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BILL



ANALYSIS

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Senate Bill 398 (as enacted)
House Bill 4783 (as enacted)
Sponsor: Senator Tom Casperson (S.B. 398)
Representative John Kivela (H.B. 4783)
Senate Committee: Economic Development
House Committee: Commerce

PUBLIC ACT 446 of 2014
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Date Completed: 1-27-15

RATIONALE

The Next Michigan Development Act was signed into law in 2010 and amended in 2013. It provides for the designation of Next Michigan Development Corporations (NMDCs) consisting of multiple local units of government or a large urban entity, in order to promote the development of eligible businesses that are engaged in, support, or rely on multimodal commerce (the movement of products or services via two of the following: air, road, rail, or water). The Act originally authorized five NMDCs and the 2013 amendment authorized a sixth, but none is in the State's largest city. It was suggested that the Next Michigan Development Act should allow the designation of a seventh NMDC and give Detroit priority for its location.

CONTENT

The bills amended the Next Michigan Development Act to authorize the designation of a seventh Next Michigan Development Corporation and give preference to a particular "eligible urban entity".

The Act allows an "eligible act 7 entity" or "eligible urban entity" to apply to the Michigan Strategic Fund (MSF) board for designation as a Next Michigan Development Corporation. The Act defines "eligible act 7 entity" as a separate legal and administrative entity formed by interlocal agreement under the Urban Cooperation Act among two or more local governmental units, including at least one county and at least one qualified local government unit under the Obsolete Property Rehabilitation Act, for the purpose of jointly exercising economic development powers and attracting business. "Eligible urban entity" means a city with a population of 100,000 or more that is the largest city within a metropolitan statistical area as defined by the U.S. Office of Management and Budget.

The bills took effect on January 2, 2015

House Bill 4783

The Act allows the MSF board, upon the filing of an application by an eligible act 7 entity or eligible urban entity, to designate the applicant as an NMDC. The MSF board had been limited to designating not more than six such development corporations.

The bill allows the board to designate up to seven Next Michigan Development Corporations.

Senate Bill 398

The Act requires the MSF, in determining whether to designate an NMDC, to give preference to an eligible act 7 entity made up of at least two contiguous counties that have a combined population of more than 103,000 but less than 106,000 according to the most recent decennial census, and the population of the largest city of one of those counties when combined with the

largest city of the other county, is more than 32,500 but less than 35,500. (These criteria describe Marquette and Delta Counties, and the Cities of Marquette and Escanaba, in Michigan's Upper Peninsula, and were added by Public Act 239 of 2013.)

The bill also requires the MSF, in determining whether to designate an NMDC, to give preference to an eligible urban entity that is the largest city in a county with a population of at least 1.5 million. (These criteria describe the City of Detroit.)

MCL 125.2955 (S.B. 397)

125.2954 (S.B. 398)

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 concept of promoting economic development centered around multimodal transportation commerce is a relatively new venture in Michigan. The 2010 Act that authorized NMDCs allowed the designation of a maximum of five such entities, and all five were established. Four are in southern Michigan and one is in the northern Lower Peninsula, in Traverse City. Public Acts 238 and 239 of 2013 authorized an additional NMDC in the Upper Peninsula. The NMDCs can use various tax-break statutes to promote logistics-type businesses around transportation centers. This might include, for example, a package delivery company's sorting facility, where packages are flown in to a central location, sorted for delivery, and then flown out to regional distribution centers.

While there are several NMDCs in the southern part of the State, none had been authorized for location in Detroit, although the Governor and other leaders consider the economic redevelopment of Detroit a priority for the State. While the city's economic outlook has improved in the last year or so, Detroit continues to face challenges in competing for business opportunities. An area of Detroit's east side is primed for economic development, possibly including some automobile-related manufacturing facilities. The area is close to Coleman A. Young International Airport (formerly known as Detroit City Airport), railroad lines, interstate highways, international crossings, and the Detroit-Wayne County Port Authority, so it is consistent with the multimodal commerce concept of the NMDC program. Authorizing an NMDC in Detroit represents continued investment by the State in its largest city and will allow Detroit to compete with other locations, particularly in the southern U.S. and Mexico, for the development of manufacturing facilities and trade ventures.

Opposing Argument

Economic development efforts in Michigan that are based on tax incentives should not be expanded. Quasi-public entities such as NMDCs are not sufficiently accountable to the public or the electorate, and they should not be empowered to manage public funds or dole out deals to specific businesses.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The authorization of an additional Next Michigan Development Corporation will reduce State and local revenue by an indeterminate amount. Businesses locating in the new NMDC will be eligible for property tax abatements and, subject to designation by the MSF, possible renaissance zone reductions of State and local taxes. The amount of General Fund revenue foregone depends on the amount of economic activity and whether it would have occurred without the incentives. The State is required to reimburse school districts for revenue lost due to development in an NMDC, which will increase spending from the School Aid Fund.

Five NMDCs have been designated. The NMDCs previously authorized under the Next Michigan Development Act are Grand Traverse, the I-69 International Trade Corridor, the Port Lansing

Global Logistics Center, the Vantageport Detroit Regional Aerotropolis, and the West Michigan Economic Partnership. Although Public Act 238 of 2013 authorized a sixth NMDC in the Upper Peninsula Counties of Marquette and Delta, the Michigan Strategic Fund has indicated that no application for that NMDC has been received to date.

The MSF will have increased administrative costs of an unknown amount to review and promote the additional NMDC. These costs likely will be absorbed within existing resources.

Fiscal Analyst: Elizabeth Pratt

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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.