

JOINT OPERATION OF DDA AUTHORITIES

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Senate Bill 1201 (Substitute H-2)

Sponsor: Sen. Michelle A. McManus

House Committee: Land Use and Environment

Senate Committee: Commerce and Labor

First Analysis (12-7-04)

BRIEF SUMMARY: The bill would allow municipalities to jointly operate downtown development authorities (DDAs). It also would enable local officials to establish a DDA to permit the development of a new commercial property having a total cash value after development of at least \$100 million.

FISCAL IMPACT: There is no significant fiscal impact on state government, while the fiscal impact on local governments should be positive but is not determinable at this time.

THE APPARENT PROBLEM:

The Downtown Development Authority Act permits a city, village, or township, by ordinance, to create an authority and establish a downtown district, in order to "capture" the tax revenue from the incremental growth in property values within the district. Local officials then set-aside the captured revenue, and use it to finance a variety of public improvements in that area. Some people believe that, in order to maximize efficiency and share resources and costs, adjoining communities should be allowed to enter into an agreement for joint downtown development authority (DDA) administration.

THE CONTENT OF THE BILL:

The bill would amend the Downtown Development Authority Act (MCL 125.1653) to allow a municipality that has created a DDA to enter into an agreement with an adjoining municipality that also has created a DDA, in order to operate and administer the DDAs jointly, pursuant to an inter-local agreement under the Urban Cooperation Act.

(The Urban Cooperation Act allows public agencies to enter into an agreement to exercise jointly any power, privilege, or authority that the public agencies share in common and that each may exercise separately.)

Currently under the law, a municipal government body can determine that it is necessary, for the best interest of the public, to halt property value deterioration and increase property tax calculation in its business district. To do so, government officials adopt a resolution declaring their intention to create a downtown development authority whose purpose will be to eliminate the causes of deterioration, and to promote economic growth.

The amendment to Senate Bill 1201 adopted by the House committee would retain these provisions, but also enable local officials to create an authority in order "to permit the development of a new commercial property with a total cash value, after development, of not less than \$100,000,000, and which includes more than two detached buildings containing together not less than 500,000 square feet."

HOUSE COMMITTEE ACTION:

The Land Use and Urban Policy Committee added one amendment to the Senate-passed version of the bill and reported out Substitute H-2. The amendment would enable a new business development in Livingston County.

FISCAL INFORMATION:

There is no significant fiscal impact on the State of Michigan government. Local units of government have the option of forming joint downtown development authorities, and presumably would only do so to achieve lower operating costs. Therefore, the fiscal impact on local units of government should be positive, but is not determinable at this time.

ARGUMENTS:

For:

Business corridors do not necessarily end at a municipal boundary and, in some instances, it might be useful to have joint administration of separate downtown development authorities (DDAs) that are contiguous. Even if two adjoining municipalities' DDAs are not contiguous, the governing bodies of the municipalities could find it beneficial to pool their resources and share the expenses of administering the DDAs. The bill would give adjoining municipalities with separate DDAs the explicit authority to do so.

POSITIONS:

The Livingston County Economic Development Council supports the bill. (12-1-04)

The Michigan Association of Counties supports the bill. (12-1-04)

The Michigan Municipal League supports the bill. (12-1-04)

The Michigan Economic Development Corporation is neutral on the bill. (12-1-04)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.