Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 972 (as introduced 12-6-07)
Sponsor: Senator Tupac A. Hunter
Committee: Commerce and Tourism

Date Completed: 2-12-08

CONTENT

The bill would amend the downtown development authority (DDA) Act to allow the board of a DDA to create, operate, and fund a loan program to fund improvements for existing buildings located in a downtown district, in order to make them marketable for sale or lease. The board could make loans with interest at a market rate or at a below-market rate, as determined by the board.

The Act allows municipalities (cities, villages, and townships) to form DDAs in order to fund improvements to their business districts, and provides for the powers and duties of DDA boards. 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).

MCL 125.1657   Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have no impact on State revenue or expenditure. The bill would have an indeterminate impact on local units. Authorities currently may acquire property, make improvements to property, and sell or lease property. The bill would allow an authority to make loans to accomplish some of these actions, and these loans could be made at a below-market rate of interest. If a local unit could lend money to an entity to make the improvements for less than the cost of the DDA's directly making the improvements, the authority's expenditures would be reduced and the authority would require less captured tax revenue as well as receive interest on the funds. To the extent that the below-market rate of interest was less than the cost of capital for the DDA, the bill would increase the authority's costs.

Fiscal Analyst: David Zin