



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

**BILL ANALYSIS**

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

House Bill 6005 (as passed by the Senate)

Sponsor: Representative Chris Ward

House Committee: Commerce

Senate Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 8-4-06

RATIONALE

Under the downtown development authority (DDA) Act, the governing body of a municipality (a city, village, or township) may adopt an ordinance establishing an authority, if the governing body determines that one is necessary for the best interests of the public to halt property value deterioration and increase property tax valuation in its business district, to eliminate the causes of that deterioration, and to promote economic growth. An authority may finance its activities by various methods, including tax increment financing (which "captures" tax revenue on the incremental increase in property values in the district). If it decides to use tax increment financing, the DDA must prepare a tax increment financing plan (including a development plan) and submit it to the governing body for approval by ordinance. Evidently, the Village of Milford implemented a tax increment financing plan for its DDA by adopting a resolution rather than an ordinance. Some people believe that the Act should be amended to allow Milford's DDA to continue operating as if its tax increment financing plan had been approved by ordinance.

CONTENT

The bill would amend the downtown development authority Act to ratify and validate a development plan and tax increment financing plan that were approved by the village council of a village with a population of less than 7,000 before June 1, 1998, by resolution rather than by adoption of an ordinance, if the council adopted an amendment to the plans in compliance with Sections 18 and 19 of the Act.

Under Section 18, before adopting an ordinance approving or amending a development plan or approving or amending a tax increment financing plan, the governing body must hold a public hearing on the plan. Under Section 19, after the public hearing, the governing body must determine whether the plan constitutes a public purpose. If it determines that the plan does so, the governing body must approve or reject the plan or approve it with modification, by ordinance.

MCL 125.1653b

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

Reportedly, the Milford DDA has been operating for more than 20 years using tax increment financing, despite the fact that its tax increment financing plan was improperly implemented when the village council approved it by resolution rather than by ordinance. By ratifying and validating the DDA's development and tax increment financing plans, if the village council properly amended the plans, the bill would allow Milford's DDA to continue financing improvements and prevent the plans from being challenged in the future. Public Act 42 of 1993 enacted a similar amendment to accommodate the village of Dundee.

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: David Zin

H0506\s6005a

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.