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BILL ANALYSIS

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House Bill 4679 (Substitute S-1 as reported)

Sponsor: Representative Chris Ward

House Committee: Commerce

Senate Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 7-26-05

RATIONALE

The downtown development authority (DDA) Act allows municipalities to form DDAs in order to fund improvements to their business districts, by "capturing" the incremental growth from property located within the districts. In some cases, the rapid growth of small cities and the townships adjoining them has resulted in business districts that extend beyond the cities' borders and into the townships. The DDA Act, however, does not permit a business district to cross into another municipality. As a result, a city may not form an authority that improves an entire business district, if part of that district is located in an adjoining township, and the business owners located in the township do not benefit from the DDA's improvements. Some people believe that the DDA Act should accommodate these situations.

CONTENT

The bill would amend the downtown development authority Act to allow a municipality that had created an authority to enter into an agreement with a qualified township to operate its authority in a downtown district in the qualified township under an interlocal agreement under the Urban Cooperation Act. The bill also would delete the development of new commercial property from the list of permissible reasons for determining a DDA is necessary.

Qualified Township

Under the bill, the interlocal agreement between a municipality and a qualified

township for the operation of the municipality's DDA in the township would have to provide for, but would not be limited to, all of the following:

- Size and makeup of the board.
- Determination and modification of downtown district, business district, and development area.
- Modification of development area and development plan.
- Issuance and repayment of obligations.
- Capture of taxes.
- Notice, hearing, and exemption of taxes provisions that allow the capture of tax increment revenue.

Under the Act, "downtown district" means that part of an area in a business district that is specifically designated by ordinance of the governing body of the municipality pursuant to the Act. A downtown district may include one or more separate and distinct geographic areas in a business district as determined by the municipality if it is a city that surrounds another city and that other city lies between the two separate and distinct geographic areas. Under the bill, a downtown district also could include one or more separate and distinct geographic areas in a business district as determined by the municipality if the municipality entered into an agreement with a qualified township.

Under the bill, "qualified township" would mean a township that met all of the following requirements:

- Was not eligible to create an authority before January 3, 2005.

- Adjoined a municipality that previously created an authority.
- Along with the adjoining municipality that previously created an authority, was a member of the same joint planning commission under the Joint Municipal Planning Act.

If a municipality entered into an agreement with a qualified township, the membership of the DDA board could be modified by the interlocal agreement.

The powers of a DDA board would include the power to operate and perform all duties and exercise all responsibilities described in the Act in a qualified township if the qualified township had entered into an agreement with a municipality.

New Commercial Development

Under the Act, the governing body of a municipality may, by resolution, declare its intention to create and provide for the operation of a DDA if the governing body 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; or to permit the development of a new commercial property with a total cash value after development of not less than \$100 million, which includes more than two detached buildings containing together at least 500,000 square feet.

The bill would delete the reference to the development of a new commercial property.

MCL 125.1651 et al.

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

In recent years, the business districts of the townships that surround small cities like Howell and Brighton have grown to the point that it is often difficult to determine where the cities' business district ends and the townships' begins. The current DDA Act does not recognize the fact that commercial corridors often straddle the border between

cities and townships and does not allow DDAs to extend beyond a city's border. The bill would enable businesses located in townships adjoining city DDAs to enjoy the benefits of the authority, and allow a city to improve entire business districts, not just the portions within its borders.

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 certain 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 that any developments occurring as a result of being included in the district would not occur absent the bill, 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. The bill should not have any significant effect on State revenue or expenses.

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.