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BILL ANALYSIS

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Senate Bill 34 (Substitute S-4 as passed by the Senate) *(as enrolled)*
Sponsor: Senator Gilda Z. Jacobs
Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 8-24-05

RATIONALE

The downtown development authority (DDA) Act allows municipalities to form DDAs in order to fund improvements to their business districts, by "capturing" the incremental growth in tax revenue from property located within the districts. While DDAs have helped a number of Michigan municipalities improve their downtown business districts, the Act does not allow communities to address deteriorating commercial corridors that are located outside their downtown areas. Additionally, cities are permitted to have only one DDA, which prevents them from establishing additional authorities to improve commercial corridors if a community already has a DDA. Some people believe municipalities should be allowed to form corridor improvement authorities to improve their commercial corridors through tax-increment financing.

CONTENT

The bill would create the "Corridor Improvement Authority Act" to do the following:

- **Allow a city, village, or township to establish a corridor improvement authority if it determined it was in the public interest redevelop its commercial corridors and promote economic growth.**
- **Require a public hearing regarding the creation of the authority and a development area.**
- **Establish criteria for a development area.**
- **Provide for a board to govern the authority.**
- **Allow the board to hire a director of the authority and other necessary employees.**
- **Enumerate the board's powers.**
- **Provide for the financing of authority activities and allow it to levy special assessments, borrow money, and issue revenue bonds.**
- **Require the authority to prepare and submit a tax increment financing plan to the governing body of the municipality, if the authority determined one was necessary.**
- **Allow the municipality to issue general obligation or tax increment bonds to finance the development program of a tax increment financing plan.**
- **Require the authority to prepare a development plan if the board decided to finance a project in a development area by use of revenue bonds or tax increment financing.**
- **Require a public hearing before the municipality's governing body approved a development plan or a tax increment financing plan.**
- **Require that the authority director submit an annual budget to the board for the operations of the authority.**
- **Require the preservation of historical sites within the area.**
- **Provide for the dissolution of the authority when it had completed the purposes for which it was organized.**
- **Allow the State Tax Commission to enforce the proposed Act and to**

promulgate rules necessary for its administration.

Establishment of an Authority

The governing body of a municipality (city, village or township) could, by resolution, declare its intention to create and provide for the operation of a corridor improvement authority if the governing body determined that it was necessary for the best interests of the public to redevelop its commercial corridors and to promote economic growth.

In the resolution of intent, the governing body would have to state that the proposed development met all of the criteria for a development area and set a date for a public hearing on the adoption of a proposed ordinance creating the authority and designating the boundaries of the development area. Notice of the public hearing would have to be published twice in a newspaper of general circulation in the municipality, not less than 20 or more than 40 days before the date of the hearing. At least 20 days before the hearing, the governing body also would have to mail notice of the hearing to the property taxpayers of record in the proposed development area, to the governing body of each taxing jurisdiction levying taxes that would be subject to capture if the authority were established and a tax increment financing plan were approved, and to the State Tax Commission. Failure of a property taxpayer to receive the notice would not invalidate the proceedings.

Notice of the hearing would have to be posted in at least 20 conspicuous and public places in the proposed development area not less than 20 days before the hearing. The notice would have to state the date, time, and place of the hearing and describe the boundaries of the proposed development area. A citizen, taxpayer, or property owner of the municipality or an official from a taxing jurisdiction with millage that would be subject to capture would have the right to be heard in regard to the establishment of the authority and the boundaries of the proposed development area. The municipality's governing body could not incorporate into the development area land that was not included in the description contained in the notice of public hearing, but it could eliminate described land from the development area in the final determination of the boundaries.

At least 60 days after the public hearing, if the municipality's governing body intended to proceed with the establishment of the authority, it would have to adopt, by majority vote of its members, an ordinance establishing the authority and designating the boundaries of the development area within which the authority would have to exercise its powers. The adoption of the ordinance would be subject to any applicable statutory or charter provisions regarding the approval or disapproval by the chief executive (the mayor or city manager) or other officer of the municipality and the adoption of an ordinance over his or her veto. This ordinance would have to be filed with the Secretary of State promptly after its adoption and would have to be published at least once in a newspaper of general circulation in the municipality.

