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BILL ANALYSIS

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Senate Bill 1206 (as introduced 4-18-06)  
Sponsor: Senator Bruce Patterson  
Committee: Commerce and Labor

Date Completed: 5-9-06

### **CONTENT**

The bill would amend the downtown development authority (DDA) Act to allow a Wayne County township with two or more unincorporated villages to have a downtown district that included one or more separate and distinct geographic areas in a business district.

Under the Act, a city, village, or township may 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. Currently, a downtown district may include one or more separate and distinct geographic areas in a business district as determined by the municipality if either of the following applies:

- The municipality is a city that surrounds another city and that other city lies between the two separate and distinct geographic areas.
- The municipality enters into an agreement with a "qualified township" to operate its DDA in the township under an interlocal agreement under the Urban Cooperation Act. ("Qualified township" means a township that was not eligible to create a DDA before January 3, 2005; adjoins a municipality that previously created a DDA; and was a member with the municipality of the same joint planning commission under the Joint Municipal Planning Act.)

The bill also would allow separate and distinct geographic areas if the municipality were a township, had two or more unincorporated villages in the township, and were located in a county with a population of 1.8 million or more (Wayne County).

(The Act specifies that if a downtown district contains more than one separate and distinct geographic area, the separate and distinct areas are considered one downtown district.)

MCL 125.1651

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

Downtown development authorities are authorized to "capture" certain property tax revenue from property within their boundaries. At the time a DDA is established, the taxable value of all property within the DDA is fixed at an initial amount. Property tax collected on any increase from that initial value is redirected to the DDA, which generally uses the revenue to repay bonds issued to finance improvement projects within the downtown district. Generally a DDA may not capture revenue generated by education mills such as the State

education tax, local school operating and debt mills, and mills levied by intermediate school districts.

The bill would have no net effect on the State or local units. To the extent that the areas affected by the bill will not otherwise become part of an authority and to the extent that there would be some interaction between capturing revenue from the existing portion of the authority and repaying any bonds issued related to the expansion, the bill would represent new revenue and new expenses for an authority that otherwise will not occur. Regardless of whether the DDA's activities under the bill would alter the property values from what they otherwise will be, the increases in property tax revenue from the affected property would be distributed differently than under current law.

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.