

# Legislative Analysis



## CATALYST DEVELOPMENT PROJECT & OTHER DDA AMENDMENTS

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**House Bill 5463 (Substitute S-2)**

**Sponsor: Rep. John Walsh**

**House Committee: Tax Policy**

**Senate Committee: Government Operations**

*(Enacted as Public Act 396 of 2012)*

**Complete to 12-12-12**

### A SUMMARY OF HOUSE BILL 5463 AS PASSED BY THE SENATE

The bill would amend the Downtown Development Authority Act to provide for a "catalyst development project." This term would refer to a project located in a municipality with a population over 600,000 (i.e., Detroit) that is expected to result in at least \$300 million of capital investment. There could be only one such development designated within each authority.

The bill would authorize the issuance of obligations (bonds) after July 31, 2012, to pay for costs associated with a catalyst development project. It would allow costs associated with the land acquisition, preliminary site work, and construction of a catalyst development project to be paid for out of captured tax increment revenues, including revenues from state and local school taxes levied on or after July 1, 2010. A tax increment financing plan for such a project could pledge available tax increment revenues of the downtown development authority as security for any bonds issued to develop and construct the project.

Proposed amendments made to an approved development plan in a DDA to incorporate a catalyst development project plan would have to be submitted to the Michigan Strategic Fund for approval or rejection. If not approved or rejected by the MSF within 45 days, the amendments would be considered approved.

[Remarks in the Senate and press releases from Olympia Development have indicated that this bill applies to a potential residential, retail, entertainment, and office district anchored by a multipurpose events center that is being explored by the Illitch organization in Detroit.]

House Bill 5463 would also specify that:

**\*\* A downtown development authority is exempt from all taxation on its earning or property, beginning January 1, 2010. Further, instruments of conveyance [of property] from an authority would be exempt from local and state real estate transfer taxes.**

**\*\* The rules of procedure or bylaws of an authority could provide that a person be appointed to the board in his or her capacity as a public official, whether appointed or**

elected. The rules of procedure or bylaws could also provide that the public official's term is to expire upon expiration of service as a public official. In addition, the public official's membership on the board would expire on resignation from office as a public official.

Under the act, a downtown development authority is under the supervision and control of a board consisting of the chief executive officer of the municipality creating the DDA and between 8 and 12 other members, as determined by the local unit's governing body. Board members are appointed by the chief executive officer subject to approval by the local governing body. A majority of members must be individuals with an interest in property located in the district or representatives of legal entities with an interest in property.

MCL 125.1654

#### **BACKGROUND INFORMATION:**

A downtown development authority is a type of tax increment finance authority available to a city, village, or township. Typically, a DDA captures the growth in tax revenue within a designated development area for use in financing a variety of public improvements in the area, as well as for such activities as property acquisition, marketing, and operations. The act says a municipality can create a DDA by resolution in order "to halt property value deterioration and increase property tax valuation where possible in its business district, to halt the causes of that deterioration, and to promote economic growth." DDAs often issue bonds to carry out their functions and use the captured tax revenue to pay the bonds.

#### **FISCAL IMPACT:**

As written, the bill would reduce State Education Tax (SET) and local property tax revenue (including local school operating levies) by an unknown amount, depending on the ultimate details of the project authorized under the bill. Because of the reductions in SET revenue (which is earmarked to the School Aid Fund) and local school operating levies, School Aid Fund expenditures would need to increase to prevent reductions in the per-pupil foundation allowance.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.