

REPRINT

SUBSTITUTE FOR

SENATE BILL NO. 860

(As passed the Senate February 28, 2002)

A bill to amend 1975 PA 197, entitled

"An act to provide for the establishment of a downtown development authority; to prescribe its powers and duties; to correct and prevent deterioration in business districts; to encourage historic preservation; to authorize the acquisition and disposal of interests in real and personal property; to authorize the creation and implementation of development plans in the districts; to promote the economic growth of the districts; to create a board; to prescribe its powers and duties; to authorize the levy and collection of taxes; to authorize the issuance of bonds and other evidences of indebtedness; to authorize the use of tax increment financing; to reimburse downtown development authorities for certain losses of tax increment revenues; and to prescribe the powers and duties of certain state officials,"

by amending sections 12 and 16 (MCL 125.1662 and 125.1666), section 12 as amended by 1983 PA 86 and section 16 as amended by 1996 PA 269.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 12. (1) An authority with the approval of the  
2 municipal governing body may levy an ad valorem tax on the real  
3 and tangible personal property not exempt by law and as finally

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1 equalized in the downtown district. The tax shall not be more  
2 than 1 mill if the downtown district is in a municipality having  
3 a population of 1,000,000 or more, or not more than 2 mills if  
4 the downtown district is in a municipality having a population of  
5 less than 1,000,000. The tax shall be collected by the munici-  
6 pality creating the authority levying the tax. The municipality  
7 shall collect the tax at the same time and in the same manner as  
8 it collects its other ad valorem taxes. The tax shall be paid to  
9 the treasurer of the authority and credited to the general fund  
10 of the authority for purposes of the authority.

11 (2) The municipality may at the request of the authority  
12 borrow money and issue its notes ~~therefor pursuant to the munic-~~  
13 ~~ipal finance act, Act No. 202 of the Public Acts of 1943, as~~  
14 ~~amended, being sections 131.1 to 138.2 of the Michigan Compiled~~  
15 ~~Laws~~ UNDER THE REVISED MUNICIPAL FINANCE ACT, 2001 PA 34,  
16 MCL 141.2101 TO 141.2821, in anticipation of collection of the ad  
17 valorem tax authorized in this section.

18 Sec. 16. (1) The municipality may by resolution of its gov-  
19 erning body authorize, issue, and sell general obligation bonds  
20 subject to the limitations set forth in this subsection to  
21 finance the development program of the tax increment financing  
22 plan ~~or to refund bonds issued under this section~~ and shall  
23 pledge its full faith and credit for the payment of the bonds.  
24 The municipality may pledge as additional security for the bonds  
25 any money received by the authority or the municipality pursuant  
26 to section 11. The bonds ~~shall mature in not more than 30 years~~  
27 ~~and shall be~~ ARE subject to the ~~municipal finance act, Act~~

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1 ~~No. 202 of the Public Acts of 1943, being sections 131.1 to 139.3~~  
2 ~~of the Michigan Compiled Laws~~ REVISED MUNICIPAL FINANCE ACT,  
3 2001 PA 34, MCL 141.2101 TO 141.2821. Before the municipality  
4 may authorize the borrowing, the authority shall submit an esti-  
5 mate of the anticipated tax increment revenues and other revenue  
6 available under section 11 to be available for payment of princi-  
7 pal and interest on the bonds, to the governing body of the  
8 municipality. This estimate shall be approved by the governing  
9 body of the municipality by resolution adopted by majority vote  
10 of the members of the governing body in the resolution authoriz-  
11 ing the bonds. If the ~~bonds are approved by the department of~~  
12 ~~treasury in those instances in which an exception to prior~~  
13 ~~approval is not available under section 11 of chapter III of Act~~  
14 ~~No. 202 of the Public Acts of 1943, being section 133.11 of the~~  
15 ~~Michigan Compiled Laws, or if the~~ governing body of the munici-  
16 pality adopts the resolution authorizing the bonds, ~~and prior~~  
17 ~~approval of the department of treasury is not required pursuant~~  
18 ~~to section 11 of chapter III of Act No. 202 of the Public Acts of~~  
19 ~~1943,~~ the estimate of the anticipated tax increment revenues and  
20 other revenue available under section 11 to be available for pay-  
21 ment of principal and interest on the bonds shall be conclusive  
22 for purposes of this section. The bonds issued under this sub-  
23 section shall be considered a single series for the purposes of  
24 ~~Act No. 202 of the Public Acts of 1943~~ THE REVISED MUNICIPAL  
25 FINANCE ACT, 2001 PA 34, MCL 141.2101 TO 141.2801.

