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BILL ANALYSIS

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Senate Bill 492 (Substitute S-1 as reported)  
Sponsor: Senator Tom George  
Committee: Economic Development and Regulatory Reform

### **CONTENT**

The bill would amend the Brownfield Redevelopment Financing Act to:

- Include in "eligible activities" assistance to a qualified local governmental unit or a brownfield authority in clearing or quieting title to, or conveying property owned or under the control of a qualified local unit, if the acquisition were for economic development purposes.
- Prohibit the use of tax increment revenue captured from taxes levied for school operating purposes for the eligible activities described above.
- Require approval of a work plan by the Michigan Economic Growth Authority if a brownfield plan included the capture of school-operating taxes for a qualified local unit's or brownfield authority's acquisition of property for economic development purposes.

The Act allows municipalities to establish brownfield redevelopment zones and brownfield redevelopment zone authorities, which may implement brownfield plans for the redevelopment of commercial or industrial property. The Act specifies financing sources for authority activities, including the capture of tax increment revenue. The revenue may be used to pay the costs of eligible activities on eligible property within a zone.

MCL 125.2652 & 125.2663

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

The bill would reduce State School Aid Fund and local unit revenue by an unknown amount, depending upon the specific characteristics of the projects affected by the bill. By expanding the definition of "eligible activities", the bill would increase the amount of taxes subject to capture. The broadened definition also could increase the duration of any revenue capture.

As of January 2010, there were 281 brownfield redevelopment authorities. The Department of Treasury estimated that approximately \$310.0 million in State and local property tax revenue would be captured under the law during FY 2009-10 by all authorities using tax increment capture (downtown development authorities, local development finance authorities, tax increment finance authorities, and brownfield redevelopment authorities). The portion of that amount attributable to brownfield projects is unknown. A 2006 report from the Department of Environmental Quality estimated approximately \$2.6 million in captured State Education Tax revenue and \$6.6 million in captured local school operating property tax revenue, up from \$2.1 million and \$5.2 million, respectively, in 2005.

Date Completed: 2-26-10

Fiscal Analyst: David Zin

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