

## AEROTROPOLIS DEVELOPMENT

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### House Bill 6502

Sponsor: Rep. Alma Wheeler Smith

### House Bill 6505

Sponsor: Rep. Gabe Leland

### House Bill 6503

Sponsor: Rep. Pam Byrnes

### House Bills 6506 & 6510

Sponsor: Rep. Dave Hildenbrand

### House Bill 6504

Sponsor: Rep. Hoon-Yung Hopgood

### House Bills 6507-6509 & 6511

Sponsor: Rep. Ed Clemente

Committee: New Economy and Quality of Life

Complete to 11-5-08

## A SUMMARY OF HOUSE BILLS 6502-6511 AS INTRODUCED 9-24-08

The bills amend various acts to:

- Authorize certain local units of government located adjacent to or within three miles of a qualified airport to form an **aerotropolis development corporation** with the aim of attracting "aerotropolis businesses" to the area. No more than one such corporation could be formed within 15 miles of a qualified airport. These businesses would be air-commerce linked businesses, supply chain businesses, or other businesses that need to be near an airport for business purposes. The corporation could be formed under the Urban Cooperation Act, the Metropolitan Councils Act, or Public Act 35 of 1951 governing intergovernmental contracts between municipal corporations.
- A **qualified airport** would be an airport with one million or more enplanements annually or an airport owned or operated by a public airport authority that owns or operates an airport with one million or more enplanements annually. This would not include military airports. (The package is understood to apply to Detroit Metropolitan Airport and Willow Run airport.)
- Allow the Michigan Strategic Fund to designate up to 15 **aerotropolis development zones** within the boundaries of and with the consent of an aerotropolis development corporation. These would be a **new kind of tax-free renaissance zone** with a duration of up to 10 years. Businesses in renaissance zones are exempt from the Michigan business tax (MBT), the six-mill state education tax, local real and personal property taxes, specific taxes levied in lieu of property taxes, and (in Detroit) the utility users tax, as well as state and city income taxes.
- Make aerotropolis development zones eligible for tax increment financing.

- Make qualified aerotropolis businesses eligible to receive PA 198 property tax abatements.
- Permit qualified businesses to receive a property tax exemption for all new personal property owned or leased by the business.
- Allow aerotropolis businesses to be eligible for Michigan Business Tax (MBT) credits under the Michigan Economic Growth Authority Act.

The bills are tie-barred so that none could go into effect unless all are enacted into law.

A brief description of the package of bills follows.

House Bills 6502, 6506, and 6507 would each amend the Michigan Renaissance Zone Act (MCL 125.2681 et al.). These bills allow for the creation of the aerotropolis development corporations and the designation of development zones, which would be a new kind of renaissance zone. Firms in renaissance zones are exempt from virtually all state and local taxes.

House Bill 6503 and House Bills 6508-6510 would each amend the Local Development Financing Act (MCL 125.2152 et al), and act that creates a kind of tax increment financing authority. The bills would allow an aerotropolis development corporation to form a local development financing authority (and the board of the corporation would be the board of the authority). Such an authority can undertake public improvements and other projects through the issuance of revenue bonds financed, in part, by the capturing of increases in tax revenues within the territory under the authority's jurisdiction.

House Bill 6504 would amend the Plant Rehabilitation and Industrial Development Act (MCL 207.552 et al.), also known as PA 198, so that businesses identified by an aerotropolis development corporation would be eligible for property tax abatements. PA 198 abatements, generally speaking, result in firms being taxed at roughly one-half the normal property tax rate or based on the value of property prior to rehabilitation, depending on the kind of facility involved. The development corporation would perform the role under PA 198 that is typically performed by a local unit of government, but could not establish more than four plant rehabilitation districts and four industrial development districts per year within a city, village, or township without the approval of that city, village, or township.

House Bill 6505 would amend the General Property Tax Act (MCL 211.9f) to allow the board of a development corporation to exempt by resolution all new personal property owned by an eligible business. A corporation could only grant up to two exemptions annually and could not grant an exemption to a business other than a qualified aerotropolis without the prior written approval of the local assessing district in which the corporation was located. The exemption would be subject to approval by the State Treasurer and the president of the Michigan Strategic Fund.

House Bill 6511 would amend the Michigan Economic Growth Authority Act (MCL 207.803 et al.) to include aerotropolis businesses as eligible businesses for the Michigan Business Tax credits that can be awarded by MEGA.

Additional information on some of the bills follows.

### **Michigan Renaissance Zone Act**

House Bill 6507 would amend this act to allow two or more local government units to form an aerotropolis development corporation.

Purpose and location. The purpose of an aerotropolis development corporation would be to attract qualified aerotropolis businesses to the territory. The corporation could be formed under the Urban Cooperation Act, the Metropolitan Councils Act, or Public Act 35 of 1951 governing intergovernmental contracts between municipal corporations. The area of an aerotropolis development corporation would be composed of the area within the boundaries of the cities, villages, and townships that were constituent members of the corporation. Not more than one aerotropolis development corporation could be created within 15 miles of a qualified airport. Further, the county within which the qualified airport was located would be a constituent member of the corporation.

