



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL



ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 5463 (Substitute S-1)
Sponsor: Representative John Walsh
House Committee: Tax Policy
First Senate Committee: Finance
Second Senate Committee: Government Operations

Date Completed: 12-4-12

CONTENT

The bill would amend the Downtown Development Authority Act to do the following:

- **Allow the costs of land acquisition, preliminary site work, and construction of a catalyst development project to be paid or repaid with captured tax increment revenue, including school operating taxes and the State Education Tax, levied on or after July 1, 2010.**
- **Allow debt incurred after July 31, 2012, for costs associated with a catalyst development project to be paid with captured tax increment revenue, school operating taxes, and the State Education Tax.**
- **Provide tax exemptions for a downtown development authority (DDA) and its instruments of conveyance, beginning January 1, 2010.**
- **Allow a DDA's rules of procedure to provide for a person to be appointed to the authority board in his or her capacity as a public official.**

The bill would define "catalyst development project" as a project that is located in a municipality with a population greater than 600,000, is designated by the DDA as a catalyst redevelopment project, and is expected to result in at least \$300.0 million of capital investment.

Catalyst Development Project

The Act allows a municipality to create an authority that may undertake certain improvements or developments in a downtown district and pay for them with "tax increment revenues", which refers to the tax revenue "captured" from the increase in property value within the district. Tax revenue subject to capture does not include the State Education Tax or school operating taxes, except to repay eligible advances, eligible obligations, and other protected obligations. Eligible obligations and other protected obligations include obligations incurred by a DDA or a municipality on behalf of a DDA in anticipation of tax increment revenue, and certain qualified refunding obligations.

The bill would include in the term "tax increment revenues" ad valorem property taxes and specific local taxes attributable to the levy by this State under the State Education Tax Act and by local or intermediate school districts that were levied on or after July 1, 2010, upon the captured assessed value of real and personal property in a city with a population of

600,000 or more to pay for, or reimburse an advance for, costs associated with the land acquisition, preliminary site work, and construction of a catalyst development project.

The bill also would amend the definition of "other protected obligation" to include an obligation incurred after July 31, 2012, by a DDA, municipality, or other governmental unit to pay for costs associated with a catalyst development project.

In addition, under a tax increment financing plan that included a catalyst development project, a DDA could pledge available tax increment revenue of the authority as security for any bonds issued to develop and construct a catalyst development project.

The bill provides that there could not be more than one catalyst development project designated within each DDA.

Tax Exemption

Under the bill, beginning January 1, 2010, a downtown development authority would be exempt from all taxation on its earnings or property, and instruments of conveyance from a DDA would be exempt from transfer taxes under the State Real Estate Transfer Tax Act and Public Act 134 of 1966 (which imposes a tax on written instruments that convey in interest in real property).

DDA Board

The bill would allow the rules of procedures or the bylaws of a DDA to provide for a person to be appointed to the authority board in his or her capacity as a public official, whether appointed or elected. The rules or bylaws also could provide that the term of the public official would expire when his or her service as a public official expired. The public official's membership on the board would expire when he or she resigned from office as a public official.

MCL 125.1654 et al.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The provisions in the bill regarding a catalyst development project would reduce both State School Aid Fund revenue and local tax revenue by an unknown amount. The same provisions also would increase School Aid Fund expenditures by an unknown amount, assuming per-pupil funding guarantees were not reduced by the bill. The actual revenue and expenditure impacts would depend on the specific characteristics of any property affected by the bill, as well as whether the development project would occur absent the bill.

Fiscal Analyst: David Zin

S1112\S5463sb

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.