



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536

BILL



ANALYSIS

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

Senate Bill 1453 (as enrolled)  
Sponsor: Senator Alan L. Cropsey  
Senate Committee: Commerce and Labor  
House Committee: Commerce

**PUBLIC ACT 430 of 2004**

Date Completed: 1-13-05

**RATIONALE**

The Michigan Renaissance Zone Act was enacted in 1996 to encourage commercial, industrial, and residential improvements in economically distressed areas in the State. The Act provides for the designation of renaissance zones in qualified local governmental units. Renaissance zones are geographic areas that are virtually tax-free for any business or resident located in or moving into one of the zones. Amendments to the Act have provided for additional renaissance zones, including zones for agricultural processing facilities, the tool and die industry, and pharmaceutical research. Another renaissance zone for a particular community was suggested.

A Swedish manufacturing firm, Electrolux AB, that has long operated a refrigerator factory in Greenville, in Montcalm County, has announced plans to close the factory and move its operations out-of-State. Electrolux has employed about 2,700 people at that facility. It was suggested that a new type of renaissance zone be established in Greenville to promote business location and job growth at an existing industrial site, in order to help the community recover from the loss of the Electrolux jobs.

**CONTENT**

**The bill amended the Michigan Renaissance Zone Act to do all of the following:**

- Increase by one the number of renaissance zones that the board of the Michigan Strategic Fund (MSF) may designate.**

- Allow the MSF board to designate one renaissance zone as a "redevelopment renaissance zone".**
- Allow the MSF board to enter into a development agreement with the local unit in which a renaissance zone will be located.**
- Prohibit a business located and conducting business activity within some renaissance zones from making a payment in lieu of taxes to any taxing jurisdiction within the local governmental unit in which the zone is located.**

Under the bill, "redevelopment renaissance zone" means a renaissance zone that contains an industrial site of 200 or more acres, and is located in a city with a population of more than 7,500 and less than 8,500 and in a county with a population of more than 60,000 and less than 70,000 (i.e., the City of Greenville in Montcalm County).

The Act allows the State Administrative Board to designate certain renaissance zones. The Act also authorizes the MSF board to designate a limited number of additional renaissance zones with the consent of the local units containing the zones. The MSF board may designate one of those additional renaissance zones as an alternative energy zone, to promote and increase research, development and manufacturing of alternative energy technology. The board also may designate one of those zones as a pharmaceutical renaissance zone, to promote and increase the research, development, and

manufacturing of pharmaceutical products by an eligible pharmaceutical company.

The bill increased from five to six the number of additional renaissance zones that the MSF board may designate. The board may designate one of those six as a redevelopment renaissance zone. A redevelopment renaissance zone must promote the development of existing industrial facilities.

The bill allows the MSF board, before it designates a renaissance zone, to enter into a development agreement with a city, township, or village in which the renaissance zone will be located.

Under the bill, businesses located and conducting business activity within certain renaissance zones may not make a payment in lieu of taxes to any taxing jurisdiction within the qualified local governmental units in which the renaissance zones are located. That prohibition applies to the following renaissance zones:

- The original nine renaissance zones in urban areas and rural areas designated by the State Administrative Board (MCL 125.2688(1)).
- Additional renaissance zones designated by the State Administrative Board in qualified local units that contain a U.S. military installation closed after 1990 (MCL 125.2688(2)).
- The up-to-nine additional renaissance zones in urban areas and rural areas designated by the State Administrative Board (MCL 125.2688a(1)).
- The up-to-20 additional renaissance zones for agricultural processing facilities designated by the State Administrative Board upon recommendation of the MSF board (MCL 125.2688c(1)).
- The up-to-20 tool and die renaissance recovery zones designated by the MSF board (MCL 125.2688d(1)).

MCL 125.2686 & 125.2688a

## **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**

In October 2003, Electrolux officials announced that the company was considering closing its refrigerator factory in Greenville, which employs about 2,700 workers, and moving its operations to South Carolina and Mexico. In January 2004, a task force of local, State, and Federal officials presented Electrolux with a package of proposed incentives to continue its Greenville operations. The proposal featured tax breaks, job training funding, and an offer to help develop a new plant in Greenville. Union members offered to change their labor agreement with Electrolux to save the company even more money. The company nevertheless decided to move forward with plans to close the Greenville factory in 2005. Later in 2004, Greenville Wire Products, a major supplier of parts for the refrigerators built at Greenville's Electrolux factory, announced it too would close its doors, resulting in the loss of about 200 more jobs in Greenville. By authorizing the MSF board to establish a redevelopment renaissance zone in Greenville to promote the development of existing industrial facilities, the bill provides an opportunity for the city to attract new businesses and replace the jobs lost by the departure of Electrolux and the closure of Greenville Wire Products.

## **Supporting Argument**

Reportedly, some of the communities in which renaissance zones had previously been established were collecting payments in lieu of taxes from businesses located in those zone. This practice undermines the aim of renaissance zones: to encourage business relocation or new business creation in distressed areas by essentially eliminating taxes. The bill prohibits payments in lieu of taxes in designated renaissance zones.

**Response:** The prohibition does not apply to the six additional renaissance zones designated by the MSF board, including the redevelopment renaissance zone authorized by the bill.

Legislative Analyst: Patrick Affholter

## **FISCAL IMPACT**

The bill likely will reduce State General Fund revenue by an unknown amount. It is unknown if the Michigan Strategic Fund board will choose to create a redevelopment renaissance zone, or if a qualified local

community will seek such a designation. If a zone is designated, the degree of revenue loss will depend on the types of economic activity occurring within the zone, as well as the degree to which the activity would have occurred without this legislation.

Based on the 2000 Federal decennial census, the only city that qualifies for a redevelopment renaissance zone designation is Greenville, in Montcalm County. The bill does not require the indicated population requirements to be those established by the 2000 Federal census, however, so it is possible that additional communities might qualify in the future, if they also create an industrial site comprising 200 or more acres. However, the bill allows the designation of only one redevelopment renaissance zone, so if Greenville receives the designation, other communities will not even if they meet the criteria.

The bill likely will increase local unit revenue, although only under the assumption that there will be greater economic activity within the zone as a result of the bill. The bill also might increase certain State tax revenue under a similar assumption. The net effect of the exemptions and these secondary effects is unknown.

The provision regarding payments in lieu of taxes will have no impact on State revenue or expenditures but might reduce local unit revenue. It is unknown how many local units are able to require taxpayers to make payments in lieu of taxes, when they are granted exemptions such as those granted to businesses within renaissance zones. The amount of such payments also is unknown.

Fiscal Analyst: David Zin

A0304\S1453ea

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.