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BILL



ANALYSIS

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House Bill 6243 (Substitute H-1 as reported without amendment)
Sponsor: Representative Ed Clemente
House Committee: New Economy and Quality of Life
Senate Committee: Economic Development and Regulatory Reform

Date Completed: 11-29-10

RATIONALE

The downtown development authority (DDA) Act allows cities, villages, and townships to form DDAs in order to fund projects that will improve their business districts. Projects might include, for example, business recruitment and retention, downtown beautification, infrastructure improvements, historic preservation, and marketing and promotion. An authority may finance its activities by various methods, including the issuance of bonds, an ad valorem tax on nonexempt real and personal property in a district, and tax increment financing (which "captures" tax revenue on the incremental increase in property values in a district). While these provisions, by definition, target municipalities' downtown business districts, it has been suggested that municipalities also could take advantage of the Act to improve areas near a university or community college.

CONTENT

The bill would amend the downtown development authority Act to do the following:

- **Allow a business district to include a qualified higher education institution.**
- **Allow a municipality to establish a DDA, in addition to the one authority already allowed, if the additional DDA operated a qualified educational economic opportunity district.**
- **Specify requirements for membership on a DDA board for a**

qualified educational economic opportunity district, and specify powers of the board.

- **Prohibit a DDA from using tax increment revenue or other funds under the Act to improve, construct, or develop public facilities located on property owned or under the control of a qualified higher education institution.**
- **Require a DDA to include specific items in its development plan when the DDA used revenue bonds to finance a project in a qualified educational economic opportunity district.**

Business District

The Act defines "business district" as an area in a municipality's downtown that is zoned and used principally for business. Under the bill, a business district could include an area that contained a "qualified higher education institution", which would mean an institution of higher education or a community or junior college described in the State Constitution, or a private institution of higher education.

Establishment of a DDA

Except as otherwise provided in the Act, a municipality may establish a single authority. The bill would allow a municipality to establish one additional authority if that authority operated a qualified educational economic opportunity district.

"Qualified educational economic opportunity district" would mean that part of a downtown district that includes a qualified higher education institution and surrounding area that is specifically designated by ordinance or resolution of the municipality's governing body.

Authority Board

A DDA must be under the supervision and control of a board consisting of the municipality's chief executive officer and not less than eight or more than 12 members as determined by the municipality's governing body. Members are appointed by the municipality's chief executive officer, subject to approval by the governing body.

Under the bill, the DDA board for a qualified educational economic opportunity district would have to include a representative of a qualified higher education institution located in the downtown district and at least three individuals who represented one or more of the following interests that operated within the district:

- A major business or organization.
- Arts and cultural organizations.
- Young professional organizations.
- A local chamber of commerce.
- A local community foundation.
- Regional economic development organizations.
- Public transportation.

In addition to board powers authorized under the Act, the authority board for a qualified educational economic opportunity district could authorize the use of tax increment revenue and other funds available to the authority for any of the following: matching funds for other sources for any allowable purpose under the Act; business loan programs; entrepreneurial incubators; home purchase down payment assistance programs; and/or energy efficiency programs.

An authority board also could facilitate transit development, acquire land and buildings, and facilitate green building development in the district.

An authority could not use tax increment revenue or other funds under the Act to improve, construct, or develop public facilities located on property owned or under

the control of a qualified higher education institution.

Development Plan

When a DDA board decides to finance a project in the downtown district by the use of revenue bonds, it must prepare a development plan.

In addition to the requirements for a development plan described in the Act, the bill would require the DDA board for a qualified educational economic opportunity district to include in the development plan for the district plans to do one or more of the following:

- Assist in the creation of a walkable downtown district.
- Assist in the creation and demonstration of regional connectivity.
- Assist in the development of a mixed-use and sustainable community.
- Integrate higher education activities and expertise into the downtown district.
- Assist in entrepreneurial enterprise development, especially with the higher education institution's faculty and students.

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

The bill would give municipalities a new tool to attract and retain talent and jobs. Although most existing DDAs are in traditional downtown business districts, local governments are recognizing that new business districts often surround or abut community colleges and universities. These areas, which can serve as business incubators, have considerable potential for economic growth. By creating a second DDA for a district that would include a higher educational institution, a municipality could use the financing methods allowed by the Act to encourage development in that area, which in turn could benefit the city, village, or township.

This approach also could help strengthen the relationship between a local unit and an

institution of higher education, bridging what is sometimes called the town-gown gap. Even as the State and municipalities are suffering from job losses, enrollment at community colleges and universities has increased. The bill would allow local units to tap into this trend and help promote the business districts that serve as a downtown for students, faculty, and staff.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would create a new type of tax increment authority known as an educational economic opportunity district. By allowing for additional tax capturing, the bill could result in the reallocation of future property tax revenue generated within the district boundaries from general purpose local governments to the tax increment authority. The total amount, while unknown, would depend on the value of the future development and growth in taxes within the district and the size of the district. School property taxes that would be captured would be reimbursed by State funds, thus leading to a potential State fiscal impact.

Fiscal Analyst: Eric Scorsone

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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.