

Legislative Analysis



CORRIDOR IMPROVEMENT AUTHORITY: QUALIFIED DEVELOPMENT AREA

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Senate Bill 588

Sponsor: Sen. Buzz Thomas

House Committee: Commerce

Senate Committee: Economic Development and Regulatory Reform

Complete to 6-26-07

A SUMMARY OF SENATE BILL 588 AS PASSED BY THE SENATE 6-20-07

BRIEF SUMMARY: The bill would allow for a special development area to be created under the Corridor Improvement Act in a city of 700,000 or more (i.e., Detroit) within which an improvement authority would have expanded powers compared to its powers in a typical development area under the act. Notably, in such a "qualified development area," an authority could capture state and local school taxes as part of its tax increment financing plan, with approval from the Michigan Economic Growth Authority (MEGA). Furthermore, a taxing jurisdiction within development area could not, as is normally the case under the act, exempt its taxes from capture under the authority's tax increment finance plan. Also, in such a development area, an authority could perform certain specified site improvements to land; pay or reimburse a public or private person for costs associated with such improvements; and enter into financing arrangements with public or private entities for the purpose of implementing its powers.

DETAILED SUMMARY: The bill would amend the Corridor Improvement Act, a 2005 act under which municipalities can create special authorities to redevelop commercial corridors ("development areas") that are at least 30 years old. A corridor improvement authority is to be created and operated in a manner similar to a downtown development authority. Once created, a corridor improvement authority can establish a tax increment finance plan, levy a special assessment, and issue revenue bonds and notes. It cannot levy an ad valorem tax.

Senate Bill 588 would allow, within the act, for the creation of a "qualified development area" in a city with a population of 700,000 or more (i.e., Detroit).

Criteria for Qualified Development Area. Such an area would have to contain at least 30 contiguous acres and have been owned by the State of Michigan on December 31, 2003 and conveyed to a private owner before June 30, 2004. It also would have to be zoned for mixed use that includes commercial use and may include residential use. To be eligible for designation as a qualified development area, construction would have to begin no later than two years after the effective date of the bill.

The area would also have to meet certain specified criteria that any development area must meet: it must be adjacent to a federally designated arterial or collector road, and be

served by municipal water and sewer. Residential, commercial, or industrial use must have been allowed and/or conducted for the past 30 years, and the municipality must agree to expedite permitting and inspection processes and to modify its master plan to provide for walkable nonmotorized interconnections, such as sidewalks and streetscapes.

Exemptions from Typical Criteria. However, the qualified development area would be exempt from other requirements currently in the act for a development area. It would not need to contain 10 contiguous parcels or 5 contiguous acres, nor would one-half of the existing ground floor square footage have to be commercial real property. It also would not need to be zoned for mixed use that includes high density residential use.

Distressed Area Requirement. As passed by the Senate, the qualified development area would also have to be in a "distressed area," which would be defined as a local governmental unit that (1) has a population of 700,000; (2) shows a negative population change since 1970; (3) shows an increase in state equalized value of real and personal property less than the statewide average increase since 1972; (4) has a poverty rate greater than the statewide average; and (5) has an unemployment rate higher than the statewide average.

Site Improvements. In a qualified development area, an improvement authority could perform any necessary or desirable site improvements to the land of any public or private person or business entity, or combination of those. These improvements could include the installation of temporary or permanent utilities, temporary or permanent roads and driveways, silt fences, perimeter construction fences, curbs and gutters, sidewalks, pavement markings, water systems, gas distribution lines, building pads, storm drainage systems, sanitary sewer systems, parking lot paving and light fixtures, electrical service, communications systems (broadband and high speed Internet), site signage, and landscaping and irrigation.

An authority could incur expenses and expend funds to pay or reimburse a public or private person or entity for costs associated with any of the improvements described above.

Public Facilities. The definition of "public facilities" would be amended so that the term would apply in a qualified development area to various kinds of public improvements (including streets, utilities, parks, parking facilities, etc.) that are "for the benefit of or for the protection of the health, welfare, or safety of the public generally, whether or not used by one or more business entities, provided that any road, street, or bridge would be continuously open to public access and that other property would have to be located in public easements or rights-of-way and designed to accommodate foreseeable development of public facilities in adjoining areas."

Financing Arrangements. An authority could make and enter into financing arrangements with a public or private person or entity to implement its powers, including lease purchase agreements, land contracts, installment sales agreements, sale leaseback agreements, and loan agreements. An authority, in the case of a qualified development

area, also could issue revenue bonds or notes to finance the cost of reimbursing a public or private person or entity for any of the costs of implementing a development plan.

TIFA Provisions. A corridor improvement authority could make a request of the Michigan Economic Growth Authority to be allowed to capture, as part of its tax increment finance revenues, taxes levied by the state under the State Education Tax and taxes levied by local and intermediate school districts. MEGA could only allow those taxes to be captured if it determined that the inclusion was necessary to reduce unemployment, promote economic growth, and increase capital investment in a qualified development area.

Under the act, the governing body of a taxing jurisdiction levying property taxes that would otherwise be subject to capture can exempt its taxes from capture by adopting a resolution and filing it with the clerk of the municipality proposing to create a corridor improvement authority. This provision would not apply to taxes captured in a qualified development area.

FISCAL IMPACT:

Expanding the eligible development areas would reduce local school taxes and the State Education Tax revenue by an indeterminate amount. School Aid Fund expenditures would increase to maintain the per-pupil funding guarantees to offset the reduction in local school tax revenue.

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