

NEXT MICHIGAN DEVELOPMENT CORPORATIONS & MULTIMODAL COMMERCE

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House Bill 5346
Sponsor: Rep. Douglas Geiss

House Bill 5349
Sponsor: Rep. John Walsh

House Bill 5347
Sponsor: Rep. Pam Byrnes

House Bill 5350
Sponsor: Rep. Marc Corriveau

House Bill 5348
Sponsor: Rep. Andrew Kandrevas

House Bill 5351
Sponsor: Rep. Bert Johnson

Committee: Transportation
Complete to 9-23-09

A PRELIMINARY SUMMARY OF HOUSE BILLS 5346-5351 AS INTRODUCED 9-10-09

House Bill 5346 would provide for the creation of up to 10 *Next Michigan Development Corporations*, which would have as their purpose encouraging economic development and investment, job creation and job retention, and ancillary economic growth. The bill creates a new act, the Next Michigan Development Act.

This new kind of corporation would be formed by an interlocal agreement between at least one county and at least one other local governmental unit for the purpose of jointly exercising economic development powers and attracting eligible businesses. Interlocal agreements are authorized under the Urban Cooperation Act of 1967. Counties, cities, villages, townships, and charter townships would be eligible to participate.

The term "eligible business" under the new act would be taken from Section 3 of the Michigan Economic Growth Authority Act, and **House Bill 5351** would specifically make businesses engaged in various aspects of *multimodal commerce* eligible for benefits under the MEGA Act. *Multimodal commerce* would include the movement of products, information, and services via air, roads, rail, or water. (A fuller description of these businesses follows at the end of the summary in the more detailed description of House Bill 5351.)

House Bills 5347-5350 would each amend a separate act to allow these new development corporations, generally speaking, to employ real and personal property tax abatements, tax increment financing plans, and renaissance zones in the way that other local units of government currently can. **House Bill 5351** would provide for Michigan business tax credits.

The following is a brief description of each bill.

House Bill 5346 (Next Michigan Development Act)

To have an entity designated as a development corporation, participating communities would submit an application to the board of the Michigan Strategic Fund. The application must

include the interlocal agreement forming the entity along with the approval of the agreement by the Governor (as required by the Urban Cooperation Act).

The MSF board would grant or deny designation based on the following criteria:

- (1) The nominal level of unemployed workers within a county's participating units.
- (2) The number of local units that are party to the interlocal agreement.
- (3) Whether the application demonstrates evidence of significant job creation potential of a regional or state asset, enterprise, facility, or obsolete facility, as documented by a comprehensive business plan and a third-party study quantifying the job creation potential and the degree of job creation potential.
- (4) Whether the application is supported by public and private commitment and the degree of the commitment.

The role of a Next Michigan Development Corporation would be to seek to attract eligible businesses to its district, and in doing so, it could exercise all of the powers, privileges, and responsibilities granted under state law, including the Renaissance Zone Act, the Local Development Financing Act, and Section 9f of the General Property Tax Act (which allows the exemption of new personal property of an eligible business).

The corporation would be subject to the Open Meetings Act and the Freedom of Information Act. However, certain financial and proprietary information of businesses could remain confidential.

House Bill 5347 (Tax Increment Financing & Smart Zones)

The bill would amend the Local Development Financing Act. The bill would allow a Next Michigan Corporation to use tax increment financing under this act. The board of the corporation would act as the board of the LDFA created by the corporation. The act allows cities, villages, and urban townships to capture the growth in property taxes (tax increments) within a specified area to fund activities and infrastructure benefiting certain specified kinds of firms. This act also provides for the creation of certified technology parks or SmartZones.

House Bill 5348 (PA 198 Abatements)

The bill would allow a Next Michigan Corporation to grant PA 198 property tax abatements under the Plant Rehabilitation and Industrial Development Districts Act (commonly referred to as PA 198). That act allows local units of government to grant industrial facility exemption certificates to new and speculative buildings and to replacement facilities. The certificate, generally speaking, grants a property tax abatement on a facility (but not the land) for up to 12 years to an industrial facility, by allowing a firm to pay a lower "specific" tax instead of regular property taxes. The specific tax is roughly one-half of the standard property tax for a new facility. For a rehabilitated facility, the tax is based on the value of property prior to renovation. Approval is first required by a local unit of government and subsequently by the State Tax Commission, which checks to see if the law has been followed properly.

House Bill 5349 (Renaissance Zones)

The bill would amend the Michigan Renaissance Zone Act to allow the board of the Michigan Strategic Fund to designate Next Michigan Renaissance Zones within a development district. Renaissance zones are typically described as granting virtually tax-free status to the businesses or residents in them. 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. The MSF could designate up to 12 zones per development district, with the actual number determined by the number of parties entering into the interlocal agreement forming the corporation. A zone would have a duration of not less than five years or more than ten years.

House Bill 5350 (Personal Property Tax Abatements)

The bill would amend Section 9f of the General Property Tax Act. That section allows for the exemption of new personal property owned or leased by an eligible business. The exemption requires the concurrence of the State Tax Commission and the president of the Michigan Strategic Fund.

House Bill 5351 (MEGA -- Multimodal Commerce)

The bill would amend the Michigan Economic Growth Authority Act, under which eligible businesses can claim Michigan business tax (MBT) credits. It would amend the definition of "eligible business" to include a business engaged in the shipment of tangible personal property via multimodal commerce; a supply chain business providing a majority of services to businesses engaged in the shipment of tangible personal property via multimodal commerce; a manufacturing or assembly facility receiving or shipping a majority of its production components via multimodal commerce; a business that provides value to customers by applying an integrated approach to planning, implementing, and controlling the flow of information, materials, and services from initiation of product concept and development through and including distribution of the finished product to the end customer, including procurement, manufacturing, technology, distribution, warehousing, logistics, transportation, or related value-added processes and activities; and related corporate offices and headquarters for any of the businesses described earlier.

FISCAL IMPACT:

A fiscal analysis is in process.

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Fiscal Analyst: Rebecca Ross

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