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DEFINITION OF DOWNTOWN DEVELOPMENT AUTHORITY

House Bill 4344 as introduced
First Analysis (6-11-03)

Sponsor: Rep. Lisa Wojno
Committee: Commerce

THE APPARENT PROBLEM:

A downtown development authority is a type of tax increment finance authority available to a city, village, or township. Under tax increment financing, an authority captures a defined portion of the property tax revenues in a designated area. Typically, a DDA captures the growth in tax revenue within a designated development area for use in financing a variety of public improvements in the area, often through the issuance of bonds. The act says a municipality can create a DDA by resolution in order “to halt property value deterioration and increase property tax valuation where possible in its business district, to halt the causes of that deterioration, and to promote economic growth.”

The City of Warren has a DDA that it would like to expand to include territory that is not contiguous with the area that makes up the existing authority. The proposed expansion would incorporate into the current DDA an area along a major thoroughfare that runs north-south through the city (Van Dyke). The difficulty is, say city officials, that the two areas are interrupted by the City of Center Line. That city is contained entirely within the boundaries of the City of Warren. The current DDA property is north of Center Line, and the land Warren would like to incorporate into the DDA is south of Center Line. According to testimony before the House Commerce Committee, Warren’s current DDA is generating more revenue than is needed for improvements within its current territory, and it would make sense to expand the DDA to an area in need of improvement that is not currently capable of producing sufficient revenue to be a stand-alone tax increment finance authority. The obstacle is that the Downtown Development Authority Act does not permit non-contiguous areas to be part of the same DDA. Legislation has been introduced to address this.

THE CONTENT OF THE BILL:

The bill would amend the Downtown Development Authority Act to specify that a downtown district could include one or more separate and distinct geographic areas in a business district as determined by the participating municipality. If a district contained more than one separate and distinct geographic area, then the separate and distinct areas would together be considered one downtown district.

The bill would amend the definition of “downtown district”, which currently is defined as “*an area* in a business district that is specifically designated by ordinance of the governing body of the municipality.”

MCL 125.1651

FISCAL IMPLICATIONS:

There is no information at present.

ARGUMENTS:

For:

The bill would offer the City of Warren and other cities and townships in Michigan the option of creating a single downtown development district composed of non-contiguous areas. The law does not currently permit this. The bill is permissive; it would be up to the local unit whether to make use of it. In Warren’s case, as described earlier, the two non-contiguous areas it would like to combine into one district are interrupted by another city. In addition, the bill recognizes that many communities have more than one business or commercial district in need of refurbishment. It makes sense to allow a single authority to capture taxes in more than one area to be used to promote economic development and job creation through public improvements that can attract private investment. In many cases, this would be preferable to creating an additional and redundant

House Bill 4344 (6-11-03)

authority. It would make for a more efficient and effective use of captured taxes.

Response:

Concerns have been raised about the merits of this bill if applied universally. While it may make sense in a case like Warren's, where the city entirely contains another city that interrupts two distinct commercial districts, it might not be a wise expansion of DDA powers in all cases. The bill would allow the raising of tax revenue in one business district for use in another, noncontiguous area. Is this shifting of revenue consistent with the purposes of the act? Some critics have expressed concern that allowing the creation of a district by hopscotching or leapfrogging could lead to favoritism in drawing up a district made up of noncontiguous areas. It is anticipated that some effort will be made to limit the applicability of the bill, so that it can apply in extraordinary circumstances (like Warren's) but not to all municipalities.

POSITIONS:

The City of Warren has submitted a letter of support for the bill. (6-9-03)

The Michigan Municipal League supports the bill. (6-10-03)

A representative of General Motors (which has a major facility in Warren) has indicated support for the bill. (6-10-03)

Analyst: C. Couch

■ 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.