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SFA



BILL ANALYSIS

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Senate Bill 867 (Substitute S-1 as reported)
Sponsor: Senator Glenn D. Steil
Committee: Local, Urban and State Affairs

Date Completed: 11-5-99

RATIONALE

The City of Grand Rapids is engaged in a five-stage project to expand its existing convention center, following the completion in 1997 of the Van Andel Arena. According to the Department of Management and Budget (DMB), it is anticipated that the expansion will yield, within a five-year time frame, a 98% increase in direct expenditures, a 94% increase in hotel/motel revenue, an 88% increase in State sales tax revenue, and a 63% increase in employment. The estimated cost of the project is \$200 million, and the sources of funding include private sector donations, accommodations tax revenue, local government contributions, and State financing. The State's contribution of \$60 million was appropriated in Section 103 of Public Act 137 of 1999. The Act specifies, however, that the funds are to be held by the Department of Treasury until the Legislature creates a convention facility development authority that will serve as an oversight body for the approval of plans and timely disbursement funds. If an authority is not created by January 1, 2000, these responsibilities are to be carried out by the Department Director. Thus, in order for the funds to be released and managed locally, it has been suggested that an authority should be created in statute.

CONTENT

The bill would create the "Convention Facility Authority Act" to do the following:

- **Allow a qualified city and a qualified county jointly to establish a convention facility authority.**
- **Permit the authority to develop a convention facility, and issue negotiable revenue bonds.**
- **Specify that the authority could not levy a tax, but enable the authority to receive accommodations tax revenue levied by the county.**
- **Create a convention facility authority fund.**
- **Prohibit the authority from using funds received under Section 103 of Public Act 137 of 1999 to defray costs incurred before**

the State Treasurer released the funds.

Creation of Authority

A qualified city and a qualified county could, by resolutions of their respective legislative governing bodies, jointly establish an authority. On the date on which all the certified copies of the resolutions were filed with the Secretary of State, the authority would be created. The bill would define "qualified city" as "a city with a population of more than 170,000 that is the most populous city in a qualified county". "Qualified county" would mean "a county with a population of more than 500,000 that is not a charter county or a county with an optional unified form of government and contains a qualified city".

The bill specifies that the authority would be "an authority organized pursuant to state law" for purposes of Public Act 263 of 1974. (Public Act 263 authorizes a county with a population under 600,000, having a city with a population of at least 40,000, to levy an accommodations tax. Revenue from the tax must be deposited in a special fund to be used by the county, or by an authority that is organized pursuant to State law, for specific purposes. These purposes include financing the acquisition, construction, improvement, or maintenance of convention and entertainment facilities.)

Authority Board

The powers, duties, and functions of the authority would have to be exercised by a board of directors that consisted of the following seven members:

- Two residents of the qualified county, appointed by the county board of commissioners, including one from the private sector with experience in economic development.
- Two residents of the qualified county, appointed by the mayor of the qualified city with the approval of its legislative body, including one from the private sector with experience in economic development.
- One resident of the qualified county appointed

by the Governor.

- Two residents of the qualified county appointed by the five members described above at the first meeting of the board as the first item of business.

The two members appointed by the other five members would have to be selected from a list of at least three individuals provided by the local convention and visitors bureau. The first member appointed by the other five would be appointed for a two-year term. Every two years after the first appointment of these two members, one member would have to be appointed at the first board meeting after the member's term expired.

Except as otherwise provided, board members would have to be appointed for four-year terms. One of the members first appointed by the county and one of the members first appointed by the city would serve for a two-year term. A person would not be eligible to be a board member if he or she had served 12 or more consecutive years as a member of the board.

Board members and officers and employees of the authority would be subject to Public Act 317 of 1968, which governs contracts between public servants and public entities. Board members and officers, employees, and agents of the authority would have to discharge the duties of their positions in a nonpartisan manner, in good faith, and with the degree of diligence, care, and skill that an ordinarily prudent person would exercise under similar circumstances in a like position. In discharging their duties, when acting in good faith, these individuals could rely upon any of the following: the opinion of counsel for the authority; the report of an independent appraiser selected by the board; and financial statements of the authority represented to be correct by the officer of the authority in charge of its books of account or stated in a written report by the State Auditor General or a certified public accountant, or a firm of certified accountants, to reflect the authority's financial condition.

The board would have to organize and make its own policies and procedures, and adopt bylaws governing its operations. Board members would have to serve without compensation for their membership on the board, but could receive reasonable reimbursement for necessary travel and expenses. The board would be subject to the Open Meetings Act.

