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## STATE EXPOSITION AND FAIRGROUNDS

**House Bill 5341 as enrolled**  
**Public Act 39 of 2000**  
**Second Analysis (4-17-00)**

**Sponsor: Rep. Larry DeVuyst**  
**House Committee: Conservation and**  
**Outdoor Recreation**  
**Senate Committee: Farming, Agribusiness**  
**and Food Systems**

### ***THE APPARENT PROBLEM:***

The Michigan Exposition and Fairgrounds Act, Public Act 361 of 1978, moved jurisdiction over the state fair from the Department of Agriculture to the Department of Natural Resources (see BACKGROUND INFORMATION). In 1993, the governor transferred the State Exposition and Fairgrounds Office and Council from the Department of Natural Resources to the then-Department of Commerce (which subsequently was combined with the Department of Labor under the Department of Consumer and Industry Services), and placed the administrative functions allocated to the State Fair Manager under the direction and supervision of the director of the Department of Commerce. (Executive Reorganization Order 1993-14, promulgated December 14, 1993 as Executive Order 1993-25, became effective February 13, 1994.) Then in 1997, Executive Order 1997-13 transferred the state fair from the Department of Consumer and Industry Services back to the Department of Agriculture.

The state fair generally has lost money, until last year, when it reportedly took in enough revenues to cover the costs of its operation. A stated goal of the department has been to make the state fair self-sustaining, and various proposals have been suggested to increase revenues from the fairgrounds in order to do this.

At the request of the Department of Agriculture, legislation has been introduced that would put the transfer of the state fair back to the department into statute and make certain changes to the operations of the fairgrounds.

### ***THE CONTENT OF THE BILL:***

The bill would amend the Michigan Exposition and Fairgrounds Act to statutorily transfer control of state exposition centers and fairgrounds under the act from the Department of Natural Resources to the Department of Agriculture, to establish a State Fair and Exposition Fund, to revise the composition of the state fair and exposition council, and to repeal certain current provisions. The bill also would allow the Department of Agriculture to demolish buildings on state fair and exposition grounds when the buildings were deemed unsuitable for state fair purposes.

State fair and exposition fund. The bill would add a new section to the act to create a state fair and exposition fund within the state treasury. The state treasurer would direct the investment of the fund, which would consist of interest and earnings from fund investments, money or assets from any source, state general fund money appropriated for the state fair that was unencumbered and unspent at the end of the fiscal year, and money generated from events permitted under the act.

Money appropriated to the fund would be expended by the director of the Department of Agriculture, with the advice of the State Exposition and Fairgrounds Council, to provide for an annual state fair, to maintain the state fair and exposition grounds, and for other authorized purposes.

The bill would require the department to submit an annual report to the legislature and the council showing the amount of money received and how it was spent.

House Bill 5341 (4-17-00)

State exposition and fairgrounds council. The bill would change the membership of the State Exposition and Fairgrounds Council and eliminate certain of its current responsibilities.

The bill would eliminate the current requirements that the State Exposition and Fairgrounds Council (1) advise the Department of Natural Resources on site design and programs for the state fair and exposition grounds and on construction, facilities modification, or site development at the fairgrounds; and (2) assist the director in developing specifications for open competitive bidding on contracts related to the state fair.

Membership on the council currently includes three departmental directors (none of whom may serve as officers) and eight members appointed by the governor. Currently, the directors of the Departments of Agriculture, Commerce, and Natural Resources (or their designated representatives) are council members, along with eight members appointed by the governor. Among the gubernatorial appointees, three must be engaged in farming, one must represent the horse industry, one must represent labor, and one must represent business. The bill would remove the director of the Department of Commerce and the representative from the horse industry from membership on the council and would increase the number of members appointed by the governor to nine. Of the gubernatorial appointees, three (as currently) would have to represent the agriculture industry, two (rather than one) would have to represent business, and one would continue to represent labor. In addition, one would have to be from the travel industry and two would have to be from the general public. As currently, not more than five of the gubernatorial appointees could belong to the same political party. The additional gubernatorial appointee would serve for a three-year term, which would increase the number of members who served for three years from three members to four members.

Departmental responsibilities. The act currently allows the Department of Natural Resources to grant leases for all or a portion of the state exposition and fairgrounds, or of a building on the grounds, for terms not to exceed 30 years. Land, a building, or other properly leased under the act to a for-profit business would have to be leased at fair market value.

Besides changing the act's references from the Department of Natural Resources to the Department of Agriculture, the bill would allow the department to grant an extension of a lease term for up to an

additional 20 years and to demolish or allow the demolition of any building or structure on the state exposition and fairgrounds that the director determined was unsuitable for state fair uses.

