Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 1201 (as enrolled) **PUBLIC ACT 521 of 2004**
Sponsor: Senator Michelle A. McManus
Senate Committee: Commerce and Labor
First House Committee: Commerce
Second House Committee: Land Use and Environment

Date Completed: 1-25-05

RATIONALE

The downtown development authority (DDA) 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, for use in financing a variety of public improvements in that area. It was suggested that in order to maximize efficiency and share resources and costs, adjoining communities be allowed to enter into an agreement for joint DDA administration.

CONTENT

The bill amended the downtown development authority Act to allow a municipality that has created a DDA to enter into an agreement with an adjoining municipality that has created a DDA to operate and administer the DDAs jointly, pursuant to an interlocal 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.)

In addition, the DDA Act allows the governing body of a municipality to declare its intention to create and provide for the operation of a DDA when it "determines that it is necessary for the best interests of the public to halt property value deterioration and increase property tax valuation where possible in its business district, to eliminate the causes of that deterioration, and to promote economic growth". The bill also allows a municipality's governing body to declare its intention to create a DDA for the development of a new commercial property that has a total postdevelopment cash value of at least $100 million and that includes more than two detached buildings with a total of at least 500,000 square feet.

The bill took effect on January 3, 2005.

MCL 125.1653

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

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

The bill also authorizes municipalities to establish a DDA for the development of an extensive new commercial property.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill will have an unknown fiscal impact on affected local units of government and little to no fiscal impact on State government. The communities in which the DDAs are located, but not the DDAs themselves, must be adjoining. Presumably, DDAs will not choose to enter into a joint agreement unless the combined operation will lower operating costs or somehow enhance the administration of the DDAs and improve the revenue stream collected from DDA properties. It is not known how many, or which municipalities with, DDAs will choose to enter into joint agreements.

Fiscal Analyst: David Zin