The municipality's governing body could alter or amend the boundaries of the development area to include or exclude land in the same manner as adopting the ordinance creating the authority.

A municipality could establish multiple authorities, but a parcel of property could not be included in more than one authority.

A municipality that had created an authority could enter into an agreement with an adjoining municipality that had created an authority to operate and administer those authorities jointly under an interlocal agreement under the Urban Cooperation Act. The interlocal agreement would have to include, but would not be limited to, a plan to coordinate and expedite local inspections and permit approvals, a plan to address contradictory zoning requirements, and a date certain to implement all provisions of these plans. Within 60 days of entering into an interlocal agreement, a municipality would have to give a copy of the agreement to the State Tax Commission.

An authority would be a public body corporate that could sue and be sued in any court of the State. An authority would possess all the powers necessary to carry out its purpose.

Development Area Criteria

A development area could be established only in a municipality, and the following criteria would have to be met:

-- The development area was adjacent to a road classified as an arterial or collector according to the Federal Highway Administration manual "Highway Functional Classification – Concepts, Criteria and Procedures".
-- The development area contained at least 10 contiguous parcels or at least five acres.
-- More than half of the ground floor square footage in the development area was classified as commercial real property under the General Property Tax Act.
-- Residential use, commercial use, or industrial use had been allowed and conducted under the zoning ordinance or conducted in the entire development area for the preceding 30 years.
-- The development are was presently served by municipal water and sewer.
-- The development area was zoned to allow for mixed use that included high-density residential use.
-- The municipality agreed to expedite the local permitting and inspection process in the development area and modify its master plan to provide for walkable, nonmotorized, interconnections, including sidewalks and streetscapes throughout the development area.

If a development area were part of an area annexed to or consolidated with another municipality, the authority managing that development area would have to become an authority of the annexing or consolidated municipality. Obligations of that authority incurred under a development or tax increment plan, agreements related to a development or tax increment plan, and bonds issued under the proposed Act would have to remain in effect following the annexation or consolidation.

Board Membership

Except as provided below, a corridor improvement authority would be under the supervision and control of a board consisting of the chief executive officer of the municipality or his or her assignee and not fewer than five or more than nine members as determined by the municipality's governing body. Members would have to be appointed by the chief executive officer, subject to approval by the governing body. At least a majority of the members would have to have an ownership or business interest in property located in the development area. At least one of the members would have to be a resident of the development area or of an area within a half-mile of any part of the development area.

Of the members first appointed, an equal number, as near as practicable, would have to be appointed for one year, two years, three years, and four years. After the initial appointment, each member would have to serve for a term of four years. Board members would serve without compensation, but would be reimbursed for actual and necessary expanses. After having been given notice and an opportunity to be heard, a board member could be removed for cause by the governing body. The board would have to elect its chairperson.

The board would be subject to the Open Meeting Act and the Freedom of Information Act. All expense items of the authority would have to be publicized monthly and the financial records would have to be open to the public at all times.

If the boundaries of the development area were the same as those of a business improvement district established under the principal shopping district Act, the municipality's governing body could provide that the members of the authority board would be the members of the board of the business improvement district. One person would have to be a resident of the development area or of an area within a half-mile of any part of the development area.

Authority Employees

The board of a corridor improvement authority could employ and fix the compensation of a director, subject to the approval of the municipality's governing body. The director would serve at the pleasure of the board. A board member could not hold the position of director. The director would be the chief executive officer of the authority.

Before beginning his or her duties, the director would have to post a bond in the sum determined in the ordinance establishing the authority, payable to the authority for its use and benefit, approved by the board, and filed with the municipal clerk. The premium on the bond would be considered an operating expense of the authority, payable from funds available to it for expenses of operation.

Subject to board approval, the director would have to supervise and be responsible for the preparation of plans and the performance of the functions of the authority as authorized by the proposed Act. The director would have to attend board meetings and give the board and the municipality's governing body a regular report covering the activities and financial condition of the authority. The director also would have to furnish the board with information or reports governing the operation of the authority as the board required.

