

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

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House Bill 5325 (reported from committee as substitute H-1)

Sponsor: Rep. Chris Afendoulis

1st Committee: Tax Policy

2nd Committee: Local Government

House Bill 5720 (reported w/o amendment)

Sponsor: Rep. Rob VerHeulen

Committee: Local Government

Complete to 5-7-18

BRIEF SUMMARY: House Bills 5325 and 5720 would amend Public Act 120 of 1961, the act that governs principal shopping districts (PSDs), business improvement districts (BIDs), and business improve zones (BIZs), to change the act’s definition of “assessable property.”

FISCAL IMPACT: House Bills 5325 and 5720 would increase the revenue potential of PSDs, BIDs, and BIZs through the inclusion of residential real property in the definition of assessable property. (See *Fiscal Information*, below, for further discussion.)

THE APPARENT PROBLEM:

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.¹ Generally speaking, these districts and zones allow a local governmental unit or zone board to impose an assessment and use the funds to undertake projects that benefit the district or zone, like landscape and streetscape improvements and marketing and public relations campaigns.

The law that governs PSDs, BIDs, and BIZs is over 50 years old, and some believe it is need of an update. Specifically, at the time the law was passed, the districts and zones being contemplated were primarily commercial in nature. The law thus exempts residential real property from the assessment that supports the operation of a PSD, BID, or BIZ. Today, these areas are moving toward a mix of commercial and residential property. Many believe that with residential real property now located in these districts and zones, the assessment should apply to those parcels as well. Legislation has been introduced to effect this change.

¹ 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>

THE CONTENT OF THE BILLS:

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:

- 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

FISCAL INFORMATION:

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.

ARGUMENTS:

For:

The law that creates these economic development tools was written over 50 years ago, and times have clearly changed. In the past, downtown districts and zones were commercial in nature, and the law was aimed at improving those commercial areas. Now, downtown living is experiencing a resurgence. Since these residents benefit from the services that a PSD, BID, or BIZ provides, they should be included in the assessment. Reportedly, the issue of which properties pay a BID assessment and which do not has emerged in downtown Grand Rapids with regard to condominiums: condominium buildings do not pay the assessment, but apartment buildings do. Including all residential property will not be a requirement, but allows each local PSD, BID, or BIZ the flexibility to make and approve its assessment plan.

Overall, the bill positions the economic development tools for future growth and development, and ensures that they are responsive to the needs of those living in the district or zone.

Against:

No arguments opposing the bills were offered in committee.

POSITIONS:

Downtown Grand Rapids Inc. testified in support of the bills. (3-21-18)

The Michigan Municipal League indicated support for the bills. (5-2-18)

Representatives of the following entities indicated support for HB 5720:

Detroit Riverfront Conservancy (5-2-18)

Downtown Detroit Partnership (3-21-18)

Legislative Analyst: Patrick Morris
Fiscal Analyst: Ben Gielczyk

■ 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.