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Senate Bill 849 (as enrolled)
Sponsor: Senator Patricia L. Birkholz
Committee: Commerce and Labor

Date Completed: 12-8-03

RATIONALE

The Brownfield Redevelopment Financing Act allows municipalities to establish brownfield redevelopment zones and brownfield redevelopment zone authorities, which may implement brownfield plans for the redevelopment of commercial or industrial property. The Act specifies financing sources for authority activities, including the capture of tax increment revenue. A property's "captured taxable value" is the amount by which its current taxable value in a given year exceeds its initial taxable value. "Initial taxable value" means the taxable value of an eligible property identified in and subject to a brownfield plan at the time the resolution adding that eligible property in the plan is adopted, as shown by the most recent assessment roll for which equalization has been completed at the time the resolution is adopted. As a result of a recent case in Holland, Michigan, it has been suggested that, in some instances, initial taxable value should reflect the next assessment roll after property is identified in a brownfield plan.

Typically, a parcel of property will sit vacant for a long period of time before being designated as a brownfield for redevelopment. Since it has been vacant and unused, the property's initial taxable value, as reflected by the most recent assessment roll before it is included in a brownfield plan, will be at or very close to zero; this maximizes the captured taxable value after the brownfield is redeveloped. In the Holland case, however, a former candy manufacturing plant was designated as a brownfield soon after the manufacturing operation vacated the facility. At the time of the most recent tax roll before brownfield designation, the plant continued to operate and housed valuable machinery that was subject to personal property taxes. As a

result, although the facility had been emptied and had little, if any, taxable value when it was designated as a brownfield in the summer of 2003, it had significant taxable value on December 31, 2002, the date of the previous assessment roll. In instances such as this one, some people believe that the brownfield plan should be allowed to identify the initial taxable value as the value on the date of the assessment roll following the property's designation as a brownfield.

CONTENT

The bill would amend the Brownfield Redevelopment Financing Act to revise the Act's definition of "initial taxable value". The bill would refer to the taxable value of eligible property identified in a brownfield plan as shown *either* by the most recent assessment roll (as currently provided) or, if provided by the brownfield plan, by the next assessment roll for which equalization would be completed following the date the resolution adding the property in the plan was adopted.

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

Until recently, LifeSavers candies had been manufactured exclusively in Holland for 35 years. Early in 2002, however, the Kraft Foods company announced that it would close the manufacturing plant and move the operation to Canada. Holland's LifeSavers candy manufacturing operation was phased-

out over a period of about 16 months, and the abandoned manufacturing facility then was included in Holland's brownfield plan. In November 2003, part of the former LifeSavers manufacturing facility became home to a company that makes wooden pallets. Apparently, there are plans to redevelop the rest of the property to try to attract other business endeavors.

In a brownfield zone, redevelopment expenses are financed largely by the capture of taxes on the value of the property above its initial taxable value. Typically, this captured taxable value is quite large because a brownfield area usually has little if any taxable value before its redevelopment. In the case of Holland's brownfield, however, the LifeSavers facility was still at least partially operational on December 31, 2002, the date of the last tax roll before the property was designated as a brownfield, so it had significant taxable value on that date. Even though that operation had been abandoned, and manufacturing equipment removed, by the time the property was designated as a brownfield, under the Brownfield Redevelopment Financing Act's definition of "initial taxable value", the property must be considered to have a rather significant initial taxable value. This minimizes the property's captured taxable value and, in turn, the amount that may be used for redevelopment.

By allowing a property's initial taxable value to be the value shown on either the most recent tax assessment roll before its brownfield designation or, if specified in the brownfield plan, on the next tax assessment roll after brownfield designation, the bill would allow Holland's brownfield redevelopment zone authority to maximize the captured taxable value of the property. Other authorities that quickly designate and redevelop brownfields also could take advantage of this change.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

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.