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**BILL ANALYSIS**

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House Bill 4344 (as passed by the House)

Sponsor: Representative Lisa Wojno

House Committee: Commerce

Senate Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 5-12-04

CONTENT

The bill would amend the downtown development authority Act's definition of "downtown district" to include one or more separate and distinct geographic areas in a business district as determined by the municipality, if the municipality is a city that surrounds another city, which lies between the two separate and distinct geographic areas. If the downtown district contained more than one separate and distinct geographic area, those areas would be considered one downtown district.

Presently, "downtown district" means an area in a business district that is specifically designated by ordinance of the governing body of the municipality pursuant to the Act. The bill would refer to "that part of" such an area.

MCL 125.1651

BACKGROUND

A downtown development authority (DDA) is a type of tax increment finance authority available to a city, village, or township. Usually, 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. The Act states, "When the governing body of a municipality 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 governing body may, by resolution, declare its intention to create and provide for the operation of an authority."

The governing body must hold a public hearing on a proposed ordinance creating the authority and designating the boundaries of the downtown district. After the hearing, if the governing body intends to proceed, it must adopt an ordinance establishing the authority and designating the boundaries of the district within which the authority will exercise its powers.

In addition to receiving tax increment revenue attributable to increased property values within the downtown district, the authority (with the board's approval) may levy an ad valorem tax on nonexempt real and personal property within the district. The tax may not exceed 1 mill if the municipality has a population of 1 million or more, or 2 mills if the municipality's population is under 1 million.

Legislative Analyst: J.P. Finet

FISCAL IMPACT

The bill would have no net effect on the State or local units. For local units affected by the bill, it would increase both revenue and expenditures by the same amount. Downtown district expansions are allowed under current law for contiguous property added to an authority, but the bill would expand the conditions allowing property to be included in an authority. To the extent that the areas included in these expansions would not otherwise become part of a downtown district, and to the extent that there would be some interaction between capturing revenue from the existing portion of a district and repaying any bonds issued related to the expansion, the bill would represent new revenue and new expenses that otherwise would not occur.

This analysis is preliminary and will be revised as new information becomes available.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.