



Senate Fiscal Agency  
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## BILL ANALYSIS



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House Bill 5325 (Substitute H-1 as passed by the House)  
House Bill 5720 (as passed by the House)  
Sponsor: Representative Chris Afendoulis (H. B. 5325)  
Representative Rob VerHeulen (H.B. 5720)  
House Committee: Local Government  
Senate Committee: Economic Development and International Investment

Date Completed: 9-6-18

**CONTENT**

**House Bill 5325 (H-1) and House Bill 5720 would amend Chapter 1 (Principal Shopping District) and Chapter 2 (Business Improvement Zone) of Public Act 120 of 1961 which authorizes the creation, operation, and dissolution of principle shopping districts, business developmental districts, and business improvement zones, to revise these chapters' respective definitions of "assessable property".**

**House Bill 5325 (H-1)**

Chapter 1 of the Act authorizes the development or redevelopment of principal shopping districts and business improvement districts. Under Chapter 1, the cost of the whole or any part of a principal shopping district project or business improvement district project may be financed by one or more methods, including the levying of special assessments against land or interests in land, or both. A special assessment must be levied against assessable property on the basis of the special benefits to that parcel from the total project.

Chapter 1 defines "assessable property" as real property in a district area other than all of the following: a) property classified as residential real property under the General Property Tax Act; b) property owned by the Federal, a state, or local government where property is exempt from the collection of taxes under the General Property Tax Act; and c) one or more classes of property owners whose property meets all of the following: 1) is exempt from the collection of taxes under the General Property Tax Act, other than property identified in b); and 2) as a class has been determined by the legislative body of the local governmental unit not to be benefitted by the project for which special assessments are to be levied.

The bill would eliminate the exclusion of property classified as residential real property under the General Property Tax Act from the definition of "assessable property".

**House Bill 5720**

Under Chapter 2 of the Act, one or more business improvement zones may be established within a city or village.

Under Chapter 2, a business improvement zone may be funded in whole or in part by one or more assessments on assessable property. An assessment under Chapter 2 is in addition to any taxes or special assessments otherwise imposed on assessable property. An assessment

may be imposed against assessable property only on the basis of the benefits to assessable property afforded by the zone plan.

Under Chapter 2, "assessable property" means real property in a zone area other than property classified as residential property under the General Property Tax Act or real property exempt from collection of taxes under the General Property Tax Act. Under the bill, the term would mean real property in a zone area other than real property exempt from the collection of taxes under the General Property Tax Act.

A person may initiate the establishment of a business improvement zone by the delivery of a petition to the clerk of the city or village in which a proposed zone area is located.

MCL 125.981 (H.B. 5325)  
125.990 (H.B. 5720)

Legislative Analyst: Nathan Leaman

### **FISCAL IMPACT**

The bills would have no fiscal impact on the State and an indeterminate fiscal impact on local governments. The changes in the bills would increase the potential revenue for principal shopping districts, business improvement districts, and business improvement zones through the inclusion of residential real property in the definition of assessable property. The actual fiscal impact for each district or zone would depend on specific decisions made by the district or zone. If a district maintained the current assessment rate, it would realize increased revenue because of the increase in assessable property. A district also could lower the assessment rate and realize the same total revenue because of the addition of new property. A district or zone also could raise or lower the assessment rate regardless of the changes in the bills.

Fiscal Analyst: Ryan Bergan

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