

ALLOW DOWNTOWN DISTRICTS TO INCLUDE AREAS SEPARATED BY A BODY OF WATER

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Senate Bill 700 (S-1) as passed by the Senate

Sponsor: Sen. Kevin Hertel

House Committee: Economic Development and Small Business

Senate Committee: Local Government

Complete to 12-10-24

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

Senate Bill 700 would amend Part 2 (Downtown Development Authorities) of the Recodified Tax Increment Financing Act to allow a municipality's designated downtown district to include two areas separated by a body of water if the municipality is located on the mainland and one or more islands.

The Recodified Tax Increment Financing Act authorizes the use of various tax increment finance authorities (TIFAs) in Michigan, including downtown development authorities (DDAs). TIFAs are entities that "capture" increases in property tax revenue in designated tax increment finance (TIF) districts. Because the increase in property values in a TIF district is expected to be attributable to the TIFA's development of that area, any tax revenue increases beyond what the property originally yielded go to the TIFA.

Generally speaking, when a local unit of government creates a downtown development authority, it establishes a special *downtown district* and then captures the tax revenues that stem from future increases in property values within that district for the DDA to use to promote the economic development of the district.

The act defines *downtown district* as the part of an area in a city, village, or township business district that is specifically designated as such via ordinance. A downtown district may include multiple separate and distinct geographic areas in a business district under specified circumstances, and those areas are considered part of one designated downtown district.

(A downtown district may include multiple separate and distinct areas within a business district if a municipality enters into an interlocal agreement with a township that was previously ineligible to create a DDA, is adjacent to a municipality with a DDA, and is a member of the same joint planning commission as that municipality, or if the municipality is a city surrounding another city and that other city is between the separate and distinct areas.)

Senate Bill 700 would amend the definition of *downtown district* to provide that, in a municipality located on both the mainland and one or more islands where a body of water lies between two separate and distinct downtown areas, a singular downtown district can include both of those areas.

MCL 125.4201

FISCAL IMPACT:

Senate Bill 700 would have a fiscal impact limited in scope, as the provisions of the bill are specific to local units located on the mainland and one or more island. The intent of the bill appears to be an authorization of the Clay Township DDA to include geographic area on Harsens Island. Based on the TIF plan, the township does not appear to capture state property tax revenues (State Education Tax) or school operating taxes. To the extent that the local unit expands the geographic territory of the DDA, the DDA would be authorized to capture property tax revenue growth from an established base year otherwise allocated to the applicable local taxing units. The scope of the revenue capture would depend on taxable values and millage rates within the geographic area. A DDA, like other tax increment financing authorities, captures the incremental growth of local property taxes over a period of time to fund downtown development activities.

It is unclear if there are other local units that would be affected by the provisions of the bill. To the extent that there are, any fiscal impact would be a function of the taxable values, local taxing unit millages, and millage rates in the geographic area affected by the establishment of the DDA.

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