The Freedom of Information Act would not apply to a record, material, or other data received, prepared, used, or retained by the authority that related to financial or proprietary information that was identified in writing by the person submitting the information and acknowledged by the board as confidential. The

board could meet in closed session to determine whether it acknowledged any financial or proprietary information as confidential. ("Financial or proprietary information" would mean information that had not been publicly disseminated or that was unavailable from other sources, whose release could cause the person submitting the information competitive harm.)

Authority Powers

The authority could do all things necessary or convenient to carry out the purposes, objectives, and provisions of the proposed Act, and the purposes, objectives, and powers delegated to the authority or the board by other laws or executive orders. These would include the power to issue negotiable revenue bonds under the Revenue Bond Act, and develop a convention facility. The authority could not levy a tax, and would not have the power to condemn property.

The authority would be required to prepare and adopt an annual budget. The accounts of the authority would be subject to annual audits by the State Auditor General or a certified public accountant selected by the authority. Copies of the audits would have to be forwarded annually to the State Treasurer. Records would have to be maintained according to generally accepted accounting principles.

Fund

A convention facility authority fund would be created for the authority, which would have to deposit all money received and generated by the convention facility into the fund. The authority could pay principal, interest, and other costs associated with bonds issued by it from any of the following revenues:

- Federal grants, loans, appropriations, payments, or contributions.
- The proceeds from the sale, exchange, mortgage, lease, or other disposition of property that the authority had acquired.
- Grants, loans, appropriations, payments, proceeds from repayments of loans made by the authority, or contributions from public or private sources.
- Money in the fund, including rents, admission fees, or other charges for use of the convention facility.
- Investment earnings on the revenues described above.

Bonds

The authority could issue negotiable revenue bonds under the Revenue Bond Act, only. It could not issue any other kinds of bonds, notes, or other obligations.

Revenue bonds issued by the authority would not be a debt or liability of the qualified county, the qualified city, or the State, and would not create or constitute an indebtedness, liability, or obligation or constitute a pledge of faith and credit of the State, the county, or the city. The bonds would be payable from revenues or funds pledged or available for their payment as authorized in the bill, or as provided in the resolution of the board authorizing the bonds.

Bonds issued by the authority, and the interest on or income from them, would be exempt from all taxation of this State or a political subdivision of the State.

Authority Property

Property of the authority would be public property devoted to an essential public and governmental function and purpose. Income of the authority would be for a public purpose.

The property, income, and operations of the authority would be exempt from all taxes and special assessments of the State or a political subdivision of the State. Property, income, and operations that were leased to private persons, however, would not be exempt from any tax or special assessment. Property of the authority would be exempt from any ad valorem property taxes levied under the General Property Tax Act.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The convention center expansion in Grand Rapids will build on the considerable success of the Van Andel Arena. According to the DMB, that project has generated over 600 new jobs, provided 17 new restaurants, and spearheaded over \$240 million in spending on various downtown projects. The convention center site covers 13 acres and involves approximately 1 million square feet of total floor space, including 850,000 square feet of new space (165,000 for an exhibitors hall and 40,000 for a ballroom) as well as 150,000 square feet of renovated space. It is expected that the convention center will be used for local, State, national, and international conventions, conferences, trade shows, seminars, and meetings, encompassing both market-driven and unique exhibitors.

The Van Andel Arena and the convention center proposal represent a successful collaboration among the City of Grand Rapids, Kent County, the private sector, and community leaders to make Grand Rapids a world-class city. The State also has made a significant commitment to the convention center expansion by appropriating \$60 million for the project. By promoting tourism and convention business in Grand Rapids, these efforts not only preserve existing jobs and create new jobs at the local level, but also contribute to the economic health of the State. By allowing the city and the county to establish an authority to develop the facility, the bill would enable the proposed board of directors to manage and disburse the appropriated funds. The bill also would enable the authority to issue revenue bonds and receive accommodations tax revenue.

Legislative Analyst: S. Lowe

FISCAL IMPACT

Section 301 of Public Act 137 of 1999 specified that of the \$62.0 million appropriated in the Act for convention center grants for development/expansion, \$60.0 million was for the Grand Rapids convention facility. The Act requires the funds to be held by the Department of Treasury until a convention facility development authority is created by the Legislature to serve as an oversight body for the approval of plans and timely disbursement of the funds. If the authority is not created by January 1, 2000, the Director of the Department of Treasury will carry out these responsibilities.

Given that the appropriation has already been made, and that the release of funds and oversight responsibilities will occur even in absence of a convention center authority, the bill would have no direct State fiscal impact.

Fiscal Analyst: M. Hansen

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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.