiration of the seven-year period for which the district had been authorized, the board of directors could notify property owners of a special meeting to approve a new district plan for a new seven-year period. The notification would have to be made by first-class mail at least 14 days prior to the meeting. Re-authorization of the district would require a 60 percent majority vote of owners attending the meeting. If the new district plan reflected any new assessment or reflected the extension of an assessment beyond its previously approved duration, then the new or extended assessment would only be effective if approved by the local governing body.

The district could be dissolved at an annual meeting or a special meeting by a vote of more than 50 percent of the property owners of assessable property voting at the meeting. Property owners could get the question of dissolution placed on the agenda of the annual meeting or on the agenda of a special meeting by submitting a written petition signed by 20 percent of the property owners of assessable property within the district area. If the next annual meeting was to be held not later than 60 days after receipt of the petition, the dissolution vote would take place at the annual meeting; otherwise, a special meeting would be held not later than 60 days after submission of the petition. A dissolution would not take effect until all contractual liabilities of the district had been paid and discharged.

Upon dissolution, the board of a district would have to dispose of the district's remaining physical assets. The proceeds of any physical assets disposed of by the district and all money collected through assessments not required to pay expenses would have to be refunded on a pro rata basis to those from whom assessments were collected. If the board found that the refundable amount was so small as to make impracticable the computation and refunding of the money, the money could be transferred to the local treasurer for deposit in the local unit's general fund. Upon dissolution, any remaining assets of the district would be transferred to the local treasurer for deposit in the local unit's general fund.

Analyst: C. Couch

■This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.