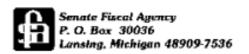
DDA: PROTECTED OBLIGATIONS





Telephone: (517) 373-5383 Fax: (517) 373-1986 TDD: (517) 373-0543

H.B. 4806 (S-1): FLOOR ANALYSIS

House Bill 4806 (Substitute S-1 as reported)

Sponsor: Representative Philip LaJoy

House Committee: Local Government and Urban Policy Senate Committee: Local, Urban and State Affairs

CONTENT

The bill would amend the downtown development authority Act to include in the definition of "other protected obligation" a specific preferred development agreement that was entered into during July 1993.

Under the Act, downtown development authorities may "capture" the growth in tax revenue in a designated development area for improvements to a variety of public facilities, such as streets, parks, parking facilities, and recreational facilities. These improvements are typically financed through bond issues that are paid off out of tax revenue growth. The Act allows the capture of State and local school taxes as necessary to repay eligible advances, eligible obligations, and other protected obligations. The bill would include in the definition of "other protected obligation" an obligation issued or incurred by an authority, or by a municipality on behalf of an authority, after August 19, 1993, but before December 31, 1994, to finance a project described in a tax increment finance plan approved by the municipality in accordance with the Act before December 31, 1993, for which a written agreement with a developer, titled preferred development agreement, was entered into by or on behalf of the municipality or authority in July 1993.

MCL 125.1651 Legislative Analyst: George Towne

FISCAL IMPACT

The bill would have no fiscal impact on the State. The bill would have a negligible effect on local units.

It appears that the bill would affect a limited number of authorities. The changes in the bill would allow authorities to continue capturing certain school taxes. Because the taxes are currently being captured, the bill would only prevent a change from occurring. Consequently, the bill would prevent a revenue loss to authorities and eliminate a revenue increase for school districts.

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

Date Completed: 7-3-03 Fiscal Analyst: David Zin