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BILL ANALYSIS

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Senate Bill 922 (Substitute S-1 as reported)
Sponsor: Senator Ken Sikkema
Committee: Commerce and Labor

Date Completed: 1-4-06

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, with the consent of the local government. Renaissance zones are geographic areas that are virtually tax-free for any business or resident located in or moving into one of the zones. When a renaissance zone is designated, the boundaries of the zone are established and generally may not be altered. Under a 1999 amendment to the Act, local units containing renaissance zones were allowed to modify their boundaries to include contiguous parcels of property, but that provision applied only through 2002. A 2004 amendment allowed a particular local unit, before July 1, 2004, to add a parcel to a renaissance zone. It now has been suggested that two additional local units with renaissance zones also should be allowed to expand them.

CONTENT

The bill would amend the Michigan Renaissance Zone Act to allow the modification of two particular renaissance zones: one in a city located in a county with a population of more than 160,000 and less than 170,000, and one in a county of more than 61,000 and less than 64,000.

The bill specifies that, before July 1, 2006, a qualified local governmental unit in which a renaissance zone of less than 50 but more than 20 contiguous acres was designated as a renaissance zone under Section 8 or 8a of

the Act, in a city located in a county with a population of more than 160,000 and less than 170,000, could modify the boundaries of that zone to include a contiguous parcel of property as determined by the qualified local governmental unit. (This provision would apply to the City of Benton Harbor in Berrien County.)

Before July 1, 2006, a qualified local governmental unit in which a renaissance zone of more than 500 contiguous acres was designated as a renaissance zone under Section 8 or 8a of the Act, in a county with a population of more than 61,000 and less than 64,000, could modify the boundaries of that zone to include a contiguous parcel of property as determined by the qualified local governmental unit. (This provision would apply to a location outside Carson City in Montcalm County.)

In both cases, the contiguous parcels could include only property that was less than 12 acres in size. The parcels would not constitute additional distinct geographic areas under the Act. If the boundaries of the renaissance zones were modified, the additional contiguous parcels would become part of the original renaissance zones on the same terms and conditions as the rest of the property in those renaissance zones.

(Except as otherwise provided under the Act, Section 8 allows the State Administrative Board to designate up to nine renaissance zones within Michigan, with not more than six located in urban areas and not more than four in rural areas.

Section 8a allows the State Administrative Board to designate up to nine additional

renaissance zones, with not more than six located in urban areas and not more than five in rural areas. Section 8a also allows the Michigan Strategic Fund board to designate up to six additional renaissance zones, including one that may be an alternative energy zone to promote and increase the research, development, and manufacturing of alternative energy technology; one that may be a pharmaceutical renaissance zone, to promote and increase the research, development, and manufacturing of an eligible pharmaceutical company's pharmaceutical products; and one that may be a redevelopment renaissance zone to promote the redevelopment of existing industrial facilities.)

The bill also would change one of the criteria that an "eligible pharmaceutical company" must meet. Currently, of the total number of employees located in this State, the company must have at least 5,000 engaged primarily in research and development of pharmaceuticals. The bill would lower that number to 4,800.

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

Modern Plastics Corporation (MPC) is an automotive supplier that has been based in Michigan since 1937, currently operating in Benton Harbor, Coloma, and New Buffalo. Indiana reportedly has offered tax incentives to MPC to encourage the company to relocate there. According to testimony given before the Senate committee, the company would prefer to stay in Michigan, but can afford to do so only if the existing renaissance zone in Benton Harbor is expanded to include its facility there. The plant is adjacent to the Graham Avenue renaissance zone, and the bill would allow the extension of that zone to include the MPC plant. The company reportedly plans to consolidate its operations, transferring about 60 employees from another plant and hiring an additional 40 individuals from the Benton Harbor area. The bill would encourage a long-time Michigan company to remain in Michigan, rather than moving to Indiana. In

addition, the bill would help create jobs in the struggling Benton Harbor area.

The bill also would allow the expansion of the Carson City/Northshade Township renaissance zone on the border between Montcalm and Gratiot Counties. This would provide an incentive to an out-of-State company that is planning on building a new nursing home in the area, potentially creating 90 to 100 jobs. Michigan needs to encourage out-of-State companies to locate in this State in order to revive its economy, and the expanded renaissance zone could stimulate new economic growth and bring new jobs to Michigan.

Legislative Analyst: Curtis Walker

FISCAL IMPACT

The bill would reduce State and local property tax revenue and would increase School Aid Fund expenditures by an unknown amount. The actual amount would depend upon the specific characteristics of the property affected by the bill and the amount of property included in the expanded renaissance zones. Under current law, property inside a renaissance zone is exempt from local property taxes and the State education tax, and individuals and businesses that reside in the zone are exempt from the single business tax and individual income taxes. Current law also requires the State to reimburse many of the property taxes lost as a result of any exemptions under the Act, including revenue to intermediate school districts, local school districts, community colleges, public libraries, and the State School Aid Fund.

This analysis is preliminary and will be revised as new information becomes available.

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.