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House Bill 4806 (Substitute H-2 as passed by the House)  
Sponsor: Representative Philip LaJoy  
House Committee: Local Government and Urban Policy  
Senate Committee: Local, Urban and State Affairs

Date Completed: 7-2-03

### **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, as well as a particular obligation incurred by a municipality under a contract with a county road commission executed before October 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.

Further, the bill would include under other protected obligations an obligation issued or incurred by a municipality under a contract with a county road commission executed before October 1, 1993, to implement a project described in a tax increment finance plan approved by the municipality under the Act before August 19, 1993. This provision would not apply to the capture of tax increment revenues for taxes levied in 1994 and subsequent years.

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.

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.