

# Legislative Analysis



## PA 198: INCLUDE STRATEGIC RESPONSE CENTER

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**House Bill 4629 (Substitute H-1)**  
**Sponsor: Rep. Gary McDowell**  
**Committee: Commerce**

**Senate Bill 400 (Substitute H-1)**  
**Sponsor: Sen. Jason E. Allen**  
**Senate Committee: Commerce and Tourism**  
**House Committee: Commerce**

**Complete to 5-1-07**

## A SUMMARY OF HOUSE BILL 4629 AND SENATE BILL 400 AS REPORTED FROM HOUSE COMMITTEE 5-1-07

Together the bills would include a "strategic response center" as an eligible facility for a property tax abatement under the Plant Rehabilitation and Industrial Development Districts Act, commonly referred to as PA 198.

A "strategic response center" would be defined as a facility that provides catastrophe response solutions through the development and staffing of a national response center for which a [PA 198] district was created before December 31, 2007.

Senate Bill 400 would include "the operation of a strategic response center" within the definition of "industrial property." House Bill 4620 would add the definition cited above of a "strategic response center" to the act. The two bills are tie-barred, meaning neither can take effect unless both are enacted.

MCL 207.552 and 553

### BACKGROUND INFORMATION:

According to proponents, a firm called Sovereign Deed, LLC, is considering locating a national response center at the regional airport near Pellston in Emmet County in northern Michigan. The firm plans to provide privatized catastrophic response services to supplement public sector efforts when major disasters occur. Reportedly, the firm is considering three states to locate the national center. This bill is part of a package of local and state incentives. According to committee testimony, the bill will provide a property tax abatement of about \$5 million (although the land is not currently on the tax rolls.)

The Plant Rehabilitation and Industrial Development Districts Act, commonly referred to as PA 198, allows local units of government to grant industrial facilities 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.

**FISCAL IMPACT:**

This bill could lower local property tax collections, which would result in increased expenditures from the School Aid Fund to replace the six-mill State Education Tax. The amount of such impact would depend on the number of strategic response centers constructed in Michigan, and the willingness of local governments to grant industrial facilities exemptions. At this time, it appears only a single site is contemplated. Although the overall impact on local property tax collections may be minimal, the impact on a specific municipality and the associated county could be significant.

**POSITIONS:**

The Michigan Economic Development Corporation (MEDC) testified in support of the bills. (5-1-07)

A representative of Emmet County indicated support for the bills. (4-24-07)

A representative of the Northern Lakes Economic Alliance indicated support for the bill. (4-24-07)

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■ 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.