

INCLUDE "NEIGHBORHOOD AND COMMERCIAL CORRIDOR FOOD INITIATIVE" IN COMMUNITY REVITALIZATION PROGRAM

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House Bill 4207 (reported from committee as H-2)

Sponsor: Rep. Andy Schor

Committee: Commerce and Trade

Complete to 5-4-17

(Enacted as Public Act 239 of 2017)

BRIEF SUMMARY: House Bill 4207 would amend the Michigan Strategic Fund Act (MCL 125.2090a, b) to expand the definition of "eligible property" for Community Revitalization Program (CRP) incentives so as to include property used for a **neighborhood and commercial corridor food initiative**, and to require that at least 5% of community revitalization incentives be awarded to these initiatives. A neighborhood and commercial corridor food initiative, generally, is a retail food outlet in a specific area that sells unprocessed meat, fresh produce, and dairy products (full definition below). The bill would include a sunset of September 30, 2022.

FISCAL IMPACT: House Bill 4207 would have no fiscal impact on state or local government. The provisions of the bill would authorize "neighborhood and commercial corridor food initiative" as an additional defined use of the funds appropriated for the Community Revitalization Program.

THE APPARENT PROBLEM:

The United States Department of Agriculture (USDA) provides food access data for census tracts across the country.¹ According to the USDA, many parts of Michigan, including its major cities as well as rural areas in the northern Lower Peninsula and in the Upper Peninsula, are categorized as "low income and low access" (meaning low income census tracts that have low access, as measured by number of miles to the nearest supermarket).

THE CONTENT OF THE BILL:

The Michigan Community Revitalization Program is administered by the Michigan Strategic Fund (MSF) in partnership with the Michigan Economic Development Corporation (MEDC). Eligible properties on which eligible investments are made qualify to apply for Community Revitalization Incentives that include grants, loans, or other economic assistance.

Currently, "eligible property" includes any of the following:

- Contaminated property.
- Blighted property.
- Functionally obsolete property.
- Property that is a historic resource.

¹ <https://www.ers.usda.gov/data-products/food-access-research-atlas/go-to-the-atlas/>

- Property adjacent or contiguous to one of the above, if the development of the adjacent or contiguous parcel is estimated to increase the taxable value of the property described above.
- Any other property as determined by the MSF board if the development of the property will promote community revitalization.

HB 4207 would add property that "through September 30, 2022, is used for a neighborhood and commercial corridor food initiative" to the above list, and would define "neighborhood and commercial corridor food initiative" as:

". . . property that will be used primarily as a retail supermarket, grocery store, produce market, or delicatessen that is located in a downtown area or in a development area as defined in section 2 of the Corridor Improvement Authority Act, 2005 PA 280, MCL 125.2872, as determined by the Board, that offers unprocessed USDA-inspected meat and poultry products or meat products that carry the USDA organic seal, fresh fruits and vegetables, and dairy products for sale to the public."²

A new neighborhood and commercial corridor food initiative would not be eligible for an incentive if it were located within one mile of an existing retail supermarket, grocery store, or supermarket, as determined by the MSF board, that offers the same foods described in the definition above.

The application for a neighborhood and commercial corridor food initiative project would stipulate that all applications would be received by June 1 for that fiscal year. Beginning in FY 2017-2018 and through FY 2021-2022, at least 5% of all community revitalization incentives would be required to be awarded to neighborhood and commercial corridor food initiatives. In the event that not enough projects were approved to meet that requirement, the MSF board would be able to use the funds for other eligible CRP projects.

With the exception of the June 1 application deadline, proposals for neighborhood and commercial corridor food initiative projects would still be subject to the existing application criteria, monetary and project limits, agreement standards, and disbursement mechanisms described for all revitalization grant applicants found in MCL 125.2090b, c, and d.

BACKGROUND INFORMATION:

Section 90 of the Michigan Strategic Fund Act provides community revitalization incentives for activities that "promote community revitalization [and] will accelerate private investment in areas of historical disinvestment, contribute to Michigan's reinvention as a vital, job-generating state, foster redevelopment of functionally obsolete properties, reduce blight, support the rehabilitation of historic resources, and protect the natural resources of this state and is a public purpose and of paramount concern in the

² That definition of "development area" can be found here:
[http://www.legislature.mi.gov/\(S\(velxtdozre01lg1ndvasg5mz\)\)/mileg.aspx?page=getobject&objectname=mcl-125-2875](http://www.legislature.mi.gov/(S(velxtdozre01lg1ndvasg5mz))/mileg.aspx?page=getobject&objectname=mcl-125-2875)

interest of the health, safety, and general welfare of the citizens of this state." The incentives generally support site demolition, construction, restoration, and additions.

FISCAL INFORMATION:

The amount available for the Community Revitalization Program is appropriated annually by the legislature in the Business Attraction and Community Revitalization line item in the Michigan Strategic Fund (MSF) budget. The MSF Board ultimately determines the distribution of the funds between the Michigan Business Development Program and the Community Revitalization Program.

Assuming there was sufficient demand, the bill would require at least 5% of the amount dedicated to the Community Revitalization Program be used on neighborhood and commercial corridor food initiatives. In FY 2015, the most recent year available, approximately \$49.4 million was awarded under the Community Revitalization Program. At this level of funding, approximately \$2.5 million would have been required for these food initiatives.

ARGUMENTS:

For:

Access to quality food is a problem for individuals in urban areas, many of whom lack vehicles for personal transportation or lack time to travel by public transportation. The Community Revitalization Program is designed to improve communities across Michigan, and supporting grocery stores and supermarkets is a clear way to improve communities.

Against:

Grocery stores are now eligible to apply, and the MSF board is allowed to approve, any CRP proposal for grocery stores or supermarkets, in any part of Michigan, so long as the property and investment meet existing criteria. There is no need to amend the statute, and create a funding mandate for the MSF, since the possibility for a grocery store to receive CRP funding already exists.

Response:

Adding this permissible use of funds to statute will be a significant gesture that highlights the importance of healthy eating and healthy lifestyles across Michigan. Additionally, there is no requirement that the MSF spend all 5% on urban food initiatives; it is only required to if there is sufficient demand.

Against:

Business incentives of this kind support new and incoming businesses at the expense of existing businesses. An existing business should not have to compete with a new entrant that only entered the market because of government support.

Response:

In the statute governing the CRP program, any existing business with an eligible investment made prior to a CRP application, so long as it has not been fully reimbursed or paid off, is eligible to apply for an incentive. Additionally, a new food initiative would not be eligible for an incentive if it were located within one mile of an existing grocery store. The intent of the bill is to get grocery stores in underserved areas; that is, areas that do not have an existing grocery store.

POSITIONS:

A representative of the Downtown Lansing Neighborhood Association testified in support of the bill. (3-14-17)

Representatives of the following organizations indicated support for the bill:

- Michigan League for Public Policy (3-14-17)
- The MOTION Coalition – Authority Health (3-14-17)
- Michigan Retailers Association (3-14-17)
- Healthy Kids, Healthy Michigan (3-14-17)
- Michigan Bankers Association (3-14-17, 5-2-17)
- Associated Food and Petroleum Dealers (3-14-17)
- American Heart Association (3-14-17)
- Chaldean Chamber of Commerce (5-2-17)

A representative of the Michigan Department of Talent and Economic Development testified with a neutral position on the bill. (3-14-17)

Legislative Analyst: Patrick Morris
Fiscal Analyst: Ben Gielczyk

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.