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SFA BILL ANALYSIS

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Senate Bill 625 (as introduced 5-26-99)
Sponsor: Senator Bill Schuette
Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 6-1-99

CONTENT

The bill would amend the Michigan Renaissance Zone Act to do the following:

- **Allow the State Administrative Board to designate up to nine additional renaissance zones.**
- **Allow the Board of the Michigan Strategic Fund to designate an additional five zones.**
- **Provide that a zone could contain up to 10 (rather than six) distinct geographic areas.**
- **Require each geographic area to be at least five acres, but permit a local unit to designate four areas with no minimum size requirement.**
- **Allow local units to designate additional distinct geographic areas until December 31, 2002.**
- **Provide that the renaissance zone review board would consist of the Board of the Michigan Strategic Fund.**

Currently, the Act allows the appointment of nine renaissance zones in qualified local governmental units, plus additional zones in qualified units containing a closed military installation. Businesses and residents in a zone receive certain tax exemptions and credits, and property in a zone is exempt from property taxes, for up to 15 years. A qualified local governmental unit is either a county, or a city, village, or township that contains an eligible distressed area as defined in the State Housing Development Authority Act. (In December 1996, the State Administrative Board designated 11 renaissance zones: six urban areas, three rural areas, and two former military installations.)

The bill provides that the State Administrative Board, until December 31, 2002, could designate nine additional renaissance zones within the State. Up to six of the zones could be located in urban areas and up to four in rural areas. (For purposes of determining whether a renaissance zone was located in an urban or rural area, the entire zone would have to be considered to be located in an urban area if any part of it were located in an urban area.) In addition, the Board of the Michigan Strategic Fund could designate up to five additional renaissance zones in one or more local governmental units, if the units consented to the creation of a renaissance zone within their boundaries.

The designation of a renaissance zone under the current Act took effect on January 1, 1997. For purposes of the Act's property tax exemption, a designation took effect on December 31, 1996. The bill specifies that the designation of a zone would take effect on January 1 in the year following designation. For purposes of the property tax exemption, a designation would take effect on December 31 in the year of designation.

Under the Act, a renaissance zone may not contain more than six distinct geographic areas, and the minimum size of an area must be as follows:

- 30 acres, for an area that is wholly or partly within a city with a population over 500,000.
- 10 acres, for an area that is wholly or partly within a village.
- 20 acres, for an area other than one described above.

The bill provides, instead, that a renaissance zone could contain up to 10 distinct geographic areas. Each area would have to be at least five acres in size, although a qualified governmental unit could designate up to four areas in each renaissance zone to have no minimum size requirement. The bill would delete a provision under which not more than 50% of the real property in each distinct geographic zone may be owned by the same person.

Through December 31, 2002, upon application to and approval by the State Administrative Board, a qualified local governmental unit in which a renaissance zone was designated under the current Act, could designate additional distinct geographic areas, not to exceed a total of 10 areas. If a local unit designated additional areas, it could extend the duration of the renaissance zone status of all of the district geographic areas in that zone so that the zone status of all of the areas within the zone ended at the same time.

Currently, the renaissance zone review board consists of the Director of the Department of Management and Budget, the Chief Executive Officer of the Michigan Jobs Commission, and the State Treasurer, or their designees. The bill provides, instead, that the review board would consist of the Board of the Michigan Strategic Fund.

MCL 125.2683 et al. Legislative Analyst: S. Lowe

FISCAL IMPACT

In FY 1997-98, 133 income tax filers and 123 single business tax filers claimed the renaissance zone credit, and realized a total tax savings of $1.7 million. In addition, State government reimbursed K-12 school districts, intermediate school districts, community colleges, and public libraries $2.4 million for the property taxes they lost due to the 11 existing renaissance zones. Therefore, the direct cost to State government due to the special tax reductions granted to businesses and people living in renaissance zones totaled an estimated $4.1 million in FY 1997-98. Establishing up to 14 new renaissance zones, and expanding the duration of the existing renaissance zones, as proposed in Senate Bill 625, would have a fiscal impact on State government; however, it is very difficult to estimate what the additional fiscal impact would be because it is not known: 1) where these new renaissance zones would be located, 2) how many businesses would be attracted to these new renaissance zones, 3) the size of the businesses that would be attracted to these renaissance zones, 4) the number of people living in these yet-to-be-determined new renaissance zones and their average income, and 5) how many new businesses would be attracted to the existing renaissance zones due to the changes proposed in this bill. Assuming the new renaissance zones attracted businesses, and had people living in them, in the same proportion as the existing zones, this bill would result in a direct cost to State government of an estimated $5.2 million; however, because there are so many unknown factors that would affect the direct cost to State government, the actual fiscal impact could be much smaller or much larger than this amount.

Fiscal Analyst: J. Wortley

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.