



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1202 (as reported without amendment)
Sponsor: Senator Bill Hardiman
Committee: Commerce and Labor

CONTENT

The bill would create the "Historical Neighborhood Tax Increment Finance Authority Act" to authorize a city in which a historic district was located to create a historical neighborhood tax increment finance authority. The bill would provide for the supervision and control of an authority by a board that included the city's chief executive and five to nine appointed members. Among other things, an authority board could plan and propose projects, including the development of low-income housing, that the board believed aided in the development area's residential and economic growth.

The bill would provide for the financing of authority activities, including authorizing the city or the authority to borrow money and issue bonds; allow an authority to prepare and submit to the city a tax increment financing (TIF) plan, which would have to include a development plan for the authority's development area; specify requirements for a development plan, including providing assistance to people displaced by the plan; require that a person to be relocated be given at least 90 days' written notice to vacate, unless modified by a court order; specify requirements for an authority's budget approval process; require a city to dissolve an authority after it completed its purpose; and authorize the State Tax Commission to enforce and administer the proposed Act.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would increase local unit expenses and possibly increase local unit revenue, and restrict the spending of the increased local unit revenue. Depending on whether the changes in property values under the bill will occur absent the bill, the bill either would have no effect on State revenue or would delay future increases in State revenue.

As of April 2003, 59 historic district commissions had been established, in communities ranging from Detroit and Farmington Hills to Hart and Boyne City. It is unknown how many historic districts would establish an authority under the bill, or how many authorities would be established within each district. Similarly, both the properties that would be included within an authority and the change in property values subject to capture are unknown. It is also unknown whether the number of historical district commissions would increase.

Under the bill, taxes resulting from any increase in property values would be captured to pay for authorized expenditures, including payments on bonds issued by the authority. Certain property taxes, such as the State education tax, would not be subject to capture. The bill would redirect any revenue increase from captured taxes that might occur absent the bill. To the extent that the bill produced higher property values than what will occur absent the bill, the bill would increase local unit revenue, particularly in the future. In the near-term, any increased property tax revenue would be restricted to the authority.

Date Completed: 6-4-04

Fiscal Analyst: David Zin

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Analysis available @ <http://www.michiganlegislature.org>

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