



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 House)

Sponsor: Representative Chris Ward

House Committee: Commerce

Senate Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 6-28-06

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 a resolution adopted by the village council of a village with a population of less than 7,000 before June 1, 1998, if the council adopted an amendment to the plans in compliance with the Act.

Under the Act, when the governing body of a municipality (a city, village, or township) 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, the governing body may, by resolution, declare its intention to create and provide for the operation of an authority. In the resolution of intent, the governing body must set a date for a public hearing on the adoption of a proposed ordinance creating the authority and designating the boundaries of the downtown district.

At least 60 days after the public hearing, if the governing body of the municipality intends to proceed with the establishment of the authority, it must adopt an ordinance establishing the authority and designating the boundaries of the downtown district within which the authority must exercise its power.

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 authority must prepare a tax increment financing plan and submit it to the governing body for approval by ordinance. The tax increment financing plan must include a development plan.

Under the bill, a development plan and tax increment financing plan approved by a resolution adopted by the village council of a village having a population of less than 7,000 before June 1, 1998, rather than by the adoption of an ordinance, would be ratified and validated if an amendment to the plans were adopted by the village council 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

Legislative Analyst: J.P. Finet

FISCAL IMPACT

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

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.