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BILL



ANALYSIS

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House Bill 4723 (Substitute H-2 as reported without amendment)
Sponsor: Representative John Espinoza
House Committee: Commerce
Senate Committee: Transportation

Date Completed: 2-2-10

RATIONALE

The Michigan Department of Transportation (MDOT) is planning to expand the Blue Water Bridge plaza at the international crossing in Port Huron. Under the Selected Alternative approved by MDOT in May 2009, the existing plaza, which is elevated above Pine Grove Avenue, will be lowered to street level and expanded to accommodate larger traffic volume, reduce delays, and improve security. The new plaza will occupy 56 acres in the middle of the city, and will displace an estimated 125 residences and 30 businesses. In addition, a new International Welcome Center and other improvements will be added in Port Huron Township. Community leaders and others are concerned about the economic impact that the construction project will have on the city and the surrounding area. To help ease that impact and spur economic growth around the plaza, it has been suggested that the State should provide tax incentives to businesses related to the international border crossing.

CONTENT

The bill would amend the Michigan Renaissance Zone Act to authorize the Michigan Strategic Fund (MSF) board to designate up to 25 additional renaissance zones for border crossing facilities within the State in qualified border local governmental units, if the city or township or combination of cities and townships consented to the creation of a renaissance zone.

"Border crossing facility" would mean a business that meets one or more of the

following as determined by a vote of the MSF board:

- Was located in a qualified border local governmental unit and was displaced or otherwise negatively affected by the development of the international border crossing and is unable to recover from the displacement or negative effect without the establishment of a renaissance zone.
- Is associated with international trade, shipping, or freight hauling, including customs brokers, distribution centers, and truck supply and repair.

"Qualified border local governmental unit" would mean a city with a population of more than 30,000 and less than 36,000 that contains an international border crossing, or a township that adjoins such a city. (Port Huron is the only city that meets those criteria, according to data from the U.S. Census Bureau. Fort Gratiot and Port Huron townships adjoin the city.)

Each border crossing facility renaissance zone would have to be one continuous distinct geographic area.

A renaissance zone for a border crossing facility would have renaissance zone status for 15 years. The MSF board could revoke the designation of all or a portion of a border crossing facility renaissance zone if it determined that the border crossing facility failed to commence operation, ceased operation, or failed to commence construction or renovation within one year

from the date the renaissance zone was designated.

When designating a border crossing facility renaissance zone, the MSF board would have to consider all of the following:

- The economic impact on local suppliers who supply raw materials, goods, and services to the border crossing facility.
- The creation of jobs relative to the community's employment base, rather than the static number of jobs created.
- The viability of the project.
- The economic impact on the community in which the border crossing facility is located.

The board would have to require a development agreement between the MSF and the border crossing facility that included all of the following:

- A requirement that the facility comply with all State and local laws.
- A requirement that the border crossing facility report certain information annually to the MSF.
- Any other conditions or requirements reasonably required by the MSF.

The annual report to the MSF would have to include the amount of capital investment made at the facility, the number of individuals employed at the facility at the beginning and end of the reporting period and the number of individuals transferred to the facility from another facility owned by the border crossing facility, and the percentage of raw materials purchased in the State.

MCL 125.2683 et al.

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

The planned expansion of the international border plaza in the City of Port Huron will displace a number of businesses in the heart of the city and will physically divide the city in two, making commerce more difficult in a city already struggling with high unemployment and a shrinking population. Without some incentive to stay, displaced business owners might be forced to leave

the area, further weakening the economy. The bill would help to prevent that decline, encouraging existing businesses to remain in the area and creating an attractive business environment to bring new firms to the city or surrounding townships.

In particular, the bill would focus on attracting businesses related to shipping, freight hauling, or other industries that would capitalize on the region's proximity to the border. These industries already offer possibilities for economic growth in the area. A study commissioned by the St. Clair County Metropolitan Planning Commission and the Blue Water Chamber of Commerce found that the border expansion could create opportunities for up to 38 new businesses and 993 new jobs in the area. The bill would enhance that growth, by allowing the MSF board to designate up to 25 renaissance zones for businesses in industries related to the border crossing, exempting them from nearly all property and business taxes. Renaissance zones have been successful in encouraging business development in other parts of the State, and could be beneficial in the Port Huron area as well.

Legislative Analyst: Curtis Walker

FISCAL IMPACT

The bill would reduce State and local 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 and businesses that reside in the zone are exempt from the Michigan 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 School Aid Fund.

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.