

DEFINITION OF DOWNTOWN DEVELOPMENT AUTHORITY

House Bill 4344 as passed by the House
Second Analysis (1-9-04)

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 that municipality was a city that surrounded another city and that other city lay between the two separate and distinct geographic areas. 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 eligible cities in Michigan the option of creating a single downtown development district composed of non-contiguous areas when the city was interrupted by another local unit. 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 the City of Center Line.

Response:

While this bill is beneficial, the current version is quite limited in scope. An earlier version would have applied to more local units. Other communities, including some townships, might benefit from having a downtown development district composed of non-contiguous areas in order to allow a single authority to capture taxes in more than one area to promote economic development and job creation through

public improvements that can attract private investment. In some cases, this might be preferable to creating an additional and redundant authority.

POSITIONS:

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

The Michigan Municipal League supports the bill. (1-9-04)

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.