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BILL ANALYSIS

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Senate Bill 1148 (as enrolled)
Sponsor: Senator Tony Stamas
Senate Committee: Commerce and Labor
House Committee: Commerce

PUBLIC ACT 476 of 2006

Date Completed: 1-4-07

CONTENT

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

- **Authorize the board of the Michigan Strategic Fund to designate two additional redevelopment renaissance zones by April 1, 2007, and one additional redevelopment renaissance zone by April 1, 2008.**
- **Allow the board to enter into a development agreement with the owner or developer of the facility or property in a renaissance zone.**
- **Require a redevelopment renaissance zone to promote either the redevelopment of existing industrial facilities or the development of property for industrial purposes.**
- **Permit the development agreement for the two additional redevelopment renaissance zones to be designated by April 1, 2007, to provide for the payment of taxes.**
- **Expand the purposes for which an alternative energy zone may be established.**

The bill's effective date is December 21, 2006.

Additional Zones/Development Agreement

Under the Act, the State Administrative Board may designate a number of renaissance zones, and the Michigan Strategic Fund (MSF) board is authorized to designate additional renaissance zones. The bill increased the maximum number of additional renaissance zones from 10 to 13. The Act allows the MSF board, before designating a renaissance zone, to enter into

a development agreement with the city, township, or village in which the renaissance zone will be located. Under the bill, the board also may enter into a development agreement with the owner or developer of the facility or property located in the zone.

Previously, of the 10 additional renaissance zones, the MSF board could designate up to five as redevelopment renaissance zones, which were required to promote the redevelopment of existing industrial facilities. Under the bill, the board may designate up to eight of the 13 additional zones as redevelopment renaissance zones, which must promote either the redevelopment of existing industrial facilities or the development of property for industrial purposes. Two of the additional redevelopment renaissance zones must be designated by April 1, 2007, and one must be designated by April 1, 2008.

The Act requires each redevelopment renaissance zone to be located in a city and county meeting certain population criteria, and to contain an industrial site that is a specified number of acres or more. Under the bill, a redevelopment renaissance zone must contain "only all or a portion" of an industrial site meeting the acreage requirement.

One of the additional redevelopment renaissance zones to be designated by April 1, 2007, must meet the following criteria:

- Be located in a city with a population over 190,000 and under 250,000, and in a county with a population over 573,000 and under 625,000.

- Contain only all or a portion of an industrial site of more than 14 acres and less than 16 acres in size.

The other additional redevelopment renaissance zone to be designated by April 1, 2007, must meet the following criteria:

- Be located in a city with a population over 35,500 and under 36,800, and in a county with a population over 157,000 and under 162,000.
- Contain only all or a portion of an industrial site consisting of one or more adjacent parcels totaling five or more acres.

The additional redevelopment renaissance zone to be designated by April 1, 2008, must meet the following criteria:

- Be located in a city with a population over 40,000 and under 44,000, and in a county with a population over 81,000 and under 87,000.
- Contain only all or a portion of an industrial site consisting of one or more adjacent parcels totaling 100 or more acres.

Payment of Taxes

Under Section 9 of the Act, an individual residing in a renaissance zone or a business located and conducting business activity in a zone is eligible for exemptions, deductions, and credits under specified statutes, including the Income Tax Act, the Single Business Tax Act, the City Income Tax Act, the General Property Tax Act, and various statutes providing for specific taxes in lieu of the ad valorem property tax. Under the bill, the development agreement for the two additional redevelopment renaissance zones to be designated by April 1, 2007, may provide for the payment of one or more of the taxes described in Section 9.

Alternative Energy Zone

Under the Act, not more than one of the additional renaissance zones designated by the MSF board may be an alternative energy zone. The Act previously required an alternative energy zone to promote and increase the research, development, and manufacturing of alternative energy technology as defined in the Michigan Next Energy Authority Act (MCL 207.822). Under the bill, an alternative energy zone must promote and increase the research, development, testing, and manufacturing of alternative energy technology, alternative

energy systems, and alternative energy vehicles as defined in that Act.

MCL 125.2688a

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill will reduce State and local property tax revenue and increase School Aid Fund expenditures by an unknown amount. The actual amount will depend upon the specific characteristics of the property affected by the bill and the amount of property included in the additional renaissance zones. Under the law, property inside a renaissance zone is exempt from local property taxes and the State education tax, and individuals or businesses that reside in the zone are exempt from the single business tax and individual income taxes. The 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.

Under the bill, for some of the newly added redevelopment zones, the development agreement may provide for the payment of taxes specified in Section 9. While this provision might reduce the fiscal impact of the bill from what it would be otherwise, the bill still represents a loss of revenue. To the extent that an agreement specifies payment of the 18 mills levied for school operating purposes, the bill will not increase School Aid Fund expenditures. Similarly, to the extent that any taxes required to be reimbursed under the Act are paid under an agreement, the bill will not increase those reimbursement expenses.

The language defining the additional redevelopment renaissance zones allows zones to be created within Kent County, Midland County, and Jackson County. The impact of any redevelopment renaissance zone (assuming one is approved by the board of the Michigan Strategic Fund) will depend upon the specific characteristics of the property located in the zone.

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.