The board could employ and fix the compensation of a treasurer, who would have to keep the financial records of the authority and who, together with the director, would have to approve all vouchers for the expenditure of funds of the authority. The treasurer would have to perform all duties delegated to him or her by the board and would have to furnish bond in an amount prescribed by the board.

The board also could employ and fix the compensation of a secretary, who would have to maintain custody of the official seal and of records, books, documents, or other papers not required to be maintained by the treasurer. The secretary would have to attend board meetings and keep a record of its proceedings, as well as perform other duties delegated by the board.

The board could retain legal counsel to advise the board in the proper performance of its duties. The legal counsel would have to represent the authority in actions brought by or against the authority.

The board also could employ other personnel it considered necessary.

The employees of an authority would be eligible to participate in municipal retirement and insurance programs of the municipality as if they were civil service employees, although the authority employees would not be civil service employees.

Board Powers

The board of a corridor improvement authority could do any of the following:

-- Prepare an analysis of economic changes taking place in the development area.
-- Study and analyze the impact of metropolitan growth upon the development area.
-- Plan and propose the construction, renovation, repair, remodeling, rehabilitation, restoration, preservation, or reconstruction of a public facility, an existing building, or a multiple-family dwelling unit that could be necessary or appropriate to the execution of a plan that, in the board's opinion, would aid in the economic growth of the development area.
-- Plan, propose, and implement an improvement to a public facility within the development area to comply with the barrier free design requirements of the State Construction Code.
-- Develop long-range plans, in cooperation with the agency chiefly responsible for planning in the municipality, designed to halt the deterioration of property values in the development area and to promote its economic growth, and take necessary steps to persuade property owners to implement the plans to the fullest extent possible.
-- Implement any plan of development in the development area necessary to achieve the purposes of the proposed Act in accordance with the powers of the authority.
-- Make and enter into contracts necessary or incidental to the exercise of the board's powers and the performance of its duties.
-- Acquire by purchase or otherwise, on terms and conditions and in a manner the authority considered proper, or own, convey, or otherwise dispose of, or lease as lessor or lessee, land and other property, real or personal, or rights or interests in the property, that the authority determined were reasonably necessary to achieve the purposes of the proposed Act, and to grant or

acquire licenses, easements, and options.

-- Improve land and construct, reconstruct, rehabilitate, restore and preserve, equip, improve, maintain, repair, and operate any building, including multiple-family dwellings, and any necessary or desirable appurtenances to those buildings, within the development area for the use, in whole or in part, of any public or private person or corporation, or a combination of them.
-- Fix, charge, and collect fees, rents, and charges for the use of any facility, building, or property under its control or any part of the facility, building, or property, and pledge the fees, rents, and charges for the payment of revenue bonds issued by the authority.
-- Lease, in whole or in part, any facility, building, or property under its control.
-- Accept grants and donations of property, labor, or other things of value from a public or private source.
-- Acquire and construct public facilities.
-- Conduct market research and public relations campaigns; develop, coordinate, and conduct retail and institutional promotions; and sponsor special events and related activities.
-- Contract for broadband service and wireless technology service in a development area.

The authority would be an instrumentality of a political subdivision for the purposes of Public Act 227 of 1972 (which provides for relocation advisory assistance services for displaced persons).

A municipality could acquire private property under Public Act 149 of 1911 (which provides for the acquisition of property by State agencies and public corporations for a public improvement or public purposes) for the purpose of transfer to the authority, and could transfer the property to the authority for use in an approved development, on terms and conditions it considered appropriate.

Authority Financing

The activities of a corridor improvement authority would have to be financed from one or more of the following:

-- Donations to the authority for the performance of its functions.
-- Money borrowed and to be repaid under the authority's power to issue revenue bonds.
-- Revenue from any property, building, or facility owned, leased, licensed, or operated by the authority or under its control, subject to the limitations imposed upon the authority by trusts or other agreements.
-- Proceeds of a tax increment financing plan established for the authority's benefit.
-- Proceeds from a special assessment district created as provided by law.
-- Money obtained from other sources approved by the governing body of the municipality or otherwise authorized by law for use by the authority or the municipality to finance a development program.

