



House Office Building, 9 South
Lansing, Michigan 48909
Phone: 517/373-6466

DDAs: DEFINITION OF “OTHER PROTECTED OBLIGATION”

House Bill 4806

Sponsor: Rep. Philip LaJoy

Committee: Local Government and
Urban Policy

Complete to 6-16-03

A SUMMARY OF HOUSE BILL 4806 AS INTRODUCED 6-4-03

House Bill 4806 would amend the Downtown Development Authority Act to expand the definition of “other protected obligation.”

Since the passage of Proposal A to fund public schools in 1994, downtown development authorities have been generally prohibited from capturing taxes that are used to fund school districts, except in cases specified in the law where obligations (e.g., bonds arrangements) had been entered into before or during the implementation of Proposal A. These are known as “eligible obligations” and “other protected obligations”. The law sets forth several narrow definitions of “other protected obligation”, including one that defines the term as ‘an obligation issued or incurred by an authority (or by a municipality on behalf of an authority) after August 19, 1993, but before December 31 1994, to finance a project described in a tax increment finance plan approved by the municipality in accord with the act before December 31, 1993, for which a contract for final design is entered into by or on behalf of the municipality or authority before March 1, 1994.’ House Bill 4806 would retain this definition, and expand it to include “or for which a written agreement with a developer was entered into by or on behalf of the municipality or authority before August 1, 1993.”

The expanded definition for “other protected obligation” under the bill would also apply to a municipality having a population of less than 15,000 where an agreement between an authority (or by a municipality on behalf of an authority) and a contractor had been entered into after August 19, 1993, but before December 31, 1994, to perform work on a project described in a tax increment finance plan approved by the municipality under the act before December 31, 1994, if the agreement provided that the work contracted for was to have been substantially completed no later than June 30, 1995.

MCL 125.1651

Analyst: J. Hunault

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