Finally, the bill would delete current provisions requiring that a lease terminates if the state sells the state fairgrounds and that require the department to prepare overall site design plans.

Repealers. The bill would repeal Public Act 13 of 1921, pertaining to state fairgrounds and the annual state fair and some provisions of Public Act 361 of 1978, including those pertaining to classified fair employees and the State Fair Revolving Fund.

MCL 285.162 et al.

### **BACKGROUND INFORMATION:**

The Michigan Exposition and Fairgrounds Act. According to the House Legislative Analysis Section analysis of enrolled House Bill 6223 of 1977, a House Special Committee to Study the Administration of the Michigan State Fairgrounds recommended that the state fair be removed from the jurisdiction of the Department of Agriculture and placed in the Department of Natural Resources. According to the analysis of the bill, which created the Michigan Exposition and Fairgrounds Act, the state fairgrounds had suffered administrative and physical neglect to the point where "the dilapidated and dismal conditions of the fair" resulted in groups and associations electing to exhibit at places other than the state fair. Apparently contributing to this neglect was an overly complicated process whereby an advisory State Fair Authority made recommendations which were reviewed by the director of the Department of Agriculture and then presented to the Agricultural Commission for a final decision. In addition, some people were concerned that the commission was involved with other important issues (including, for example, the aftereffects of the disastrous contamination of animal feed -- and, consequently, of Michigan livestock and poultry -- with the fire retardant polybrominated biphenyl, or PBB, in 1973, and the subsequent extended response to this disaster) and that, as a result, the state fair was not a high priority for the commission. Given the Department of Natural Resource's experience in land management and land site development, the House special committee apparently felt that the transfer of the state fair from the Department of Agriculture to the Department of Natural Resources was necessary if its recommendations to improve and expand the facilities of the fair were to be acted upon.

## ***FISCAL IMPLICATIONS:***

According to the House Fiscal Agency, the state fiscal impact of the bill is unknown. (2-24-00)

## ***ARGUMENTS:***

### ***For:***

The bill would statutorily implement the executive transfer of the state fair from the Department of Consumer and Industry Services back to the Department of Agriculture. More importantly, the bill would authorize the Department of Agriculture to proceed with its decision to allow a large Detroit developer (which operates the Fisher Theater and Masonic Temple in Detroit) to proceed with what reportedly would be the largest non-industrial development project in the history of the city of Detroit. The development not only would help achieve the department's goal of getting and keeping the state fair financially self-supporting, it also would benefit both the city of Detroit and southern Oakland County.

The development project – an “entertainment destination” to be known as “Fairgrounds Park” – reportedly would involve an investment of between \$80 million to \$200 million in the renovation of, and new construction on, the 206-acre state fairground site located just east of Woodward Avenue and south of Eight Mile Road in northeastern Detroit. The project reportedly would include 438,000 square feet of new and renovated convention space, an equestrian center and multipurpose livestock facility, up to six Broadway-style theaters (including, apparently, a puppet theater for children and an open-air Shakespeare theater), renovation of five historic buildings (including the Crystal Coliseum and Hudson Theater), and a one-mile oval automotive race track -- designed and engineered by racing legend Mario Andretti -- that would seat an estimated 50,000 people and would accommodate both Indianapolis and NASCAR style races. The total project reportedly could reach up to \$500 million when development near the fairgrounds – reportedly to include a hotel complex, a 200-unit senior housing complex for a nearby church, a neighborhood shopping center, and a drug store – is included, and eventually could bring up to 1,000 jobs to the neighborhood. The first phase of the project reportedly focuses on improving facilities at the fairgrounds, and is expected to be completed by the 2001 summer fair. As the general manager of the state fair has noted, the state fairgrounds are expensive to maintain and operate, especially considering that it is used by the state for only a few weeks out of every

year. Reportedly, three-quarters of the state fair's income is generated in the two weeks in August that the state fair is open, and if there is bad weather during these two weeks, much of that revenue is lost. If the fairgrounds could be used year-round for events such as circuses, ice skating shows, dog shows, rock concerts, car racing and other entertainment, the department's goal of making the state fair financially self-supporting would be much easier than it has been in the past. Reportedly, after 30 years of operating at a deficit – losing as much as \$3 million a year – last year the state fair apparently for the first time made a \$20,000 profit. Allowing private development on the fairgrounds would greatly improve not only the profitability to the state of the fairgrounds, but also would contribute substantially to the city of Detroit and, in particular, the neighborhoods to the south and east of the fairgrounds. While some of Detroit's wealthiest neighborhoods are located to the north and west of the fairgrounds, areas to the south and east of the fairgrounds have been economically depressed for more than three decades because residents left for the suburbs, and city services to these areas declined. The proposed development would involve tens of millions of dollars of private investment on untaxed state land, and, if successful, could result in other tax-generating economic development, spread from the city's downtown core to the north side. As the mayor of Hazel Park reportedly pointed out, anything that cleaned up the area around the state fairgrounds not only would be good for the city of Detroit, but also would be good for south Oakland County.