Money received by the authority and not covered under one of these sources would have to be immediately deposited to the credit of the authority, subject to disbursement under the proposed Act. Except as provided in the Act, the municipality could not obligate itself, and would not be obligated, to pay any sums from public funds, other than money received by the municipality to finance the authority, for or on account of the authority's activities.

Special Assessment Tax

With the approval of the municipality's governing body, a corridor improvement authority could levy a special assessment as provided by law. At the request of the authority, the municipality could borrow money and issue its notes under the Revised Municipal Finance Act in anticipation of collection of this ad valorem tax.

Revenue Bonds

A corridor improvement authority could borrow money and issue its negotiable revenue bonds under the Revenue Bond Act with approval of the local governing body. The revenue bonds would not be a debt of the municipality unless the municipality, by a majority vote of the members of its governing body, pledged its full faith and credit to support the authority's revenue

bonds. Revenue bonds issued by the authority could never be a debt of the State.

With approval of the local governing body, the authority could borrow money and issue its revenue bonds or notes to finance all or part of the costs of acquiring or constructing property in connection with either the implementation of a development plan in the development area; or the refund, or refund in advance, of bonds or notes issued by the authority.

Any of the following could be financed by the issuance of revenue bonds or notes:

-- The cost of purchasing, acquiring, constructing, improving, enlarging, extending, or repairing property in connection with the implementation of a development plan in the development area.
-- Any engineering, architectural, legal, accounting, or financial expenses.
-- The costs necessary or incidental to the borrowing of money.
-- Interest on the bonds or notes during the period of construction.
-- A reserve for payment of principal and interest on the bonds or notes.
-- A reserve for operation and maintenance until sufficient revenue was developed.

The authority could secure the bonds and notes by mortgage, assignment, or pledge of the property and any money, revenue, or income received in connection with it.

Bonds or notes issued by the authority would be exempt from all taxation in the State, except inheritance and transfer taxes, and the interest on the bonds or notes would be exempt from all taxation in the State, notwithstanding that the interest could be subject to Federal income tax.

The municipality would not be liable on bonds or notes of the authority and the bonds or notes would not be debt of the municipality.

The bonds and notes of the authority could be invested in by all public officers, State agencies and political subdivisions, insurance companies, banks, savings and loan associations, investment companies, and fiduciaries and trustees, and could be deposited with and received by all public officers and the agencies and political subdivisions of the State for any purpose for which the deposit of bonds is authorized.

Tax Increment Financing

If a corridor improvement authority determined that it was necessary in order to achieve the purposes of the proposed Act, the authority would have to prepare and submit a tax increment financing plan to the governing body of the municipality. The plan would have to include a development plan, a detailed explanation of the tax increment procedure, the maximum amount of bonded indebtedness to be incurred, and the duration of the program. The plan would have to contain a statement of the estimated impact of tax increment financing on the assessed values of all taxing jurisdictions in which the development area was located. The plan could provide for the use of part or all of the captured assessed value, but the portion intended to be used by the authority would have to be clearly stated in the tax increment financing plan. The authority or the municipality could exclude from captured assessed value growth in property value resulting solely from inflation. The plan would have to set forth the method for excluding growth in property value resulting solely from inflation.

Approval of the tax increment financing plan would have to comply with the notice, hearing, and disclosure provisions of the proposed Act. If the development plan were part of the tax increment financing plan, only one hearing and approval procedure would be required for both plans together.

Before the public hearing on the tax increment financing plan, the governing body would have to provide a reasonable opportunity to the taxing jurisdictions levying taxes subject to capture to meet with the governing body. The authority would have to inform the taxing jurisdictions fully of the fiscal and economic implications of the proposed development area. The taxing jurisdictions could present their recommendations at the public hearing on the tax increment financing plan. The authority could enter into agreements with the taxing jurisdictions and the governing body of the municipality in which the development area was located to share a

portion of the captured assessed value of the development area.

