

Legislative Analysis



CORRIDOR IMPROVEMENT AUTHORITY: ALLOW MODIFICATION OF "INITIAL ASSESSED VALUE"

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House Bill 4327

(Enacted as Public Act 232 of 2013)

Sponsor: Rep. Jeff Farrington

Committee: Commerce

Complete to 10-1-13

A SUMMARY OF HOUSE BILL 4327 AS INTRODUCED 2-6-13

The bill would amend the Corridor Improvement Authority Act of 2005 to allow an authority's tax increment finance plan to be amended to re-establish the "initial assessed value" of a development district so that there are sufficient incremental revenues for the authority to capture. This would only apply if the TIF plan had failed to generate captured assessed value for three consecutive years due to declines in assessed value.

Under the Corridor Improvement Authority Act, cities, villages, and townships can singly or jointly create special authorities to redevelop commercial corridors that typically are at least 30 years old. Among other things, the act allows for such an authority to establish a tax increment finance plan. Under that type of plan, generally speaking, the authority can capture the incremental property tax revenue resulting from the amount that the current assessed value of the development area exceeds the initial assessed value.

House Bill 4327 would amend the definition of "initial assessed value" in order to allow that value to be modified during the term of the tax increment financing plan by means of an amendment to that plan, but only if the plan has failed to generate captured assessed value for three consecutive years due to declines in assessed value. Such a modification could only occur once. Further the bill would specifically allow for such an amendment to be made to a tax increment financing plan.

[Currently in the act, the term "initial assessed value" means the assessed value of all the taxable property within the boundaries of the development area *at the time the resolution establishing the tax increment financing plan was approved*. The bill would allow for a one-time modification of the initial value through an amendment to the TIF plan when property values had declined.]

MCL 125.2872

BACKGROUND INFORMATION:

As noted above, under the Corridor Improvement Authority Act, cities, villages, and townships can singly or jointly create special authorities to redevelop commercial corridors that typically are at least 30 years old. A municipality can establish multiple improvement authorities, but a single parcel of property could not be in more than one

authority. Further, municipalities with such authorities can enter into agreements with adjoining municipalities to jointly operate and administer the authorities under an interlocal agreement under the Urban Cooperation Act. The act requires the municipality to determine that it is "necessary for the best interests of the public to redevelop its commercial corridors and to promote economic growth."

With some exceptions, a tax increment finance authority created under the Corridor Improvement Authority Act cannot capture the state school property tax or local taxes levied by local and intermediate school districts. Further, again with exceptions, a taxing jurisdiction can exempt its taxes from capture by adopting a resolution to that effect within 60 days after the public hearing on the plan. (In each case, the exceptions involve so-called "qualified development areas"—either transit-related developments or a specific development in the city of Detroit. In those cases, the Michigan Economic Growth Authority (MEGA) can allow the capture of school taxes.)

Generally speaking, the provisions of the act mirror those of the Downtown Development Authority Act. A corridor improvement authority is 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.

The key feature of the corridor authority is that it has jurisdiction over a development area that meets the following criteria:

- ** The development area is adjacent to or within 500 feet of a road classified as an arterial or collector according to the federal highway administration.

- ** The development area contains at least ten contiguous parcels or at least five contiguous acres.

- ** More than one-half of the existing ground floor square footage in the development area is classified as commercial real property.

- ** Residential use, commercial use, or industrial use has been allowed and conducted under the zoning ordinance or conducted in the entire development area for the immediately preceding 30 years.

- ** The development area is currently served by municipal water or sewer.

- ** The area is zoned to allow for mixed use, including high-density residential use.

- ** The municipality has agreed to expedite local permitting and inspections in the area and to modify its master plan to provide for walkable, non-motorized interconnections, including sidewalks and streetscapes throughout the area.

There are exceptions to these requirements for certain "qualified development areas" (a term that applies to a project in Detroit and transit-related projects). Projects in those areas have different criteria and additional powers.

FISCAL IMPACT:

As written, the bill would not affect state revenues. Overall revenue for local units would generally be unaffected, though new revenue (after the re-assessment proposed here) would be collected by the corridor improvement authority. Given the widespread decrease in property values across the state, it is possible the bill could provide budgetary relief by allowing corridor authorities to collect TIFA revenue to pay off bonds, thus avoiding a situation where municipalities need to make these payments out of their general operating budgets.

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