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BILL ANALYSIS

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Senate Bill 1148 (Substitute S-2)
Sponsor: Senator Tony Stamas
Committee: Commerce and Labor

Date Completed: 11-28-06

CONTENT

The bill would amend 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.**
-- **Allow the board to enter into a development agreement with the owner of the facility or property in a renaissance zone.**
-- **Permit the development agreement for the additional redevelopment renaissance zones to provide for the payment of taxes.**

Under the Act, the State Administrative Board may designate a number of renaissance zones, and the Michigan Strategic Fund (MSF) board may designate up to 10 additional renaissance zones. The bill would increase the maximum number of additional renaissance zones to 12. 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 could enter into a development agreement with the owner of the facility or property located in the zone.

Currently, of the 10 additional renaissance zones, the MSF board may designate up to five as redevelopment renaissance zones, which must promote the redevelopment of existing industrial facilities. Under the bill, the board could designate seven of the 12 additional zones as redevelopment renaissance zones. The two additional redevelopment renaissance zones would have to be designated by April 1, 2007.

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 would have to contain "only all or a portion" of an industrial site meeting the acreage requirement.

One of the additional redevelopment renaissance zones allowed by the bill would have to 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 would have to 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.

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 could provide for the payment of one or more of the taxes described in Section 9.

MCL 125.2688a Legislative Analyst: Suzanne Lowe

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 additional renaissance zones. Under current 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. 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.

The bill does provide that for the additional locations added by the bill, the development agreement could provide for the payment of taxes specified in Section 9. While this provision could reduce the fiscal impact of the bill from what it would be otherwise, the bill still would represent a loss of revenue. To the extent that an agreement specifies payment of the 18 mills levied for school operating purposes, the bill would not increase School Aid Fund expenditures. Similarly, to the extent that any taxes required to be reimbursed under the Act were paid under an agreement, the bill would not increase those reimbursement expenses.

The additional language defining the proposed redevelopment renaissance zones would allow zones to be created within Kent County and possibly Jackson County. The bill does not identify the date upon which population would be measured. During the 2000 Census, Jackson County's population met the criteria in proposed subsection 6(b)(vii) (the second category described above). However, according to Bureau of the Census estimates for county populations on April 1, 2005, Jackson County's population totaled 163,629--more than the maximum 162,000 allowed by the bill. As a result, if populations for 2005 or later were used to determine eligibility, no local units would currently qualify under that section. The impact of any redevelopment renaissance zone (assuming one was approved by the board of the Michigan Strategic Fund) would depend upon the specific characteristics of the property located in the zone.

Fiscal Analyst: David Zin