26 (2) By resolution of its governing body, the authority may  
27 authorize, issue, and sell tax increment bonds subject to the

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1 limitations set forth in this subsection to finance the  
2 development program of the tax increment financing plan. ~~or to~~  
3 ~~refund or refund in advance obligations issued under this act.~~  
4 The tax increment bonds issued by the authority under this sub-  
5 section shall pledge solely the tax increment revenues of a  
6 development area in which the project is located or a development  
7 area from which tax increment revenues may be used for this  
8 project, or both. In addition or in the alternative, the bonds  
9 issued by the authority pursuant to this subsection may be  
10 secured by any other revenues identified in section 11 as sources  
11 of financing for activities of the authority that the authority  
12 shall specifically pledge in the resolution. However, the full  
13 faith and credit of the municipality shall not be pledged to  
14 secure bonds issued pursuant to this subsection. ~~The bonds~~  
15 ~~shall mature in not more than 30 years and shall bear interest~~  
16 ~~and be payable upon the terms and conditions determined by the~~  
17 ~~authority in the resolution approving the bonds and shall be sold~~  
18 ~~at public or private sale by the authority.~~ The bond issue may  
19 include a sum sufficient to pay interest on the tax increment  
20 bonds until full development of tax increment revenues from the  
21 project and also a sum to provide a reasonable reserve for pay-  
22 ment of principal and interest on the bonds. The resolution  
23 authorizing the bonds shall create a lien on the tax increment  
24 revenues and other revenues pledged by the resolution that shall  
25 be a statutory lien and shall be a first lien subject only to  
26 liens previously created. The resolution may provide the terms  
27 upon which additional bonds may be issued of equal standing and

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1 parity of lien as to the tax increment revenues and other  
2 revenues pledged under the resolution. ~~Except for the require-~~  
3 ~~ment of Act No. 202 of the Public Acts of 1943 that the authority~~  
4 ~~receive the approval or an exception from approval from the~~  
5 ~~department of treasury prior to the issuance of bonds under this~~  
6 ~~subsection, the terms of Act No. 202 of the Public Acts of 1943~~  
7 ~~shall not apply to bonds~~ BONDS issued ~~pursuant to~~ UNDER this  
8 subsection that pledge revenue received ~~pursuant to~~ UNDER sec-  
9 tion 11 for repayment of the bonds ARE SUBJECT TO THE REVISED  
10 MUNICIPAL FINANCE ACT, 2001 PA 34, MCL 141.2101 TO 141.2821.

11 (3) Notwithstanding any other provision of this act, if the  
12 state treasurer determines that an authority or municipality can  
13 issue a qualified refunding obligation and the authority or  
14 municipality does not make a good faith effort to issue the qual-  
15 ified refunding obligation as determined by the state treasurer,  
16 the state treasurer may reduce the amount claimed by the author-  
17 ity or municipality under section 13b by an amount equal to the  
18 net present value saving that would have been realized had the  
19 authority or municipality refunded the obligation or the state  
20 treasurer may require a reduction in the capture of tax increment  
21 revenues from taxes levied by a local or intermediate school dis-  
22 trict or this state by an amount equal to the net present value  
23 savings that would have been realized had the authority or munic-  
24 ipality refunded the obligation. This subsection does not autho-  
25 rize the state treasurer to require the authority or municipality  
26 to pledge security greater than the security pledged for the  
27 obligation being refunded.