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SFA**BILL ANALYSIS**

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House Bill 5472 (as reported without amendment)
Sponsor: Representative Jason Allen
House Committee: Commerce
Senate Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 4-10-02

RATIONALE

The Brownfield Redevelopment Financing Act allows special redevelopment authorities to capture increases in local tax revenues resulting from property redevelopment, and to use that money for a variety of projects at contaminated sites or blighted and functionally obsolete property. Revenues that can be captured under the Act come from both ad valorem property taxes and specific taxes levied in lieu of ad valorem taxes under various laws that concern the redevelopment of property. A specific tax replaces the general property tax for property in certain designated areas, usually resulting in a reduction in taxes.

The Brownfield Redevelopment Financing Act defines the term "specific taxes" by listing the specific taxes created under various property tax abatement statutes. The Act does not include, however, the specific tax levied under the Neighborhood Enterprise Zone Act. That Act creates special zones in which residential property may receive tax abatements and is aimed at improving the housing stock in areas where there has been little new residential construction in recent years. It has been suggested that leaving the Neighborhood Enterprise Zone Act's specific tax out of the Brownfield Redevelopment Financing Act's definition of specific taxes was an oversight and could create a disincentive to pursue brownfield projects that promote residential development.

CONTENT

The bill would amend the Brownfield Redevelopment Financing Act to include in the definition of "specific taxes" a tax levied under the Neighborhood Enterprise Zone Act.

The Act's definition of "specific taxes" currently includes a tax levied under the plant rehabilitation and industrial development Act; the Enterprise Zone Act; the Technology Park Development Act; the Obsolete Property Rehabilitation Act; or Public Act 189 of 1953, which requires the payment of taxes by a lessee or user of real property, as if he or she were the owner, if the property is exempt from ad valorem property taxes. The bill would add to that list a tax levied under the Neighborhood Enterprise Zone Act.

(The Neighborhood Enterprise Zone Act allows eligible local governmental units to designate neighborhood enterprise zones, within which the owner or developer of property may receive a neighborhood enterprise zone certificate that exempts new or rehabilitated housing from the property tax and subjects it, instead, to a specific neighborhood enterprise zone tax. Essentially, the zone tax on a new facility is half the amount of the property tax that otherwise would be assessed. The tax on a rehabilitated facility is frozen at the rate imposed before the renovations were made. Certificates are in effect for 12 years.)

MCL 125.2652

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

Under the bill, tax increment revenue from the specific tax levied under the Neighborhood Enterprise Zone Act would be available to a

brownfield authority in the same way that revenues are captured from the other specific taxes. Currently, the brownfield statute does not allow for the capture of those neighborhood enterprise zone revenues. Leaving the Neighborhood Enterprise Zone Act's specific tax out of the brownfield law may create a disincentive for residential development in brownfield areas. Rebuilding housing stock and attracting residents to city centers are among the greatest challenges facing many cities, so capture of the neighborhood enterprise zone specific tax should be allowed under the Brownfield Redevelopment Financing Act.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would have a minimal fiscal impact on the State or local units but could result in shifting some local unit revenues to brownfield authorities.

Fiscal Analyst: David Zin

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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.