

# Legislative Analysis



## REVISE “ASSESSABLE PROPERTY” IN PRINCIPAL SHOPPING DISTRICT, BUSINESS IMPROVEMENT DISTRICT, AND BUSINESS IMPROVEMENT ZONE

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**House Bill 5325 as introduced**  
**Sponsor: Rep. Chris Afendoulis**  
**1st Committee: Tax Policy**  
**2nd Committee: Local Government**

**House Bill 5720 as introduced**  
**Sponsor: Rep. Rob VerHeulen**  
**Committee: Local Government**

**Complete to 3-16-18**

### SUMMARY:

House Bills 5325 and 5720 would amend Public Act 120 of 1961, the act that governs principal shopping districts, business improvement districts, and business improvement zones, to change the act’s definition of “assessable property.”

### DETAILED SUMMARY:

The act contains two chapters: chapter 1 governs principal shopping districts and business improvement districts, and chapter 2 governs business improvement zones.

House Bill 5325 would amend chapter 1. Currently under the act, for purposes of levying a special assessment to defray the costs of a district project, “assessable property” is defined as real property in a district other than all of the following:

- Property classified as residential real property under the General Property Tax Act.
- Property owned by the federal, a state, or a local unit of government that is exempt from the collection of taxes under the General Property Tax Act.
- Property owned by one or more classes of property owners whose property is both exempt from the collection of taxes under the General Property Tax Act *and* as a class has been determined by the legislative body of the local governmental unit not to be benefited by a project for which a special assessment will be levied.

HB 5325 would remove the exception for property classified as residential real property under the General Property Tax Act. That is, residential real property in a district area would be “assessable property” for purposes of levying a special assessment.

MCL 125.981

House Bill 5720 would amend chapter 2. Currently under the act, for purposes of funding a business improvement zone, “assessable property” is defined as real property in a zone other than both of the following:

- Property classified as residential real property under the General Property Tax Act.

- Real property exempt from the collection of taxes under the General Property Tax Act.

HB 5720 would remove the exception for property classified as residential real property. That is, residential real property in a business improvement zone would be “assessable property” for purposes of levying an assessment.

MCL 125.990

#### **BRIEF BACKGROUND:**

Certain local governmental units can create principal shopping districts or business improvement districts, and multiple governmental units can collectively create business improvement districts. The districts are formed to promote economic development within a defined area of the unit. Business improvement zones are similar, but are created by a petition of private property owners.<sup>1</sup> Generally speaking, these districts and zones allow a local governmental unit or zone board to undertake projects that benefit the district or zone, like landscape and streetscape improvements and marketing and public relations campaigns.

#### **FISCAL IMPACT:**

House Bills 5325 and 5720 would increase the revenue potential of Principal Shopping Districts (PSDs), Business Improvement Districts (BIDs), and Business Improvement Zones (BIZs) through the inclusion of residential real property in the definition of assessable property. The fiscal impact for each PSD, BID, and BIZ would depend on special assessment decisions made by the district. For example, a PSD, BID, or BIZ that maintained its special assessment rate would realize increased revenues. On the other hand, the increase in assessable property through the inclusion of residential property could allow a PSD, BID, or BIZ to reduce the special assessment rate and still realize the same level of revenue. Increased activity and improvements in a PSD, BID, or BIZ could also lead to increases in surrounding property values, thereby increasing revenues for surrounding local units of government.

Legislative Analyst: Patrick Morris  
Fiscal Analyst: Ben Gielczyk

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

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<sup>1</sup> For more information, see Michigan Economic Development Corporation, “Business Improvement District/Principal Shopping District/Business Improvement Zone (BID/PSD/BIZ).” July 2016. <https://www.miplace.org/globalassets/media-documents/placemaking/community-development-guide/business-improvement-district---principal-shopping-district---business-improvement-zone-pa-120.pdf>