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House Bill 4816 (Substitute H-3 as passed by the House)
Sponsor: Representative Brandt Iden
House Committee: Commerce and Tourism
Ways and Means
Senate Committee: Economic and Small Business Development

Date Completed: 2-20-20

CONTENT

The bill would enact the "Regional Event Center Financing Act" to do the following:

- **Allow certain counties that met listed population parameters to establish an event center financing program.**
- **Require an event center financing program to describe the proposed size, location, cost, and financing structure of the proposed event center and describe the urban recreational services financed under the program.**
- **Require an event center financing program to specify an assessment to be levied under the program, and prohibit that assessment from exceeding 4% of the room charges in a "transient facility" (hotel).**
- **Require the clerk of the municipality in which an event center financing program was adopted to mail a program notice by registered or certified mail to each owner of a transient facility located in the municipality.**
- **Prescribe a referendum and election process through which transient facility owners could vote on approving an event center financing program.**
- **Prohibit an assessment from becoming effective before January 1, 2020.**
- **Require an assessment to be paid by the owner of each transient facility to the municipality within 30 days after the end of each calendar month.**
- **Require independent certified public accountants to verify that assessment payments were made by transient facility owners, and prescribe interest penalties for payments that were not made.**
- **Require revenue derived from an assessment to be deposited in a special fund to be used by the municipality or an authority organized under State law, and specify how that revenue could be spent.**

Event Center Financing Program

Under the proposed Act, a municipality could, by ordinance, establish an event center financing program.

"Municipality" would mean one of the following:

- A county having a population of greater than 250,000 and less than 300,000 according to the most recent Federal decennial census (this summary refers to this type of municipality as a Category A municipality).

-- A county having a population of more than 170,000 and less than 180,000 or a county having a population of more than 300,000 and less than 400,000, according to the most recent Federal decennial census (Category B municipality).

The event center financing program would have to describe the proposed size, location, cost, and financing structure of the proposed event center and describe the urban recreational services financed under the program. The program would have to specify the amount of the assessment proposed to be levied, which could not exceed 4% of the room charges in the applicable payment period.

"Event center" would mean all or 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. The term would not include any facility owned in whole or in part by any private individual, business, or corporation. "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.

After adoption of an ordinance establishing an event center financing program, the clerk of the municipality would have to mail a program notice by registered or certified mail to each owner of a transient facility located in the municipality. In assembling the list of owners to whom the notices would have to be sent, the clerk would have to use any data that were reasonably available to him or her.

"Transient facility" would mean a building that contains 35 or more rooms used in the business of providing dwelling, lodging, or sleeping to transient guests, regardless of whether membership is required for the use of the rooms. The term would not include a hospital or nursing home. "Transient guest" would mean a natural person who occupies a room in a transient facility for less than 30 consecutive days regardless of who pays the room charge.

The form of the event center financing program notice would have to contain the information described above. In addition, a notice for a Category A municipality would have to set forth the right of referendum prescribed below.

Category A Municipality; Referendum

Except as otherwise provided, the assessment listed in the notice for a Category A municipality would become effective on the first day of the month following the expiration of 40 days after the date the notice was mailed, unless the clerk, within the 40-day period, received written requests for a referendum by owners of transient facilities located within the assessment district representing at least 40% of the total number of owners or at least 40% of the total number of rooms in all of the transient facilities.

If the clerk received referendum requests in the time and number described above, he or she would have to cause a written referendum to be held by mail or in person among all owners of transient facilities in the assessment district within 20 days after the 40-day period expired. For the purposes of the referendum, each owner of a facility would have one vote for each room in each of the owner's facilities within the assessment district. If a majority of votes actually cast at the referendum approved the assessment the assessment would have to become effective as to all owners of facilities located in the assessment district on the first day of the month 30 days after the clerk certified the referendum results. If a majority of votes actually cast at the referendum were opposed to the assessment, it would not take effect. If the assessment were defeated by the referendum, the Category A municipality could file and serve a new notice of intention if at least 60 days had elapsed from the date the

earlier referendum results were certified. Not more than two referenda or notices could be held or filed under these provisions in any one calendar year. Only one assessment could be in existence in an assessment district, or any part of an assessment district, at any one time.

Category B Municipality; Election

The assessment listed in the notice for a Category B municipality would become effective on the approval by owners of transient facilities located within 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 of the facilities. After adoption of an ordinance establishing an event center financing program for a Category B municipality, the clerk would have to cause a written election to be held by mail or in person among all owners of transient facilities in the assessment district within 30 days after the ordinance was adopted. For the purposes of the election, 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 a majority of votes actually cast at the election approved the assessment, the assessment would have to become effective as to all owners of facilities located in the assessment district on the first day of the month 30 days after the election results were certified. If a majority of votes actually cast at the election were opposed to the assessment, the assessment could not become effective. If the assessment were defeated by the election, the Category B municipality could file and serve a new notice of intention if at least 60 days had elapsed from the date the earlier election were certified. Not more than two elections or notices could be held or filed under these provisions in any one calendar year.

Assessment Payment

The assessment in the proposed Act could not take effect before January 1, 2020.

After the effective date of an assessment, each owner of a transient facility in the assessment district would be liable for payment of the assessment, computed using the percentage listed in the event center financing program notice. The facility owner would have to pay the assessment to the municipality within 30 days after the end of each calendar month and the assessment would have to be accompanied by a statement of room charges imposed with respect to the facility for that month. The Act would not prohibit a transient facility from reimbursing itself by adding the assessment imposed under the Act to room charges payable by transient guests, provided that the facility disclosed that it had done so on any bill presented to a guest.

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

An owner would have to pay to the municipality interest on any assessments not paid within the time called for under the Act. The interest would have to accrue at the rate of 1.5% per month. An owner delinquent for more than 90 days in paying assessments, in addition to the 1.5% interest, would have to pay a delinquency charge of 10% per month or fraction of a month on the amount of the delinquent assessments. The municipality could sue in its own name to collect the assessments, interest, and delinquency charges.

The owner of a transient facility would not be liable for payment of an assessment until a notice had been mailed to the facility of the owner.

Revenue Spending

The revenue derived from the assessment would have to be deposited in a special fund to be used by the municipality or by an authority that was organized under State law, as follows: 0.25% of the assessment would have to be used only for urban recreational services as provided in the event center program; the remainder of the assessment, 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 rental payable by the municipality to an authority organized under State law for acquiring, constructing, improving, enlarging, repairing, or maintaining the convention and entertainment facilities and leasing them to the municipality.

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would have no impact on the State and would have an indeterminate fiscal impact on local governments. Based on the 2010 Census, five counties (Kalamazoo, Ottawa, Ingham, Muskegon, and Washtenaw) would be eligible to create an event center financing program. If the cost of the approved projects, administration and enforcement costs, and urban recreational services were within the amount of revenue collected by assessments, there would be no fiscal impact on a municipality. Any costs that exceeded the revenue collected would be a cost to the municipality or authority created to own and operate the event center.

Fiscal Analyst: Ryan Bergan

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.