



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 700 (as introduced 2-1-24)

Sponsor: Senator Kevin Hertel

Committee: Local Government

Date Completed: 4-29-24

CONTENT

The bill would amend Part 2 (Downtown Development Authorities) of the Recodified Tax Increment Financing Act to allow a municipality's downtown district to include one or more separate and distinct geographic areas in a business district if the municipality were located on the mainland and one or more islands, and a body of water laid between the two separate and distinct geographic areas.

The Act governs tax increment financing (TIF), which is a tool that municipalities use to fund public improvements within the geographic area of a TIF authority. When a municipality creates a TIF authority, the authority "captures" a portion of the increased property tax revenue gained from redeveloping property within its geographic boundaries. A downtown development authority uses TIF revenue to fund improvements to buildings or infrastructure within that municipality's downtown district.

Currently, "downtown district" means that part of an area in a business district (an area within the downtown that is zoned and used principally for business) that is specifically designated by ordinance of the governing body of the municipality. A downtown district may include one or more separate and distinct geographic areas in a business district as determined by the municipality if the municipality enters into an agreement with a qualified township under Section 203(7) or if the municipality is a city that surrounds another city and that other city lies between the two separate and distinct geographic areas.¹

Under the bill, "downtown district" would mean as described above and could include one or more separate and distinct geographic areas in a business district as determined by the municipality if one of the following requirements were met:

- The municipality entered into an agreement with a qualified township under Section 203(7).
- The municipality was a city that surrounded another city and that other city laid between the two separate and distinct geographic areas.
- The municipality was located on the mainland and one or more islands, and a body of water laid between the two separate and distinct geographic areas.

MCL 125.4201

¹ Generally, Section 203(7) of the Act specifies that if a municipality has created a TIF authority it may enter an interlocal agreement with a qualified township to operate the township's TIF authority in a downtown district within the qualified township.

BACKGROUND

The Act took effect on January 1, 2019, and is a recodification of several previous statutes that governed TIF and TIF authorities. Before the Act took effect, an estimated 60% of all TIF authorities were noncompliant with State reporting requirements, according to the Department of Treasury.² Some believed that this occurred because there was confusion about reporting and filing requirements and a lack of penalties for noncompliance.³ This led to the passage of the Act to standardize and make more significant reporting requirements for TIF authorities and to establish penalties for noncompliance.⁴

Legislative Analyst: Alex Krabill

FISCAL IMPACT

The bill would have no direct fiscal impact on the State or local governmental units. It would allow for additional areas to be included as part of the definition of "downtown district". The bill would be permissive by nature and would not have a direct fiscal impact; however, if a local governmental unit decided to act upon this, it could reduce tax revenue to the local governmental unit.

Fiscal Analyst: Bobby Canell
David Zin

² Senate Fiscal Agency, Analysis as Enacted of Senate Bill 393 of 2018, 3-28-2019. Available on the Michigan Legislature website: <https://www.legislature.mi.gov/>.

³ *Id.*

⁴ *Id.*

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