

## SMART ZONES

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<http://www.house.mi.gov/hfa>

**House Bill 4226 as introduced**  
**Sponsor: Rep. Daniela R. Garcia**  
**Committee: Commerce and Trade**  
**Complete to 5-4-15**

Analysis available at  
<http://www.legislature.mi.gov>

## SUMMARY:

Public Act 104 of 2008 amended the Local Development Financing Act to allow a municipality with a local development finance authority in which a certified technology park, or SmartZone, has been designated, to enter into an agreement with another LDFA that does not contain a technology park to designate a distinct geographic area within the second authority as a technology park.

Generally speaking, this allows an LDFA without a designated Smart Zone to have a Smart Zone by piggybacking on a SmartZone in another community. The intent apparently is that the new Smart Zone territory would not count toward the total number of zones permitted under the statute, but would instead count as part of the "home" Smart Zone.

Under Public Act 104, the State Treasurer cannot approve the capture of the State Education Tax and of local and intermediate school operating taxes for more than three such distinct geographic areas.

House Bill 4226 would (1) increase from three to nine the number of the distinct geographic areas for which the State Treasurer could approve tax capture; and (2) set a deadline of December 31, 2015, by which a municipality could enter into such an agreement.

The Local Development Financing Act allows for the creation of certified technology parks, or SmartZones, which are a kind of high-technology tax increment finance project, whereby the zones can capture the growth in property taxes ("tax increments") in a geographical area, with the revenue to be used for a variety of purposes, including infrastructure construction, property purchases, marketing and promotion, and creating high-technology support facilities, among other things. There are 15 such zones in the state. For technology parks created since 2002, the state must reimburse school districts and the State School Aid Fund for lost tax revenue.

Under PA 104, the authority making the designation of a technology park in another LDFA must consider (1) the advantages of the unique characteristics and specialties offered by the public and private resources available in the distinct geographic area, (2) the benefits to regional cooperation and collaboration, and (3) whether designating the additional distinct geographic area adds value to the mission of the designated certified technology park.

## **BACKGROUND INFORMATION:**

The Michigan Economic Development Corporation (MEDC) has described Michigan SmartZones as collaborations between universities, industry, research organizations, government, and other community institutions intended to stimulate the growth of technology-based businesses and jobs by aiding in the creation of recognized clusters of new and emerging businesses, those primarily focused on commercializing ideas, patents, and other opportunities surrounding corporate, university or private research institute R&D efforts.

The MEDC website has a SmartZone fact sheet and a map of the existing zones at:

<http://www.michiganbusiness.org/cm/files/fact-sheets/mismartzonefactsheet.pdf>

## **FISCAL IMPACT:**

By essentially increasing the number of certified technology parks, the bill would increase state expenditures to the extent the state must reimburse local and intermediate school districts and the State School Aid Fund for lost revenue captured by the technology parks. Other kinds of local government units are not reimbursed for lost revenue. A precise fiscal impact cannot be determined because the number of areas and the taxable value growth within those areas is not known.

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