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SPORTS/ENTERTAINMENT ZONES

House Bills 5235 and 5241
Sponsor: Rep. Morris Hood, Jr.
Committee: House Oversight & Ethics

Complete to 12-14-93

A SUMMARY OF HOUSE BILLS 5235 AND 5241 AS INTRODUCED 12-9-93

House Bill 5235 would create the Michigan Sports and Entertainment Economic Development Authority Act. The authority would be empowered to designate one or more sports and entertainment zones within which, among other things, property could be acquired and improved pursuant to a project development plan for the development of sports and entertainment facilities. The authority would have the ability to issue bonds or other obligations. The bonds or other obligations would not be a general obligation of the authority but would be payable solely from the revenues or funds pledged in the authorizing resolution. House Bill 5241 would amend the Michigan Strategic Fund Act to authorize the fund to enter into agreements with the sports and entertainment authority for the transfer and irrevocable pledge of all or a specified portion of assets, funds, or proceeds held by the fund or a successor to the fund.

Purpose of the Act. The bill would declare that the purpose of the new act and the proposed authority was to promote economic development and job growth; to encourage private investment, job creation, and job upgrading in economically distressed areas and in downtown areas of cities that contain underutilized property; to promote property value appreciation; to encourage private business to locate and expand in areas with low property values, high unemployment, low income, high property tax rates, and blighted, obsolete, and underutilized residential, commercial, and industrial property; and to otherwise assist in achieving solutions to economic problems by planning and encouraging the development of sports and entertainment zones. (The bill also contains a list of findings underpinning the new act.)

Sports and Entertainment Zones. The board of the authority would be required to create a sports and entertainment zone in any area of a city that met all of the following criteria. The area would have to be composed of at least 50 and not more than 100 acres of contiguous property; be within the boundaries of a downtown development district with a state equalized valuation (SEV) of not less than \$500 million of real and personal property classified as commercial, which valuation had not increased more than 20 percent since the fifth year preceding the most recent SEV determination; have at least 50 percent of its real property without structures or with vacant, unoccupied, or abandoned structures; and be contiguous to or include property on which theaters, concert halls, and performing arts centers exist or are under construction. Such a zone would be established upon the adoption by the authority board of a resolution (following a public hearing) and the filing of the resolution with the secretary of state. In other cases, the board could by resolution create or expand a zone in any local governmental unit in the state, but each resolution would be subject to the approval or disapproval of the governor. The governor would have

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14 days following its receipt to consider the resolution; if the governor did not act, the resolution would be considered approved.

Sports and Entertainment Facilities. The bill would define this term to refer to stadia; athletic facilities; theaters; emporia; concert halls; aquaria; arenas; performing arts centers; galleries; tourist, amusement, and cultural facilities; retail and commercial establishments; parking facilities; office and administrative facilities; human and vehicular modes of surface, subsurface, and elevated transportation, including sidewalks, crosswalks, walkways, alleys, streets, roads, highways, overpasses, junctions, interchanges, and ramps; utilities, including gas, electric, water, and sewer; other forms of infrastructure; and other similar or related uses within sports and entertainment zones. Casinos and gaming facilities would not be included under the definition of such facilities.

The Authority and Its Board. The authority would be created within the Department of Commerce but would exercise its prescribed statutory powers, duties, and functions independently of the director of the department (although budgeting, procurement, and related functions of the authority and the administrative responsibilities of the authority would be carried out under the direction and supervision of the department director). The board of the authority would consist of the directors of the Departments of Commerce and Management and Budget, the chief executive officer of the Michigan Jobs Commission, and four residents of the state appointed by the governor with the advice and consent of the Senate. Once a zone had been created, the chief executive officer (e.g., mayor) of the local unit in which the zone was located would appoint two additional members to the authority. Local government board members would vote solely in connection with matters affecting the zone in that unit, including without limitation the approval of a project development plan affecting that zone. The director of the Department of Commerce would be the board chairperson and another member (serving without fixed term at the pleasure of the governor) would serve as president of the authority. The authority president would be or become a full-time state employee exempt from the classified state civil service. Board members would be subject to conflict-of-interest statutes, and the board would be subject to the Open Meetings Act. Certain records, materials, and data relating to financial or proprietary information identified in writing by the person submitting the information and acknowledged by the board as confidential would not be subject to the disclosure requirements of the Freedom of Information Act. The board could meet in closed session to make a determination about potential confidential information. The board would adopt bylaws governing its operation, and the authority would be able to promulgate rules.

Project Development Plan. Generally speaking, before the authority could exercise its powers to acquire, clear, improve, control, mortgage, sell, etc., property, the board would have to approve a project development plan for the development of sports and entertainment facilities. The bill specifies what such a plan would have to contain and would require a public hearing on the plan. A plan could not be adopted without the affirmative vote of the local governmental unit board members from the unit containing the zone for which the plan was intended. The bill specifies that an ordinance, law, rule, regulation, policy, or practice of a local unit, county, or other local government agency or authority prohibiting or regulating the location, use, development, or financing of a project in a manner inconsistent with an approved project development plan would be considered

in conflict with the act and not enforceable with respect to the project. The authority could enter into an interlocal agreement or contract with a local unit to facilitate the implementation of the project development plan.

Bonding. The authority would be able to issue bonds for: acquiring and improving property within a sports and entertainment zone; the payment, funding, or refunding of the principal of, interest on, or redemption premiums on bonds or other obligations whether or not the bonds or obligations had come due; establishing or increasing reserves to secure or pay bonds or other obligations or interest on those bonds or other obligations; the payment of interest on the bonds or other obligations for a period determined by the authority; the payment of all other costs or expenses of the authority; and for other related purposes. Authority bonds would not be a debt or liability of the state and would not create or constitute an indebtedness, liability, or obligation of the state, or constitute a pledge of the faith and credit of the state. The authority could create a special reserve fund to secure an issue of bonds or other obligations. The bill specifies that the authority could not have bonds or other obligations outstanding at any one time for any of its corporate purposes in a principal amount totalling more than \$400 million, with certain specified exceptions.

Sports and Entertainment Economic Development Fund. This fund would be created within the state treasury to be administered by the authority. Revenue would go to the fund from various specified public and private sources including, without limitation, a required payment or transfer of money made under an agreement with respect to funds or proceeds received by the Michigan Strategic Fund (or a successor) as those funds or proceeds are transferred by executive order, by the state administrative board, by resolution or agreement affecting the strategic fund, or by other means. (Revenues in the fund not required or needed for purposes related to bonds or other obligations could be used to make a grant or investment, to loan or guarantee and ensure a loan, lease, bond, note, or other indebtedness, whether public or private, for economic development, neighborhood development, or cultural development purposes.)

Report to Legislature/Annual Audits. The authority would be required to file a written report with the legislature annually, no later than 270 days following the end of the fiscal year. The report would have to specify the amount and source of revenues received, the status of investments made, and the money expended from the proceeds of bonds or other obligations. The accounts of the authority would be subject to annual audits by the state auditor general or a certified public accountant appointed by the auditor general. Records would have to be maintained according to generally accepted accounting principles.

Public Purpose. The bill specifies that the property of the authority would be public property devoted to an essential public and governmental purpose. Income of the authority would be for a public purpose. The authority's property, except for that which it leased to private persons, and its income and operation would be exempt from all taxes and special assessments of the state or a political subdivision of the state. Bonds or other obligations issued by the authority, and the interest on and income from them, would be exempt from all local and state taxation.