



**Michigan Association of Planning
A Chapter of the American Planning Association**

Excerpted from the MSPO Community Planning Handbook

Downtown Development Authorities

Description

The Downtown Development Authority (DDA) is a public-private entity concerned with revitalizing declining downtowns. In general, the DDA is a public corporate body created primarily to plan and finance the redevelopment of the downtown district. DDA's often contribute to the revitalization of the downtown through financing of infrastructure and public facility improvements/additions. DDA's can perform a variety of functions, including:

- Levy an additional and valorem tax on real and tangible personal property in the downtown district. The tax cannot exceed one mil in municipalities with a population over one million and two mils in municipalities with a population under one million. The DDA can borrow money in anticipation of these funds.
- Borrow money or issue revenue bonds. With the approval of the governing body of the municipality, revenue bonds may be backed by the full faith and credit of the municipality.
- The DDA may own, lease, operate, and license property and buildings. The municipality can acquire property by eminent domain and transfer the ownership to the DDA if the property is deemed necessary to achieve a stated public purpose of the DDA.
- Generate revenue by establishing a tax increment financing (TIF) plan. Utilizing TIF, the authority captures any increases in property valuations above a base level established before the development process begins (see Tax Increment Financing technique). TIF revenues can be used to finance additional redevelopment projects and necessary infrastructure improvements, further increasing property values and tax revenues as well as encouraging private investment.
- Use the municipality to issue tax exempt general obligation bonds; or, the DDA may issue tax increment bonds based on an estimate of anticipated tax increment revenue to be generated. Revenue bonds may be used to construct

- revenue-producing public facilities, whereas tax increment bonds may be used to make the public improvements necessary to accommodate private development.
- Receive grants and/or donations from public and private sources (for example: federal grants, municipal contributions).

A municipality, either a county, city, village, or township, may organize one DDA. An important incentive for creating a DDA in any municipality, aside from its distinct financing powers, is as a cooperative tool for business, civic, and public groups interested in downtown revitalization. Through a DDA, interested groups can provide input and actually achieve their respective objectives collectively. This public/private cooperation is vital for a DDA to start and function properly. The governing body of the municipality must create the authority and designate the boundaries of the district by resolution. The district must be an existing business district zone and be primarily used for business purposes. A governing board must be appointed consisting of the chief executive officer of the municipality and between eight and twelve additional members. A portion of these members must have a property interest in the DDA district.

Planning Considerations

The primary purpose of the DDA legislation is to “halt property value deterioration and increase property tax valuation where possible in the business district of the city” as well as “eliminate the cause of that deterioration and promote economic growth.” In addition, the DDA legislation provided a powerful mechanism for municipalities to fight off, or compete more effectively with suburban shopping malls or business loop commercial expansion. DDA’s can also contribute to the preservation of historically significant sites and create jobs for municipal residents.

Before the DDA board can finance a project in the downtown district by the use of either revenue bonds or tax increment financing, a development plan must be prepared and approved by the governing body of the municipality. This plan is similar to, and is prepared in the same fashion, as a comprehensive (master) plan. Because of the variety of powerful financing tools authorized for use by the DDA, it is important that this plan be well conceived and include input from all interested and affected parties. A DDA can effect rapid and significant changes in an area. However, these changes can induce controversy and unexpected results if they are not based on a careful analysis of market demands and constituent interests.

Advantages

- Focusing on the economic development of the downtown area.
- The DDA may, by law, own and manage property.

- DDA's can be used as part of a broader program of economic recovery or development.
- If used correctly, the DDA can develop a good working relationship between the private and public sectors.

Disadvantages

- Vacant and unimproved land is not disqualified from the DDA district. Therefore, vacant land which adjoins and/or separates the existing business district may be included in the DDA district. This could encourage sprawl (especially where business areas are widely separated), the very opposite objective of the DDA legislation.
- TIF plans can be controversial if not approached properly.

Limitations

- A lack of strong leadership and public-private cooperation will make a DDA more of a theoretical concept rather than a development tool.
- Complicated development plans, especially those involving TIF, must be well-planned and administered.
- Board must be carefully selected to avoid misrepresentation.