A tax increment financing plan could be modified if the modification were approved by the governing body upon notice and after public hearings and agreements as required for approval of the original plan.

Within 60 days after the public hearing, the governing body in a taxing jurisdiction levying ad valorem property taxes that otherwise would be subject to capture could exempt its taxes from capture by adopting a resolution to that effect and filing a copy with the clerk of the municipality proposing to create the authority. The resolution would take effect when filed with the clerk and remain effective until a copy of a resolution rescinding it was filed with that clerk.

The municipality and county treasurers would have to transmit tax increment revenue to the authority. The authority could spend the tax increment revenue received for the development program only under the terms of the tax increment financing plan. Unused funds would revert proportionately to the respective taxing bodies. Tax increment revenue could not be used to circumvent existing property tax limitations. The municipality's governing body could abolish the tax increment financing plan if it found that the purposes for which it was established were accomplished. The plan could not be abolished, however, until the principal of, and interest on, general obligation or tax increment bonds had been paid or funds sufficient to make the payment had been segregated.

Annually, the authority would have to submit to the municipality's governing body and the State Tax Commission a report on the status of the tax increment financing account. The report would have to include the following:

-- The amount and source of revenue in the account.
-- The amount in any bond reserve account.
-- The amount and purpose of expenditures from the account.
-- The amount of principal and interest on any outstanding bonded indebtedness.
-- The initial assessed value of the project area.
-- The captured assessed value retained by the authority.
-- The tax increment revenue received.
-- The increase in the State equalized valuation as a result of the implementation of the tax increment financing plan.
-- The type and cost of capital improvements made in the development area.
-- Any additional information the governing body considered necessary.

"Tax increment revenues" would mean the amount of ad valorem property taxes and specific local taxes attributable to the application of the levy of all taxing jurisdictions upon the captured assessed value of real and personal property in the development area. Tax increment revenues would not include the following:

-- Taxes under the State Education Tax Act.
-- Taxes levied by local or intermediate school districts.
-- Ad valorem property taxes attributable either to a portion of the captured assessed value shared with taxing jurisdictions within the jurisdictional area of the authority or to a portion of value of property that could be excluded from captured assessed value or specific local taxes attributable to the ad valorem property taxes.
-- Ad valorem property taxes excluded by the tax increment financing plan of the authority from the determination of the amount of tax increment revenue to be transmitted to the authority or specific local taxes attributable to the ad valorem property taxes.
-- Ad valorem property taxes exempted from capture by a taxing jurisdiction or specific local taxes attributable to the ad valorem property taxes.
-- Ad valorem property taxes specifically levied for the payment of principal and interest of obligations approved by the electors or obligations pledging the unlimited taxing power of the local governmental unit or specific taxes attributable to those ad valorem property taxes.

"Specific local tax" would mean a tax levied under Public Act 198 of 1974 (the plant

rehabilitation and industrial development Act), the Commercial Redevelopment Act, or the Technology Park Development Act.

General Obligation & Tax Increment Bonds

By resolution of its governing body and subject to voter approval, a municipality could authorize, issue, and sell general obligation bonds to finance the development program of the tax increment financing plan and would have to pledge its full faith and credit for the payment of the bonds. The municipality could pledge as additional security for the bonds any money received by the authority or the municipality. The bonds would be subject to the Revised Municipal Finance Act.

Before the municipality could authorize the borrowing, the authority would have to submit to the governing body an estimate of the anticipated tax increment revenue and other revenue available under the proposed Act for payment of principal and interest on the bonds. The estimate would have to be approved by the governing body in the resolution authorizing the bonds. If the governing body adopted the resolution, the estimate of the anticipated tax increment revenue and other revenue available for payment of principal and interest on the bonds would be conclusive for this purpose.

By resolution of its board, the authority could authorize, issue, and sell tax increment bonds to finance the development program of the tax increment financing plan. The tax increment bonds issued by the authority would have to pledge solely the tax increment revenue of a development area in which the project was located or a development area from which tax increment revenue could be used for a project, or both. In addition or instead, the bonds issued by the authority could be secured by any other revenue identified in the proposed Act as a source of financing for activities of the authority, which the authority would have to pledge specifically in the resolution. The municipality's full faith and credit could not be pledged to secure the bonds issued, however.

