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BILL ANALYSIS

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Senate Bill 970 (as introduced 12-6-08)
Sponsor: Senator Jason E. Allen
Committee: Commerce and Tourism

Date Completed: 2-12-08

CONTENT

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

- Allow the board of a DDA to create, operate, and fund retail business incubators.**
- Require a DDA board, if it created a retail business incubator, to give preference to tenants who would provide goods or services that were unavailable or underserved in the downtown area.**
- Require the board and each tenant to enter into a contract that contained terms specified in the bill.**
- Include a building used as a retail business incubator in the definition of "public facility".**

The Act allows municipalities (cities, villages, and townships) to form DDAs in order to fund improvements to their business districts, and provides for the powers and duties of DDA boards. An authority may finance its activities by various methods, including tax increment financing (which "captures" tax revenue on the incremental increase in property values in the district).

The bill would authorize a DDA board to create, operate, and fund retail business incubators in the downtown district. If the board did so, it would have to give preference to tenants who would provide goods or services that were not available or that were underserved in the downtown area.

The board and each tenant who leased space in a retail business incubator would have to enter into a written contract that included at least all of the following:

- The lease or rental rate, which could be below the fair market rate, as determined by the board.
- A provision that the tenant could lease space in the retail business incubator for not more than 18 months.
- The terms of a joint operating plan with one or more other businesses located in the downtown district.
- A copy of the tenant's business plan that contained measurable goals and objectives.

The contract also would have to require the tenant to participate in basic management classes, business seminars, or other business education programs offered by the DDA, the

local chamber of commerce, local community colleges, or institutions of higher education, as determined by the board.

Currently, a DDA board may plan and propose the construction, renovation, or rehabilitation of a public facility that may aid in the economic growth of the downtown district. The definition of "public facility" includes such items as a street, plaza, park, recreational facility, and structure dedicated to the public use or used by a public agency.

Under the bill "public facility" also would include the acquisition, construction, improvement, and operation of a building owned or leased by the DDA to be used as a retail business incubator.

MCL 125.1651 & 125.1657

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have no impact on State revenue or expenditure. The bill would redirect any increase in property tax revenue (captured taxes) from local units to an authority, if the DDA engaged in tax increment financing. The amount of any such redirection is unknown and would depend upon the specific characteristics of any additional activities undertaken as a result of the bill.

Expanding the definition of "public facility" would increase taxes captured by authorities only to the extent that the changes represented additional expenditures an authority would make. To the extent that an authority chose to make expenditures on public facilities rather than on some other eligible expense, the change would have no fiscal impact.

The bill does not define "retail business incubator" and the term is not defined elsewhere in the DDA Act. An existing statutory definition of "business incubator" would not appear to be immediately applicable, because the definition requires the business to be located in a certified technology park—an area where retail businesses are unlikely to be located.

Fiscal Analyst: David Zin

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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.