

Legislative Analysis



SMARTZONE EXCEPTION

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Senate Bill 774 (Substitute H-1)

Sponsor: Sen. Virg Bernero

House Committee: Commerce

Senate Committee: Economic Development, Small Business and Regulatory Reform

First Analysis (6-2-04)

BRIEF SUMMARY: The bill would amend the Local Development Financing Act to allow the Michigan Economic Development Corporation, until December 31, 2005, to enter into an agreement with a municipality that had adopted a resolution of interest to create a certified technology park before December 31, 2002. (This is understood to apply to a proposed park in Lansing-East Lansing.)

FISCAL IMPACT: The bill would reduce potential increases in state and local revenues by a negligible amount.

THE APPARENT PROBLEM:

Under the Local Development Financing Act, a local government may create a local development financing authority to finance public improvements in a given area, by capturing increases in property tax revenues due to increased value. Public Act 248 of 2000 amended the act to allow the Michigan Economic Development Corporation (MEDC), until December 31, 2002, to designate certified technology parks (also known as SmartZones) if they satisfied certain criteria. Several SmartZones were created around the state. Reportedly, the cities of East Lansing and Lansing had proposed to apply jointly to the MEDC for a SmartZone. The three parties, however, did not get an agreement signed before the deadline passed.

THE CONTENT OF THE BILL:

The bill would amend the Local Development Financing Act to allow the Michigan Economic Development Corporation, until December 31, 2005, to enter into an agreement with a municipality that had adopted a resolution of interest to create a certified technology park before December 31, 2002.

MCL 125.2162a

HOUSE COMMITTEE ACTION:

The House Committee on Commerce adopted a substitute. The only change from the Senate-passed version of the bill is the extension of the deadline for the parties to enter

into an agreement to December 31, 2005 from December 31, 2004. Information in this analysis is based on an analysis by the Senate Fiscal Agency dated 12-1-03.

BACKGROUND INFORMATION:

The MEDC states the following regarding SmartZones:

Michigan SmartZones are collaborations between universities, industry, research organizations, government, and other community institutions 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 corporate, university or private research institute R&D efforts.

The MEDC website, www.medc.michigan.org, contains extensive information regarding SmartZones, including a list of existing SmartZones.

ARGUMENTS:

For:

Michigan must compete with other states for high-technology companies and their jobs. To compete effectively, the state provided for the creation of certified technology parks, or SmartZones, where local communities and nearby educational and research institutions may collaborate to attract high-tech firms. Although several of these SmartZones were created in the state, a proposal to create a zone jointly by East Lansing and Lansing failed to materialize because the deadline in the act passed before an application was submitted.

The bill would allow the MEDC to enter into an agreement with East Lansing-Lansing (or another municipality that adopted a resolution by the deadline) to create a SmartZone, thus giving the area an economic development tool to attract high-technology industries. This could diversify the area's economic base, and attract new capital investment and new high-paying jobs.

POSITIONS:

Representatives of the Michigan Economic Development Corporation (MEDC), the City of East Lansing, and the City of Lansing all indicated support of the bill to the House Committee on Commerce. (6-1-04)

Legislative Analyst: Chris Couch

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