Development Plan

If the board of a corridor improvement authority decided to finance a project in a development area by the use of revenue bonds or tax increment financing, it would have to prepare a development plan. The plan would have to contain all of the following:

-- The designation of boundaries of the development area in relation to highways, streets, streams, or otherwise.
-- The location and extent of existing streets and other public facilities within the development area, designating the location, character, and extent of the categories of public and private land uses then existing and proposed for the development area.
-- A description of existing improvements in the development area to be demolished, repaired, or altered; a description of any repairs and alterations; and an estimate of the time required for completion.
-- The location, extent, character, and estimated cost of improvements including rehabilitation contemplated for the development area, and an estimated of the time required for completion.
-- A statement of the construction or stages of construction planned, and the estimated time of completion of each stage.
-- A description of any parts of the development area to be left as open space and the use contemplated for the space.
-- A description of any portions of the development area that the authority desired to sell, donate, exchange, or lease to or from the municipality and the proposed terms.
-- A description of desired zoning changes and charges in streets, street levels, intersections, traffic flow modifications, or utilities.
-- An estimate of the cost of development, a statement of the proposed method of financing the development, and the ability of the authority to arrange financing.
-- Designation of the people to whom all or part of the development was to be leased, sold, or conveyed in any manner and for whose benefit the project was being undertaken, if that information were available to the authority.
-- The procedures for bidding for the leasing, purchasing, or conveying of all or part of the development upon its

completion, if there were no express or implied agreement between the authority and people that all or part of the development would be leased, sold, or conveyed in any manner to them.
-- The requirement that amendments to an approved development plan or tax increment plan be submitted by the authority to the governing body for approval or rejection.
-- A schedule to evaluate periodically the effectiveness of the development plan.
-- Other material that the authority, local public agency, or governing body considered pertinent.

In addition, the development plan would have to contain estimates of the number of people residing in the development area and the number of families and individuals to be displaced. If occupied residences were designated for acquisition and clearance by the authority, the development plan would have to include a survey of the families and individuals to be displaced, including their income and racial composition, a statistical description of the housing supply in the community, including the number of private and public units in existence or under construction, the condition of those units in existence, the number of owner-occupied and renter-occupied units, the annual rate of turnover of the various types of housing and the range of rents and sale prices, an estimate of the total demand for housing in the community, and the estimated capacity of private and public housing available to displaced families and individuals.

The development plan also would have to include the following:

-- A plan for establishing priority for the relocation of people displaced by the development in any new housing in the development area.
-- Provision for the costs of relocating people displaced by the development and financial assistance and reimbursement of expenses, including litigation expenses and expenses incident to the transfer of title, in accordance with the standards and provisions of the Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.
-- A plan for compliance with Public Act 227 of 1972.

A person to be relocated would have to be given at least 90 days' written notice to vacate unless modified by court order issued for good cause and after a hearing.

Public Hearings

The governing body of a municipality, before adopting an ordinance approving a development plan or tax increment financing plan, would have to hold a public hearing on the development plan. Notice of the time and place of the hearing would have to be given by publication twice in a newspaper of general circulation designated by the municipality, the first of which would have to be at least 20 days before the date set for the hearing. Notice of the hearing would have to be posted in at least 20 conspicuous and public places in the development area at least 20 days before the hearing. At least 20 days before the hearing, notice also would have to be mailed to all property taxpayers of record in the development area and to the governing body of each taxing jurisdiction levying taxes that would be subject to capture if the tax increment financing plan were approved.

The notice would have to contain all of the following:

-- A description of the proposed development area in relation to highways, streets, streams, or otherwise.
-- A statement that maps, plats, and a description of the development plan, including the method of relocating families and individuals who could be displaced from the area, were available for public inspection at a place designated in the notice.
-- A statement that all aspects of the development plan would be open for discussion at the public hearing.
-- Other information the governing body considered appropriate.

