

REGIONAL EVENT CENTER FINANCING ACT

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House Bill 4816 (H-3) as reported from committee

Sponsor: Rep. Brandt Iden

1st Committee: Commerce and Tourism

2nd Committee: Ways and Means

Complete to 1-15-20

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

BRIEF SUMMARY: House Bill 4816 would create the Regional Event Center Financing Act to allow certain municipalities to levy an assessment on hotel guests to finance event center projects and provide funding for urban recreational services.

FISCAL IMPACT: The bill would have an indeterminate fiscal impact for Ingham, Kalamazoo, Muskegon, Ottawa, and Washtenaw Counties. (See **Fiscal Information**, below, for a detailed discussion.)

THE CONTENT OF THE BILL:

House Bill 4816 would create the Regional Event Center Financing Act. The act would allow certain *municipalities* to establish event center financing programs to plan, develop, design, and construct *event centers*.

An *event center* would mean all, any part, or any combination of convention halls, auditoriums, stadiums, music halls, arenas, meeting rooms, exhibit areas, and related public areas owned by a municipality or related event center authority. An event center would not include a facility owned in whole or in part by a private individual, business, or corporation.

Municipality would mean one of the following, according to the most recent federal decennial census:

- A county with a population between 250,000 and 300,000.
- A county with a population of more than 170,000 and less than 180,000.
- A county with a population of more than 300,000 and less than 400,000.

(As of January 2020, under these respective provisions, the act would apply to Ingham, Kalamazoo, and Ottawa Counties; Muskegon County; and Washtenaw County.)

Event Center Financing Program

Under the bill, a municipality could establish by ordinance an event center financing program for the establishment of event centers and the funding of *urban recreational services*.

Urban recreational services would mean any recreational programs outlined in the event center financing program that are offered to urban areas and populations within the municipality.

The event center financing program would have to do the following:

- Describe the proposed size, location, cost, and financing structure of the proposed event center.
- Describe the urban recreational services the program would finance.
- Specify the amount of the assessment proposed to be levied on the owners of *transient facilities*, which could not exceed 4% of the room charges in the applicable payment period.

Transient facility would mean a building with at least 35 rooms used in the business of providing dwelling, lodging, or sleeping to transient guests (e.g., hotels), whether or not membership is required for the use of the rooms. A transient facility would not include a hospital or nursing home.

Notices

After adopting the ordinance, the clerk of the municipality would have to mail an event center financing notice by registered or certified mail to each owner of a transient facility located in the municipality, using any reasonably available information to assemble the list of owners. The form would outline the details of the financing program. For a county with a population between 250,000 and 300,000, the form would also include the steps required for a referendum (see below).

Referendum: Ingham, Kalamazoo, and Ottawa Counties

For a county with a population between 250,000 and 300,000 the program's assessment would take effect 40 days after the notice was mailed unless, within that 40 days, the clerk received requests for a referendum from owners of transient facilities representing at least 40% of the total number of owners or at least 40% of the total number of rooms in all transient facilities within the district. If the clerk received enough timely referendum requests, the clerk would have to hold a written referendum either by mail or in person, as the clerk chose, among all owners of transient facilities in the assessment district within 20 days after the end of the initial 40-day period. Each owner of a transient facility would have one vote for each room in each of the owner's facilities within the assessment district. If the majority of votes cast at the referendum approved the assessment, the assessment would become effective on the first day of the month following 30 days after the certification of the results by the clerk. If the majority voted in opposition to the referendum, the referendum would be defeated, and the county would have to wait at least 60 days before they could file a new notice. Only two notices could be filed within one calendar year, and only one could be in effect at a time.

Election: Muskegon and Washtenaw Counties

For a county with a population of more than 170,000 and less than 180,000 or with a population of more than 300,000 and less than 400,000, the program's assessment would take effect upon the approval by owners of transient facilities in the assessment district representing at least 50% of the total number of owners and at least 50% of the total number of rooms in all the transient facilities in the district. Within 30 days after adoption of an ordinance establishing a program, the clerk would have to cause a written election to be held by mail or in person, at the clerk's discretion, among all owners of transient facilities

in the assessment district. Each owner would have one vote per room in the district. If a majority of votes approved the assessment, the assessment would become effective on the first day of the month following 30 days after certification of the results by the clerk. If a majority vote in opposition, the assessment would not take effect, and the county would have to wait at least 60 days before they could file a new notice. No more than two notices or elections could be filed or held within a single calendar year.

