

# Legislative Analysis



## ALLOW PROPORTIONAL VOTING FOR BUSINESS IMPROVEMENT ZONES

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**Senate Bill 164 (H-1) as reported from House committee**

**Sponsor: Sen. Sue Shink**

**House Committee: Economic Development and Small Business**

**Senate Committee: Economic and Community Development**

**Complete to 6-13-23**

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

Senate Bill 164 would amend 1961 PA 120, an act regulating principal shopping districts and business improvement districts, to add options for allocating assessments among business improvement zone (BIZ) property owners and to allow for the use of proportional voting to approve, amend, or dissolve a BIZ plan. The bill is identical to House Bill 4454 as introduced.

#### Business improvement zone plans

The bill would eliminate a provision requiring zone plans to allocate assessments based on the benefit to assessable property within the BIZ. Instead, a zone plan would have to allocate assessments based on assessed value, taxable value, square footage, street frontage, or any other factors relating to *assessable property*. Zone plans also could limit the assessments paid by a property owner and the growth of assessment amounts.

*Assessable property* is currently defined in the act as real property in a BIZ area, other than real property that is exempt from taxation under the General Property Tax Act. Currently, it can include real residential property located within the zone area (as classified under section 34c of the General Property Tax Act).<sup>1</sup> Senate Bill 164 would amend this definition so that real residential property located within a BIZ does *not* qualify as assessable property.

If the zone plan would determine assessments based on assessed value, then the majority of the property within the BIZ based on square footage and *assessed* value would have to be assessable. If the plan would allocate assessments using a different basis, then the majority of property based on square footage and *taxable* value would have to be assessable.

Additionally, zone plans would have to include either a description of the proportional voting mechanism that will be used or a statement that proportional voting will not be used.

#### Proportional allocation of votes

If a zone plan would assess the property owners in the BIZ based on *taxable* value, the votes granted to each property owner would be proportionate to the taxable value of that owner's property in relation to the taxable value of all assessable property in the BIZ for the previous calendar year. If a plan would use assessments based on *assessed* value, then the votes granted to each property owner would be proportionate to the assessed value of that owner's property

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<sup>1</sup> Generally speaking, residential real property includes parcels used for residential purposes; parcels used for recreation (such as lake lots and hunting lands) if located in an area that is predominantly used for recreational purposes; a home, cottage, or cabin on leased land; and a mobile home located on exempted land.

in relation to the assessed value of all assessable property in the BIZ for the previous calendar year.

If the BIZ assessments would be proportionally made on a different basis, then the votes granted to each property owner would be proportionate to the amount that the assessed value of that owner's respective real property holds in relation to the assessed value of all assessable property in the BIZ for the previous calendar year.

One property owner could not be allocated over 25% of the total vote. Any amount portioned to a property owner in excess of 25% would have to be proportionately reallocated among the remaining property owners based on the assessed value of remaining property. (Affiliated property owners would be considered a single property owner for the purposes of allocation.)

#### Voting requirements

The bill would specify that a petition to establish a BIZ would need to be signed by at least 30% of the owners of assessable properties, or agents thereof, within the zone area. The bill would also require that if a zone plan opts to use proportional voting, then signatures must be counted proportionally.

As long as a proportional voting mechanism is included in the zone plan, votes could be counted proportionally to meet the following thresholds currently required by the act:

- 60% of property owners to approve a zone plan, including one created to replace an expiring zone plan.
- A majority of property owners to amend a zone plan.
- A majority of property owners to dissolve a zone plan.

#### Homestead deferment

The bill would also remove provisions that currently require any notices given as part of the assessment process to include a statement that a property owner in a BIZ can seek a homestead deferment for a BIZ assessment, in accordance with 1976 PA 225.<sup>2</sup>

#### Board of directors

The bill would no longer require that a BIZ board of directors must include at least one owner of residential real property within the BIZ area.

MCL 125.990 et seq.

### **BACKGROUND:**

Senate Bill 164 is a reintroduction of Senate Bill 1224 from the 2021-22 legislative session. SB 1224 passed the Senate and was discharged from the Tax Policy committee but did not advance to a full House vote.<sup>3</sup>

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<sup>2</sup> 1976 PA 224 allows for the deferral of special assessments on the principal residences of limited-income senior citizens or totally and permanently disabled persons.

<sup>3</sup> A summary of SB 1224 can be found here: <http://www.legislature.mi.gov/documents/2021-2022/billanalysis/House/pdf/2021-HLA-1224-639A9597.pdf>. Note that SB 164 (H-1) would *not* remove the provision stating that all assessment payments must be used to pay any property tax owed to the local unit of government in which the BIZ is located before the revenue can go to the BIZ.

**FISCAL IMPACT:**

The bill's provisions related to allocating assessments would have no net impact on revenues for principal shopping districts and business improvement districts. The distribution of assessments would change in a given district based on how it chose to allocate assessments, but the reallocation would not affect the total amount of revenue assessed for the district.

**POSITIONS:**

Ann Arbor Spark indicated support for the bill. (6-13-23)

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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.