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SFA**BILL ANALYSIS**

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Senate Bill 699 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Senator Bill Schuette
Committee: Economic Development, International Trade and Regulatory Affairs

CONTENT

The bill would amend the downtown development authority Act to include under “other protected obligation” a loan from a municipality to an authority if it were approved by the municipality’s legislative body on April 18, 1994; and funds that were spent to match a grant received by a municipality on behalf of an authority for sidewalk improvements from the Department of Transportation if the grant application were approved on April 5, 1993, and received by the municipality in June 1993.

In addition, for taxes captured in 1994, “other protected obligation” would include an obligation issued or incurred to finance a project if the following conditions were met: the obligation required raising capital for or paying for the project whether or not borrowing was involved; the obligation was part of a development plan and the tax increment plan had been approved by a municipality in May 6, 1991; the obligation was in the form of a written memorandum of understanding between a municipality and a public utility on October 27, 1994; and the authority or municipality had captured school taxes during 1994.

“Eligible obligation” would include an authority’s written agreement entered into before August 19, 1993 to pay an obligation that was issued after August 18, 1993, and before December 31, 1996, by another entity on behalf of the authority.

Under the Act, downtown development authorities are permitted to “capture” the growth in tax revenue in a designated development area for improvements to a variety of public facilities such as streets, parks, parking facilities, and recreational facilities. These improvements are typically financed through bond issues that are paid off out of tax revenue growth. The Act allows the capture of State and local school taxes as necessary to repay other protected obligations and eligible obligations.

MCL 125.1651 & 125.1663b

Legislative Analyst: N. Nagata

FISCAL IMPACT

This bill would allow an authority, or a municipality or county on behalf of a downtown development authority, that met the definitions described, to capture school taxes to repay bonds issued.

Date Completed: 11-10-97

Fiscal Analyst: R. Ross

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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.