Assessment

An assessment under the act could not take effect before January 1, 2020.

On the effective date of the assessment, each owner of a transient facility within a given district would be liable for paying the assessment using the percentage given by the notice. The assessment would be paid by the owners of the transient facility to the municipality within 30 days after the end of each calendar month. The payment would be accompanied by a statement of room charges imposed with respect to the transient facility for that month. The bill would allow facilities to reimburse themselves by adding the assessment to room charges for their guests, provided the charges were disclosed as such on their guests' bills.

If an owner did not pay the assessment within the required time, interest of 1.5% per each additional month would be added to the assessment. If an owner was delinquent in payment for more than 90 days, a delinquency charge of 10% per month or fraction of a month would be added on top of the 1.5% interest. The bill would allow municipalities to sue for any unpaid assessments, interest, and delinquency charges. The owner would not be liable for payment of an assessment until a notice had been sent.

Within 30 days after the closing of each calendar quarter, an owner within the assessment district would have to forward copies of the owner's tax returns for the preceding quarter to the independent certified public accountants who audit the municipality's financial statements. Those copies would be used solely by the certified public accountants to verify and audit the owner's payment of the assessments and would not be disclosed to the municipality except as necessary to enforce the act.

Revenues

Revenues derived from the assessment would be deposited in a special fund to be used by the municipality or an authority organized under state law. One fourth of one percent of the tax percentage imposed by the assessment would be used only for urban recreational services as provided in the event center financing program. The balance of the tax percentage imposed, together with other available funds, could be used only to pay for one or more of the following:

- The cost of administration and enforcement of the ordinance.
- The financing of the acquisition, construction, improvement, enlargement, repair, or maintenance of convention and entertainment facilities, including the payment of principal and interest, when due, on bonds or other evidence of indebtedness issued by the municipality for an event center.
- Current or future annual rent payable by the municipality to an authority organized pursuant to state law for acquiring, constructing, improving, enlarging, repairing, or maintaining the convention and entertainment facilities and leasing them to the municipality.

BRIEF DISCUSSION:

The bill is understood as primarily addressing a project in Kalamazoo County, where for more than a decade the economic development organization Southwest Michigan First has taken the lead on planning, and working to finance and build, a proposed \$110 million event center in downtown Kalamazoo. One of the roadblocks has been funding, which could potentially be resolved by raising local accommodation taxes above the current cap and using the funds to build the event center.

FISCAL INFORMATION:

The bill would have an indeterminate fiscal impact for Ingham, Kalamazoo, Muskegon, Ottawa, and Washtenaw Counties. Assuming that the scope and cost of the event center, all associated administration and enforcement costs, and any urban recreational services provided for in the event center financing program would be paid for from assessment revenues, and any delinquent charges, there would be no fiscal impact for the municipality. However, while the bill includes a cap on the assessment at 4% of the room charges, there is no requirement that the convention and entertainment facilities be limited in size and scope to the financing available from the 4% room charge. Any costs exceeding the revenues received from the assessment would be borne by the municipality or authority created to own and operate the event center. Any bonds, notes, or other financing instrument would be the obligation of the local unit or the authority. Any assessment levied in the assessment district presumably would be passed through to transient guests. Municipalities could incur minimal costs for any referendum that did not result in the adoption of an assessment. The bill would require 0.25% of any assessment revenue collected to be used for recreational services provided for in the event center financing act.

POSITIONS:

The following entities indicated support for the bill (1-15-20):

- Southwest Michigan First
- Michigan Bankers Association

Lansing Entertainment & Public Facilities Authority indicated support for the bill “with amendments.” (10-3-19)

The Michigan Restaurant and Lodging Association indicated a neutral position on the bill. (10-23-19)

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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.