



**House
Legislative
Analysis
Section**

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NEW TECHNOLOGY PARKS

House Bill 5896 as enrolled
Public Act 575 of 2002
Second Analysis (10-10-02)

Sponsor: Rep. Marc Shulman
House Committee: Commerce
**Senate Committee: Economic
Development, International Trade and
Regulatory Affairs**

THE APPARENT PROBLEM:

Public Act 248 of 2000 amended the Local Development Financing Act to allow the Michigan Economic Development Corporation (MEDC) to designate up to ten certified technology parks in the state. These special parks are able to capture the growth in property taxes within the park with the revenue to be used in the park for a variety of purposes, including infrastructure construction, property purchases, marketing and promotion, and creating high-technology support facilities, such as laboratories and training centers, among other things. Half of the state and local school operating taxes can be captured and all other local property taxes. This program is now in place and is known as the Michigan SmartZone Program, with the technology parks known as SmartZones. The MEDC describes the program as follows:

The zones are intended to stimulate the growth of technology-based businesses and jobs by aiding in the creation of recognized clusters of new and emerging businesses, those primarily focused on commercializing ideas, patents, and other opportunities surrounding university or private research R&D efforts.

The MEDC has designated ten SmartZones, one each in Houghton, Isabella, Muskegon, Kent, Kalamazoo, Calhoun, Ingham, and Washtenaw counties, and two in Wayne County. The MEDC also granted the SmartZone designation to a project in Oakland County (as the 11th zone) but this designation did not carry with it the ability to use tax increment finance revenues. In doing so, the MEDC said,

Oakland County is being recognized for its unique efforts with Automation Alley [a consortium of high-tech business, education, and government]. While the Oakland Automation Alley SmartZone will not be able to utilize the Tax Increment Financing recapture capabilities offered under the law, the opportunity for

the City of Southfield and the universities to work together in developing a business incubator will also be recognized and encouraged to the extent possible through other programs.

Legislation has been introduced that would allow Oakland County's SmartZone to become a fully fledged zone, with tax capturing powers. This would be accomplished by allowing the two zones in Wayne County to be counted as one zone, and allowing Oakland's zone to be the tenth designated zone. At the same time, there is a proposal to allow the MEDC to designate new zones.

THE CONTENT OF THE BILL:

The bill would amend the Local Development Financing Act to 1) to specify that, for the certified technology parks already authorized, all the parks located in a county that contains a city with a population of more than 750,000 (Wayne County) would count as one certified technology park; and 2) permit the Michigan Economic Development Corporation to designate an additional five certified technology parks after November 1, 2002. The bill would specify that the MEDC could not accept applications for the designation of the new parks until after November 1, 2002.

The bill also would require the state, in the case of the five new certified technology parks, to reimburse local school districts, intermediate school districts, and the state's School Aid Fund for tax revenue lost. The bill would further specify that foundation allowances for school districts could not be reduced as a result of tax revenue lost due to capture by an authority for one of the five new certified technology parks.

MCL 125.2162a

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BACKGROUND INFORMATION:

Information on the SmartZones can be found on the web site of the Michigan Economic Development Corporation at www.medic.michigan.org/smartzones.program.

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that it is not possible to arrive at a detailed estimate of the fiscal impact of the bill without knowing where the new SmartZones would be located, when they would be designated, or the extent of investment within the zone. The HFA says, however, that based on preliminary information from the existing SmartZones, an additional five zones would cost the state about \$1 million per year for 15 years. (HFA committee analysis dated 4-22-02)

ARGUMENTS:**For:**

The bill would allow the Oakland Automation Alley SmartZone to become a full-fledged certified technology park and make use of the tax increment financing capacity that accompanies such a designation. At present, the MEDC has awarded the brand name of SmartZone to the Oakland County project but it is not in actuality one of the ten designated parks permitted to be created under state law. As described by the MEDC, the Oakland County zone "is a collaboration of Automation Alley, the City of Southfield, Lawrence Technical University, Oakland University, and Oakland County. The proposal calls for the establishment of a business incubator within the City of Southfield in conjunction with LTU and OU." Automation Alley is described by county officials as a consortium (and "technology cluster") that includes more than 350 technology-focused companies, along with representatives of education and government. Oakland county officials have said that tax increment financing will help in the creation of the technology park environment and in the economic growth of the area. The bill also would allow up to five additional parks to be designated as SmartZones by the MEDC, and hold schools harmless for any revenue lost as a result of the new parks.

Response:

It should be noted that each zone carries a cost to the state. The MEDC has estimated that the average zone requires a \$2.56 million state reimbursement of local revenues over a 15-year period.

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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.