Under the bill, the board of the Michigan Strategic Fund could designate up to 15 aerotropolis development zones within the boundaries of an aerotropolis development corporation, upon application by and with the consent of the corporation. The corporation would recommend to the Michigan Strategic Fund which areas to designate as zones. An aerotropolis development zone would have renaissance zone status for not less than five years and not more than 10 years, as determined by the Strategic Fund board.

Application and eligibility. The bill requires the president of the Strategic Fund and the aerotropolis development corporation to jointly develop an application process for prospective qualified aerotropolis businesses. Then, an aerotropolis development corporation would make business certification recommendations to the president of the Michigan Strategic Fund, and the president could so certify the businesses as qualified. (If an application were denied, an appeal could be lodged with the Strategic Fund board. If the board failed to act within 45 days, the appeal would be considered to be denied.) A business would not be certified unless it opened a new location in Michigan, located in Michigan, or expanded in Michigan. A business would not be certified if the expansion or location would have the effect of transferring employment from one or more cities, villages, or townships in Michigan, unless the legislative body of the local unit of government losing employment consented, by resolution, to the transfer.

The president of the Michigan Strategic Fund could modify an existing aerotropolis development zone to add property (at the request of a development corporation, and under the same terms and conditions as in the existing development zone), under certain conditions noted in the law. Further, a development corporation could revoke the

designation of all or a portion of a development zone under certain conditions specified in the law, including failure to meet jobs and investment criteria set forth in the application. Revocations could be appealed to and restored by the president of the Michigan Strategic Fund.

Extension and effective dates. The president of the Strategic Fund could, at the request of an aerotropolis development corporation, extend the duration of renaissance zone status for one or more portions of an aerotropolis development if the extension would increase capital investment or job creation, and the aerotropolis development corporation, together with the local unit of government, consented. The extension could not exceed five years.

The designation of an aerotropolis development zone would take effect on January 1, in the year following designation. (However, for the purposes of the tax exemption granted under the act, the designation would take place December 31).

Open meetings and freedom of information. The business of an aerotropolis development corporation would be conducted at public meetings held in compliance with the Open Meetings Act, and public notice would have to be given of all meetings. The corporation would also be subject to the Freedom of Information Act, except for documents related to confidential financial or proprietary information of a business applicant. (A designee of the corporation would make this determination, and a written statement would have to be released to note that decision.) The bill defines "financial or proprietary information" to mean information that has not been publicly disseminated or is unavailable from other sources, the release of which might cause the applicant significant competitive harm. Financial or proprietary information would not include a written agreement under the act itself.

House Bill 6506 would allow for the creation of aerotropolis development zones. The bill specifies that in an aerotropolis development zone, only property that is owned or leased by qualified aerotropolis businesses, and only business activities conducted in the zone by qualified aerotropolis businesses, are eligible for the act's exemptions, deduction, and credits.

House Bill 6502 would provide definitions of terms related to aerotropolis development zones. One key definition is of the term "qualified aerotropolis business," which would mean an air-commerce linked business, supply chain business, or a business needing to be physically located near an airport for business purposes, that had been approved by the aerotropolis development corporation and certified by the president of the Michigan Strategic Fund. The bill also defines a "supply chain business." A qualified aerotropolis business could not include a casino, retail establishment, professional sports stadium, or that portion of a qualified aerotropolis business used exclusively for retail sales.

## **PA 198 Abatements**

House Bill 6504 would amend Public Act 198 of 1974, which allows local governments to create plant rehabilitation and industrial development districts, in order to make businesses identified by aerotropolis development corporations eligible for tax abatements (through industrial facilities exemption certificates).

Under the bill, an aerotropolis development corporation could not establish more than four plant rehabilitation districts and four industrial development districts each year. Neither could the corporation approve any application for an industrial facilities exemption certificate for industrial property except a qualified aerotropolis business within the boundaries of any city, village, or township without the prior written approval of the city, village, or township.

The bill also specifies that an aerotropolis development corporation could not establish a plant rehabilitation district or an industrial development district, and could not approve an industrial facilities exemption application for a qualified aerotropolis business, without the prior written approval of the State Treasurer and the president of the Michigan Strategic Fund. The State Treasurer and the president of the Michigan Strategic Fund would be required to consider the number of jobs and the amount of the wages for those jobs, as well as whether:

- The facility had the ability to be located outside of Michigan.
- The facility being located in Michigan would be a net benefit for the state.
- The operation of the facility would have a negative effect on employment in other areas of Michigan.
- The facility would likely locate in Michigan without the incentive.
- The use of the incentive put other portions of Michigan at an unfair competitive disadvantage.

## **General Property Tax Act**

House Bill 6505 would allow the board of an aerotropolis development corporation to exempt by resolution all new personal property owned by an eligible business. A corporation could only grant up to two exemptions annually and could not grant an exemption to a business other than a qualified aerotropolis without the prior written approval of the local assessing district in which the corporation was located. The exemption would be subject to approval by the State Treasurer and the president of the Michigan Strategic Fund.