At the time set for the hearing, the governing body would have to provide an opportunity for interested persons to speak, and would have to receive and consider written communications. The hearing would have to provide the fullest opportunity for expression of opinion, for argument on the merits, and for consideration of documentary evidence pertinent to the development plan. The governing body

would have to make and preserve a record of the public hearing, including all data presented at it.

After the public hearing, the governing body would have to determine whether the development plan or tax increment financing plan constituted a public purpose. If it determined that the plan constituted a public purpose, the governing body by ordinance would have to approve or reject the plan, or approve it with modification, based on the following considerations:

-- The findings and recommendations of a development area citizens council, if such a council were formed.
-- The plan met the requirements for the issuance of tax increment bonds.
-- The proposed method of financing the development was feasible and the authority had the ability to arrange the financing.
-- The development was reasonable and necessary to carry out the purposes of the proposed Act.
-- The land included within the development area to be acquired was reasonably necessary to carry out the purposes of the plan and of the Act in an efficient and economically satisfactory manner.
-- The development plan was in reasonable accord with the municipality's land use plan.
-- Public services, such as fire and police protection and utilities, were or would be adequate to service the project area.
-- Changes in zoning, streets, street levels, intersections, and utilities were reasonably necessary for the project and for the municipality.

Budget

The director of a corridor improvement authority would have to submit a budget to the board for the operation of the authority for each fiscal year before the beginning of the fiscal year. The budget would have to be prepared in the manner and contain the information required of municipal departments. After review by the board, the budget would have to be submitted to the municipality's governing body. The governing body would have to approve the budget before the board could adopt the it. Unless authorized by the governing body or the proposed Act, funds of the municipality could not be included in the authority's budget.

The governing body could assess a reasonable pro rata share of the funds for the cost of handling and auditing the funds against the funds of the authority, other than those committed, which would have to be paid annually by the board pursuant to an appropriate item in its budget.

Historic Buildings

A public facility, building, or structure that was determined by a municipality to have significant historical interests would have to be preserved in a manner considered necessary by the municipality in accordance with laws relative to the preservation of historical sites.

An authority would have to refer all proposed changes to the exterior of sites listed on the State Register of Historic Sites and the National Register of Historic Places to the applicable historic district commission created under the Local Historic Districts Act, or the Department of History, Arts, and Libraries for review.

Dissolution

A corridor improvement authority that had completed the purposes for which it was organized would have to be dissolved by ordinance of the municipality's governing body. The property and assets of the authority remaining after the satisfaction of its obligations would belong to the municipality.

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

Downtown development authorities are a valuable tool for municipalities seeking to improve their downtown business districts, but authorities may be established only in downtown areas and are limited to one per municipality. Some cities, towns, and villages also would like to use tax increment financing to fund improvements to their aging commercial corridors. In some municipalities, the buildings along the main commercial corridors were constructed

decades ago and the buildings and infrastructure are beginning to deteriorate. These older corridors are often unable to compete with newer commercial developments being constructed elsewhere. Sometimes, there is little remaining space for the development of new commercial projects within a municipality's boundaries and businesses located in the aging corridors leave town in search of newer facilities, which can contribute to urban sprawl. The bill would allow the formation of authorities to finance improvements to commercial corridors that are more than 30 years old, which would assist municipalities in attracting new businesses and in retaining those already located in the corridor.

In addition to allowing more than one authority in a municipality, the bill would allow the formation of improvement authorities for corridors that run through more than one municipality. This would benefit corridors such as the one along Woodward Avenue, which begins in Detroit and traverses several communities before ending in Pontiac.

Opposing Argument

There is a danger that corridor improvement authorities would be formed in communities with existing DDAs, which could harm existing authorities by luring businesses away from downtown areas.

Legislative Analyst: J.P. Finet

FISCAL IMPACT

The bill would have no effect on State revenue or expenditures. The bill would reduce the growth in local unit revenue by an unknown amount, depending upon the number of development areas created and the characteristics of the property in the development areas.

This estimate is preliminary and will be revised as new information becomes available.

Fiscal Analyst: David Zin