### ***Against:***

In 1996, when the governor announced plans to lease the state fairgrounds to Palace Sports and Entertainment, Inc. so that a \$40 million auto race track could be built, residents of several nearby neighborhoods banded together and formed the Intercounty Citizens Against Racetrack Establishment (“I-CARE”), and successfully opposed the proposal, arguing that the noise and traffic that would be generated by the racetrack would destroy the quality of life of stable, historic and productive neighborhoods. A group called the Inter-County Citizens Achieving Regional Excellence is similarly opposed to the racetrack component of the proposed development, though it does support the other elements of the project. Although the developers apparently contend that there will be no more than 5 to 7 racing weekends a year, with a total of perhaps 30 to 35 hours of racing noise, opponents of the race track argue that racing noise will not be limited to the half dozen or so planned race days a year, since there also would be racing noise from constant practicing and engine tune-ups. And although

the mayor of Detroit reportedly is supportive of development at the fairgrounds only if the desires of nearby neighborhood residents is taken into consideration, because the fairgrounds are state property, the city can do little to stop any on-site development, including the proposed raceway.

**Response:**

According to newspaper reports, the proposed race track is a key component of the whole development project. In addition to weighing the impact on neighborhoods of noise from the racing against the hundreds of projected jobs and other benefits, as an editorial in the *Detroit News* further points out, "It's worth remembering . . . that the fairgrounds corner at Woodward and Eight Mile is already a particularly busy intersection. And there is a major railroad yard just north of Eight Mile, across the street from the north side of the fairgrounds. Freight is transferred from the railroad cars to heavy trucks at the yard. So it's not as though the development would be dumped into a quiet, leafy, purely residential area." The developer also reportedly has promised to do "everything possible" to limit noise, to use whatever kind of available technology to handle sound. As a spokesperson for the developer also reportedly pointed out, it's not as though the neighborhoods in question don't already have to deal with local noise problems: surely someone mowing their lawn next door would create a lot more noise than race cars two miles away. The *Detroit News* editorial further points out that the proposed race track could prove instrumental in keeping Detroit's current Grand Prix race in Detroit. Apparently "there has been talk that the Detroit Grand Prix organizers may be dissatisfied with the Belle Isle course. The fairgrounds site could save this event for the city." And although no one apparently has suggested recently that the fairgrounds should be moved out of Detroit, in the past, there have been proposals to do just that, to move it either to a more central location – such as Michigan State University – or to rotate it among sites in different counties. The proposed development could keep not only the Detroit Grand Prix in Detroit, but, ultimately, the state fairgrounds themselves in Detroit, with all of the economic and other benefits to the city from the fairgrounds. Finally, as some people have pointed out, the proposed race track would at last bring racing to the Motor City, which seems only fitting.

**Against:**

Why would the bill eliminate the act's current requirement that the State Exposition and Fairgrounds Council advises the department on site design and programs for the state fair and exposition grounds and on fairgrounds construction, facilities modification, or

site development just as it proposes making the leasing of the fairgrounds more accessible for longer periods of time to for-profit businesses? Similarly, the bill also would eliminate the current requirement that the council assist the director of the department in developing specifications for open competitive bidding on contracts related to the state fair even as it gives the director the authority to demolish, or allow the demolition of, buildings on the fairgrounds. Shouldn't there be more, rather than less, council oversight of these areas?

**Against:**

Some people object to the bill on the grounds that it is a bad idea for government to go into competition with the private sector, as this amounts to using taxpayers' money against themselves. The bill would, in effect, provide state subsidization for a private competitor for other entertainment venues, such as the Palace of Auburn Hills, by allowing a private developer to renovate and build on tax-free state land. Although the developer reportedly is not asking for nor will receive tax breaks or bonds from the state, the very fact that the fairgrounds are on state land means that the developer is, in fact, getting a tax break that other, competing entertainment venues do not have.

Analyst: S. Ekstrom

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.