Under the bill, the recording officer of an aerotropolis development corporation would be required to notify, in writing, the assessor of the local tax collection unit. Before acting on the resolution, the aerotropolis development corporation would be required to afford the assessor and a representative of the affected taxing units an opportunity for a hearing.

A copy of the resolution noting a tax exemption would have to be filed with the State Tax Commission, and also with the State Treasurer, the president of the Michigan Strategic Fund, and the clerk of the eligible local assessing district.

Not more than 60 days after receipt of the resolution adopted by the board of an aerotropolis development corporation, the State Treasurer and the president of the Strategic Fund would have to approve or disapprove the resolution. In determining whether to approve or disapprove it, they would have to consider all of the same criteria noted above, under House Bill 6504.

### **Local Development Financing Act**

House Bill 6503 would extend local development financing to aerotropolis development areas.

The bill specifies that an aerotropolis development corporation could establish only one authority under the provisions of the act. An authority would exercise its powers within its district and in all aerotropolis development areas. The district in which the authority could exercise its powers would include all or part of the territory of an aerotropolis development corporation, as determined by the governing body of that corporation.

The bill describes the operating protocols with which an aerotropolis development corporation must comply, including the responsibility to give notice in local newspapers whose circulation covers the municipalities that are constituent members of the corporation, and specifying that notice would *not* have to be mailed to the property taxpayers of record in the proposed authority district.

The bill specifies that the governing body of an aerotropolis development corporation would be the governing body of the authority.

Under the bill, a tax jurisdiction with millage that would otherwise be subject to capture, but which is not a party to the intergovernmental agreement, may exempt its taxes from capture by adopting a resolution to that effect, and filing a copy not more than 60 days after the public hearing, with the recording officer of the aerotropolis development corporation.

The corporation must mail notice of the public hearing to the governing body of each taxing jurisdiction which was not a party to the intergovernmental agreement not less than 20 days before the hearing. Following the public hearing, the governing body of the corporation would adopt a resolution designating the boundaries of the authority district within which the authority would exercise its powers, which could include any certified technology park within the proposed authority district, and could include property adjacent to or within 500 feet of a road classified as an arterial or collector (according to the federal highway administration), or of another road in the discretion of the corporation, and property adjacent to that property within the territory of the corporation, as provided in the resolution.



The resolution designating the boundaries would be effective when adopted, and would have to be filed with the Secretary of State promptly after its adoption. It would then have to be published at least once in a newspaper of general circulation in the territory of the aerotropolis development corporation.

If a designated aerotropolis authority district included a certified technology park which was already within the district of yet another authority and subject to an existing development plan or tax increment financing plan, then that certified technology park, as of the effective date of the resolution, would be under the jurisdiction of the aerotropolis authority (assuming it had been included in the resolution). Inclusion in the new aerotropolis district would signal the transfer of all assets and obligations. In this circumstance, the initial assessed value of the certified technology park before the transfer would remain the assessed value following the transfer.

House Bill 6508 would amend the definitions section of the act to account for aerotropolis development areas. It expands the definition of "tax increment revenues" to include the captured assessed value of eligible property within the district, or for purposes of a certified technology park *or an aerotropolis development area*, subject to certain requirements. It further allows the use of tax increment revenues for, among other things, funding the cost of public facilities related to or for the benefit of eligible property located within an aerotropolis development area (to the extent that the public facilities had been included in a development plan), not to exceed 50 percent (as determined by the president of the Michigan Strategic Fund) of the amounts levied by the state under the State Education Tax Act, and local and intermediate school districts, for a period not to exceed 15 years, if the president determined that the capture was necessary to reduce unemployment, promote economic growth, and increase capital investment in the authority district.

House Bill 6509 would require an aerotropolis development corporation to notify the Michigan Economic Development Corporation of the designation of development areas, and it requires the MEDC to market the aerotropolis development areas.

The bill would allow an aerotropolis development corporation to set a sale price or rental value at less than fair market value or at below market rates, if its members determined that would assist in increasing employment or private investment in an aerotropolis development area.

Under the bill, a participating municipality could, by a majority vote of its governing body, make a limited tax pledge to support the authority's tax increment bonds, if the members were authorized by their voters to do so, and could pledge the full faith and credit for the payment of the principal and interest on the bonds. The municipalities making such a pledge to support the authority's tax increment bonds would approve, by resolution, an agreement among themselves to establish the obligations each had to the other parties for reimbursement of all or any portion of a payment made by a municipality related to its pledge.

House Bill 6510 would specify that a tax increment finance plan submitted by an aerotropolis development corporation acting as an authority would *not* need to be approved by the governing body of each municipality in which the authority district was located. (Currently under the law, a tax increment financing plan is not considered approved unless each governing body in which a TIFA district is located makes certain determinations, and approves the same plan, including the modifications made to the plan by any other governing body.)

**FISCAL IMPACT:**

The fiscal impact of this package depends on the change in economic activity and the taxes associated with the economic activity.

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